THE TAX PICTURE

IRAs And Other Last Minute Tax Tips

(NAPSA)—Does tax season have you worried? Well, there's still time to minimize your 2003 tax bill. According to Diversified Investment Advisors, there are also steps you can take now to help trim the tab for 2004.

If you have not already made a contribution to an Individual Retirement Account (IRA), you have until April 15, 2004 to do so for the 2003 tax year. As long as your earned income is more than $3,000, there are two different types of IRAs that may help you reduce your federal taxes—the Roth IRA and the traditional IRA. A single filer earning below $95,000 or joint filers with income below $150,000 can contribute up to $3,000 to a Roth IRA this year. Individuals age 50 or over can make an additional "catch-up contribution" of up to $500 this year. Although contributions to a Roth IRA are not tax-deductible, your after-tax contributions can translate into tax-free growth. As long as you have held the account for at least 5 years and you are at least 59½, you won't pay federal taxes on any earnings when you withdraw your money.

If you don't qualify for the Roth IRA, contributing to a traditional IRA can also help you cut your federal tax bill since you may be able to deduct the contributions to your account. This year you can contribute up to $3,000 to an IRA —$3,500 if you're age 50 or over. Although you probably can't deduct your traditional IRA contributions if you are filing jointly and earn more than $60,000 per year and are covered by an employer-sponsored retirement plan, you can still make a difference in your federal taxes. By contributing to an IRA on an after-tax basis, you'll still take advantage of tax-deferred growth.

If you're 50 or over you can make an additional $500 "catch-up contribution" to your Roth IRA this year.

Once you have decided on an IRA strategy for this tax year, start thinking about trimming your taxes for the future. Perhaps the easiest and most effective thing you can do is to increase your contribution to your employer-sponsored retirement savings plan. This has the benefit of reducing your taxable income—and therefore your current tax bill—and potentially increasing the amount of money you will have when you retire. Also, keep track of all potential deductions such as medical expenses, charitable contributions and work-related expenses. If you have investments outside your retirement savings plan, make sure that they are as tax-efficient as possible.

Planning ahead is the key to ensuring that you don't pay more taxes than necessary. For more information about retirement savings visit www.divinvest.com.