

Newsletter

NOVEMBER 2011

Make time for a year-end tax review

Time is running out for moves you can make to reduce your 2011 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 expensing limit of \$500,000 for 2011. Purchases of new equipment (not used) can qualify for first-year 100% 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 2011. They'll add to your cost basis and reduce taxable gain or increase deductible loss on the sale.

If you'd like to discuss tax-cutting options that fit your particular situation, please contact us soon for a year-end planning review.

Are you prepared for these common business problems?

When the economy is uncertain, you must be extra-careful to avoid the types of disasters that could ultimately lead to your company's demise. Fortunately, some advance planning may prevent or alleviate severe problems. Here are seven common scenarios facing owners and managers of small to mid-sized businesses.

1. A natural disaster damages the premises. Of course, you can't control the weather or other unforeseen circumstances. But damage to a business building caused by a natural disaster could temporarily shut down the operation. It can even ultimately put you out of business. Make sure that you have adequate insurance and that valuable business data is stored at a secure site.

2. A key employee joins a competitor. There is always the risk that one of your top employees will switch jobs. However, this can be especially troublesome if the employee goes to work for your main competitor. Avoid this possibility by having key employees sign noncompete agreements. Typically, such an agreement will prohibit an employee from working for a competitor for a certain period.

3. An employee embezzles company funds. All too often, business owners are swindled by seemingly trustworthy employees. Don't think you are immune. To safeguard your assets, pay close attention to monetary transactions. Divide responsibilities so that one person doesn't have complete control over the books. Set up a system of "checks and balances."

4. You lose your biggest customer. One of your main customers might choose to do business elsewhere or will no longer need your products or services. Don't put yourself in a position of depending on just one or two accounts. Take steps now to diversify the business to protect against a severe downturn in cash flow.

5. You become disabled. If your services are integral to the company's success, your fortunes will likely suffer should you ever become disabled. Consider taking out "key-person" insurance that can provide funding until you're back on the job or the necessary provisions are made. Such a policy may also cover employees who are vital to the operation.

6. Your company or partnership splits up. Even relatives and the best of friends should develop contingency plans for a business break-up. The sale of a party's interest, including a forced sale upon the death of one of the shareholders or partners, may be addressed in a buy-sell agreement. This document could establish the terms of a buy-out and set a value for the respective business interests.

7. Your computer system crashes. If your business is like most, it relies heavily on technology to run more efficiently. You can well imagine the repercussions if your computer system fails or it is damaged by a virus or hackers. Have a plan that provides optimal security and creates regular back-ups.

Scams against the elderly: Know the danger signs

News of yet another investment scam is alarming enough, but when the victim is elderly, the crime seems especially offensive. Senior citizens are a favorite target of con artists for a variety of reasons. Here are some popular schemes to look out for.

Scams take many forms, but those involving gold and precious metals are especially problematic right now. Buying gold is trendy, and it can appeal to a senior's desire for tangible security. Naturally, scammers will take advantage of this appeal. If someone you know is elderly and considering a gold-related investment, make sure they do their homework and work with a reputable company. Anyone pitching gold as a safety net against doomsday scenarios or hyperinflation should be carefully vetted.

Of course, more traditional investment vehicles can also be dangerous. Life insurance, annuities, and other potentially complex deals can be marketed to prey on an elderly person's fear of running out of money. Investment advisors should only offer products suitable for the age, health, and financial wherewithal of their client. A perfectly legitimate investment can still be all wrong given certain circumstances.

By now, repetitive e-mail requests from some foreigner to wire funds to your bank account might seem almost comical, but to those who fall victim to a carefully crafted ploy, it is all too serious. Some very smart people – young and old – have been taken in by these types of scams, and when it happens to an elderly person, the fear of looking stupid and incompetent often adds to the problem. Educate the senior in your life to always reject these offers.

Not only do the elderly dread running out of money, they sometimes have an unhealthy concern for being a burden to others. This can manifest itself in attempts to prepay for certain services, or sign up for strategies that will pay for bills owed at the time of death. Every so often, when the time comes to cash in these plans, the company is nowhere to be found, or the policy doesn't cover nearly as much as was expected. Like any other investment, the company behind the pitch should be scrutinized.

So, can you protect your senior from all the criminals out there? Probably not. But creating a fire wall around your loved one might call for a softer touch. Stay connected to their daily routine. Who are they spending time with? What are they reading? Become a stronger presence in their life, and the fears and loneliness that often initiate a wrong financial move could be reduced.