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November Client Update Newsletter

2020 is coming quick — are you prepared? Take stock now and learn about the year-end moves that'll help you save. Plus, consider how the 2020 Social Security changes will affect your plans. And make sure you're hitting the employment tax deadlines.

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

- **November 11**
 - Veterans Day
- **November 28**
 - Thanksgiving
- **November 29**
 - Black Friday (shopping deals day)
- **Reminder**
 - Conduct year-end tax and financial planning

In this issue:

Save Money With These Year-End Ideas

2020 Social Security Benefits

Reminder: Major Employment Tax Deadlines

The Power of Cultivating Gratitude

Tips on how to be thankful

Tips to Improve Your Credit Score

Save Money With These Year-End Ideas

There's still time to reduce your potential tax obligation and save money this year (and next). Here are some ideas to consider:

Estimate your 2019 and 2020 taxable income. With these estimates you can determine which year receives the greatest benefit from a reduction in income. By understanding what the tax rate will be for your next dollar earned, you can understand the tax benefit of reducing income this year AND next year.



Fund tax-deferred retirement accounts. An easy way to reduce your taxable income is to fully fund retirement accounts that have tax-deferred status. The most common accounts are 401(k)s, 403(b)s and various IRAs (traditional, SEP and SIMPLE).

Take your required minimum distributions (RMDs). If you are 70½ or older, you need to take required RMDs from your retirement accounts by Dec. 31. Don't forget to make all RMDs because the fines are hefty if you don't — 50 percent of the amount you should have withdrawn.

Keep in mind, even if you don't have RMDs yet, removing a planned amount from your retirement accounts each year may be more tax efficient than waiting until you are required to do so.

Manage your gains and losses. Rebalance your investment portfolio, and take any final investment gains and losses. When you have more losses than gains, up to \$3,000 can be used to reduce your ordinary income. With careful planning, you can take advantage of this loss amount each year.

Finalize your gift-giving strategy. Each year you may gift up to \$15,000 without tax reporting consequences to as many individuals as you choose. Consider any gift-giving you wish to make up to the annual limit. This could include gifts of cash or property, and investments.

Donate to charities. Consider making end-of-year donations to eligible charities. Donations

of property in good or better condition and your charitable mileage are also deductible. Receiving proper documentation that acknowledges your contributions is important to ensure you obtain the full deduction. Have a plan by knowing your total deductions for the year to help you decide how much and when to donate. Pulling some donations planned for 2020 into 2019 may be a good strategy.

Review your automated billing transactions. This is a good time to identify what automatic monthly expenses should be reviewed for reduction or elimination. You may also discover billing for services you thought were canceled. This specific review often catches errors that a simple account reconciliation may be missing.

Organize records now. Start collecting and organizing your tax records to avoid the scramble come tax season.

Develop your own list. Use these ideas as a jumping off point to create your own list of annual review items. It might also include reviewing college savings accounts, beneficiaries, insurance needs, wills, and going through an aging parent's financial accounts.

Questions about the most effective money-saving moves for your situation? Call today.

2020 Social Security Benefits

Take a look at how Social Security benefits have changed. Use this infographic to help you plan for the coming year, and to learn a little more about retirement benefits and taxes.



Did you know?

You can increase your Social Security retirement benefits by 5-8% when you delay applying until you're age 70.



1.6% cost of living adjustment for Social Security retirement benefits and SSI payments begins with the December 2019 benefits (payable in January 2020).

The 2020 maximum Social Security retirement benefits a worker retiring at full retirement age is ...

\$3,011 /mo

Did you know ...

87%
of Baby Boomers
are expecting Social
Security to be a source
of their retirement
income.



1-3
people
expect it to be
their primary
source of income.

Social Security pays benefits to more than
67 million people
including retirees, children and surviving spouses.



2020 Social Security and Medicare tax rates

If you work
for someone else ...



your
employer pays

you pay
7.65%

If you're
self-employed ...



you pay
15.3%

7.65%




Note: The above tax rates are a combination of 6.2% Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

maximum amount you can pay
in Social Security taxes

2019
\$8,239⁸⁰

2020
\$8,537⁴⁰

165+ 
million people work and
pay Social Security taxes.



Social Security has provided
financial protection for
Americans since 1935.

maximum earnings amount
Social Security will tax at 6.2%

2019
\$132,900

2020
\$137,700

How does Social Security work?



When you work, you
pay taxes into Social
Security.

The Social Security
Administration uses your
tax money to pay benefits
to people right now.

Any unused money
goes to the Social
Security trust funds.

Later on when
you retire, you
receive benefits.

Social Security payments explained

Social Security payments explained

SS Social Security retirement benefits are for people who have "paid into" the Social Security system through taxable income.

SSD or SSDI Social Security Disability (SSD or SSDI) benefits are for people who have disabilities but have "paid into" the Social Security system through taxable income.

SSI Supplemental Security Income benefits are for adults and children who have disabilities, plus limited income and resources.



Maximum SSI payments	2019	2020
Individual	\$771/mo	\$783/mo
Couple	\$1,157/mo	\$1,175/mo

Here's how you qualify for retirement benefits

When you work and pay Social Security taxes, you earn "credits" toward benefits. The number of credits you need to get retirement benefits depends on when you were born.



If you were born in 1929 or later, you need 40 credits (10 years of work) to receive retirement benefits



The earnings needed for a credit in 2020 is \$1,410



4 credits maximum per year

Did you know you can check your benefits status before you retire?



You can check online by creating a *my* Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.



It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.



If it doesn't show earnings from a state or local government employer, contact them. The work may not have been covered either by a Section 218 agreement or by federal law.



Sources: SSA.gov, 17th Annual Retirement Survey, Transamerica Center for Retirement Studies®

Reminder: Major Employment Tax Deadlines

Handling employment taxes can be complicated, especially when you're required to file important tax documents throughout the year. Here's a list of key forms and deadline dates to help keep you on track.

Form 941 — Employer's quarterly federal tax return

This form is used to report income tax withheld from employees' pay and both the employer's and employees' share of Social Security and Medicare taxes.

Employers generally must deposit Form 941 payroll taxes on either a monthly or semiweekly deposit schedule. There are exceptions if you owe \$100,000 or more on any day during a deposit period, if you owe \$2,500 or less for the calendar quarter, or if your estimated annual payroll tax liability is \$1,000 or less.



Monthly depositors are required to deposit payroll taxes accumulated within a calendar month by the 15th of the following month.

Semiweekly depositors generally must deposit payroll taxes on Wednesdays or Fridays, depending on when wages are paid.

Return filing deadlines:

Jan. 31, 2020 — Due date for filing Form 941 for the fourth quarter of 2019. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return.

April 30, 2020 – Due date for filing Form 941 for the first quarter. If you deposited your taxes in full and on time, you have until May 11, 2020, to file this return.

July 31, 2020 – Due date for filing Form 941 for the second quarter. If you deposited your taxes in full and on time, you have until Aug. 10, 2020, to file this return.

Nov. 1, 2020 – Due date for filing Form 941 for the third quarter. If you deposited your taxes in full and on time, you have until Nov. 10 to file this return.

Form 940 — Employer's annual federal unemployment tax return (FUTA)

This return is due annually. However, FUTA tax must generally be deposited once a quarter if the accumulated tax exceeds \$500.

Jan. 31, 2020 – Due date for filing 2019 Form 940. If you deposited your taxes in full and on time, you have until Feb. 10, 2020, to file this return. This day is also the deadline for depositing federal unemployment tax for October, November and December 2019.

April 30, 2020 – Deadline for depositing federal unemployment tax for January, February and March 2020.

July 31, 2020 – Deadline for depositing federal unemployment tax for April, May and June 2020.

Nov. 1, 2020 – Deadline for depositing federal unemployment tax for July, August and September 2020.

Form W-2 — Wage and tax statement

Employers are required to send this document to each employee and the IRS at the end of the year. It reports employee annual wages and taxes withheld from paychecks.

Jan. 31, 2020 – Due date for employers to provide 2019 Forms W-2 to employees, and for employers to send copies of 2019 W-2s to the Social Security Administration, whether filing electronically or with paper forms.

Tax deadline extensions for disaster areas

For taxpayers living in designated disaster areas, the IRS extends certain filing and tax payment dates. Taxpayers living in the affected areas (and those whose tax professionals are located in those areas) have relief from penalties for filing under the new extended dates. These filing and payment extensions are also available to some relief workers.

Visit the IRS's [Disaster Assistance and Emergency Relief for Individuals and Businesses](https://www.irs.gov/disaster) page for up-to-date information.

Please call for help with specific details about your filing requirements and for more information on

tax deadlines that apply to your business.

The Power of Cultivating Gratitude

Tips on how to be thankful

It costs nothing to say thank you. Yet cultivating gratitude in your life may be one of the most rewarding moves you can make. Not only does it invoke warm fuzzies in everyone involved, expressing your appreciation may actually improve your health and well-being.

A landmark study by gratitude researcher Robert A. Emmons has shown that gratitude can reduce physical illness symptoms and toxic emotions. It can even help you sleep better and longer, according to a study published in *Applied Psychology: Health and Well-Being*.



So what are some ways you can make gratitude part of your everyday life? Here are a few tips to help you get started:

Write it out. Write out what you're thankful for in your life. This may mean making a nightly habit of writing in a journal or jotting down a message to a loved one and giving it to them. You could also make some sticky note reminders of what you're grateful for and hang them on your mirror to read each morning.

Share a good memory. Reminiscing often stirs up feelings of gratitude. For instance, think about the time you first met a close friend in grade school. Contact them and tell them how grateful you are that it happened. Send a photo of that family vacation when you all shared a common experience like learning to water ski. When you think about it, you will quickly discover happy memories to share with loved ones.

Offer your service. Show your gratitude through your actions. If you appreciate your community, join a group to clean up the park and streets. Provide a positive online review for your favorite local café. Or volunteer at a Veterans Affairs hospital.

Lend an ear. Some of the most meaningful moments involve simply being heard. Return the favor. If your sister is usually the one who lets you ramble on about work grievances and family drama, it's time to give her a turn. Let her know you're there and ready to listen. Maybe you avoid your chatty (albeit helpful) coworker. When you see them next, give them 5 minutes of your time.

Pay it forward. Did your neighbor share a gutter-cleaning hack with you? Next time you see someone on your street cleaning their gutters, offer to lend a hand. See a mom digging for spare change at a check out register? Pay it for her. Let the appreciation of your good deed change someone else's outlook for the day. When they offer to pay you back, just tell them to pay it forward.

There are opportunities to cultivate gratitude all around us. Refocusing on what you appreciate on regular basis can help you live a healthier, more satisfying life.

Tips to Improve Your Credit Score

Your credit score is more important than ever. Once viewed as a necessity when applying for a mortgage, it now factors into renting an apartment, paying for utilities, buying a cell phone, and determining the amount you pay for home and auto insurance! Here are tips to help you improve and maintain a good credit score:



Know which bills must be paid on time. One bill that goes more than 30 days past its due date can drop your credit score 40 points and can stay on your credit report for seven years! If you are in a cash pinch and can't pay all your bills on time, prioritize mortgage, car loan and credit card bills that report late payments to credit agencies. Utilities and medical organizations generally don't report a delinquency until your account is sent to a collection agency.

Watch revolving credit balances. Each credit card has a credit ceiling. This credit limit is compared to how much of it you use. The higher amount of the credit limit you use, the lower your credit score. Even if you pay the bill in full each month! Ideally, try to keep the spending balance less than 20 percent of your credit limit. If your routine spending is higher than this, consider requesting a higher line of credit, but do not use it. The sole purpose of this request is to create a higher credit score.

Pay off debt. Current debt balances account for as much as 30 percent of your credit score. When you consider this and the high interest rates that come with debt, it's important to get those balances to zero as soon as possible. Your debt-to-income ratio (total debt divided by your total income) doesn't directly affect your credit score, but it's a key metric used by underwriters when determining loan eligibility and interest rates.

Add new debt only when necessary. Adding new debt can reduce your credit score in a few

different ways: your debt profile increases, your debt-to-income ratio rises, and even the credit inquiry itself can take a chunk out of your score. If you have a relatively short credit history, too many credit inquiries will affect you even more.

Consider keeping dormant credit cards open. Have an open credit card that you've paid off or have never used? Your instinct might tell you to close the account, but keeping it open may actually help your credit score. An active credit card in good standing for a long period of time helps your credit score. Plus, the additional unused credit limit on your books lowers the ratio of spending to total credit limit and improves your score.

Actively monitor your credit reports. You can get a free credit report from each reporting agency every 12 months on the [Annual Credit Report](#) website. These reports tell you everything you need to know about items impacting your credit score. Reviewing these items on a routine basis is an important exercise to ensure a correct report. If you find a mistake, you can work to get it removed and improve your score.

Your credit score is too important to ignore. Taking an active role by implementing some of these smart tactics is a great way to improve your score and overall credit health.

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



PAST ISSUES

November 2019	October 2019	September 2019	August 2019
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