

# LET'S TALK MONEY<sup>®</sup>

January/February 2019

## Is your Business Tax-Efficient?

As business owners turn part of their attention toward paying taxes, it pays to also examine ways to become more tax-efficient, particularly in light of the Tax Cuts and Jobs Act. Here are a few features you might want to discuss with your tax and financial professionals.

### Income Taxes

The basics are not so basic this year. The top federal income tax rate for C corporations fell dramatically to 21%. The new law also features a 20% "pass-through" deduction on qualified business income for entities such as S corporations, limited liability companies (LLCs) and partnerships, whose income passes through to individuals (subject to limits).

### AMT Repealed

The new law also repealed the corporate alternative minimum tax (AMT). Better yet, companies may still receive credit for previous AMT payments that exceed their regular tax liability through 2021.

### NOL Disappearing

Some new tax provisions are mixed. In 2018, the deduction of net operating losses (NOL) was reduced to 80%, with no carry-back and unlimited carry-forward allowed. Previously, companies could carry back NOLs for two years and carry them forward for 20 years. Consult with your tax professional to learn how best to handle potential NOLs in light of these new tax rules.

### Hire Employees

With unemployment at historic lows, it is becoming harder for companies to hire qualified workers. However, your business can reap a tax deduction for educational assistance and training expenses given to employees. Additionally, you can qualify for the Work Opportunity Tax Credit by hiring the long-term unemployed, Supplemental Security Income (SSI) recipients and other hard-to-place applicants.

### Give Them Benefits

When the competition heats up for hiring the best employees, benefits can sometimes make the difference. Expenses associated with providing benefits like health insurance, life insurance and retirement plans may be tax-deductible to your business.

### Give To Your Future

Retirement programs such as 401(k), SIMPLE, and Simplified Employee Pension accounts can help your employees prepare for tomorrow and reduce their taxable income. As owner and employee of your company you can benefit too, thanks to these plans' tax advantages.



**Karen Petrucco**  
Account Manager

**LTM Client Marketing**  
125 Wolf Road, Suite 407  
Albany, NY 12205

Tel: 518-870-1082  
Fax: 800-720-0780  
kpetrucco@ltmlclientmarketing.com  
www.ltmlclientmarketing.com

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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# Financial Fitness: Challenge Yourself

This New Year, legions of people will pledge to overhaul their lives by eating right, exercising regularly, learning new job skills and more. What you don't hear a lot about are people who make the ultimate New Year's resolution — to organize every aspect of their financial lives.

We've organized the steps everyone needs to take to help get their financial lives in peak condition. It's not so hard when you take it one step each month. We are here to help coach you through each monthly challenge.

## January – Assess

You might work with a nutritionist to eat better, a trainer to get in shape and a mentor to learn new job skills. Why not work with a financial professional to assess your current financial situation and the work ahead of you?



## February – Plan

Write down your short-term goals. Marriage or a first home? And then intermediate goals – maybe a bigger home or a child's college costs. Next, ask yourself what you want to achieve 25 or 30 years from now. A comfortable retirement? Leaving loved ones a financial legacy?



## March – Budget

Now figure out a financial path to achieve your goals. Start with a budget. Add your debts and income sources separately. Subtract your debt from income to get disposable income. Then make a budget and stick to it.



## April – Reduce

As spring arrives, spring into action by preparing to better your current finances. Cut your debt where possible, particularly high-interest revolving credit. Add to your income, especially if you have a skill that lends itself to part-time work.



## May – Save

Put the money you save from reducing debt and earn from side jobs, raises and bonuses into accounts designated for each goal. Never forget that you cannot borrow for retirement, so this long-term savings goal should be a priority.



## June – Protect

You don't think twice about protecting the value of your home and car with insurance. Why not do the same for your income? Buy life insurance\* to protect your loved ones financially and disability income insurance to protect your earning power in the event a long-term disability prevents you from working.



## July – Invest

Put your money where it can help you best meet particular goals. Understand what you invest in. Take advantage of investment options that offer tax benefits.



## August – Retire

The steps you take now will influence your financial readiness in retirement. Don't put off saving for this important goal because using time to your advantage may help your money grow. And don't forget to contribute at least whatever your employer matches to your 401(k) plan.



## September – Graduate

This will probably come before retirement, but remember that while you can always borrow for a child's college expenses, you can't for your retirement. Use the tax advantages of 529 plans and Coverdell Education Savings Accounts to save specifically for school costs.



## October – Enroll

This is the time of year to review and select the benefits your employer offers during open enrollment. Check out life, health and disability insurance offerings, as well as any retirement plan.



## November – Give

Contribute to charitable organizations. It feels good and you may get tax advantages for it. Also, you can benefit loved ones with an annual gifting strategy during your lifetime.



## December – Review

Life happens. For example, your priorities might change and insurance needs generally change with age. Make sure to review your financial strategy regularly with your financial and tax professionals.

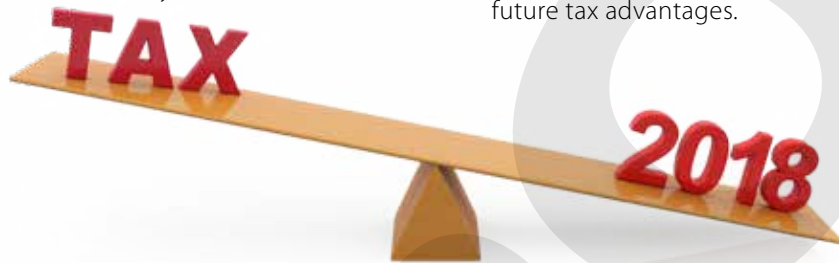


\*Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued and the required premium to put it in force is paid.

# Major 2018 Tax Changes

As the New Year begins, tax filing time beckons. This year brings new federal tax regulations, so you'll want to know what deductions and credits are available to you for the 2018 tax year. Consider these tax features:

- 1. Lower Rates** – Tax rates are lower and brackets expanded for most taxpayers. Check with your tax professional to learn how this affects you.
- 2. Bigger Standard Deduction** – This deduction almost doubled for most taxpayers. If you're married and filing jointly, you will see the standard deduction rise to \$24,000. Single taxpayers have a \$12,000 standard deduction.
- 3. Personal Exemptions Gone** – If you have many dependents, you might miss the personal exemption, which is now history.
- 4. Fewer And Lower Deductions** – Taxpayers in high-tax states won't like the state and local tax (SALT) cap of \$10,000 on combined local income and property tax deductions. Mortgage interest and the child tax credit are two other areas of change.
- 5. Retirement Account Breaks Live On** – It's good news that the deduction for qualified retirement plan contributions and tax-deferral of growth of most retirement accounts continue. IRAs and 401(k) plans are two good ways to find current and future tax advantages.



## Debt Can Hurt Your Retirement



How much debt is too much? When it comes to non-mortgage debt, six in 10 workers with non-mortgage debt believe this type of debt will negatively impact saving for retirement. This is according to the 2018 survey *Danger Ahead? The Impact of Debt on Retirement Savings*, which also notes that seven in 10 American workers have non-mortgage debt.



## 7 Ways to Find More Money to



Ever wish you could find extra money to put toward your child's college expenses or your own retirement? Maybe you would like to take a bucket list vacation or buy a larger home. Whatever your financial goals may be, finding the money to help pursue them can be challenging, but not impossible. Here are some ways to find more money:

1. Eliminate one designer cup of coffee per week. At \$3 per cup, you'll save over \$150 for the year.
2. Skip one monthly \$70 restaurant outing and save more than \$800 annually.
3. Clean out your basement or garage and sell unwanted items online, through an app or in a yard sale.
4. Keep your car or SUV an extra year or two. When your car loan payments end, why not save thousands and spend a year or two driving your vehicle without having a car payment.
5. Go through your television and smartphone bills and eliminate paid services and features you don't use. For that matter, you might stream rather than watch TV through more traditional outlets. Save a bunch.
6. Find ways to exercise at home and cancel your gym membership. Save hundreds.
7. Find money in these and countless other ways and establish an emergency fund to ensure surprise expenses don't get in the way of your plans.

# Revisiting Your Business Plan

If you're an experienced business owner, you may think a business plan is something you need only when starting out. The truth is that an updated plan can help business grow and your employees thrive. Here's how to handle an updated business plan.

## Start from Scratch

If you began your business years ago, it may look entirely different now than when you started out. Reestablish in writing and with the help of partners and key executives what your business does, its desired and actual customer base, your company's hierarchy and other key facets of your company.

Revisit your marketing strategy — of course you have one — and compare your market saturation, sales and costs to your competitors'. If you don't have a current financial picture, work with a professional to develop one. You may find, for instance, that operating costs are unnecessarily depressing your net income or that you aren't spending enough to meet demand. You'll also want to make sure your employee compensation packages are competitive.

## Look Ahead

With the past and present accounted for, look to the future by writing a new plan covering the next five or more years. With hard numbers to compare your business versus competitors and an understanding

of your market's potential, list realistic goals. How much can you realistically increase profits? Are there areas in which you should cut back and others needing further development? You could find it easier than when you first started out to secure financing for expansion, if that is what's needed and you can make the business case for it.

## Plan for the Future

This is when it could be a good idea to work with a financial professional to learn how you might build a better workforce by offering a retirement plan, health insurance and other desired employee benefits.

You might also consult an attorney, who can work with you on a succession plan, if that's what you want, and a buy-sell agreement, to help ensure you extract financial value from your firm upon leaving. A financial professional can also help you with funding ideas, such as using life insurance.\*

\* Applications for life insurance are subject to underwriting. No insurance coverage exists unless a policy is issued and the required premium to put it in force is paid.



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## ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

October 2, 2018

Reference: **FR2018-0905-0106/E**

Org Id: 8408

1. 2019 Let's Talk Money Jan/Feb Business with optional cover letter  
Rule: FIN 2210  
6 Pages

The communication submitted appears consistent with applicable standards.

Reviewed by,

David Y. Kim  
Senior Analyst

aec

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