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H.D. Vest president Roger Ochs in his Irving, Texas office.

# Help from the boomer tax return

BY ROGER OCHS

If you can obtain a copy of your boomer clients' tax returns, you will have a wealth of information at your fingertips. I have always recommended advisors start with the tax return as a road map when examining a client's financial situation. Although an exhaustive review of a client's 1040 can reveal numerous opportunities, I will focus on the specifics for baby boomer clients that can be realized from a simple review of Schedule B and Lines 8a and 9 on the Form 1040.

Schedule B lists the taxable interest and dividends received by the client and is an excellent place to begin looking for ways to enhance your baby boomer client's after-tax income. The key areas you should analyze include the following:

- Is your client properly diversified?
- Is your client in a high tax bracket?
- Does your client have investments with another broker?

## IS YOUR CLIENT PROPERLY DIVERSIFIED?

Because baby boomer clients will eventually move out of the accumulation phase and into the income-generating phase, diversification is more crucial than ever to weathering business and market cycles. If the client has dividends from a few individual stocks or interest from a few individual bonds, he is not adequately diversified. You might want to show the client that by diversifying his individual holdings, there is the potential for reducing overall volatility while increasing return on investment.

For an increasing number of baby boomers, the wrap or fee-based account is attractive because of the high service element and ongoing monitoring of their portfolio. As a side note, many boomers have the problem of single stock concentration in their retirement plans. In some cases, clients' whole 401(k) or other qualified plan may be in their company's stock. Besides understanding the obvious risk involved in having all their eggs in one basket, you need to help your clients understand their diversification options in their plan and, more importantly, when they are ready to roll their assets into an IRA.

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### DOES YOUR CLIENT HAVE INVESTMENTS WITH ANOTHER REP?

Although clients may not tell you about assets held outside of your control, you may find these assets by examining your client's interest and dividend amount. This review gives you the opportunity to find out where those assets are held and whether or not the client is happy with that advisor. In many cases, clients will have a "do-it-yourself" stock account somewhere, and they may be tired of doing it themselves.

### LINES 8A AND 9: IS YOUR CLIENT IN A HIGH TAX BRACKET?

If your clients are in a high tax bracket and are not investing in tax-exempt or tax-deferred holdings, recommend they consider alternatives. Qualified retirement plans (including IRAs) also offer tax deferral; however, there are limitations on the amounts one can contribute.

Using the Form 1040 to examine financial planning opportunities may be new to some advisors. However, understanding a client's tax return and the information contained in it is critical to overall financial planning. The tax return can shed light on financial mysteries and uncover financial obstacles that keep clients from reaching their goals. Most clients want someone to tell them what to do. Taxes and investments are confusing. Your clients will respect you for helping them identify a need and working to solve it. Your baby boomer clients are approaching a new phase in their lives. Examining their whole financial picture, including their taxes, will be important to helping them navigate the future.

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