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FINANCIAL HELP FOR FAMILIES

by Robin McKinney, Director of the Maryland CASH Campaign

The Maryland CASH Campaign (Creating Assets, Savings, and Hope) is a network of free tax preparation sites and financial education programs that promote financial stability for working families. The local partners of Maryland CASH make sure that all Maryland residents have access to financial education and counseling, free or low-cost tax preparation, and fairly priced financial products. The local partners include non-profits, community action agencies, state and local agencies, and community colleges. Maryland CASH also advocates for policies that help to build or protect financial stability.

Last year, Maryland CASH partners prepared over 18,220 tax returns, bringing back \$30.5 million in Federal and State refunds. Maryland CASH and its partners also provided financial education to 3,791 people, professional development trainings for over 1,000 practitioners, and continued to partner with CCCS of MD and DE on the Maryland Money Helpline, a free, state-wide financial counseling hotline. Maryland CASH offers free state-wide financial education classes through the Maryland CASH Academy. Classes are offered

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Other GREAT Places to Learn More

Baltimore Cash Campaign
baltimorecashcampaign.com

DE Financial Literacy Institute Money School
dfli.org

Do you live outside Maryland and Delaware? Take a look at the host of free financial resources at mymoney.gov.

FROM THE PRESIDENT – by Jim Godfrey

Many Americans expect to receive a tax refund this Spring. For most, this will be the single largest financial infusion they see all year. But how you obtain your tax refund and what you do with it has long-term financial consequences. Consider this:

Faster Isn't Always Better. Consumers who hope to get a refund sooner sometimes use commercial tax preparers who offer refund anticipation loans (RALs) or Refund Anticipation Checks (RACs). This approach comes with a price, because for-profit tax preparers generally charge for their service, and taxpayers who take out RALs or RACs often end up paying extra fees and interest as well. Any refund you receive may be substantially reduced by the application and administrative fees you are charged.

Smart Ways to Get a Fast Refund. You are more likely to get a refund sooner if you file your taxes electronically and use the direct deposit option. **(Continued on Page 3)**

Is someone you know having money problems?

Please encourage them to call us at

1-800-642-2227

or visit our website at

www.cccs-inc.org

PLANNING FOR SUCCESS – A CLIENT STORY

Phil and Laura began using credit when they were college students — back when credit card companies approached you on campus and offered up a free t-shirt just for signing up with them. For several years, the couple did okay financially. They had a steady income, because both had full-time jobs as teachers. But they gradually started relying more on credit — especially after they bought their home. Before they knew it they were \$47,000 in debt.

Phil says, “By then a lot of our income was going to pay off credit bills. About the time my wife scaled back to part-time work so that she could be home with our kids more, we started having trouble paying our bills. We tried taking out new credit cards in hopes of consolidating our debt, but would ultimately charge new purchases instead. It became a vicious cycle. Then creditors started to call about our car loan and credit card accounts, I can’t tell you how stressful it was.”

Living on the edge took its toll. “I felt like a failure, and we could both see it was hurting our marriage. When one of our creditors recommended we call CCCS, we decided to get help.” Because the couple lives in Ohio, they received counseling by telephone. “During the session, our counselor was nonjudgmental and businesslike. She helped us take an honest look at where we stood financially. We could see we needed a change in attitude, but what really made the difference was actually having a plan.”

“Before enrolling in the DMP with CCCS, we lived paycheck-to-paycheck, constantly worrying when the next disaster would strike. Now we realize that economic setbacks are a fact of life. It isn’t a matter of ‘if.’ It’s a matter of ‘when.’ But we aren’t fearful anymore, because we’re prepared. We sit down together every two weeks and take a look at our finances. Where do we stand? We also take a look at our budget and make adjustments based on what might be required in the coming month.”

While in the DMP, Phil and Laura were able to pay cash for all purchases, including a used vehicle. They also set up an emergency fund and retirement plan. They even took a church-based financial education course to learn more about money management.

After being with CCCS three years, Phil and Laura decided it was time to take the training wheels off. “We had learned so much that we felt confident enough to handle things on our own.” At the point they left CCCS, they had paid off \$41,000 of their debts. Since then they have continued to take control of their finances and now owe even less.

Phil says, “I used to feel like our money problems were a 3,000 pound gorilla we couldn’t discuss. Now all the worry and stress are gone. Learning to plan has helped our marriage. It’s even been a lesson for our kids. They have learned from our example and will grow up better prepared.”

Tax Records— How Long Should We Keep Them?

It’s that time of year again when we sit down to figure out how much we owe Uncle Sam. Staring at piles of tax receipts and old tax returns, we also wonder: “How long do I need to keep this stuff?” The IRS says, “The length of time you should keep a document depends on the action, expense, or event the document records. Generally, you must keep the records that support a specific income or deduction item on your tax return until the period of limitations for that return runs out.”

What does this mean in practical terms? In most cases the IRS has three years to review your tax form from the due date of return or the date you filed, whichever is later. This means, you need to keep copies of your tax returns and any supporting records for at least three years.

Be aware: The statute of limitation doesn’t run out and special rules apply if you file a false or fraudulent return, willfully attempt to evade tax, or substantially understate your gross income.

If you’re a business taxpayer who filed a depreciation schedule, keep copies of any related tax forms and documentation at least as long as the item is being depreciated or amortized on your tax schedule.

If you claim deductions and credits, such as a loss from worthless securities or bad debt deduction, keep copies of related forms and records for at least seven years.

Keep all employment tax records for at least four years after the date the tax becomes due or paid, whichever is later.

FINANCIAL HELP FOR FAMILIES (continued)

across the state on a wide variety of financial subjects taught by highly qualified volunteers. Please visit mdcashacademy.org to learn about classes in your area.

MD CASH Campaign and its partners are gearing up for this year's tax season. Their goal is to connect individuals and families with valuable resources and help insure that they receive all their tax benefits. Their tax preparation services are offered at a fair price and include help setting up a tax refund plan.

Earned Income Tax Credit

The Earned Income Credit (EITC) is a tax provision that allows eligible taxpayers to reduce their tax burden or even get an income supplement up to \$ 5,891. Some states offer a supplemental state EITC. For example, in Maryland, the state EITC is worth 50% of the Federal EITC. Eligible taxpayers claim the EIC when they file their federal and state tax returns. Families may qualify for the federal and state EITC, if in 2012 they:

- Earned less than \$36,920* and have one dependent child.
- Earned less than \$41,952* and have two dependent children.
- Earned less than \$45,060* and have three or more dependent children.
- Earned less than \$13,980,* are between ages 25 and 64 and do not have dependent children.

* Income limit for married workers is \$5,210 higher.

Free Tax Preparation Assistance

Free tax preparation is available to families earning less than \$51,000 (for a household of. Tax preparers are certified by the IRS and must attend annual training and pass an annual exam. To find a free tax preparation site near you or to get more information on the EITC, please visit the National Community Tax Coalition at <https://tax-coalition.org/our-coalition/our-coalition/program-locator>, the AARP at <http://www.aarp.org/money/taxaide/>, or call the IRS at 1-800-829-1040. In some states, the United Way First Call for Help also keeps a directory of sites.

FROM THE PRESIDENT (continued)

Wise Refund Strategies. Once you have your tax refund in hand, think about how to best use it. This is a wonderful opportunity to increase your financial security. Even though you may be tempted, avoid frittering your money away on things you don't need. If you say "no" to that big-screen television or a new spring wardrobe, you won't be alone. In a recent Princeton Survey Research Associates study, 83 percent of the Americans polled said they plan to use this year's refund to pay down debt, save or invest, or to cover everyday necessities. Only seven percent plan to splurge on items nonessentials.

If you haven't already opened a savings account, this is a great time to do so. Any money you deposit from your refund will help you ride out possible financial setbacks. Contributing to a personal retirement account will also make your future more secure.

Also consider using a part of your refund to get a jump on your debt management plan. In this uncertain economy, the less you owe, the better. If you call CCCS at 1-800-571-2227, we will help you come up with the most effective strategy for applying these extra funds. We are committed to helping you achieve financial well being and want to give you the tools you need to succeed!

ASK A COUNSELOR

Q: This month we've had some unexpected expenses and are unable to make our debt management program payment on time and in full. But we don't want to get too far behind on repayment to our creditors, so we're thinking of paying some of them on our own instead. Is this a good idea?

A: Your agreement with your creditors requires that your payments be made through CCCS of Maryland and Delaware. By making payments yourself, you may jeopardize your DMP and lose valuable creditor concessions. If you can't make a payment, please contact us immediately at **1-800-571-2227**. We need to be in the loop to help you work with your creditors, and we can help you come up with the best payment solution.

We may also try to reach you if you send less than your agreed upon payment, miss a payment, or appear to have made payments on your own. The purpose for this call is simply to update our records and answer your questions, so we're all on the same page.

FINAL THOUGHTS

EITC Essentials - If you're considering applying for the Earned Income Tax Credit, visit this site. It provides information and resources to help working families get ahead— www.taxcreditsforworkingfamilies.org.

Free Online Classes. Have you visited the CCCS website lately? If not, you're in for a sweet surprise. In the Education section you'll find free, interactive courses that are self paced and cover a wide variety of financial and housing issues. Go to www.ccs-inc.org to learn more.

Easy Does It. There are three convenient ways to make your monthly DMP payments: Use ACH EASY PAY, pay online, or use a money order. If you use a money order, fill it out fully, sign it, and send it to us with the top part of your statement. Retain your money order receipt in case you need it later.

Our Mission

To create hope and promote economic self-sufficiency to individuals, families and communities through financial literacy education and counseling.

Annapolis, MD

PAID

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Helping People Help Themselves Through Education,
Financial Counseling & Debt Repayment.