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Online Advisor – October 2020

This month:

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October 15

- Extension deadline for individual and C corporation tax returns

October 31

- Halloween

Does your monthly income seem a little higher than normal? If so, that may actually be a sign of trouble ahead. Find out how a tax trap could be lurking in your paycheck. Also read about your options for what to do with your 401(k) when switching jobs, common mistakes that businesses make with their websites and fascinating facts about your favorite fall gourd.

Please call if you would like to discuss how this information could impact your situation. If you know someone who can benefit from this newsletter, feel free to send it to them.

Is a Tax Trap Lurking in Your Paycheck?

Does your paycheck look a little higher than normal? If so, it could be a tax trap.

The Problem

A payroll tax holiday effective September 1 was recently signed via a presidential executive order. Payroll tax holidays typically provide forgiveness of Social Security and Medicare taxes that are normally withheld from your paycheck.

This year's tax holiday, however, is NOT necessarily a forgiveness of Social Security and Medicare taxes because the order is not yet supported by an underlying legislative action. So even if your employer removes your Social Security and Medicare tax from recent paychecks, there is a possibility you will need to pay it back at a later date. That could mean a pretty large tax bill for you in early 2021!

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What you need to do

- **Compare paychecks.** Get your last paycheck from August and your first paycheck from September. Compare the amount of Social Security and Medicare taxes withheld from your August paycheck to your September paycheck. If the amounts are the same, then your Social Security and Medicare taxes are still being withheld.

If you notice that the amounts are different, or that no Social Security or Medicare taxes are withheld from your September paycheck, then that's a signal you may have a tax repayment bill in early 2021.

- **Remember to keep checking each paycheck.** Companies are struggling to figure out if they are required to comply with the presidential executive order, payroll providers are trying to figure out how to comply, and everyone is wondering whether the tax obligation will be permanently forgiven.
- **Be prepared to pay it back.** If no Social Security or Medicare taxes have been withheld from your paycheck through the end of 2020, be prepared to write Uncle Sam a check to pay these taxes in early 2021. If possible, open a savings account to set aside the Social Security and Medicare taxes that were not withheld from your paychecks. When it comes time to pay your taxes, the money will be ready to go.
- **Check back here for updates.** There's a chance Congress passes a law that forgives the Social Security and Medicare taxes not withheld from your paychecks. If this happens, you will have a nice start on an emergency savings fund should you need it.

If you have any questions about how this payroll tax executive order affects you, please call.

Switching Jobs? Here's What To Do With Your 401(k).

Suppose you're switching jobs if you were furloughed because of the pandemic or you're simply searching for greener pastures. If you have a 401(k) from your soon-to-be former employer, you must decide what to do with your retirement account when you leave. Here are your four options:

- Leave the money in your previous employer's pension plan.



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- Roll over the money to your new employer's pension plan.
- Roll over the money into an IRA.
- Take the money and run.

So which of these options should you choose? Here are some things to consider as you think about what to do with your 401(k) account:

Keep the borrowing option open. If you want to borrow money from your employer-sponsored 401(k) account in the future, consider rolling the money into your new employer's 401(k) plan. While you can borrow money out of your 401(k), that option is not allowed with an IRA. And if you leave your 401(k) at a former employer, they often will not let you borrow funds if you are not currently employed.

Take the money. This year may be the best time to make a withdrawal from a retirement account. In a normal year, when you make an early withdrawal from a retirement account, you owe income taxes on the amount of the distribution plus a 10% early withdrawal penalty. In 2020, this 10% penalty has been suspended. So while you'll still pay taxes on the distribution, you may be able to avoid the early withdrawal penalty.

Invest the money. While it might be tempting to borrow or take an early distribution from your retirement account, you'll also be depleting future earnings intended for your retirement years. So consider whether you truly need the money now to pay for an emergency or if you're ok leaving it in your 401(k).

Whatever you decide, it is always best to transfer the funds directly from one retirement account to another. This direct transfer eliminates the possibility of your fund movement being characterized as a distribution subject to income tax. If in doubt, ask for help.

Don't Make These Business Website Mistakes

Your company's online presence leaves a lasting impression—positive or negative. When people check out your homepage, will they stick around? Will they buy? Will they return? Make your website easy to use and current, and new orders may be just a click away. Annoy visitors and they'll flee to a competitor.

Steer clear of the following website mistakes:

Designing the website for you—not the customer. Studies have shown that online visitors form an opinion of a company's brand in about three seconds. If your home page is well designed, they may stick around for another ten to twenty seconds. Don't waste these precious moments spouting details about the firm's stellar history and

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the owner's credentials. Consumers are visiting your website to get answers. Provide these answers quickly or they'll click elsewhere.

Heavy graphics, poor load time. Many consumers are surfing the web from smart phones and tablets. Don't make them waste valuable time waiting for a fancy webpage to load. Consider projecting a professional image with text-based content that answers the most pressing questions about your products and services. Graphics can work well, but only if size and load times are fully vetted to ensure a seamless load experience.

Unfriendly navigation. If your homepage looks cluttered, potential customers will become frustrated. Make it easy for users to navigate your site from home page to supplemental pages and back again. Use a handful of clearly-labeled tabs in a top level menu. Deliberately design each page to have the same look and feel.

Stale data. When you visit a webpage and note that it was last updated five years ago, do you sense a vibrant, cutting-edge enterprise? Keep your site up to date. Consider subscribing to content services that will keep your information fresh. Remember, developing a web presence is not an event, it is an ongoing journey. Your site must display current prices, merchandise that's available right now, with up-to-date details about new product offerings.

Sloppy content. A website riddled with typos, grammatical mistakes and industry jargon will turn customers away. Visitors may ask themselves if your business doesn't care about the quality of its website, how can they trust your products and services?

A carefully crafted website can draw customers in, enhance their buying experience and leave a lasting impression of professionalism and quality.

The Lowdown on the Great Autumn Gourd

Corn might be the king of U.S. crops, but pumpkins are always in demand this time of year by kids and others celebrating fall's festivities.

Here are several interesting tidbits about one of America's favorite fall gourds.

Germany boasts world's largest pumpkin. Mathias Willemijns showed off the world's largest pumpkin in 2016 at the Giant Pumpkin European Championship, officially weighing in at a stout 2,624.6 pounds. Steve Geddes of New Hampshire is the owner of the largest U.S. pumpkin, weighing 2,528 pounds at the 2018 Deerfield Fair.

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Illinois is the U.S. pumpkin leader. Pumpkins are grown in all 50 states, but Illinois is by far the leader with about 600 million pounds of pumpkins harvested every year. Runner-up honors go to California, Indiana, Michigan, New York, Ohio, Oregon, Pennsylvania, Texas and Virginia. Each of these states annually produce approximately 100 million pounds of pumpkin.

Pumpkin beer has plenty of fanfare. Pumpkin beer was actually a thing hundreds of years ago when the Pilgrims arrived in America as pumpkins were plentiful and provided an easy source of fermentable sugar. Who knew?

Pumpkin carving started with the Irish. Jack-o'-lanterns were first carved by the Irish and Scottish using turnips and potatoes. They used the carved vegetables as part of their Celtic celebrations. Immigrants brought their carving traditions to America, but found that pumpkins were an easier vegetable to carve.

There are more than 40 varieties of pumpkin. The best pumpkins to use for cooking are Bab Pam, Autumn Gold, Ghost Rider, New England Pie Pumpkin, Lumina, Cinderella and Fair Tale. Most of the pumpkins you see on roadside stands and farms are for decoration only and not very tasty.

Generate Business Buzz With a Press Release

When crafting your business's marketing strategy, don't forget about developing a relationship with the press. Although newspapers and magazine circulation has drastically decreased over the past 20 years, the demand for content still exists via online platforms.

Here are several suggestions for crafting a press release to tell your business's story and how to best connect with local, regional or national reporters.

Forget the hard sell. Think like a reporter with a deadline. Pitch a story, not your company. Ask yourself why would this publication's readers care about your story. Your press release must deliver actual news or interesting information. It should read like a news story with a catchy headline.

Do your homework. Read the publication that you'd like to see your story appear in to learn about its writing style and what types of stories it prefers to publish. Focus on articles that overlap with your company's offerings. Identify the common interests of the publication's readers and tailor your press release to their needs. Consider how your idea might extend the subject matter further or offer an alternative solution to a problem.

Send story ideas to the right person. Larger publications and broadcasting outlets often have various departments, each of which may be inundated with press releases from governments, businesses and non-profit

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organizations. So it's important to identify the reporter or editor who normally handles stories related to your industry, and send your press release to that specific person.

Follow a standard news story outline. For most newspaper, magazine or internet venues, you'll want to follow a tried-and-true story format. Start with a catchy headline followed by an introductory paragraph that answers who, what, when, where and so what. Follow-up with paragraphs that include quotations from interesting people, statistics, a brief company history or newsworthy trends.

Keep it short and simple. A standard press release typically runs 400 to 500 words, just enough to grab the reader's interest. Don't include exaggerations or claims that can't be readily supported or make readers reach for a dictionary with complicated jargon.

Follow up. After you've sent the press release, reach out to the reporter or editor to see if they have any questions. If your story is picked for publication, a reporter will reach out to you for additional information.

How to Build Your Emergency Fund - When You Have No Money

This year's pandemic highlights the importance of having enough money set aside in an emergency fund to cover six to nine months of key expenses should you lose your job.

But how do you build an emergency fund if you don't have any extra money? The easiest way to accomplish this is by reducing your expenses. Here are some creative ways to increase your cash flow by cutting your spending.

How much you need

First, determine how much of an emergency fund you need. Identify the essential monthly bills and multiply by the number of months of funds you'll need. At minimum include the following:

- Food
- Housing costs, including rent or mortgage payments
- Medical insurance
- Transportation
- Phone service and other utilities

Ideas to fund your emergency account

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- **Temporarily suspend nonessential monthly expenses.** Ditch your \$150 cable bill for a \$20 streaming service. Cook your meals from scratch instead of purchasing pre-packaged food. Eliminate or re-think your entertainment spending. Until you get your emergency fund fully funded, consider less expensive alternatives for items you normally purchase.
- **Radical cutbacks for a set period of time.** Can your family live with one car instead of two? Instead of downsizing from cable to a streaming service, what about getting rid of television subscription fees altogether? Consider if there are areas you'd be willing to make a radical (and temporary) change to free up some cash.
- **Track your spending.** When you go on a diet, nutritionists often recommend counting calories. When going on a spending diet, consider tracking your purchases. You will quickly see items that are not essential. Spending at coffee shops, paying for multiple streaming services and paying for extra cell phone services are just a few examples. You may discover problem areas you didn't know about once you start writing down your spending in a notebook or on a spreadsheet.
- **Stick to a shopping list.** Avoid impulse purchases by making a list of items you need to purchase, then sticking to the list. At the beginning of every month, write down the household items you need to purchase that month and do your best not to deviate from it. You can use this strategy with both in-person and online shopping. Remember, merchants are scientists when it comes to tempting you with impulse purchases.

You may need to get creative with your approach, but finding the money to build your emergency fund is essential, now more than ever.

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

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