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Ten Ways You're Probably Leaving Money on the Table

Tax-Advantaged Accounts, Property-Tax Appeals and More Are All There for the Taking

By ANNA PRIOR

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They're simple. They can save a bundle of money. But lots of people just don't use them.

People's financial lives are filled with potential low-effort strategies that can add up to huge savings over time. They can max out their benefits at work or take deductions for college-savings plans or spend a few minutes clicking around to find better rates on insurance once a year.

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Yet, all too often, inertia kicks in. Think of it as the fiscal version of not going to the gym every day. People think they don't have time to squeeze in one more activity, even though it won't take that much time and they'll be all the better for it. (Or sometimes, it never crosses their mind.)

But the result is that they leave a lot of money on the table. Below are 10 money-saving moves that many people don't take advantage of—but definitely should. Doing all 10 could potentially result in savings of more than $15,000 a year, depending on your situation. Over 10 years? Let's say you invest that $15,000 every year and get a 5% annual return. With compounding, you'd end up with more than $198,000 after a decade.

1. Use IRAs for Nonworking Spouses

Traditional IRAs allow investors to save in a retirement account and potentially get a deduction for their contribution, depending on their income and whether or not they or their spouse actively participate in an employer-sponsored retirement plan at work. But they may not be getting as big of a deduction as they could. "If you have a nonworking spouse, spousal IRA contributions are often missed because they don't realize the spouse at home can make an IRA contribution and potentially get deductions on that as well," says Bill Houck, a wealth manager with Modera Wealth Management LLC in Westwood, N.J.

Potential Savings From...

Commuter Benefits | Savings of about $1,824 annually if you set aside the monthly maximum amount pretax ($250 for parking and $130 for mass-transit expenses) assuming a 40% tax rate.

Dependent Care FSA | A $1,500 tax-bill reduction (for a person making $60,000 with a 30% tax rate) if you set aside the annual maximum of $5,000 pretax.

Health Savings Account | A $1,500 reduction on your tax bill if you set aside the $6,550 pretax annual family maximum (25% tax rate).

Low-Cost Mutual Funds | About $345 in annual fees on a $50,000 investment by using ETFs, or $255 by using index funds compared with actively managed funds (based on average expense ratios from Morningstar).

Homeowners Insurance | Annual savings of 25% on premiums if you raise deductible to $1,000 from $500.

Car Purchase | About $500 to $2,000 off the sticker price if you make a purchase at the end of the day or month.

Spousal IRA Contribution | Tax savings of $800 to $1,500 if you make a maximum annual contribution of $5,500 ($6,500 if 50 and older) with a 28% tax rate.

Stock Donations to Charity | A tax savings of $3,000 if you donated 500 shares with capital gains of $20,000 (taxed at the 15% long-term capital-gains rate).

529 Contributions | About $218 in savings for investing $4,000 in Ohio plans for two kids (28% marginal federal tax bracket; 5.45% state marginal tax bracket).

Sources: WageWorks, Morningstar, Insurance Information Institute, Autotrader.com, financial planners Paul Winter, Bill Houck and Mark Coffey

The Wall Street Journal

Though typical IRS rules require the IRA contributor to have earned income, working spouses may be able to make an additional deductible IRA contribution on behalf of a nonworking spouse.

Deductions typically begin to phase out if a household's modified adjusted gross income exceeds $178,000 and the working spouse contributes to a retirement plan at work, like a 401(k).

Let's look at a couple where the working spouse makes the maximum contribution for a nonworking spouse—$6,500. (For those under 50, it's $5,500.) Assuming a federal income-tax rate of 28%, that $6,500 might bring a tax savings of $1,000 to $1,800, depending on the couple's overall tax situation, says Mr. Houck.

2. Tap Commuter Benefits

The pitch is simple: Employees can use pretax dollars from their paychecks to pay for qualified commuting expenses, including mass-transit passes and parking. You reduce your taxable income—and potentially get a lower tax bill—while getting something you were going to pay for anyway.

But while roughly 11.7 million workers have access to a commuter-benefit plan, consumer-directed benefits administrator WageWorks estimates that fewer than three million sign up for it.

They're missing out on potentially hundreds of dollars in annual savings. For instance, commuters can now set aside up to $250 a month for qualified parking expenses, up from $245 last year. Assuming a total tax rate—federal, state, local and FICA taxes—of about 40%, lowering your pretax income by $250 a month could end up saving you about $1,200 a year in taxes, says WageWorks. If a commuter invested that $1,200 every year and got a 5% return, he would have more than $41,000 after two decades.

While the monthly contribution limit for mass-transit riders has dropped to $130 from $245, WageWorks says there could be about $624 in tax-bill savings, using the same tax assumptions.

3. Opt for Flexible Spending

Another option that works on a similar principle—putting aside pretax dollars for certain expenses—is a flexible spending account. The two most common FSAs are health FSAs, which can be used for qualified medical expenses, and dependent-care FSAs, used for qualified child-care and elder-care costs. "What we find is that many employees aren't even aware that these tax-advantaged benefit plans are available," says Natasha Rankin, executive director of the Employers Council on Flexible Compensation, a Washington-based nonprofit that advocates for flexible-benefit programs.

Home State Advantage

Thirty-four states and the District of Columbia offer a tax deduction for 529 college-savings plan annual contributions. Among them:

STATE	AMOUNT OF ANNUAL DEDUCTION
Alabama	Up to $5,000 for individuals; 10,000 for married joint filers who each make their own contributions
Arkansas, Connecticut, Michigan, New York, North Dakota	Up to $5,000 for individuals; $10,000 for married joint filers
Arizona*	Up to $2,000 for individuals; $4,000 married joint filers
District of Columbia	Up to $4,000 for individuals; $8,000 for joint filers who each make contributions to their own account
Georgia	Up to $2,000 per beneficiary (any filing status)
Illinois, Mississippi, Oklahoma	Up to $10,000 for individuals; $20,000 for joint filers
Indiana	20% tax credit on up to $5,000
Missouri*	Up to $8,000 for individuals; $16,000 for joint filers
New Mexico, West Virginia	Contributions are fully deductible
Pennsylvania*	Up to the gift-tax exclusion amount per beneficiary
Colorado	Contributions to the extent of the contributor's federal taxable income
Nebraska	Up to $5,000 for singles and joint filers; $2,500 for married taxpayers filing separately

* For both in-state and out-of-state plans

Note: Some conditions and restrictions may apply. For a listing of additional states' deductions, go to Savingforcollege.com

Source: Savingforcollege.com The Wall Street Journal

For dependent-care FSAs, a person making $60,000 with a 30% tax rate could see $1,500 in tax savings in just one year by contributing the annual maximum of $5,000, according to WageWorks. One thing to keep in mind—funds in dependent-care FSAs can't be rolled over at the end of the year. But a recent change in the rules on health FSAs allows contributors to carry over up to $500 at the end of any given plan year, says Ms. Rankin.

4. Use a Health Savings Account

High-deductible health plans are becoming more common. With a qualifying high-deductible plan can come the chance to contribute pretax dollars to a Health Savings Account, or HSA.

Compared with health FSAs, HSAs have higher contribution limits—$6,550 for a family compared with $2,500 for a health FSA—and there's no limit to how much can be rolled over year to year. Sheltering $6,550 with a tax rate of 25% could result in annual savings of $1,500 on a tax bill, says Paul Winter, president of Salt Lake City-based Five Seasons Financial Planning LLC.

5. Shop for Insurance Discounts

Dealing with insurers isn't always the favorite item on the to-do list, but by failing to check in once a year, people might be overpaying. Melissa Sotudeh, a wealth adviser with Halpern Financial Inc. in Rockville, Md., suggests people gather auto and homeowners insurance quotes online and approach their current insurer about lowering their rate when coverage and quality of insurers are comparable. Also mention life changes, such as an adult child no longer needing auto insurance or a new home-security system.

Other discounts can typically be had for school-age drivers with good grades or for those who take a defensive-driving class, says Loretta Worters, vice president at the Insurance Information Institute. Plus, people with older vehicles worth under $1,000 could consider dropping comprehensive and collision coverage.

How much can you save? Ms. Worters says school-age drivers with good grades can save up to 25% on average, depending on the company and the state. Defensive-driving classes can yield about 10% savings, again depending on the state. (There are a few states where the discount isn't available.) Using the national average annual auto-insurance payment of $797, those discounts could yield annual savings of about $199.25 and $79.70, respectively.

She says dropping some coverage on an old car could bring savings of 15% to 40%, although she warns never to drop liability insurance on a car.

Meanwhile, there's always the option of switching to higher deductible—increasing a homeowners deductible to $1,000 from $500, for instance, can save 25% on annual premiums, says Ms. Worters.

That would amount to annual savings of $244.50 based on the national average premium of $978 in 2011, the latest year the statistic is available from the insurance institute.

6. Lower 401(k) Costs

Employer-sponsored retirement plans can come with a lot of investment choices. But employees often don't make sure they have access to the least-expensive ones. The average index mutual fund carries an expense ratio of 0.76%—$7.60 in annual fees for every $1,000 invested, according to Morningstar. For exchange-traded funds, it's 0.58%. However, for actively managed mutual funds, it's a heftier 1.27%.

Over time, that can really add up. Assuming a typical 401(k) size of $100,000 and annual contributions of $3,000, somebody with an expense ratio of 0.76% would pay $43,759 over 25 years while somebody with 1.27% would pay $68,189, says Mr. Houck, the Westwood, N.J., wealth manager. If that person has an expected return of 5% before costs, the final value for the fund with the 0.76% expense ratio is $412,317—versus $369,513 for the fund with the higher expense ratio, a difference of $42,804.

Employees should request a diversified group of low-cost index funds and ETFs as investment choices, says Mr. Houck. "The more noise an employee or group makes, the more likely the employer will become aware of these issues," he says.

7. Gift Securities to Charity

It's common to reach for the checkbook when a charity comes knocking, but experts say more people should think about another option: stock. By gifting stock that has increased in value instead of selling it and donating the cash, a donor can avoid paying capital-gains tax, which has the potential to save thousands come tax time. "Up until recently, it's been a number of years since we've had substantial unrealized gains in stocks, so people got out of the habit of thinking of this," says Mark Coffey, a financial planner with Summit Financial Strategies in Columbus, Ohio.

If someone bought 500 shares of a stock at $10 each and it's now worth $50, he wouldn't have to pay the capital-gains taxes on the $20,000 profit. That's a potential tax savings of $3,000 if that stock was held for more than a year and taxed at the 15% long-term capital-gains rate. That savings increases to $4,760 for joint filers with an adjusted gross income of $450,000 or more in 2013, who are subject to a 20% long-term capital-gains rate and a 3.8% Medicare surtax on net investment income, says Ronald Finkelstein, a tax partner at accountant and advisory firm Marcum LLP in Melville, N.Y.

8. Appeal a Property Assessment

While the housing market is recovering, 30% to 60% of properties are assessed at higher than their current value, and fewer than 5% of taxpayers appeal assessments, says the National Taxpayers Union, a conservative advocacy group that favors limits on taxes, spending and debt. "I've seen that many people are still paying real-estate tax on values that date back to 2006 and 2007," says Rob Siegmann, chief operating officer and adviser at Financial Management Group in Cincinnati.

National Taxpayers Union spokesman Pete Sepp says about 20% to 30% of appeals generally have some success. The tax savings for a home reassessed at a lower value can be big. A $2.4 million home in Westchester County, N.Y., reassessed at $2.1 million yielded about $6,000 in savings on a property-tax bill, says Nathan Fromowitz, a partner at Bruce Sokol & Associates, a property-tax appeal firm in White Plains, N.Y. That translates into about $82,000 in savings over 10 years, assuming the tax rate increases at historical levels.

9. Time Your Car Purchase Right

Typically, car buyers who wait until the end of the year to buy a new vehicle can score a deal as dealers give discounts to meet annual sales targets. If buyers can't wait that long, there still are ways to time a purchase to save hundreds or even thousands of dollars.

Buying at the end of the month can give a shopper more negotiating power as dealerships look to move volume, and shoppers in the late summer and early fall may be able to get a deal when the new-model-year vehicles enter dealerships' inventories.

Also, cold or rainy weather can work to a shopper's advantage, since bad weather can discourage people from walking around a lot to look at vehicles, potentially giving those who do show up a bit more negotiating power.

Even the time of day can help. According to auto marketplace AutoTrader.com, a serious buyer who goes to a dealership near the end of the day may have a better shot at a deal as the dealer makes concessions to speed things up so everyone can go home.

If you time your car purchase right, and you aren't buying one of the more popular models or colors, you could expect to save $500 to $2,000 just by waiting until the end of the month or day to make your purchase, says Brian Moody, Autotrader.com's site editor.

10. Deduct 529 Plan Contributions

Many states offer an income-tax deduction for residents that make contributions to state 529 college-savings plans, yet they often go overlooked.

Consider a single or married individual in Ohio with $150,000 in taxable income, a 28% marginal federal tax bracket and a 5.45% state marginal tax bracket. Investing $4,000 in Ohio 529 plan accounts for two kids would save roughly $218 come tax time, says the Columbus-based planner, Mr. Coffey.

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