

# A FRESH PAIR OF EYES

Weekly Edition – 1/12/2014

**SEAN STEIN SMITH - MBA, CPA, CMA, CGMA**

## The taxes are coming

2014 is well underway, and most people will be receiving some sort of tax information from their employer in the near future. Taxes are one of the most misunderstood, and dreaded, parts of financial planning as well as investing, but it does not have to be that way. By taking some time to familiarize yourself with some of the more common terms and phrases associated with taxes, and what they mean for you, you can get a leg up on planning and budgeting.

It is also important to keep in mind that taxes are not limited to the income taxes that you pay on your salary. Investment taxes, dividend taxes, and taxes on capital gains/losses all play a role in the investing/budgeting process. By having a more thorough understanding all of the impacts that different taxes and tax strategies can have, you may be able to partially simplify your personal financial planning process and take advantage of opportunities to maximize your financial returns.

Not the "funnest" subject in the world, but an essential one, and one that does not have to be complicated.

Also - check out my article on tips for better business writing

[5 tips for better business writing](#)

Let's get started

Here the link to my weekly podcast - The Weekly Roundup  
[Weekly Roundup 1/11/2014](#)



## Contact - A Fresh Pair of Eyes

Feel free to reach out with your comments/suggestions or questions.

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## **INVESTING TIP/DEFINITION**

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### **Tax Time!**

Taxes are an unavoidable, and often unpleasant, part of life in modern society, but there is no reason that they have to catch you unprepared. Like anything else, if you are aware of something, you can take time to prepare an appropriate response in order to effectively deal with it. Let's take a brief look at some of the more common phrases used when discussing taxes.

Tax-deferred investments like traditional 401(k) vehicles are probably the most common investment that helps shield income from taxes, at least for the time being. By allowing your contributions to grow tax free until they are withdrawn, you receive the benefit of compounding (growth) on a larger balance. Another strategy that is used is the idea of taking tax losses. Example – let's say you bought a stock at its all-time high back in 2011 and still held it at year end. If you wanted, you could sell that stock and use those associated losses against any income you had generated from investing in stocks during the year.

An additional aspect to consider are the numerous tax-free investments, such as the varying options of municipal and governmental bonds. These instruments can be free from federal and even state tax. If used correctly, these can dramatically reduce the amount of tax you owe.

Be sure to always consult a financial services professional familiar with your personal financial situation and investment goals before purchasing any such securities.

Are you ready for tax-time?

### **Tax-deferred**

Tax deferred investment vehicles may sound like a very complicated investment program, but that is basically what a traditional 401 (k) is. Contributions are deducted from pre-tax earnings and allowed to grow tax free. Taxes are only due upon withdrawal (usually at retirement.) So in essence, you are deferring, or pushing off the taxes owed on the funds until you withdraw them at a later date.

**Taxes**– An unavoidable aspect of living in the modern world – taxes are the portion of earnings that are due to the government, and that are used to fund various initiatives undertaken by the government.

### **Capital Gains/Losses**

No, these are not related to centers of government, but rather to the nature of the investments you have. Based on the duration you have held the asset/investment for, they are treated differently. Almost any asset that has been held longer than 12 months is treated as a capital item and is taxed at a lower rate.

## **What do you think?**

Are you ready for tax time?

Let us know what you think, and it might become the topic of a blog post or follow up newsletter article.

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# THE WEEK AHEAD

Sean Stein Smith - MBA, CPA, CMA, CGMA

It is always good to recap and to analyze what happened during the past week, which is what I strive to do via the weekly roundup podcast (link to it is above). In addition to analyzing what did happen, it is equally important to look forward to try to anticipate how the upcoming events of the week ahead could impact you and your money. That is the point of this column, which is broken down into domestic events, as well as the international events that could be of importance to your investments.

## Budget Tip – Save with purpose

Goals help to motivate people – for example, fitness goals and academic goals, so why not apply the same concept to personal financial goals? Building on last week's suggestion of breaking up targets into bite-size pieces, setting goals helps break down financial objectives into more achievable pieces. Also, it serves as a motivator! Additionally, it gives you the ability to build in little rewards for yourself – for every \$1,000 saved, you can go/do/buy (insert treat here).

## Excel Tip – Those Function Keys, Part 1

Have you ever wondered what those F1 – F12 keys are for? Let's look at a few of them and see what exactly they do.

F1 – Displays the Excel Help task panel  
 F2 – Edits the active cells and positions the insertion point, for further edits, at the end of the cell contents  
 F3 – Displays the paste name dialog box  
 F4 – Repeats the last command or action

What do you think?

Let me know if these tips were helpful

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## Domestic

Let us start our discussion with the news and economic activity that are on the agenda for the U.S. this week.

One of the largest new stories that will undoubtedly be dominating the corporate headlines this week will be the continuing fallout from both the Target data breach, and hacking incident announced by Neiman Marcus this weekend. The ramifications of these events have the potential to have a powerful impact on the business world as well as personal finances going forward. Big Data firms, the retailers themselves, and consumer advocacy groups will certainly be monitoring the situation.

Several data points will also be released this week that have the potential to move the market headlines in the week ahead. Retail sales, housing starts, and various information from the Treasury department will round out the data releases this week.

An important item to keep an eye on in the week going forward will be the impact that the weaker than expected job data will have on the Federal Reserve, and by extension, on the economy as a whole.

Quantitative Easing has had a dramatic impact on the economy since the financial crisis, and in the light of weaker economic data, the conversation regarding tapering might be revisited.

Of course, there will be corporate news announced during the week as well, so keep your eyes open and check out the blog @ <http://ssteinsmith.com/> for daily analysis!

## International

The statement by the head of Egypt's military that he will run for the presidency of the nation if there is popular demand is a dramatic turn. The transition to a new leader, especially a military leader, might have a disruptive impact on the economy of the nation, as well as political stability of the nation.





## THE WEEKLY EDITION

### Feedback is Always Welcome!

Feedback is the key to continuous improvement, so if there are any topics, themes, or stories you would like covered in the weekly newsletter, or if there is something you wish to know more about, please send an email to [afreshpairefeyes88@gmail.com](mailto:afreshpairefeyes88@gmail.com).

Thanks again for reading!

Sean

### **A Fresh Pair of Eyes**

**Making Sense of Finance and  
Accounting**

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[A Fresh Pair of Eyes](#)

If you like the newsletter, you might also enjoy the book. "A Fresh Pair of Eyes - Finance for the Young Investor" is available on both Amazon and in the Kindle Store.

### **A Fresh Pair of Eyes - Finance for the Young Investor**

Personal Financial Planning

### **A Fresh Pair of Eyes - Personal Financial Planning**

And my new book - Stocks

### **A Fresh Pair of Eyes - Stocks for the Young Investor**

