

**Tennessee Society of CPAs**

201 Powell Place  
Brentwood, TN 37027  
615/377-3825  
[www.tscpa.com](http://www.tscpa.com)

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**CONTACT:**

Jared Booth  
Communications/Technology Associate  
[jbooth@tscpa.com](mailto:jbooth@tscpa.com)

**What Can You Learn from Your Tax Return?**

Did you know that analyzing your tax return can offer many advantages? It may not seem that way right now, when you're scrambling to finish it before the filing deadline. But the information on your return can offer new insights into your financial situation, help you identify changes that could help save you money and make some decision making easier over the coming year. The Tennessee Society of CPAs highlights some of the wake-up calls you might find on your return.

**You Missed Out on Tax-Advantaged Retirement Savings**

If your return shows that you set aside very little—or nothing at all—in your retirement account last year, you could be losing money and putting your future at risk. You lose out when you don't take advantage of the matching retirement account contribution programs your employer may offer, which match a percentage of the dollars you put away in your retirement account. You also lose out on all the dividends and interest that your retirement savings can earn each year. And you put your future at risk when you fail to create a nest egg that you'll be able to count on once you're ready to stop working. Additionally, your retirement contributions are typically made with pre-tax dollars, and you won't pay taxes until you decide to withdraw money. Therefore, any investments are tax-free until withdrawal, which is something to take advantage of.

**You're Keeping Too Much Money in Your Bank Savings Account**

If you earned less than \$10 in interest on your interest-bearing bank accounts last year, the bank is not required to report it, so that section of your return may be blank. That's not surprising, since savings account interest rates have been hovering well below 1 percent in many cases. If your interest dollars are low, you might want to consider moving your savings to another bank with better rates. As part of your research, be sure to check out online banks, which often pay higher interest. If your interest dollars are high, depending on your short- and long-term goals and your risk tolerance, it may also be time to move some of your savings into investments that offer a better yield. When doing research on different banks, make sure to check and see if there are any fees associated with the account, such a minimum balance or multiple transfers per month.

**You May Need a Better Mix of Investments**

When you listed your interest and dividends on your return, did you notice that a high percentage of your investment dollars (say 10 percent or more) were invested in one security? Every situation is different, but a diversified investment portfolio can help protect you against losses related to any one

company or industry. Take the time to review your investments and consider whether a broader mix is called for, based on your age, income, family situation and other factors.

### **You May Not Be Keeping Track of Donations**

Does your return show that your charitable deductions were pretty sparse this year? According to Internal Revenue Service data, the average taxpayer who itemized deductions and had adjusted gross income between \$50,000 and \$100,000 gave around \$3,000 to charity in 2015. If you think that some of your contributions have been forgotten in the past, be sure to document donations as you go along and get receipts to help you keep track of what you give. You may be surprised by what you'll be able to deduct next year!

### **You're Having Too Much or Too Little Withheld**

Does your return show you will get a surprisingly large refund this year? Congratulations, but you may still want to review your withholding so that your money goes directly into your pocket as you earn it and you don't have to wait until tax time to get it back. On the other hand, did you get hit with a penalty for underpayment of taxes because of insufficient withholding? Tax filing time is a good opportunity to spot and correct these errors.

### **Your CPA Can Help**

Need help decoding some of the mysteries of your tax return? Or are you seeking personalized tax or other financial planning advice? Then be sure to turn to your local CPA. He or she can offer expert guidance that will help address all your financial questions.

### **About Money Management**

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit [www.tscpa.com](http://www.tscpa.com). TSCPA is headquartered in Brentwood, Tenn.