LET'S TALK MONEY®

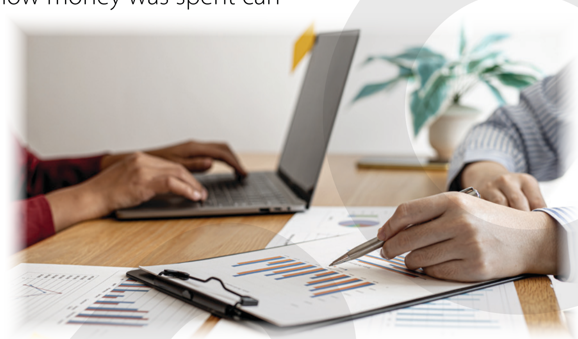
November/December 2021

Your Year-end Business Plan

If you own a small business, reducing your 2021 tax bill and planning for a successful new year should be on your radar as the current year draws to a close.

Check Your Records

Start by making sure your books are accurate and up to date. Consult your tax professional to resolve any questions you have before tax season arrives so you're not left trying to sort things out at the last minute. Reviewing both your income statement to get a handle on profits and losses and your cash flow statement to see how money was spent can help you plan for next year.



Defer Income

One way to lower this year's tax bill is by deferring income to the beginning of 2022. This tactic makes sense, especially if you expect your income to be less next year.

Increase Deductions

Purchasing supplies in advance and upgrading equipment before the end of the year may help you maximize deductions on your 2021 return, assuming you pay for them before year's end.

Contribute to a Retirement Plan

You can reduce your 2021 income by making contributions to your retirement plan. Contribution limits vary, depending on the type of plan. Your financial professional can let you know how much you can contribute.

Consider Your Workspace

If you're self-employed or you work from home and have a dedicated room or space for conducting business, you may be eligible to take the home office deduction. Rules for claiming the deduction are specific, so consult your tax advisor.

Deduct Bad Debt

On occasion, your business may have customers who have not paid you for goods or services within a reasonable period. If you have unpaid invoices and no reasonable expectation of payment, you may be able to deduct the debt on your tax return.

Revisit Your Goals

Year's end is an appropriate time to look at the goals you set for the year and assess whether you achieved them. If your goals fell short of your expectations, determine the reasons. Then think about the steps you can take in the new year to position your company to thrive.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.

Small Business Version

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Surprise — It's Taxable!

It's almost that time of year when you and the IRS must settle what you owe — or what the government owes you. Before you prepare your tax return, consider whether you'll need to include any of the taxable items listed below.

- Social Security benefits
- Unemployment benefits

- Portion of a scholarship that covers expenses other than tuition, fees, and books (e.g., room and board, travel, etc.)
- Canceled debt from credit cards, car loans and mortgages (Student loan debt is exempt.)
- Honors with cash prizes
- Certain alimony payments
- Gambling winnings (lotteries, horse racing, casinos, sports betting, etc.) Some losses are deductible.
- Gifts from an employer that reward an employee for services or help promote the company
- Found property
- Bartered property or services in lieu of cash

Consult your tax advisor to determine which items you should include when preparing your income tax return.

Preserving an Inheritance

A sudden inheritance can catch you off guard. One minute your life is status quo; the next minute, you have additional assets to plan for. While it may be tempting to spend your windfall, take a step back. Reckless spending has decimated many an inheritance, so sit down with your financial professional to develop a plan for managing and preserving your wealth. Here are a few ideas to get started.

Stash the cash in a money market account or other short-term investment until you have a plan in place.

Create a saving and investment plan. If you don't have an emergency fund with 6-to-12 months of living expenses, start there. Invest extra money in investment vehicles that reflect your time frame and risk tolerance.

Pay off personal loans and high-interest-rate credit card debt, and don't run up new debt.

Plan a legacy that leaves wealth to your loved ones or to charity. Federal estate tax applies to estates worth more than $11.7 million ($23.4 million for married couples).* An estate planning attorney can help you navigate the options to minimize any tax bite.

Splurge a little. Setting aside some money to spend on yourself can keep you from feeling deprived.

**https://www.irs.gov/businesses/small-businesses-self-employed/estate tax#:~:text=and%20%2411%2C700%2C000%20in%202021*

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Spend Less for a Jollier Holiday

It doesn't take much to overspend when the holidays roll around. But, after the presents are opened and the wrapping paper disposed of, your own "gifts" could be a pile of bills and buyer's remorse. With a little planning and a dose of self-discipline, you can enjoy the holidays debt free.

Set Limits —and Stick to Them!

Don't spend a single cent until you have a budget in place. Whether you set aside an amount of money to spend on all gifts or assign a per-person spending limit, decide on your budget before you hit the mall or the computer.

Cash is King

It's easy to forget about your budget when you're carrying credit cards, especially if your favorite stores are having holiday sales. Leave your cards at home, and make it cash or debit card only when you're shopping at retail stores. And, before you shop, come up with gift ideas for every person on your list so you'll be less tempted to buy items on impulse.

Curb Your Enthusiasm

Shopping for specific items online allows you to easily compare prices at different websites and reduces the temptation to buy extras that aren't on your list. If you pay online with a credit card, subtract the amount from your budget, and remember to pay off the balance when you get the bill.

Give Up Small Things

Want to generate more cash? Several months ahead of the holiday, try eliminating small expenses, such as picking up coffee on your way to work or buying lunch. Then add that money to your holiday savings account.

Be a Grocery Grinch

Holiday grocery shopping can destroy your food budget in the blink of an eye. Save at the supermarket with these timely tips.

- Plan your menus so you're buying only the items you'll need for holiday meals and gatherings.
- Take inventory of the ingredients you already have on your pantry shelf.
- Check store flyers to see if any items you need are on sale. Use coupons.
- Create a shopping list and strictly follow it. No matter how tempting, buying extra items that are on display can put you over budget in no time.
- Shop at multiple stores to get the lowest prices.
- Score free food. Stores often have promotions around the holidays offering a free item when you spend a certain amount within a specified time frame.
- Think outside the supermarket. Drugstore chains sometimes have great deals on staples, such as baking supplies, mixes, and beverages.

Holiday Tipping Guide: A Refresher

Tipping during the holidays is a nice way to show your appreciation to service providers for all they do for you during the year. Here are some general guidelines.

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SEE THE BIGGER PICTURE

As a business owner, you may be caught up in end-of-year planning for your business. But personal financial planning is equally important. As you work with your financial and tax professionals to plan for your business, consider what you need to do to stay on track with your personal finances, too.

Start with Your Goals

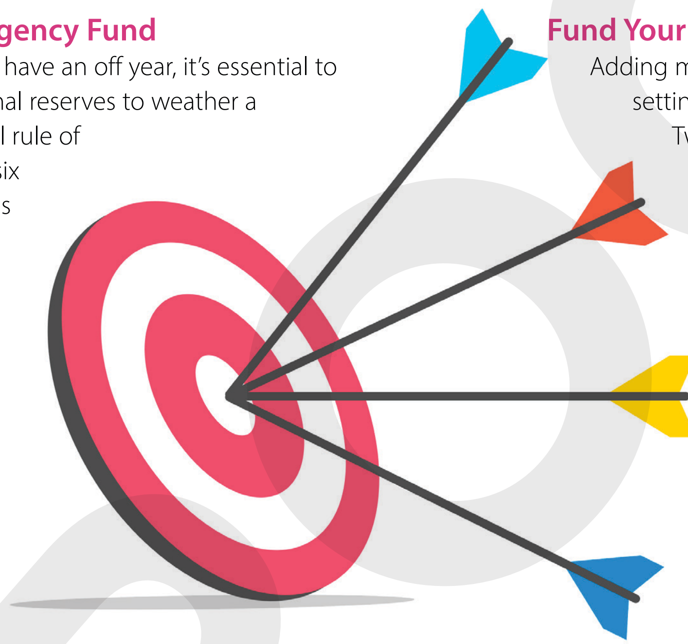
Think about what you'd like to accomplish in the coming year. Do you want to increase your savings? Buy a second home? Start a college fund for your children or grandchildren? Once you've defined your goals, find a balance between investing in your business and allocating money toward your personal financial plan.

Plan for the Future

Consider whether the mix of stock and fixed-income investments in your portfolio fits your current risk tolerance and your time frame for needing the money. Be cautious about investing in companies from the same industry as your business. A sudden industry downturn could affect both your business's profits and your portfolio's returns.

Build a Bigger Emergency Fund

Because any business can have an off year, it's essential to maintain adequate personal reserves to weather a downturn. While a general rule of thumb is to have at least six months' worth of expenses saved in a cash account, business owners may want to exceed that amount. Building a large emergency fund can help ensure that you have enough personal savings to maintain your lifestyle if business income doesn't meet your projections.



Fund Your Retirement

Adding money to an existing retirement account or setting up a new plan may reduce your tax bite. Two plans to consider: A SEP IRA allows you to contribute to the plan for your employees and yourself. If you don't have employees, a Solo 401(k) plan allows you to maximize your contributions because you're contributing to the plan both as employer and employee.

Think About Estate Planning

Planning may minimize estate taxes and provide for your beneficiaries. A buy-sell agreement funded with life insurance transfers your interest in the business to a partner or family member, while providing liquidity for your heirs.

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Financial Industry Regulatory Authority

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

August 11, 2021

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The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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