

Top Five Tax Resolutions for 2011

by [Dawn Kawamoto](#), Apr 19th 2011 11:00AM

How are you doing on that New Year's resolution? Gained, rather than lost, those few extra pounds? Well, it's time to double-down on resolutions now that the IRS tax deadline has passed.



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Here's a list of top 5 tax resolutions for 2011 designed to get you in shape for next year's tax return. It may not shrink your waistline, but it's designed to get your wallet and finances in tip-top shape.

1. Set Up a 2011 Tax File

"For some clients, just getting their materials in one place can help a lot to capture deductions and reduce their tax prep bill if their accountant charges for hourly work," Michelle Fait, a financial adviser and enrolled agent with Satori Financial in Seattle, Wash., said in an email interview.

Delia Fernandez, a certified financial planner with Fernandez Financial Advisory in Los Alamitos, Calif., suggests that taxpayers save electronic receipts from their online payments by creating PDFs and saving them in a desktop tax folder.

Or, consider using personal financial software like Quicken to track expenses and keep things organized for your taxes throughout the year, Jim Holtzman, a certified public accountant with Legend Financial Advisors in Pittsburgh, said in an email interview.

And resolve to keep track of all written acknowledgments from charities regarding your donations to their organizations, since rules around charitable giving have become more rigorous, Fait says.

2. Review Your Tax Withholding

"If you had a big tax bill, or a large refund, consider changing your withholding to avoid

another unpleasant surprise next year, or to free up cash flow during the year if you have been in a regular refund situation," says Fait.

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Personal financial advisers know that reducing your withholding can be tough for some folks who are used to the big pop from that yearly refund check. In some cases, notes Fernandez, it's a good twin-evil twin approach to saving. But remember: A big refund means you've given an interest-free loan to Uncle Sam. Wouldn't you rather have saved the cash yourself?

3. Don't Miss Out on Roth IRAs

Although a Roth IRA does not provide a tax deduction, it does allow contributions to grow tax free. And later in life, that will aid your efforts to

maximize your retirement income. Fernandez recommends Roth IRAs for people looking for additional places to save money outside of their company retirement plans, or for young folks who don't have a company and aren't interested in committing to a regular IRA.

"A lot of my clients, people who have extra money, such as an inheritance, would like to do something smarter long-term with that money," says Fernandez.

4. Pay Off Credit Card Debts

Credit card debt, if not paid off monthly, is evil, says Fernandez, who formerly worked at credit rating agency TRW Credit Reports. She noted that over the years, banks have changed the game to where they raise a credit card holder's interest rate if they become delinquent on a card payment.

"They are doing nothing for you in terms of tax benefits, only providing a drag on your future," stresses Fait.

5. Become a Regular Saver

"Like New Year's resolutions to lose weight, after about mid-February, most of the newbies at the gym have returned to their couches. Taking the time now to set up regular automatic savings strategies will help clients stay with their program," Fait advises.

Resolve to save regularly, even if it's only \$25 a week -- start now, and that small amount

would add up to \$925, plus interest, by the end of the year.

Fernandez noted there are several online savings accounts that consumers can sign up for that require no minimum balance, such as [Ally Financial's online savings account](#), which pays a 1% annual percentage yield, or [SmartyPig](#), an online interest-bearing savings account tied to saving for a specific goal. When SmartyPig customers then withdraw that savings to make their desired purchases, if they use a SmartyPig Cash Rewards Card at one of the program's affiliated retailers or vendors, they can gain cash-back bonuses similar to those from a credit card rewards program.