



# Financial Update

## *Ideas and Action Steps for Achievers*

### Due Date Approaches for 2017 Federal Income Tax Returns

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Tax filing season is here again. If you haven't done so already, you'll want to start pulling things together — that includes getting your hands on a copy of your 2016 tax return and gathering W-2s, 1099s, and

deduction records. You'll need these records whether you're preparing your own return or paying someone else to prepare your tax return for you.

#### Don't procrastinate

The filing deadline for most individuals is Tuesday, April 17, 2018. That's because April 15 falls on a Sunday, and Emancipation Day, a legal holiday in Washington, D.C., is celebrated on Monday, April 16. Unlike in some years, there's no extra time for residents of Massachusetts or Maine to file because Patriots' Day (a holiday in those two states) falls on April 16 — the same day that Emancipation Day is being celebrated.

#### Filing for an extension

If you don't think you're going to be able to file your federal income tax return by the due date, you can file for and obtain an extension using IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return. Filing this extension gives you an additional six months (to October 15, 2018) to file your federal income tax return. You can also file for an extension electronically — instructions on how to do so can be found in the Form 4868 instructions.

Filing for an automatic extension does not provide any additional time to pay your tax. When you file for an extension, you have to estimate the amount of tax you will owe and pay this amount by the April filing due date. If you don't pay the amount you've estimated, you may owe interest and penalties. In fact, if the

IRS believes that your estimate was not reasonable, it may void your extension.

**Note:** *Special rules apply if you're living outside the country or serving in the military and on duty outside the United States. In these circumstances you are generally allowed an automatic two-month extension (to June 15, 2018) without filing Form 4868, though interest will be owed on any taxes due that are paid after April 17. If you served in a combat zone or qualified hazardous duty area, you may be eligible for a longer extension of time to file.*

#### What if you owe?

One of the biggest mistakes you can make is not filing your return because you owe money. If your return shows a balance due, file and pay the amount due in full by the due date if possible. If there's no way that you can pay what you owe, file the return and pay as much as you can afford. You'll owe interest and possibly penalties on the unpaid tax, but you'll limit the penalties assessed by filing your return on time, and you may be able to work with the IRS to pay the remaining balance (options can include paying the unpaid balance in installments).

#### Expecting a refund?

The IRS is stepping up efforts to combat identity theft and tax refund fraud. New, more aggressive filters that are intended to curtail fraudulent refunds may inadvertently delay some legitimate refund requests. In fact, since last year's tax filing season, the IRS has been required to hold refunds on all tax returns claiming the earned income tax credit or the refundable portion of the child tax credit until at least February 15.<sup>1</sup>

Most filers, though, can expect a refund check to be issued within 21 days of the IRS receiving a return.

<sup>1</sup> IRS.gov (IR-2017-181, IRS Encourages Taxpayers to Check Their Withholding; Checking Now Helps Avoid Surprises at Tax Time, October 30, 2017)

#### March 2018

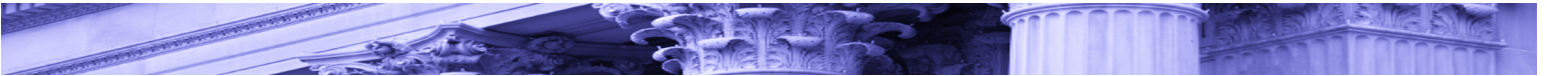
Weathering the Storm: Are You Prepared?

Four Tips for Downsizing in Retirement

How does working affect Social Security retirement benefits?

Cartoon: It's Tax Time Again!





## Weathering the Storm: Are You Prepared?

Severe weather can test even the most seasoned homeowners. And while storm hazards such as power outages, downed trees, and flooding can result in costly damage to your home, they can also put your family's safety at risk. The key to making it through a storm safely is to be prepared.

### Protect your home

Before a storm arrives, you'll want to take proactive steps to prevent damage to your home, such as:

- Cleaning your gutters and downspouts so that water can flow freely away from your home
- Inspecting and repairing roof shingles and flashing to prevent water damage
- Trimming overhanging tree limbs
- Securing loose objects (e.g., grills and patio furniture)
- Parking your car and storing any heavy equipment (e.g., lawnmower) inside a garage
- Investing in storm windows, doors, and shutters

### Have an emergency plan/stock up on supplies

A severe storm can cause power outages that last for days. It can also result in downed power lines, fallen trees, and flooding that make roads impassable. You'll want to have an emergency plan that identifies a place nearby where you can safely stay if you lose power for an extended period of time.

In addition, you should gather the necessary supplies you'll need to stay safe both during and after a storm. The following are some items to put together in an emergency supply kit.

**Food/supplies.** Stock up on enough nonperishable food to sustain you and your family for several days. You'll also want to store other items that are specific to your family's needs, such as infant formula, diapers, pet food, clothing, and blankets.

**First aid/medicine.** Be prepared for any possible medical needs by having a first aid kit. Also talk to your doctor about obtaining an extra prescription for important medications you take such as heart and blood pressure medications, insulin, and asthma inhalers.

**Communication/safety items.** Make sure your cell phones and other methods of electronic communication are fully charged before the storm arrives. Also gather additional safety items, such as matches, flashlights, batteries, and an AM/FM radio.

**Important documents/valuables.** Place important documents, such as personal records (e.g., birth and marriage certificates), property records (e.g., insurance policies), medical records, financial information (e.g., bank or credit card information), and any valuables in a secure location that is easily accessible in case of an emergency.

### Review your insurance coverage

Review all of your insurance policies (e.g., homeowners, renters, and auto) to make sure that you have appropriate coverage for your property and belongings. Your home and its contents should be insured to their full replacement cost, including any new additions, remodels, and furniture. To assist with post-storm insurance claims, be sure to take pictures/videos and make an inventory of your home and valuables in case they are damaged or destroyed.

Keep in mind that certain types of storm damage (e.g., flood and hurricane) may not be covered by a standard policy or may require you to pay a separate deductible. If you live in a high-risk storm area, you may need to purchase insurance specifically designed for floods and hurricanes. Contact your insurance agent to determine if you need to purchase additional insurance above and beyond traditional coverage.

### After the storm

If your home suffers severe storm damage from a natural disaster, you may be eligible for immediate disaster relief funds and special programs through the Federal Emergency Management Agency (FEMA) and various state/local government agencies.

You'll also need to file a claim for storm damage with your insurance company. To make the claims process easier, take pictures to document the damage — both inside and outside of your home — as soon as possible. While your claim is being processed, take steps to prevent further damage (e.g., putting a tarp on a damaged roof), since the insurance company may not cover any additional damage that occurs after the storm passes.

Keep in mind that the process for filing an insurance claim can take time, especially if your home is in an area that has been impacted by a large-scale storm. As a result, you should contact your insurer with any questions you may have regarding the claims process.



## Four Tips for Downsizing in Retirement



*Have you considered downsizing in retirement?*

Going through years of accumulated possessions and memories is probably not how you envisioned spending part of your retirement. It may sound like a daunting and emotionally draining task, but downsizing could be a savvy financial move, especially if you haven't reached your retirement savings goals.

### 1. Set goals for downsizing

Before you make any decisions, think about why you might want to downsize in the first place. Is it because you want to save on mortgage payments or other monthly expenses? Or are you looking to free up some cash to help pursue your lifestyle goals in retirement?

No matter what your specific goals may be, understanding the connection between them and downsizing can help motivate you to follow through with it.

### 2. Determine the best time to downsize

It's said that timing is everything, so choosing when to downsize will be an important decision to make. One benefit of downsizing early in retirement is that mortgage payments and other related expenses (such as utilities and real estate taxes) could decrease, presuming that you are downsizing to a less expensive residence. This could mean you have extra funds to pursue new hobbies and activities right away in retirement. You might even be fortunate enough to have sufficient funds from the sale of a larger home to pay for a smaller home with cash, thus eliminating or decreasing your mortgage payment, or significantly increasing cash flow.

But there may be advantages to delaying downsizing. If you wait to do it later in retirement, you might have a better sense of just how much you need to downsize to support your current lifestyle. Plus, timing your downsizing plans with a stronger real estate market could mean that you sell and/or purchase a new home at a more opportune time.

### 3. Be realistic about costs

There are several costs to think about if you are downsizing your home: the worth of your current home, the cost of a new home, and the fees and expenses associated with relocating. Before you start boxing up your belongings, run the numbers. Start by contacting local real estate agents to receive estimates of your home's value. Compare the estimates so you can develop an idea of how much you might be able to get for your home. Research online to see what homes in your neighborhood have

sold for recently — this can also help you determine your home's potential selling price.

Take similar steps when you look for your new home. One option that might be available is to rent a new house or apartment for a length of time before buying it. That way, you'll learn whether the home and the location suit you, helping you avoid buyer's remorse.

If you're buying a new home, don't forget to account for the down payment, home inspection, closing costs, and other associated charges. Factoring all of the numbers into the equation may reveal whether downsizing makes the most sense for you and your financial situation.

### 4. Consider downsizing your belongings, not just your home

For some people, downsizing might simply mean cutting down on clutter rather than relocating. It's easier said than done, particularly if you've amassed many belongings over time. When purging your home, consider the following:

- **Take your time.** Don't feel pressured to clear out your entire home in one fell swoop. Instead, make a plan to do one room or section of your home at a time.
- **Involve your children.** If you have kids, consider asking them for their help. Many hands make light work, and your children may end up expressing interest in items they would like to have.
- **Sell valuables.** Maybe you can't find a new home for that antique necklace you never wear or the rare baseball cards collecting dust in your attic. Consider having those items appraised and selling them to an auction house or online. Depending on how many items you're selling and their worth, you could wind up with quite a bit of money that you can use to help cushion your retirement fund.
- **Donate gently used items.** Find out if there are any local organizations in your community that could benefit from furniture, clothing, or any other possessions in good condition that you want to get rid of. Some donation outlets may even offer free pickup of certain items, saving you time and hassle.
- **Clear out junk.** Chances are you've accumulated items that you simply won't be able to give away or sell. Discard belongings that serve no purpose other than taking up space in your home. You might be surprised by how much room you could free up.



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## How does working affect Social Security retirement benefits?

If you're thinking about working as long as possible to increase your retirement savings, you may be

wondering whether you can receive Social Security retirement benefits while you're still employed. The answer is yes. But depending on your age, earnings from work may affect the amount of your Social Security benefit.

If you're younger than full retirement age and make more than the annual earnings limit (\$17,040 in 2018), part of your benefits will be withheld, reducing the amount you receive from Social Security. If you're under full retirement age for the entire year, \$1 is deducted from your benefit for every \$2 you earn above the annual limit.

In the year you reach full retirement age, \$1 is deducted from your benefit for every \$3 you earn above a different limit (\$45,360 in 2018).

Starting with the month you reach full retirement age, your benefit won't be reduced, no matter how much you earn.

Earnings that count toward these limits are wages from a job or net earnings from

self-employment. Pensions, annuities, investment income, interest, and veterans or other government benefits do not count. Employee contributions to a pension or a retirement plan do count if the amount is included in your gross wages.

The Social Security Administration (SSA) may begin to withhold the required amount, up to your whole monthly benefit, as soon as it determines you are on track to surpass the annual limit. However, even if your benefits are reduced, you'll receive a higher monthly benefit at full retirement age, because the SSA will recalculate your benefit and give you credit for any earnings withheld earlier. So the effect that working has on your benefits is only temporary, and your earnings may actually increase your benefit later.

These are just the basics, and other rules may apply. The Retirement Earnings Test Calculator, available at the Social Security website, [ssa.gov](http://ssa.gov), can help you estimate how earnings before full retirement age might affect your benefit.



I'VE GOT A BAD FEELING ABOUT THIS.