



Online Advisor – August 2016

Major Tax Deadlines For August 2016

- * Aug 1 - Retirement or employee benefit plan returns (5500 series) for plans on a calendar year.
- * Aug 1 - Form 941, Employer's Quarterly Federal Tax Return.
- * Aug 1 - Form 720, Quarterly Federal Excise Tax Return.

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 FICA 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

Health Savings Account limits barely budge for 2017

Inflation-adjusted limits for deductible contributions to health savings accounts (HSAs) for 2017 remain similar to prior years. For family coverage, the contribution limit will be \$6,750, unchanged from 2016. For individual coverage, the limit rises \$50 to \$3,400. If you're 55 or older, you can contribute an



additional \$1,000, as in prior years. When you combine an HSA with a high-deductible health insurance plan, you can set aside pretax contributions that can be later withdrawn tax-free to pay unreimbursed medical expenses. Contact us for details.

Should you consider a health savings account?

Are you familiar with health savings accounts (HSAs)? These accounts, which combine a savings account and a high-deductible insurance policy, pre-date the "Affordable Care Act." But the rules are still in effect and you can still benefit.

Here's an overview.

The basics. An HSA has two parts: a high-deductible health insurance policy and a medical savings account.

To qualify as a high-deductible policy for 2016, the minimum deductible must be \$1,300 (\$2,600 for family coverage) with a \$6,550 cap on out-of-pocket expenses (\$13,100 for family coverage).

In conjunction with purchasing a qualifying health insurance policy, you'll need to open a savings account with a bank or brokerage firm and begin making contributions. You use the money in your account to pay qualified medical costs.

The income tax benefits. Contributions to your HSA are deductible on your federal income tax return, even if you don't itemize. For 2016, you can put as much as \$3,350 (\$6,750 for family coverage) into your account. If you're age 55 or older, you can make additional annual catch-up contributions of up to \$1,000.

Earnings on the balance in your account, such as interest or dividends, grow tax deferred, and can be tax-free when withdrawals are used for qualified medical expenses.

Contact us if you're interested in learning more about HSAs. We'll help you evaluate the costs and benefits.



New Business

Starting a business: Facts to know

According to a recent annual global entrepreneurship study, fewer would-be entrepreneurs were seeing opportunities for opening a business in 2015, leading to a drop in new start-ups. However, business ownership for companies in existence for three months or longer remained stable when compared to the prior year study. In addition, despite the lower number of new ventures, the study showed slightly more than three new businesses being started for every one discontinued during 2015. After self-funding, banks and government assistance played the largest role in financing new business operations, with entrepreneurs needing a median amount of \$17,500 to start a business. And the age of those new business owners? Despite popular belief, the highest rate of entrepreneurship is among individuals between the ages of 35-44.

Tips to strengthen customer loyalty

As you know from your own experiences on the other side of the sales desk, customers who develop a long-term relationship with your company will generally look to you first when they need products and services. But developing such loyalty requires focus. Your business customers want the same experience you do when you visit other businesses: to know you care about their individual needs.

How can your firm build strong bonds with customers? Here are three pointers:

Make the experience pleasant and efficient. Keep your waiting area clean and inviting. Consider offering fresh coffee or a water cooler, as well as cookies or other snacks and soothing music. Be considerate of your customers' schedule, and keep them informed if you're running behind.

Offer free advice. Be generous with sharing information that may help customers understand your products or services. You can provide advice via brochures in your waiting area, posts to social media, or brief articles in email newsletters or on your business website. Topics and updates can include frequently asked questions about your products or services, advance notice of upcoming sales or special events, and news about your business.

Welcome opinions. Even if a customer's opinion is not flattering, existing and potential customers will see how you respond, and will form an opinion of your company based on that response. To keep



abreast of customer opinions, you may want to periodically survey customers via online questionnaires or call a sample of customers directly. Take complaints seriously, track follow-up measures, and notify customers about improvements that resulted from specific suggestions.

Developing customer loyalty can translate into long-term profitability. If you'd like more tips about building strong customer relationships, contact us.

What's New in Finances

Are you stressed about your retirement savings?

A research study conducted by a global management firm turned up interesting results: younger workers are more stressed about retirement savings than older workers. Overall, 70% of the study's participants were stressed about retirement. The biggest concerns among all participants were running out of money during retirement, and paying for health care.

If these results mirror your own retirement outlook, the best stress-reliever is to create a written plan. To start, your plan doesn't have to be overly detailed. What you're aiming for initially is a general map of where you want to be financially when you retire. That will give you a focus point and help you develop your objectives. From there, you can review your current retirement savings and investigate what options are available to you, such as employer-funded retirement accounts and IRAs. Knowing your options will help you select a savings strategy.

Following a consistent plan tailored to your goals is the way to success. Contact us for help.

Account management is key to a comfortable retirement

How can you achieve a comfortable retirement? One way is to manage your retirement accounts - a process that doesn't have to be as difficult as you may think. Here are five suggestions.

"Start a retirement savings program as early as possible and contribute regularly." The longer and more regularly you contribute, the larger your nest egg will become, even before the compounding provided by growth and earnings. Regular, reasonable deposits wisely invested will easily outgrow sporadic and insignificant contributions.



"Deposit your funds in tax-deferred accounts." If your employer or business offers a tax-deferred plan, such as a 401(k), contribute as much as you can, particularly if the plan provides matching funds. Investigate individual options, such as IRAs, for additional planning opportunities. Why? One of the advantages of tax-deferred accounts is that investments that aren't reduced by taxes will grow and compound at a faster rate. Other advantages include the ability to control your withdrawal rate and the amount of any accompanying tax, and the opportunity to postpone recognition of taxable income until retirement, when you'll likely pay tax at a lower rate.

"Establish a portfolio suited to your age and personality." As funds within your retirement accounts accumulate, establish an investment plan. Then follow your plan consistently, revising only enough to keep matters on course, correct for deviations, and respond to unexpected events.

"Track your portfolio and re-balance as needed." Maintain a balance among growth, income, and short-term investments, and adjust the ratios as you age. The standard rules of thumb: When you're under forty, you can choose to include growth investments in your portfolio. In your forties and fifties, you might want to become more conservative, shifting your balance toward income-generating investments such as high-dividend stocks.

"Once you're retired, plan your withdrawals so your funds will last the rest of your life." To avoid running out of funds, plan for a long retirement. Postpone withdrawals as long as possible, and pay them out carefully. Calculate a workable percentage to withdraw from your portfolio on an annual basis. Continue to revisit your investments each year to monitor and rebalance as needed.

A satisfactory retirement program requires planning, discipline, and monitoring. Wherever you are in the process, we're happy to help. Contact us for assistance.

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