

Top 5 Benefits Of Individual Tax Planning

When it comes to financial planning, taxes can play a critical role in securing a financially stable future for you and your family. While many turn to tax experts to handle their taxes, taking the time to understand and plan out your taxes with individual tax planning can put more money in your pocket than you might realize.

Taxes are one of those things that at some point, everyone will have to deal with. Hence the saying “the only guarantees in life are death and taxes.” But as intimidating as they may seem, taxes can become second nature when you take the time to understand them fully.

Understanding Your Taxes

If you take the time to learn and understand your taxes and everything that is within them, you can create a tax plan that works best for you. Tax planning takes time, but once you’re able to achieve your goals it can become extremely rewarding.

Before you dive into the deep end of tax planning, you first have to understand where you fall within the tax bracket. This will help you more accurately plan for your financial future. After all, you can plan for tomorrow if you don’t even know where you stand today.

Benefits of Tax Planning

After you’ve done your research and feel confident about your taxes, it’s time to come up with your tax plan. By creating your personalized tax plan, you can help yourself achieve your tax goals and future financial plans easier. Benefits of creating your very own tax plan include:

1. Maximizing Your Returns

The biggest benefit to individual tax planning is the ability to maximize your returns. No one knows your life as you do. That’s why taking the time to understand the different ways that you may qualify for tax breaks, credits, and deductions can help you maximize your returns. Leaving you with more money in your pocket for now, and later.

2. Finding Deductions

Tax deductions can lower the amount of overall taxes you owe, thus leaving you with more money. Most people overlook many tax deductions that can help them save money by taking the quick route with standard deductions. When you take your time to look at what deductions you qualify for, you may be pleasantly surprised with how much you can save year after year on your taxes.

3. Taking Credits

Another example of how you can earn more off of your returns is with credits. Almost everyone qualifies for credits of some kind or another. With your tax plan, you can get the most out of your credits with the freedom to choose what works best for you and your situation. Take your time, do your research, and double-check to make sure you've maximized all the qualifying credits that best suit your financial needs.

4. W-4's Your Way

Your W-4 lets you tell your employer how much in taxes you'd like to have withheld per pay period. This allows you to tweak and customize your tax contributions based on your personal needs. Want more money on your check upfront but less on your tax refund? Reduce your withholdings. Want to increase your refund at the end of the year but have lower paychecks? Increase your withholdings.

Having the ability to choose how much you pay in taxes every paycheck grants you the freedom to plan a more financially secure future.

5. 401K Contributions and IRAs

If your employer offers retirement benefits such as 401K's, you can catch a tax break on the money you set aside for retirement. The IRS doesn't tax money that you put directly into a 401K from your paycheck, essentially earning you tax-free income for later in life. As a bonus, if your employer matches contributions into a 401K in any amount, you basically get free money!

IRAs or individual retirement accounts are another option to save you money for the future. With a traditional IRA, your contributions may be tax-deductible but you pay the taxes when you take distributions during retirement. With a Roth IRA, your future withdrawals are not taxed at all. Instead, you pay the taxes upfront, but your contributions are not tax-deductible.

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