Coleman&Associates
Fully Integrated Tax, Accounting & Financial Services

April 2024

In This Issue

- Tax Day is Here!
- Password Madness: Tips to Keep Your Growing List Under Control
- Moves to Improve Your Credit Score
- The Best Time to Start Saving for College is…Now

Important Dates:

April 15, 2024

- Individual income tax returns for 2023 are due.
- First quarter 2024 estimated tax payments are due.

Tax Day is Here!

With the individual tax-filing deadline on Monday, April 15th, now is the time to complete all filing arrangements and payments.

What follows is information typically provided in our filling instructions to you when the tax return is completed. However, upon review, it makes sense to provide this information to everyone, whether you have filed or not. It is good information to know, so if you have not already done so, ask yourself these questions:

- **Did you sign your e-file authorization form?** IRS Form 8879 needs to be signed by you before your taxes can be e-filed. If filing jointly, your spouse needs to sign as well. If you haven't already, please return the signed form ASAP to ensure that your taxes can be e-filed on time. But don't sign it before reviewing the tax return. Remember, this signature means you agree with the accuracy of the tax return.

- **Do you need more time to file?** If you are not ready to file your taxes before the initial April 15th deadline, you can file for a six-month extension. Be aware that it is only an extension of time to file — not an extension of time to pay taxes you owe. You still need to pay all taxes by April 15th!

- **Do you owe money?** If yes, make your tax payment now! The IRS has several payment options on their website. If mailing a payment, include Form 1040-V and ensure the mail is postmarked on or before April 15th. Sending the payment by certified mail will ensure you have proof of a timely payment. Late payments, even by one day, are subject to IRS penalties and interest.

- **Do you need to deposit funds in your IRA or HSA?** Did you claim an IRA or HSA contribution on your tax return? In order for the deduction to be valid for 2023, all deposits to those accounts need to be made by April 15th. Once completed, save proof of the contribution with your 2023 tax files.

- **Do you need to make an estimated tax payment?** The first quarter estimated tax payment for 2024 is also due by April 15th. If you owe taxes for 2023, making 2024 estimated payments might make sense for you. A quick way to calculate a first quarter payment is to divide the taxes you paid in 2023 by four, then adjust this number for any paycheck withholdings. Send your payment along with Form 1040-ES to the IRS by April 15th. Then schedule a tax-planning meeting to determine the best approach for the remainder of the year.

If you do miss a deadline, file your return and pay the taxes as soon as you can to stop the accruing of interest and penalties.

Password Madness: Tips to Keep Your Growing List Under Control

When it comes to keeping your online accounts safe, strong passwords that nobody can guess are an essential tool. Many struggle, though, with password fatigue because you need to have a password for…well, everything. And then you need to change these passwords every several months!

While most of us understand the need for strong passwords to protect our confidential information, it doesn't make password madness any easier to handle. Here are some tips to try and make your password process a little bit less stressful.

- ✓ **Treat all credentials equally.** While the password for your kid's school lunch account may not seem that important, it could be tied to your credit card or bank account. Treat all log-in credentials you have with equal care and respect and remember that hackers frequently target seemingly unimportant passwords in order to guess other higher-value passwords.

- ✓ **Avoid oversharing on social media.** Avoid sharing financial and personal information on social media since hackers scrape public profiles to find sensitive information. Even harmless information you share (like the fact you got a new bank account) could make it easier for them to access your credentials.

- ✓ **Don't re-use passwords.** It goes without saying that you shouldn't use the easiest password that comes to mind like your birthday or the word password. On top of that, use a somewhat complicated password that's unique to each of your accounts.

- ✓ **Set up multi-factor authentication on your accounts.** Install multi-factor authentication on as many accounts as possible. This step means you'll get a text or an email in order to authenticate your identity, which makes it harder for thieves to gain access.

- ✓ **Install a password manager.** Consider using a password manager such as LastPass or Dashlane (there are also many more companies that do a nice job in this area) to manage and oversee all your passwords. In addition to securing all your passwords with a single master password, password managers also help create complicated passwords for each of your accounts. The weakness using this tool is that thieves are now targeting password manager systems because they know they can get all of a person's passwords in one fell swoop.

- ✓ **Think of estate planning.** Remember, password management also includes getting access to accounts by someone in your family or an executor of a will should you pass away or become incapacitated. So be sure to include transferring passwords them the need arises.

Use these steps to make your password madness easier to handle and your online accounts safer from online thieves.

Moves to Improve Your Credit Score

While your credit score is a three-digit number that's automatically assigned to you, this is one area of your financial life where you have quite a bit of control. The moves you make or don't make with your credit can help determine where this score falls at any time, and the impact can be dramatic.

Where good credit, a score of 670 or higher, can mean having access to financing with the best rates and terms, a low credit score can mean paying higher interest rates and more loan fees — or even being denied financing altogether. Bad credit can also mean having trouble getting an apartment or a job if your employer asks to see your credit report for hiring purposes.

The following steps can help you improve your credit this year and beyond:

- **Set up bills for automatic payments.** Because your payment history is the most important factor used to determine credit scores, make every effort to pay bills on time. Set up your bills for automatic payments so they're paid no matter what, and you can avoid unnecessary credit score damage.

- **Pay down existing debt.** How much you owe in relation to your credit limits is the second most important factor used for credit scores. This means avoiding carrying a balance on your credit cards and never using more than 25% of your credit line or your credit score could be impacted.

- **Look over your credit reports for errors.** Check your credit reports from all three credit bureaus — Experian, Equifax and TransUnion. You can do this once a year for free at AnnualCreditReport.com. If you find any errors or information you don't recognize, take steps to dispute this information with the credit bureaus.

- **Build credit with new financial products.** If you need to build credit from scratch or repair credit after mistakes made in the past, look for new credit products that are easy to obtain. Your best options are secured credit cards that require a cash deposit as collateral and credit-builder loans.

- **Use a free app to build credit.** You can use a free app like Experian Boost to get credit for payments you're already making like utility bills, subscription services and even your rent. All you have to do is connect your accounts to this app to have your payments reported to the credit bureaus.

You don't have to live with a low credit score for another year, especially since so many things can help you improve it. By never missing a payment, paying down debt, checking over your credit reports and getting creative when it comes to building new credit, you can end 2024 in much better shape.

The Best Time to Start Saving for College is…Now

Let's get the "firehose of cold water in the face" statistic out of the way first: According to the research team at the Education Data Initiative, the average cost of college—including books, supplies and daily living expenses—at a four-year institution for first-time, full-time undergraduates is now $36,436 per year.
It doesn't matter how young (or non-existent) your children are right now. If you're a parent—or plan to be a parent—it's nearly inevitable that you'll be faced with figuring out how to pay for college one day. That's why financial professionals advise starting to save for college as early as possible. Here are two primary reasons why:

- **Education costs are rising.** As shocking as that $36K figure is, it will probably only go up from here, given that tuition and related costs have consistently risen over the past decades. The Education Data Initiative report says the average cost of college has more than doubled in the 21st century, with an annual growth rate of 2% over the past 10 years. By starting a college savings fund early, you can help mitigate the impact of those increasing costs.

- **Student debt is also rising.** The average college graduate is saddled with significant student loan debt—the average federal student loan debt is $37,787—and spends roughly 20 years paying off their loans. That means it's entirely statistically possible you may still be paying down your own student loans. Saving for college can help reduce or even eliminate the need for loans, freeing your children from years of student loan debt.

Plus, establishing a college savings fund can be a good way to teach children about saving, investing and the value of long-term planning. It also puts a spotlight on the importance and expectations of higher education, whether at a four-year university, your local community college or trade school.

Is it too late to start saving? And where do you start?
Given the power of interest and compounding, the earlier in your child's life that you can start saving, the better. But even if your child is in high school, it's not too late; anything you can save will reduce the amount you need to borrow.

Here are six common options for college savings plans:

1. **529 plan**—A 529 plan is an education savings plan operated by a state or educational institution and designed to help families set aside funds for future college costs. Earnings in 529 plans aren't subject to federal tax and, under certain circumstances, state tax.

2. **Coverdell education savings account (ESA)**—A Coverdell ESA is a trust or custodial account set up solely for paying qualified education expenses for the designated beneficiary. There's a limit on how much can be contributed each year.

3. **UGMA/UTMA accounts**—The Uniform Gift to Minors Act (UGMA) and the Uniform Transfers to Minors Act (UTMA) are custodial accounts that allow parents to save and invest on behalf of a minor. These accounts are not strictly limited to educational expenses. However, unlike 529 plans and Coverdell ESAs, earnings and withdrawals from UGMA/UTMA aren't tax-free.

4. **Savings bonds**—The Education Bond Program allows qualified taxpayers to exclude from their gross income all or part of the interest paid upon redemption of eligible Series EE and I bonds after 1989, when the funds are used to pay qualified higher education expenses.

5. **IRA accounts**—IRA accounts aren't just for retirement; if you've been making contributions for at least five years, you can also use either a traditional or Roth IRA for qualified college payments, but there are differences in how the taxes are treated. Because there are a number of rules governing the use of an IRA for education expenses, you'll want to work with your financial advisor to understand the advantages and disadvantages.

6. **Regular savings account**—If you're not sure your child will go to college, you might want to choose a regular savings account. While these don't have the same tax advantages as a 529 plan or Coverdell ESA, they also don't have restrictions on how the money can be used.

The best savings option depends on your family's individual circumstances, goals and financial situation. Before making decisions, it's always a good idea to consult with your financial advisor for more information.
Remember, it's never too early—and not too late—to start saving for college. Even small, regular contributions can add up over time...and can help to reduce the stress and worry of paying for college, for both you and your children.

As always, contact the office with questions by emailing us at info@colemancpas.com or calling 773-444-3100. We are here to help.