



PRATO CAPITAL



Prato Capital Newsletter |

MARCH 2020

TAX SEASON AND THE VALUE TO FILING EARLY

"The power of taxing people and their property is essential to the very existence of government."

- **James Madison**, U.S. President.

"I'm proud to pay taxes in the United States; the only thing is, I could be just as proud for half the money."

- **Arthur Godfrey**, comedian.

It is that time of the year when our thoughts have to turn to items like W-2s, Form 1040s, 1099s, charitable donations, mortgage interest, real estate deductions and business expenses.

Investing and Taxes

It isn't just how much you make. It is how much you keep. At Prato Capital Management, we understand the impact taxes can have but we also see the

benefits that tax efficiencies can have over the long-term when factored into a Financial Life Plan. Efficient use of tax-loss harvesting and tax-deferred investments, managing capital gains, and income distributions can all help you keep more of the money you earn when the tax returns are filed.

Having the right tax preparer can also have a positive impact on your bottom line. By working closely with your CPA, we can implement tax efficient strategies throughout the year that are best suited for you.

If needed, we are happy to make CPA recommendations.

The SECURE Act

A recent blog post on our website discusses *the SECURE Act*, which Congress passed late last year and the President signed into law. Changes to the Required Minimum Distributions, inherited IRAs and retirement accounts for small businesses are among many of the changes.

See our blog post for more information: <https://pratocapital.com/2020/02/24/the-secure-act/>.

Benefits to Filing Early

There are several benefits to filing your taxes early:

- If you are receiving a refund, you will receive your money earlier. If you owe money to the IRS, you know the amount earlier but do not have to pay until April 15th .
- With personal information compromised by so many data breaches over the past few years, filing early can prevent tax refund fraud. This is when a fraudulent tax return is filed with your social security number to receive a 'refund'.
- No need to file extensions and risk penalties if enough wasn't paid throughout the year.
- It is easier to make an appointment with your tax preparer. They become busier as April 15th approaches.

What Do We Get for Our Taxes?

In the 2019 fiscal year, the US government collected \$3.5 trillion with almost half coming from individual income tax. Another \$1.2 trillion was collected from Social Security and Medicare Taxes.

Exhibit 1 below shows the government programs where most of our tax dollars are spent and **Exhibit 2** shows the spending associated with some of our federal government agencies.^{[1](#)}

Exhibit 1: Federal Spending by Category 2019

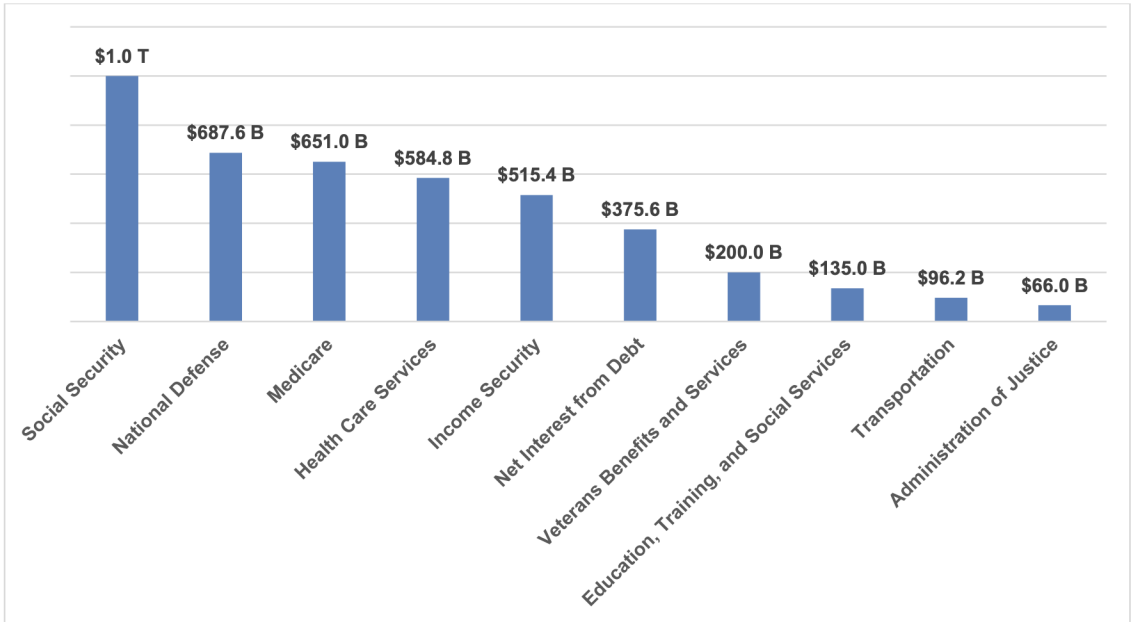
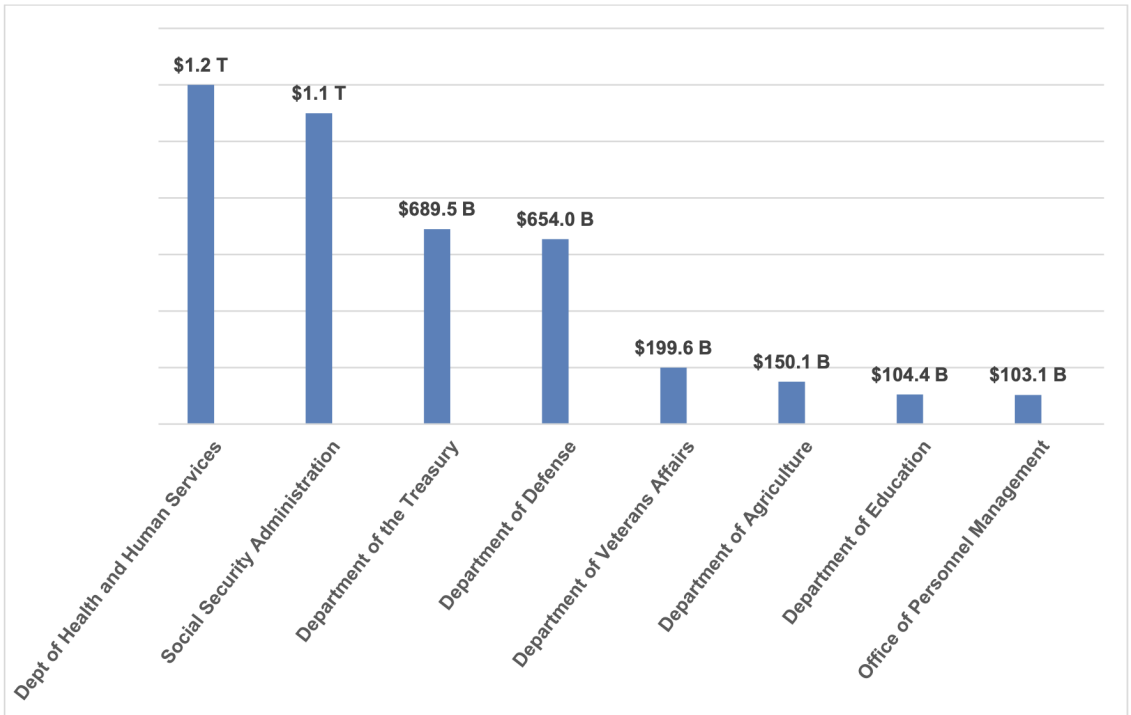


Exhibit 2: Federal Spending by Agency 2019



Conclusion

At Prato Capital Management, we realize everyone has to pay taxes. That is the cost of living in the United States of America. But we believe there are ways to use your income and investments which will allow you to keep more of your money while still paying your fair share. The right balance of tax efficiency

tactics factored into a Financial Life Plan will pay benefits over the long-term.

Please call our office with any questions or concerns as we approach April 15th.

"People who complain about taxes can be divided into two classes: men and women."

- Anonymous Author

[1] Data from USASpending.gov. <https://datalab.usaspending.gov/americas-finance-guide/spending/categories.htm>

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