



Gilliland
& ASSOCIATES, PC
Certified Public Accountants



<https://www.gillilandcpa.com>

Phone: (703) 448-9121

January Client Update Newsletter

Welcome 2020. A new year calls for a fresh look at your financial strategies. Consider how to make the most of your savings accounts — and don't forget you still have time to fund your IRA! You can also try the following fail-proof tricks to keep your New Year's resolutions on track.

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

- **January 1**
 - New Year's Day
- **January 15**
 - 4th Quarter Estimated Payments Due
- **January 20**
 - Martin Luther King Jr. Day
- **Start tax planning for the new year**
 - Adjust withholdings
 - Organize filing records
 - Schedule tax consultation
 - Rebalance investment portfolio

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Make Your Cash Worth More

Banking tips to help you cash in

Your cash is parked. Do you know if it's making or losing you money? For instance, letting it sit in a non-interest-bearing account is a waste of earnings potential. It's actually losing money if you factor in inflation! Here are some ideas to help you make the most of your banked cash:

Understand your bank accounts. Not all bank accounts are created equal. Interest rates, monthly fees, minimum balances, direct deposit requirements, access to ATMs, other fees and customer service all vary from bank to bank and need to be considered. Start by digging into the details of your accounts. There may be some things you've been unnecessarily living with like ATM fees or monthly account charges. Once you have a handle on your current bank, conduct research on what other banks have to offer.



Know your interest rates. As a general rule, the more liquid an account, the lower the interest rate. Checking accounts offer the lowest rates, then savings accounts, which yield lower rates than CDs. Maximizing your earnings is as simple as keeping your cash in accounts with higher interest rates. The overall interest rate earned between all your accounts should be higher than the inflation rate, which is generally around 2 percent.

Make smart moves. There are a couple of things to take into account when making transfers. First, federal law allows for only six transfers from savings and money market accounts per month. Second, if you invest in longer term investments like CDs or bonds, there are penalties for withdrawing funds before the maturity date. So make sure you can live without the funds for the duration of the term.

Stay diligent. Putting together a cash plan is just the start. The key to success is to be persistent. Besides losing out on potential earnings, mismanaging your cash can result in

hefty overdraft fees. The more attention you devote, the more your money will grow.

There's Still Time to Fund Your IRA

There is still time to make a contribution to a traditional IRA or Roth IRA for the 2019 tax year. The annual contribution limit is \$6,000 or \$7,000 if you are age 50 or over.

Prior to making a contribution, if you (or your spouse) are an active participant in an employer's qualified retirement plan (a 401(k), for example), you will need to make sure your modified adjusted gross income (MAGI) does not exceed certain thresholds. There are also income limits to qualify to make Roth IRA contributions.

Maximum 2019 IRA Contribution amounts: \$6,000 or \$7,000 (with age 50+ catch-up provision)

2019 IRA Income (MAGI) Limits				
Filing Status	Traditional IRA allowed contribution range		Roth IRA allowed contribution range	
	Full Contribution	Phaseout Complete	Full Contribution	Phaseout Complete
Single	\$64,000	\$74,000	\$122,000	\$137,000
Married	\$103,000 (both participating)	\$123,000 (both participating)	\$193,000	\$203,000
	\$193,000 (nonparticipating spouse)	\$203,000 (nonparticipating spouse)		

Note: Married traditional IRA limits depend on whether either you, your spouse or both of you participate in a qualified employer-provided retirement plan. If married filing separate and either spouse participates in an employer's qualified plan, the income phaseout to contribute is \$0-10,000.

If your income is too high to take advantage of these IRAs you can always make a non-deductible contribution to an IRA. While the contributions are not tax-deferred, the earnings are not taxed until they are withdrawn.

2020 Retirement Plan Limits

As part of your 2020 planning, now is the time to review funding your retirement accounts. By establishing your contribution goals at the beginning of each year, the financial impact of saving for your future should be more manageable. Here are annual contribution limits:

Retirement Plans	2019	2020	Change	Age 50 or older catch up
IRA: Traditional	\$6,000	\$6,000	none	add: \$1,000
IRA: Roth	\$6,000	\$6,000	none	add: \$1,000
IRA: SIMPLE	\$13,000	\$13,500	+\$500	add: \$3,000
401(k), 403(b), 457 plans	\$19,000	\$19,500	+\$500	add: \$6,500

Take action

If you have not already done so, please consider:

Reviewing and adjusting your periodic contributions to your retirement savings accounts to take full advantage of the tax advantaged limits

Setting up new accounts for a spouse or dependent(s)

Using this time to review the status of your retirement plan

Reviewing contributions to other tax-advantaged plans including flexible spending accounts and health savings accounts

Fail-Proof Your New Year's Resolutions

New Year's resolutions get a bad rap — and for good reason. They are wildly unsuccessful. Millions of people have well-intentioned aspirations for the new year, but only about one in 10 actually accomplish their goal, according to the Statistic Brain Research Center.

If you dig a little deeper into the reasons why they fail, you find it's usually not the resolution itself, it's in the execution. Here are four popular New Year's resolutions and how to avoid messing them up:



Resolution #1: Becoming healthier. The most popular resolution can take on many forms — losing weight, getting in better shape, eating healthier, and so on. This resolution usually fails because to be successful, it takes a major lifestyle change. You're fighting against months or maybe years of poor behaviors, so expecting wholesale changes right out of the

gate is not reasonable.

Make it fail-proof: Start with smaller, simpler goals like not eating after 8 p.m., or exercising for 20 minutes a day for three times a week. Hitting manageable goals will build momentum and create good habits.

Resolution #2: Spending less money. Depending on how much you spent on Christmas, this one might take care of itself for a few weeks. But if you don't have a spending plan or budget, old spending habits will re-emerge.

Make it fail-proof: Take some time at the beginning of the year to jot down some long-term spending and savings goals and then work backwards to figure out how those goals will affect your weekly purchases. As the year goes on, continue to track your progress and evaluate your purchases.

Resolution #3: Getting more organized. Going from being disorganized to organized is not a quick fix. To make the switch, it takes an evaluation of your entire environment. Most people don't have the time for such an extensive process so they buy some bins, stuff them full and call it good. That's not going to work and it'll cost you money.

Make it fail-proof: Instead, start small. Pick one room in your house or one aspect of your life to focus on, like health care bills or your tax documents. Once you get some traction, you can apply the methods you learned to other things. Incremental improvement is the best long-term approach.

Resolution #4: Spending less time on electronics. If this is a resolution that's important to you, odds are you've had some trouble keeping electronic usage under control. With so many games, social media and streaming options at our fingertips, our brains are now conditioned to be engaged electronically at all times.

Make it fail-proof: One way to start to break this habit is to change the accessibility you have to your devices. Remove apps from your phone and keep your devices out of reach when you don't need them. Another way to curb electronic usage is to form a different habit, such as reading.

Resolutions, whether at New Year's or any other time, are a good thing. To be successful, more planning and attention are required than most people think. And if you slip up, don't quit! Learn from your mistakes and keep going.

It's Time to Prioritize Inventory Management

Extraordinarily low interest rates and a rapidly evolving business climate has made inventory

management a lost art. Other business initiatives may seem to be more urgent and impactful, but in reality, mastering inventory levels is a key to most successful and growing businesses. Here are reasons why prioritizing your inventory management is a must:

Less shrink. Shrinkage represents cash that goes to waste because inventory is damaged or past sell date. It is a sign of a weakness in the inventory control process. Adding quality control practices that account for climate control and other factors can help avoid damaging valuable stock and catch defective purchases before they make it into your warehouse. Tightening up your inventory controls equals less stuff to throw away which means less money wasted.



Action: Create a shrink scorecard. Note all product that is non-saleable, and track units tossed, their dollar value, and who supplied it. Compare waste to prior year and against your goals.

More cash. In a perfect world, you receive your inventory as soon as it is sold. Material or product that sits in the warehouse adds storage costs and risks turning into unsaleable product. Aligning your inventory operation with your sales cycle plays directly with improving your cash flow. Understanding sales trends will allow you to optimize your stock levels and save money in the process. When you spend less on unnecessary inventory costs you have more cash to invest into marketing, new product initiatives or capital equipment that can bolster your bottom line.

Action: Implement just in time (JIT) with key suppliers. Explore ways to deliver product when you need it versus purchasing a larger amount and then storing it.

Improved forecasting. The old saying garbage in, garbage out applies perfectly when trying to forecast inventory demand. If you can't trust your inventory process, it's impossible to accurately predict future output. This leaves you flying blind when budgeting and preparing for future expenditures. With a firm grip on your inventory needs and procurement-to-sales cycle, your forecasting will become more accurate.

Action: Create a rolling 12-month forecast of sales. The forecast should provide details on major product lines. Translate this forecast into lead times for your inventory procurement.

Better customer relations. Once you've optimized your operation, the quality of your customers' experience increases exponentially. You can cut prices without sacrificing margin, improve lead times, and add new product lines with your extra cash. While the effective inventory process you built is humming along, you can focus your attention on improving your

products to better match the needs of your target market. This will help boost your sales!

Action: Set inventory targets to shorten lead times. Measure how many back orders you have and note how often products are returned as defective. If your inventory management is improving you should see positive results in both areas.

Inventory management will not take care of itself. Giving your inventory system the attention it deserves will pay major dividends both now and in the future.

The Highest Taxed Money in America

How the lottery preys on Americans

If you were told to voluntarily pay 75% of your wages to government-sponsored programs for the rare chance of getting everyone else's remaining 25%, would you do it?

Most everyone enjoys dreaming of winning it big in the lottery. Large pots of money are publicized on the evening news and lucky multi-million-dollar winners are always given the media spotlight. Little do most people know, federal and state governments are quietly using this gambling device to double and triple-tax those who participate.



Why is this happening?

A single lottery ticket does not cost a lot. The lucky winner is the one who pays the extra tax on everyone's behalf, but they don't care because the pot is so large. By taxing people in small stages and by shifting who pays the tax to the lottery winner, taxing authorities have come up with a productive high-tax formula.

What are your options?

If you think the funds being scooped up by the government is ethically wrong, what can you do about it? Here are some ideas:

Stop buying tickets. If the lottery no longer generates sales, the programs would be discontinued.

Pressure legislatures. Why aren't lottery winnings taxed at a lower rate? Shouldn't the government acknowledge they've already received tax on this income? We have lower tax rates on dividends and capital gains so why not on lottery winnings? If you agree, send a letter to your representative asking that lottery winnings be capped at the lowest income tax rate or at a special rate for lottery winnings.

Tell everyone you know. If you think the double and triple taxing income through lotteries is not right, make everyone you know aware of this tax trick. The more people know, the more likely something will change.

Prioritize tax planning. If you win the lottery, consider taking the annuity option and then move to a no-income-tax state. You won't save in federal taxes, but it should save on some of the ongoing state tax obligation.

Playing the lottery can be fun, but having our government promote them as an opportunity to re-tax its everyday citizens is a questionable practice.

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



PAST ISSUES

February 2020	January 2020	December 2019	November 2019
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This newsletter is provided by

GILLILAND & ASSOCIATES PC

7700 LEESBURG PIKE, STE 402B

FALLS CHURCH, VA 22043

Phone: (703) 448-9121 Fax: (703) 893-6485

info@gillilandcpa.com

<https://www.gillilandcpa.com>



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