LET'S TALK MONEY®
January/February 2021

Which Team Player Do You Need?

Do you need a CFO, a controller, an accountant or a bookkeeper to manage your business's financial matters? Hiring the right person for the job will help save you time and money.

Chief Financial Officer

Forward looking financial projections are the job of the CFO. They will project future revenue amounts and forecast expenses and business needs. They will also project cash needs and help make investment decisions based upon those needs.

If you're considering launching a new project, such as expanding into international markets or seeking new investors, it may be time to hire a CFO. A good rule of thumb is if your business has reached the $1 million in annual revenue, hiring a CFO makes sense. But if your business isn't ready for a CFO, accounting staff may help.

Controller

Controllers are typically Certified Public Accountants who review financial statements and help with financial compliance. This might entail monthly reports for a lender or investors and completing tax returns.

Without a CFO, your controller becomes your finance leader. And as an accountant, a controller looks backwards at what's already happened to complete financial statements. If your business has investors or owners who aren't friends or family, hiring a controller could be a sound business choice.

Accountant

An accountant can help you with reconciling accounts and preparing basic financial statements. They usually have a four-year degree in accounting and are able to run the day-to-day operations of an accounting department. If your bookkeeper is overwhelmed, an accountant can help share the work and provide support to the bookkeeper.

Bookkeeper

Bookkeepers are the financial workhorse of any business. They will record all your financial transactions, issue invoices and pay your bills. They understand the basics and help keep your business running smoothly.

If you're the business owner and struggle to keep up with your finances, it may be time to hire a bookkeeper. Bookkeepers are often the first financial professional a company hires and as your business grows, you can add to your team.

Karen Petrucco
Account Manager

LTM Client Marketing
45 Prospect Ave
Albany, NY 12206

Tel: 800-243-5334
Fax: 800-720-0780
sales@ltmclientmarketing.com
www.ltmclientmarketing.com

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Getting FIRE’d?

FIRE stands for Financial Independence, Retire Early. It’s a financial movement growing in popularity as more and more people seek to eliminate debt and build savings so they can retire earlier than usual. Regardless of your target retirement date, this movement focuses on some smart financial strategies:

Reduce

One of FIRE’s focus is on eliminating all debt and reducing expenses. Paying off debt is the first step with a focus on not accumulating new debt. Start by scrutinizing how you spend your money to identify unnecessary expenses.

Increase

FIRE followers also look for ways to increase their income. Things like switching jobs for a significant pay increase, working side gigs or generating passive income from owning rental property add money toward the early retirement goal.

Invest

The last tenement of FIRE involves sound investing strategies. Start by maxing out retirement plan contributions. And if your employer offers a matching contribution, be sure you’re saving at least the minimum amount to get the maximum contribution.

Pay Off Your Debt

Paying off your debt is a liberating feeling. If your New Year’s resolution is to become debt-free, consider using one of these debt payoff strategies to achieve your goal.

Snowball

The snowball method involves paying off your smallest balance first. Start by paying the minimum on all but the smallest balance on which you pay as much as you can afford until it’s paid in full. Then roll that amount into the next debt on your list.

Avalanche

The avalanche method is similar to the snowball method but has a different focus. The goal is to pay the least amount of interest. Whereas the snowball method doesn’t consider interest rates when prioritizing debts, the avalanche method works to pay off the debt with the highest rate first. Make your list of debts and include the interest rates for each one. You’ll use the same payment strategy as with the snowball method, except you’ll pay off debt with the highest interest rate first.

Consolidation

Debt consolidation works to combine multiple debts into one. Generally, debt consolidation aims to reduce your monthly payment and may or may not decrease your interest rate. If you’re considering debt consolidation, be sure to calculate the total interest you’ll pay under the new loan versus the old rate.

Credit Card Lures

Credit card companies attract new customers with enticing offers. If you've recently received an offer, beware of these pitfalls.

- **0% Interest Rates**
  That 0% interest rate may be for a limited time so if you fail to pay the entire principal balance by the end of the introductory period, you'll be charged interest.

- **Sign-on Bonuses**
  Often a bank will offer a cash sign-on bonus if you make certain purchases. Maybe you'll have to spend $2,000 in the first three months. However, the bank is counting on you not paying the balance in full so they can collect interest. Any sign-on bonus you receive may be less than the interest you pay.

- **Annual Fees**
  Many of the points, miles or cash back cards have an annual fee. While it might be tempting to get that card with 2% cash back on every purchase, you'll need to spend $4,750 each year to earn enough cash back to cover the cost of a $95 annual fee.

A Challenging Tax Year

Another tax year is in the books and what a year is was! Preparing to file income taxes is likely to be more challenging this year with all the changes.

- For starters, many Americans' personal situation have changed due to the pandemic. For example, those who collected unemployment compensation should receive a Form 1099-G from the state. Both federal and state unemployment compensation is taxable as ordinary income. Sadly, COVID took many lives and that may have an impact on a spouse's tax return.

- Business owners that took advantage of government aid need to demonstrate compliance. Also, losses due to temporary or permanent closures may create entirely different tax scenarios.

- Congress passed many tax changes for 2020, most designed to help save taxpayers money. These changes are too numerous to detail here, but the takeaway is that this year, you'll want to consult your tax professional for assistance with filing your taxes so you get the best possible results.

- Meanwhile, some rules remain the same. Remember, you have until April 15, 2021 to make potentially deductible contributions to your IRA for 2020. You can contribute $6,000 if you're under 50 and $7,000 if you're 50 or over for 2020.

Minimum Payment Calculator

Credit card balances are expensive. Consider how much a $1,000 purchase on a credit card charging 20% interest will ultimately cost you and how long it will take to pay it off. *

MONTHLY PAYMENT	NUMBER OF PAYMENTS	TOTAL COST
$25	127 Months	$2,197.08
$50	60 Months	$1,417.95
$100	32 Months	$1,185.47

*https://www.bankrate.com/calculators/credit-cards/credit-card-minimum-payment.aspx
This is a hypothetical example. It is not representative of any specific investment strategy or combination of investment strategies. Actual results may vary.

Understanding Payroll Taxes

Sole proprietors who decide to add employees need to understand payroll taxes. As an employer, you are expected to withhold and pay federal payroll taxes. And if your employees work in a state with state income tax, you'll need to withhold those too.

Federal Taxes

Both you and your employee must each pay 6.2% for Social Security and 1.45% for Medicare tax. These two taxes are commonly called FICA tax and the Social Security portion has a wage cap. For 2021, wages up to $142,800 are taxable for Social Security.

As an employer, you'll pay the federal unemployment tax which is 6% on the first $7,000 of each employee's earnings. For high earning employees, you must withhold the Additional Medicare Tax which is 0.9% of wages in excess of $200,000 in a year.

Based upon your employee's Form W-4 inputs, you'll need to withhold federal income tax from their wages. The amount to withhold depends on things like tax filing status, number of dependents and whether the employee has multiple jobs.

State Taxes

Most states have their own withholding form that your employee completes when they are hired. Keep in mind your employee can update these state forms, like the federal Form W-4, at any time to change their withholding amount.

Most states require the employer to pay a state unemployment tax. This tax rate varies so check with your local taxing authority to find your rate. Keep in mind some states also require employees to pay the state unemployment tax so this may need to be withheld from your employee's paycheck.

Lastly, some cities, towns, and other local governments impose a payroll tax. Consult your tax advisor to make sure you are paying all required taxes correctly.

Don't Forget to File and Pay

After you've withheld the employee's portion of the payroll taxes, you must file payroll tax returns and pay the tax to the taxing authorities. Be sure to file on time because there can be significant penalties for being late.

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Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 08, 2020

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Associate Principal Analyst

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Advertising Regulation
9509 Key West Avenue
Rockville, MD
20850

t 240 386 4500
f 240 386 4568