7 Tax Deduction Tips for Retirees

This is an extra resource to go along with the original article:
Investment Tax Tips Every New Investor Should Know

If you've hit retirement age, you may be eligible for additional tax breaks and deductions.

1. Consider Standard Deductions Over Itemized

The standard deduction for people over 65 is actually higher than for those under retirement age. While most single taxpayers get $6,200, a single taxpayer over 65 will get an extra $1,550 ($12,400 for married taxpayers, plus $1,200 more for retirees). For some, this may be more money than an itemized deduction.

2. If You Itemize, Include Medical and Dental Expenses

In 2013, the tax code changed so that people over the age of 65 can deduct any medical and dental expenses over 7.5%. So if you made $50,000, for example, you could deduct anything over $3,750.

3. If You Itemize, Include Business Expenses

Just because you're technically retired doesn't mean you don't have business expenses. You might be out of the full-time workforce, but that doesn't mean you don't have a job or work that could offer you additional deductions. Consider any self-employed or freelance income and associated expenses, like a home office or mileage.

4. If Applicable, Use Your Credit for the Elderly or Disabled

If you're 65 or older or disabled, you may qualify for the IRS's elderly or disabled tax credit, which is a nonrefundable credit that will take money off your tax liability.

5. Get a Tax Break from a Home Sale

If you've downsized your home and sold at a profit, you may receive additional tax breaks if you've lived in that home for two of the five years previous to selling. The tax break is only eligible for single filers up to $250,000 (married up to $500,000), but if your house is around or under that value, you may save money.

6. Take Advantage of Charitable Donations

You will have less tax liability if you've donated a certain amount of money to charity in a tax year. You're generally allowed to deduct up to 50% of your adjusted gross income as charitable contributions as well as big-ticket items like automobiles. Just remember that charitable contributions will only apply if you're itemizing your deductions. Also, read more about the Qualified Charitable Distribution here: *https://www.snideradvisors.com/blog/qualifiedcharitabledistributiontaxbenefits/*

7. Lower Your Tax Rate with Investments

Dividends and capital gains are taxed at a much lower rate than standard income, which can give you a tax break if you made a profit in the tax year. You can also write off additional expenses like fees paid to a broker or financial institution, or the cost of hiring a financial planner or lawyer.

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