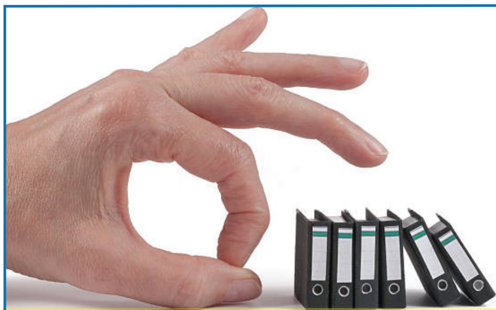

Toss this. Not that.

Before you close the file on this year's tax return, there is still accurate record keeping to prepare in case of an audit. Here are some tips for organizing everything.

Save indefinitely
- Your tax return
- Records related to a home purchase or sale
- Stock transactions
- Business/rental records

Retain for three years
- Canceled checks
- Invoices
- Other proof of payment for claimed deductions
- Bank and credit card statements
- Mileage logs
- Receipts with time, place, and purpose noted

Know other requirements
- States often require 6 months to 1 year longer than the Federal government.
- Social Security records should match your pay stubs; proofing is a good idea.
- Insurance, banking, and estate management may require other records.
- If your return understates your tax obligation by more than 25%, the government will require 6 years of records. If fraud is involved, the record retention period is indefinite.

Keep a good system
- Rotate your records at the end of the tax year. Decide how many years must be retained, count back from your current filing year and shred older documents.
- Create new files for this tax year to save receipts.
- Consider scanning records to keep digital copies.
- If you are unsure whether to retain or shred, retain it.♦

ALLOY SILVERSTEIN

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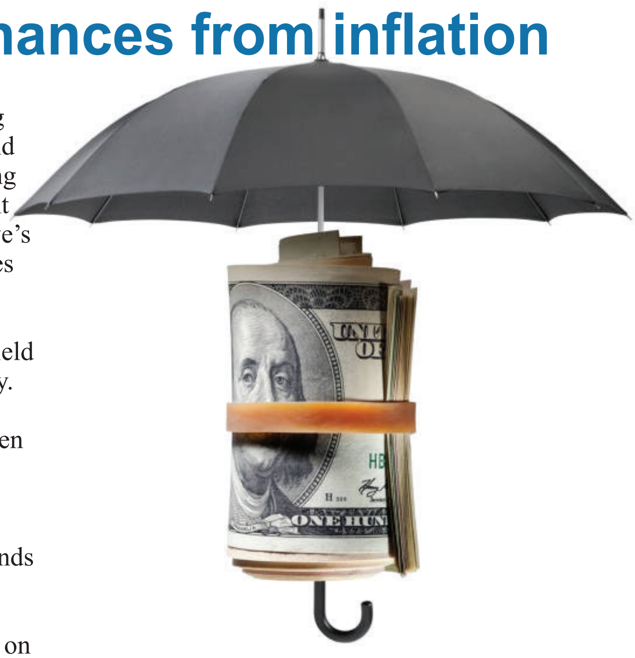
client*alert*

summer 2022

Protect your finances from inflation



With inflation running at a 40-year high and interest rates heading north, it is important to understand how the Federal Reserve's actions will influence financial choices that you make in 2022 and beyond.

Here are some steps to consider to shield your finances in a rising-rate economy.

Make the most of your savings: When the Fed increases interest rates, your savings account rate should also go higher . . . immediately. If your bank does not do this, be willing to shift funds to an FDIC-insured bank that does.

Be cautious in borrowing: The rates on new mortgages, car loans and credit cards are likely to increase. Also, if you have a variable rate loan or carry credit card balances, you may find your monthly payments starting to increase. Be prepared and rebalance your budget.

Review your investment allocations: Market volatility may increase because rate increases are not completely predictable. Staying the course with a well-diversified portfolio is a prudent strategy. However, you may want to review your investment allocations.

Look at Series I savings bonds: U.S. government backed bonds have two interest rate components: a fixed rate and an inflation rate. The fixed rate is set when the bond is issued, the inflation rate resets semi-annually based on the Consumer Price Index. Know that bonds must be held for at least one year and if you redeem within five years, there is an interest penalty.

Consider creative use of Roth IRAs in an emergency: With Roth IRAs, early removal of the initial contribution is tax and penalty free, so in an emergency you could tap these funds. However, if you dip into earnings you will be subject to income tax and possibly the 10% early withdrawal penalty. ♦

finance alert

The pros and cons of home equity debt: what you don't know could cost you

While most interest expense is no longer tax deductible, home equity loan interest may be. It all depends on how the money is used.

Home acquisition debt: Interest on debt used to purchase, refinance or substantially improve a primary or secondary residence is deductible. The limit is the fair market value of the property up to $750,000 ($375,000 if married filing separately).

Home equity debt: This is all other debt secured by your primary or secondary residence. One of the pitfalls is using the loan for anything other than buying, building or substantially improving a residence. Doing so will cause the interest to be nondeductible. A few examples: consolidating credit card debt, financing a business or college costs, purchases like jewelry, travel, and cars and more.

The pitfalls: All too often home equity loans and their interest become a problem when:

- The loan interest is disallowed because it is not secured by a main or second home.
- The outstanding loan balance exceeds the fair market value of your house.
- If you use your home as a home office or as rental property, the interest becomes a business expense, not an itemized deduction.
- Total acquisition debt exceeds $750,000 ($375,000 if married filing separately.)
- You refinance to pull out equity. This creates additional leverage on your property and could cause you to surpass the debt limit AND require mortgage loan insurance.

Loans secured by your home can still provide a valuable tax deduction, but you must stay vigilant to the rules. ♦

Succeeding at business succession

Succession planning can be one of the most difficult issues faced by a family-owned business. Unfortunately, many don't survive the transition to the next generation. Good planning is the key. Yet, according to the Conway Center for Family Business, 57% of family businesses have no formal succession plan.

Succession planning needs to consider four core issues:

- **Choice of a successor.** Often the first preference is for a family member to take over. But family members may lack the skills, temperament, or interest to run the business. Sometimes several family members are interested, and squabbles or rivalries can interfere. That's why an outsider is often chosen as an independent manager.
- **Transfer of ownership.** No matter who takes over at the top, you will eventually need to transfer ownership to the next generation. This involves questions of estate planning, taxation, and form of business. Sound legal and accounting advice are needed here.
- **Liquidity.** Often a transfer of ownership involves issues of liquidity and funding, especially if it happens upon the death or disability of the founder. You will need to consider life and disability insurance, as well as tax and estate planning issues.
- **Personal issues.** It is often very difficult for the founder to hand over their "baby" to someone else. If a family member is the successor, the potential for interpersonal conflict increases. It is essential to confront and discuss this beforehand. Having a professional advisor mediate these discussions can be useful.

Delaying succession planning until retirement is a mistake. That is because your initial succession attempt may not work out. Also, a sudden accident or illness may force you to change leadership earlier than expected. It is never too early to start planning. ♦

Six ways to cut costs in your business

Too often businesses emphasize increasing sales as the only way to boost profits. Cost-cutting, when done selectively and intelligently, can be a faster way to higher profits. Here are six ways you can "trim the fat" in your business.

Look at gross profit margins. If the margin has been deteriorating, find out why. Are you passing direct cost increases along to the customer or not? Analyze individual products and services. Does it make sense to continue those with the lowest profit margins?

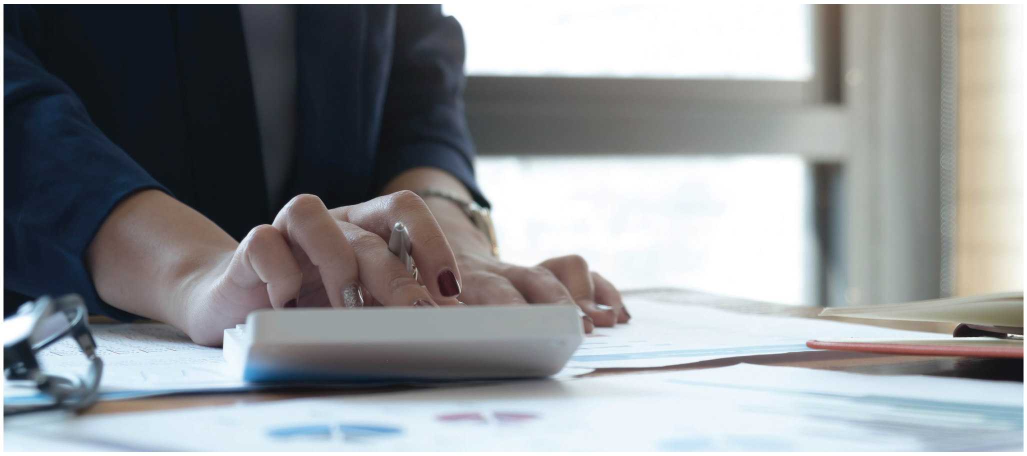
Payroll costs are a major item. Payroll-related costs are fertile areas for cost reduction. For example, review group insurance programs and solicit bids from different providers. Consider higher deductibles as a means to lower premiums.

Review operating and supply costs. Are all telephone calls necessary? Can money be saved by alternate shipping and receiving carriers? Can you negotiate costs of supplies, products or raw materials? Think carefully; maybe it's time to switch suppliers.

Review your customer mix. Since 80% of revenues are typically generated by 20% of your customers it is wise to review the bottom tier. Ask: is it cost effective to continue serving them?

Analyze inventory. Determine if any obsolete inventory can be reworked or sold.

Solicit cost reduction ideas from employees. Many companies have generated significant savings using this approach. To encourage participation, consider a bonus program based on a percentage of costs saved. ♦



Last chance for 100% bonus depreciation

This is the final year to take advantage of 100% bonus depreciation. Here is what you need to know about how to use this generous tax break for your business.

Background

Bonus depreciation allows you to immediately deduct business expenses that would typically be deducted, or depreciated, over a number of years.

In 2022, you can deduct the entire cost of a qualifying asset. Starting in 2023, the percentage is scheduled to decrease by 20 percentage points each year until reaching zero at the end of 2026.

Here are several considerations:

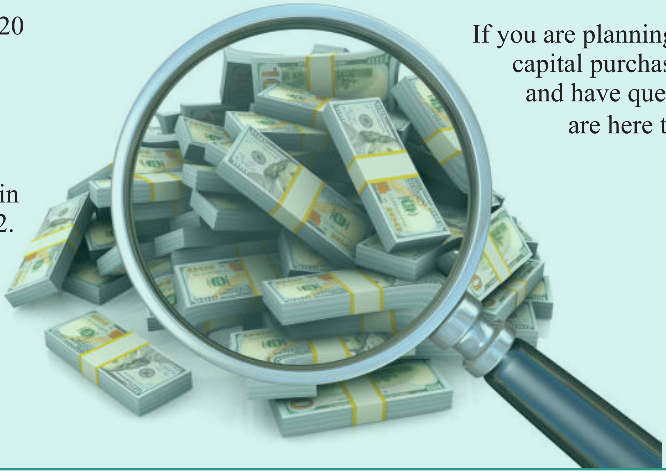
Don't wait until the last minute. Assets must be placed in service, or completely up and running by December 31, 2022.

Qualifications for bonus depreciation. Assets must have a useful life of 20 years or less, be identified as qualified improvement property and not be land or buildings. For listed property (typically cars and trucks), the asset must be used for business at least 50% of the time.

Bonus depreciation might not make sense. If you purchase a piece of equipment for $500,000 but only have $250,000 in taxable income, for example, you may be better off using either Section 179 or the IRS's regular depreciation formula.

Benefit now or later. This only impacts the timing of the deduction, not the total amount. So if you take $100,000 in bonus depreciation on a five-year asset, you'll have a much lower taxable income in Year 1, but higher taxable income in years 2 through 5.

If you are planning any major capital purchases this year and have questions, we are here to help. ♦



alloy happenings

- ***The Alloy Silverstein Group***
  -Partnered with Allianz Insurance to present a webinar, Inflation: Protecting Your Retirement Future, May 25.

- ***Julie Strohlein, CPA***
  –Named to ROI-NJ Top Women in Business.

- ***Ren Cicalese III, CPA, MST***
  – Appointed President of the SWNJ Chapter of the NJCPA

- ***Chris Cicalese, CPA, MSTFP***
  - Interviewed on Yahoo! Finance! Live to discuss the impact of the IRS backlog, March 24.
  – Participated in the Asbury Park Press and NJCPA's "Ask A CPA" virtual event, March 5.

- ***Lindsey Cowperthwait***
  Jim Storey, CPA
  -Represented Abacus Payroll, Inc. at the Business at the Beach Expo in Wildwood, NJ, April 26.

Congratulations

- ***Chris Cicalese, CPA, MSTFP*** celebrating his fifteenth anniversary with the firm.

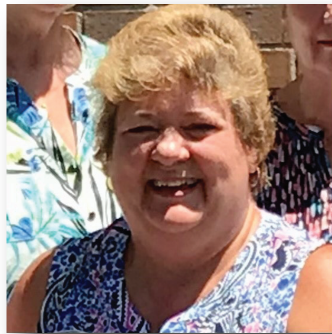
Welcome

- ***Claudia Massar,*** a recent graduate of Temple University as Alloy Silverstein Group's new Digital Marketing Coordinator.

- ***Virginia Pyontek,*** a new Abacus Payroll team member.

- ***Maureen Gozier***, Wealth Management Paraprofessional for Alloy Silverstein Financial Services, Inc.

Alloy Spotlight



This quarter our spotlight is on Helena Haberle, administrative assistant for the Hammonton office and for Abacus Payroll, a division of The Alloy Silverstein Group.

Helena is the first person that clients see at the Hammonton workplace, a responsibility that she doesn't take lightly.

"That first impression is very important," she acknowledges. "I try and get to know clients and remember their names from year to year. Even if we only see them once, I want them to feel comfortable, and to think, 'wow,' they know me, they care about me."

Helena is responsible for the day-to-day operations of the office, ensuring that tax returns are submitted on time, mail is processed, documents are proofread, supplies are ordered, and the business runs smoothly and efficiently. During the pandemic, she was there to process the mail and scan every client document that was dropped off so the accountants could safely prepare client taxes from home.

She is coming up on her tenth anniversary at Alloy Silverstein. Prior to joining the firm, she had various roles at South Jersey businesses and was with the township of Medford for 20 years, a job started during her cooperative business education at Shawnee High School.

The Medford, New Jersey native grew up as one of eight children in a bustling household. Helena attributes her organizational skills to both of her parents, who kept the matters of all 10 family members on track. Today, she has 44 nieces/nephews and grand nieces/nephews.

Helena resides in Hammonton with her companion Steve, her cats and dog and says her favorite pastime is water walking in her swimming pool, e-reader in hand. "I could spend hours doing that," she muses.♦

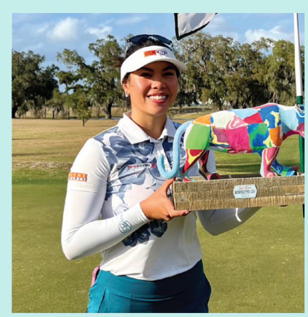
Team Alloy

Meet Team Alloy's Newest Pro Golfers

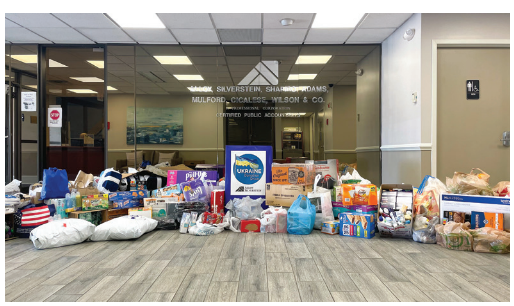
Join us in welcoming the newest players to our Team Alloy golf alliance. Each golfer will wear the Alloy Silverstein logo on their sleeve as they compete on the LPGA Epson Tour this season.

- Aneta Abrahámová of Slovakia.

- Abegail "Abby" Arevalo of the Philippines.



- Pauline del Rosario of the Philippines.



During the month of March, Alloy Silverstein's employees, clients, and friends overwhelmed us with donations and support for a Ukraine Relief Collection drive. Items were dropped off to the United Ukraine Action Relief Committee (UUARC) in Philadelphia on April 1. A sincere thank you to all who contributed!

something 2 consider

Who Are You Gonna Believe?

by Ronald V. Donato, Jr., CFP®, MBA

Do you remember Groucho, and his line: *Who you gonna believe, me or your own eyes?* In spite of what certain elected and unelected officials are telling you about how everything is under control, your eyes (and bank account and grocery bill and energy costs, etc.) are telling you the truth. Government over-spending, Fed inaction last year followed by drastic action this year, poor fiscal and energy policies, natural demand increases after the shut-down, and now the somewhat predictable aggression toward Ukraine by a financially strengthened Russian autocrat, are wreaking havoc on your budget and portfolio. Here is what we are doing, and suggest you do, to cope while we wait for the recovery and the return to responsible stewardship.

1. Put this into historical perspective

Market pullbacks since WWII, as measured by declines in the S&P 500 Index show that most of the declines are between 5-10 percent with about a one month average recovery time. Pullbacks of 10-20 percent are not unusual in normal market cycles and have historically had a four month average recovery time. For 20-40 percent pullbacks the recovery time has been about 14 months. As of this writing, the S&P is getting close to negative 14 percent.

2. Evaluate your own situation

- Retired or nearing retirement. If you haven't yet done your financial/retirement plan, then do that now! In any case, have us evaluate your plan, and we will likely direct you to reduce your risk if it is not appropriate for you. There are several tools we use to reduce interest rate, equity, and longevity risk. Make the call, get this evaluated very soon.

- Five to ten years until retirement. You can take more risk than those nearer to retirement, but you should get your plan done or reviewed to see how much risk you need to take, and convey to your planner the risk level with which you are comfortable. Generally, based on the historical recovery times given above, you do have time to recover from a market downturn.

- More than ten years until retirement. Your risk level is generally higher than those closer to retirement, however, now is the time to plan for things that you will likely encounter when you join the retirement crowd. Some of these issues are of course growth of your investments for your future retirement, but you also need to be aware that you may need life and disability insurance to protect your family, income on which you can rely in retirement, and any other issue that may be particular to your circumstances.

Until you get a plan done, you won't know if you are on track or how to get on track.

3. Some basic moves we have been making

- Bond funds may be a locked in loser. I know that there are bond fund managers who will disagree, but with rising rates I don't see these doing anything but moving down, unless they are floating rate funds.

- Many risk reduction tools available. These are many and varied, so you should consult us to see what will work for you. ♦

NJ Cannabis update

Legal cannabis sales began on April 21st for selected dispensaries throughout the state. Standalone retail stores are expected to follow soon pending state and local approvals. Down the line, newer medical dispensaries will eventually be able to sell to the public, but must remain medical-only for at least one year. Visit Alloy Silverstein's Resource Center for updates as they are announced. If you need assistance in cannabis business planning, tax compliance, payroll, or application preparation, Alloy Silverstein and Abacus Payroll are here for you.

Visit AlloySilverstein.com/Cannabis for full details.

Alloy Silverstein's Small Business Services division is growing and hiring!

The group offers bookkeeping, transactional accounting, financial reporting, outsourcing, and cloud accounting solutions to small businesses and entrepreneurs. "Having a strong financial position starts with knowing your numbers," says the division's Director Janine Kiriluk. "Our services are really essential to enable businesses to pivot on a dime and think outside the box."

We are currently hiring bookkeepers. If you or someone you know might be interested, visit AlloySilverstein.com/careers.

Outsourced Bookkeeping

Accounts Payable & Receivable

Financial Reporting

QuickBooks & Xero

Small Business Advisory

Virtual CFO

Learn more about our Bookkeeping and Small Business Services at ASCloudServices.com.

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BEST of Accounting CLIENT SATISFACTION 2022

What the IRS is up to

IRS reminds businesses of the Work Opportunity Tax Credit (WOTC)

With many businesses facing a tight job market, the Internal Revenue Service reminds employers to check out a valuable tax credit available for hiring long-term unemployment recipients and other groups of workers facing significant barriers to employment. It's called the Work Opportunity Tax Credit and it is available for hiring recipients who have been unemployed for at least 27 consecutive weeks and received state or federal unemployment benefits during part or all of that time. The WOTC is available for wages paid to certain individuals who begin work on or before December 31, 2025.

New Jersey launches 401K mandate for businesses

Companies with more than 25 employees that don't offer a retirement plan must start doing so through the New Jersey Secure Choice Savings program. The program costs nothing for employers, but there is administration involved. If your business has not offered a 401(k) retirement plan in the past two years, you must inform employees of the program's availability and enroll employees who do not opt out. The contribution rate is 3% pre-tax, unless the employee chooses a different rate.

Tax season is over, now what?

- If you are awaiting your refund, check your status online at IRS.gov.
- If you received a large refund or unexpected tax bill, consider double checking your withholding and Form W4.
- If you had a large tax bill or file a Schedule C with a profit over $1,000, your quarterly estimated payments are due June 15, September 15, and then January 15 of next year.
- If you filed an extension, remember the complete tax return must be filed by October 17, 2022.
- If you had any concerns with your tax return during this past tax season, meet with your CPA this summer for a tax planning meeting. ♦

Upcoming tax deadlines

June 15
– Second quarter 2022 individual estimated tax payments are due.

August 1
– Due date for filing 2021 retirement or employee benefit plan returns (5500 series) for calendar year plans.

September 15
– Third quarter 2022 individual estimated tax payments are due.
– Extension deadline for 2021 S-corporation and partnership returns.

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Stay up-to-date with the latest firm information and breaking tax and business news.

(We also appreciate reviews and recommendations!)

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.