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Online Advisor – January 2024

Upcoming dates:

January 15

- Martin Luther King Jr. Day

January 16

- 4th quarter installment of 2023 estimated income tax is due for individuals, calendar-year corporations and calendar-year trusts & estates

Begin tax filing for 2023

- Organize tax documents (W-2s, 1099s, 1098s and other records)
- Schedule tax appointment for document drop off or meeting

Begin tax planning for 2024

- Create a budget
- Adjust your withholdings
- Rebalance investment portfolios

A new year means filing your 2023 tax return is right around the corner!

With tax documents such as W-2s and 1099s arriving soon in your inbox and mailbox, this month's newsletter has some tips to help stay organized this tax season. This will help you file your tax return (and potentially get your refund!) as quickly as possible.

And with the new year and two years of inflation, why not review some ideas to help set financial goals for the family that addresses the challenges in our current financial landscape? A number of ideas are outlined here for your consideration.

All this and some great ideas to manage your business's cash flow and a general interest article to raise awareness on the business of fake products.

As always, feel free to reach out with any question or comments.

Tips for a Smooth Tax Season

With tax season officially underway, here are tips to make filing your return as stress-free as possible:

- **Gather your tax information for filing.** Items you'll need include W-2s, 1099s, K-1s and other forms you receive from your business, employers, brokers, banks, and others. If you find any errors, contact the issuer immediately to request a corrected copy.

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- **Organize your records.** Once you've started gathering your information, find a place to put all the documents as you receive them, or consider scanning documents to store on your computer. You can also take pictures of the documents with your phone as backup. Missing information is one of the biggest reasons filing a tax return is delayed.
- **Create an April 15th reminder.** This is the deadline for filing your 2023 individual income tax return, completing gift tax returns, making contributions to a Roth or traditional IRA for 2023, and for paying the first installment of 2024 individual estimated taxes. So create a reminder that works for you.
- **Know the deadlines for business returns.** If you are a member in a partnership or a shareholder in an S corporation, the deadline for filing these business returns is March 15th. Calendar-year C corporation tax returns are due by April 15th.
- **Clean up your auto log.** Create and review the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
- **Review your child's income.** Your child may be required to file a 2023 income tax return. A 2023 return is generally required if your child has earned more than \$13,850, or has investment income such as dividends, interest, or capital gains that total more than \$1,250.
- **Contribute to your IRA and HSA.** You can still make 2023 IRA and HSA contributions through either April 15th or when you file your tax return, whichever date is earlier. The maximum IRA contribution for 2023 is \$6,500 (\$7,500 if age 50 or older). The maximum HSA contribution is \$3,850 for single taxpayers and \$7,750 for families.
- **Calculate your estimated tax if you need to extend.** If you file an extension, you'll want to do a quick calculation to estimate your 2023 tax liability. If you owe Uncle Sam any money, you'll need to write a check by April 15th even if you do extend.

Ideas to Help Set Financial Goals

With the new year underway, it may be time to come up with a list of goals and that could make 2024 the most financially rewarding year for your entire family. Your motivation can be nearly anything, from saving for retirement or paying for college. Consider these resolutions that can also provide a financial boost:

- **Declutter for cash.** Go through every room of the house as a family and collect items that nobody uses or needs anymore. Sell these items through sales platforms, then use the cash to pay down debt or add to your emergency fund.



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- **Work together to reduce food waste.** With inflation running high over the last few years and grocery prices on the rise, everyone in the family can do their part to reduce food spending. This means creating meal plans and shopping for groceries based on those plans, but it also means eating leftovers and cooking more at home instead of dining out.
- **Set up automatic savings.** Setting up automatic savings is another great way to make progress toward financial goals. You can set up your bank account to automatically transfer money to a dedicated savings account on a certain day each month, or on each payday.
- **Save for something fun.** Set a family savings goal for something to work toward, whether that's saving for a family vacation or the building cash to purchase a backyard playground. Having a goal can help family members part with items they don't need but can sell, or to cut their spending to help reach a common goal.
- **Develop investing basics.** Set up online access for your own retirement accounts or taxable investment accounts so you can show your family the power of compound interest firsthand. You can even consider setting up investments for your kids. If they have earned income, for example, they can start investing with a Roth IRA.

Financial goals can be a family affair if everyone in your crew understands what you're working toward and what's at stake. By keeping communication open and getting your entire family on the same page, you can all work together toward the lifestyle you want.

The Problem with Fakes

Protect yourself from modern-day counterfeiters

Finding brand name products at a great price can leave you feeling like you won the lottery, but there are hidden dangers that come into play if the goods aren't what they seem.

Here are some commonly counterfeited items and what you need to know to protect yourself.

Commonly Counterfeited Items

- **Currency.** The U.S. Treasury estimates that there are nearly \$9 million of counterfeit bills in circulation. While creating an excellent counterfeit \$100 bill would seem difficult, criminals can trick you if you aren't paying attention.
- **Shoes & Clothing.** Manufacturing a low-quality knock-off and slapping a brand name label on a shirt or a pair of shoes is a tale as old as time. It's much harder to spot a fake through online pictures and videos than seeing and touching it in person.



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- **Collectibles.** Watches, coins, jewelry and artwork are often faked and sold for far less than anyone should believe.
- **Electronics.** As technology continues to evolve, so does the ease of assembling electronics. Using cheap components and labor, companies can slap together their version of the real thing. This process cuts corners and sometimes skirts safety procedures that can lead to knock-off electronic products that can pose a hazard to your health.
- **Replacement parts.** Fake parts are common within the electronics and auto repair industries and are especially difficult to spot. Unfortunately, parts not produced by the original manufacturer often fail to meet their operational specifications.

How to Protect Yourself

Knowing that counterfeit items are out there is the first step to avoiding them altogether. These additional tips can help you avoid fakes and the damage they cause:

- **Know the real thing.** The best way to spot a fake is to know the real thing inside and out. In the case of currency, the new \$100 bills have plenty of watermarks, different textures and a security ribbon that make it difficult to fake. For products, do your research to know the characteristics of the legitimate item before you buy. Clues often come from irregularities in logos, colors and packaging.
- **Buy from authorized retailers.** Shopping around for the lowest price is a wise practice. Automatically going with the cheapest option is not. If your purchase is important, stick to an authorized retailer or reputable vendor.
- **Research, research, research.** The more you know the product, the less likely you will be tricked. Look at products from local stores and read through reviews of online vendors. Conduct research on scams and common tricks used by counterfeiters. Be wary of reviews from the website you are thinking about making the purchase from. Instead, conduct a web search of both the product and the vendor to see what people have to say.
- **Trust your gut.** Remember that something that seems too good to be true probably is. If you believe an item is probably counterfeit based on the price of the item or the person/website selling it, you're probably right.

Every Business Needs Cash!

5 keys to better cash management

Focusing on sales and profits can create a surprise for your business when there is not enough cash to pay the bills. Here are five practices to help improve your cash management.

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1. Create a cash flow statement and analyze it monthly. The primary objective of a cash flow statement is to help you budget for future periods and identify potential financial problems before they get out of hand. This doesn't have to be a complicated procedure. Simply prepare a schedule that shows the cash balance at the beginning of the month and add cash you receive (from things like cash sales, collections on receivables, and asset dispositions). Then subtract cash you spend to calculate the ending cash balance. If your cash balance is decreasing month to month, you have negative cash flow and you may need to make adjustments to your operations. If it's climbing, your cash flow is positive.

Tip: Once you have a cash flow statement that works for you, try to automate the report in your accounting system.

2. Create a history of your cash flow. Build a cash flow history by using historical financial records over the course of the past couple of years. This will help you understand which months need more attention.

3. Forecast your cash flow needs. Use your historic cash flow and project the next 12 to 24 months. This process will help identify how much excess cash is required in the good months to cover payroll costs and other expenses during the low-cash months. To smooth out cash flow, you might consider establishing a line of credit that can be paid back as cash becomes available.

4. Implement ideas to improve cash flow. Now that you know your cash needs, consider ideas to help improve your cash position. Some ideas include:

- Reduce the lag time between shipping and invoicing.
- Re-examine credit and collection policies.
- Consider offering discounts for early payment.
- Charge interest on delinquent balances.
- Convert excess and unsold inventory back into cash.

5. Manage your growth. Take care when expanding into new markets, developing new product lines, hiring employees, or ramping up your marketing budget. All require cash. Don't travel too far down that road before generating accurate cash forecasts. And always ask for help when needed.

Understanding your cash flow needs is one of the key success factors in all businesses. If your business is in need of tighter cash management practices, now is the perfect time to get your cash flow plan in order.



Plan Your Retirement Savings Goals for 2024

Now is the time to plan your 2024 retirement contributions to take full advantage of this tax benefit. Here are annual contribution limits for several of the more popular retirement plans:

Plan		2023	2024	Change
SIMPLE IRA	Annual Contribution	\$15,500	\$16,000	+ \$500
	50 or over catch-up	Add \$3,500	Add \$3,500	No Change
401(k), 403(b), 457 and SARSEP	Annual Contribution	\$22,500	\$23,000	+ \$500
	50 or over catch-up	Add \$7,500	Add \$7,500	No Change
Traditional IRA	Annual Contribution	\$6,500	\$7,000	+ \$500
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
<i>AGI Deduction Phaseouts:</i>	<i>Single; Head of Household</i>	<i>73,000 - 83,000</i>	<i>77,000 - 87,000</i>	<i>+ \$4,000</i>
	<i>Joint nonparticipating spouse</i>	<i>218,000 - 228,000</i>	<i>230,000 - 240,000</i>	<i>+ \$12,000</i>
	<i>Joint participating spouse</i>	<i>116,000 - 136,000</i>	<i>123,000 - 143,000</i>	<i>+ \$7,000</i>
	<i>Married Filing Separately (any spouse participating)</i>	<i>0 - 10,000</i>	<i>0 - 10,000</i>	<i>No Change</i>
Roth IRA	Annual Contribution	\$6,500	\$7,000	+ \$500
	50 or over catch-up	Add \$1,000	Add \$1,000	No Change
<i>AGI Deduction Phaseouts:</i>	<i>Single; Head of Household</i>	<i>138,000 - 153,000</i>	<i>146,000 - 161,000</i>	<i>+ \$8,000</i>
	<i>Married Filing Jointly</i>	<i>218,000 - 228,000</i>	<i>230,000 - 240,000</i>	<i>+ \$12,000</i>
	<i>Married Filing Separately</i>	<i>0 - 10,000</i>	<i>0 - 10,000</i>	<i>No Change</i>



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Rollover to Roth Eligibility	Joint, Single, or Head of Household	No AGI Limit	No AGI Limit	No AGI Limit
	Married Filing Separately	Allowed / No AGI Limit	Allowed / No AGI Limit	Allowed / No AGI Limit

What you can do

- Look for your retirement savings plan from the table and note the annual savings limit of the plan. If you are 50 years or older, add the catch-up amount to your potential savings total.
- Then make adjustments to your employer-provided retirement savings plan as soon as possible in 2024 to adjust your contribution amount.
- Double check to ensure you are taking full advantage of any employee matching contributions into your account.
- Use this time to review and re-balance your investment choices as appropriate for your situation.
- Set up new accounts for a spouse and/or dependents. Enable them to take advantage of the higher limits, too.
- Consider IRAs. Many employees maintain employer-provided plans without realizing they could also establish a traditional or Roth IRA. Use this time to review your situation and see if these additional accounts might benefit you or someone else in your family.
- Review contributions to other tax-advantaged plans, including flexible spending accounts (FSAs) and health savings accounts (HSAs).

The best way to take advantage of increases in annual contribution limits is to start early in the year. The sooner, the better.

Best Way to Avoid an IRS Audit: Preparation

Getting audited by the IRS is no fun. Some taxpayers are selected for random audits every year, but the chances of that happening to you are very small. You are much more likely to fall under the IRS's gaze if you make one of several common mistakes.

That means your best chance of avoiding an audit is by doing things right before you file your return this year. Here are some suggestions:



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- **Don't leave anything out.** Missing or incomplete information on your return will trigger an audit letter automatically, since the IRS gets copies of the same tax forms that you do (such as W-2s and 1099s).
- **Double-check your numbers.** Bad math will get you audited. People often make calculation errors when they do their returns, especially if they do them without assistance. The most frequent errors occur in people's calculation of their amount of tax due, as well as the number of exemptions and deductions they claim.
- **Don't stand out.** The IRS takes a closer look at business expenses, charitable donations and high-value itemized deductions. IRS computers reference statistical data on which amounts of these items are typical for various professions and income levels. If what you are claiming is significantly different from what is typical, it may be flagged for review.
- **Have your documentation in order.** Be meticulous about your recordkeeping. Items that will support the tax breaks you take include: cancelled checks, receipts, credit card and investment statements, logs for mileage and business meals and proof of charitable donations. With proper documentation, a correspondence letter from the IRS inquiring about a particular deduction can be quickly resolved before it turns into a full-blown audit.

Remember, the average person has a less than 1 percent chance of being audited. If you prepare now, you can narrow your audit chances even further and rest easy after you've filed.

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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