CHANGES THAT CAN AFFECT YOU IN 2015

By Jacob Ansel

A new year brings new goals, opportunities, and commitments. When it comes to your finances, it also means new rules and requirements that affect how you manage your money. Knowledge of even a small change can affect your economic decisions this year.

IT'S ALWAYS SMART TO EXAMINE THE financial changes that impact you. And this year, it's mostly good news; some of these changes will put more money in your pocket. Between changes to tax laws, retirement savings plans, and student loan repayment options, this year's new rules are worth checking out to understand how they can benefit you.

You can contribute more to your 401(k). If you regularly max out your contributions, this is very good news. Contribution limits are increasing across the board by $500. If you're over 50, the extra catch-up contribution limit has been upped by $500, to an additional $6,000. The 2015 limit for a SEP IRA is $53,000. The IRS gives a saver's credit for putting money into a retirement account; that's $500 for single and $1,000 for married.

The government launches a new type of retirement account geared toward low-to-middle-income earners. The myRA, similar to a Roth IRA, has a key feature: the government guarantees your original investment never loses value. The myRA can be used until the balance hits $15,000, and then you're required to move your money into a different retirement account. Accounts are free to open, and withdrawals can be done via direct deposit from your paycheck.

This is the year the IRS cracks down on those who haven't signed up for a health care plan or aren't covered by their employers. Under the Affordable Care Act, if you weren't covered last year, you'll pay $95 per person, or 1% of your gross income. The tax penalties will get higher in future years. This year, the penalty is $325 or 2% of gross income. In 2016, it goes up to $695, or 2.5% of gross income.

There are new limits for workplace HSAs and FSAs. The new annual limit on employee contributions went up $50 to $2,550. Previously, FSAs had a use it or lose it rule that forced employees to use up funds for medical expenses before December 31 or forfeit the money. Now the IRS lets workers carry over up to $500 from one year's FSA into the next, as long as its spent by March 15 of the new year. The HSA is often considered a better choice for most people because it has higher contribution limits (up to $3,350 for individuals or $6,650 for a family in 2015) and greater flexibility. Whatever you don't spend gets carried forward with no maximum limit.

While President Obama's plan for free community college tuition isn't a reality yet, the government is helping defray the rising cost of higher ed. This year, five million more people are eligible for Pay As You Earn (PAYE), a government program that caps repayment of federal student loans at 10% of a borrower's income above the poverty line, and forgives any remaining debt after 20 years. Currently, only those who took out loans after October 2007 are eligible to use PAYE, but the new change allows borrowers who have loans from before that date to become eligible if they meet certain requirements and income limitations. You can't take advantage of this just yet: the new revisions aren't planned to be launched until December 2015.

There are a slew of changes to tax brackets, deductions, and credits on next year's tax paperwork. The upward readjustment of tax brackets due to inflation means some folks may be paying less in taxes. The tax rate of 25% will now apply to single filers who make over $37,450 and married couples making over $74,900. The 28% tax rate will now apply to single filers making over $90,750 and married couples making $151,200. The standard deduction increases $100 to $6,300 for single filers. For married couples, it goes up $200 to $12,600. That means a better tax break for people who don't have enough itemized deductions to exceed the standard deduction amount.

Social Security recipients will get a cost-of-living increase of 1.7%, so the average retiree will get about $22 more each month, and couples will see an extra $36 in their check. And, lastly, the AMT exemption increases to $53,600, individuals, and $83,400, married, so you can make 1.5% more in income this year without triggering an AMT alert. ❑

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