February 2023

Fox Financial Group
Planning for Peace of Mind

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What's in this Issue?

As Circumstances Change - Focus on What You Can Control

By Amanda Compton

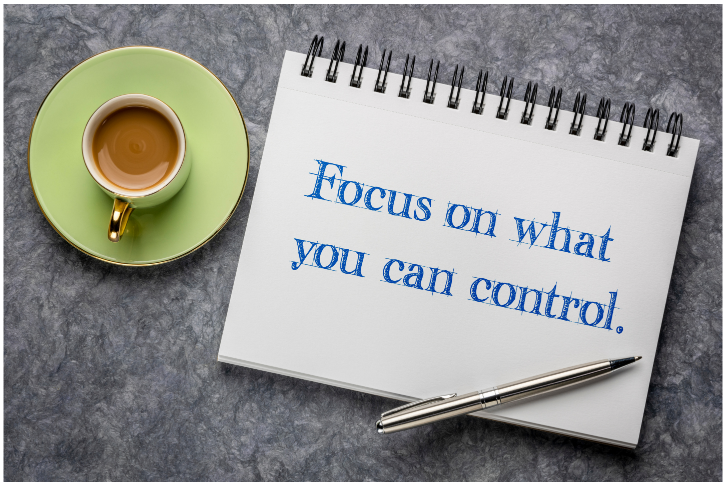
To get an idea of what was happening at this time last year regarding the economic outlook and inflation, we looked back on the February 2022 newsletter. Here is an excerpt from one of the articles:

"Fed Chair Jerome Powell said that inflation is likely to pick up as the economy recovers from the pandemic, but he believes it will be temporary. Powell also stated that the central bank plans to keep short-term interest rates anchored near zero through 2023."

Compare that to a year later as investors battle frequent Fed rate hikes, stubbornly high inflation, and intensifying geopolitical instability.

Boy how things have changed.

The point of this article isn't to weigh you down with bad news, but rather to highlight how quickly situations can change as well as the importance of having a financial plan in place and focusing on what you *can* control.



First and foremost, our financial well-being should not depend on politics, especially when it comes to our investment and savings decisions. We also have very little control over the economy and stock market. Not to mention the unexpected loss of a job or spouse.

Some things you can control despite life's changing tides are:

- Set goals for your retirement
- Start an emergency fund (work towards 3-6 months of living expenses)
- Work on improving your career (network with other professionals in your line of work, request constructive feedback from your boss to help identify strengths and weaknesses, and attend conferences and seminars)
- Pay down debt
- Asset allocation (this can reduce risk in down markets and help shape the time horizon of your investments)
- How much you save (start early and let **compound interest** help you along the way.)

"There is reward in maintaining composure during seasons of change," said Jay Fox, CFP®. "This happens by staying focused on short-term and long-term goals, while keeping the perspective that market swings and corrections are a part of investing. Understanding these things brings peace in the journey and creates wise investors."

5 Tips to Keep in Mind Before Filing Your 2022 Tax Return

While doing your taxes always feels a bit tedious, these five tips can help you stay the course for filing your 2022 tax return.

Tip #1: Leverage Technology

If you are filing without the help of an accountant or advisor, you may find it beneficial to use tax preparation software. You can input the information, and the software can populate the numbers for you. Utilizing software can help you meet compliance requirements and help streamline the process, which in turn can potentially speed up the time it takes to receive your tax returns.

Tip #2: Accuracy Over Speed

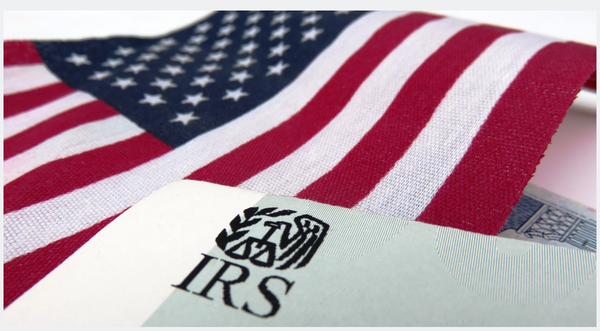
Getting an early start on the filing process can allow you the time needed to go through your returns several times before mailing or e-filing. When you are claiming deductions, make sure you're eligible under the current IRS rules, as some rules change year to year.

Have a paper trail ready and simply read from what you have in front of you. Take advantage of automated systems that can funnel reported income, interest or dividends directly into your tax preparation software. Guessing is fine if you want to estimate your refund amount, but not when you report to the IRS.

Tip #3: Report Everything

You may have made several charitable contributions last year or had several income streams. Perhaps you had a few investments that didn't yield much. Whatever it may be, you should report all of this on your return.

When using tax software, it will recognize when you've given enough or earned enough to affect the amount of taxes you owe. Remember, it's better to overreport than to leave things off your returns. The IRS is likely to discover how much you've earned or received via reporting requirements and will know if you haven't reported income. If this is the case, then you may have to pay a little more next year.



Tip #4: Choose Between Standard Deduction & Itemizing

The IRS allows a standard deduction amount for those who wish to simplify filing. For the 2022 tax year, the standard deduction amount is $12,950 for single filers, $25,900 for married couples, and $19,400 for head of household. You can reduce the taxable amount on your return using the standard deduction. However, itemizing them may enable you to reduce your taxable amount even more. Some commonly used deductions include:

- **State and local taxes**
- **Charitable contributions**
- **Casualty loss**
- **Business expenses for which you weren't reimbursed**
- **Medical expenses**
- **Mortgage interest**

If you're already an itemizer, you should be sure to note how the most recent changes in the tax code may have (or may not have) affected certain deductions.

Tip #5: Understand Tax Credits

Tax credits act as reductions on the amount of tax owed. It's important to note that they do not reduce your taxable income or change your tax bracket as a deduction might.

An example is the Earned Income Tax Credit, which helps low- to moderate-income workers and their families receive tax relief. If you qualify, you can use the credit to reduce the taxes you owe, which can potentially increase your return.

According to a report by the Treasury Inspector General for Tax Administration, approximately 5 million potentially eligible taxpayers do not claim the credit each year, which results in about $7 billion in unclaimed benefits annually. To ensure you are not missing out on this opportunity, you should check for this and other tax credits for which you may be eligible.

If you have any questions this year, be sure to speak with a CPA or other trusted tax professional regarding your situation. An experienced professional can answer your questions and empower you to start the tax season off with confidence.

Home Sale Tax Exclusion

You've thought long and hard about it and have decided: It's time to sell your house this spring. And while this is an exciting time, it also comes with a whole host of questions. Should I use an agent? How much should I list it for? What do I do with the cash after the sale?

All of these are important. But one thing you cannot ignore is this: *Do you have to pay capital gains tax on the proceeds of your home sale?*

The answer is that you do unless you have the Home Sale Tax Exclusion.

This important exclusion helps most homeowners avoid the burden of a heavy tax on the sale of their homes during a move. Let's review the requirements and see how a person qualifies for the Home Sale Tax Exclusion.

Qualification for the Exclusion

To qualify for this huge tax break, homeowners must do a couple of things:

First, they must own the home. This may seem like a silly distinction, but the seller must have legal ownership of the property without any sort of strange situation that could interfere with that person's ability to sell.

Second, they must have used the home for two years as their primary residence. This two-year period is the minimum time that the homeowner must have lived at the property in five years, giving flexibility to those who have moved away temporarily.

This allows home rentals. If a person lived in a home for a year, moved somewhere else, rented the home for another year, and moved back for the final year of that person's ownership before selling, he or she would still qualify.

Another key component of this exclusion is total profit. Exclusion can only be applied up to $250,000 for a single individual. This can be extended to $500,000 for married couples that file their taxes jointly. Note that this is profit, not total value. A person can sell a home for $800,000 and still qualify if he or she originally paid $600,000 for the house.

Last, this exclusion is only available every two years. This means that, if you sell a home, move to a new house, then decide after a year that you don't like it and sell it immediately, you may not get this exclusion.

Not Qualifying for the Exclusion

If one of the rules for this exclusion isn't met, the seller does not qualify for this tax break. He or she will be required to pay a capital gains tax on the profit of the sale of the property. But how much?

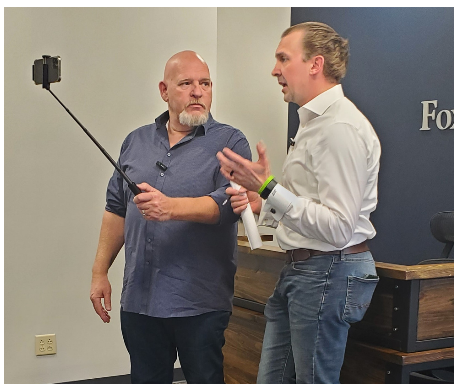
That depends.

Capital gains are based on income, with most Americans paying a maximum of 15%. Those making over $445,850 will pay higher amounts. Even at 15%, this tax can take a big chunk of people's profit from their home sale. Making decisions that keep one in line with the exclusion can save thousands when it is time to sign contracts and transfer ownership.

A Valuable Perk for Homeowners

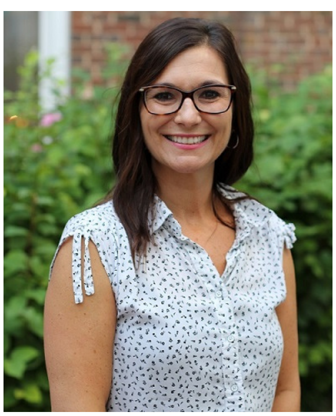
This exclusion helps most homeowners avoid paying high taxes on selling their only home and moving to a new one. If you're considering selling your home and aren't sure if you might have to pay, reviewing the requirements to see if you qualify can take a big weight off your shoulders.

Announcements

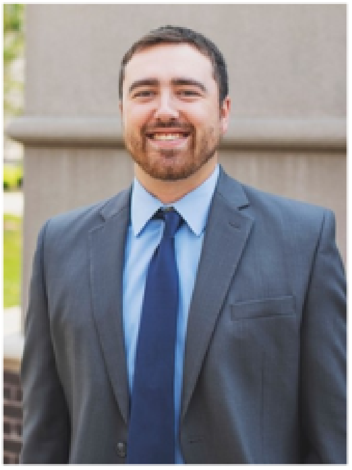


Jay filming with Bo Matthews

Fox Financial Group recently did a company spotlight with St. Louis Radio Host and Voiceover Talent Bo Matthews, courtesy of the Eureka Missouri Chamber of Commerce. You can watch the spotlight **HERE** now!



Amanda Compton celebrated one year with Fox Financial Group on January 31st! Jay, Amanda and Matt celebrated over Mexican food during an extended lunchbreak.



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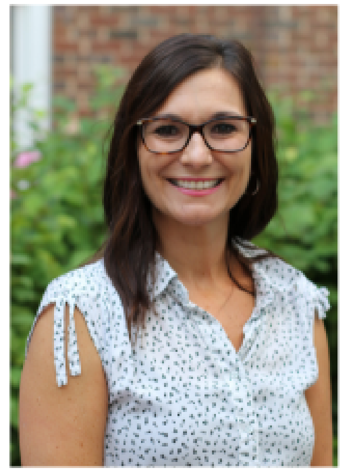

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