Getting less? Ways Staten Island families can save more

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STATEN ISLAND, N.Y -- Even though Washington lawmakers reached an agreement to avert the "fiscal cliff," Staten Island families still will feel the pain of a federal tax hike, as the last-minute deal did not include legislation to prevent a temporary reduction in the Social Security payroll tax from expiring.

With paychecks shrinking due to federal tax increases, families need to find ways to make their dollars stretch further.
Creators Syndicate

City Comptroller John Liu's office said the expiration of the two-point reduction would cost Island workers on average $956.

Additionally, under the new health care reform, which kicked off Jan. 1, it will be harder to deduct medical expenses. Taxpayers previously could deduct medical fees that exceeded 7.5 percent of their adjusted gross income, but now that level has risen to 10 percent.

Other changes in the tax package passed last week will deliver an even greater monetary blow to those in higher income brackets.

So what's a hard-working Staten Islander supporting a family to do? Learn how to make the money in hand stretch farther.

While Walter Daszkowski, a certified public accountant and managing partner of Daszkowski, Tompkins & Weg in Sunnyside, admits it will be difficult for people to save money on taxes this year, he does suggest "investing in tax-free vehicles like municipal bonds and tax-deferred investments such as variable and fixed annuities.

"This would lower their taxable income, therefore lowering their tax burden," he explains.

FOX Business Network (FBN) reporter Elizabeth MacDonald also encourages people to "do what they can to properly itemize deductions."

According to Ms. MacDonald, "You may want to time your deductible expenses by loading them all into one year" to ensure your deductible expenses don't drop just below the threshold.

"For instance," she adds, "You can plan charitable donations that way, or make an early property tax or extra mortgage payment."

For long-term savings, Ms. MacDonald, who worked at Forbes Magazine before becoming FBN's stock editor, recommends putting the maximum you can into tax-advantaged plans like 401(k)s and college 529 plans, as well as traditional or Roth IRAs, which you can add to up until the April 15 tax filing date.

TRACK EVERY EXPENSE

While these tips are great for those who comfortably can afford their lifestyle, how about families feeling financially pinched?

"The smartest thing they can do is sit down and do a budget," Debra Feaser, a financial advisor with Edward Jones Financial Services, Bloomfield, says, noting, "Most people don't realize what they spend their money on."

She recommends writing down every single expense for a month to track where your money really goes, noting some people may be shocked to learn how much goes toward things like dining out or even a deli run.

Author David Bach, who coined the phrase the "Latte Factor," makes the point that unnecessary, "little" expenditures really do add up.

This becomes even more meaningful considering that if you were to stop buying $4 lattes on your way to work you could save around $960 a year — or about the amount the payroll tax increase will cost Islanders on average.

Ms. MacDonald suggests taking it a step further by bringing your own lunch to work. Factoring that lunch in New York City costs about $10 a day, she estimates you can save about $2,400 annually — or, as she points out, "enough to cover a nice, affordable vacation to a beach in the Caribbean."

"While you're at it, pack a healthy lunch," she adds, noting, "You can shave as much as 20 percent on average off your health insurance premium costs by losing weight, studies show."

EDUCATING CHILDREN

Ms. Feaser believes that parents can save money, while also teaching kids a valuable lesson, by not buying children everything they want.

"Here on Staten Island, there seems to be a lot of pressure to spend on children, especially on teens," she observes, remarking luxury cars and other expensive items are handed over to teens like it's no big deal.

But, "When you give them everything they want, they don't understand the value of a dollar. They are programmed to spend, not save," she says, adding that she has seen many young people struggle when on their own, unable to afford the lifestyle they'd grown accustomed to.

Teaching kids financial responsibility is not just something Ms. Feaser preaches. When her granddaughter, Kara Cocozza, wanted a $300 iPad, she put together a chart of chores for the girl to do, each with a dollar value.

Matched "dollar for dollar," the 7-year-old was told she would have to earn the "money" for the iPad herself, which she did over the course of three months.

BE PRUDENT

Jonathan Peters, a professor of finance at the College of Staten Island, says financial responsibility is a lesson many adults could use, too.

Observing that many people are living beyond their means, he shares a comment he makes to his students: "When I see someone driving a flashy car, I think, 'That's one payment away from being repossessed.'¤"

While people can cut corners here and there, he says there is "no magic wand" to give people everything they want. Instead, he says, they need to "accept less, spend less" and be cautious about how much debt they take on.

While he realizes his advice isn't "sexy" or what many may wish to read, tax hikes, the "long, long recession," price increases — not to mention damages from Hurricane Sandy — have painted a bleak financial picture in which fiscal prudence is necessary.

He adds that people need to come to terms with their reality, review the alternatives and make some tough choices. That may mean delaying retirement and Social Security, not sending children to the college of their choice and living more frugally overall.

Just like the federal government has to examine who will pay for what and where to spend and not spend, taxpayers' money, Peters says, "These are some of the same questions you need to be facing in your own household."