



# Newsletter

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It's the height of summer, and hopefully you've had a chance to enjoy some pleasant weather and Fourth of July fireworks. This issue contains tips on tax breaks for new parents, deciding whether to amend a tax return, strategies for reducing debt, and budgeting for replacing major household items. There's also an article about creating a strong business partnership, and a review of some of the best online productivity and security tools.

## **Five Tax Breaks for New Parents**

New parents have their work cut out for them. Not only are they dealing with lost sleep, they also face the extra cost of raising a child. At least there are a lot of potential tax breaks available to them. Check out this list and share it with any new parents you know.

### **1. Child Tax Credit**

Tax law changes this year not only double the size of the Child Tax Credit, they make it available to more parents than ever before. The credit increases to \$2,000 from \$1,000 (with \$1,400 of it being refundable even if no tax is owed). Meanwhile, the eligibility phaseout threshold increases sharply to \$400,000 from \$110,000 for married joint filers (and to \$200,000 for single taxpayers).

### **2. Child and Dependent Care Credit**

If you pay a nanny, babysitter, daycare or a relative to take care of your child while you and your spouse are at work, you can claim the Child and Dependent Care Credit. It's up to \$1,050 on \$3,000 in expenses for one child and twice that for two or more children. The key is that you and your spouse (if you are married) must both be working, and you can't claim expenses for overnight care.

### **3. Below the kiddie tax threshold**

If you have property that produces income, such as bonds, stocks, mutual funds, interest or realized capital gains, you can lower your tax by transferring a certain amount of that income to your children. Why? Your child has a lower tax rate than you do on unearned income. This works up to a certain dollar limit before "kiddie tax" rules come into play.

### **4. Adoption Credit**

About 135,000 children are adopted in the U.S. each year. If you are welcoming an adopted child into your family, the Adoption Credit can be claimed on up to \$13,840 in expenses, such as fees, legal counsel and court costs.

### **5. Educational benefits of a 529 plan**

There are many provisions in the tax code to help cover the high cost of education. Consider establishing 529 college savings programs for your new addition. While contributions are made with after-tax dollars, any investment gains are tax-free as long as they're used to pay qualified education expenses. The tax reform passed last year now also allows you to use these funds to pay private elementary and secondary school tuition as well as college.

## Become Debt-Free

The average household carries \$137,063 in debt, while the median household income is less than \$60,000, according to data from the Federal Reserve and U.S. Labor Department. While it's easy to get into debt, it can be hard to get out. Here are five tips personal finance experts recommend to lower your debt burden:

### 1. List and prioritize

Create a list all of your debts by amount owed and the interest rate you are paying. Then prioritize your repayment based on one of two strategies:

- **The Avalanche.** Focus on paying the debt with the highest interest rate first, to minimize the total interest you'll pay.
- **The Snowball.** Focus on paying the debt with the smallest balance first. While this may seem counterintuitive, it's recommended for those who have difficulty sticking to a repayment plan. The smallest balance gets paid off sooner and then its debt repayments can be devoted to the next debt. This gives you a powerful psychological boost and sense of achievement.

### 2. Pay more

Pay more than the minimum amount due. Your lender receives more interest income from you if you pay the minimum, but that's not what you want. Think of ways you can increase your income to make the extra payments, such as:

- Taking a second job or freelancing.
- Asking for a raise at work.
- Devoting extra cash to debt repayment, such as your refund check.

### 3. Spend less

Review your monthly expenses to find things that you can eliminate to increase your debt repayment. You can reward yourself by renewing these luxuries, but only after you've paid off what you owe. You could cut spending on things like:

- Cable TV
- Gym fees
- Restaurants
- Entertainment

### 4. Downsize and declutter

Not only does it help to spend less, it may also be worth getting rid of what you already have.

Consider selling possessions you no longer need, or finding a place to live with lower rent or smaller mortgage payments. Be ready to make some sacrifices in exchange for financial freedom. Things that you may be able to part with include:

- Sporting equipment
- Extra or recreational vehicles
- Electronics, games
- Collectibles

### 5. Negotiate

It's worth calling your lenders to see if there's a way to lower your interest rate. They will often do this if you've been a longtime customer with a history of timely payments. In some cases, you can even get them to forgive part of your debt. Also consider using zero-percent balance transfer options with different credit card providers. While these may come with fees, 12 months of no interest can be worth it.

Reducing your debt burden can seem overwhelming, but small steps can yield big results. As always, should you have any questions or concerns regarding your situation please feel free to call.