



Bill Sipes



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Dear Reader,

Well, it sure feels like summer already! We hope you have some fun times planned for your family this summer. Here is what we have in store for this month:

- Investment Planning
- Hobby Business
- ROTH IRA Conversions
- Survey Results & Winners
- Staff News
- How to Set an Annual Budget
- Retirement Top 10

Don't forget to refer Sipes & Seaton to family and friends!

Bill Sipes,
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EA

Failing to Plan??

The increasing complexity of investments* and investment*-related areas, such as taxes and insurance has greatly increased the need for investment management and planning. We are aware of all the facets of investment planning.

The cost of failing to properly plan one's financial goals usually greatly exceeds the cost associated with preparing and monitoring a personal financial plan. You may be unprotected or inadequately protected in the event of death, illness, disability, unemployment, or other risks of life. There may not be enough money to pay for the children's education or to retire in the lifestyle that one is accustomed to. Unfortunately, this realization comes too late for many to adjust to. On the other hand, many people are unknowingly over-insured in the areas of life, health, disability, etc. The resources paying for the excess insurance coverage could be used to fund other important goals, such as an education or retirement fund. Call Bill Sipes today- he can help you with your investment* planning. Attention Business Owners: Bill is accredited in Business Valuation!

*Securities & Investment Advisory Services offered through Sunset Financial Services, Inc. 3520 Broadway, Kansas City, MO 64111; (816) 753-7000 (Home Office); Member FINRA/SIPC. Sipes & Seaton, PC, CPAs and Business Appraisers is not affiliated with Sunset Financial Services, Inc.

Operating Losses:

Prove Your Hobby Is a Business



Be ready to prove that your hobby is a business if you want to write off your losses.

If you intend to earn a profit from engaging in your favorite hobby -- a hobby business -- you may be able to deduct your hobby-related expenses or losses from your income and lower your tax bill. But to avoid trouble, be sure your activity qualifies as a true business and pay attention to local business rules.

What is a Hobby Business?

Hobby businesses are usually run from home (renting an office would be too expensive) and are often based on semi-recreational activities near and dear to the owner, thus earning them the nickname "hobby businesses." There are as many types of hobby businesses as there are hobbies. A basement jewelry studio, a jazz band for hire, and an antique refinishing business might all qualify.

Often a person's hobby or sideline business is a labor of love rather than a

reliable source of income. This is most often the case when the business owner or freelancer has other means of financial support -- such as a regular job or a working spouse -- that effectively underwrites the microbusiness.

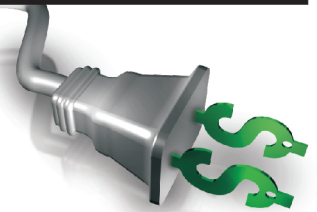
Deducting Hobby Losses From Your Income

An unprofitable business can be a tax shelter. So if you love what you're doing (as is usually the case in a hobby business), it might make sense for you to stick with your business even though it makes little or no money.

If you have another source of income, you may be able to use the losses from your hobby business -- including your expenses and depreciation on assets you purchase -- to offset your other taxable income. Deducting these losses can not only lower the amount of income on which taxes are owed, but also drop you into a lower tax bracket.

Of course, most entrepreneurs would much prefer to make money by earning a healthy profit rather than to take tax deductions because their business is losing money. And the savings made possible by a tax shelter do not always justify continuing a marginal or losing business. But the tax savings definitely can make a difference when you're deciding whether or not it's worth it to keep spending money on your hobby.

Roth IRA Conversions Fraught With Mistakes



April 08, 2010 - www.fa-mag.com

(Dow Jones) While most of the four in 10 U.S. households who own an IRA don't plan to convert those accounts to Roth IRAs this year, tens of thousands, perhaps even hundreds of thousands, are deciding to take the conversion step, and many are making some astonishing mistakes that experts say could be avoided easily.

What are those mistakes and what can you do to avoid them? Here are a couple...

Paying Tax Unnecessarily

More than a few investors have made after-tax (nondeductible) contributions to their IRAs or qualified employer plans over the years. With deductible contributions, you avoid paying taxes on the contribution amount until distribution at a later date. With after-tax contributions you include the contribution amount as part of your taxable income in the year contributed, but then get to withdraw the contribution amount (basis) tax-free at a later date.

When taxpayers who have made after-tax contributions decide to convert savings from a regular IRA or employer-sponsored plan to a Roth IRA, the investor is generally able to avoid taxes on the portion of the conversion that represents after-tax basis. But that's not what IRA owners and their advisors are doing, according to Ben Norquist, president and CEO of Convergent Retirement Plan Solutions.

"We continue to see individuals with after-tax basis and their advisors who fail to take advantage of the various strategies available for doing a Roth IRA conversion at the lowest cost," Norquist said. "By not being aware of the options available to them, many individuals continue to incur a larger-than-necessary tax hit when doing conversions where after-tax basis amounts are involved."

It's Not All-Or-Nothing

Another mistake: IRA owners look at Roth IRA conversions as an all-or-nothing proposition. "While 100% conversion may make sense for a small minority of individuals, we continue to believe that the majority of investors would be best served by considering a partial conversion as a means of diversifying their overall tax risk," Norquist said.

In fact, he said, two things need to occur within the financial services industry for the Roth alternative to be used in a rational manner: 1) The industry needs to get a better handle on the real math behind the conversion decision and quit reinforcing overly simplistic rules of thumb such as, "You should only convert if you anticipate being in a higher tax bracket in retirement." And 2) the industry needs to get away from thinking of the Roth conversion option as an all-or-nothing decision and begin focusing on partial Roth IRA conversions as a legitimate tax-hedging strategy.

2010 Tax Year Survey Results

(Scored 1 through 5 with 5 being best average score)

1. Did we process your tax return in a reasonable time? 4.8
2. Did we return phone calls in a reasonable time? 4.9
3. Did you think our invoice was fair? 4.6
4. Was our work accurate? 4.9
5. Did our staff greet you promptly and courteously upon arrival? 4.9
6. Was our staff friendly, courteous and especially helpful on the phone? 4.9
7. Do you refer businesses or people to us? 4.9
8. Did we appear to have the knowledge and experience that your work required? 4.9
9. Are you planning to use us again? 4.9
10. What is the one thing you believe we could improve to make our services better for you and other clients?

Just keep up the good work!

Nothing.

Best tax prep work I've had in a long time. Thank you!

Everything is great!

If it ain't broke, don't fix it!

Other comments you would like to share:

Thank you!

You have been a huge help to my family and me. Thanks so much!

I live out of state but still use your service.

Great customer service. Enjoy all the staff and its promptness.

Have really enjoyed your expertise over the years and hope to use you for a long time.

And the winners are...

Congratulations to **Daniel & Kelly King** and **Russ Burczak!**

They were referred to Sipes & Seaton by family and friends who used our services to prepare their tax return this year.

We send a special thank you to all those who participated in this contest and referred us to others.

These two lucky winners had their names drawn.

Enter our contest next year by sending others our way!

The winners received a Ruby Tuesday Gift Certificate!

STAFF NEWS

Welcome!



Scott Metcalf

Scott Metcalf is a May graduate of Lambuth University and played on the golf team. He received athletic and academic scholarships. Scott just completed an Accounting Major & Mathematics Minor and recently won the Stone Cup this summer at the Jackson City Golf Championship. He was born in Cincinnati, Ohio, and moved to Jackson at the age of seven. Scott attended high school at USJ. His daily assignments at Sipes and Seaton relate to creating business valuations by gathering economic and financial data and analyzing financial statements and tax returns. Please join us in welcoming Scott!



Bill Sipes

Bill Sipes recently received the ABAR (Accredited in Business Appraisal Review) certification issued by the Institute of Business Appraisers. The ABAR is a unique credential designed to provide a level of quality assurance to stakeholders in the business appraisal process. The certification provides an innovative appraisal review and quality assurance procedure.

Bill will use this education in situations where assuring the quality of a valuation opinion is an essential element of a transaction, such as: financial reporting, fairness opinions, tax matters involving income tax, gift and estate tax filings, and related regulatory audits, litigation support services, court proceedings, arbitration, mediation, mergers and acquisitions, and any other situation where an independent opinion regarding the credibility of the work product of a business appraiser would be useful to third parties.

What else has Bill done recently???

< He was appointed Co-Chair of the AICPA (American Institute of CPA's) ABV exam review task force. This committee oversees the review course utilized to prepare for the exam to become an ABV (Accredited in Business Valuation).

< He was appointed to the American Institute of Certified Public Accountants (AICPA) National Credentials Committee for the Accredited in Business Valuation (ABV) credential (2010-2011). The AICPA established the ABV credential program in 1998 for CPAs who specialize in valuation. The ABV credential is granted exclusively to CPAs who demonstrate considerable expertise in valuation through their knowledge, skill and experience.

< He was appointed to the TSCPA Forensic and Valuation Committee. The Tennessee Society of Certified Public Accountants is the state professional organization for certified public accountants who are principally employed or reside in Tennessee. The society's membership is comprised of more than 8,000 members in industry, government, business, education and public accounting. With more than 100 years of service to the accounting profession, TSCPA acts on behalf of its members and provides support, enabling its members to perform quality professional services while serving the public interest.



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How to Set an Annual Budget (www.inc.com; By Ilana DeBare | Nov 1, 2010)

It seems to be the least sexy part of running a business, but maintaining a realistic budget - and paying attention to it - can make or break your company. Sharon Eisenhauer never thought she would understand budgeting when she was preparing to launch Haiku, her Oakland, California, company making functional, feminine bags for the outdoor recreation market. But once Haiku was up and running, she says, "everything clicked."

"Our budget has been an incredibly useful tool, especially for a product-based business," says Eisenhauer, whose sales are at \$1.4 million after six years. "I couldn't do this without it." An annual budget may seem like the least sexy part of a business - far less interesting, say, than the signature recipes of a restaurant or the cutting-edge apps produced by a software venture. Yet creating a realistic budget and paying attention to it throughout the year can mean the difference between business success and failure. "Having a budget stacks the odds in your favor dramatically," says Vicki Suiter, a business consultant with Suiter Financial Systems in Novato, California. "It helps you make happen what you want to have happen." Businesses need two kinds of annual budgets: an operating budget focused on profitability, and a budget focused on cash flow.

Setting an Annual Budget: The Road Map to Profitability

An operating budget is a prediction of all expected revenues and expenses over a 12-month period. It projects your gross and net sales, along with your net profits or losses. On the expense side, it includes both one-time expenditures such as equipment purchases and ongoing costs such as rent.

Some expenses commonly included in budgets are:

- Rent
- Insurance
- Personnel, including payroll taxes
- Costs of purchasing or producing your product
- Sales and marketing
- Phone, Internet, and utilities
- Repairs and maintenance
- Outside services (accounting, legal etc.)
- Fees and licenses
- Interest
- Depreciation
- Office supplies
- Company vehicles, travel

An operating budget allows you to try out different assumptions in advance for variables like pricing and staffing, so you can take your best shot at making a healthy profit. "I tell my clients to create three scenarios - best case, worst case, and middle of the road," says Michelle Long, a CPA and business consultant with Long for Success in Kansas City, Missouri. "Their budget helps them identify potential problems that may hamper their chances for success. They can plan for them, or adjust their business model to make it work."

Setting an Annual Budget: Cash Flow is King

Novice business owners sometimes neglect the second kind of budget: a cash-flow budget. But in fact, it is problems with cash flow rather than profitability that cause many new businesses to fail. Positive cash flow means you have enough money on hand to pay your bills at any given point in the year. A business can be profitable but still have cash-flow problems if, for instance, it has to shell out money in advance for inventory but doesn't receive payment from buyers until months later. To create a cash-flow budget, start with the assumptions about income and expenses that you developed for your operating budget. Then figure out, month by month, when you can expect to receive payments and when you'll have to pay bills.



TOP TEN THINGS TO KNOW ABOUT RETIREMENT:

1. Save as much as you can as early as you can.

2. Set realistic goals.

3. A 401(k) is one of the easiest and best ways to save for retirement.

Contributing money to a 401(k) gives you an immediate tax deduction, tax-deferred growth on your savings, and -- usually -- a matching contribution from your company.

4. An IRA also can give your savings a tax-advantaged boost.

5. Focus on your asset allocation more than on individual picks.

How you divide your portfolio between stocks and bonds will have a big impact on your long-term returns.

6. Stocks are best for long-term growth.

7. Don't move too heavily into bonds, even in retirement.

Many retirees stash most of their portfolio in bonds for the income. Unfortunately, over 10 to 15 years, inflation easily can erode the purchasing power of bonds' interest payments.

8. Making tax-efficient withdrawals can stretch the life of your nest egg.

9. Working part-time in retirement can help in more ways than one.

Working keeps you socially engaged and reduces the amount of your nest egg you must withdraw annually once you retire.

10. There are other creative ways to get more mileage out of retirement assets.

