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CERTIFIED PUBLIC ACCOUNTANTS

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

Taxing Times

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

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SPECIAL POINTS OF INTEREST:

- Do you have a plan?
- Civilian employees aren't filing/paying their taxes
- Marketing mistakes to avoid
- Referrals, funnies,
- And more...

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"SIMPLE" Retirement Options for Your Team

A "SIMPLE" retirement plan (savings incentive match plan for employees) is targeted at businesses with fewer than 100 employees, and is designed to offer greater income deferral opportunities than individual retirement accounts (IRAs), with fewer restrictions and administrative requirements than traditional pension or profit-sharing plans.

Under a SIMPLE plan, any employee earning at least $5,000 must be allowed to enter a "qualified salary reduction arrangement." Under this arrangement, an employee can choose to have a percentage of compensation, not to exceed $15,500 (in 2023), set aside in an IRA, instead of taking it in cash. The maximum contribution is indexed for inflation.

Amounts taken out of the employee's salary and contributed to a SIMPLE IRA are not taxable to the employee until withdrawn from the SIMPLE IRA. Early withdrawals may be subject to penalties.

Under a qualified salary reduction arrangement, the employer must make "matching" contributions to the SIMPLE IRA. That is, the employer must contribute the lesser of 3% of the employee's compensation, or the amount of the employee contribution. For example, if an employee with compensation of $50,000 elects to have 10% of her pay contributed to the plan ($5,000), the employer must contribute an additional $1,500 (3% of $50,000). For these purposes, the employee's compensation is the amount reported on the Form W-2, plus the elective deferral. The matching contribution cannot exceed $15,500 for 2023.

An employer can elect, every two out of five years, to match less than 3%, and drop the contribution to as low as 1% of compensation. Proper notice must be given to the employees.

Alternatively, instead of making matching contributions, the employer can simply contribute a flat 2% of compensation (limited to $330,000) with a maximum contribution of $6,600. Each eligible employee must receive the contribution, regardless of whether they contribute any money to the plan.

Instead of adopting a simple retirement plan, an employer may choose to establish a SIMPLE 401(k) plan. By making matching contributions (or 2% nonelective contributions) and satisfying rules similar to those for simple plans, SIMPLE 401(k) plans will be considered to satisfy the otherwise complex nondiscrimination rules for 401(k) plans. The contribution rules for SIMPLE plans apply to SIMPLE 401(k) plans, except that if an employer adopts the matching contribution approach, the maximum contribution percentage cannot drop below 3%. Unlike a SIMPLE plan, a SIMPLE 401(k) plan is part of a qualified plan and is subject to the qualified plan rules. Contributions to SIMPLE 401(k) plans are not subject to the 15 percent limits on contributions to profit-sharing or stock bonus plans.

SIMPLE plans have the advantages of simplified reporting requirements and the absence of the qualification rules prohibiting the plan from discriminating against lower-level employees. These advantages come with some obligations, such as the matching contribution requirement. Additionally, to be eligible to adopt a SIMPLE plan, an employer must not contribute to, or accrue benefits under, any qualified retirement plan for services provided during the year.

This might be a good time to reassess the retirement plan for your business. It may be a SIMPLE approach to hiring and keeping the best talent for your business. ※

NOW Is the Time for Estate Planning (Not Tomorrow)

"Death is not the end. There remains the litigation over the estate." – Ambrose Bierce

When you think of planning your estate, you probably think of a will first. That's only natural given how often people die without one – including celebrities (mega-stars James Dean and Michael Jackson, mega-rich guy Howard Hughes, even Picasso).

Notice that one of these guys was quite young… James Dean died at just 24. When you're young, you're not naturally thinking about making a will – which is too bad. When you're starting your adult life, you're still on the sunny side of the hill and your finances aren't too complex, so a will does fine.

But, as you age and life gets complicated, you might need a variety of documents to give you better options for leaving your stuff behind.

Here are a few to think about.

Just a starting point

Your will is a legal document detailing how property in your estate should be distributed after you die. It also names your executor, who will oversee the distribution of your estate. You can also name guardians for your underage children and beloved pets.

Wills are relatively cheap to put together. You can even write your own, though you'll definitely want to research this idea carefully to make it all legal and binding.

But, there's a lot a will <u>can't</u> do – starting with helping your heirs avoid probate court before they get their inheritance. It also <u>can't</u> cover what happens to some other assets, such as retirement accounts or some bank or brokerage accounts. (These commonly go to beneficiaries, which more than one person has named and then forgotten about over the years, even as circumstances changed.)

What else you might need

What extra legal documents might help you depends on your circumstances (we can help you sort this out – give us a buzz). Some of the most common include:

Transfer on death designations. These can help your bank and brokerage accounts and retirement savings go right to your heirs without getting hung in probate.

Living trusts. These shift ownership of your significant assets to a separate legal entity, the trust. You're the trustee and you hold the reins as long as you're alive. When you die, the assets in the trust avoid probate – instead, a successor trustee you appointed before your death will transfer ownership to the beneficiaries you also named beforehand.

You can also use a living trust to name someone to manage trust assets for your benefit if you become unable to or to manage the money for beneficiaries who can't, such as minors or someone with special needs. Add a spendthrift clause and creditors of the beneficiaries can't reach the principal (though this does limit how much a beneficiary can access, too).

What's more, these trusts can include assets uncovered in a will, such as retirement accounts, life insurance policies, and jointly owned property.

Powers of attorney. There are a few kinds of these. A durable power of attorney for finances gives someone the legal authority to handle your finances if you can no longer make your own money decisions (needless to say, carefully pick someone you truly trust). You can also specify what your designee can and can't do on your behalf regarding your money and assets. There are also powers of attorney for property covering real estate and assets.

Health care directives. One reason you even have an estate plan is that one day you might not be able to make your own decisions about medical care. These directives leave specific instructions about the kind of care you do and don't want and they can appoint someone to make decisions for you.

These travel under a few names, including "do not resuscitate (DNR) order," "health care declaration," "medical power of attorney," and "power of attorney for health care," among others.

Final thoughts

Really putting your estate plan into shape can also involve a couple less-formal documents.

List your assets. Include your home and valuables, even down to laptops and the like, then move on to assets like bank and brokerage accounts, insurance policies, and retirement savings. This chore not only makes life simpler for your executor when you're gone, but also gives you a chance to review assets and bequeath items to those you want to get them. Include your memberships and favorite charities.

List your debts. This isn't nearly as much fun, but tally up your open credit cards, auto loans, mortgages, home equity lines of credit, and so on. Add account numbers, the location of signed agreements, and the contact info of those who hold your debt.

Make sure your executor and any folks important to your estate plan get the lists.

Your life will continue to change, and every time it does you want to pull out your plan documents and make sure they still reflect what you want. ※

What I'm Reading...

<u>NOW</u>

Riding the Tempest by Lee Jackson
What the Hell Next? By Tim Tigner

<u>RECENTLY</u>

Brink of War by Logan Ryles

Federal Employees Owe IRS $1.5 Billion

The IRS is the main collection arm for all government revenue, yet it can't seem to reach out and touch some of those closest to it.

According to an audit conducted by the Treasury Inspector General for Tax Administration (TIGTA), the number of delinquent civilian employees has increased by 32% from fiscal years 2015 to 2021. In FY 2021, 149,000 federal civilian employees owed $1.5 billion in unpaid taxes.

"Repeatedly and intentionally not filing a tax return when required to do so is a brazen form of noncompliance, particularly when it is done by federal employees," TIGTA said. "While the IRS can identify and discipline its own tax delinquent employees, it cannot share employee return information with other federal agencies," it added.

For FYs 2016 through 2020, IRS' Federal Employee/Retiree Delinquency Initiative (FERDI) data revealed that more than 42,000 federal civilian employees repeatedly failed to file a tax return for multiple years. The agencies with the highest number of repeat civilian non-filers are the U.S. Postal Service, the Department of Veterans Affairs, and the Department of the Army.

Willful non-filing can result in the IRS and Justice Department pursuing criminal charges for willful failure to file a return, supply information, or pay tax, the audit said.

The civil fraudulent failure to file penalty can also be assessed against non-filers when "badges of fraud" are present, TIGTA said. However, just 10 federal civilian non-filers were assessed the penalty from FYs 2016 through 2020.

In addition, "the time the IRS dedicates to federal employee non-filers is minimal," the audit said. According to the audit, IRS management dedicates one day per quarter for employees to work standalone FERDI non-filer cases. ※

Looking for Someone You Can Rely On?

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.

- Medicare Advantage Plans
- Custom Monogramming & Embroidery
- Banker
- Printer
- Realtor
- Financial Advisor
- Auto / Home / Life Insurance
- Social Media Experts
- Veterinarian
- Attorney
- IT Experts
- Home Inspector
- Mortgage Lender
- Executive Leadership Coach
- A/C Maintenance and Repair
- Payroll Service
- Supplemental Insurance
- Roofer

On the Lighter Side...

Recently divorced, I moved back to my hometown hoping to start over again. A few weeks later, while making a dentist appointment, I was surprised to see I recognized the dentist's name as a good-looking boy from my high school 20 years ago. However, when walking into the dentist's office, I quickly realized he must be someone else. He was bald, had a big beer belly, and looked a lot older than me. Just to be sure though, on my way out I asked him if he went to the high school that I had attended. "Yeah," he responded, "I graduated in 91." "Oh my gosh," I excitedly said, "you were in my class." "Really," he said. "That's interesting. What class did you teach?"

~Greatcleanjokes.com

After sending our son away to college, he would often (too often) call up asking for money. One time when he called my husband answered. "Sure we will send you money" he said, "and I also noticed that you left your physics book here. Should we send that also?" "Uh, oh yeah, okay," he responded. I asked him afterward how much he sent. "$1,100" he said. When I gave him a surprised look, he explained, "don't worry, I taped a $100 check on the cover, and the other $1,000 check inside the cover!"

~Greatcleanjokes.com

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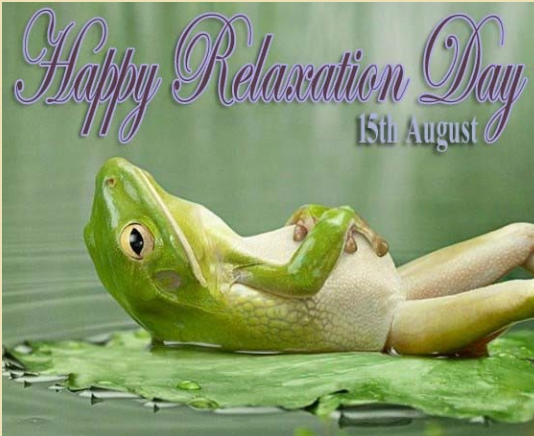

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3 Common Marketing Mistakes

"The great accomplishments of man have resulted from the transmission of ideas of enthusiasm." - Thomas J. Watson

Whether you create most of your sales through referrals, through direct marketing, or with a dedicated sales force--there's some common mistakes I've seen which are destined to suck the life out of your sales process.

Failure To Tell Your Story

One of the simplest mistakes many marketers, or sales professionals, make happens long before they set out to make a sale: they don't settle into the clear, *unique* story behind their service or product.

I'm not referring to an "origins" story (though that's often pertinent), but rather--what's the MAIN message nobody else is telling? Or just as good--what's the story that sets you apart from your competitors?

This is often called the "Unique Selling Proposition" (USP), and it's essentially: "Why you?"

Ask yourself...if you had five seconds to sum it all up, and you had to close the deal on the spot...what would you say?

When the answer to that little thought experiment is enough to complete a sale, you're good.

Right Product, Wrong Market?

This one isn't always something you can control, but every business owner should get feedback from their customers/clients about this.

Is your proposed customer base actually interested in the item or service you want to provide? You could be selling the best darn carpet cleaning service in Mayberry...but, what if everyone's got hardwood floors?

So...before you launch that new service or product, do some *basic* research: Are there other businesses successfully selling a similar product or service? Despite your fears--that's a GOOD sign, because it means you won't have to carve out some kind of unique niche.

It seems, though, that many business owners pursue the "holy grail" of a totally unique offering...and forgetting that it's probably unique for a reason.

Similarly, many business owners come to the market with what THEY want to sell...and don't give any serious thought or research into *whether* it's something which folks want badly enough to fork over their wallets for it.

Right Market, Wrong Problem?

Let's assume, at this step, you've got the right target market. And you've got enough of them in one place that you'll be able to sell something effectively.

But still, the product or service fails. What happened?

The next thing you have to ask is if you've really got your finger on the DESIRES of your targets...not just their NEEDS.

Are you really speaking to the element they care about most? Or are you just pitching to the things you *think* the prospect should care about? Surprisingly, those two factors may not be the same thing.

If you think this might be a trouble spot, the next step is to go where those prospects congregate and listen. Ask questions. Take notes. What online forums do they read, and what do they write about within them? What other products do your prospects use, and in response to what sales pitches?

What grabs their attention in the headlines? What do they whisper about at cocktail parties and around the cooler? When they lie awake at night, what do they worry about?

Get the answers to THESE questions, and your sales pitch is practically written for you. ※

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