



Rothman & Associates, LLC
 Certified Public Accountant



CLIENT UPDATE

SPRING 2021

Answers to your common tax questions

With the April 15 tax filing deadline right around the corner, here are answers to some common tax questions.

When will I get my refund? The pandemic and additional stimulus payments will, in all probability, delay refund payments. But as of now here are the old wait times to receive your refund.

- E-file return, refund is a direct deposit = 1 to 3 weeks
- E-file return, refund is mailed as a check = 1 month
- Paper file return, refund is a direct deposit = 3 weeks
- Paper file return, refund is mailed as a check = 2 months

NOTE: If you want exact information on the status of YOUR refund, go to www.irs.gov/refund and follow their instructions.

What's the most common delay in completing a tax return? Missing items! W-2 and 1099 forms are some of the most common tax documents to go missing. If you have multiple jobs, whether full-time or part-time, you'll be getting multiple documents in the mail. It's easy to lose track of all these documents if you don't have one place you put them once received.

Can I still get a stimulus payment? If you're still waiting on either the 2020 or 2021 stimulus payment, the IRS is recom-

mending that you file your 2020 tax return electronically and claim the Recovery Rebate Credit. This is the quickest way to get a missing stimulus payment. This is why it is important to keep track of any payments you receive from the government this year to help account for any missing payments or underpayments.

Can I correct a tax form that has an incorrect dollar amount? If you receive a tax document with incorrect information, contact the company that issued the document and try to get it fixed immediately. If you can't get a corrected form right away, include both the incorrect form and the correct dollar amount when turning in your tax documents to have your return prepared.

Can I deduct charitable contributions if I don't itemize? In 2020 you can claim a \$300 charitable contribution deduction regardless of whether or not you itemize your deductions. If you missed this window of this above-the-line donation in 2020, never fear as it is also available in 2021 with an increased limit to \$600 for married couples. So save those donation receipts!

Is this taxable? While there are always exceptions, the following items are taxable unless specific legislation notes otherwise. This includes unemployment benefits and withdrawals from non-Roth retirement accounts. Some things, like Social Security, are often, but not always, taxable. ♦

Inside this Issue:

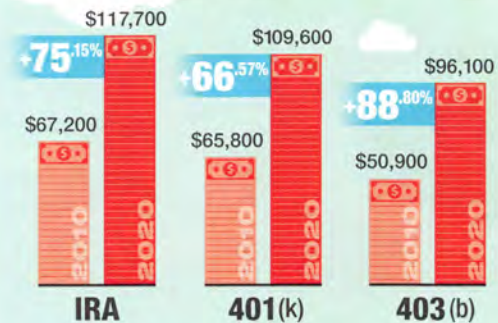
IRS Update	2
7 tips for financial wellness	2
Your identity is NOT your own!	3
Tax Calendar	3
The new world of bank reconciliations	4

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RETIREMENT FAST FACTS

Retirement Savings Climb Between 2010 and 2020



Source: Fidelity 2020 Q3 analysis

Note: Unfortunately, only 32% of Americans have a 401(k) or 403(b), and 29% have an IRA, according to U.S. Census statistics.



Retirement and Moving Top states that lost retirees and gained retirees in 2020



Source: Hire a Helper 2020 Survey

IRS Update

All taxpayers now eligible for Identity Protection PINs

The IRS is expanding its Identity Protection PIN (IP PIN) program to all taxpayers who can verify their identities. The IP PIN is a six-digit code known only to you and the IRS that helps prevent identity thieves from filing fraudulent tax returns using your personally identifiable information. If you want an IP PIN, visit [IRS.gov/IPPIN](https://www.irs.gov/ippin).

Stimulus payment questions? Visit the Get My Payment website

The IRS is reminding you to visit [irs.gov/coronavirus/get-my-payment](https://www.irs.gov/coronavirus/get-my-payment) if you have questions about either your first or second stimulus payment. If you have not received your full stimulus payment by the time you file your 2020 tax return, you can claim the Recovery Rebate Credit on your tax return.

No change to first quarter interest rates

Interest rates for the first quarter in 2021 will remain the same compared to last quarter. These rates include: 3% for overpayments (2% for corporations); 0.5% for the portion of a corporate overpayment over \$10,000; 3% for underpayments and 5% for large corporation underpayments. ♦

7 tips for financial wellness

Common New Year's resolutions are to lose weight or become more active. Perhaps 2021 is the year to shift focus. Here are seven tips to help you become more financially fit.

- 1 Create a budget.** It's easy to get into financial trouble if you spend more than you earn. By watching your budget more carefully, you might be surprised by how much you spend in certain areas of your life. Many banks and credit unions offer budgeting tools directly on their websites.
- 2 Get a free credit report.** You can obtain a free copy of your credit report from each of the three major credit reporting agencies every 12 months. Reviewing your reports regularly can help ensure the data in your report is accurate and allows you to contact creditors to dispute any errors.
- 3 Pay down debt.** Start chipping away at your debts through a series of regular payments. Begin with bills that have the highest interest rates. Research whether it makes sense to consolidate debts at a more reasonable interest rate.
- 4 Review your investments.** With the recent pandemic and market volatility, reviewing your investments is more important than ever. Protect yourself against risks by diversifying across different classes of investments. If you have not developed an asset allocation plan, consider doing so. If you have, adjust your portfolio to ensure it is still meeting your objectives.
- 5 Plan ahead for retirement.** Take advantage of tax-favored retirement plans such as a 401(k) at work. Both the contributions and earnings are tax-deferred and can compound over time. The 401(k) limit for 2021 is \$19,500 (\$26,000 if you're age 50 or over). Also consider contributing to an IRA, which has a contribution limit of \$6,000 (\$7,000 if you're age 50 or older).
- 6 Check your insurance coverage.** Things can change over time, so don't assume the coverage you acquired years ago still provides adequate protection for your family or business. Take a look at your policies to determine if adjustments are needed.
- 7 Save for emergencies.** The COVID-19 pandemic has reminded us the importance of establishing an emergency fund that can last for several months if you lost your salary, or if your business revenue dramatically declines.

Acting on all these tips may seem a bit overwhelming. By focusing on a few now, before you know it, your financial wellness will improve over time. ♦





Your identity is NOT your own!

Here's how to handle your most valuable asset

One of the most valuable things you own is your identity. It includes the basics, where you live, your age, and your gender. But it also includes your interests, who you know, and what you buy. So, do you know who has your identity? Here's the life cycle of your identity and what to do to protect it.

It gets collected

Think about the organizations that have legally collected information about your identity – your employer, government entities, insurance companies, banks, credit reporting agencies and non-profit organizations. Now include those you give it to freely – like Google, Facebook, LinkedIn, Twitter, and other websites or social media platforms.

It gets stored

Once your identity gets collected, it then needs to be stored somewhere. Storage is most often done electronically, either on servers or locally on a computer or mobile device. This is one of the core concerns with Tik-Tok, a Chinese originated short video service. The concern is that a foreign entity will have a map of U.S. citizens' interests and behaviors that can help identify potential targets that can be manipulated.

It gets sold

Once your confidential information is collected, most organizations then sell it to other companies. Not only is information about your identity collected without your knowledge, this information is then monetized. Your viewing behavior can also be actively manipulated by the sites you view. So if you read articles about cats, you are going to get a lot more articles about cats and get ads that relate to cat lover behavior. This is often so subtle, you do not realize it is happening.

It gets accessed

If your information is considered a public record, anybody can see it. Business licenses, property tax records and real estate ownership are just a few examples of personal information that anyone can access.

It gets stolen

Identity thieves are always looking for ways to access your information. Thieves either hack one of the organizations that collects your confidential information or find a way to trick you into giving them your information, with techniques such as phishing emails.

What you can do

- **Opt-out of providing personal information.** The best place to start with protecting your identity is knowing who has access to it and asking if they really need it. Consider opting out of providing information if possible.
- **Be vigilant with the data you possess.** While you can't control how secure an insurance company's servers are, you can control how secure you handle the information you possess. Be on the lookout for phishing emails, verify requests for your information, and don't forget about getting rid of documents the old-fashioned way with a shredder.
- **Deliberately monetize your identity.** Stop giving away your identity without a thought. Here's an idea. Consider you are worth a million dollars. Then see what these services are paying you for your information and how they are using it. If this little exercise gets you to pause before signing up for a new service, then the exercise is worth it! ♦

Tax Calendar

March 15

- 2020 calendar-year S corporation income tax returns are due.
- 2020 partnership returns are due.
- Deadline for calendar-year corporations to elect S corporation status for 2021.

April 15

- 2020 individual income tax returns are due.
- 2020 annual gift tax returns are due.
- Deadline for making 2020 IRA and HSA contributions.
- First installment of 2021 individual estimated tax is due.
- 2020 calendar-year C corporation income tax returns are due.

May 17

- 2020 calendar-year non-profit organization annual reporting returns are due.

CLIENT UPDATE

PRACTICAL TAX & FINANCIAL ADVICE

The new world of bank reconciliations

Here's a look at the new world of bank reconciliations and some ideas to ensure your bank account balance is accurate.

■ The purpose of a bank reconciliation

In a nutshell, a bank reconciliation ensures your account is accurate. This is done by comparing all your activity with what the bank is reporting.

■ The importance of timely bank reconciliations

There are several reasons why conducting account reviews are good for your financial health.

- ▶ **Catch a mistake by the bank.** Banks can make mistakes. Reconciliations can help you catch these bank errors. And these errors are more common with digital payment systems...often a small transposition or machine misread of a number can create a payment error.
- ▶ **Catch a mistake by you.** Yep, I know it's difficult envisioning you making an error, but it happens, too. It is easy to write down the wrong payment amount. The only way to catch this is to look at your account and compare it to what you think you paid.

- ▶ **Catch unauthorized use.** If someone hacks into your mobile phone's payment app and spends \$20 of your money, how would you ever find out? Reconciliations can help you uncover fraudulent activity you may have missed.
- ▶ **Properly monitor automatic payments.** With monthly payments automatically coming out of your account, it is easy to forget an automatic payment and have less in your account than you think you do. It also helps you identify ongoing payments that should be discontinued.

■ Tips for reconciling your accounts

Here are some tips for reconciling in the new world of banking.

- ▶ **Reconcile every week (or every day!).** Gone are the days when you need to wait for your monthly bank statement in the mail to reconcile your account. Use your bank's online tools to reconcile once a week or even once a day. This will help identify problems as they occur and is especially important in identifying possible hacking or theft.
- ▶ **Use your favorite app to capture your spending.** Secure online applications are now replacing the traditional check register. You'll still need to be disciplined to use the online tool every time you spend money, so look for an application that is easy to record your spending.
- ▶ **Combine reconciling with budgeting.** Use your reconciliations as an opportunity to become better with budgeting your money. Use reporting functions to help classify your deposits and payments, then compare them with what you think they should be. This moves the discipline from a simple reconciliation to a more planned approach to comparing your budget to actual spending.

The way bank reconciliations are done may have changed over the past 20 years, but the vital role they play in maintaining your financial health will never disappear. ♦

