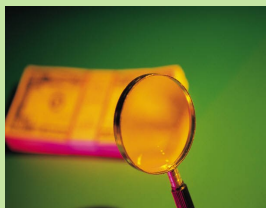


ZEVAC & LINDSEY

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Secret deductions?
- Save yourself from the IRS
- The joys of America
- Which advisor is right for you?
- Richard's latest vacation
- Referrals and info

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Taxing Times

Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

VOLUME 4, ISSUE 7

JULY 2012

Tax Expert, Richard Lindsey, Swears on a Stack of Bibles These Are Not Illegal Tax Deductions

How to Write Off Katie's Soccer Camp

Yes, it is quite do-able. But, like many things in the tax code the devil is in the details. Let's see if I can cut through the Tax Mumbo Jumbo for you.

If Katie (or Bruce) is younger than 13 **and** goes to a DAY camp (overnight doesn't work), **and** you are both working (or "looking for work") then,...

Cha-ching.

You can then choose to pay for the camp using a Flexible Spending Account (FSA) or you can take the child care credit. Remember: credits are better than deductions. With both the FSA and the child care credit, other

eligible expenses include the cost of day care or pre-school, before or after school care and a nanny or other babysitter while you work.

The size of the credit depends on your income and the number of children you have who are younger than 13. You can count up to \$3,000 in child care expenses for one child or up to \$6,000 for two or more children.

There are some limitations. The credit is only good for families of a certain income range and the percentage of eligible costs varies with income.

All told, it's a good deal which you should take advantage of, if you qualify.

Continued on page 3 ➡

How to Have True Freedom...From the IRS

Well, the dream of freedom, birthed on the 4th, does still live. But let's face it, our government is poised to become a deeper, larger influence in our lives. Perhaps no agency more so than the IRS.

It's ironic, in this month of Independence, to recognize how much power the IRS has. It is perhaps, one of the most powerful organizations in our country. It, and it alone, is responsible for collecting the vast majority of all Federal taxes and imposing related penalties. The IRS poses one of the biggest financial threats to individuals and entrepreneurs alike.

The Internal Revenue Service has a unique position in its roles as an information resource and has a unique legal standing as a law enforcement agency. The IRS has the authority to issue regulations, interpret legislation and the freedom to make mistakes without consequences. (They're protected from penalties for false accusations!)

So what can we do to protect ourselves from the IRS' power and potential for financial wrath???

Well, if there was a concrete answer to that, the IRS wouldn't be near as intimidating as they are, would they? But, there is one thing each of us can do to keep the IRS off our back: Keep Good Records!!

I know, I know, a bit lame sounding, but it's true.

Our best defense against audits and false accusations is accurate, detailed records of the flow of money into and out of our lives or business.

A few years back, I received a frantic phone call from a potential client. She was being audited. Could I help? This small business owner ran a completely online business and all of her transactions, all of her payments and all of her revenue, ran through her Pay Pal account. Not necessarily a problem, but as it turns out, **Continued on page 2 ➡**

America



Oh, beautiful...

This land that was once a wilderness when other lands were filled with cities, people and history!

For spacious skies...

skies that crown a land of unbounded opportunities—where one can live, work, travel and pray—freely, gratefully, and without fear!

For amber waves of grain...

grain from the bounty of a land of such abundance that it feeds, not only its own, but millions of others as well!

For purple mountain's majesty...

mountains filled with many gifts of God—forests, minerals, water and living things – a land of ten thousand Edens!

Above the fruited plains...

vast, rich plains, where men still have room to reach out—even for a star—and then set foot on it!

America...

Land of people with a hundred national origins and colors—all blending into a single rainbow three thousand miles wide!

America...

mighty in war, gentle in peace, awesome in productivity—a land where *anyone* can be someone if he is willing to share his dreams with others!

God shed His grace on thee...

many times over. And because of this communion of God with man and man with God, America has been blessed as no other land has ever been!

And crowned thy good—

and America is good—sharing generously with others, yet asking little in return...always willing to help the weak, the impoverished, the hungry and the hurt...America, whose door and heart have always been open to the poor, the oppressed and the homeless who sought a new life on its shores.

With brotherhood...

a brotherhood that is unique in all of man's recorded history—an incomparable fusing of every color on earth, every tongue, and every religion, into *one* magnificent nation!

From sea to shining sea...

America is as it was, and will always be—one nation, under God—*indivisible!*

-Martin Buxbaum

How to Have True Freedom...From the IRS

these were the only "records" she had. She didn't keep a running total of how she spent her money and didn't reconcile the account like you would a bank account. In short, she had no system. No way of knowing exactly how much income she had or how she spent her money. When queried she couldn't even reproduce whatever she had given to her tax preparer who somehow managed to come up with something to put on the tax return. And the preparer was no help either. She no longer had any records that identified where she got the numbers from.

Not the way you want to go into an audit.

After an investigation, we determined that she had understated her business income and overstated her business expenses, each by more than 20 percent. Great combination, huh? After the IRS expanded the audit to include another year, she owed a whopping \$40,000 in back taxes, penalties and interest.

She ended up selling her house in order to pay the taxes.

But, it could have been avoided. Now I know, depending on your situation, that recordkeeping can be complicated, time-consuming and downright boring. But it is a necessary evil. In addition to helping you prepare an accurate tax return, your good record keeping provides you the feedback you need in order to know how well you're doing. It's your score-card.

Where to begin? A great place to start is by calling our office. We can help you develop an effective system that will build a strong defensive wall around you. Generally speaking, the better your records, the better your chances are in an All-Out Battle with the IRS! ❁

This month's Special Gold Member call-in times for Lindsey's Insider Circle will be 7/23/12 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.

Catch Us on the Radio

Join Richard and his co-host, Jim Byrd for "Safe Investing in the New Economy." The show can be heard each Sunday evening at 6:00 pm on WAVH FM Talk 106.5 and each Tuesday morning at 10:05 WABF 1220 AM.

If and only to the extent that this publication contains contributions from tax professionals who are subject to the rules of professional conduct set forth in Circular 230, as promulgated by the United States Department of the Treasury, the publisher, on behalf, of those contributors, hereby states that any U.S. federal tax advice that is contained in such contributions was not intended or written to be used by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer by the Internal Revenue Service, and it cannot be used by any taxpayer for such purposes.

The Differences Between a Broker and a Fee Only Advisor—By: Eric M. Nager

There is much confusion as to the nature of different types of investment professionals. In an effort to simplify this issue, they basically break down into two camps: the first is brokers, who are generally compensated by commission or transactions generated. Depending upon the product, these commissions are generally in the 3-7% range and are paid up front to the broker, regardless of product performance. The other camp is fee only advisors who are compensated by a percentage of assets they manage, typically in the 1% range annually and these are usually earned quarter by quarter.

Why are these distinctions an issue? In our view, every percent of investment return is very difficult to come by, especially over the past decade, so the lower the fees an investor pays, the better opportunity there is for a good return. I read recently where one prominent financial professional stated that it was “wrong” to even ask how much an investment service costs since they all have a cost. For what other product or service are consumers asked not to worry about what they pay? Not all costs are the same, so the prudent investor will want to know.

One example of how product costs can be obscured is when an investor buys an annuity or back-end load mutual fund for let's say \$50,000. In either case the investor is told that “all your money is working for you,” meaning all \$50,000 is invested, which is technically true. The broker is paid his commission by the issuing company, let's say 5%. But the company still wants to recover those costs, so they charge the investor higher internal costs of about 1% per year during the first five years of ownership. If the investor wants to sell the back end load fund after two years, for example, he or she would be charged a 3% surrender fee (plus 1% internally 1st year and 1% 2nd year). Either way, the investor pays that commission.



On the other hand, an advisor typically uses no-load products and only gets a raise if he or she causes the portfolio to grow. There is no front end or back end commission charge, and the advisor gets none of the transaction fees. It will take five years of service for the advisor to earn what the broker did up front with

one sale. The bottom line is it IS important to ask how much one pays for investment services!

This is not to say that one type of professional is better than another. To us it really depends on the mindset of the investor. If he is very hands on and wants to take an active role in directing his own investments, a broker might be a good facilitator for that. However, if one wants to have his assets managed for him, a fee only advisor might well be the best fit.

Eric Nager is an Investment Advisor Representative (fee only) with Southern Capital Services, Inc. a Registered Investment Advisory firm founded in 1982 with World Headquarters in Daphne, Alabama. Eric can be contacted at (251) 626-1140 or eric@southerncapitalservices.com.

Tax Expert, Richard Lindsey, Swears on a Stack of Bibles... — continued from page 1

Bonus... If you have two or more children and child care costs exceed \$5,000 for the year, you can benefit from both accounts. You can set aside up to \$5,000 in pretax money in your FSA for child care costs, then claim the child care credit for up to \$1,000 in additional expenses.

Other strange, but true, deductions

You can pay your significant other (pay attention now) to do legitimate work for you and take a deduction.

Bruce hired his live-in girlfriend to manage his rental properties. Her duties included finding furniture, overseeing repairs and running his personal household. He went to Tax Court and fought the IRS which had disallowed the entire deduction. He won a deduction for the portion of his payments which could legitimately be tied to her business work.

A married couple owned a junk yard and put out cat food to attract wild cats. Why, you might ask? The feral cats they were trying to attract dealt with snakes and rats on the property. That made for a safer junkyard for customers.

And that made cat food a business deduction. The IRS first thought this was ridiculous, but before the case reached the Tax Court the IRS agreed!

The details are always important, so be careful and ask us for advice first. ☼

We Believe in Referrals

We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below you'll find a list of areas in which we know very credible, ethical and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

- ◆ Home Insulation
- ◆ Optometrist
- ◆ Attorney
- ◆ Handyman
- ◆ Dentist
- ◆ Realtor
- ◆ Financial Advisor
- ◆ Mortgage Broker
- ◆ Used Auto Dealer
- ◆ Caterer
- ◆ Bathroom Remodeler
- ◆ Printer
- ◆ Chiropractor
- ◆ Massage Therapist
- ◆ Auto/Home/Life Insurance
- ◆ Advertising Specialties
- ◆ Air Conditioning Repairs and Replacement
- ◆ Port Facility



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www.ZevacLindsey.com

For tax tips visit:
www.TaxSaverTips.com

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Happy Birthday, America!
Have a safe and happy July 4th!

A Trip to Remember

Carita and I recently returned from another cruise. It was scheduled as our first real get away after tax season, but before our June anniversary. We try to do something that time of year every year so that we can reconnect with each other. And that's a good thing.

We sailed aboard Royal Caribbean's Freedom of the Seas to the Bahamas, St. Thomas and St. Maarten. The ship was so massive you would never run out of things to do. You could hang ten on the Flow-Rider®, or ice skate, climb the rock wall, play mini golf or watch a movie on the huge outdoor screen.



We'd visited St. Thomas and St. Maarten before and were really just looking forward to mostly rest and relaxation. And that's a good thing too.

In the days just preceding the cruise, I was stricken with a swollen foot that made it painful to walk and impossible to wear a shoe. But, I had suffered through this a couple of times before and the malady went away after three or four days. So no problem right? And I did get better. On the night before our departure for Port Canaveral I was feeling pretty good. But I woke up that morning with just the slightest hint of irritating pain.

So, I threw the post-op shoe my doctor had suggested I wear, in my suitcase... just in case. And that was a good thing too. On the drive down to Port Canaveral my foot began swelling again.

And it continued. I was taking the prescribed anti-inflammatory drugs and icing it several times a day, but the swelling wouldn't go down. By the time we docked at St. Maarten, I barely hobbled down to Antoine's, our favorite restaurant at the end of the boardwalk for a revisit of his mouth-watering lobster thermidor that we discovered there on our very first cruise, ten years earlier.

I was having such difficulty getting around, that when Carita announced she was getting a wheel chair to push me around in for the rest of the cruise, I didn't even put up a fuss.

What a trip to remember. After pushing me around (in the wheel chair) for three days, Carita says I owe her another cruise. And I think she's right!

Oh yeah, the doctor said it's gout and with the right treatment, I'll be ready for that trip in no time. ☺



Looking for a Speaker for Your Club or Organization?

Richard knows how difficult it can be to find a good speaker – one that will educate and entertain. If your club or organization is looking for a seasoned speaker get in touch with Richard at: richardlindsey@comcast.net for details.

Where will Richard Be?

Tillman's Corner Chamber of Commerce July 11