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clientalert

fall 2019

5 things every high school student should know

As the school year starts, the realization sets in, especially for juniors and seniors, that there's a lot to understand about finances and beyond. Here are five things every student should know:

1. Debt needs to be managed carefully. U.S. student debt tops $1.5 trillion. The average student owes $31,172, has a monthly payment of $393 and takes 10 – 20 years to pay off their loans. As your child begins to consider college, encourage them to think about the long-term implications of debt. Pursuing scholarships of all kinds is wise. So too is trying to minimize the size of loans.

2. Students should invest in themselves. Young people have a big decision to make. "Should I pay for college or a trade school?" There are plenty of tradespeople making healthy incomes, especially if they own businesses. College isn't for everyone, but students should realize that the best return on their investment is one that creates the best employment picture and life-long income potential.

3. Life is expensive. Before every big purchase, teach your student to research the costs and talk to people who have been in their shoes. Also explain how to make a budget and save three to six months of expenses in an emergency account.

4. Comfort is overrated. The times when you step out of your comfort zone are often the times you learn the most about yourself. Urge your teen to work hard and gain the wisdom that comes with new experiences.

5. Enjoy the journey. Each phase of life brings its unique set of challenges—reassure them of their potential and encourage them to steal moments each day to reflect on where they've been and focus on the positive aspects of their current situation. ♦

Time to lower your tax bill

It's easy to push tax planning to the sidelines when tax laws are ever-changing and hard to understand. Here are four common reasons people use for avoiding tax planning, and tips to get past them:

• **It doesn't make a difference.** This point of view is especially problematic in years with unique situations.

- Selling a house? You can avoid taxes if primary residence requirements are met.
- Starting a business? Choosing the correct entity can affect your tax rate and the type of deductions you can take.
- Getting ready to retire? Properly balancing different revenue streams such as part-time wages, Social Security benefits and IRA distributions will have an impact on your tax liability.

• **It's out of your control.** Timing is important when it comes to minimizing taxes, and timing is something you *can* control. Bundling multiple years of donations into one, holding investments longer to get a lower tax rate, and making efficient retirement withdrawals are prudent tax strategies that you can control.

• **I only need help at tax time.** When the standard deduction doubled in 2018, many assumed they could kick their feet up and wait for a big refund. That assumption proved to be false for a large number of taxpayers. Every year has its own set of changes that you should plan for well before tax time rolls around. Necessary changes to withholding are less drastic when spread over more pay periods.

• **It's too overwhelming.** Tax planning is often as simple as looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best way to start is to pick up the phone and ask Alloy Silverstein for assistance. It's not too late to get on track for 2019. If you haven't scheduled a tax planning meeting, now is a great time to do so. ♦

More benefits with expanded NJ Family Leave Act

Governor Murphy has signed into law provisions that give employees more time off, more ways to qualify, and more compensation under the Family Leave Act and Family Leave Insurance. The laws also impact more businesses and more workers.

That's because as of June 30, 2019 companies with 30 or more full-time employees are required to heed the rules, down from the 50-employee threshold.

Who qualifies and when?
Employees can now take family leave for two reasons: to bond with a new baby (including one who is adopted), or to care for a family member with a serious health condition or who is a domestic violence or sexual assault victim.

The definition of family member also has expanded from immediate family to parents-in-law, siblings, grandparents, grandchildren, plus friends and relatives with close 'family-like' relationships.

To qualify, an employee must have worked for their employer for at least 12 months, putting in 1,000 base hours during that time.

How much time off?
Employees can take up to 12 weeks of continuous time off and up to 56 days of intermittent time off within a 12-month period. They can also work on a reduced schedule without penalty for up to 12 months.

What about compensation?
Previously, employees could apply for up to two-thirds of their usual salary, with a maximum compensation of 53 percent of the state average salary—around $650 per week. Beginning on July 1, 2020, employees can earn up to 85 percent of their salaries, capping out at 70 percent of the state average—around $860 per week.♦

Major life changes ahead? Read this!

Getting married or having a baby? Buying or selling a home? Changing jobs? Retiring? These exciting events require a lot of planning, but one often overlooked area is tax planning. Do it now and you will make smart decisions to get the future outcome you desire.

1. Getting married or divorced. One plus one does not always equal two in the tax world. Marriage means a new tax status, new deduction amounts and income limits, and a potential marriage penalty. The same is true for divorce, but with added complexity. Untangling assets, alimony, child support and dependents are all considerations worthy of discussion.

2. Growing your family. While bringing home a new child adds expenses to your budget, it also comes with some tax breaks. With a properly executed plan, you can take home the savings now to help offset some of those new costs. If you are adopting, you get an additional tax credit to help with the adoption expenses.

3. Changing jobs or getting a raise. New job, new salary? Earning more money is great, but you might be surprised that each additional dollar you earn gets taxed at your highest tax rate, and might even bump you to the next tax bracket. The end of your previous job likely adds additional taxable income in the form of accrued vacation or severance. If you are switching jobs, the change also includes things like new benefits and possibly different taxing jurisdictions.

4. Buying or selling a house. Naturally, there will be tax implications from the move.

Knowing how your taxes will be affected ahead of time will help you make solid financial decisions and avoid surprises. If you're looking to buy or sell investment property, even more issues come into play like capital gains taxes and other more complicated tax code issues.

5. Planning for retirement. Some of the factors that go into retirement planning include current income, available cash, IRAs, future earnings, retirement age and Social Security. For example, with traditional IRAs, there are early withdrawal penalties before age 59 ½ and required minimum distributions after reaching age 70 ½. For Social Security, collecting benefits early means less in monthly benefits, and potentially, a higher tax obligation if you have additional earnings. Each source of retirement income has its own set of taxation rules which can create a very complicated tax environment. Put all of these variable together into one analysis to pave a way forward for your retirement. ♦

business alert

Don't let a disaster derail your business

With the frequency of natural disasters, mass shootings and cyber threats, it's important that your business is ready if it faces its own disaster. According to Liberty Mutual Insurance, most small businesses don't have formal disaster recovery plans. As a result, 40 to 60 percent of them permanently close after one strikes. Don't be part of that statistic. Here are three steps to creating a plan.

1. Assess your risk: First, choose members of your disaster team including IT, HR and your business advisors, and meet to identify possible threats. Consider your physical locations and the hazards unique to your region. Create lists of risks your business would face including a loss of power, a fatal crash of your business systems and material damage to inventory and production capacity.

2. Appraise operations: Rank your most critical functions by importance and level of risk. What to include in your plan?

- Data backup – Where do you store critical information for each business function and do you have that data backed up in a secure system offsite?
- Employee logistics – Establish remote work arrangements, including employees' physical, logistical and data needs.

- Insurance coverage – Does your policy include business interruption coverage? Should it? Discuss the alternatives with your broker.
- Taxes and recordkeeping – How will you evaluate losses? You'll want a plan to keep detailed records to help determine the best approach.

3. Communicate and test: Document your plan so it is clear, accessible and easy to implement, and share it with everyone on your disaster team so they know who is responsible for what. Also be sure to test your plan annually.

Disasters may be unavoidable, but a comprehensive disaster recovery plan can help minimize your business downtime and losses. Alloy Silverstein has the expertise and experience to help you create a plan. ♦

finance alert

3 tips for estate planning in the post TCJA era

One major change in The Tax Cuts and Jobs Act was the generous federal estate and gift tax exemption, which doubled from $5 million to over $11 million. Effectively, this means that only the very affluent will have to pay federal estate taxes until the exemption expires at the end of 2025. How does this affect the need for estate planning?

It really doesn't. Anyone with significant assets should have an estate plan. That's because there's more to it than taxes. Estate planning is a complex process that's about dividing things, not families, and ensuring that your assets are passed on efficiently.

Of course there are taxes to consider. New Jersey and Pennsylvania each have inheritance taxes. In both cases, the percentage paid depends on the relationship between the heir and the decedent and can be as high as 15-16%.

The backbone of estate planning is to get as much out of your estate as possible while you are alive. Here are three ways to make that happen:

1. Establish trust funds: A trust is a legal arrangement in which your assets are entrusted to a third party to handle for your beneficiary. Be aware that trusts are subject to annual income taxes, and the tax rates and brackets are not the same as individuals. There are various types of trusts with different objectives and conditions, so seek professional guidance before establishing one.

2. Take advantage of gifting: In 2019, you can give away up to $15,000 to as many people as you wish and up to $11.4 million in your lifetime without paying a federal gift tax. The lifetime exemption only kicks in when you exceed the annual exclusion amount. If you are married, you and your spouse can take the split gift election and give away as much as $30,000 annually ($15K for each of you) and $22.8 million over your lifetimes.

3. Frontload a 529 plan: This very powerful tool allows you to put five years' worth of gifts—$75,000—into a qualified 529 plan to finance a child's college education.

Estate planning can help your heirs save time, reduce taxes and minimize conflict and potential ugly court battles. It will protect your assets, and most important, protect your family at a very difficult time in their lives.♦

alloy happenings

- ***Ren Cicalese, CPA, PFS, CGMA***
  -Presented "Upstart Your Startup" to entrepreneurs at 1776 in the Cherry Hill Mall, June 24.

- ***Ronald V. Donato Jr., MBA, CFP®***
  -Attended 1st Global Communities Conference in Frisco, TX, July 21-23.

- ***Julie Strohlein, CPA***
  -Honored with the NJCPA Ovation Award in the Impact category. The Impact category recognizes CPAs for their leadership and role in giving back to the local community and the accounting profession.
  - Appointed to the Board of the Doctors Advisory Alliance.
  -Appointed Treasurer for Impact100 South Jersey's Leadership Council.
  -Volunteered as a mentor as part of the Alice Paul Professional Leadership Institute summer program, July 12.

- ***Chris Cicalese, CPA, MSTFP***
  Angela Venti
  -Attended the *Philadelphia Business Journal's* Business of Sports Conference, July 25.

Welcome

- ***James Storey, CPA***, formerly Director of Operations at Payroll Express. Jim joins Abacus Payroll after the two companies merged in May 2019. ♦

Creating change, inspiring hope, and improving lives; Alloy Silverstein employees pledged $10,835 to the United Way to help people around the world.

Alloy Silverstein joined forces with Center for Family Services for their annual campaign that collects new backpacks, preschool books, and school supplies benefiting K-12 students and teenagers receiving services from the South Jersey non-profit. Thank you to all clients, community members and employees for your donations!

Alloy Spotlight

This quarter, we take a look back. In honor of our 60th anniversary, this quarter's spotlight is on the firm and our six-decades-long journey from a small firm of bookkeepers and tax accountants to a full-service, one-stop business solution.

1959: It all began when Marvin Alloy and Raymond Silverstein merged their public accounting practices and set up shop in a small, three-room office suite in Pennsauken, New Jersey.

The 1960s and '70s: Electric typewriters and calculators came into the workplace. We moved to a new address in Cherry Hill, and hired future partners Joe Adams, Bruce Mulford, Bud Wilson, and Dennis Vogt.

The 1980s: The firm adopted the latest technology in the form of computers and suitcased-sized laptops. We hired future partners Ren Cicalese and Bill Jones, and our first accounting intern. In 1989, the current shareholders bought Alloy Silverstein from the founders.

The 90s: Business growth and more technology were the firm's hallmarks. We transitioned from manual to electronic workpapers, and launched a website. We established subsidiary companies Abacus Payroll, Inc. and Alloy Silverstein Financial Services, Inc. which are celebrating their 20th anniversaries this year. We also established a scholarship program with Rutgers University.

The new millennium: Alloy Silverstein transitioned to a paperless office. We joined the international association, INPACT Americas, and presented our first Externship Day about accounting careers for college students. In 2008, we acquired Robert W. Gargone & Associates, opening a second office in Hammonton, NJ.

The last ten years: The firm's innovative thinking and penchant for looking outside the box have led to new services and even more community support. We now offer a wide range of digital solutions including paperless payroll, cloud accounting, online A/P and A/R services, virtual CFO solutions, disaster recovery plans, automated billing, fraud protection and more. We have expanded the reach and services of Abacus Payroll by merging with Payroll Express. Our monthly Alloy Academy sessions educate clients on business issues from bookkeeping to marketing to cybersecurity to financing. Year-round, we are committed to bettering the local community with efforts such as Adopt-A-Family during the holidays, Go Red in the winter, Project Backpack in the fall and Alloy Cares volunteer time in the summer.

While tax laws have changed dramatically over the course of 60 years and technology has disrupted the way we all do business, one thing has never changed, and that is Alloy Silverstein's promise to deliver quality service to clients. In recent years, we articulated that promise in a Client Bill of Rights that guarantees prompt, responsive replies, timely, reliable performance of services, and open communications. It's what you deserve, and what we intend to continue for the next 60 years. ♦

Alloy Silverstein today

Top 400 firm in the country

something 2 consider

Charity begins…in the IRA distribution

by Ronald V. Donato, Jr., CFP®, MBA

If you are age 70½ or older, and you have an IRA, 401K or other tax-deferred retirement account, then the government regulations require you to take out a minimum amount of that account each year. ALL OF THE REQUIRED DISTRIBUTION IS TAXABLE, BUT HERE IS HOW YOU CAN AVOID PAYING TAXES ON ALL OR PART OF IT.

The tax law allows you to donate directly to a charity from your IRA (not from your 401k or 403B). If you usually make charitable contributions each year to a qualified charity, then you should call us to arrange to have those contributions made out of your IRA. If you do, then none of the charitable contributions that come directly out of your required minimum distribution (up to $100,000 per year) are considered taxable income! This is one of the great tax breaks that a retired person can get. Period.

It is very important to note that:

- These distributions must come directly out of your ***IRA*** and cannot be done out of your 401k or 403B. If appropriate, all or a part of the 401k and/or 403B can be converted to an IRA; and
- ***We*** must send the contribution for you, directly from the IRA. You cannot send the contribution to the charity and then get reimbursed, as the distribution from the IRA will be taxed in that case; and
- All you need to do is to provide to us with this information:
  - The name and address of the charity; and
  - The amount you wish to send; and
  - When you would like the contribution sent (monthly, quarterly, one-time).

We have many generous clients who are in retirement and take advantage of this wonderful tax break. If you don't utilize it, then, frankly, you are missing out on one the best parts of the tax code. Please contact our office for further information and to get this set up.

They are only gains if you sell

One of the more difficult things to accept is that you have made wise investment choices, and then as a result may have to pay taxes on the capital gains when you sell those investments that have increased in value (note that this is NOT an issue if the investments are held in an IRA, 401k, or other retirement account). I agree. It's not fair; but it is the tax code. I suggest that, instead of worrying about the taxes on the gains, you concentrate on the fact that you get to realize GAINS!

Think of it this way: I have an account worth $400,000 with a gain of $100,000. If I have to pay, for example, 20% on my gains then I "lose" $20,000. However, if the investment declines in value by 20% and I haven't sold, then I "lose" $80,000 (= $400,000 X .20). And if I have sold and taken the gains, I now have $380,000 with no taxes attached to invest into something else that may be more appropriate for my current needs and/or current market conditions.

This may be worth a discussion with us given the still strong US stock market. ◆

For our June Alloy Academy, ***Julie Strohlein, CPA*** *and* ***Chris Cicalese, CPA, MSTFP*** *presented Overcoming Bookkeeping Inefficiencies.*

Jim Storey, CPA *and* ***Julie Strohlein, CPA*** *presented Payroll Penalties and Pitfalls at our July Alloy Academy.*

Scam alert

Hackers and scam artists are constantly finding new ways to steal information. The latest involves the Social Security Administration.

The calls vary from an imposter saying that your social security number is being suspended to another lying that the government needs to confirm your number because the agency's computers are down.

Most ask you to pay a fee, or buy gift cards and give the caller the codes to reinstate your number. Often the scammer has spoofed the real SSA phone number.

We urge you to be alert to these scams and if you know anyone who might be at risk, share these tips from the Social Security Administration:

- Know that government employees will not threaten to take away benefits or ask for money or personal information to protect your Social Security card or benefits.
- Never give any part of your Social Security number to anyone who contacts you. The same goes for your bank account or credit card number.
- If you receive a call from someone asking for your Social Security number, hang up and report the information on the SSA.gov website.

Alloy Academy

Our complimentary upcoming lunch and learn workshops are offered once a month in Cherry Hill and Hammonton.

- September 18 & 19: How to Access Capital Needed to Grow Your Business
- October 22 & 23: Reputation Management: Getting Your Business Ready for the Media Spotlight
- November 13 & 14: Gearing Up for Year-End
- December 10 & 11: Last Minute Tax Tactics

Save the Date

Be a potential lifesaver!

Blood and Bone Marrow Donor Drive
November 14th in Cherry Hill

Like **Alloy Silverstein's** Page on Facebook Connect with **Alloy Silverstein** on LinkedIn Follow **@AlloyCPAs & @RenCicalese** on Twitter

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What the IRS is up to

Greater protection for taxpayer data

To protect taxpayers, the IRS has stopped faxing tax transcripts to both taxpayers and third parties. These summaries of tax return information were often used by criminals to file fraudulent returns in order to obtain refunds. Now, to get a tax transcript, individual taxpayers may use IRS.gov or the IRS2Go app to access "Get Transcript Online" or "Get Transcript by Mail." They can also call 800-908-9946, or submit Form 4506-T or 4506T-EZ to have a transcript mailed to the address of record.

Tax deductible charitable contributions

Effective August 12, 2019, if you make a contribution to a charity that is offset by a state or local tax credit, you must reduce your federal charitable contribution by the amount of the credit. For example, if you donate $1,000 to a charitable program and the state grants a 70% tax credit, you would receive a $700 credit and your federal tax deduction would be $300. There are some exceptions so be sure to ask your tax advisor for more details.

Reduced interest rates for third quarter

The interest rates on underpayments and overpayments are going down for the calendar quarter as of July 1, 2019. The rate will be 5 percent for all individuals and businesses except corporations. The rate on corporate overpayments will be 4 percent up to $10,000 and 2.5% thereafter. Large corporate underpayments will be charged a 7% interest rate. ♦

Upcoming tax deadlines

September 16
- Third quarter installment of 2019 individual estimated tax is due.
- Filing deadline for 2018 calendar-year tax returns for S corporations and partnerships with extensions of the March due date.

October 15
- Filing deadline for 2018 individual tax returns on automatic six-month extensions of the April due date.
- Deadline for filing 2018 calendar-year tax returns for C-corporations with extensions of the April due date.

During November
- Estimate your 2019 income tax liability and review your options for minimizing your 2019 taxes. Call to schedule a tax planning review. ♦

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details. Be aware that the tax laws contain varying effective dates and numerous limitations and exceptions that cannot be summarized easily. For details and guidance in applying the tax rules to your individual circumstances, please contact us. Information used is obtained from sources considered to be reliable.