



## Online Advisor – April 2011

### Major Tax Deadlines For April 2011

April 18 - Individual income tax returns for 2010 are due.

April 18 - 2010 calendar-year partnership returns are due.

April 18 - 2010 annual gift tax returns are due.

April 18 - 2010 income tax returns for calendar-year trusts and estates are due.

April 18 - Deadline for making 2010 IRA contributions.

April 18 - Deadline for employers to make contributions to certain retirement plans.

April 18 - First installment of 2011 individual estimated tax is due.

April 18 - Deadline for amending 2007 individual tax returns (unless the 2007 return had a filing extension).

April 18 - Deadline for original filing of 2007 individual income tax return to claim a refund of taxes. Each year some taxpayers have tax refunds due them for prior years, and unless a return is filed to claim the refund by the three-year statute of limitations, the refund is lost forever.

NOTE: Businesses are required to make federal tax deposits on dates determined by various factors that differ from business to business.

Payroll tax deposits: Employers generally must deposit Form 941 payroll taxes (income tax withheld from employees' pay and both the employer's and employees' share of social security taxes) on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual liability is \$1,000 or less.

\* Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the fifteenth of the following month.



\* Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

For more information on tax deadlines that apply to you or your business, contact our office.

## **What's New in Taxes**

### **Get an extension if you can't file on time**

April 18 is the due date for filing your 2010 tax return. If you won't have all your tax information assembled in time to meet the filing deadline, getting an extension will give you an extra six months - or until October 17, 2011 - to file your return.

Over the years, the IRS has made requesting an extension easier. The extension is automatic; you simply have to file Form 4868 with the IRS by the April 18 filing deadline. Be aware, however, that an extension to file does not extend your time to pay. The IRS will still assess interest on any unpaid tax balance. In addition, unless you pay at least 90% of your estimated tax liability by April 18, you may be hit with a late-payment penalty.

If you are a U.S. citizen living abroad, you have until June 15, 2011, to file your 2010 return. This does not require the filing of an extension form. This two-month extension does not apply to taxpayers who are just traveling outside the U.S. on April 18. When you file your tax return, you must attach a statement showing that you qualified for the extension. If additional time beyond June 15 is needed, Form 2350 should be filed to obtain an automatic extension until October 17, 2011. Interest will be calculated on any balance due from the April 18 due date.

Military personnel serving in combat qualify for an extension for filing returns and paying tax for the period of combat service plus 180 days.

For additional information or filing assistance, contact our office.

### **Check your withholding and estimated tax payments for 2011**

If you expect a large tax refund this year, or if you've already received one, chances are you're happy. But why give the government an interest-free loan? Why not keep more of your money and invest it



throughout the year for your own benefit? Whether you pay your taxes through withholding or you make quarterly estimated tax payments, you can take steps now to ensure that you don't receive a large refund on your 2011 taxes - and that you won't owe a lot of money either.

Your tax bill for 2011 could vary from your 2010 taxes for many reasons. If your spouse or you get a new job or leave a job this year, your income may change. Perhaps your eligibility for the various tax credits, exemptions, and deductions that are available will change this year. If your income decreases or if you can take advantage of any of the tax breaks to reduce your taxes, you may be able to lower your tax withholding or quarterly payments and put more money in your pocket now. The opposite is true if your income rises or you lose eligibility for a deduction, exemption, or credit. In that case, you may have to increase your withholding or quarterly tax payments.

To adjust your withholding for 2011, ask your employer for a new Form W-4, and take the time to complete it carefully.

If you make quarterly tax payments, you should be aware of the safe harbor rules that will let you make the lowest required payments without subjecting yourself to possible penalty charges. The rule that fits most taxpayers is the one that calculates your 2011 quarterly estimated payments based on your 2010 tax liability.

For help in determining your correct withholding or estimated tax payments, contact our office.

## **New Business**

### **Businesses report increased productivity**

Forced to become leaner during the latest recession, American businesses are apparently doing more with fewer workers. As the economy improves, productivity (economic output per labor hour) continues to rise; it increased 3.5% in 2009 and 3.6% in 2010.

Many companies continue to benefit from various efficiencies introduced during the downturn, including streamlined processes, technological advances, and increased worker productivity. Businesses have pared tasks to what's most essential and use such techniques as cross-training employees to reduce worker downtime. Increasing productivity by making workers do more can only go so far. To create future growth, companies will eventually find it necessary to add employees.



## **Make your business plan realistic and useful**

Many prospective entrepreneurs regard business plans as annoying academic exercises, useful only to provide file stuffing for potential lenders or investors. Ironically, lenders and investors who receive such plans are apt to view them the same way and move on to the next applicant.

\* A real business plan should be regarded as a useful and dynamic tool. It should be able to help guide business decisions and serve as a yardstick for measuring outcomes. If external events invalidate some aspect of the plan, it should be revised to conform to the new evidence. Thus, the plan can continue to serve as a relevant guide while remaining ready for use as a reference for providers of capital.

\* A useful plan must be grounded in reality. Start by defining a significant customer problem that your proposed product or service can solve. The problem's existence should be supported by real evidence such as surveys, verifiable interviews, or marketing research studies. These sources should also help clarify your prospective customer base; i.e., the group that actually has the problem your product or service will solve.

Next, explain how you'll reach your customer base and motivate these people to buy. Once again, your assertions should be based on hard evidence, such as surveys and interviews of actual prospects. You should also include any secondary evidence, such as published studies, that supports the size and accessibility of your market.

Wherever possible, your surveys or interviews should be conducted using actual members of your prospective customer base. This means you must either conduct the research yourself or hire an outside professional to do the legwork.

Every business has particular factors that are vital to success, such as location, owner or employee skills, or access to essential materials. Your plan should identify the vital factors applicable to your business and explain how you will meet their requirements.

\* Be careful to ensure that your financial projections are as realistic as possible. Revenue projections should be supported by market research to the extent possible. Projected cost categories can be compiled from published materials, but realistic dollar costs should be determined through contacts with prospective suppliers. Try to identify potential pitfalls (such as seasonal revenue variations or inventory shortages) and provide concrete and supportable contingency plans for dealing with them.

If you'd like help with developing your business plan, contact our office.



## **What's New in Finances**

### **Survey paints gloomy retirement picture**

Workers today express less optimism about their retirement prospects than they have in past decades. According to the Employee Benefit Research Institute's 2011 Retirement Confidence Survey, 27% of respondents were "not at all confident" about saving enough for retirement.

Many workers indicated they had little or no retirement savings. 29% said they had less than \$1,000 in savings or investments; 56% said their savings totaled less than \$25,000 (excluding the value of their home).

The percentage of workers who had taken a loan from retirement savings or used savings for basic expenses was 34%. Debt was indicated as a major problem by 22% of those surveyed.

Workers often see working longer as a way to build a larger retirement fund; 74% of those in the 2011 survey said they intended to work longer to supplement savings. Yet people are sometimes unable to continue working longer because of health issues or outdated work skills.

### **Do a reality check before retiring**

If you are approaching retirement, it's a good idea to review your finances and develop a strategy for your final working years. Take the time now to perform a reality check on your retirement resources and expectations.

\* Create a retirement budget. Start by tracking your current expenses. Then add or subtract items that you expect to be different when you retire. For example, you may have to pick up the tab for health insurance that was previously provided as a fringe benefit by your employer.

\* Estimate your retirement income. Will your resources be adequate to cover your projected retirement expenses? For example, if you retire at age 60, your resources may have to last another 30 years or longer. You may need to increase your savings, or you may need to work longer than planned to provide yourself with a comfortable retirement.

\* Evaluate your investments. For example, now may be the time to start moving into more conservative investments. Perhaps it makes sense to downsize your home to reduce your housing costs and free up money for other types of investments.



\* Pay down your debt. Don't take on new debt. Get a handle on your current debt to prepare yourself for a reduction in income when you retire.

\* Decide where you are going to live. If you are going to relocate, don't forget to adjust your budget for the cost-of-living differences between the two communities. Also, don't forget to factor in moving expenses.

\* Make wise "exit" choices. For example, if you qualify for pension benefits, you will be faced with a number of binding decisions when you leave your company. You may be eligible for COBRA coverage (extended health insurance) which could help bridge the gap between retirement and Medicare eligibility at age 65.

Call us for assistance in reviewing your strategies, choices, and financial resources as you begin the countdown to retirement.

## **Take a Break**

### **What a waste...**

The "Wall Street Journal" reports that the average commuter spends 34 hours idling in traffic delays each year. In certain cities the average annual delays are even longer; for example -

\* 70 hours in Washington, D.C.

\* 70 hours in Chicago

\* 63 hours in Los Angeles

\* 58 hours in Houston

\* 49 hours in San Francisco

\* 47 hours in Denver

\* 44 hours in Atlanta



The total amount of fuel used in traffic delays nationwide each year is estimated at 3.9 billion gallons; total number of hours wasted is 4.8 billion; total cost of fuel and lost productivity is \$115 billion.

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