

# 1040 Planning Guide

## Client Information

**Line 1-6:** Name, address, children’s names, etc...

**Line 6c:** This may seem obvious, but: Advisors should always know if their clients have dependents (line 6c), particularly if they are children. Such information creates a stronger relationship and bolsters the financial plan, of course -- but advisors may also want to suggest additional life insurance coverage or assistance with college planning to any clients with dependent children.

## Income Section

Income		7	8a	9a	10	11	12	13	14	15a	15b	16a	16b	17	18	19	20a	20b	21	22	
	7	Wages, salaries, tips, etc. Attach Form(s) W-2 . . . . .																			
	8a	Taxable interest. Attach Schedule B if required . . . . .																			
	b	Tax-exempt interest. Do not include on line 8a . . . . .	8b																		
	9a	Ordinary dividends. Attach Schedule B if required . . . . .																			
	b	Qualified dividends . . . . .	9b																		
	10	Taxable refunds, credits, or offsets of state and local income taxes . . . . .																			
	11	Alimony received . . . . .																			
	12	Business income or (loss). Attach Schedule C or C-EZ . . . . .																			
	13	Capital gain or (loss). Attach Schedule D if required. If not required, check here <input type="checkbox"/> . . . . .																			
	14	Other gains or (losses). Attach Form 4797 . . . . .																			
	15a	IRA distributions . . . . .	15a																		
	b	Taxable amount . . . . .																			
	16a	Pensions and annuities . . . . .	16a																		
	b	Taxable amount . . . . .																			
	17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . . . .																			
	18	Farm income or (loss). Attach Schedule F . . . . .																			
	19	Unemployment compensation . . . . .																			
	20a	Social security benefits . . . . .	20a																		
	b	Taxable amount . . . . .																			
	21	Other income. List type and amount . . . . .																			
	22	Combine the amounts in the far right column for lines 7 through 21. This is your total income <input type="checkbox"/> . . . . .																			

**Line 7:** You may want to check your client's disposable income to see if they could be a suitable candidate for an IRA or a supplemental retirement investment opportunity.

**Line 8a:** How much does your client have in liquid assets? Are any assets in low interest-bearing money markets or certificates of deposit (CDs)? Is this appropriate for their risk tolerance?

**Line 8b:** Are any of your client's assets invested in tax-exempt securities? What is the goal of their investment(s) - the tax benefits or the income?

**Line 9:** Individuals making more than \$200,000, and married couples filing jointly that make over \$250,000, are required to pay a 3.8% Medicare surtax on dividends (line 9), capital gains (line 13) and taxable interest (line 8a). By utilizing investments with low turnover rates, implementing more aggressive tax-loss harvesting strategies to minimize capital gains, or selecting tax-deferred vehicles, advisors may be able to help clients in the above income brackets achieve greater tax efficiency.

**Line 12:** Is your client a small business owner? They may find that investing in qualified benefit plans, such as 401(k), SEP and defined benefit plans, may potentially help reduce their taxable business income.

**Line 13:** Is your client paying capital gains on a fund that lost money this year? If the capital gains amount here is unusually large, it's possible an asset was sold that made money available for a new investment. (Please refer to Schedule D.) Also you can see if you have competition for asset gathering.

**Lines 15a & 16a:** Is the client making IRA distributions and are they appropriate? Based on cash flow projections and long-term goals, you may be concerned the client could outlive their money, and excessive IRA distributions could deplete their assets too quickly. If your client is at least 70½ years old, how are they managing their required minimum distributions? Are they retired? Are they looking to supplement their retirement income from qualified plans? Do they think it would be beneficial to discuss suitable income planning strategies to help protect their income for life?

**Line 17:** They may want to take the time to evaluate their rental property debt and other interest-bearing loans for possible deductibility, if appropriate.

**Line 20a:** What is the makeup of their retirement portfolio? Are there any other suitable options that can help potentially lessen the tax consequences?

### Adjusted Gross Income Section

<b>Adjusted Gross Income</b>	<b>23</b>	Educator expenses . . . . .	<b>23</b>			
	<b>24</b>	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ . . . . .	<b>24</b>			
	<b>25</b>	Health savings account deduction. Attach Form 8889 . . . . .	<b>25</b>			
	<b>26</b>	Moving expenses. Attach Form 3903 . . . . .	<b>26</b>			
	<b>27</b>	Deductible part of self-employment tax. Attach Schedule SE . . . . .	<b>27</b>			
	<b>28</b>	Self-employed SEP, SIMPLE, and qualified plans . . . . .	<b>28</b>			
	<b>29</b>	Self-employed health insurance deduction . . . . .	<b>29</b>			
	<b>30</b>	Penalty on early withdrawal of savings . . . . .	<b>30</b>			
	<b>31a</b>	Alimony paid <b>b</b> Recipient's SSN ▶ <input type="text"/>	<b>31a</b>			
	<b>32</b>	IRA deduction . . . . .	<b>32</b>			
	<b>33</b>	Student loan interest deduction . . . . .	<b>33</b>			
	<b>34</b>	Tuition and fees. Attach Form 8917 . . . . .	<b>34</b>			
	<b>35</b>	Domestic production activities deduction. Attach Form 8903 . . . . .	<b>35</b>			
	<b>36</b>	Add lines 23 through 35 . . . . .				<b>36</b>
<b>37</b>	Subtract line 36 from line 22. This is your <b>adjusted gross income</b> . . . . . ▶				<b>37</b>	

**Line 28:** Is your client self-employed? If so, can they take advantage of a qualified retirement investment plan? Are they happy with their current plan? Would they like to potentially save money in a tax-advantaged vehicle?

**Line 32:** Are you making a contribution to an IRA or spousal IRA of \$5,500? For people 50 and over, an additional \$1,000 catch-up provision is available allowing you to contribute a maximum of \$6,500.

**Line 33:** Does your client still have any outstanding student loans?

**Tax and Credits Section**

<b>Tax and Credits</b>  <b>Standard Deduction for—</b> • People who check any box on line 39a or 39b or who can be claimed as a dependent, see instructions. • All others: Single or Married filing separately, \$6,200 Married filing jointly or Qualifying widow(er), \$12,400 Head of household, \$9,100	<b>38</b>	Amount from line 37 (adjusted gross income) . . . . .	<b>38</b>	
	<b>39a</b>	Check <input type="checkbox"/> <b>You</b> were born before January 2, 1950, <input type="checkbox"/> Blind. <input type="checkbox"/> <b>Spouse</b> was born before January 2, 1950, <input type="checkbox"/> Blind. } <b>Total boxes checked ▶ 39a</b>	<b>39a</b>	
	<b>b</b>	If your spouse itemizes on a separate return or you were a dual-status alien, check here ▶ <b>39b</b>	<b>39b</b>	
	<b>40</b>	<b>Itemized deductions</b> (from Schedule A) or your <b>standard deduction</b> (see left margin) . . . . .	<b>40</b>	
	<b>41</b>	Subtract line 40 from line 38 . . . . .	<b>41</b>	
	<b>42</b>	<b>Exemptions.</b> If line 38 is \$152,525 or less, multiply \$3,950 by the number on line 6d. Otherwise, see instructions . . . . .	<b>42</b>	
	<b>43</b>	<b>Taxable income.</b> Subtract line 42 from line 41. If line 42 is more than line 41, enter -0- . . . . .	<b>43</b>	
	<b>44</b>	<b>Tax</b> (see instructions). Check if any from: <b>a</b> <input type="checkbox"/> Form(s) 8814 <b>b</b> <input type="checkbox"/> Form 4972 <b>c</b> <input type="checkbox"/> _____	<b>44</b>	
	<b>45</b>	<b>Alternative minimum tax</b> (see instructions). Attach Form 6251 . . . . .	<b>45</b>	
	<b>46</b>	Add lines 44 and 45 . . . . . ▶	<b>46</b>	
		<b>47</b> Foreign tax credit. Attach Form 1116 if required . . . . .	<b>47</b>	
		<b>48</b> Credit for child and dependent care expenses. Attach Form 2441 . . . . .	<b>48</b>	
		<b>49</b> Education credits from Form 8863, line 19 . . . . .	<b>49</b>	
		<b>50</b> Retirement savings contributions credit. Attach Form 8880 . . . . .	<b>50</b>	
		<b>51</b> Child tax credit. Attach Schedule 8812, if required . . . . .	<b>51</b>	
	<b>52</b> Residential energy credits. Attach Form 5695 . . . . .	<b>52</b>		
	<b>53</b> Other credits from Form: <b>a</b> <input type="checkbox"/> 3800 <b>b</b> <input type="checkbox"/> 8801 <b>c</b> <input type="checkbox"/> _____	<b>53</b>		
	<b>54</b> Add lines 47 through 53. These are your <b>total credits</b> . . . . .	<b>54</b>		
	<b>55</b> Subtract line 54 from line 46. If line 54 is more than line 46, enter -0- . . . . . ▶	<b>55</b>		

**Line 38:** Did your client gift any money or assets to their children or grandchildren which could potentially help reduce taxable income? They could have gifted \$14,000 per donor per donee with no consequences.

**Line 39a:** Does your client have a retirement investment plan? If so, is it working for them? If not, they may want to discuss what other allocation and distribution options are suitable for their needs.

**Line 49:** Is your client taking advantage of improved education incentives? Coverdell Education Savings Accounts and 529 plans offer tax-advantaged savings.

**Other Taxes Section**

<b>Other Taxes</b>	<b>56</b>	Self-employment tax. Attach Schedule SE . . . . .	<b>56</b>	
	<b>57</b>	Unreported social security and Medicare tax from Form: <b>a</b> <input type="checkbox"/> 4137 <b>b</b> <input type="checkbox"/> 8919 . . . . .	<b>57</b>	
	<b>58</b>	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required . . . . .	<b>58</b>	
	<b>59a</b>	Household employment taxes from Schedule H . . . . .	<b>59a</b>	
	<b>b</b>	First-time homebuyer credit repayment. Attach Form 5405 if required . . . . .	<b>59b</b>	
	<b>60</b>	Taxes from: <b>a</b> <input type="checkbox"/> Form 8959 <b>b</b> <input type="checkbox"/> Form 8960 <b>c</b> <input type="checkbox"/> Instructions; enter code(s) _____	<b>60</b>	
	<b>61</b> Add lines 55 through 60. This is your <b>total tax</b> . . . . . ▶	<b>61</b>		

**Line 58:** If your client is younger than 59 ½, they may qualify for an exception to the 10% penalty for early withdrawal. Exceptions include disability, medical expenses or health insurance premiums, first-time home buyers, higher education expenses and substantially equal periodic payments over life expectancy.

## Payments Section

<b>Payments</b> If you have a qualifying child, attach Schedule EIC.	<b>62</b>	Federal income tax withheld from Forms W-2 and 1099 . . . . .	<b>62</b>		
	<b>63</b>	2014 estimated tax payments and amount applied from 2013 return	<b>63</b>		
	<b>64a</b>	<b>Earned income credit (EIC)</b> . . . . .	<b>64a</b>		
	<b>b</b>	Nontaxable combat pay election <b>64b</b>			
	<b>65</b>	Additional child tax credit. Attach Schedule 8812 . . . . .	<b>65</b>		
	<b>66</b>	American opportunity credit from Form 8863, line 8 . . . . .	<b>66</b>		
	<b>67</b>	Reserved . . . . .	<b>67</b>		
	<b>68</b>	Amount paid with request for extension to file . . . . .	<b>68</b>		
	<b>69</b>	Excess social security and tier 1 RRTA tax withheld . . . . .	<b>69</b>		
	<b>70</b>	Credit for federal tax on fuels. Attach Form 4136 . . . . .	<b>70</b>		
	<b>71</b>	Credits from Form: <b>a</b> <input type="checkbox"/> 2439 <b>b</b> <input type="checkbox"/> Reserved <b>c</b> <input type="checkbox"/> 8885 <b>d</b> <input type="checkbox"/>	<b>71</b>		
	<b>72</b>	Add lines 62, 63, 64a, and 65 through 71. These are your <b>total payments</b> . . . . . ▶	<b>72</b>		

**Line 62:** Is your client withholding too much? Is there a better way to put those extra dollars to use – in a pretax or tax-deferred investment option?

**Line 63:** Is your client participating in a company-sponsored retirement plan that may reduce taxable wages or a Roth IRA that will reduce investment income? Increased contribution limits, especially for those age 50 or older, can help you take advantage of tax-deferred retirement plans.

This may also be a good place to discuss potential ROTH conversions. Even if it ends up not making financial sense, it uncovers retirement assets and shows the client you are trying to help them make the best financial decisions.

## Refund Section

<b>Refund</b> Direct deposit? See instructions.	<b>73</b>	If line 72 is more than line 61, subtract line 61 from line 72. This is the amount you <b>overpaid</b>	<b>73</b>		
	<b>74a</b>	Amount of line 73 you want <b>refunded to you</b> . If Form 8888 is attached, check here . . . ▶ <input type="checkbox"/>	<b>74a</b>		
	<b>b</b>	Routing number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> ▶ <b>c</b> Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	<b>d</b>	Account number <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>			
<b>75</b>	Amount of line 73 you want <b>applied to your 2014 estimated tax</b> ▶	<b>75</b>			

**Line 73:** Can your client use their refund to make an IRA deposit and get a jump start? Or should they change their payments so that they are getting the use of their own money all year and not giving Uncle Sam an interest free loan?