



FINANCIAL FORECASTS, INC.

TAX PREPARATION & PLANNING

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"Courage is what it takes to stand up and speak;

Courage is also what it takes to sit down and listen" Winston Churchill.

Dear Clients:

We start the New Year with almost a weather forecast, cloudy with a chance of sunshine, economically speaking. We keep hearing the government point to small items and pounding their chests that change is happening. We would rather focus on the big picture with high unemployment, poor job opportunities and housing in the doldrums. The government is still clinging to the low or lower interest strategy that put us in this mess, as the solution to our troubles. We have done a light hearted look at the monster of debt to add to your education, see "Night of the Living Debt".

We want to remind all taxpayers of the IRS mandate to E file all returns or as many as possible in the coming season. We encourage you to fill in our tax organizer, paying particular attention to personal data on page 2, questions on page 11 and page 12 with signature to request E-filing. We encourage you to provide us with original data forms for W2, 1099's, 1098, rental schedules (Sch E) and business details (Sch C), if applicable. You do not have to write in items that you are providing the original documents for. We will enter directly from the forms.

The reporting of cash accounts and investments overseas is a hot item. Talk with us about any foreign accounts that you have a financial interest. There are large penalties for non-reporting. Income is always reported, but they are looking for account balances details. The old treasury form is still around and they are starting a new IRS form 8938.

What is good in the current year tax filings? Basically the tax laws are "same as last year". The IRS is encouraging E filing, which simplifies the transmission, but it does not reduce the level of support required (documentation). You need to keep your tax supporting documents for 3 years (we recommend 5), contributions of \$250 or more require verification from the charity. Stock transactions now require reporting of sales proceeds and cost basis from the brokerage. You will see a lot of correspondence asking you to specify a format for "cost basis" (what you paid for the stock or mutual fund). The normal answer will be average cost basis, unless you have holdings that have a high gain (low cost) or high loss (high cost). These (low cost) will often be inherited stocks or long time holdings and

you might want to elect the last in first out (LIFO). As always this can be confusing, but we encourage you to call us with questions.

2

START YOUR NEW YEAR WITH A FINANCIAL CHECK-UP

1. Review savings plans and current investments, learn to manage your money. You must understand your investment or do not get involved.
2. Good debt or bad debt, not much difference. you need to control the growth of debt and resist the expansion of all debt. Low interest is no excuse for assuming more debt.
3. Retirement contributions, maximum contributions for all, no excuses. Never borrow your retirement funds, even if you can. Review your retirement investment selections (1,3,5)? This is more important than college savings plans for your children.
4. Insurance coverage. Review; home, auto and life policies, see if they are still at appropriate levels. With the reduction of the value of dollars coming, pay attention to coverage amounts.
5. Mortgage loans, do not chase interest rates. Having the lowest interest rate is not always the best decision. Pay additional on the mortgage can be an excellent idea. See #2.
6. Wills and Trusts – review your situation annually. If you have been putting off the completion of a big decision. Suggest that you do something simple and low cost that satisfies 90% of your wishes. Then you can procrastinate as long as you wish, but there is a legal document that can handle the basics. Something is better than nothing.

We appreciate your business and look forward to helping you achieve your continuing financial success. We encourage your earliest appointments. Remember.....WE WILL BE OFFERING WEEKEND APPONTMENTS (SAT/SUN), FOR ALL OF FEBRUARY, ENDING MARCH 4, 2012. TAKE ADVANTAGE OF THEM!

Sincerely,



Barry B. De Marr, CFP, EA