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## November Client Update Newsletter

**T**his month's newsletter outlines Social Security's cost-of-living adjustment for 2024, plus some basic information on how Social Security works. And there is still time to take action to reduce this year's tax bill. Please review the tax planning articles to bring some ideas top of mind for yourself and your business.

With the holidays approaching now is a great time to review five great money saving tips plus there is a great article for anyone considering the use of bartering.

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

### Upcoming dates

- **November 11**
  - Veterans Day
- **November 23**
  - Thanksgiving
- **November 24**
  - Black Friday
- **Reminder**
  - Conduct year-end tax and financial planning

### In this issue:

**Tax Planning: Now More Important Than Ever**

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# Tax Planning: Now More Important Than Ever

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Thankfully it's not too late to try and minimize your taxes for 2023. If you haven't scheduled a tax planning session, now is a great time to do so. Here's how a tax planning session can potentially help your situation:

**It can make a difference.** This is especially true if you have a major event that occurs during the year. For example:

- Selling a house? You can avoid taxes if primary residence requirements are met.
- Starting a business? Choosing the correct entity can lower your taxes every year!
- Getting ready to retire? Properly balancing the different revenue streams (part-time wages, Social Security benefits, IRA distributions and more) has a huge impact on your tax liability.



Even in uneventful years, external forces like new tax laws can be managed if planned for in advance.

**Put yourself in control.** Timing is important when it comes to minimizing taxes, and the timing is often in your control. For instance, bundling multiple years of charitable contributions into one year can create an opportunity to itemize deductions. Plus holding investments for longer than one year to get a lower tax rate, and making efficient retirement withdrawals are other examples of prudent tax strategies that you control.

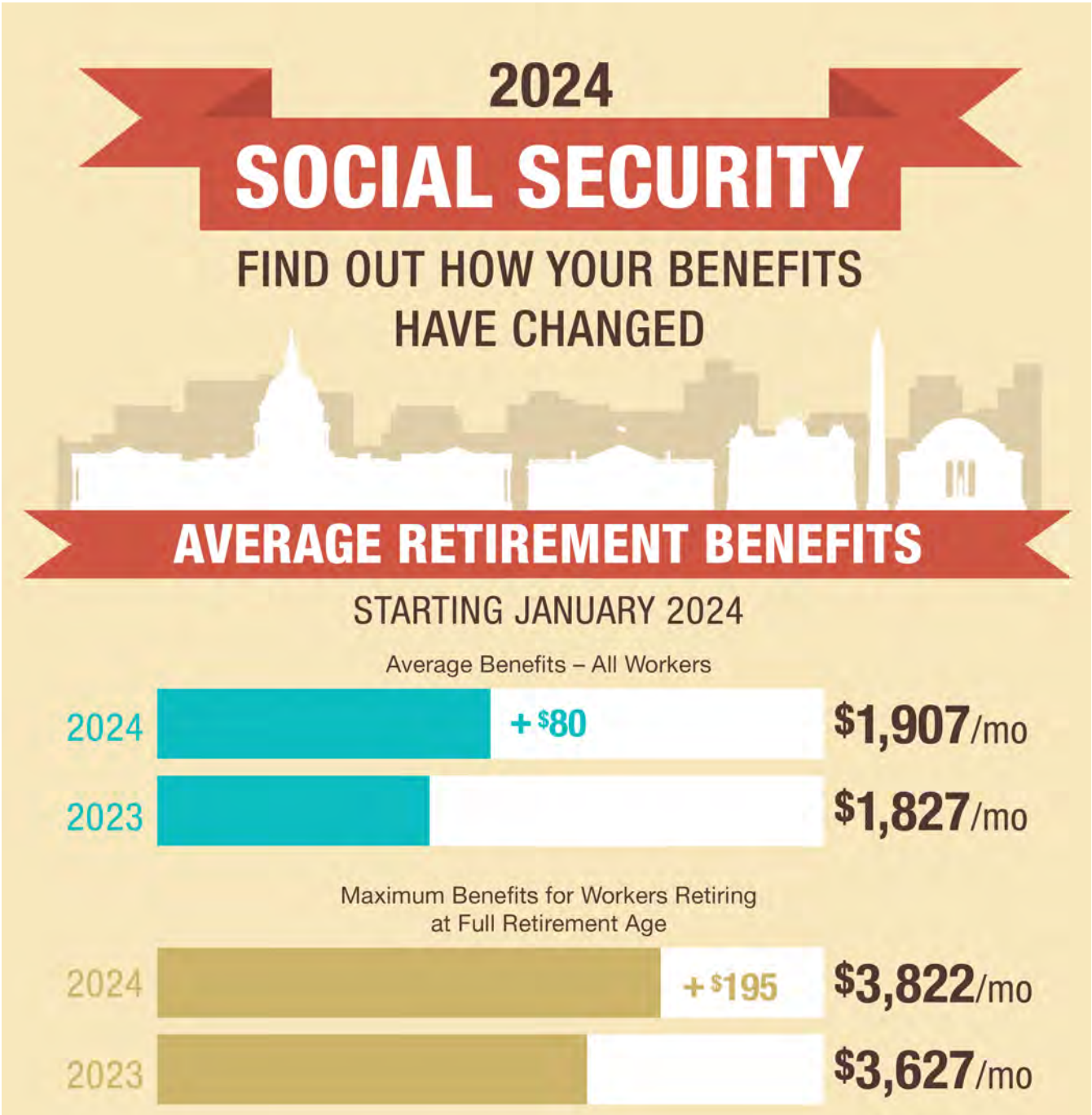
**There are tax planning opportunities for every level of income,** not just those at the top of the tax bracket. Tax deductions are available for student loan interest, IRA contributions and other situations even if you claim the standard deduction. Certain tax credits (called refundable credits) will increase your refund even if you don't owe taxes. Missing any of these tax breaks can unnecessarily increase your taxes.

**The tax landscape is constantly changing.** New tax laws are passed almost every year. New laws may mean new tax deductions you can take advantage of. It can also mean that an

existing deduction you had been used to taking is no longer available. A tax planning session can help you understand what deductions are and are not available for your particular situation.

**You have help.** Tax planning comes down to looking for ways to reduce taxable income, delay a tax bill, increase tax deductions, and take advantage of all available tax credits. The best place to start is to bolster your level of tax knowledge by picking up the phone and asking for assistance.

## 2024 Social Security Changes



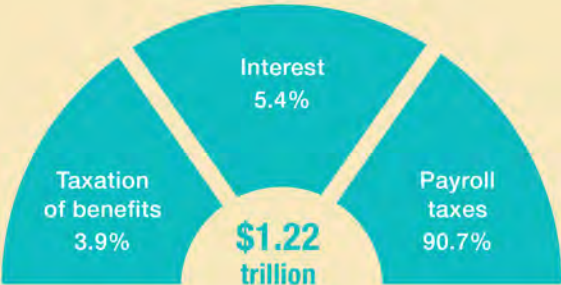


A 3.2% cost of living increase for Social Security retirement benefits and SSI payments begins with December 2023 benefits (payable in January 2024).

Increase your Social Security retirement benefits by 5-8% per year when you delay applying until you're age 70.

SOCIAL SECURITY REVENUES & EXPENDITURES

REVENUE SOURCES



EXPENDITURES



Source: 2023 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, Table II.B1.

2024 SOCIAL SECURITY & MEDICARE TAX RATES



IF YOU WORK FOR SOMEONE ELSE, YOUR EMPLOYER PAYS:

7.65%

IF YOU WORK FOR SOMEONE ELSE, YOU PAY:

7.65%

IF YOU'RE SELF-EMPLOYED, YOU PAY:

15.3%



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.

	2024	2023	CHANGE
MAXIMUM AMOUNT YOU MAY PAY IN SOCIAL SECURITY TAXES	\$10,453 <sup>20</sup>	\$9,932 <sup>40</sup>	+\$520 <sup>80</sup>
MAXIMUM EARNINGS AMOUNT SOCIAL SECURITY WILL TAX AT 6.2%	\$168,600 <sup>00</sup>	\$160,200 <sup>00</sup>	+\$8,400 <sup>00</sup>

182+ million



Social Security has provided financial



people work and pay  
Social Security taxes



protection for Americans  
**since 1935**

**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**

	2024	2023	CHANGE
INDIVIDUAL	\$943/mo	\$914/mo	+ \$29
COUPLE	\$1,415/mo	\$1,371/mo	+ \$44

**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 into  
Social Security  
trust funds and  
is borrowed by  
the government  
to pay for other  
programs.

Later on when  
you retire, you  
receive benefits.



# HOW TO QUALIFY FOR RETIREMENT BENEFITS

When you work and pay Social Security taxes, you earn credits toward benefits. The number of credits you need to earn 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

You receive one credit for each **\$1,730** of earnings in **2024**

**4 credits** maximum per year

## CHECK YOUR SOCIAL SECURITY EARNINGS

### 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 be covered within Social Security.

Source: SSA.gov

## Year-End Tax Planning Tips for Your Business

As 2023 winds down, here are some ideas to help you prepare for filing your upcoming tax return:

**Informational returns.** Identify all vendors who require a 1099-MISC and a 1099-NEC. Obtain tax identification numbers (TINs) for each of these vendors if you have not already done so.

**Shifting income and expenses.** Consider accelerating income, or deferring earnings, based on profit projections.

**Be prepared to receive a Form 1099-K.** You may receive a Form 1099-K from each payment processor from whom you receive \$600 or more in payments. In addition to credit card companies and banks, payment processors can include Amazon, Etsy, PayPal, Venmo and Apple Pay. You'll need to include the 1099-K on your tax return.

**Categorize income and expenses.** The best way to prepare for receiving a 1099-K is to organize your records by major categories of income, expenses and fixed asset purchases. If your accounting records are accurate, then any tax form, including a 1099-K, should be easy to tie out to your books.

**Separation of expenses.** Review business accounts to ensure personal expenses are not present. Reimburse the business for any expenses discovered during this review.

**Create expense reports.** Having expense reports with supporting invoices and business credit card statements with corresponding invoices will help substantiate your deductions in the event of an audit.

**Fixed asset planning.** Section 179 or bonus depreciation expensing versus traditional depreciation is a great planning tool. If using Section 179, the qualified assets must be placed in service prior to year-end.

**Leveraging business meals.** Business meals with clients or customers are 50% deductible. Retain the necessary receipts and documentation that note when the meal took place, who attended and the business purpose on each receipt.

**Charitable opportunities.** Consider any last-minute deductible charitable giving including long-term capital gain stocks.

**Cell phone record review.** Review your telephone records for qualified business use. While



expensing a single landline out of a home office can be difficult to deduct, cell phone use can be documented and deducted for business purposes.

**Inventory review.** Review your inventory for proper counts and remove obsolete or worthless products. Keep track of the obsolete and worthless amounts for a potential deduction.

**Review your receivables.** Focus on collection activities and review your uncollectible accounts for possible write-offs.

**Review your estimated tax payments.** Recap your year-to-date estimated tax payments and compare them to your forecast of full year earnings. Then make your 2023 4th quarter estimated tax payment by January 16, 2024.

## Spend Less with These 5 Money Tips

Government data shows that record inflation from the last few years started to slow down throughout 2023, but much of the damage has already been done. Every bill we pay and purchase we make costs more now, from insurance to clothing, and groceries to household supplies. Here are some tips to spend less to help offset the effect from these now permanently higher prices.



**Pay down high-interest debt.** You can start spending less money today by paying down high-interest debt. [Data from the Federal Reserve](#) shows people who don't pay off their credit card balance each month pay an average interest rate of 22.16%. For a monthly credit card payment of \$75, this interest expense costs you \$17 a month, or just over \$200 a year.

**Revisit your subscriptions.** Write down how many monthly subscriptions you're paying for, then add up the monthly cost. Then ask yourself the following questions: Can you do without some of these subscriptions? Can you cut the cost of some of these subscriptions? Are there some with overlapping benefits? Maybe you'll discover a subscription you completely forgot about. You don't have to cancel all of them, but getting rid of just a few can help you spend less each month.

**Shop around for insurance.** Loyalty to an insurance company doesn't always pay off. Consider shopping around and comparing rates for homeowners', auto, & umbrella insurance, along with other insurance coverage you may have.

**Eat at home.** Limit how often you dine out or stop for take-out. Your wallet will thank you! [According to data from the Bureau of Labor Statistics](#), overall food spending was up 12.7% in 2022, partly driven by a 20% increase in food spending away from home.



**Start using a budget.** Finally, spend less by creating a written monthly budget and sticking to it. Find a budgeting app that you like the look and feel of, then create a budget within that app to help you decide how much to spend each month in various categories. Once the budget has been created, be sure to keep it updated throughout the month, instead of waiting until the last week to get it up-to-date.

The cost of everything may have skyrocketed, but you still have at least some control over where your money goes each month. Consider these steps to cut your spending, and you may be surprised at how much you save.

## The Power of Cultivating Gratitude

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 suggestions 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.

## Will That Be Cash or Barter?

### *How swapping products and services could benefit your business*

Bartering, the act of trading goods or services with other goods or services instead of money, is more popular than ever. And with many businesses dealing with constrained cash flow, bartering may be a good way to create value for your business.

#### **The new world of bartering**

Bartering traditionally worked something like this: You know someone who has something you need and you have something they need. You talk, figure out comparable value and make the swap. Everybody's happy. But other than blind luck, finding a match to barter with was very difficult.

But with online platforms, bartering is now easier than ever with the creation of posting sites and exchanges. Posting sites provide a platform where businesses can skim for or post items they are looking to acquire or trade. These are usually free and unmonitored, so surf at your own risk. Bartering exchanges offer a marketplace and bartering credits that act as a middleman. You can trade goods and services and receive credit that you can use towards acquiring a different good or service. These tend to be actively managed and typically charge a monthly membership fee.

Remember, most bartering can create a taxable event. If you receive something of greater value or trade a deductible expense for a non-deductible expense, the difference is taxable income and needs to be reported on your tax return — so careful record keeping is very important.

#### **When bartering can help**



**You have a unique need with no available resources.** Identify what you do well and look at your income statement to identify services you typically must pay for yourself. For example, consider a photographer who is paying a monthly tech support bill to administer their website. That photographer could reach out to the web development company to see if they need photos for their website services or other marketing material. They then barter their photography for coding expertise. It saves each party the necessary cash to purchase these services.

**You need to offload aging inventory.** As inventory ages, decisions need to be made. Letting it sit can take up valuable space and paying to dispose of it is usually not the most efficient practice. There might be a business that has the same issue, but with something you can use. Take some time to think about the type of businesses that might find your old inventory useful.

**You have customers who can't pay.** Use bartering as a method for collecting from customers who can't pay your invoice. Instead of sending an account to collections, consider whether your customer has something of value your business could use. Even if your customer doesn't have anything of direct value for your business, you might be able to accept an asset and then sell it online to settle your outstanding bill.

Finding bartering partners can often have long-term benefits without having to dip into cash reserves. And if structured correctly, the service provided can offset the expense of the service received.

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



PAST ISSUES

October 2023	September 2023	August 2023	July 2023
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