

LINDSEY & WALDO

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Crypto currency
- Irish Friendship Wish
- Is student loan debt "beneficial"?
- Service change reminders

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Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

VOLUME 16, ISSUE 3

MARCH 2024

How to Handle Crypto Assets on Your Tax Return

You've probably heard a lot by now about crypto, the virtual currency that seems to make headway every week for being incredibly valuable or incredibly worthless.

The IRS has heard about it, too — and they want to know more.

This evolving headline asset is an evolving tax question, too — and a potential headache if you disclose crypto info incorrectly on your upcoming federal tax return. To that end, the IRS has a new question for you to answer.

One answer, please

Taxpayers must again answer a digital asset question when they file their federal income tax return, as we've all had to do for a few years. Right on the top of 2023 Form 1040 return you'll see:

"At any time during 2023, did you: (a) receive (as a reward, award, or payment for property or services); or (b) sell, exchange, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?"

The question is also on Form 1040-SR, "U.S. Tax Return for Seniors" and on the 1040-NR, "U.S. Nonresident Alien Income Tax Return." On all forms, there's a box to tick Yes and a box to tick No.

You cannot hit the Pass button on this one: Everybody answers.

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"A person doesn't know how much he has to be thankful for until he has to pay taxes on it." — Ann Landers

Is It Really Just Irish Luck?

His name was Fleming, and he was a poor Scottish farmer. One day, while trying to make a living for his family, he heard a cry for help coming from a nearby bog. He dropped his tools and ran to the bog.

There, mired to his waist in black muck, was a terrified boy, screaming and struggling to free himself. Farmer Fleming saved the lad from what could have been a slow, and terrifying, death.

The next day, a fancy carriage pulled up to the Scotsman's sparse surroundings. An elegantly dressed nobleman stepped out and introduced himself as the father of the boy Farmer Fleming had saved.

"I want to repay you," said the nobleman. "You saved my son's life."

"No, I can't accept payment for what I did," the Scottish farmer replied waiving off the offer. At

that moment, the farmer's own son came to the door of the family hovel.

"Is that your son?" the nobleman asked.

"Yes." The farmer replied proudly.

"I'll make you a deal. Let me provide him with the level of education my own son will enjoy. If the lad is anything like his father, he'll no doubt grow to be a man we both will be proud of." And that he did.

Farmer Fleming's son attended the very best schools and in time graduated from St. Mary's Hospital Medical School in London. He went on to become known throughout the world as the noted Sir Alexander Fleming, the discoverer of Penicillin.

Years afterward, the same nobleman's son who was saved from the bog was stricken with pneumonia. *Continued on page 3 ➔*

Is It Really Just Irish Luck? - *continued from page 1*

What saved his life this time? Penicillin.

The name of the nobleman? Lord Randolph Churchill... His son's name?

Sir Winston Churchill.

Someone once said: What goes around comes around.

Work like you don't need the money.

Love like you've never been hurt.

Dance like nobody's watching.

Sing like nobody's listening.

Live like it's Heaven on Earth.



And should you decide to pass this on to a friend, here's...

An Irish Friendship Wish:
[I hope it works...]

May there always be work for your hands to do;
May your purse always hold a coin or two;
May the sun always shine on your windowpane;
May a rainbow be certain to follow each rain;
May the hand of a friend always be near you;
May God fill your heart with gladness to cheer you;
And may you be in heaven a
half hour before the devil knows you're dead.

Author Unknown
✧

A "Dangerous" Financial Strategy That Isn't So Dangerous—*continued from page 2*

as possible so that they can start building real wealth. Make extra payments, and the process accelerates. So, is that always the best strategy?

Well, it depends. You see, if you're careful, you can take advantage of a financial principle that can help you make later financial decisions: "the spread".

You see, the lower the rate of interest on your loan and the higher the average market return (as now, when the market is, in fact providing excellent returns), the more it makes sense to invest your extra dollars instead of paying down on your loan. The difference between a debt and investment rate is known as the "spread." for example, if market rate of return is 11% and the interest on your student loan is 4%, then, the "spread" is 7% (11% minus 4%).

Let's look at this in the real world. Madison and Tim each have \$20,000 in student loans which are to be paid over 10 years at 4% interest. Tim pays his monthly payments of \$202 plus an extra payment of \$100 so he can clear that debt ASAP. Which, because he makes those extra payments, he's out of debt in six years, instead of ten. No more debt now, and Tim actually invests the full \$302 per month that he had been putting towards his debt. Ten years after graduating, Tim has paid off his school debt and his investments have grown to \$16,728.

Madison does it differently. Instead of paying extra on her loans, Madison pays only the minimum amount of \$202. And now, she ALSO puts \$100 per month (that she could have used to make extra payments) and she wisely invests it. She does this for ten years. But, when you look at the math, her investments have grown to \$21,700, beating Tim's return by \$4,972.

I've written before about "the time value of money", and this is a sterling example. That's because, in Madison's case, **instead of making extra payments as Tim did, she invested her money for a longer period of time.** Tim's four years of investment (even with a larger sum), can't beat Madison's TEN years of (smaller) investments, because she harnessed the power of compounding interest.

Oh, and there is one additional reason students might consider this: **Student loan interest, like home mortgage interest, is still tax deductible** (which of course, you KNOW I love). Even under the new tax law, there is a tax deduction of up to \$2,500 for student loan interest (as long as you meet some basic requirements). The tax code is, in effect, helping to subsidize the cost of your loan. The faster you pay down principle, the faster you lose your tax deduction, which is one more reason that paying just the minimum may be the best option for some. And, with the savings from your tax deduction, you have more money to invest at higher rates of return.

The monthly payment for a student loan is included into the borrower's debt to income ratio when applying for a loan such as a mortgage. "If there is no payment being reported, such as they are still in school or in deferment, then a (presumed) payment must be calculated," according to Renee Kemmeter of Kemmeter Lending. "Some loans require a presumed payment of one-half of one percent of the loan balance, others use one percent."

So, yes, this is a "dangerous" strategy. And you should look at the numbers for YOUR situation. The smaller the spread between your loan interest rate and the average market return, the less appealing this strategy becomes.

Plus, there are other important cases to be made, of course, for working to be debt-free as quickly as possible, especially from a mental standpoint.

Here's the critical component of this strategy: **you must save and invest your money.** If you don't invest the extra money (and you simply *spend it*), you would have obviously been better off putting your extra dollars toward the repayment of your loan.

So, consider this carefully. Research your loans, your rates. Make sure you have an emergency fund, don't get saddled by credit card debt, and make sure you are handling other financial basics.

But remember: **one of the greatest strategies to building wealth is TIME. Start investing as early as possible, do it smart ... and don't get scared by "conventional wisdom".** ✧



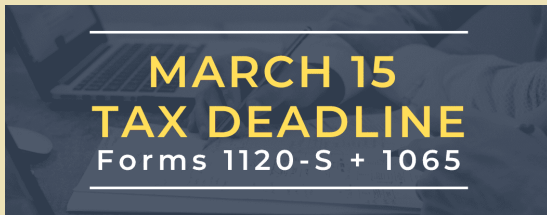
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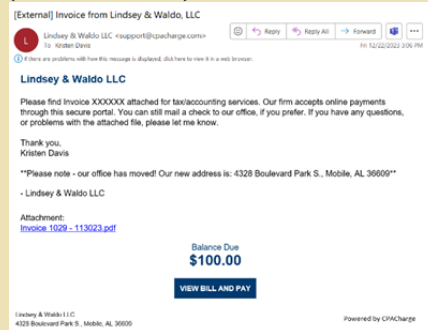
To be removed from our mailing list, call/email us:
(251) 633-4070 or info@CPAMobileAL.com.

Exciting Service Changes (Revisited)

You asked and we listened! In an effort to better serve you and streamline our processes, we've made a few changes to our systems and procedures.

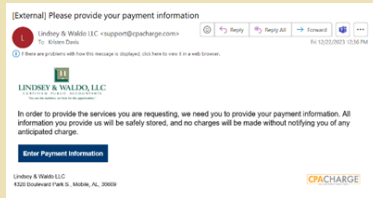
CPACharge

For several years now, we have accepted online payments using CPACharge. We're moving to utilize this system for more of our invoicing and billing procedures.



CPACharge Card Vault:

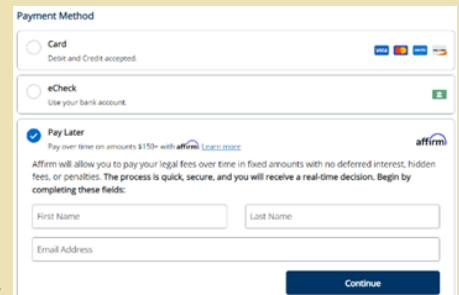
For our clients who choose to have us retain their payment information on file, we will be sending an email requesting your payment information to be added to CPACharge's secure "Card Vault". This will prevent your information from being stored on any paper format. The email will look similar to the graphic to the right: ➡



CPACharge Payments:

We like CPACharge because it offers you the flexibility to pay how and when you would like for all of our services. When you utilize the online payment portal, the screen will look similar to the graphic to the right: ➡

As you can see, it offers Card, eCheck, and Pay Later options. If you need to make payments for our services, the Pay Later option is the way to go.



Again, all of these changes are designed to make tax time, and every time, easier for YOU. If you have any questions about the changes mentioned here, feel free to reach out to our office. You can also submit suggestions for improvements any time.

We look forward to working with you again this year, and hope you find these upgrades favorable. ✨

CPACharge Email Invoices:

Many of you have requested to receive your invoices via email. In the past, we have sent the emails through CPACharge, but sometimes they get overlooked. We have then mailed a paper copy of the invoice, or emailed through alternate channels. In order to streamline our process, we will be sending invoices through CPACharge exclusively, unless you specifically request a paper copy to be mailed. If you would still like to mail a paper check to our office, but receive invoices via email, that is still an option. The email will look similar to this graphic to the above right, and will contain a link to the invoice and payment button.

If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes. *