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JULY

July 4: Independence Day

July 31:

- Quarterly federal excise tax returns (Form 720) due
- Employer quarterly federal tax returns (Form 941) due
- Calendar-year employee retirement and benefit plan returns (5500 series) due

It's the height of summer, and hopefully you've had a chance to enjoy some pleasant weather and Fourth of July fireworks. This issue contains tips on tax breaks for new parents, deciding whether to amend a tax return, strategies for reducing debt, and budgeting for replacing major household items. There's also an article about creating a strong business partnership, and a review of some of the best online productivity and security tools.

Should you wish to review your situation please feel free to call. Also feel free to forward this newsletter to someone who may benefit.

Five Tax Breaks for New Parents

New parents have their work cut out for them. Not only are they dealing with lost sleep, they also face the extra cost of raising a child. At least there are a lot of potential tax breaks available to them. Check out this list and share it with any new parents you know.

1

Child Tax Credit

Tax law changes this year not only double the size of the Child Tax Credit, they make it available to more parents than ever before. The credit increases to \$2,000 from \$1,000 (with \$1,400 of it being refundable even if no tax is owed). Meanwhile, the eligibility phaseout threshold increases sharply to \$400,000 from \$110,000 for married joint filers (and to \$200,000 for single taxpayers).

2

Child and Dependent Care Credit

If you pay a nanny, babysitter, daycare or a relative to take care of your child while you and your spouse are at work, you can claim the Child and Dependent Care Credit. It's up to \$1,050 on \$3,000 in expenses for one child and twice that for two or more children. The key is that you and your spouse (if you are married) must both be working, and you can't claim expenses for overnight care.

3

Below the kiddie tax threshold

If you have property that produces income, such as bonds, stocks, mutual funds, interest or realized capital gains, you can lower your tax by transferring a certain amount of that income to your children. Why? Your child has a lower tax rate than you do on unearned income. This works up to a





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4

About 135,000 children are adopted in the U.S. each year. If you are welcoming an adopted child into your family, the Adoption Credit can be claimed on up to \$13,840 in expenses, such as fees, legal counsel and court costs.



There are many provisions in the tax code to help cover the high cost of education. Consider establishing 529 college savings programs for your new addition. While contributions are made with after-tax dollars, any investment gains are tax-free as long as they're used to pay qualified education expenses. The tax reform passed last year now also allows you to use these funds to pay private elementary and secondary school tuition as well as college.

How Long Will It Last?

Planning to replace common items

Part of financial planning is having a sense of how much it will cost to replace your possessions when they break down or wear out. Many of the big-ticket consumer products may cost more to replace and wear out sooner than you think.

An essential part of financial planning is to budget replacing some of these items each year. To help you do this, here are some common big-ticket items, how long they tend to last, and how much it may cost to replace them.



Home Appliances	Lifespan	Price
Window air conditioner	5-7 years	\$250
Dehumidifier (basement)	8 years	\$300
Dishwasher	9 years	\$750
Sink waste disposal	12 years	\$200
Clothes dryer	13 years	\$800
Washing machine	5-15 years	\$800
Refrigerator	9-13 years	\$500+
Microwave oven	9 years	\$150
Oven	15-17 years	\$500

Home Features	Lifespan	Price
Central air conditioning	7-15 years	\$5,000
Boiler	40 years	\$4,000
Furnace	15-20 years	\$4,250
Garage doors	20-25 years	\$1,000
Wood decks	10-30 years	\$7,000
Composite decks	8-25 years	\$7,000
Asphalt driveway	15-20 years	\$4,500
Water Heater	6-12 years	\$1,000

Source: Home product lifespan estimates come from the International Association of Certified Home Inspectors. Midrange price estimates come from various sources including Consumerreports.org, Angieslist.com and Homeadvisor.com and do not include installation costs. Actual costs may vary.

Electronics	Lifespan	Price
Flat panel television	7.4 years	\$250
Desktop computer	5.9 years	\$650
Video game console	5.7 years	\$250

Laptop computer	5.5 years	\$700
Tablet computer	5.1 years	\$500
Smartphone	4.6 years	\$550

***Source:** Electronics lifespan estimates come from a 2014 Consumer Electronics Association survey of consumer habits. Midrange price estimates come from market research firms IHS and NPD Group, and online retailer research. Actual costs may vary.*

Remember, each of the items noted above can vary greatly in price depending on your tastes and willingness to spend. For instance, a high-end refrigerator can cost well over \$7,000, vastly more expensive than the \$500 noted above.

Smart budgeting idea

When creating an annual budget, review your appliances and note how old they are. Then develop a five-year plan to replace some items each year. Use the values noted above, or estimate your own costs with a little research.

This process can help reduce the risk of an unplanned expense if one of these costly appliances or electronics fails when you least expect it.

Become Debt-Free

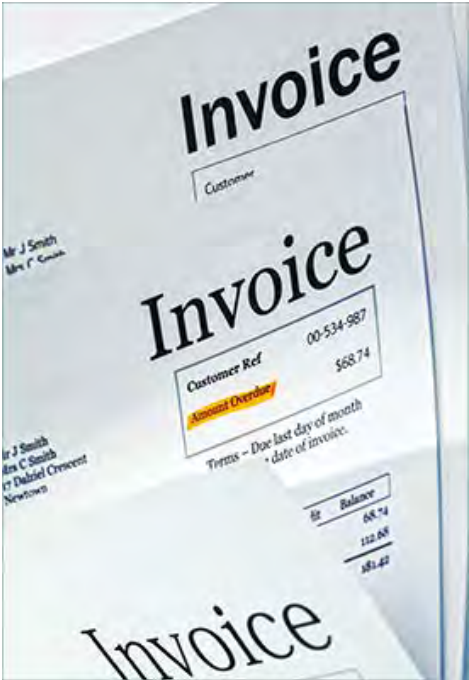
The average household carries \$137,063 in debt, while the median household income is less than \$60,000, according to data from the Federal Reserve and U.S. Labor Department. While it's easy to get into debt, it can be hard to get out. Here are five tips personal finance experts recommend to lower your debt burden:



List and prioritize

Create a list all of your debts by amount owed and the interest rate you are paying. Then prioritize your repayment based on one of two strategies:

- **The Avalanche.** Focus on paying the debt with the highest interest rate first, to minimize the total interest you'll pay.
- **The Snowball.** Focus on paying the debt with the smallest balance first. While this may seem counterintuitive, it's recommended for those who have difficulty sticking to a repayment plan. The smallest balance gets paid off sooner and then its debt repayments can be devoted to the next debt. This gives you a powerful psychological boost and sense of achievement.



Pay more

Pay more than the minimum amount due. Your lender receives more interest income from you if you pay the minimum, but that's not what you want. Think of ways you can increase your income to make the extra payments, such as:

- Taking a second job or freelancing.
- Asking for a raise at work.

Devoting extra cash to debt repayment, such as your refund check.



Spend less

Review your monthly expenses to find things that you can eliminate to increase your debt repayment. You can reward yourself by renewing these luxuries, but only after you've paid off what you owe. You could cut spending on things like:

- Cable TV
- Gym fees
- Restaurants
- Entertainment



Downsize and declutter

Not only does it help to spend less, it may also be worth getting rid of what you already have. Consider selling possessions you no longer need, or finding a place to live with lower rent or smaller mortgage payments. Be ready to make some sacrifices in exchange for financial freedom. Things that you may be able to part with include:

- Sporting equipment
- Extra or recreational vehicles
- Electronics, games
- Collectibles



Negotiate

It's worth calling your lenders to see if there's a way to lower your interest rate. They will often do this if you've been a longtime customer with a history of timely payments. In some cases, you can even get them to forgive part of your debt. Also consider using zero-percent balance transfer options with different credit card providers. While these may come with fees, 12 months of no interest can be worth it.

Reducing your debt burden can seem overwhelming, but small steps can yield big results.

Is It Worth It to Amend Your Return?

Whether it makes sense to amend your return depends on which of these situations you're in:

If you owe the IRS

If you discover an omission on your tax return that results in you owing additional tax, you need to correct it with an amendment and provide the tax due.

Don't delay if this is your situation. If the IRS discovers the omission before you do, they may add interest and penalties to your bill.

If you are due a refund

If you find a mistake that should result in getting a larger refund check, you can claim it by filing an amended return. But there are several reasons it may not be worth it.

- **It may open a can of worms.** In many cases, amending your federal return means also amending your state returns. Multiply the hassle if the error spans across two or more years.
- **It puts a spotlight on you.** While your original return

may have passed through the IRS's automated system without a hitch, now that it's amended you can virtually guarantee it will get a closer look. If you have anything else in your return that can trigger an audit, like business deductions, charitable donations, or other credits, this can be a concern.



- **It may take a long time to get a refund.** The IRS tries to process your original return within three weeks. No such luck for an amended return. It can take several months to get an amended return processed and see that extra refund, even as long as 1½ years in rare cases.
- **It stretches out the audit window.** The IRS generally has a three-year window to audit returns and request changes. When you file an amendment, you extend the audit time frame.
- **It may be too late.** Depending on when you notice an error and how far it goes back, it may be too late. The deadline to file an amendment is generally the later of three years after the original return was filed or two years after the tax for that year was paid.

Ultimately you have to weigh the extra money you could get from amending against the potential problems it could cause. If it's worth it, get an amendment filed.

Call to get help with an amendment or if you have other tax questions.

Elements of a Good Business Partnership

Like a bundle of sticks, good business partners support each other and are less likely to crack under strain together than on their own. In fact, companies with multiple owners have a stronger chance of surviving their first five years than sole proprietorships, according to U.S. Small Business Administration data.

Yet sole proprietorships are more common than partnerships, making up more than 70 percent of all businesses. That's because while good partnerships are strong, they can be hard to make. Here are some elements that good business partnerships require:

1

A shared vision

Business partnerships need a shared vision. If there are differences in vision, make an honest effort to find compromise. If you want to start a restaurant and your partner envisions a fine dining experience with French cuisine, while you want an American bistro, you are going to be disagreeing over everything from pricing and marketing to hiring and décor.

2

Compatible strengths

Different people bring different skills and personalities to a business. There is no stronger glue to hold a business partnership together than when partners need and rely on each other's abilities. Suppose one person is great at accounting and inventory management, and another is a natural at sales and marketing. Each is free to focus on what they are good at and can



appreciate that their partner will pick up the slack in the areas where they are weak.

- 3
- Defined roles and limitations**
Before going into business, outline who will have what responsibilities. Agree which things need consensus and which do not. Having this understanding upfront will help resolve future disagreements. Outlining the limits of each person's role not only avoids conflict, it also identifies where you need to hire outside expertise to fulfill a skill gap in your partnership.
- 4
- A conflict resolution strategy**
Conflict is bound to arise even if the fundamentals of your partnership are strong. Set up a routine for resolving conflicts. Start with a schedule for frequent communication between partners. Allow each person to discuss issues without judgment. If compromise is still difficult after discussion, it helps to have someone who can be a neutral arbiter, such as a trusted employee or consultant.
- 5
- A goal-setting system**
Create a system to set individual goals as well as business goals. Regularly meet together and set your goals, the steps needed to achieve them, who needs to take the next action, and the expected date of completion.
- 6
- An exit strategy**
It's often easier to get into business with a partner than to exit when it isn't working out. Create a buy-sell agreement at the start of your business relationship. This should outline how you exit the business and create a fair valuation system to pay the exiting owner. Neither the selling partner nor the buying partner want to feel taken advantage of during an ownership transition.

Useful Online Productivity and Security Tools

Here are several popular free or inexpensive online tools that can help manage and protect your online activities. They range from password management tools to security protection services.



Password Managers

A decade-old study by Microsoft estimates that the average person memorizes about six passwords and reuses them over and over. Today most people use dozens if not hundreds of online sites that require passwords. You put your security at risk if you are still using a few of the same old passwords.

There is another option. Password managers such as LastPass, Dashlane, 1Password and KeePass create and store unique encrypted passwords made of random numbers and symbols for each site you use. You only have to memorize one long password to use these apps, plus use a two-factor authentication app on your phone. Most of these password managers offer a free or inexpensive service to new users.



HaveIBeenPwned.com

A free service created by a web security expert, HaveIBeenPwned.com, allows you to enter your email address to check whether it has been compromised by hackers. Many major companies have been hacked over the years, and the site checks whether your login information is among the stolen data. If your email is on the hacked list, simply reset your password for that company's site.



Price Comparers

There's nothing worse than buying something expensive and then coming across the same item at a discount in another store. If only you'd known about the sale, you could have saved a bundle of money. Barcode scanner apps like ShopSavvy, BuyVia and Quick Scan allow you to scan an item before you purchase it to check whether you can get a better price somewhere else.



Task Managers/Organizers

There are a variety of free online task management tools that serve as to-do lists, appointment calendars, collaboration tools and reminder services. Some examples include Wunderlist, Evernote, Todoist and Trello. From the palm of your hand, these apps allow you to access a shopping list your spouse made, get a reminder of a dental appointment, or make note of an interesting book to read. Many of the apps are also "gamified" – meaning they make a game out of being productive by awarding points and achievement badges.

Consider checking out these services to see if they work for you. Just make sure you feel comfortable that the personal information you provide is worth the service you receive in return.

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

*This newsletter provides business, financial, and tax information to clients and friends of our firm.
This general information should not be acted upon without first determining its application to your specific situation.
For further details on any article, please contact us.*

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