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October Client Update Newsletter

Watching summer transform into beautiful fall colors can be just as mesmerizing as tax planning. Similar to looking closely for gorgeous autumn scenery, with tax planning you're meticulously on the lookout for opportunities to cut your 2022 taxes.

In this month's newsletter, read about several planning strategies to consider as time is winding down to implement tax cutting measures for 2022.

Also read about ideas to improve your personal cash flow, modern words and their meanings that may be annoying (or not!), and the ingredients of a successful business partnership.

Please feel free to forward the information to someone who may be interested in a topic and call with any questions you may have.

Upcoming dates

- **October 17**
  - Filing deadline for extended 2021 individual and C corporation tax returns
- **October 31**
  - Halloween

In this issue:

Still Time to Reduce any Tax Surprises!

Consider conducting a final tax planning review now to see if you can still take actions to minimize your taxes this year. Here are some ideas to get you started.

Review your income. Begin by determining how your income this year will compare to last year. Since tax rates are the same, this is a good initial indicator of your potential tax obligation. However, if your income is rising, more of your income could be subject to a higher tax rate. This higher income could also trigger phaseouts that will prevent you from taking advantage of certain deductions or tax credits formerly available to you.

Examine life changes. Review any key events over the past year that may have potential tax implications. Here are some common examples:

- Purchasing or selling a home
- Refinancing or adding a new mortgage
- Getting married or divorced
- Incurring large medical expenses
- Changing jobs
- Welcoming a baby

Identify what tax changes may impact you. Some of the major changes this year include the lowering of the child tax credit and the lowering of dependent care credit for working couples. This year also marks the first year in the last two with no pandemic related payments. If you think this could impact your situation it may make sense to conduct a tax planning review.

Manage your retirement. One of the best ways to reduce your taxable income is to use tax beneficial retirement programs. So now is a good time to review your retirement account funding options. If you are not taking full advantage of the accounts available to you, there is still time to make adjustments.

Look into credits. There are a variety of tax credits available to most taxpayers. Spend some time reviewing the most common ones to ensure your tax plan takes advantage of them. Here are some worth reviewing:

- Child Tax Credit
- Earned Income Tax Credit
- Premium Tax Credit
- Adoption Credit
- Elderly and Disabled Credit
- Educational Credits (Lifetime Learning Credit and American Opportunity Tax Credit)

Avoid surprises. Your goal right now is to try and avoid any unwanted surprises when you file your tax return. It's also better to identify the need for a review now versus at the end of the year when time is running out. And remember, you are not required to be a tax expert. Use the tips here to determine if a review of your situation is warranted.

Ideas to Improve Your Personal Cash Flow

One of the most common reasons businesses fail is due to lack of proper cash flow. The same is often true in many households. Here's how this concept of cash flow applies to you along with some ideas to improve it.

Cash flow defined

Cash flow equals cash coming in (wages, interest, Social Security benefits) and cash going out in the bills you pay and money you spend. If more is coming in than going out, you have positive cash flow. If the opposite is true, you have negative cash flow. Unfortunately, calculating and forecasting cash flow can get complicated. Some bills are due weekly, others monthly. A few larger bills may need to be paid quarterly or annually.

Create your cash flow snapshot

Before improving your cash flow, you need to be able to visualize it. While there are software tools to generate a statement of cash flow, you can also take a snapshot of your cash flow by creating a simple monthly spreadsheet:

- Type each month across the top of the spreadsheet with an annual total.
- Note all your revenue (cash inflows), then create a list of expenses (cash outflows) in the left-hand column.
- Enter your income and bills by month. Create a monthly subtotal of all your inflows. Do the same for your cash outflows. Then subtract the expenses from income. Positive numbers? You have positive cash flow. Negative numbers? You have negative cash flow.
- Create a cumulative total for the year under each month to see which months will need

additional funds and which months will have excess funds.

Ideas to improve your cash flow

Identify your challenges. See if you have months where more cash is going out than is coming in to your bank account. This often happens when large bills are due. If possible, try to balance these known high-expense months throughout the course of the year. Common causes are:

- Holidays
- Property tax payments
- Car and homeowners insurance
- Income tax payments
- Vacations

Build a reserve. If you know there are challenging months, project how much additional cash you will need and begin to save for this in positive cash months.

Cut back on annuities. See what monthly expense drivers are in your life. Can any of them be reduced? Can you live with fewer cell phone add-ons? How about cutting costs in your cable bill? Is it time for an insurance review?

Shop your current services. Some of your larger bills may create an opportunity for savings. This is especially true with home and car insurance.

Create savings habits to add to cash flow. Consider paying a bill to yourself in your cash outflows. This saved money is a simple technique to create positive cash flow each month to build an emergency reserve.

New Terms and Trends: Do You Know Them?

Just like clothing and fashion trends, new phrases and terms have a way of inserting themselves in every day language. For some, these phrases are overused and annoying. For others, these terms do an acceptable job of explaining a situation. Here are a few terms that are making an entrance. See if you recognize them, or perhaps you just want to stay on trend. Enjoy!

Situationships. Instead of being in a relationship with someone, the new term and life event cropping up is a situationship. In short, a situationship is a romantic relationship that lacks long-term commitment. It exists specifically because of a situation that brings two people together. What is unique is that there is a lack of a long-term goal in its intention. Oftentimes the relationship is born out of convenience or lack of options. Examples include dating because of a short-term work assignment or a casual relationship that becomes semi-exclusive without any expectations.

Quiet Quitting. This refers to the idea of an employee making a conscious decision to do the absolute minimum to keep their current job. The employee doesn't actually quit their job, but rather they switch into maintenance mode. The cause can be due to toxic cultures or a perceived lack of incentive, whether in advancement or impact, to fully buy in to the company's vision. But it appears to be somewhat generational in nature.

OK Boomer. The boomer part of this phrase comes from the term baby boomer. It's a term used by younger generations, often in a frustrated or negative connotation when referring to a specific idea or custom of an older generation. It's essentially a verbal eye-roll.

Table Stakes. The business world borrowed this term from the poker table. In a poker context, when you start playing you may only bet what is available on the table at the start of the hand. Businesses have converted this phrase to refer to the minimum amount of functionality, skills or capital required to offer a competitive product or service. Without your table stakes, there's no point in going to market because you do not have the minimum required resources to be successful.

Throwing Shade. This is an insult or jab at someone performed in a specific way. It's not just being mean...it also has to be clever and subtle. If done correctly, only the person it's being directed at will actually understand its true meaning. This implies there must be an existing relationship or shared experience with the two people involved in the conversation.

Ghosting. Ghosting is unexpected ignoring by one person of another person that can happen in many different settings, though it's usually referred to when talking about relationships or career recruiting. Examples include not returning someone's calls or texts after a first date, or not showing up for the first day of work without any warning. The person doing the ghosting disappears from all forms of communication.

Understanding modern terms and trends can be very helpful. Even if you're not partial to some of these terms, don't fret! They'll probably be replaced soon enough with the next up-and-coming phrase or trend.

Ingredients of a Successful 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 a challenge to successfully get off the ground. Here are some of the ingredients that good business partnerships require:

A shared vision. Business partnerships need a shared vision. If there are differences in vision, make an honest effort to find common ground. 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're going to be disagreeing over everything from pricing and marketing to hiring and décor.

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.

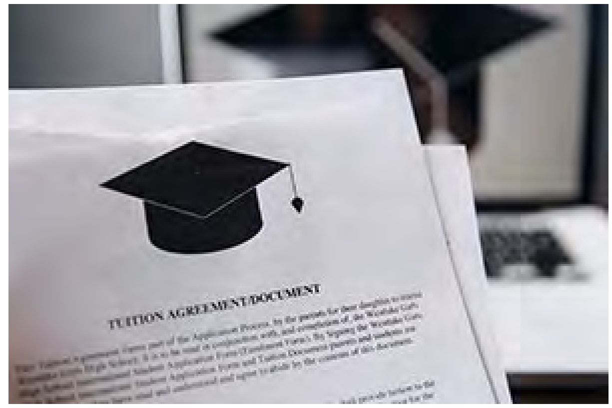
Defined roles and limitations. Before going into business, outline who will have what responsibilities. Agree on which things need consensus and which do not. Having this understanding up front will help resolve future disagreements. Outlining the limits of each person's role not only avoids conflict, it also identifies where you need to hire outside expertise to fulfill a skill gap in your partnership.

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 a discussion, it helps to have someone who can be a neutral arbiter, such as a trusted employee or consultant.

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 step, and the expected date of completion.

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 that outlines how you'll 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.

Maximize Your College Financial Aid With These FAFSA Tips



A brand new Free Application for Federal Student Aid (FAFSA) made its debut on October 1st, featuring 60% fewer questions and a host of other changes that aim to increase the likelihood that you can qualify for financial aid.

As you prepare to complete this year's application, here are some tips to maximize your FAFSA eligibility for financial aid.

File the FAFSA early. More than a dozen states award financial aid on a first-come, first-serve basis. Students who file the FAFSA in October tend to get more than twice as much grant aid on average as students who file the FAFSA later. Even better, by completing the FAFSA early you can time your financial requests to colleges with their varied due dates.

Minimize income in the base year. 2021 is the base tax year when filling out the FAFSA for the 2023-2024 school year. If you've already filed your 2021 tax return, consider filing an amended Form 1040 if there were deductions you may have overlooked that could reduce your income. Otherwise, file this knowledge away to best position your income for future years.

Reduce the amount of reportable assets. While assets aren't weighted as heavily as income on the FAFSA, they could still affect overall financial aid eligibility. To decrease the amount of reportable assets, consider using cash in your bank accounts to pay down unsecured debt such as credit cards and auto loans, or maximizing retirement plan contributions. Keep in mind that certain assets aren't considered when determining financial aid eligibility. This includes the home you live in, the value of life insurance, and most retirement plans.

Use 529 plans wisely. 529 plan owners will impact how the funds are reported on the FAFSA. If the account owner is a grandparent or relative, the funds are not counted on the FAFSA until the money is used. So timing the use of these funds is important. And remember if the account owner is a parent or the student, the balance of 529 plans is considered an asset of the parent on the FAFSA.

Spend a student's money first. If a student does have cash saved or other assets, consider withdrawing money from student assets first before touching parent assets, since student assets are assessed at a higher rate than parent assets.

Plan for the American Opportunity Tax Credit (AOTC). If your family is eligible for the AOTC, try spending up to $4,000 in tuition and textbook expenses using cash. The AOTC's maximum tax credit of $4,000 will be worth more dollar-for-dollar rather than using a $4,000 tax-free distribution from a 529 plan.

Planning for Future Care: A Financial Dilemma

Long-term care costs that drain your nest egg is a financial pothole that is hard to avoid. Here are some ideas to help manage this hazard.

How much is needed

Here's how much money you'll need for three different types of senior living arrangements according to Genworth's 2021 Cost of Care Survey:

- **In-home care -** $4,957 to $5,148 monthly; $59,484 to $61,776 annually
- **Community and assisted living -** $1,690 to $4,500 monthly; $20,280 to $54,000 annually
- **Nursing home facilities -** $7,908 to $9,034 monthly; $94,896 to $108,408 annually

The traditional source of payment problems

Too many people unfortunately think that Social Security, Medicare and health insurance will cover the costs of long-term care. While about half of adults age 50 and over believe that Medicare will cover the cost of long-term care services, according to an AARP survey, the reality is that Medicare provides very limited coverage for long-term care.

What you can do

Here are some suggestions for how you can care for yourself and your loved ones when you need it.

Review long-term care insurance. While it's hard to find a cost-effective policy, long-term care insurance helps pay for several types of services ranging from in-home care to nursing homes. It can be difficult to qualify for long-term care insurance, however. Policy underwriters require you to answer questions and possibly complete an exam to determine medical eligibility.

Some employers offer long-term care insurance that is purchased at group rates. If your company offers coverage, it may be a better alternative than purchasing a policy on your own.

Take advantage of tax benefits. Long-term insurance premiums may be tax deducible. Tax-qualified polices are considered a medical expense and the premiums are listed as an itemized deduction. For more information, speak with an insurance agent specializing in long-term care policies as well as your tax professional.

Research long-term care costs in your state. The cost of long-term care services varies by state, type of services required, and type of services preferred. Knowing the cost of long-term care available in your area is a good starting point in the planning process.

Leverage life insurance. Certain life insurance policies with an early withdrawal for terminal illness or care needs can be an alternative to long-term care insurance. And if structured properly, it can also have tax-free status when used.

Before taking steps for your care as you age, please talk to qualified experts. While long-term care is costly, so is making the wrong decision on how you are going to fund it.

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

PAST ISSUES

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