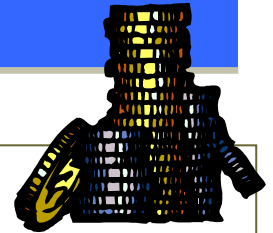


When Every Penny Counts, Count on Us!

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New Law Delays Return Filing

If you itemize deductions or claim any of three restored deductions (for state and local sales tax, higher education tuition, or educator expenses), you must wait until mid to late February to file your 2010 tax return. The IRS must reprogram its computers to handle the changes made to these items by the 2010 Tax Relief Act passed in late December.

2011 Mileage Rates Released

The IRS has released adjustments to the mileage rates that can be used for business driving, driving for medical or moving purposes, or charitable driving. Effective January 1, 2011, the standard mileage rates for the use of a car, van, pickup, or panel truck will be 51¢ per mile for business miles, 19¢ for medical or moving purposes, and 14¢ for charitable driving.

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Tax Due Dates

February 1

- Businesses must provide information returns Form 1099
- Employers must provide W-2's to employees
- Federal Unemployment tax Form 940
- Certain small employers Form 944
- Social security, Medicare & Withheld income tax Form 941
- Individuals who must make estimated tax payments

February 10

- Deadline for employees who work for tips and received \$20 or more in tips in January
- Social security, Medicare & Withheld income tax

February 15

- Social security, Medicare & Withheld income tax
- Certain Individuals need to file new Form W-4

February 16

- Non Payroll Withholding

February 20

- Texas Sales & Use Tax return for January (monthly)

With Today's Lower Mortgage Rates, is it Time to Refinance?

Mortgage interest rates are at historic lows. According to the Mortgage Bankers Association, the average interest rate for 30-year, fixed-rate mortgages dropped to 4.25% in September, 2010, and the average rate for 15-year mortgages fell to 3.73%. These are the lowest rates in almost 50 years.

If you're currently paying mortgage interest at a higher rate, you may be tempted to refinance your existing mortgage, even if you already refinanced once or twice before. But should you do it? The decision may not be as simple as it first seems.

- * Comparing interest rates is not enough. Here are some other factors to consider before you refinance.
- * Compare apples to apples. Always request a good-faith cost estimate from any lender. This report should disclose all the fees and closing costs, such as points, credit report fees, inspection fees, private mortgage insurance, and appraisal fees. Use this information to evaluate competing loan proposals.
- * Calculate your breakeven period. This is the length of time it takes you to recover the costs a lender typically charges to refinance your mortgage. To do this, divide your refinancing costs by your monthly savings (your current loan payment minus your new loan payment). If you plan on selling your home in the near future, refinancing may not save you money because it usually takes several years to recover refinancing costs through a lower monthly payment.
- * Check for prepayment penalties. Before you pay off your existing loan, check for an early payment penalty clause. Your note agreement will spell out the exact terms of the prepayment penalty, if any, or you can check with your lender. A prepayment penalty adds to your refinancing costs and will lengthen your breakeven period.
- * Analyze the loan term. To save interest, avoid stretching out your total loan period when you refinance. Let's say you've been paying for ten years on a 30-year loan. If you take out a new loan with a 30-year term, you will increase your total payoff period to 40 years. Instead, consider making your new loan term coincide with the remaining term of your old loan (in this example, 20 years).

Another alternative is to continue making the same monthly payment toward your new 30-year loan. If you do that, you'll pay off your loan in a shorter period of time. This could save you a substantial amount of interest.

* Take taxes into account. In evaluating a refinancing, don't overlook the potential tax deductions.

Loan points. Most lenders charge points, also known as a loan origination fee, on home loans. If you itemize deductions on your tax return, you can generally deduct points paid on a refinancing, but not all in the first year. Instead you must spread your deduction pro rata over the life of the new mortgage. To qualify, paying points must be an established practice in your area, and the amount paid can't be more than what is normally charged in the area. If you've refinanced in the past, you could be eligible for another deduction. When you pay off a prior refinancing, you can immediately deduct any remaining points from the previous mortgage.

If you refinance to get a lower interest rate or shorter loan term and also to tap your equity to make improvements to your home, points attributable to the home improvement portion can be deducted immediately. Any remaining points must be deducted pro rata over the loan's term.

Other deductions. If the lender charges a prepayment penalty for paying off the previous loan early, you can generally deduct the amount paid as interest. Most other closing costs, such as appraisal or title insurance fees, are not deductible. However, you should bring your loan documents to your tax appointment because there could be additional deductions.

Other factors may also come into play. For instance, after you refinance, you may have to adjust your tax withholding or estimated tax payments to reflect a lower interest deduction. And lenders now require more detailed financial information and documentation. We can help you with the paperwork and with making the best choices in your particular circumstances.

Put Your Financial House in Order

With another new year underway, now is a great time to assess your household finances, make any needed changes, and prepare for new opportunities. To help you get started, here are a few suggestions.

* Take control of your credit cards. Over-reliance on credit cards hurts you in several ways. With interest rates typically in double digits, it's the most expensive way to borrow money. Think of those monthly interest payments as draining off dollars that you could be investing in a home or saving for your later years. And too much debt can hurt your credit score and make other borrowing more difficult. It takes time and discipline to reduce credit card debt, but it's well worth the effort.

* Build a cash reserve for emergencies. Your financial situation can quickly spin out of control if you can't come up with cash when you need it. If you lose your job, you might have to live on reduced income for several months. Or there could be unplanned medical bills, car repairs, or home repair costs. Even if you have insurance, reimbursements can take time, and there are deductibles to meet. Work hard to put aside at least three months' living expenses. Invest it in a safe, liquid account, and resist the temptation to raid it for non-emergencies.

* Review your credit report. The law requires each of the three major credit bureaus to give you a free copy of your credit report every twelve months. The reports shouldn't contain significant errors; if they do, make sure the discrepancies get resolved.

* Make or update a home inventory. Go through your house with a video camera and describe what you see, along with pertinent information about

your most valuable assets (purchase dates, prices, estimated values). Make an extra copy or two of the tape. Keep one for yourself, put one in a safety deposit box, or send one to a friend or relative (preferably in another town) for safe keeping. Should you experience a fire or other disaster, your home inventory can be vital for getting insurance claims approved.

* Increase your savings. The start of a new year is often a time when companies provide cost-of-living adjustments (COLAs) to their employees. If your employer provides such a benefit, consider contributing a portion of the increase to your 401(k) plan or other savings account. It's a relatively painless way to save more.

* Calculate your net worth. This is a great yardstick for measuring your household's financial growth (or shrinkage) from year to year. Simply put, your net worth is the value of your assets (house, personal property, bank accounts, car, investments) minus your liabilities (mortgage, credit card balances, loans). Widely available financial software can help you automate this task.

* Set financial goals. Financially speaking, where do you want to be a year from now? What steps do you have to take now to make that happen? Take time to dream; then put your goals in writing. Thoughtful planning is a first step toward prioritizing both spending and saving.

* Purge old financial records. If you're a financial packrat who keeps old cancelled checks and bank statements long past when they may be needed for an IRS audit or your own use, consider shredding them.

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