

### Does Your Financial Advisor “Talk Tax”?

In the popular 2009 movie “Confessions of a Shopaholic” the main character, Rebecca Bloomwood, is utterly shocked to find out that her boss, Luke Brandon, can “speak Prada”, as she puts it. On a regular basis, Luke dresses like a slob and generally does not care about his appearance. When Luke and Rebecca go on a shopping expedition to prepare for a professional event, Luke very easily picks out stylish clothing. Rebecca is in disbelief that he actually “speaks Prada” but chooses to dress the way that he does.

Just as Luke Brandon could “speak Prada”, your financial advisor should have the ability to “talk tax”. It is very important for him or her to understand the tax impacts of your investments. You would think that many financial advisors “talk tax”, but unfortunately, this is not the case. Many times, the tax impact is either not understood or just altogether ignored. Eventually, this will lead you to have the “You Did What?!?” conversation with your tax advisor(s). I can tell you, that conversation is always uncomfortable for you and your tax advisor!

As financial advisors who “talk tax”, we can easily recognize tax issues or opportunities when it comes to your finances. For example, one of the simplest issues we see all the time is “dividend” income. If you have two separate dividend income numbers reported on your 1040, you are most likely missing the preferred dividend tax rate. The cause of this is not the stocks involved, but the registration paperwork, which can be easily fixed. If the account allows you to borrow against these securities, the percentage of the allowable loan is automatically taxed as ordinary income, even if it is not all used.

So what should you do? Ask your financial advisor to explain the tax impacts of your investments. If they defer you to a conversation with your tax advisor, that may be a red flag that they don’t understand the tax implications of what they are recommending for your situation. Of course, your tax advisor will explain this to you, but you might want to make sure that your financial advisor at least has a basic understanding of what is happening with the tax aspect of your finances.

Make sure to connect your tax advisor and your financial advisor so that the two of them can discuss your finances, including the tax implications. It would be very beneficial to you if these two members of your financial power team have a good working relationship. The bottom line is that you need your financial advisor speaking with your tax advisor before you buy, sell or hold any financial product. You don't want to make any decisions that may negatively impact your financial situation.

Just as Rebecca found out that Luke could "speak Prada", find out if your financial advisor "talks tax". This way, you can rest easy knowing that he or she understands the tax implications of their recommendations. If they don't perhaps it is time to start shopping for another financial advisor.

If you are looking for a financial advisor that "talks tax", feel free to give us a call at 888-266-2929. If you mention Keystone CPA, you will receive a Complimentary Consultation where we take a comprehensive look at your finances.

Don't forget to listen to our "Smart Money Talk Radio" show every Monday from 3-4 pm on KCAA 1050 am, an NBC affiliated station. You can also listen online at [www.kcaaradio.com](http://www.kcaaradio.com) or [www.smartmoneytalkradio.com](http://www.smartmoneytalkradio.com)

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