Tax Minimizers of Oregon Inc.

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ClientAdvisor

SUMMER 2019

Everyday Advice

Nothing in life is to be feared, it is only to be understood.

– Marie Curie, Nobel Prize Winner in Physics and Chemistry

You know you need tax planning if…

Effective tax planning helps you make smart decisions now to get the future outcome you desire — but you need to make sure you don't miss anything. Forget to account for one of these situations and your tax plans will go off the rails in a hurry:

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.

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.

Changing jobs or getting a raise. Earning more money is great, but if you're not careful, you might be surprised by the tax hit. Each additional dollar you earn gets taxed at your highest tax rate, and might even bump you to the next tax bracket. If you are switching jobs, the change also includes things like new benefit packages to consider.

Buying or selling a house. Whether you're a first-time homebuyer, you're moving to your next house, or you're selling a house, there will be tax implications resulting 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 tax issues come into play.

Saving or paying for college. There are so many different college tax breaks, it can be tricky to determine which ones might make the most sense for your situation. These include the American Opportunity Tax Credit, the Lifetime Learning Credit, the Coverdell Education Savings Account, 529 plans and student loan interest deductibility.

Planning for retirement. Everyone needs to plan for retirement, but each situation is different. Some of the factors to keep in mind include employment status, current income, available cash, future earnings and tax rates, retirement age and Social Security. Putting all of these variables into one analysis will paint a clearer picture of your retirement strategy and provide a way forward.

Don't make the mistake of omitting key details from your tax plan. Call now to schedule a tax-planning meeting.♦

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IRS UPDATE

Phishing is still a threat

The IRS "Dirty Dozen" list warns taxpayers to remain vigilant when it comes to fake emails and other internet phishing scams used in attempt to steal personal information. If you get an unsolicited email or social media message that appears to be from either the IRS or an organization closely linked to the IRS (like the Electronic Federal Tax Payment System), you should report it by sending it to *phishing@irs.gov.*

Protect your personal info

To safeguard against identity thieves who continue to steal large amounts of data, the IRS urges taxpayers to take the following steps to protect personal information:

- Use computer security software (including firewalls and malware protection).
- Use strong passwords.
- Be cautious of email attachments.
- Avoid oversharing personal information on social media sites.
- Keep old tax returns and records in a secure place.

Reminder: 2019 alimony rule change

Alimony is no longer a tax deduction for those paying it, nor income for those receiving it. This rule change does not impact divorce agreements reached before 2019. Now is the time to review any prenuptial agreements and exercise caution when changing an existing divorce arrangement.

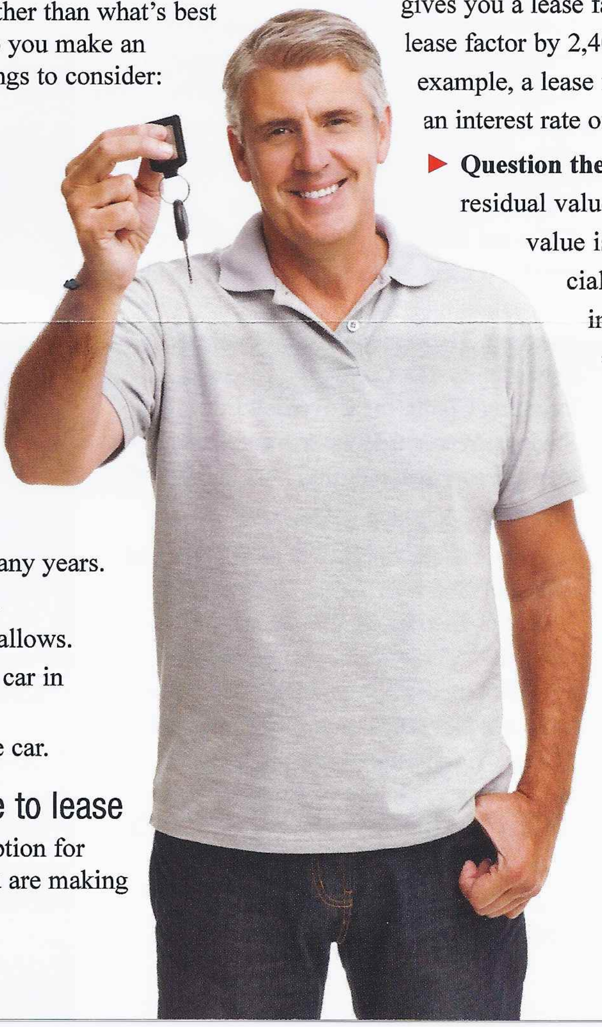
No change to second-quarter interest rates

Interest rates for the second quarter in 2019 have stayed the same since the first quarter. The rates are as follows: 6 percent for overpayments (5 percent for corporations), 3.5 percent for the portion of a corporate overpayment over $10,000, 6 percent for underpayments and 8 percent for large corporation underpayments. ♦

Leasing vs. buying a car

Knowing the tricks makes you a better decision-maker

There are many reasons for you to lease a car versus buy a car, but too often it is the auto dealer's profit motive that determines which method you use rather than what's best for your budget and lifestyle. To help you make an informed decision, here are some things to consider:



When to lease

- You want a car with lower down payments and monthly costs.
- You don't like making your own vehicle repairs.
- You prefer a new car every couple of years.
- You don't drive many miles each year.
- You are not hard on your vehicle.

When to buy

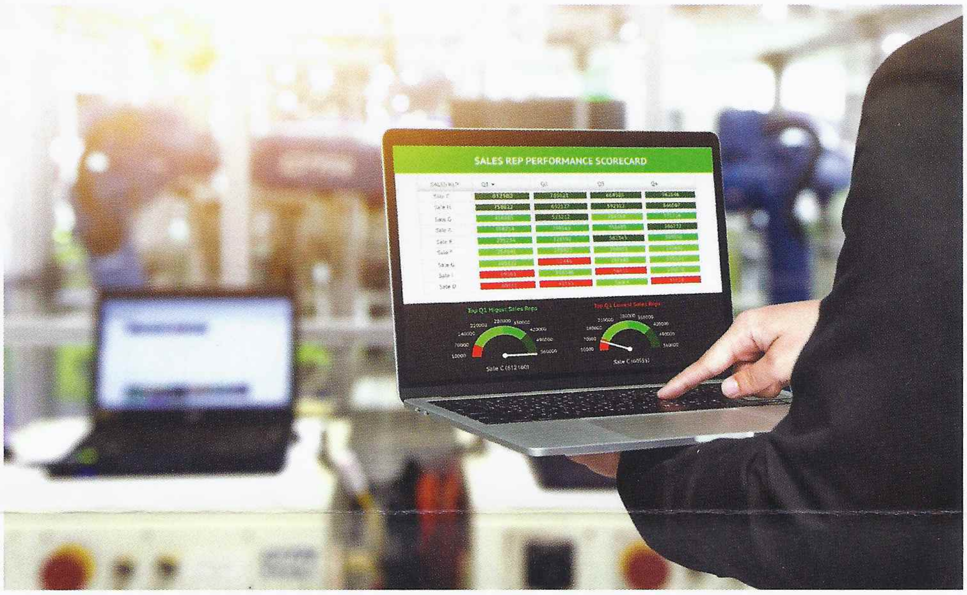
- You plan to have the vehicle for many years.
- You are willing to drive a used car.
- You drive more miles than a lease allows.
- You are worried about keeping the car in excellent condition.
- You want to work on or modify the car.

Tips to know if you decide to lease

If you think leasing a vehicle is an option for you, here are some tips to ensure you are making the best deal:

- **Negotiate before revealing your intentions.** Negotiate the price before telling the dealer you wish to lease. The purchase price you negotiate should be the price the dealer uses in calculating the lease payments as well as an outright purchase. If it is not, this technique forces the dealer to disclose this fact.
- **Ask about the annual percentage rate (APR).** Ask the dealer to disclose the effective APR built into the lease. If the dealer gives you a lease factor instead of an interest rate, multiply the lease factor by 2,400 to get a general interest rate. For example, a lease factor of 0.0025 multiplied by 2,400 returns an interest rate of 6 percent.
- **Question the residual value.** Ask what the projected residual value of the car is at the end of the lease. This value is often overstated by the dealer to artificially lower your lease payment, but can impact your ability to purchase your vehicle at the end of the lease. Future residual value is an estimate and can often be negotiated withthe dealer.
- **Compare with a loan.** Use the negotiated purchase price to calculate your loan payments. Use this information to compare your monthly lease payment with your car loan payment.
- **Read the lease agreement!** If ever there is a time to read the fine print, leasing a car is one of them. Pay special attention to early termination clauses and cost for excess miles. These two factors can dramatically impact your lease-versus-buy decision.♦

Key metrics to fortify your business



Even the best, well-prepared business plans can unravel quickly without a process in place to evaluate performance. Creating a scorecard with quality metrics can give you the daily insight you need to successfully run a business without drowning in the details.

Create a scorecard that works

An effective scorecard gives you a holistic view of the state of your business in one report. The report consists of key financial and non-financial metrics to provide a daily look at the health of your business. To be useful, your measures should be concise, available on-demand, and include properly targeted data to help you quickly spot trends and react appropriately.

Effective business metrics to consider right now

Quick ratio (financial)

Add up your total cash, short-term investments and accounts receivable. Then divide that total by your current liabilities. This is your quick ratio. It's a simple way to see if you have enough funds on hand to pay your immediate bills. A value of 1.0 or more means your liquid assets are sufficient to cover your short-term debts. A value less than 1.0 may mean you're relying too heavily on debt to fund your operations or pay expenses.

Retention percentage (customers)

First, create a list of customers who made purchases this year and a list of customers who made purchases last year. Then, remove all new customers gained in the current year. Divide the total number of customers from last year by the remaining number of customers for this year. This is your customer retention percentage. Measure this over time to see if your business is retaining or losing core customers. If you have a condensed sales cycle, you can shrink the period down further. For example, by looking at this calculation each month, you can see how it builds over the year.

Asset turnover ratio (internal process)

Divide your total sales by average total assets from your company balance sheet (beginning assets plus ending assets, divided by two) for the same time period. The end result tells you the amount of sales generated for each dollar committed to your assets. The number may not reveal much by itself, but when reviewed over time, you'll have a better understanding of whether the assets used to run your business are becoming more or less effective.

Net income per employee (growth)

Divide your net income by your total number of employees for a given time period. In theory, as your workforce develops, it should generate more income per employee. Remember to account for part-time employees prior to making your calculation (e.g., a part-time employee working 20 hours per week is 1/2 an employee for purposes of this calculation). If the income per employee is getting lower over time, figure out why. Perhaps you have high employee turnover, or there is an area of your company that can benefit from training.

While each ratio may help you analyze different aspects of your business, they don't tell you the whole story. Finding the right mix of metrics for your scorecard can take some time, but the end result is a valuable tool that can take your business to the next level.♦

Tax Deadlines

June 17

☐ Second installment of 2019 individual estimated tax is due.

July 31

☐ Due date for filing 2018 returns for calendar-year employee retirement or benefit plans (5500 series).

September 16

☐ Third installment of 2019 individual estimated tax is due.

☐ Deadline for filing 2018 calendar-year corporation tax returns with extensions of the initial filing deadline.

☐ Deadline for filing 2018 partnership returns with extensions of the initial filing deadline.

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ClientAdvisor
PRACTICAL TAX & FINANCIAL ADVICE

Watch out! 7 vacation costs that sneak up on you

Going on vacation is a time to getaway, relax and enjoy new experiences. But if you don't pay close attention, extra costs can sneak up on you like tiny money-stealing ninjas. Here are seven sneaky vacation costs to watch out for:

1 Covert airfare increases. Airline pricing algorithms are programmed to store your browsing history to see if you've been looking at flights. If you have, they will bump up the price. Before searching, clear your internet history and switch to private (or incognito) mode on your web browser. When you are finally ready to book the flight, do so using a different computer from a new location to be sure that you're avoiding this artificial price increase.

2 Stealthy resort fees. The nightly base rate for a fancy resort will often compare favorably to a standard hotel in the same location. This is an intentional pricing tactic by resorts to get their rooms on the initial search results page. Don't be fooled! These same resorts will add a daily resort fee on the back end of your bill to cover the extra amenities they offer. The extra fee might be worth it to you, but it's better to understand the full cost of the stay before making your reservation.

3 Useless rental car insurance. Rental car companies will try to sell you insurance to cover damages you may cause during the rental period. Often, the auto insurance you already have will extend to the rental car. In these cases, the extra insurance isn't necessary. Before renting a car, check with your insurance company to see if a rental will be covered.

4 Bloated baggage fees. You probably already know that airlines may charge for checking a bag, but do you know they will charge extra if a bag is too heavy? Exact weight can vary by airline or location, so check the weight limits before you go and weigh any heavy bags using a bathroom scale.

5 Crafty parking costs. Downtown hotels in big cities charge as high as $75 per night for parking! Research alternative parking options near your hotel or compare the cost of using rideshare options before committing to the hotel rate.

6 Sly extra driver charges. Rental car companies will charge an extra daily fee to have a second driver listed on the rental. If possible, commit to one person to handle all the driving on your vacation.

7 Tricky foreign transaction fees. Traveling abroad and paying an extra fee for every purchase will add up in a hurry. Before you go, check your credit cards and bank accounts to see if they charge foreign transaction fees. If they do, shopping for another card or account that doesn't charge fees might make sense.

Some vacation fees can't be avoided, but many of them can if you know where to look. Implement a plan to navigate the fees in the planning stages to avoid dealing with them during your vacation.♦