Dynamic Chiropractic

A New Year?

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It's becoming easier to tell when a new year begins. In the past, we were reminded it was a new year by trying to remember to change the last number on the year, 1991 not 1990. You could tell it was a new year because you got all those tax statements in the mail. Now you can tell it is a new year by the changes in the tax laws. Congress is determined to keep us confused as to what we can deduct and when we can deduct it.

Yes, we have a new tax law and its effect will be felt by us all. But, before you begin to panic, let me assure you all is not lost. By now you have probably seen hundreds of reports on how the tax will effect you, the American tax payer. I won't bore you with the minute details, but will try to give you a thumb-nail sketch of what to expect, and some ideas on how to plan defensively for these tax changes and future ones. Tax changes will come, just as surely as the new year.

If you as an individual earn more than $109,100, or as a married couple earn more than $185,730, your new tax rate will be 31% instead of 28%. You will have a lower rate if you as an individual earn between $47,050 and $109,100, or as a married couple earn between $78,400 and $185,730. Your rate went from 33% to only 31%. Be thankful for small favors! If as an individual you earn over $100,000, or have married earnings over $150,000, Uncle Sam is out to get you. You will gradually lose your personal exemption as your income increases. The largest tax increase will be for Medicare. Last year, self-employed individuals paid 18.3% on the first $51,300 of earnings to support Social Security. Of that, 2.9 percentage points went to cover Medicare. The old cap was at $51,300, but the new cap will go up to $125,000. I am sure this wonderful news has really made your day! But fear not, Stanley Greenfield is here today to tell you there are still a few good ideas out there to save you tax dollars. Don't despair, read on. After all, what have you got to lose?

I hate to keep plugging my own articles, but if you haven't been filing them away for just such occasions, shame on you! (Drop me a line and I will send you a copy.) I have spent a lot of time and energy discussing the virtues of setting up a retirement program. The government allows you to set up such a plan and put money into it before taxes, and the money accumulates in it tax free. I hope that you noticed that I high-lighted the key words. I wrote about this in 9/12/90 "Which is Better?", 2/28/90 "Retirement Potpourri," 1/31/90 "Just Do It," 8/1/89 "A KISS Retirement Plan," and I have touched on it in a few of my other "Potpourri" articles. As tax rates increase, it is even more important to consider a retirement program. You pay taxes on your net after expenses and contributions to a retirement program. That means if you have a plan you will pay less taxes. It does not take a rocket scientist to figure that one out! These plans can be designed to fit your needs and will benefit you, not only in current tax savings, but also in building a nice nest-egg for your retirement.

I know the idea of a formal qualified program is a little frightening, but they aren't that difficult at all. Most are quite simple to operate and set up. Do yourself a favor. Make a New Year's resolution and at least investigate how you would benefit from a retirement program. I can assure you it will be time well spent. I can also assure you that if you keep reading my articles, you will be reminded of this in the future.

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