CIRIMELLI, PYLE & ASSOCIATES LLP
CERTIFIED PUBLIC ACCOUNTANTS

Online Advisor – September 2015

Major Tax Deadlines
For September 2015

* September 15 - Due date for individuals to pay third quarter installment of 2015 estimated tax.

* September 15 - Due date for filing 2014 tax returns for calendar-year corporations that had an extension of the March 16 filing deadline.

* September 15 - Due date for filing 2014 partnership tax returns that had an extension of the April 15 filing deadline.

* October 1 - Deadline for businesses to adopt a SIMPLE retirement plan for 2015.

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.

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What's New in Taxes

Automatic enrollment can benefit you.

Your employer's retirement plan may have an automatic enrollment feature that has you participating as soon as you're eligible, unless you opt out. Generally, you'll want to stay in the plan because contributing makes tax sense. Two ways you benefit: Your contributions are not taxed as current income and your account's investment earnings are not taxed until you begin to take withdrawals. Even better, your employer may also contribute to your account at no cost to you.

However, being enrolled automatically doesn't mean you should ignore your account. Why? Because the default contribution rate, which is generally a percentage of your wages, may be too low to meet your retirement goals or provide all available current tax breaks. You may also want to review and change your investment options. Call us for help in maximizing your benefits.

Fourth quarter tax planning - It's how you finish that counts

The fourth quarter is often make-or-break time in sports. Likewise, tax-cutting steps you take in the last three months of the year can transform a financial plan into a bona fide winner.

Late-year tax planning is often a matter of reviewing your inflows and outflows. For instance, income from capital gains can be subject to both capital gains tax and the 3.8% Medicare surtax. To offset capital gains, you might sell investments that have lost value since you purchased them. Net capital losses can be used to reduce ordinary income by up to $3,000. A tax-saving examination of your portfolio is a good time to rebalance your holdings between asset classes.

Interest and dividend income can be subject to the 3.8% Medicare surtax too. Plan for this by considering investments in municipal bonds that pay tax-free interest. If you are contemplating a mutual fund investment between now and the end of the year, check the fund's expected dividend date. Purchasing a mutual fund now could bring an unwanted taxable dividend before December 31.

On the outflow side, look for opportunities to maximize deductions. Accelerate your charitable donations and consider donating appreciated securities you have owned for more than one year. This strategy can offer double value - you get the benefit of a deduction, at fair market value, and you don't have to pay tax on the gain.

Take advantage of increased retirement plan contribution limits for 2015. This year you can contribute as much as $5,500 to a Roth or traditional IRA ($6,500 if you're age 50 or over). The limit for 401(k) plans is $18,000, plus an additional $6,000 if you're 50 or older. While checking on the status of your retirement plan contributions, review your list of beneficiaries too.

Another important fourth quarter exercise is an analysis of your federal and state income tax withholdings and estimated payments. These can be affected by personal events such as a change in marital status, the sale of your home, or a new job.

Effective tax planning is a matter of finishing well. Contact our office to discuss steps to make the fourth quarter a strong one for you.

New Business

Double-check your health care reimbursements

Penalty relief for failing to bring your existing employer health care payment plans into compliance with the "Affordable Care Act" expired on June 30. If you're still directly reimbursing your employees for health insurance premiums on policies they purchase, you may have to pay a penalty of $100 a day per employee.

These reimbursement arrangements are considered "group plans" and fail to meet key coverage requirements and other provisions of the health care laws. Contact us for assistance with evaluating your health insurance reimbursements.

Keys to effective cash management

No matter what type of company you're managing, following a few simple practices can be the key to effective cash management.

* **Reduce lag time.** For example, give incentive discounts to customers who pay early. Aim for just-in-time inventory to reduce holding costs.

* **Establish a line of credit.** To cover shortfalls resulting from excessive lag time, unforeseen business disruptions, or weakening in your particular market, set up a line of credit with your local financial

institution. But take care that short-term credit doesn't develop into a crutch that props up poor cash management.

* **Check out new customers.** Like a landlord who checks the payment history of a potential tenant, a prudent business owner will assess whether new clients are likely to pay on time before extending them credit. Deadbeat clients can squeeze a firm's cash flow quickly, especially if they purchase large amounts of inventory or services.

* **Grow with caution.** Expanding into new markets can bring momentum and additional sources of income. But watch out. Developing new product lines, expanding facilities, hiring employees, ramping up your marketing budget - all consume cash. Before racing down this road, be sure to generate accurate cash forecasts, preferably with expert help.

For more guidance in effectively managing your company's cash, give us a call.

What's New in Finances

When will you retire?

According to research conducted this spring, U.S. workers expect to stay employed past age 65 and to transition into retirement by reducing hours on the job over time.

Whatever your expectations for your post-work life, planning now can mean you'll be prepared to manage your retirement years. Review your health and disability insurance needs, tune up your retirement plan savings strategies, and estimate how much annual income will allow you to live the life you envision. Contact us to make an appointment for a comprehensive review of your financial situation.

Avoid these retirement planning mistakes

Retirement can creep up on you. One day you're climbing the corporate ladder or building a client base for your business. Next thing you know, you're in your 50s or 60s. Thoughts of spending your days playing golf, pursuing a favorite hobby, or traveling to far-flung regions start calling you away from the daily grind. But without careful planning, your golden years may become tarnished. Before you take that gold watch at your farewell party, make sure you're avoiding these retirement planning mistakes:

*** Failure to plan.** Ideally, you started planning for retirement early in your career and your investments have been growing. But maybe you've avoided such thoughts until now. Don't wait. Plenty of online calculators will help you get a handle on how much you need to save, when to take social security benefits, how to determine retirement expenses, and so on. Finance professionals can also craft a plan to fit your circumstances. As the old saying goes, "Failure to plan is planning to fail."

*** Failure to save.** If your employer offers a 401(k) plan, take full advantage of the employer match, and sock away as much as you can, as early as you can. If you're self employed, set up a SIMPLE retirement plan. Regardless of your place of employment, saving for retirement should be a priority.

*** Failure to consider inflation.** No matter how much you save, expect inflation to eat away at the purchasing power of your money. At a 4% rate of inflation, expenses will double every 18 years. To cover that increase in expenses, your money needs to maintain its value. For most people, keeping up with inflation will require investing some portion of their nest egg in a diversified portfolio of stocks or stock mutual funds.

*** Failure to consider life expectancy.** These days, if you're a 65-year-old man, you can expect to live to age 82. A woman of the same age may live to age 85. These, of course, are averages. Depending on your health, family history, and other factors, you may live into your nineties or beyond. As a result, your nest egg (supplemented by pensions and social security benefits) may need to last 30 years or more. Take stock of these numbers and plan accordingly. Strive to ensure, as much as possible, that your retirement dreams come true.

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