NEWS

For immediate release

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ACP Members Provide Smart Summer Tips for Taxpayers to Plan Ahead for 2021 Returns

Extended Child Tax Credit, Adjusted Tax Payments, and Vacation Experiences Top the List

WILMINGTON, NC [July 15, 2021] – While families explore the possibility of getting out of their homes and even travelling this summer, four certified members of the Alliance of Comprehensive Planners (ACP), have provided an array of tax tips to help the general public and other advisors keep an eye towards planning for next year's tax returns while they enjoy their vacations. A community of tax-focused financial planners who provide comprehensive planning strategies for their clients on a commission-free retainer basis, ACP members adhere to fiduciary standards, which means that they are legally and ethically bound to put their clients' best interests first.

Journalists who would like to interview one or more of these professionals are invited to contact ImpactMediaManager@ImpactCommunications.org. An annual conference is planned for Atlanta this fall so that these financial professionals can gather in-person and share ideas. Journalists interested in a press pass, please inquire.

Consumers who are looking for professional tax strategy, financial planning and investment management services, as well as financial advisors interested in learning more about joining the organization, are invited to visit www.ACPlanners.org.

TIP #1: PLAN FOR AND SPEND ON VACATION EXPERIENCES, NOT STUFF

“Many individuals receive pay raises, bonuses, or other cash inflows during the summer months. Remember to always set aside enough for taxes and savings first, but try to spend the remaining amount in a way that will bring you the most enjoyment,” said Josh Cutler, CERTIFIED FINANCIAL PLANNER ™ professional, EA, a partner and senior advisor at Bluestem Financial Advisors, LLC in Champaign, IL. “Oftentimes, that is achieved by spending on experiences, rather than the next gadget or consumer good to hit the market.”

“Pay for your vacations in advance. This will help to reduce the financial anxiety that many of us often experience during vacation and allow for the opportunity to focus more on enjoying the experience and less about how much that dinner or extra excursion might cost,” said Cutler. “Additionally, consider travel insurance to protect your investment for more expensive vacations. Having to miss a vacation due to an emergency is bad enough; losing any money that you have put as a pre-payment for that vacation will only make the situation worse,” added Cutler.

“Plan ahead for next year. The most popular vacation spots, especially in the aftermath of the COVID-19 pandemic, tend to fill up quickly. Planning ahead for next year’s vacation is a great way to end this year’s trip. It will motivate you to start saving up for next year and even give you the opportunity to reserve your ideal spot well in advance (sometimes for even lower rates),” said Cutler.

TIP #2: BE PREPARED FOR CHANGES IN THE EXTENDED CHILD TAX CREDIT

“For couples with adjusted gross income of less than $150,000 (single filers with less than $75,000), an extended child tax credit of $3,600 for children less than age six and $3,000 for children between six and 17 is available for 2021 (credit is normally $2,000 per child),” said Steve Cruice, a CPA and CFP® with Simply Steward in Denver, Colorado. “What is unique this year, however, is that starting July 15, 50% of the credit will be paid monthly through the end of the year. So, if a couple has a five year old and an eight year old, they will begin receiving monthly payments through the end of the year of $550 per month ($300 per month for the five year old and $250 per month for the eight year old). It is always good to do a tax projection, however, to see how the extended child tax credit will impact your overall 2021 tax picture. If you are projected to owe taxes, you may want to consider saving these monthly payments towards your tax bill,” said Cruice.

Individuals can check their eligibility through the IRS website at https://www.irs.gov/credits-deductions/advance-child-tax-credit-eligibility-assistant. It is important to know your eligibility as the credit is not available for all and it is possible, based upon 2021 income, that a portion of it may need to be repaid to the IRS at tax time.

“For those that know they will not be eligible due to the income limitations, the IRS has rolled out instructions on how to unenroll from the Child Tax Credit advance payments,” said Rorik Larson, CFP®, EA, Founder and Principal of Essential Financial Strategies in Palos Heights, IL.

There are dates through the summer to unenroll. Unenrolling is a one time effort and can not be undone. Here are the unenrollment deadlines.

Payment Month	Unenrollment Deadline	Payment Date
July	6/28/2021	7/15/2021
August	8/2/2021	8/13/2021
September	8/30/2021	9/15/2021
October	10/4/2021	10/15/2021
November	11/1/2021	11/15/2021
December	11/29/2021	12/15/2021

In late June the IRS rolled out a website to manage payments including unenrolling and updating bank account information. The link to the website is https://www.irs.gov/credits-deductions/child-tax-credit-update-portal.

TIP #3: CHECK ON YOUR 401(K) CONTRIBUTIONS

"Now is great time to doublecheck on 401(k) contributions and make sure to at least contribute to your employer's matching levels (if available). Not taking the employer's match is giving up on free money offered by the employer. Also, taxpayers turning fifty this year can increase their contributions from the under-fifty-years-of-age maximum of $19,500 to $26,000," added Larson.

"Taxpayers who are currently in their prime earning years should take advantage of opportunities to defer taxation on current income. This may become even more important if legislation is passed to increase tax rates," said Jane M. Young, a CFP® with More Than Your Money, Inc. in Colorado Springs, Colorado. "If investors increase their monthly contributions now, to maximize their 2021 401(k) contributions, they can ease the burden by spreading the increase over five or six months," said Young.

TIP #4: ADJUST ESTIMATED TAX PAYMENTS FOR 2021

"Taxpayers were not required to take Required Minimum Distributions (RMD) in 2020 due to the pandemic. As a result of not taking RMDs, many experienced a significant drop in income which rippled through their tax return. Less of their Social Security may have been subject to taxation, they may have paid less on capital gains, and they may have dropped to a lower tax bracket," added Young.

"Tax preparation software uses 2020 data to calculate 2021 estimated taxes. As a result of the drop in income due to the waiver on RMDs in 2020, many people will underpay their estimated taxes for 2021. To avoid an unhappy surprise on your 2021 tax filing, taxpayers who experienced a dramatic drop in 2020 income due to these factors should do some tax planning and adjust their estimated tax payments," said Young.

TIP #5: CONSIDER USING TAX LOSS HARVESTING

"While many of the changes in federal tax laws are directed at those earning more than $400K, there is the potential for some changes to reach down to the lower income levels," said Larson. "One strategy that I suggest is tax loss harvesting. That is selling securities that have gone down below their purchase price so that the loss can be used to offset future gains. In some cases, with the extended bull market we have experienced, there may be no securities in a portfolio, thus reflecting losses. As a result, selling some investments that have modest gains may be prudent. This allows paying a lower capital gains rate now rather than potentially-higher future tax rates. With this said, there is no crystal ball to exactly know what changes will finally be enacted," said Larson.

TIP #6: SPEAK WITH A FINANCIAL PROFESSIONAL TO BE PREPARED FOR CHANGES IN 2021 TAX SEASON

"History will likely show that the last 12 months and next few months will have one of the most dynamic times of change in the federal tax laws," continued Larson. "It is a great time to consult with or book a fall appointment with a CERTIFIED FINANCIAL PLANNER™ professional or CPA like those who are a part of the Alliance of Comprehensive Planners about the many proposed changes," Larson said.

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