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September Client Update Newsletter

Welcome, fall! Pumpkin spice lattes aren't the only thing you should be focusing on this season. For instance, do you know what to do if you receive an IRS letter in the mail? In this issue, you'll find tips about handling this situation. There's also advice for business owners about selecting the right employee health insurance, plus a list of ways to help older adults avoid scams. And a few key reasons why you should never skip the fine print when agreeing to terms and conditions.

Call if you would like to discuss how this information relates to you. If you know someone who can benefit from this newsletter, feel free to send it to them.

This month

- **September 2**
  - Labor Day
- **September 16**
  - 3rd quarter estimated tax due
  - Filing deadline for 2018 S corp and partnership returns that received extension
- **October 1**
  - SIMPLE IRA plan establishment due

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The IRS Is Not Always Right

A letter in the mailbox with the IRS as the return address is sure to raise your blood pressure. Here are some tips for handling the situation if this happens to you:

Stay calm. Try not to overreact to the correspondence. They are often in error. This is easier said than done, but remember the IRS sends out millions of notices each year. The vast majority of them correct simple oversights or common filing errors.

Open the envelope. You would be surprised at how often people are so stressed by receiving a letter from the IRS that they cannot bear to open the envelope. If you fall into this category, try to remember that the first step in making the problem go away is to simply open the correspondence.

Carefully review the letter. Understand exactly what the IRS thinks needs to be changed and determine whether or not you agree with its findings. Unfortunately, the IRS rarely sends correspondence to correct an oversight in your favor, but its assessment of your situation is often wrong.

Respond timely. The correspondence should be very clear about what action the IRS believes you should take and within what timeframe. Delays in responses could generate penalties and additional interest payments.

Get help. You are not alone. Getting assistance from someone who deals with this all the time makes going through the process much smoother.

Correct the IRS error. Once the problem is understood, a clearly written response with copies of documentation will cure most of these IRS correspondence errors. Often the error is due to the inability of the IRS computers to conduct a simple reporting match. Pointing the information out on your tax return might be all it takes to solve the problem.

Use certified mail. Any responses to the IRS should be sent via certified mail. This will provide proof of your timely correspondence. Lost mail can lead to delays, penalties and additional interest on your tax bill.

Don't assume it will go away. Until a definitive confirmation that the problem has been resolved is received, you need to assume the IRS still thinks you owe the money. If no correspondence confirming the correction is received, a written follow-up will be required.

Select the Right Health Insurance for Your Business

If you have employees, you know how important health insurance is for your benefits package. It also takes a big bite out of your budget. Selecting the right insurance for your company is extremely important for employee retention and maintaining your bottom line. Here are tips to help you find the best health insurance for your business:

Know the size of the network. A popular way to lower insurance costs is opting for a smaller network of health care providers. Known as narrow provider networks, coverage is limited to a much smaller group of clinics and hospitals than traditional plans. But while the cost savings are nice, employee satisfaction is likely to decline as some of them will have to change doctors to stay in network. When researching insurance options, be sure to compare the network size to industry averages.

Watch for coverage limits. Lifetime and annual dollar limits for essential health benefits were banned in 2014, but limits still appear in other ways. Dental services, for example, are exempt from the dollar limits and often have annual and lifetime coverage limits. Another way insurance providers hedge their risk is by limiting the number of a certain type of visits, like for chiropractic care or physical therapy.

Don't forget prescription coverage. Many health insurance programs don't include full coverage for prescription drugs, so you may need to add supplemental insurance. Pay special attention to the coverage differences between brand name and generic drugs. Also review any deductibles and other limits. Another type of coverage available is a prescription discount program. Discount plans simply charge you a subscription cost that allows you to use a contracted discount.

Understand what isn't covered. When trying to sell you on their plan, insurance providers do a good job showing you what they cover. What can be harder to figure out is what they don't cover. Some of the types of services that may not be covered are vision care, nursing home care, cosmetic surgery, alternative therapies like massage therapy or acupuncture, and weight-loss procedures.

Be prepared to provide employee data. The process of obtaining a quote for health insurance can be an overwhelming task. Health insurance companies will want, at a minimum, a list of employees with some pertinent details like age, sex, coverage details (self, spouse and other dependents), and home zip code. They will want the forms filled out by all employees, even those that are opting out of insurance coverage. If you are working with a benefits broker, they can help you prepare what will be needed in advance to speed up the process.

Shopping for health insurance for your business is complicated. Taking the appropriate time to understand each coverage option and the associated costs will benefit both your business and your employees' wellbeing.

Help Older Adults Stand Up Against Scams

The Consumer Financial Protection Bureau recently reported in financial exploitation cases that older adults lost an average of $34,200. Unfortunately, these funds are often never recovered. You can ensure this doesn't happen by learning more about scams and how to protect yourself. Here are some tips:

Recognize the scams. The best way to protect yourself from a scam is to understand what they look and sound like. Here are a few key elements to look for when identifying a scam:

- You are promised a great offer or benefits
- You are forced to make quick decisions
- You are pressured to provide financial and/or personal information
- You are threatened

Did you know? *IRS impersonation scams are the No. 1 scam targeting older adults, according to the Treasury Inspector General for Tax Administration, with more than 2.4 million Americans targeted.*

Know why you are a target.
You and other older adults may be targeted because you own a home, and have retirement savings and exceptional credit

— a treasure trove for con artists to pillage. Scammers take advantage of trusting older adults because they're less likely to say no and sometimes have cognitive issues that affect decision-making skills. In other cases, family members and non-related caregivers may have easier access to their funds, making them more susceptible to theft.

Keep your personal and financial information safe. Keep your bank information, Social Security card and other finances stored somewhere secure in your home. Think twice about what you are sharing on Facebook, and don't give out your Social Security or account numbers without vetting the person or company asking you for it. Con artists find useful information on social media sites about your family members and then pretend to be a relative who asks for money, or they could directly ask you for sensitive information over the phone or via email.

Hang up if you feel uncomfortable. Don't worry about being impolite if someone on the phone is pressuring you into sharing sensitive information. Hang up. If the call comes from a company you trust, you can call back and ask for the department that handles your account to determine if the call is for a legitimate reason.

Turn down unsolicited offers. If you receive a call or an in-person visit from someone you don't know selling you a product or service you didn't request, turn it down or tell them you'll decide at a later time. If the service or product interests you, conduct independent research on three suppliers. Proactively contact all three and determine the best offer. Include a trusted family member in the decision-making process. Doing this can effectively eliminate most scams.

Use direct deposit. You can avoid having your checks stolen when you arrange for your checks to be directly deposited into your bank account. Ask your bank to show you how.

Speak up if you think you're a scam victim. There's no need to feel embarrassed or ashamed if you think you've been scammed. Instead, let people know right away.

Call your bank and/or credit card companies.
- Reset your account passwords.
- Call the police to report stolen property.
- Submit a consumer complaint using the FTC consumer Complaint Assistant.
- Report the scam by calling the United States Senate Special Committee on Aging Fraud Hotline at 1-855-303-9470.
- If you suspect elder abuse is also involved, contact adult protective services.

Why You Need to Read the Fine Print

According to a recent Deloitte survey, 91 percent of people agree to terms and conditions without reading the legal agreement. While reading through the legally complex language may be slow and painful, it's more important than you think. Here are four reasons why reading entire legal agreements make sense:

You miss a major technicality. Many agreements have an exit penalty that requires you to pay for a period of time after you terminate an agreement. Others automatically renew your agreement for a year with exit penalties unless you tell them in writing you do not wish to renew prior to a key date. In a recent example of missing a legal technicality, eight teachers claimed the Department of Education (DOE) mishandled a debt forgiveness program that promised to reduce student loans after 10 years of public service. In most of the cases, the teacher's application was denied because, according to the DOE, they were in the wrong type of loan or payment program.

You give something away. With extensive agreement documents (PayPal's user agreement is over 50 pages long!), it's easy for a company to add language that grants itself rights to something that's yours. Here are some examples:

- **Your identity.** Companies like Facebook grant itself rights to use your likeness and personal information for targeted advertising unless you catch the clause and take action.
- **Your work.** If you create a presentation using some online tools, the agreement might allow the site to use the presentation without your permission.

- **Your location.** Most navigation software tracks your location even when not using their application. The same is true with most newer vehicles.The only way to catch these tracking rights is to read the clause in the agreement.

You're not comfortable with the risks. Data breaches are occurring more often and are hard to prevent. To reduce their exposure to litigation, businesses are continuing to add language to agreements to protect themselves. Your job, as the consumer, is to know these risks when signing up for a new service. The more personal information you provide, the more important it is to understand your legal recourse if the supplier of your service is hacked.

You miss something good. Reading an agreement to the end may pay off. A woman in Georgia won $10,000 just by reading her travel insurance agreement. The company, Squaremouth, had a *Pays to Read* program that awarded a cash prize to the first person to read the clause with a cash prize. For most people, it's more likely you'll find additional benefits that come with the agreement or laugh at some humor injected by the company. Here is an example from social media company, Tumblr: "*You have to be at least 13 years old to use Tumblr. We're serious: it's a hard rule, based on U.S. federal and state legislation. "But I'm, like, 12.9 years old!" you plead. Nope, sorry. If you're younger than 13, don't use Tumblr. Ask your parents for a Playstation 4, or try books.*"

Consider the Tax BEFORE You Sell

Multiple tax rates hold the key

In times of market volatility or when a financial need arises, it is only natural to consider selling some investments. Understanding the tax consequences is key to making an informed and planned decision. Here is what you need to know BEFORE you sell:

Investment Tax Rates

Investment	Tax Classification	Holding Period	Tax Rate	Comments
Retirement Accounts: 401(k), 403(b), traditional IRA, SEP IRA, SIMPLE IRA	Ordinary income (when funds are withdrawn from the account)	Determined by the account type (usually withdrawals after age 59½)	0% up to 37%*	*There is not a tax event when an investment is sold within your account. The tax rate depends on your annual income at time of fund withdrawal*
Retirement Accounts: Roth IRA and Roth 401(k)	No tax on withdrawals	5 years and 59½ years old or older	N/A	*Earnings are not taxed as long as rules are followed*
Short Term Capital Gains (STCG)	Ordinary income	1 year or less	0% up to 37%*	*For investment sales such as stocks and bonds*
Long-term Capital Gains (LTCG)	LTCG rates	More than a year	More than 1 year 0% up to 20%	*For investment sales such as stocks and bonds*
Depreciation Recapture	Special	Any	25%	*When you sell property that has been depreciated in prior years, part of your sale price may be taxed as a recapture of this prior period depreciation*
Collectables	Special	Any	28%	*A special tax rate applies to gains on the sale of items you collect (like coins and baseball cards)*
Investment losses	Ordinary income	Any	Offset benefit: 0% up to 37%	*Losses can offset ordinary income up to $3,000 each year*

** A 3.8% net investment income tax may also apply to these earnings.*

As the above tax rate chart suggests, understanding the tax consequence of selling an investment can be complicated. Your tax obligation could be subject to no tax or up to 37 percent plus an additional 3.8 percent for the net investment income tax. Here are some ideas to consider:

Within retirement accounts

Generally not taxable. Selling investments within your retirement accounts is not usually a taxable event. The potential tax event occurs when you take the funds out of your account either by a withdrawal or occasionally as a rollover into another account.

Follow the account rules. Each of your retirement accounts has its own set of rules. If you follow them, you can avoid early withdrawal penalties. Following the holding period rules within Roth accounts can also make your withdrawals tax-free.

Gains and losses outside of retirement accounts

Losses. Your losses are first used to offset any investment gains. Any excess losses can offset your ordinary income up to $3,000 per year. So the benefit of losses can be worth next to nothing or up to 37 percent if it offsets ordinary income.

Non-investment losses. Unfortunately, individuals may not offset losses on the sale of non-investment property. So if you sell a car and make money, you need to report the gain. If you sell the car and lose money, there is no deductible loss unless it is part of a business transaction.

Long-term better than short-term. Holding an investment for longer than one year is key if you want to minimize your tax obligation. Short-term gains are taxed the same as wages.

Remember your investment decisions can often have quite different tax consequences. The best suggestion is to seek advice BEFORE you sell.

How to Handle Negative Reviews

With all the rating services on sites like Amazon and Yelp, it's not a question of whether your business will receive a negative review, only when. Every business or service must know how to handle these negative reviews. Here are some hints:

The best defense is a great offense

You don't have to address negative reviews if you never have them in the first place. Proactively identify possible negative experiences and encourage customers to respond directly to you to resolve their issues. Here are some suggestions:

Manage expectations up front. If you communicate that it takes two weeks to complete something, make sure it's done in less time.

Actively communicate your contact information at the time of ordering to make it easy to contact you directly to answer questions and fix problems.

Contact customers within 24 hours after a sale or service to see if they have questions or concerns.

FIRST fix the problem

When you get a negative review, try to identify the customer and contact them directly. Then work with them to solve their problem. If a solution is not possible, be willing to cancel their service or refund their money. A disgruntled customer that hasn't been hurt financially quickly becomes a toothless monster. Once this is done, try to have the customer remove their review if they are satisfied. OR even better, try to get them to rave about how you solved their problem!

Know your dissatisfied reviewer

Conduct research on the customer. Are they habitual complainers or bullies? The current public feedback forums have created many of these types. On the other hand, people easily get frustrated with poor service and are simply at their wit's end. It's important to know the difference.

Problems are opportunities

Inside every negative review is an opportunity to be better at what you do. Even with the review bullies, there is an element of truth to most reviews. Try to get past the emotional impact of the negative review and think of it as a gift to make your service better than everyone else's.

Writing the response: FREE advertising

You've fixed the problem. You've researched the customer. You've looked for opportunities to be better at what you do. Now you are ready to publicly respond to the negative review. But — and this is important — you are not responding to the complainer. You are responding to future readers of the complaint! The formula of a great response is:

Acknowledge the customer's feelings.

Restate the problem.

Tell EVERYONE how you solved the problem.

Encourage the complainer to contact you directly in the future so you can handle their issue more effectively than through a public forum.

Tone is critical. The reviewer will likely be angry and frustrated. Use this to your advantage. Your tone must sound reasonable with a rational approach. When contrasting the two styles, readers will automatically see your business in a positive light, even when you make a mistake.

DO NOT:

- Act defensive
- Act like a victim by over-apologizing
- Talk down to the disgruntled
- Make the customer appear or seem stupid
- Tell everyone how irrational this guy is ... let readers figure this out on their own
- Get into a back and forth discussion

Time is of the essence

Try to complete your contact and response within 24 hours. This speed will impress all future readers. A lot must be done to reach this goal, but if you assign someone to monitor review services for you, and they are empowered to solve problems, you can accomplish this goal.

Today's review systems give entirely too much power to a few complainers. Your goal should be to use these systems to your advantage to build your brand and find new buyers.

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

PAST ISSUES

August 2019	July 2019	June 2019	May 2019

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