ClientLine®

June 2024

INDEPENDENT CONTRACTOR RULES UPDATED

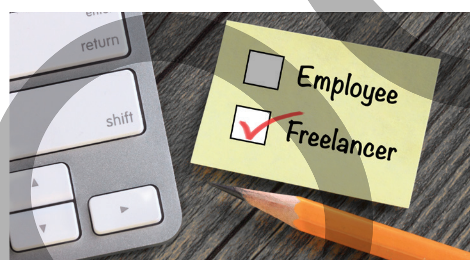
Whether you use independent contractors in your business or are an independent contractor yourself, take note of recent Department of Labor (DOL) changes in the Fair Labor Standard Act's (FLSA) rule for determining independent contractor status—and the consequences of misclassification.

MULTIFACTOR ANALYSIS RESTORED

The new independent contractor rule restores the multifactor analysis used by courts for decades to determine whether a worker is an employee or an independent contractor. Under the update, six factors guide the analysis of a worker's relationship with an employer:

- Any opportunity for profit or loss a worker might have
- The financial stake of any resources a worker has invested in the job
- The degree of permanence of the work relationship
- The degree of control an employer has over the person's work, whether what the person does is essential to the employer's business
- A worker's skill and initiative

These factors aren't all-inclusive, and different factors might be more or less important in different cases depending on the facts of that case. Employers and individuals who consider themselves independent contractors should carefully review independent contractor and employee classifications in light of the DOL's new rule. The DOL has a series of FAQs on its website that may answer some of your questions.



MISCLASSIFICATION

Misclassification may result in lost wages, benefits, unemployment insurance, and workers' compensation coverage for affected workers. Whether an employer misclassifies any workers unintentionally or willfully, doing so can result in significant liabilities, including back overtime pay for up to three years and payment of attorney fees for misclassified workers.

That's not all. Employers face additional penalties under the FLSA and other applicable employment and employee-benefit laws, including:

- Loss of tax-qualified status for the employer's retirement plan
- Back FICA withholding funds for affected workers
- Criminal and civil penalties

Talk to your trusted legal professional about the classification rule changes.

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CLEAN OUT YOUR SUBSCRIPTIONS

You may be so used to seeing recurring charges on your monthly statements that they don't register as the unnecessary expenses they may be. Do you use those services enough to warrant paying for them? Eliminating those fees can result in sizable savings over time.

GET STARTED

Look at your credit card and bank statements and what you're spending on things you no longer use. Question anything you don't recognize. If you don't see how to unsubscribe on the company's site, search the web, call customer service, or check with your credit card company's customer service.

GOING FORWARD

Turn off the auto-renewal option when you subscribe. If you opt out, the company has to contact you before charging your credit card. Read the fine print on special offers. For example, opt out before a lower promotional fee ends.

CLIENT PROFILE

Maureen's yoga center has grown faster than expected, so she's considering using a third-party service to handle payroll processing and management.

Maureen consulted her tax professional and looked at *IRS Tax Tips* for guidance. She found she could best protect her business by hiring one of these types of services:

Certified professional employer organizations are generally only liable for filing employment tax returns and making deposits and payments for the taxes their customers report on wages and other compensation.

Reporting agents are generally limited to depositing taxes with the Electronic Federal Tax Payment System (EFTPS). Employers retain responsibility for seeing that filing returns are filed and taxes paid on time.

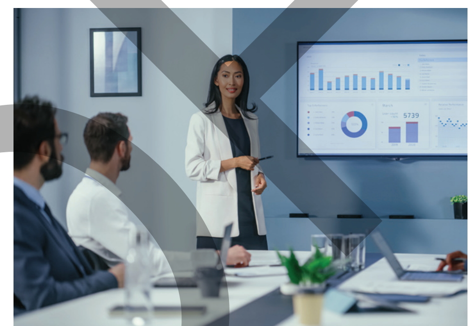
Section 3504 agents withhold, report, and pay employment taxes and share liability for all federal tax withholding responsibilities with the employer. Employer returns are submitted with the agent's Employer Identity Number (EIN). Generally, customers must still file FUTA tax returns with their EINs.

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

CASH BALANCE PLANS: WHAT'S YOUR ADVANTAGE?

Need to boost your retirement savings? A cash balance plan—generally along with a 401(k) plan—might allow you to compensate for years of underfunding your retirement.

Blending features of a traditional pension plan with the look and feel of a 401(k)/profit-sharing plan, these hybrid plans require company contributions based on a percentage of pay or a flat dollar amount. An annual interest credit set in the plan documents is credited to each participant's balance. You must ensure contributions to your plan are invested to pursue the plan's rate goal. When a participant terminates employment, vested account balances can be withdrawn, which may trigger taxes, or rolled over to an IRA or other employer retirement plan.



POSITIVES

For owners and higher paid employees, the biggest attraction of cash balance plans is that they allow tax-deferred contributions much higher than the limits placed on 401(k) and other defined contribution plans. You and your employees can contribute to both plans, and you do not need to include all employees in the cash balance plan. Another attractive feature is that your company may claim an above-the-line tax deduction for contributions.

For those nearing retirement, cash balance plans, unlike traditional pension plans, have accelerated vesting requirements. Participants must be 100% vested in their benefits no later than after completing three years of vesting service. No graded vesting schedule is allowed. The Pension Benefit Guaranty Corp (PBGC) protects most benefits under a cash balance plan.

NEGATIVES

These plans are subject to IRS minimum funding requirements, which may require cash funding in years your company would rather not contribute at all or as much as necessary. With an exception for small benefits, a cash balance plan must offer forms of payment other than lump sums (e.g., Qualified Joint and Survivor). Generally, the plan sponsor has to pay PBGC premiums. Because they're subject to many of the pension plan requirements, cash balance plans are more complicated than a 401(k). Consult your financial professional.

Compare the Contribution Difference	2024 401(k) Maximum Contribution	2024 Cash Balance Plan Maximum Contribution
Under Age 50	$23,000	$62,000—$162,000
Ages 50+	$30,500	$171,000—$365,000

START YOUR COLLEGE GRAD ON THE PATH TO BECOMING A MILLIONAIRE

You may be able to do this utilizing any unused funds in the student's 529 Plan. The IRS now allows rollovers of these funds to a Roth IRA in the child's name.

REQUIREMENTS

You must have owned the 529 account for at least 15 years before rollovers are allowed. Contributions made in the five years before distributions start—including the associated earnings—are ineligible for a tax-free rollover. Rollovers can't exceed the 2024 annual Roth contribution limit ($7,000/$8,000 for ages 50 and older).

The lifetime 529 rollover limit is $35,000, so you'd have to do a rollover annually for several years. As the owner of the Roth IRA, your graduate must have earned income at least equal to the amount of the annual rollover.

WHO WANTS TO BE A MILLIONAIRE?

Years	Balance
1	$7,000
5	$63,857
10	$90,525
15	$128,331
20	$181,925
25	$257,902
30	$365,608
35	$518,295
40	$734,738
45	$1,041,598

THE MILLIONAIRE PART

Look at the hypothetical example (chart) of making rollovers of $35,000 in remaining funds over five years. It assumes the annual contribution limit remains $7,000, your child makes no additional contributions, and the IRA earns a hypothetical 7% compounded interest monthly for 45 years. Consult your tax advisor about your situation.

Q

I'm fairly new to investing and am thinking of branching out from mutual funds. What can you tell me about exchange-traded funds?

A

Simply put, an exchange-traded fund (EFT) is a basket or bundle of individual securities that track an index, sector, commodity, or other assets. Unlike their "cousin" mutual funds, EFTs are marketed on a stock exchange like stocks. They may contain a single investment type or be a mixture, including stocks, commodities, bonds, or currency. Some ETFs offer U.S.-only holdings, while other may include international securities. ETFs have low expense ratios and are generally less costly than buying the stocks individually.

LEGAL POWERS: PREPARE YOUR CHILD FOR COLLEGE

Off-to-college checklist: dorm and study supplies, clothes, personal items, computer and printer, headphones, cellphone and other electronics, debit card, medical and financial powers of attorney... Stop. What? Along with other things necessary for a move to college, your student should have medical and personal powers of attorney (POA).

MEDICAL POA

Without a medical POA, if your adult child is hurt in an accident or becomes ill, the campus medical center or hospital staff is legally prevented from providing any information about their condition to you or any other friends or family members. Also, you cannot make important medical decisions on behalf of your child.

FINANCIAL POA

A financial POA lets your unmarried children authorize you to handle their financial transactions when they are unable to do so. As their agent, you can sign documents, pay bills from their accounts, file tax returns, monitor investments, deposit checks, and handle other transactions. Your legal professional can execute POAs for your child.

DO YOU FEEL WEALTHY?

Making it into the millionaires' club isn't what it used to be, at least according to data from an online study by Logica Research in 2023. The respondents, who had a mean household income of $93,000 and median income of $68,000, said that $2.2 million in personal net worth was needed to "be wealthy". Paradoxically, about half of those same individuals reported feeling well off with an average net worth of only $560,000. The chart below summarizes how 1,000 survey respondents across America described what wealth means to them.

70% Enjoying Experiences

70% No Money Stress

69% Heathly Work-Life Balance

67% Generous with Family

63% Good Health

62% Time with Loved Ones

60% Work Flexibility

40% Higher Salary

38% Lots of Money

37% Being Successful

33% Leaving an Inheritance

31% Maximizing Earnings

30% Having More Money Than Peers

30% Owning Nice Things