

Troy Ruboyianes's Tax Tips

Reduce Your Taxable Income for 2002, Even When 2002 is History

Now that the New Year is upon us, you might think that it is too late to accomplish some tax planning for last year. This is not entirely true. There is still time and ways to reduce your taxable income for the year 2002.

Here are some of the ways that you can reduce your taxable income for the year 2002, thus reducing the tax that you pay.

1. Contribute to an Individual Retirement Account (IRA)

An Individual Retirement Account is a savings tool for retirement. Individuals are allowed to contribute up to \$3000 per year to their IRA as long as they have earned income, and are younger than age 70.5 by the end of 2002. For a married couple, \$3000 can be contributed per individual for a total of \$6000. An additional \$500 can be contributed if you are over age 50 as part of a catch up program for retirement.

Let's examine how this retirement tool can save you money in taxes.

If you are in the 27% tax bracket you can save \$810 in taxes by contributing to your own retirement, something that you should be doing anyways. If you are married you save \$1620 in taxes.

An IRA is a great way to reduce your taxes and save for retirement. **The best part about it is that you have until April 15th of this year to fund the contribution and decide whether you want to save yourself some money.**

2. Set Up a SEP-IRA IF You are a Self-Employed Individual

A Simplified Employee Pension Plan (**SEP**) is an easy way for business owners to set up a simple, low-cost retirement plan. There are many advantages to a self-employed individual setting up a SEP-IRA, they include:

- Can contribute up to 25% of wages up to a maximum contribution of \$40,000
- Can still make deductible contributions after age 70.5
- Individual can make their own investment decisions
- No annual reporting requirements
- Don't have to fund the account until April 15th of 2003 and can still reduce taxable income for 2002

If this tax strategy is of interest to you or you are interested in any other tax planning strategies, please feel free to give me a call.

Troy Ruboyianes
520-247-1220
troy@ruboyianes.com

P.S. Please don't keep me a secret. You may have a friend or family members who can benefit from this free service. If you appreciate this service, the biggest compliment that I can receive is a referral.

Troy Ruboyianes graduated from the University of Arizona with a degree in accounting, finance, and entrepreneurship and is working for R and A CPA's. He is committed to providing personalized, quality service to business and individual clients and is always interested in developing new client relationships.

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