Wealth Enhancement®

5 Questions Your CPA Should Be Asking You

#1 If you were to have a $50,000 emergency expense come up, where would you get that money?

Cash? Do you have an emergency fund? Do you pull it from an IRA and get slapped with tax? Do you have Roth money available?

Sadly, most people don't think about this until it is too late, and having an emergency fund matters a great deal to retirees on a fixed income.

#2 Do you have any idea how your retirement income is going to be/is being taxed?

Retirement accounts allow assets to grow tax deferred, while non-retirement accounts do not. They are taxed each year on the interest, dividends and realized gains via tax form 1099 and, therefore, need to be managed in a very tax-sensitive way on both the equity and fixed income side.

#3 Are you taking Social Security yet?

If you are retired (and hence in a lower tax bracket) but not yet taking Social Security, or if you have some room in your current tax rate bracket, it may be a good idea to perform a Roth Conversion. Many retirees don't realize this, and when they start taking Social Security, their income gets bumped up to a level where taxes are higher and it doesn't make sense to consider a Roth Conversion.

#4 Do you give to charity?

If you are taking the standard deduction and giving to charity, you should consider making a Qualified Charitable Distribution at 70.5 or bunching the charitable deductions into one year to offset a big tax year.

Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®. Traditional IRA account owners have considerations to make before performing a Roth IRA conversion. These primarily include income tax consequences on the converted amount in the year of conversion, withdrawal limitations from a Roth IRA, and income limitations for future contributions to a Roth IRA. In addition, if you are required to take a required minimum distribution (RMD) in the year you convert, you must do so before converting to a Roth IRA. Investing involves risk, including possible loss of principal.

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#5 How financially literate are your kids/grandkids?

Asking this question will help your family's younger generations to uphold healthy financial habits (saving, investing, avoiding scams, etc.).

If your CPA is not asking you these questions, maybe it is time for a financial review so you can get some of these issues addressed.

We are financial advisors serving Utah and beyond. Contact us to set up a time to speak.



Rhett Sorensen CFP® is a financial advisor focused on Federal employees and defense contractors.

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