

Newsletter

MAY 2009

IRS expands 2009 homebuyer credit

The IRS announced recently that taxpayers who qualify for the first-time homebuyer tax credit on a home purchased from January 1, 2009, through November 30, 2009, may claim the credit on either their 2008 income tax return which is filed this year or on their 2009 tax return due April 15, 2010.

This option makes it possible for qualifying taxpayers to put money in their pockets in 2009, rather than waiting until next year to benefit from this tax break. Those who buy a home after filing their 2008 tax return may amend the return if they wish to claim the credit for 2008.

The first-time homebuyer tax credit provides a refundable credit of 10% of the home's purchase price, up to a maximum credit of \$8,000. If the taxpayer lives in the home for at least three years, the credit does not have to be repaid. Income limits apply, with phase-out of the credit starting at \$75,000 for single taxpayers and \$150,000 for married couples filing jointly.

For first homes purchased from April 9, 2008, through December 31, 2008, a credit of up to \$7,500 is available to qualifying taxpayers. This credit can only be taken on a 2008 tax return, and it must be repaid in 15 equal installments beginning with the 2010 tax year.

How to raise financially literate children

If everything your children ever learned about personal finances came from the mass media, they might think credit is a limitless resource and savings something you only find on a clearance rack. To fill in the gaps in their financial education, parents should teach their children the fundamentals of handling money. But where do you start? Perhaps begin with the following benchmarks of financial literacy.

Time Value of Money

One of the most essential of all financial concepts is the time value of money. Children should be shown the benefits of saving money, watching it grow, and patiently deferring purchases until a future time. When children grow a little older, they can learn the reverse lesson: how debt today results in accumulated interest costs down the road. To illustrate the point, show them a loan amortization schedule for a typical car or home loan. That will get their attention.

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Transactional Skills

In today's cashless society, your children will someday need to know how to write a check, use a debit or credit card, and how to bank online. When they are ready, consider setting aside a morning to take them to the bank, introduce them to a representative, and set up their first checking and bank card

under the tutelage of the banker. Children will appreciate this rite of passage to adulthood, and they will learn how to navigate an ATM or bank Web site the right way, not just the way you do it.

Keeping Good Records

You might feel a little hypocritical when pointing out your children's recordkeeping shortcomings, but they probably need your help more than you think. Knowing how to reconcile a checkbook and track where they spend their money is a valuable life skill. Developing a system for safely storing receipts, warranties, and other valuable papers is also important. When they begin driving, point out the location and importance of the vehicle proof of insurance and registration.

Reflecting Your Values

Like any other area of life, you will naturally want to pass down truisms that have guided you financially. Succinct phrases often suit this purpose quite effectively, such as, "keep a little gas in the tank, a little money in the bank." Or, "don't place all your eggs in one basket." Sound corny? Perhaps. But such sayings today might just remind your children of something important tomorrow.

Those who value philanthropy should consider including their children in the charity selection process. Teach them why certain causes are important to you, and how you determine the amount to give. Perhaps you could give your children gifting discretion over a small sum of charitable dollars.

Investments 101

The day will eventually come when your children will be ready to talk investments, retirement, and taxes. Feeling intimidated yet? There is no need to fear. Our firm can assist you and your children with these advanced topics. Being financially literate is not child's play. But then again, neither is being a parent.

Could your business recover from a disaster?

With the recent devastating floods and tornadoes fresh in mind, every business owner should be asking whether his or her company could survive a disaster.

Every business is vulnerable to natural disasters such as fires, floods, tornadoes, hurricanes, and earthquakes. However, advance preparation can minimize your exposure in several ways. For example:

- **Physical assets.** Buildings, equipment, furniture, inventories, and supplies should all be protected by adequate property and casualty insurance. Review each policy for "named perils," which are disasters covered (such as floods or earthquakes). If your location is prone to one of the perils not listed, consider expanding your coverage or buying an additional policy to include it.

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- **Records.** Missing records can make it hard to quantify your disaster losses. Duplicates of financial statements, customer lists, inventories, and other important data should be maintained in a secure off-site location and updated regularly.
- **Computers.** Critical computer data should be duplicated regularly on portable hard drives or other storage media and stored off-site.
- **Recovery.** Consider buying “extra expense” insurance to cover relocation costs for a quick post-disaster recovery. Also, you should identify alternative sources of operating assets (such as furniture and equipment lessors), and investigate other possible business locations.

For assistance in disaster-proofing your business, give us a call.