

4 Simple Steps to Reduce Your Taxes

By Wayne M. Davies

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With Tax Season upon us, here are 4 simple steps to lower your tax bill this year.

STEP #1: Understand How Serious Your Tax Problem Is

Are you aware of just how much in taxes you are paying?

Here's how much the average family spends on various consumer categories -- as a percentage of income.

You must realize that it's not how much you spend on taxes that is important, it's how much you spend on taxes as compared to all other major categories of spending!

Consumer Spending:
How Do You Spend Your Hard-Earned Dollars?

Taxes -----	32.0%
Housing -----	16.7%
Medical Care -----	11.5%
Food -----	8.2%
Transportation -----	7.9%
Recreation -----	5.7%
Clothing -----	4.1%
Savings -----	1.4%
Other Miscellaneous -----	12.5%
TOTAL -----	100.0%

So, if you think you are being "nailed" by the government, you are absolutely right. You spend more on taxes than any other category of consumer spending.

In fact, you spend more on taxes than on food, clothing, and housing combined!

And it's not just federal income taxes we're talking about here. There's also state and local income tax, payroll tax (Social Security and Medicare), sales tax, excise tax and property tax.

Maybe you already knew "intuitively" that your tax bill is outrageously high. If not, the picture I've

just painted should thoroughly convince you that you pay too much tax, period.

STEP #2: Get The Right Attitude About Your Taxes

What do I mean by this? Well, you simply must have a certain "mental attitude" toward this whole idea of paying taxes. I'll get right to the point -- you must have an attitude about taxes that says, "Enough is enough. I'm paying way too much tax and I don't like it! And it's about time I did something about it -- TODAY!"

After reading those numbers above, how do you feel? Doesn't that just make you furious? If so, great, then you are on your way to solving this problem. (Remember the old cliché -- "You can't solve a problem until you admit you have one!")

If you saw those numbers above and said, "Big deal. So I pay 32% in taxes. So what? So does everybody else in this country" -- well, I'm sorry, but you might as well just stop reading this article right now. You will continue to pay too much tax because you really don't care about it.

To reduce your taxes, you must have a passion for paying less tax. You must get angry about it.

Before today is over, go get last year's personal income tax return (Form 1040) and look at how much tax you paid.

When you have Form 1040 in front of you, do you realize where the most important number is on this form?

NO, it's not Line 67 -- which tells you how much of a refund you got (if any!).

NO, it's not Line 70 -- which tells you how much you still owed, the balance due with the return.

The most important number on Form 1040 is Line 58.

It says: This is your TOTAL TAX. That is how much federal income tax you paid for all of last year. When it comes to reducing your taxes, it doesn't matter whether you got a refund or whether you had a balance due.

What matters is -- what was your total tax liability for the year. That's the "magic number" that should just make your blood boil and your heart beat so fast that you can hardly stand it.

Now that I've got you all "riled up" about paying so much tax, let's move on to Step #3.

STEP #3: Realize That Reducing Taxes Is The Easiest Path Possible To Creating Wealth

Consider this simple fact: Reducing your taxes by just \$4,000 per year is the easiest way possible to becoming a millionaire.

Let me elaborate.

Let's say you implement some new tax-saving strategies that reduce your taxes by \$4,000 each year. Now, if you take that \$4,000 per year in tax savings and invest it over the next 30 years, assuming you earn 11.5% on your investment, you end up with \$1,048,745.98 at the end of the 30 years!

And here's the best part about this scenario: Where did you get the \$4,000/year to invest? Well, you got it from money that would have gone to Uncle Sam! It's money that you used to spend on taxes, part of the 32% of your income that goes to taxes each year.

In effect, it's free money! It's money that was always there -- you just didn't realize it.

Is this a good deal or what? By simply reducing your taxes, the government will finance your million-dollar retirement.

And let's say your tax situation is such that you save \$2,000/year instead of \$4,000/year. Same assumptions: you invest the \$2,000 each year at 11.5% for 30 years. End result: \$524,372.99. Not too shabby, eh?

So all you have to do is come up with the tax-saving strategies that will put \$2,000 or \$4,000 in your pocket each and every year. Which brings us to Step #4.

STEP #4: Get Hold Of The Tax-Saving Strategies That Will Make You A Millionaire!

You know, it doesn't really take much information to save a bundle in taxes. It is true: Just A Little Bit Of Tax Knowledge Can Save You Thousands Of Dollars Every Year!

Useful tax information is freely available. On the Internet, at your local library, and through your local tax professional.

The question is: Are you willing to spend some time this year learning about effective tax strategies that can save you literally thousands of dollars?

Here's a simple goal to set for yourself: Over the next 10 weeks, set aside just an hour a week to read up on tax-reduction strategies. That's all, just 10 hours.

Chances are you'll find 2 or 3 strategies that reduce your tax bill by \$1,000 this year.

So you spend 10 hours and, in effect, pay yourself an extra \$1,000 for your time. Not a bad hourly rate, eh?

Many times, that's all it takes to pay less tax.

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