

Subject: Newsletter: How to Compare Financial-Aid Offers. Plus, What Sparks an IRS Audit.

Date: Friday, February 23, 2024 at 12:37:09 PM Pacific Standard Time

From: Greenleaf Financial Group

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**Hello Greenleaf,
Welcome to Our Client Newsletter**

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- **What Sparks an IRS Audit? Will There Be More Audits This Year?**
- **Market News: More Record Highs for the Stock Market**

**How to Compare
College Financial-Aid
Offers**

Your child has been accepted into multiple colleges. Huzzah!

Comparing your financial-aid offers should be easy, but it can be a baffling experience for parents and students. Use these five steps to determine which school(s) are within your financial means.

Question:

**What Sparks an IRS
Tax Audit? Will There
Be More Audits This
Year?**

Answer: After years of budget-related cutbacks, the IRS is working to improve their service, their technology, and -- yes -- their enforcement.

However, it's unlikely that you will be audited. For tax year 2022, less than 4 out of

**Market News:
More Record Highs
for the Stock Market**

This week, a blockbuster earnings report by AI chip maker Nvidia sparked a stock-market rally that pushed the U.S. stock market to record high levels. The Dow Jones Industrial Average topped 39,000 for the first time ever.

Nvidia's one-day gain in market capitalization (the total value of its shares) was \$27 billion, the largest

One: Find the cost of attendance.

If the school's "cost of attendance" is not in the letter, request it from the financial-aid office. Start with this number and then make adjustments using your letter and your circumstances.

Two: Separate direct from indirect costs.

You will be billed directly for tuition, fees, housing, and dining facility meals. Unless your student has off-campus or other living plans, all these costs must be in your budget and your cost of attendance.

Indirect costs, such as travel to campus, books, and activities, may be understated, not applicable, or inflated. Review these, adjust them if need be, and then include them in your cost of attendance.

Three: Subtract grants and scholarships, but not loans.

Grants and scholarships -- if they will be in place for all four years -- reduce your total cost. However, loans aren't free, so you should make sure these remain as part of your total cost calculations.

Similarly, some colleges will include work study income as a cost reduction. If your student will use part-time

every 1,000 returns were audited according to Syracuse University's Transactional Records Access Clearinghouse.

In addition, the IRS wants to go where the money is. Consequently, recent audits have focused on complex partnerships, large corporations, and very high-earning individuals. Any of these entities that owe back taxes are also priority collection targets.

Still, certain areas are more prone to closer scrutiny from the IRS. Unusual or missing amounts will make you more likely to hear from the IRS. These areas are:

Claiming Unusual Tax Deduction Amounts

Claiming deductions is not a red flag unless those deductions are unusually high. For example, if your income is around \$150,000, but you're claiming itemized deductions similar to those for million-dollar earners, that will get the IRS' attention.

Failure to Report All Your Income

The IRS compares the various 1099s, W-2s, and Schedule K-1s they receive with the amounts that taxpayers report. If they are not the same, you will receive a notification and a chance to rectify any missing

\$277 billion -- the largest single day gain ever for a U.S. company. In fact, Nvidia's gain on February 21st was larger than the current total value of mobile-phone chip maker Qualcomm.

The ripple effects of Nvidia's price move were even felt in Japan, where the Nikkei Index reached a new high for the first time in 35 years.

While many investors have re-embraced large technology stocks, including the "Magnificent Seven," which represented most of the stock market results in 2023, others fear an AI-driven bubble.

More than half of traders surveyed by Charles Schwab reported a bullish outlook on the stock market, an increase of about 32% from the same survey in late 2023. Although recent data shows that the U.S economy remains strong -- but not too strong -- this also appears to be a fear-of-missing-out move by many investors.

Meanwhile, bond investors have been disappointed by indications that interest-rate cuts are not as imminent as many anticipated. Still, we don't advise clients to reduce or abandon their bond allocations. Investors have notoriously bad timing,

income for costs other than the ones shown in your letter (such as buying clothes or eating out), then work study should not be a line item that reduces your costs.

Four: Multiply by four.

One or two years of college costs is a stretch for most families. Although scholarships available to majors and high-achieving students might help in later years, make sure you can manage four years of your adjusted cost of attendance.

Five: Add a little more.

If the number at step four seems difficult, remember that tuition may go up. Or your child may take more than four years to graduate if that college has a poor graduation rate.

In addition, if you will give your student an allowance, add it to your total cost.

If any aspect of the letter is ambiguous, contact the school's financial-aid office for more details.

College acceptances are joyful occasions. However, college is a major financial undertaking. Don't let your family's excitement obscure your financial wisdom.

chance to rectify any missing or mis-entered items.

Business Losses

If you run a business, the IRS expects you to try to make a profit. Too many losses or losses that are too high may be disallowed if the IRS determines that your business is actually a hobby.

One common red flag is reporting a high level of vehicle business use compared to personal use. (The IRS recently announced that they will be looking into business versus private airplane use too.)

If you are operating a business, keep good records and books to prove your expenses.

Abusive Tax Shelters

The desire to find tax loopholes often gets taxpayers into trouble. The IRS continuously conducts investigations to identify and stop taxpayers who engage in tax-avoidance schemes.

Current scams on individual tax returns include misuse of the earned income tax credit, false fuel tax credit claims, plus a family leave scheme.

Suffice to say, if you report your income and deductions honestly and correctly, then you have nothing to fear from the IRS.

which is compounded by a tendency to chase after hot market areas.

Indeed, investors often find it is against their nature to follow the "buy low and sell high" maxim. Morgan Housel, author of "The Psychology of Money," said it best: "All past declines look like an opportunity; all future declines look like a risk."

Our approach is always informed by a desire to lessen the risks of investing, while positioning you for good returns. We welcome your questions about your investment strategy -- and we appreciate your business!

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