

Newsletter

November 2009

Credit card fraud: Will you be the next victim?

Credit card fraud has been around since the advent of credit cards, but the thieves have advanced with technology. At first, crooks used low-tech maneuvers like robbery, dumpster diving, or mailbox crashing to steal cards, statements, and merchant receipts. Although still popular, these methods are being eclipsed by more sophisticated techniques that range from phone scams and phishing to phony websites and spyware.

Phone scammers use lies to trick victims into disclosing their credit card numbers and other sensitive information. The callers might say they're asking for charitable donations, selling goods or services, or "updating" your account information.

Phishing is the online equivalent, where scammers send e-mails claiming to be from legitimate sources like Pay-Pal, eBay, banks, or even the IRS. The e-mails usually direct recipients to official looking websites that use various pretexts to elicit credit card information.

Spyware can be installed on your computer when you open an unsolicited e-mail attachment. Although less frequent, skilled hackers can also insert spyware through unpatched weaknesses in Windows or web browsers. The spyware sends the desired data (credit card numbers, etc.) to remote servers whenever the victims enter the information.

Here are steps you can take to guard against fraud.

- **Photocopy credit cards** and other important documents that you keep in your wallet. Use the copies to notify your bank and credit card companies if your wallet is lost or stolen. Then cancel the cards and put a hold on all charges.
- **Always review your bank and credit card statements** to make sure the charges are legitimate. Notify issuers immediately of any unauthorized entries. Then consider changing your account number or canceling the card.
- **Shred statements or receipts** before disposing of them.
- **Never give personal information** to an unsolicited caller. Scammers can falsify names and numbers that appear on your caller ID. Look up the company's number to make sure it's legitimate; then call back if you wish.

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- **Don't open e-mail attachments from unknown parties**, and don't respond to unsolicited e-mail requests for personal information.
- **Avoid writing down your PIN or passwords**, and shield the numbers when using ATMs or similar machines. Even if nobody is nearby, thieves may have affixed hidden cameras.
- **Protect your computer** with a firewall, anti-virus software, and an anti-spyware program and update them.

Call soon for a year-end tax review

Time is running out on moves you can make to reduce your 2009 tax bill. Some actions to consider right now:

- Be sure to max out your 401(k) plan at work. This year you can sock away \$16,500 (\$22,000 if you're 50 or older).
- Establish a pension plan for your small business. You may qualify for a tax credit of up to \$500 in each of the plan's first three years.
- Plan year-end purchases of new or used business equipment to take full advantage of the higher expensing limit of \$250,000 for 2009. Purchases of new equipment (not used) can qualify for first-year 50% bonus depreciation.
- Get your investment records in order so you can make wise year-end sell decisions, either to rebalance your portfolio at the lowest tax cost or to offset gains and losses.
- Track down reinvested dividends for any stock sold in 2009. They'll add to your cost basis and reduce taxable gain or increase deductible loss on the sale.
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An important part of our service to you is to help identify actions you can take before year-end to minimize your 2009 income tax bill. Accelerating deductions, delaying income, contributing to retirement plans, and taking investment losses are just a few of the strategies you might want to consider. There are also tax credits that require careful planning or they may be lost. If you'd like to discuss tax-cutting options that fit your particular situation, please contact us soon for a year-end planning review.

Tips for starting a new business

If you recently lost your job or have always dreamed about being your own boss, you may be contemplating a new business venture. Naturally, this is a risky proposition, especially during these turbulent times. Here are some practical suggestions to help you succeed.

- **Be realistic.** Don't expect your business to be immediately successful. In fact, you should be prepared, both mentally and financially, for the worst-case scenario. Recent statistics from the Small Business Administration (SBA) show that about one-third of new business start-ups fail to make it

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through two years and over one-half fold after four years. Give your business time to grow and prosper.

- **Minimize the risks.** Even if you're encouraged by the initial results, don't tie your fortunes completely to this undertaking. If you're still gainfully employed somewhere else, keep the job and operate the new venture as a sideline business. If you're currently out of work, make sure you have some cash reserves to fall back on.

- **Carve out a niche.** Your business should fulfill a specific need that is difficult for chain stores or other broad-based businesses to meet. In other words, if you try to compete directly with the corporate giants, you're likely to lose.

- **Choose the proper form of ownership.** Depending on your circumstances, it may be best to operate the business as a C corporation, a partnership, an S corporation, a limited liability company (LLC), or a sole proprietorship.

Although you'll personally shoulder most of the burden, you're not alone. Call us for assistance with the issues related to starting a new business.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us.