

# AICPA Personal Financial Planning Division (aicpa.org/PFP)

## Analysis of a Tax Return for Personal Financial Planning

The following checklist was developed by leading CPA financial planners to help you find personal financial planning opportunities in your tax practice. This checklist will help you analyze and identify key issues to consider as you prepare, review and discuss your individual tax returns with your clients. If you are looking to formalize your PFP services, download a free copy of the [Roadmap to Developing and Managing a CPA Personal Financial Planning Practice](#). The *Roadmap* is your PFP atlas, with the information you need to plot a route to successfully add personal financial planning as another value-added service to your established practice. Members of the [AICPA's Personal Financial Planning Section](#) have access to these resources and more! [Join today and save \\$50 off membership](#). Enter promocode PFPCPALD at checkout.

Done	Dependents and Filing Status	Notes
	Does the client have children?	
	Understand any education planning opportunities.	
	Discuss gifting opportunities with the client.	
	Consider income shifting to take advantage of the children's low tax rate.	
	Have gift tax returns been filed?	
	Do the number and ages of dependents indicate that income continuation needs are likely to be high?	
	Does the client have elderly parents whom they care for?	
	Discuss estate planning with the client.	
	Review the dependency rules to be sure the parents can be claimed.	
	Discuss the future financial commitment of this care with the client.	
	Is the client divorced?	
	Consider filing status and dependency exemptions in divorce situations.	
Done	Income	Notes
	What is the source of the client's income?	
	Understand their sources of income - wages, self-employment, partnership, etc.	
	Are there any income deferral opportunities available given the client's investment income source?	
	Discuss the benefits of saving through 401(k), 457, 403(b), SEP, or IRA's.	
	Does the client have income from a retirement plan still held with former employers?	
	Discuss rollover of funds to an IRA or consolidating IRA's with the client.	
	Does the client have social security income?	
	Consider whether any of the social security income maximizing strategies might apply.	
	Is the family income dependent on one wage earner?	
	Are maximum 401(k) contributions being made?	
Done	Schedule B	Notes
	What are the sources of the client's interest income?	
	If it's taxable, does it come from bonds, CD's, savings accounts, etc?	
	If it's tax-exempt, understand the state tax impact.	
	If the source is savings accounts, consider the FDIC limits	
	If the source is municipal bonds, consider the safety of the bond.	
	Does investment income indicate a liquid fund has been established for emergency needs?	
	What are the sources of the clients dividend income?	
	Is it mostly from mutual funds or stocks?	
	Consider if the client is too highly concentrated in one stock.	
	Understand the types of stocks or funds generating the dividend income.	
	Are there alternatives to the investments you see here?	
	How are assets custodied?	
	How are the assets titled?	
	Consider the tax efficiency of the investments	
	What would be the impact of a market downturn on these investments?	
	Does the investment income indicate a concentration of investments?	
	Has the dividend or interest income dramatically increased or decreased since last year? If so, why?	
	Consider the amount of interest income compared to dividend income and how this represents the underlying portfolio.	
	Review tax impact of investment income and the impact of potential legislation changes to the tax.	

Done	Schedule C	Notes
	Does the client have Schedule C Income?	
	Discuss succession planning related to the business with the client.	
	Consider the use of different types of retirement plans for a self-employed individual.	
	Determine the income shifting opportunities among family members.	
	Discuss range of options to structure the business for risk management - Compare LLC, Corp, LLP, etc	
Done	Schedule D	Notes
	Does the client have capital gains/losses reported on Schedule D?	
	Does the client have loss carryforwards?	
	If there is substantial trading activity, discuss with client the fee/expenses related to this.	
	Consider the benefits of loss harvesting as a part of ongoing wealth management	
	Is there a coordinated tax plan in the sales?	
Done	Retirement Plans/Distributions	Notes
	Does the client have any retirement plan distributions?	
	Were any RMD's taken, if they are required? (Remember the suspension of RMD's in 2009)	
	Consider NUA election from the 401(k) if the client has substantial employer stock - should there be distributions?	
	Discuss with the client their beneficiary elections and make sure they are all correct.	
	Consider which retirement accounts the client should be taking distributions from.	
	Analyze whether a Roth conversion might be beneficial for the client.	
	Understand the client's cash flow needs to see if they have a sustainable withdrawal rate.	
	Determine if the withdrawal rate is sustainable.	
Done	Schedule E	Notes
	Is there income flowing through from an LLC, S-Corp or partnership?	
	Consider any valuation issues that could be associated with these activities.	
	Discuss with the client the IRS' challenge of family entity discounts.	
	How do any hedge funds, venture capital, or other alt investments fit into their overall investment allocation	
	Are there rental real estate properties being reported here?	
	Consider risk management with the client (i.e. consider single member LLC ownership)	
	Discuss the ownership of the rental properties with the client.	
	Discuss the estate planning impacts of the properties with the client.	
	Consider the passive activity loss rules.	
	Does insurance expense appear reasonable in relationship to property characteristics?	
	IS there income flowing through from a trust?	
	Understand what assets are being managed in this trust.	
	Discuss the trustee selection with the client.	
	Find out from the client what the purpose of the trust arrangement is.	
	Are there any potential tax liabilities arising from negative basis?	
Done	Itemized Deductions	Notes
	Does the client have substantial charitable deductions?	
	Consider having the client make contributions with appreciated securities.	
	Consider the timing of contributions to decide how to maximize the benefit	
	Discuss CRUT's, Private Foundations and Charitable Lead Trusts with the client	
	Understand Donor Advised Funds and consider whether these might apply	
	Consider the use of an IRA distribution direct to charity if client is over 70 1/2 (watch legislation)	
	Does the client have a significant state tax deduction?	
	Discuss with client the growing importance of state taxes.	
	Determine if the client has any residency issues. (multiple residences, etc)	
	If the client has multiple state residency discuss the opportunities and pitfalls with them.	
	Discuss potential tax liability in other states with the client.	

Done	Itemized Deductions (continued)	Notes
	Are there substantial medical expenses being deducted?	
	If there is a deduction for long term care insurance, discuss this policy with the client.	
	Discuss with the client their current health insurance coverage	
	Understand the medicare rules and their impact on the client.	
	Explain to the client the issues related to elder care.	
	Do the expenses indicate inadequate health insurance coverage or special needs?	
	Does the client itemize miscellaneous deductions?	
	Determine if the investment fees are reasonable or excessive.	
	What are the other expenses deducted?	
	Explain to the client the 2% of AGI limit.	
	Consider planning opportunities to avoid the loss of deductions	
	Does the client have interest expense that is being deducted?	
	Explain the benefits of the mortgage interest deduction to clients	
	Consider planning and refinance opportunities related to mortgage interest.	
	Be sure that the client is not exceeding the limits on Mortgage Interest.	
	Understand the investment interest expense carryover rules and what qualifies as investment interest expense	
	Consider the various types of loans for education.	
Done	AMT	Notes
	Is the client in AMT or have they been in the past?	
	Understand why the client owed an AMT liability	
	Consider any planning opportunities that can be used to minimize the AMT impact	
	Explain to the client the rules of exercising ISO's and the planning opportunities available.	
	If there is a minimum tax credit carryforward identify when it was generated and consider implications	
	Is the client potentially losing the AMT credit carryover?	
Done	Credits	Notes
	Consider the education credit alternatives	
	Consider the available energy credits	
Done	Occupation	Notes
	Does the occupation indicate special coverage needs? (such as adequate disability insurance for a surgeon)	