

Strothman & Company PSC

Financial News & Views

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The Strothman Spotlight

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Taking client service the extra mile...

Meet Nicole Shufflebarger, Senior Tax Manager with Strothman & Company. Nicole has over 17 years of experience in accounting with 12 of these years in public accounting. Prior to joining Strothman & Company, Nicole was a Tax Partner with Harbsmeier & Shufflebarger, LLC.

Nicole's experience includes income tax research, review and preparation, review and analysis of financial statements, compilations, reviews and audits, client bookkeeping assistance, budgeting, and account reconciliations and preparation and review of payroll tax returns.

Nicole has experience in a variety of industries. She specializes in serving the construction, manufacturing, automotive, service, retail and restaurant/hospitality industries. With a drive to serve every client to the best of her ability – she is willing to go the extra mile...even an extra 3750 miles as she did last year when she traveled with a client to Ireland for a family wedding!

Nicole grew up in Bowling Green, Kentucky and then spent four years outside Chicago in DeKalb, IL before moving to Louisville. Nicole is a graduate of Morehead State University and holds an MBA from Bellarmine University.

In her spare time, Nicole enjoys spending time with her two children, playing golf, watching movies and relaxing outdoors. Additionally, Nicole is personally involved with St. Gabriel Catholic Parish and School, currently serving as Co-President of the Parent Teacher Student Organization as well as volunteering for the St. Nick Fund. She is also a member of the Association of Builders & Contractors and the Construction Financial Management Association.

Need tax assistance from someone who will go the extra mile for you? Call Nicole at 502-585-1600.

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General Business News

How E-Commerce Can Expand Your Business

From the dawn of the Internet in the early 1990s, e-commerce started a new way of doing business. Shopping leisurely online came into vogue and merchants began scrambling to design webpages for their businesses with attractive product offerings. Now, as people become more accustomed to shopping on the web, they can buy almost anything from groceries, clothing, hardware and appliances to computer gadgets and accessories. For many consumers, e-commerce has become a preferred method of shopping because it is convenient and can be done in the comforts of home.

Offering your customers online shopping for their purchases could be a path to revenue growth. Instead of expanding with more brick-and-mortar locations, consider expanding your operations online. The capital required to start an e-commerce business is far less than that of opening another physical location. There are fewer permits and licenses required, not to mention savings on utility bills. The headache of choosing just the right location is also removed.

E-commerce can actually decrease your cost of doing business. Accessing the Internet as a medium of delivery of goods is both efficient and convenient. You eliminate the cost of paper handling for retrieving bills and invoices and reduce your shipping costs as the customer typically pays for the delivery of items they've purchased. Fewer employees are required to manage inventory or stock shelves. Advertising costs are lowered as your products reach more consumers over a broader demographic base. Less help is required when you eliminate the need for document preparation, telephone calls, credit card machines and data entry.

You are also removing time restrictions. Customers can shop 24-7 online as opposed to the typical 9-to-5 hours of brick-and-mortar locations, making their next purchase as easy as the click of a mouse. They will love the ease of being able to buy products quickly and transfer funds online. And while you are at home asleep, you will love that your online business is busy making you money.

Having an online presence will increase your product brand awareness. People you have never heard of will discover your product through search engine results and share their positive experience with their peers – and word-of-mouth has always been one of the most effective means of advertising. As satisfied customers return again and again to purchase your goods and services, you create a loyal base. It might even give you the potential of expanding your business globally if you so desire.

E-commerce can be a win-win situation for both consumers and businesses. You have the potential to create loyal customers, increase sales revenue, decrease expenses and broaden your reach. There are also tax benefits to conducting business online since an e-business can claim many of the same deductions as a traditional business. Consult with your CPA for exactly what deductions can be claimed and to answer other tax questions specific to e-commerce.

A web-based business is also an affordable way to gather user feedback. Customers can express

their opinion about what they like (or don't like) about your website, services and product offerings. Suggestions for improvement, polls, questionnaires and feedback forms can easily be incorporated into a website. Having data on consumers and purchases they made will give you a jump-start on conducting market research both efficiently and inexpensively.

An e-commerce business makes sense for enterprises offering niche products that do not require an onsite presence. You might want to test the waters with a limited line of merchandise and analyze your success. As the initial products sell, you will be able to expand your merchandise offerings. While e-commerce will never completely replace brick-and-mortar locations, expanding into the virtual world of online shopping could be exactly what your business needs in order to maximize its growth.

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Tax News

Last Minute Tax Considerations

April 18 is fast approaching and with it, the deadline for filing your 2010 income tax return. While the majority of your 2010 tax figures are already in place, there are still a few things to consider before the due date.

Last Minute Tax Savings

Individuals qualifying for **Individual Retirement Accounts** have until April 18 to contribute to the account and take the deduction on their 2010 income tax return. To qualify, you must have earned income. Additionally, if covered by a retirement plan at work, you must meet certain phase-out requirements, depending on your filing status.

If you qualify, the maximum deduction for your IRA is \$5,000 (\$6,000 if you are 50 years old or over). If your spouse qualifies, the maximum deduction is \$10,000 (\$12,000 if both you and your spouse are 50 or older).

The IRA can be established any time up until April 18, 2011.

Simplified Employee Pensions are similar to IRAs, but they are established and funded by employers. They can be set up and funded anytime up to the due date of the return (including extensions). They are excellent retirement vehicles for sole proprietors in that you can contribute up to 25 percent of your self-employment income or a maximum of \$49,000. Their biggest drawback is that you must contribute the same percentage to employee SEPs that you contribute to yours.

Assume you want to contribute 25 percent of your self-employment income to a SEP. Also assume that you have three other employees who qualify under the plan and their total combined income is \$100,000. In addition to your contribution, you would have to contribute a total of \$25,000 to your employees' accounts. For this reason, you need to think long and hard before establishing a SEP if you have employees.

Health Savings Accounts and Medical Savings Accounts are tax-advantaged methods you can save within to cover the cost of medical expenses. Most medical plans require you to pay a deductible, so if you are covered by a high-deductible plan, you can establish an HSA. The idea behind the health account is to reduce your overall cost by allowing you to increase your deductible, which typically reduces the premium. Instead of spending the premium savings, you

deposit the savings into an HSA (the deposit is deductible just like in an IRA). If you need money to pay qualified medical expenses, you can use the funds in the HSA.

The amount you can contribute to the HSA each year is limited to the lesser of your deductible or \$3,050 for individuals (and \$6,150 for families). Assuming you qualify, you have until April 18 to establish and fund an HSA. In addition to the maximum amounts above, persons age 55 and older can make catch-up contributions of \$1,000.

A Few Other Thoughts

In addition to last minute tax savings tips, be aware of the rules surrounding extensions. While you can obtain an extension of time to file your return, there are no extensions on due dates for tax payments. If you believe you will owe tax, make every effort to accurately estimate the amount due. Failure to pay it by the April 18 deadline will subject you to interest and penalties when the return is finally filed.

Additionally, don't forget the requirements for state extensions. Some states accept federal extensions as valid for state purposes and some do not. Whatever the case may be where you file, all states require you to pay any tax due by the original due date.

As we near the filing deadline, you might still have one or two tactics available to minimize your tax liability. Give us a call and let us help search through your options.

Have a great spring season.

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Tax Tip of the Month

Being the Boss – Managing People Well

Many entrepreneurs had their share of bad bosses before setting up their own business operations. Trying not to fall into the bad habits of others – or avoiding your own versions – can be a challenge, especially for people who excel in doing rather than managing.

Here's a short checklist that might help you avoid the most common pitfalls:

- 1) Lead by example and be clear about your rules, guidelines and expectations**
If you want your employees to dress appropriately or work normal office hours, make sure that you aren't breaching your own guidelines. Be sure people know what you expect from them in terms of workplace conduct and that they recognize the type of environment you offer.
- 2) Create and distribute written workplace guidelines**
Don't assume everyone shares your standards and values. They don't. In these litigious times, every business needs something in writing (reviewed by a legal professional) that states company policy and procedures. This is the document that states what is not allowed in the workplace – whether it be sending comments and photos regarding work to Facebook or using office equipment (computers, scanners, etc.) for personal business. This document can also address confidentiality issues, vacation and sick time policies, and non-compete requirements.
- 3) Be honest and consistent**
Being the boss means you will sometimes have to give employees unpleasant news, share information and/or address problems and issues with them. Remember, you are

their boss first, not their friend. If you use little white lies to try to avoid uncomfortable conversations – telling one person one thing and another employee something different – you run the risk of appearing inconsistent or untruthful. Employees want to know where they stand, what the boss plans to do and how the boss feels about work-related issues. It is best to deliver bad news honestly, without delay, and directly to those it affects. To do otherwise can generate conflicting rumors and undermine morale and trust.

4) Praise publicly; criticize privately

There will be times when something, or someone, makes you frustrated, angry or even fearful. You are human, after all. Whatever works – a walk outside, breathing deeply, etc. – to avoid a public outburst, do it. No matter how severely provoked, shouting, expressing anger or losing your temper won't make the situation better. In fact, it might seriously upset those who played no part in creating the situation. When you can address the issue with the individual calmly, do so in private. Only discuss individual employees' job performances publicly if you are delivering praise.

5) Conduct diligent reference searches

Don't be tempted to cut corners when checking references on new hires. Remember that you are trying to determine competency and character. An inexperienced worker or unscrupulous individual can create havoc and cost you a lot of money in a short amount of time. If you hire people with little or no relevant work experience, make sure that you train and supervise them carefully. What is obvious to you might not be obvious to them.

Being a boss brings its own rewards and challenges. Remember that most employees take their cues from what they see the boss doing. You set the tone and atmosphere of the workplace. Upholding consistent standards and expectations in a place of work where mutual respect thrives will make your management duties much easier.

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Financial News

Recent Tragedies Highlight the Need for Financial Disaster Planning

Earthquakes, hurricanes and other natural disasters might seem like events that only happen to other people in far-off places. But recent events highlight the need to be prepared both physically and financially.

The earthquake, tsunami and nuclear crisis in Japan have left millions displaced. Tens of thousands have lost loved ones, many of who were probably the family breadwinners. This human tragedy and loss of life alone are shocking, but now the survivors must cope with emotional and physical trauma, then suffer financial trauma as well.

Shore up your financial house

Hurricane zone residents often reinforce their homes to help the structures better withstand the onslaught. Entire towns are evacuated.

These actions save lives and money, but shoring up your financial situation is too often the neglected part of disaster planning. If a natural disaster strikes tomorrow, are you prepared for the personal financial catastrophe that could follow?

Mitigate the damage

The first step is to mitigate damage to your property.

- Install smoke and carbon monoxide detectors
- Secure furniture such as bookcases to wall studs
- Install a safe for important papers and valuables
- Hire professionals to inspect wiring, plumbing, pipes and foundation
- Clear brush and undergrowth
- Install fire-resistant siding and shingles
- Buy a home in a lower-risk location

These steps can lower insurance costs and minimize property damage. If you can't afford to pay for these measures outright, consider taking out a loan or pursuing federal aid.

Protect your assets

Your homeowner's or renter's insurance will need to pay as closely as possible for the replacement cost of your property, if needed. Insurance rules vary by state, so talk to a professional about the basic and supplemental insurance you might need, including guaranteed replacement cost policies, flood or earthquake insurance and liability coverage. Make sure that computer equipment, jewelry, heirlooms, artwork and other items are covered. If not, you could need to add a policy rider.

Insure your health

Medical costs can add up quickly in a disaster scenario.

The first step is to make sure that you and your family are covered by health insurance. Understand your coverage, including out-of-pocket costs, claim processing steps and payment turnaround time.

Options for health coverage include:

- Group coverage from your employer – or COBRA if you've been laid off
- Individual plans
- Children's Health Insurance Program (CHIP), Medicare, Medicaid, veterans benefits, Social Security and other government programs (you must qualify)
- Disability insurance (benefits are typically tax-free when buying your own policy)
- Workers' compensation

Talk to an insurance professional, your employer or the appropriate government agency to learn which plans you are eligible for, how much insurance you need and what you can afford.

Plan for the worst

As catastrophic as your untimely death would be at any time, imagine the shock and financial complications it would cause to your family if your death occurred during the chaos of a natural disaster. Talk to your financial planner, insurance agent or tax adviser about the type of policy you need and how much in dollar amounts you should carry.

Your adviser can help you determine:

- Whether to choose term or whole life insurance
- How much life insurance to carry
- How much premium you can afford to pay based on your budget

Keep the cash flowing

If a natural disaster prevents you or your spouse from working, you must ensure that you can replace at least part of your income.

Things to consider include:

- Employer-sponsored and individual disability plans
- Employer policies on payments to employees during a disaster-related work stoppage
- Unemployment benefits and workers' compensation eligibility
- Social Security disability and supplemental benefits
- Benefits for veterans
- Retirement plan hardship loans
- Cash from whole life insurance policies
- Reverse mortgages and home equity loans

Other tips include keeping an ample supply of cash locked securely in your safe and regularly funding an emergency savings account.

Put it on paper:

- Keep a list, on paper, stored for easy access, of essential contact information for government agencies such as FEMA, your employer, family, friends and other emergency contacts vital to your personal and financial well-being. Computers, cell phones and other electronic devices might not work during a disaster, and batteries eventually go dead, so do not rely on electronic address books.
- Store copies of important financial, medical, insurance, banking, estate-planning and other documents in a safe, along with current computer backup disks.

Talk to a professional

For help planning for the financial aftermath of a natural disaster, talk to a trusted tax adviser, financial planner, CPA, insurance agent, government agencies and other professionals for advice that fits your unique situation. If disaster strikes, financial peace of mind will go a long way toward rebuilding for the future.

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Stock Market News

Pondering the Future

A series of major events – the earthquake disaster in Japan, growing political violence around the Persian Gulf and President Obama's decision to engage our forces in the Libyan conflict – gave us lots to consider during the last month. Though the shock of the Japanese disaster and the engagement of U.S. troops in Libya were new additions to major global issues, the markets took the news in stride after a couple of unsurprising wobbles. Here's an overview of what's been happening and a synopsis of varied opinions from investment experts.

Global Issues

The continued optimism on Wall Street is perhaps the most significant news of all. Investors have remained bullish in the face of bad news – another example of how market performance often flies

in the face of logic. On the other hand, the bears remain concerned about the long-term problems created by Japan's damaged nuclear facilities and the unknown toll of the disaster on the Japanese people and their economy. They note that the impact of the turmoil in the Middle East on oil prices, the decrease in production capacity and the region's spreading tide of political upheaval can't be ignored. For the most part, the burgeoning unrest in the more moderate countries in the Middle East took most analysts by surprise, with uprisings in countries that normally don't hit the headlines. Since the government fell in Egypt, we've seen the Tunisian government topple, protests in Oman and Syria, and violence in Yemen and Bahrain – where the Saudis took the unprecedented step of sending troops in to support the Bahraini ruling family. Bahrain – a small island kingdom that mirrors the area-wide animosity between Sunni and Shiite Muslims – has been at the center of political disputes between Iran and Saudi Arabia for decades.

Middle Eastern conflicts have overshadowed the financial woes in Europe, but they continue unabated – with Portugal the latest nation to report a fiscal crisis. As March drew to a close, the British government unveiled a budget featuring spending cutbacks and belt-tightening measures.

At Home

Good news came from the National Federation of Independent Business, reporting that small businesses are showing an upswing in hiring. Gross domestic product rose 3.1 percent – higher than predicted – suggesting that a steady but slow recovery is under way. Sustained gains in corporate profits for the fourth quarter of 2010 were hailed as a welcome trend based on the assumption that it will spur hiring and capital spending.

On the downside, investment experts worry about the rise in food prices and a surge in gas prices. Light crude oil that sold for \$85 in February reached \$100 recently, and some industry experts are predicting an average price of \$106 during 2011. Many investors are betting that oil prices will continue to surge. Others continue to favor consumer staples and some also think that defense stocks are a good strategy. Many investors are bullish on gold, a commodity that traditionally is boosted by global conflict and political turmoil.

Though traders and money managers have to react to world events – and disasters always create opportunities for speculators – there is no reason for investors to make hasty decisions. Balancing and managing your portfolio requires sound strategy. As always, consult your tax and investment professionals before implementing any changes.

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Technology News

Keeping Email Safe

No matter how careful you are with security and virus protection on your computer, you might still fall victim to unscrupulous individuals who attempt to use your email account to send spam or steal data. There is no ironclad method of avoiding these problems, but there are some steps you can take to protect yourself.

Email spoofing has become the most common form of email scams. A type of high-tech forging, spoofing occurs when someone sends an email and pretends it is originating from another source – one the recipient would assume is legitimate. Spammers write programs that allow them to send mass emails from one server that appears to the recipient to be from a completely different source. The intent is almost always to gain access to sensitive data – passwords, usernames or other personal information. Unlike hijacking, which happens when a spammer actually breaks into

your email account to get to your address book, spoofing doesn't involve breaking into your account. It is more insidious – and harder for the unsuspecting to detect.

Spotting Spoofs

Spoofed emails can look very convincing – just like the reliable source you know – and often include links to websites that look legitimate. Common spoofed sites include financial institutions, retail sites, well-known spyware program sites and other websites that you might use. These spoofed emails almost always request user information, passwords and other confidential data. If something shows up in your inbox from a source that doesn't usually email requests like this, be suspicious. As a general rule, it is a good idea not to click on links embedded in emails just in case the senders are not who you think they are.

Watch out for urgent alerts that pop up while you're online, informing you that your system has been invaded by malware. Don't fall for it. If you are on a website and a window suddenly opens up on the screen exhorting you to use it to run an anti-virus program immediately to save your system, don't do it.

Getting out of the situation safely without activating the program can be tricky. Avoid clicking on anything at all in the virus/infected system window that just appeared – don't even hit the X in the window to close it. You must get offline completely. If you are using Microsoft Windows, the safest escape is to hit ALT F4. Once offline, run your spyware/virus protection programs plus any spybot programs you have.

If Your Business is Breached

Bad as it might be to receive a spammed or spoofed email, matters can be even worse if your website or email become the unwitting source of problems for your clients. For a business owner, a hijacked or spoofed website or email address can seriously damage your business operations. If your systems are breached in any way, you must be proactive. Contact your clients, business associates, friends and family by email and phone immediately to alert them and let them know what the bogus emails might look like. Tell them the problem is being resolved and ask them not to send any confidential data in response to any requests from your email address. Send a copy of your alert via snail mail, too, as well as follow-up information when the issue is resolved. Let clients know when the crisis is over and update them on your new security procedures and programs.

Keep security basics in mind at all times. Choose passwords that are complicated, and don't use the same combination for all your online accounts. Keep security and antivirus programs current and update them often. Don't expose your computer system to unnecessary risk. Be cautious about third-party applications that are associated with social media sites – don't give anyone access without considering the implications.

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If you have any questions, please call us at 502.585.1600 or email info@strothman.com

your first choice...for a second opinion

Wouldn't you want to know for sure that you are paying the least amount of tax that you should be paying? Call us and we'll give you a FREE second opinion of your company and personal tax returns – Typically we will find significant tax savings. **Find out more by calling us at (502) 585-1600 or visit www.strothman.com**



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