Coleman & Associates
Fully Integrated Tax, Accounting & Financial Services

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Reminder:

- **October 17** - Filing deadline for extended 2021 individual and C corporation tax returns

Annual Sexual Harassment Training Required by Illinois Law

Every employer in the State of Illinois is required to provide employees with sexual harassment prevention training that complies with section 2-109 of the Illinois Human Rights Act. All employees regardless of their status (i.e., short-term, part-time, or intern) must be trained.

There are lots of resources available, including this 20 minute video from the Illinois Department of Human Rights, below.

The training needs to be completed annually by December 31st.

https://multimedia.illinois.gov/dhr/DHR-Sexual-Harassment-Prevention-Training-General-En.html

Year End Tax Planning Ideas

Consider conducting a final tax planning review now to see if you can still take actions to minimize your taxes this year. Here are some ideas to get you started.

- **Review your income.** Begin by determining how your income this year will compare to last year. Since tax rates are the same, this is a good initial indicator of your potential tax obligation. However, if your income is rising, more of your income could be subject to a higher tax rate. This higher income could also trigger phaseouts that will prevent you from taking advantage of certain deductions or tax credits formerly available to you.

- **Examine life changes.** Review any key events over the past year that may have potential tax implications. Here are some common examples:
    - Purchasing or selling a home
    - Refinancing or adding a new mortgage
    - Getting married or divorced
    - Incurring large medical expenses

    - Changing jobs
    - Welcoming a baby

- **Identify what tax changes may impact you.** Some of the major changes this year include the lowering of the child tax credit and the lowering of dependent care credit for working couples. This year also marks the first year in the last two with no pandemic related payments. If you think this could impact your situation it may make sense to conduct a tax planning review.

- **Manage your retirement.** One of the best ways to reduce your taxable income is to use tax beneficial retirement programs. So now is a good time to review your retirement account funding options. If you are not maximizing your contributions, there is still time to make adjustments.

- **Avoid surprises.** Your goal right now is to try and avoid any unwanted surprises when you file your tax return. It's also better to identify the need for a review now versus at the end of the year when time is running out. And remember, you are not required to be a tax expert. Use the tips here to determine if a review of your situation is warranted.

Maximize Your College Financial Aid With These FAFSA Tips

A brand new Free Application for Federal Student Aid (FAFSA) made its debut on October 1st, featuring 60% fewer questions and a host of other changes that aim to increase the likelihood that you can qualify for financial aid.

As you prepare to complete this year's application, here are some tips to maximize your FAFSA eligibility for financial aid.

- ✓ **File the FAFSA early.** More than a dozen states award financial aid on a first-come, first-serve basis. Students who file the FAFSA in October tend to get more than twice as much grant aid on average as students who file the FAFSA later. Even better, by completing the FAFSA early you can time your financial requests to colleges with their varied due dates.

- ✓ **Minimize income in the base year.** 2021 is the base tax year when filling out the FAFSA for the 2023-2024 school year. If you've already filed your 2021 tax return, consider filing an amended Form 1040 if there were deductions you may have overlooked that could reduce your income. Otherwise, file this knowledge away to best position your income for future years.

- ✓ **Reduce the amount of reportable assets.** While assets aren't weighted as heavily as income on the FAFSA, they could still affect overall financial aid eligibility. To decrease the amount of reportable assets, consider using cash in your bank accounts to pay down unsecured debt such as credit cards and auto loans, or maximizing retirement plan contributions. Keep in mind that certain assets aren't considered when determining financial aid eligibility. This includes the home you live in, the value of life insurance, and most retirement plans.

- ✓ **Use 529 plans wisely.** 529 plan owners will impact how the funds are reported on the FAFSA. If the account owner is a grandparent or relative, the funds are not counted on the FAFSA until the money is used. So timing the use of these funds is important. And remember if the account owner is a parent or the student, the balance of 529 plans is considered an asset of the parent on the FAFSA.

- ✓ **Spend a student's money first.** If a student does have cash saved or other assets, consider withdrawing money from student assets first before touching parent assets, since student assets are assessed at a higher rate than parent assets.

Planning for Elder Care

Long-term care costs can quickly drain your savings. Here are some ideas to help plan for your care or the care of your loved ones.

How much is needed?
Here's how much money you'll need for three different types of senior living arrangements according to Genworth's 2021 Cost of Care Survey:

- **In-home care -** $4,957 to $5,148 monthly; $59,484 to $61,776 annually
- **Community and assisted living -** $1,690 to $4,500 monthly; $20,280 to $54,000 annually
- **Nursing home facilities -** $7,908 to $9,034 monthly; $94,896 to $108,408 annually

The traditional source of payment problems
Too many people unfortunately think that Social Security, Medicare and health insurance will cover the costs of long-term care. The reality is that Medicare provides very limited coverage for long-term care costs.

What you can do
Here are some suggestions for how you can care for yourself and your loved ones when you need it.

- **Review long-term care insurance.** While it's challenging to find a cost-effective policy, long-term care insurance helps pay for several types of services ranging from in-home care to nursing homes. It can be difficult to qualify for long-term care insurance, however. Policy underwriters require you to answer questions and possibly complete an exam to determine medical eligibility.

  Some employers offer long-term care insurance that is purchased at group rates. If your company offers coverage, it may be a better alternative than purchasing a policy on your own.

- **Take advantage of tax benefits.** Long-term insurance premiums may be tax deductible. Tax-qualified polices are considered a medical expense and the premiums are listed as an itemized deduction. For more information, speak with an insurance agent specializing in long-term care policies as well as your tax professional.

- **Research long-term care costs in your state.** The cost of long-term care services varies by state, type of services required, and type of services preferred. Knowing the cost of long-term care available in your area is a good starting point in the planning process.

- **Leverage life insurance.** Certain life insurance policies with an early withdrawal for terminal illness or care needs can be an alternative to long-term care insurance. And if structured properly, it can also have tax-free status when used.

Before taking steps for your care as you age, please talk to qualified experts including the professionals in our office. While long-term care is costly, so is making the wrong decision on how you are going to fund it.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.