

Be Prepared: What the Fiscal Cliff Means for You

Will the economy drop off the fiscal cliff come Jan. 1. The clock is ticking to get a deal cut before everyone leaves Washington for the Christmas break.

There was talk of compromise when President Barack Obama and House Speaker John Boehner met face-to-face Sunday for the first time in nearly a month.

Some Republican lawmakers now say they're open to raising taxes on high income earners if Democrats consider holding the top rate below 39.6 percent.

And one leading Democrat, Illinois Sen. Richard Durbin, is putting entitlements like Medicare on the table.

"I do believe there should be means testing, and those of us with higher income in retirement should pay more. That could be part of the solution," Durbin told NBC News in a recent interview.

But a deal is needed quickly if there is going to be congressional approval by the end of the year.

And even if the president and Congress do strike a deal, neither party is talking about the payroll tax increase that will affect all American workers on Jan 1.

The Social Security tax, which was temporarily dropped to 4.2 percent in 2010, is scheduled to go back to 6.2 percent in January, meaning that the average American household will see their 2013 paychecks shrink by about 2 percent.

There are also discussions in Washington about capping or eliminating tax deductions on mortgage interest and charitable donations.

The situation has many taxpayers scrambling to find ways to protect their money.