



SPECIAL POINTS OF INTEREST:

- Gold Member Call In Times
- Thank You...Thank You...
- Buster's latest
- Tips to avoid failure
- Are you prepared for a disaster?

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Taxing Times

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

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MAY 2014

Circle, Circle, Circle, Gone

I haven't been this worn-out since the weekend I spent painting my deck last fall. And that was so exhausting, I still haven't put the second coat on yet. But it wasn't from spending all-nighters preparing tax returns in the last minute rush. You may know other CPAs who talk of the all-nighters they pull, like a badge of honor. Something to commiserate about that others at the party will listen to and go: "Oh, you poor thing." Not me. Not only do I not pull all-nighters – I don't think that at age 56 I could stay up all night and be competent. I talk, when asked, about the temporary extension of my work load during tax season as a privilege and a known commodity – it does come around every year about the same time, just like Christmas. And I know exactly when it will end – April 15th.

No. It was the day *after* Tax Day. April 16th. I took the day off to spend some time with all four of my grandkids.

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The Proper Place for Social Security

What's the proper place for Social Security in a retirement plan? Aside from what I am writing about below, Social Security cannot be passed to heirs (notwithstanding spousal death benefits).

That's one disadvantage, but it's not the only one...

"When I look back on all these worries, I remember the story of the old man who said on his deathbed that he had had a lot of trouble in his life, most of which had never happened." -Winston Churchill

Imagine a man named Bill Fredericks, born in 1948, who is celebrating his 66th birthday today by filing to collect Social Security at full retirement age. Bill's final salary was \$50,000 per year, although when he started working in 1968 he was only earning \$7,304 annually.

For the past 46 years Bill has had Social Security withheld from his paycheck. When he first started, the total Social Security tax was only 7.6%, which for Bill was \$46.26 of his \$609 monthly paycheck. On his last pay stub, the government collected 12.4%, or \$516.67 of his \$4,167 monthly salary.

Because Bill was not subject to the current 12.4% tax during his entire working career, his Social Security benefit will receive a more generous return than any of today's young people will receive.

Social Security tax is split into an employee portion and an employer portion. But practically speaking for the employer, both portions are just additional costs of hiring the employee. Some say neither gross nor net wages would change if technically the employee or the employer were paying the entire amount.

Bill's lifetime Social Security taxes totaled \$152,068. In today's dollars, it means Bill paid \$260,163 to Social Security.

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THANKS TO YOU, THE WORD IS SPREADING.
 THANKS TO MY CLIENTS AND FRIENDS WHO
 GRACIOUSLY REFERRED ME TO THEIR
 FRIENDS, NEIGHBORS, CUSTOMERS AND
 RELATIVES LAST MONTH! I ENJOY BUILDING
 MY PRACTICE BASED ON THE POSITIVE
 COMMENTS AND REFERRALS FROM PEOPLE
 JUST LIKE YOU.
 I COULDN'T DO IT WITHOUT YOU!

SUSAN HAEFFLE ~ JIM BYRD
 LAURA ISENBURG ~ REBECCA NEIGHBORS
 MIKE COCHRAN ~ JOE BRAKEFIELD
 MIKE MCNAIR

THANK YOU!

C'mon, Big Guy. Get Up and Dance With Me!

Tax day is behind us and May brings some wonderful holidays. There are the standards of course: Cinco de Mayo, Mother's Day, and Memorial Day. There is also National Nurses Day, National School Nurses Day and International Nurses Day. But, with no offense to the mothers and nurses out there, I think my favorite might be Dance Like A Chicken Day.

On Dance Like A Chicken Day all you have to do is...

Dance like a chicken. While any dance song will do, there's no dance like the Chicken Dance. It's become a tradition at wedding receptions and other social events with a band to dance the Chicken Dance. The song gets people of all ages up dancing and mingling. It puts a smile on everyone's face. But it almost didn't happen. Because the Chicken Dance, created by Swiss accordion player Warner Thomas, was originally titled the Duck Dance.



For those of you who go to weddings all too infrequently, May 14 gives you the opportunity to dance like a chicken. So don't pass up this priceless opportunity.

The Proper Place for Social Security—*continued from page 1*

This qualifies Bill to receive \$24,180 a year, just under half of his former salary. When he dies, **only if Bill has a surviving spouse whose earning record was smaller than his, will this benefit survive him.**

Many have said that Social Security is a perfectly suitable option for a real retirement account. But the real way to test is what would have happened had Bill been allowed to keep his Social Security benefit and invest it in a private IRA account.

I got some help and computed this hypothetical return in an age-appropriate portfolio between the S&P 500 Stock Index and the US Aggregate Bond Index. With only a monthly contribution of his Social Security taxes, by age 66, Bill's portfolio would have grown to \$1,431,487.

With a safe withdrawal rate at age 66 of 4.43%, this IRA would give Bill an income of \$63,415 per year rising with inflation. On average this withdrawal rate would be sustainable until Bill's 101st birthday. But at his average life expectancy at age 84, he would leave an estate that would still be over a million dollars in today's dollars.

Social Security offers Bill only \$24,180 a year, half of his former salary. In contrast, (according to my simple math) his IRA account would allow him to retire with \$1.4 million, and a 27% raise, as well as leaving a legacy for his heirs. (*Mild disclaimer here -- these are based on average returns, and it does not constitute a "guarantee".*)

According to my calculations, it seems pretty clear that **workers under age 60 should tilt heavily toward stock investments.** Even if Bill had blindly invested in 40% bonds, his portfolio would still have grown to \$1,186,472 -- a yearly income of \$52,561, rising with inflation.

Social Security should be seen as an option of last resort for today's workers. The unfortunate fact is that every 46-year investment horizon since Social Security was made law would have produced better returns had the withdrawals been invested privately. Even the Social Security withdrawals of average workers would produce millionaires if they were allowed to be saved and invested in private accounts.

That's why I recommend my clients and their friends to view Social Security as a tax, and not as a savings or retirement account. That way, we are able to not rely on it solely for our future lifestyle options, and can receive whatever benefit might remain in the future as a "bonus".

Even if peeling off a few hundred dollars per month (hopefully more!) might seem like a stretch at this point in your career, it is *worth it* to ensure that you don't have to subsist under a massive pay cut after your prime working years have completed.

The best part is that your future self will thank you! ☘

Circle, Circle, Circle, Gone *Continued from page 1*

OMG, there is a reason God gave me kids when I was young. Not that I thought we were doing all that much. Carita and I took Jack, Tyler, Abby Kate and Evan first to Bayside Park in Daphne, and then to Blakeley Park. We had a blast! Tons of fun! They ran and played, picked up leaves and rocks and who knows what else. Well, all except Evan, of course, who at 8 months is still too young for running, but he was happy to be outside, I can tell you that. We had a picnic lunch complete with sandwiches, chips, cookies, yogurt, and juice boxes for the older ones. Carita and I included. Except the juice box part. Being the adult has to have some privileges.

Trying to keep up with them and trying to get them to keep up with us must have been more tiring than I realized. I was fine until we got home and I sat on the couch. Then, somebody pulled the plug and I was drained. The life force flowed out of me like bath water. Circle, circle, circle, gone.

If only I could have had the grandkids first... 🐾

"I feel good knowing that you are highly ethical and prepare my tax returns correctly (provided I gave you the correct information). In addition, on several occasions I was able to call your office and have my return "analyzed" by your Team to provide me with information to settle some other financial issues. I appreciate knowing that I can call, or email, your office and still receive advice and assistance after my returns are filed. It gives me some peace of mind."

- Mike Swansburg

This month's special Member-Only call-in times for Lindsey's Insider's Circle will be 5/26/14 from 2:00 to 4:00 pm. To schedule your appointment, contact Kristen at (251) 633-4070.

Not a member yet? Find out how to become one today!

🐾 B U S T E R A S 🐾 C O R N E R 🐾

You'll probably never have a job as good as mine. It's not likely you're going to find someone to pay you to show them love, give kisses, and protect the homestead at night.

Whatever path you have chosen, it is still up to you to keep your career skills sharp, so take my advice:

Read widely. Look for books and articles with fresh points of view that will open your mind to new professional techniques and innovative ways of looking at the world.

Join up. Look for professional organizations that relate to your job, your industry, and where you want to go in the future. Attend their meetings, volunteer to help with their events, and participate actively.

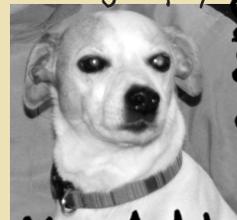
Network. Joining professional organizations is one way to expand your network. Look for other ways to make meaningful contacts inside your industry and beyond. Listen to their ideas and advice.

Embrace technology. Don't be a Luddite. Invest in a smart phone and other tools that the rest of your workforce is already using. Getting comfortable with high-tech will help your mind grow more adaptable and increase your efficiency.

Challenge yourself. Look for opportunities to get out of your comfort zone. Take on a stretch assignment, or speak at a conference. You'll learn and grow by doing something different.

Unless of course, you can find someone willing to pay you to go fishing...

Until next time,
Your canine friend...



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We'd like to wish you a safe Memorial Day Holiday.
THANK YOU to those who have made the ultimate sacrifice for our freedom!



Failure Happens—Or Can You Avoid It?

"Failure is not an option" became a popular catchphrase after the release of the movie Apollo 13. (Something I know a little bit about since my father was lead flight planner on Apollo 13.) Failure happens, but when you're responsible for the people working for you, you have to do everything you can to guard against it. As a leader, devote yourself to avoiding these crucial failures in leadership:

- ◆ Disconnecting from people. Don't get so caught up in strategy and planning that you forget to talk to the people who work with you. Most of the time, they know more than you about how things work from the ground level, and their insights can be valuable.
- ◆ Doing too much. Delegate appropriately so you don't get overwhelmed and lose sight of the big picture. When you hire, look for people who can perform aspects of your job as well as, or better, than you can. Your role is complicated enough without adding tasks that your team should be able to handle.
- ◆ Avoiding risk. Play it safe, and your organization will never grow. That doesn't mean being foolhardy with your organization's assets. Seek opportunities everywhere, and be willing to commit resources wherever you've got a reasonable chance of success.
- ◆ Exhaustion. Take care of yourself, physically and mentally. Eat well, exercise, and take time off so you can stay fresh as you confront the day's challenges. Pushing yourself to the brink will only increase everyone's anxiety. ❁

Smart Disaster Planning Steps

Too often natural disasters strike and serve as reminders that it's important for both individuals and businesses to protect themselves against the potential financial consequences of such events. A few smart steps we recom-

mend include making electronic backups of important records, including your insurance policies, tax returns, bank and credit card account information, and vital records. It is critical that you store this backup at a separate location that will be easy to access if your area suffers damage. You should also take the time to take pictures or videos of your home or business and store them separately, in case you need to make an insurance claim.

If you run a business, you must consider how you will get up and running again after a disaster. It's a good idea to develop contingency plans that will enable employees to work from home or elsewhere if your location is damaged or inaccessible. Both businesses and families should consider using phone trees, or other methods, to maintain contact in an emergency. Review your contact and contingency plans every year to be sure they are up to date. ❁

