

Financial News & Views

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General Business News

Tips Help Business Owners Achieve Success

Did you meet your business goals in 2010? As we begin a new year, now is the ideal time to reflect on what happened in 2010 in order to clearly plan for the changes you want to make in 2011.

Following your assessment, focus on the areas of your business that will impact your bottom line while also serving your clients, employees and other stakeholders.

In an effort to grow as a company, continue to keep your employees educated. To do so, you must evaluate each one and assess which skills they need to build to help your business operate more effectively. To prevent boredom and complacency, employees need to learn. This fosters new opportunities for personal growth and the growth of your business. Mentoring your staff is important, as is putting them in touch with accomplished peers in the industry.

One of the most important qualities a businessperson must have to be successful is good communication. Whether through social media, work conversations, email or participating in a meeting, you must know how to craft your message in a way that reaches your audience. Keeping your points concise will keep the attention of those around you and gain respect from your peers.

Another strategy to make sure you are going in the right direction is to build relationships between your co-workers and others in your industry. Through teamwork and collaboration, you can work together to generate new ideas, better your business and build alliances. While this might take time and patience, it can pay dividends and cost very little.

Throughout the year, it's important to set goals and work to achieve them. Jotting down actions you must take to obtain these goals is integral for success. Start with the low-hanging fruit – or the more reachable goals – to build determination and confidence.

In order to build business and credibility, ask clients for referrals. Because individuals put more value on recommendations as opposed to advertisements, don't be afraid to ask for a referral. Word-of-mouth from trusted colleagues and friends goes a long way – and it doesn't cost a thing as long as you thank them in return.

While tracking your net income is important, it's just as important to make your employees feel valued. Boost their attitude toward working for you by compensating them through money, but don't forget to give verbal and written praise where it's due. This not only shows how much you appreciate them, but it also goes a long way in motivating employees to work harder.

Don't forget your clients! We get so caught up in meeting deadlines, managing multiple projects and dealing with stress that we sometimes forget how valuable clients and customers are to the long-term health and welfare of our business. Giving great customer service and keeping in touch with them builds relationships and earns respect.

While you must stay on top of your work, it is also important to take some personal time and enjoy life. Spending time with your family, pursuing your hobbies or hanging out with friends is essential to creating a balance between work and fun. While it might seem hard to find the time to enjoy these getaways, there *are* ways to reduce the amount of time you spend on work so that you can live a little outside of it.

One way is through time management. If you were to write down every activity you do each week, you might find that some of these activities aren't helping you accomplish your goals. You might also discover that some things can be delegated to other team members or outsourced to contractors.

Exercising some or all of these strategies will lead to more success in the workplace and generate more happiness outside of it. Make this New Year a successful one by practicing some of these tips to further your business and your relationships.

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Tax News

Charitable Giving Guidelines

Even though it's now 2011, completing and filing taxes for 2010 is just beginning. While we all know that charitable donations are an ideal way to reduce your tax liability, it's a good idea to review some of the finer points of the IRS rules. While it's a good feeling to give back to others, the act is more rewarding when we also receive a bottom-line credit.

Charitable Donations

Generally, donations to the following charities and organizations are 100 percent deductible: religious organizations (churches, synagogues); the United Way, hospitals, research facilities, educational organizations, some membership organizations, units of government and some private foundations.

Subtract Cost of Goods and Services

You cannot deduct 100 percent of your donation if you received any goods and/or services in exchange. For example, if you paid a \$35 registration fee to participate in a benefit race and received a T-shirt, the value of that shirt must be subtracted from the total donation. Estimate the value as best as you can – you're on an honor system.

Not Everything is Deductible

Let's say you volunteer your time at the same benefit race. The time you spent volunteering is not deductible. However, any out-of-pocket expense associated with the run may be, including

mileage, lodging and meals.

Prove Your Donation

If you are giving cash, be sure to get a receipt that includes any pertinent information or details. If you paid by check, keep the cancelled check or rely on your bank's electronic check register. Credit card payments can be justified through a receipt or your credit card statement.

Fair Market Value of Goods

Most everyone at some point donates clothes, furniture, electronics, books and other items to various kinds of charities. Get and keep an itemized list of all items donated. However, remember that if a new iPod cost you \$200 and you donate the iPod after two years, you cannot claim \$200 on your tax return.

The IRS bases the amount on fair market value, so in most cases you must estimate the value. Think of this in terms of when you trade in a car; the \$30,000 car after five years may only be worth \$10,000 as a trade-in. When figuring the fair market value of a donation, make sure you don't overestimate the value of the gift. A good rule of thumb is to calculate what your item would sell for at a thrift store or in a garage sale. If you donated an item with a value more than \$500, you must have the item appraised by a third-party for verification. This usually involves cars, artwork or estate jewelry.

Qualifying Year

A gift is deductible only in the year it was paid. If you give a client or customer a gift, despite the fact that the gift will be used in the following year, you can only deduct the cost of that gift in the year you originally gave it.

Donating Stock

You can also donate stock to charity. If the stock has appreciated in value, you get to donate without having to pay taxes on the capital gains and you can deduct the entire current value of the stock.

Itemizing is Important

You will only get IRS credit for charitable donations if you itemize your deductions on your return. There is no provision to add these gifts to the standard deduction.

Giving is good for the soul – and also good for us in other ways. As always, it's important to consult your accountant or CPA for an educated opinion on what's deductible, the rules and restrictions associated with charitable giving, and advice on how to lower your tax liability in other ways.



IRA Distribution Rules Change for 2010

Keeping up with the federal rules and regulations for Individual Retirement Accounts is kind of like keeping up with the constantly changing tax law. While the finer points are best left to financial planners to impart to their clients and customers, anyone who has an IRA and is near retirement age should educate themselves.

In 2009, the economy's effect forced legislators to provide relief to retirees whose IRAs had been severely impacted by the financial markets. The law allowed IRA owners age 70½ and older to skip required minimum distributions in 2009, thereby enabling these retirees some time to recoup their losses.

Even though many investors who would have been subject to the requirement skipped their

distribution in 2009, this led many to believe that they don't have to take any money out of their IRAs in 2010 either.

Wrong! The minimum withdrawal requirement was reinstated for 2010 – and the consequences for skipping a distribution are huge. If the minimum required distribution is not received by the deadline (Dec. 31 in most cases), the tax liability is equal to 50 percent of the amount that should have been withdrawn. If you did not take the distribution, it's best to check with a financial planner for advice.

IRA owners who turned age 70½ in 2010, however, have until April 1, 2011, to take their first distribution. Keep in mind that if you wait until next spring, you'll have to take two withdrawals next year – your 2010 distribution *and* your distribution for 2011.

Converting to a Roth IRA is ideal if you want to leave your funds to your children. Although you pay taxes on all pre-tax contributions and earnings, future earnings will be tax-free. Converting to a Roth would allow your children or other inheritors to avoid paying taxes on an inherited IRA.

Roth IRA owners don't have to take minimum distributions and IRA owners who are required to take minimum required distributions are still eligible to convert to a Roth. However, you must take your distribution for the year *before* you convert because that money isn't eligible for the conversion. IRA owners who convert to a Roth by Dec. 31 must pay the entire tax liability when they file their 2010 tax return or split the income between 2011 and 2012.

Although some seniors are not entirely comfortable with technology, it does help to automate the process. Many IRA providers offer programs that automatically deposit distributions into a bank account or non-retirement investment account. You can also arrange to have taxes automatically withdrawn from IRA distributions.

Knowing the ins and outs makes us smarter investors and helps reduce our tax bill. Adult children of retirees can also help their parents make sound decisions. As always, consult your financial planner/accountant for the latest rules and regulations. They will have the knowledge you need in order to enjoy the best outcome – and your retirement years.

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Tip of the Month

What the New Tax Bill Means For You

By now, all taxpayers know that the current tax-rate brackets will remain in place through 2012. However, the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 contains many other provisions – and a couple of surprises. A consultation with your tax professional is necessary to help you plan an appropriate tax strategy for the coming year. In the interim, here's a general overview of key provisions.

- Existing tax rates and tax brackets have been extended through 2012. The current 0 percent and 15 percent rates on most long-term capital gains and dividends have also been extended until 2012.
- The \$1,000 Child Tax Credit – slated to be cut to \$500 – has been extended and is in place through 2012.
- A new Social Security tax reduction will be in place for 2011 only. The 6.2 percent Social Security tax withholding on employee wages will be cut to 4.2 percent. This reduction affects the first \$106,800 of 2011 wages, which equates to a maximum savings of \$2,136

for individuals filing as single taxpayers and \$4,272 for married couples. The Social Security tax component of the self-employment tax is also reduced from 12.4 percent to 10.4 percent for 2011.

- Congress has allowed bigger Alternative Minimum Tax exemptions and certain personal tax credits to keep more households from falling into this add-on bracket. The new law covers 2010 and 2011.
- The tax break for seniors (age 70½ or older) that allowed charitable donations of up to \$100,000 to be made directly from IRAs has been extended through 2012. This provision benefits wealthier retirees who are allowed to use these donations as IRA-required minimum distributions to take the place of taxable RMDs.
- Taxpayers residing in states with minimal or no state income taxes had the option from 2004 to 2009 to claim an alternative itemized deduction for state and local sales taxes. This option is retroactively restored in the new tax laws and extended to 2011.
- The American Opportunity Credit of 2010 provides a generous college tuition tax credit, worth as much as \$2,500 for up to four years of undergraduate studies. This has been extended through 2012. The new law also retroactively restored the college tuition deduction for 2010 and extended it through 2011.
- For employees in continuing education programs, the new act extends the Employer Educational Assistance provisions that allow an employer to provide up to \$5,250 a year in federal income tax-free educational assistance payments to eligible employees. The tax-free payments can be used for undergraduate and post-graduate school costs for classes that do not have to be job related.

Some Lost Out

Many tax provisions were extended, but with smaller tax credits – and others were not extended at all. Notably, the tax credit for energy-efficient home improvements – up to a credit of \$1,500 – was scaled back to 10 percent of the project costs with a maximum payout of \$500. This new \$500 limit will be reduced if any previous credits have been claimed. This means that most homeowners who took advantage of this tax break previously are unlikely to be eligible for any further tax benefits.

In addition, a homeowner tax deduction was not restored either. This real estate tax provision had allowed some taxpayers who did not itemize to write off state and local real estate property taxes by claiming an increased standard deduction. Unmarried non-itemizers had a potential write-off of up to \$500, and married couples who filed jointly were eligible for a write-off of up to \$1,000.

The Act also provides for extensions to several provisions helpful to families with children. For more information on these, and for more details on those mentioned above, contact your tax professional.

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Stock Market News

Stock Market: Experts Forecast Sunnier Skies

2010 might be described as a year of frustration and doubt for U.S. investors. It was a year of constant ups and downs, with the Standard & Poor's 500 crossing its opening benchmark of 1115 in January 2010 more than 160 times. Worries about the economy, the job market and budget deficits abounded – and many Americans expressed their discontent by backing away from the U.S. stock market. The good news is that many investors now believe that the Government-

directed recovery effort has taken root, and some key Wall Street pundits believe the stock market will rebound in 2011.

In light of last year's market fluctuations, it is heartening to know that many investment analysts enter 2011 decidedly bullish. Here are some recent observations.

- Investors who deserted the markets and U.S. mutual funds in 2010 have created some potentially significant stock bargains for savvy investors who rode out the storms. Fortune favors the brave, and history shows us that those who abandon stocks usually fail to jump back in fast enough to leverage sharp rallies. Some analysts believe that lingering doubts still prevent individual investors from recognizing some great stock bargains. They point to examples of great earnings recently among large U.S.-based companies, buoyed by low interest rates and improving consumer confidence.
- Some experts believe that evidence the economic recovery is under way will encourage consumers and corporations to relax the tight grip on their cash. Companies that are well funded have begun to loosen their purse strings, and as a result, the manufacturing and industrial sectors are gearing up again.
- For its part, the Federal Reserve Bank remains committed to supporting asset prices; and with inflation under control, there seems little chance that the Fed will reverse its current policies.
- Undoubtedly, global economic concerns, credit policy shifts among emerging nations and geopolitical strife continue to cast a shadow. However, none of the most troublesome scenarios have materialized and it appears that Wall Street no longer expects every global issue to rattle the market. It should be noted, however, that the longer term problems threatening our economy – as well as those facing nations overseas – have not been resolved. The U.S. deficit, burgeoning debt among emerging nations and fiscal problems in Southern Europe and Ireland have not disappeared. That being said, many investment experts believe we are on the cusp of a cyclical upswing that will boost the markets throughout 2011.
- Which sectors are attracting analysts' attention? Amongst those getting the thumbs up are:
 - a. Consumer staples – a category that gained 10 percent during 2010 – is expected to show respectable profits. Stock prices in this sector are considered to be reasonably priced.
 - b. Technology offers some good stock prices, and many companies are cash rich with a presence in emerging markets where Internet and smart phone use is escalating rapidly.
 - c. Consumer discretionary stocks – especially those that appeal to increasingly frugal U.S. consumers – are also considered attractive. In this category, companies that are expanding globally (especially fast food giants) are also attracting attention.

Whatever awaits us in 2011, it is heartening to enter a new year with confidence rising and stocks climbing. The general observations outlined in this article are not intended to take the place of counsel from tax and investment professionals. Make sure to get the information and advice that suits your specific investment goals before taking any action.

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Technology News

Technology: Top Strategic Technologies for 2011

Information technology continues to evolve and change at a breakneck pace, making strategic planning and purchasing decisions difficult for businesses large and small. Here's a review of some of the major trends and online strategies that industry leaders see for the near future. All hold the promise of major competitive advantages for companies that are quick to adopt them. Many will require major changes in the way you plan and conduct your day-to-day business.

Mobile Trumps Desktop

By the end of 2010, estimates suggest that 1.2 billion consumers were carrying handsets that allow the convergence of mobility and the Internet. Companies recognize that many of their customers prefer to conduct business and make buying decisions via their mobile devices. Applications designed for smart phones, such as iPhone and Android, and for touch-screen tablets are a key aspect of many of today's most successful marketing launches. This has led to a highly competitive environment, where the timely launch of mobile applications is becoming increasingly crucial in the battle to gain market share. In tandem with this, Internet-savvy business owners recognize the need to create simple, straightforward websites that work well on mobile devices. Industry experts predict that this trend will continue and that websites will be designed with mobile functionality being the first priority and desktop applications a secondary concern.

Quality Will Drive Search Engine Optimization

Major search engines are finding new ways to use social media networks to identify authentic content. Traditionally, companies would develop key-word rich contents to secure search engine recognition. In this environment, quantity was all-important to make the necessary impact on search engines. Now, major search engines like Google are tapping into social media sites such as Twitter and Facebook to find out what's new and exciting. In its latest incarnation, search engine recognition is more about genuine buzz and consumer assessments of quality.

Traditional Marketing Methods Are Becoming Obsolete

Traditional marketing tools such as direct mail and telemarketing are no longer the go-to tactics for many businesses. New highly-targeted means of promotion and market share acquisition using mobile technologies and social media networks are gaining ground fast. Experts anticipate the shift toward viral and social media marketing tools to continue to gain strength.

Context Aware Computing

Among the new social media marketing tools, context-aware computing is attracting a great deal of buzz. This cutting-edge tool is designed to gather information about an end user's environment, activities and preferences in order to better interact with and market to that specific end user. Perhaps it's easier to look at an example of this than to try to explain the philosophy behind this technology. For example, there are applications on Facebook or Yelp or iWant that encourage check-ins in order to provide information and special offers or discounts at the end-user's location. Programs like this can also be developed to deliver customized content or product suggestions to business partners or employees as well as customers. Industry analysts think that within two years, half the companies listed in the Fortune 500 will have adopted context-aware computing technologies; in five years, about one-third of all marketing to mobile consumers will be context-awareness based.

Not all emerging trends will fit every business, but staying up-to-date on new strategic technologies allows business owners to address marketing challenges and improve operational efficiencies.

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The Strothman Spotlight



From Cooking to Calculating

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Prior to joining Strothman & Company, David Ark worked as a Chef at several high-end restaurants including Kunz's in Louisville . "I had to leave the restaurant business because I always worked on evenings, weekends and holidays. That's when I wanted to spend time with my family." He realized at the time he was considering changing careers how many parallels there are between the two professions. "There is definitely a creative side to being a Chef, but at the end of the day you have to be able to make a profit. Balancing the food and labor expenses requires a lot of cost accounting." David decided the accounting profession was the career for him, so he resigned his position, completed his Accounting degree and applied for and was hired as a Staff Accountant with Strothman & Company in 2007.

David is now a Senior Accountant with experience in the areas of audit, review, compilation and tax engagements. David serves a variety of industries but specializes in construction, employee benefit plans, non-profits and various privately help entrepreneurial businesses.

In his free time, David is an avid volleyball player and runner. He enjoys brewing his own beer and cooking for his wife, Jeanette, and son, Weber. Only now, you may find a side dish of tax advice at David's dinner parties.

David recently joined the Entrepreneurial Business Services (EBS) Group, where he assists a variety of privately held entrepreneurial businesses with financial statement and tax services. If you have any questions or would like to meet with David personally, please feel free to contact him.

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