SIPES & SEATON
CPAs, Business Advisers & Appraisers

Minimizing Taxes™ - Protecting Assets - Building Wealth

October 2011


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Dear Reader,
This fall newsletter is packed with information on everything from taxes, to retirement to business valuations. You won't put this issue down!

- Tax Planning Basics
- Announcements
- 2-Year Bonus
- Dos and Donts of Preparing a Business For Sale
- Baby Boomers and Retirement
- Tax Saving Tips for Home Businesses
- Business Valuation

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

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Tax Planning Basics

By William Perez; About. Com Guide

The goal of tax planning is to arrange your financial affairs so as to minimize your taxes. There are three basic ways to reduce your taxes, and each basic method might have several variations. You can reduce your income, increase your deductions, and take advantage of tax credits.

Reducing Income

The higher your total income, the higher your adjusted gross income. As you can guess, the more money you make, the more taxes you will pay. Conversely, the less money you make, the less taxes you will pay. The number one way to reduce taxes is to reduce your income. And the best way to reduce your income is to contribute money to a 401(k) or similar retirement plan at work. Your contribution reduces your wages, and lowers your tax bill.

As you can see, the best way to reduce your taxes is to save for retirement, either through a 401(k) at work or through a traditional IRA plan. Contributions to these retirement plans will lower your taxable income, and lower your taxes.

Increase Your Tax Deductions

Taxable income is another key element in your overall tax situation. Taxable income is what's left over after you have reduced your AGI by your deductions and exemptions. Almost everyone can take a standard deduction, and some people are able to itemize their deductions.

Itemized deductions include expenses for health care, state and local taxes, personal property taxes (such as car registration fees), mortgage interest, gifts to charity, job-related expenses, tax preparation fees, and investment-related expenses. One key tax planning strategy is to keep track of your itemized expenses throughout the year using a spreadsheet or personal finance program.

The best strategies for reducing your taxable income is to itemize your deductions, and the three biggest deductions are mortgage interest, state taxes, and gifts to charity.

Take Advantage of Tax Credits

Once we've tweaked our taxable income, we are ready to focus our attention on various tax credits. Tax credits reduce your tax. There are tax credits for college expenses, for saving for retirement, and for adopting children.

The best tax credits are for adoption and college expenses. Not everyone is in a position to adopt a child, but everyone could take some college classes. There are two education-related tax credits. The Hope Credit is for students in their first two years of college. The Lifetime Learning Credit is for anyone taking college classes.

(Continued)

Increase Your Withholding

You can avoid owing at the end of the year by increasing your withholding. More money will be taken out of your paycheck throughout the year, but you will get bigger refund when you file your taxes.

Call for your tax planning appointment today!

2-Year Bonus

The new tax law has opened a substantial window of opportunity for wealth transfer.

We can help you take advantage of it!

The 2010 Tax Act (The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010), signed into law by President Obama in December, is the most significant change in the estate-tax system in quite some time.

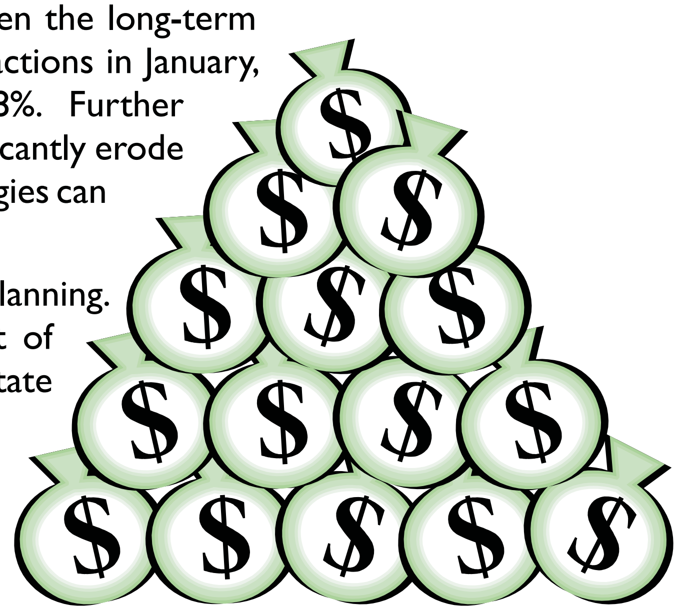
Estate planning remains vital to preserve the hard-earned wealth of you and your families.

DON'T PROCRASTINATE

When people heard that the 2010 Tax Act generosity only lasts two years, many assumed that they could defer planning until the end of 2012. But the passage of time does not only concern estate-tax laws. Economic changes are also crucial to meeting planning goals.

GRATs, charitable lead annuity trusts (CLATS), family loans and other estate planning techniques are interest rate sensitive. The interest rate used in some transactions has increased noticeably since December, when the long-term rate was set at 3.53%. For identical transactions in January, the long-term rate increased to 3.88%. Further increases in future interest rates will significantly erode the leverage that important planning strategies can achieve.

Time really is of the essence in pursuing planning. We can help you understand the impact of potential interest rate increases on estate planning and will help you move forward while it is more advantageous. Call us today!



The Dos And Don'ts Of Preparing Your Business For Sale

Mike Michalowicz Author of The Toilet Paper Entrepreneur, Toilet Paper Entrepreneur
Openforum.com; September 7, 2011

As an entrepreneur, you may be looking to start a business for the long haul. But you may also be one of the many who starts a business with the idea that you will eventually sell it. There is nothing wrong with this approach, but one size does not fit all. You have to know what you are getting into before you take on this approach in order to be successful.

It may sound simple enough to get a business started and then simply throw a for sale sign up, close the deal and walk away with a fat stack of cash. But if it worked that easy—trust me, I've done it a few times already—everyone would be doing it. In fact, it takes a lot more planning and patience than that in order to see it through.

Here are some of my top dos and don'ts when it comes to growing a sellable business:

Don't

If you start a business just to "pump and dump," you may be in trouble. This strategy of growing fast and selling fast often undermines strong business fundamentals since the long-term considerations of the business are ignored. Savvy investors won't want a business that is going to be dead on arrival. Unless there is a strategic reason to acquire your business, you will get very few bidders.

Don't

It is important to not have the business dependent on you. Instead, your business will get premium dollar if you can walk away from it and it continues to grow on its own.

Do

Take the time, sometimes it may even take years, to make sure your company has as many of the attractive factors in place as it can. These factors include: 1) Consistently growing revenue and profits, 2) protected intellectual property, 3) long-term, favorable client contracts, 4) patented systems, products and/or technologies, 5) rock solid infrastructure. Not so ironically, these are also all the things you want to have in place even if you do not want to sell your business.

Do

Get a broker or investment banker involved. Selling a business on your own is doable, but the ongoing negotiations can be distracting and can be emotionally draining. And with your efforts concentrated on something other than running your business, your business may start struggling at the exact time you are trying to sell it. That's never good!

Do

Always get multiple bidders. When multiple suitors are looking to buy your business, you are likely to have a bidding war on your hands. I have seen instances where businesses have gotten 20 percent—or even 50 percent—more than the first offer when there are multiple companies bidding on your business.

Planning wisely

Growing a business takes time, patience and sticking with it in order to see it through. You absolutely can sell it, but you need to make sure you have followed the right path to get to that point first. So take the time to grow it right, and then work the selling phase. If you do, you should come out ahead!

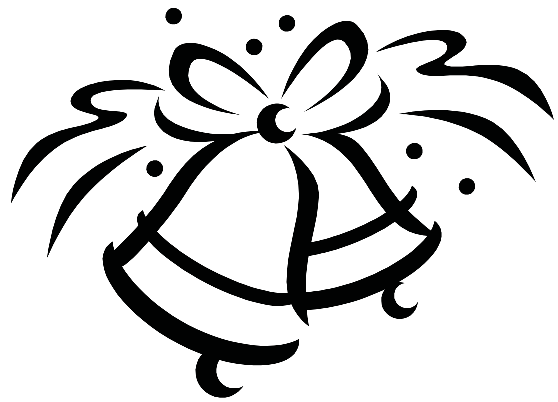
Announcements

Bill and Margaret Sipes
announce the wedding
of their son

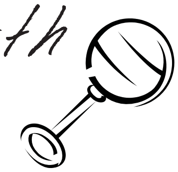
Smithy Sipes
and
Allison Cox

11.11.11

Wedding



Birth



Chance and Brooke Fortenberry
announce the arrival of their son

Jude Alexander

September 12, 2011 at 5:15pm
6 pounds, 15 ounces
19 1/2 inches long

7 TAX-SAVING TIPS FOR HOME-BASED BUSINESSES

Filing taxes for your home-based business doesn't have to be a daunting process. One way to get your tax planning off to a good start is to hire a tax consultant like us, someone who can both map out the latest IRS changes and explain ways to help you prepare for them. In the meantime, however, here are some tax-saving tips that you can get started on right away.

Tax Tip 1: Get Organized

Good tax planning begins with getting organized—particularly when it comes to keeping good records about the things you spend money on for your business.

Tax Tip 2: Calculate Your Start-up Expenses

If 2011 is the year that you've finally decided to become your own boss, then you might also have the opportunity to deduct the money you're spending to get things off the ground.

Tax Tip 3: Maximize Your Home-Office Deductions

For a home office to qualify for deductions, it must meet the following criteria: You must use the office exclusively and regularly for administrative or management activities of your trade or business... and you have no other fixed location where you conduct substantial administrative or management activities of your trade or business.

Tax Tip 4: Deduct Your Health Insurance Costs

Self-employed entrepreneurs can now deduct the cost of their health insurance both for themselves and for their families. The catch, however, is that the tax benefit doesn't apply to those with a secondary business and a full-time job in which their employer provides for a subsidized health plan.

Tax Tip 5: Track Your Mileage
Two ways to do this...

- Actual expense method: You keep track of and deduct all of your actual business-related expenses.
- Standard mileage rate method: You deduct a certain amount (the standard mileage rate) for each mile driven. In 2011, the standard mileage rate is $0.51 per business mile driven.

Tax Tip 6: Pay Yourself

Even if the monthly amounts start out small, you will be surprised how soon you have built a nice account, with the advantage of a tax deduction.

Tax Tip 7: Hire Your Family

Another tax-saving idea is to hire your child for your business, Write up a job description, cut them a company check every pay period, fill out a W-2. Any child can earn up to $5,700 tax free. Plus, your child learns about responsibility and earning a paycheck.

Whether you decide to follow just one of these tips or all of them, be sure to start planning for next year now. Tax planning is the most critical step in the process and will make filing your taxes much more streamlined.

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Why is a Business Valuation Needed?

Valuations can be helpful in many situations, including some you may not have even thought about:

- You want to buy or sell a business.
- You are divorcing.
- You use gifts as a tax strategy in your estate plan.
- You are liquidating your business.
- You are the executor of an estate.
- You are setting up a buy-sell agreement.
- You are seeking business financing.
- You are doing strategic planning.
- You require a fairness opinion.
- You need to comply with certain FASB standards.
- You are converting your C corporation to an S corporation.

Bill Sipes has valued more than 100 commercial entities -- from corporations to professional practices. He has been qualified as an expert witness by courts and is also an arbitrator for commercial damages with the American Arbitration Association. Call us today for your valuation!