ClientLine®

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COLLEGE WITH LITTLE SAVINGS

If you started saving for a child's college education later than planned, there are still a few things you can do to help lessen the financial load.

BE REALISTIC

Sit down with your future college student and discuss real alternatives. Maybe paying $50,000 a year for school is out, but community college or a moderately priced state college are good alternatives — especially for the core subjects most students must pass to graduate.

FIND FREE MONEY

Depending on your family income and expected financial contribution (used by most colleges to calculate aid), you could qualify for government or private grants. In most cases, you'll need to fill out the Free Application for Federal Student Aid (FAFSA) to begin the process.

Every little bit helps, so don't forget to scour local volunteer organizations like Rotary and Kiwanis clubs for small scholarships. Labor unions and professional associations generally offer scholarships to local students, too. Many employers also have scholarship programs, accounting for 13 percent of grant money in 2016-2017, according to College Board.

Research free money opportunities when considering colleges. Around 47 percent of grants come directly from colleges, according to College Board.

CLAIM TAX CREDITS

You could also receive income tax credits via the American Opportunity Tax Credit (AOTC) and the Lifetime Learning Credit (LLC). You can't claim both credits in the same year, and other rules and qualifications apply.

BORROW (WITH CAUTION)

Some parents consider taking loans from their permanent life insurance policies and 401(k) plans to help fund a child's college costs. Both come with cautions. Life insurance loans may reduce the policy's cash value and death benefit, while taking money from your 401(k) could leave you short of your retirement goal.

SAVE!

Even if you don't have a dime saved as your child begins college, you still have three years to save up for senior year and two years to save for junior year. Consider saving via the Coverdell Education Savings Account (ESA), which is income-qualified, and a 529 plan, which allows you to save large amounts to use for qualified education expenses. Talk to a financial advisor to learn more.

Who Needs an Audit?

You may know that publicly traded companies must undergo professional external financial audits, but what about closely held businesses? While owners of privately held companies aren't required by law to go through this exercise, partners, lenders and private equity companies may demand it. Will your company need an external audit?

Talk to a Pro

Even if you don't require a loan or an audited financial statement, you may benefit from the information that an audit can reveal. Your accounting professional can help, for example, by offering ways your company can establish internal controls for accounts payable and receivable to improve accuracy and help reduce the opportunity for fraud.

Using information you provide about various internal and external factors, an accountant can also give you an objective opinion about the viability of your firm over the long term.

Consult Your Partner

Your accounting professional is a knowledgeable resource. Take full advantage of this relationship.

APPRECIATING EMPLOYEE BENEFITS

Helping employees to appreciate the benefits your company offers can result in happier employees who want to stay at their job. You can accomplish this with consistent and informative communications.

COMMUNICATE COSTS

Employee compensation is more than hourly wages or a salary. It also includes employee benefits, and they can combine with salary to create impressive compensation. According to the Department of Labor's Bureau of Labor Statistics, total compensation averaged $35.87 per hour worked in December 2017, of which benefit costs averaged $11.38.

COMMUNICATE APPROPRIATELY

Cost is just one fact you might communicate to your employees. Consider promoting other aspects, such as financial incentives to participate in a wellness program.

Your give and take with employees should involve multiple delivery vehicles, because different people receive messages most clearly in different ways. Older employees, for example, may feel most comfortable hearing about benefits from a human resources person, while Millennials may feel most comfortable getting information online through an employee portal or sent to their smart devices.

COMMUNICATE THROUGH TOOLS

Interactive tools may also prove helpful in communicating not only value, but specific benefits. You might offer through a provider an online tool that calculates your out-of-pocket costs for certain medical procedures. Or your company might direct employees to a calculator, which can tell them, for example, how much an extra 1% contributed to a 401(k) plan can help a retirement account grow.

Benefits communication shouldn't begin and end at open enrollment, either, but continue throughout the year. Only when your employees really understand their benefits can they fully appreciate them.

Client PROFILE ••••

Brandon and Anne just bought their dream vacation home, which they intend to use a few weeks annually before making it their fulltime home in retirement. After last year's tax changes, they wonder if they can deduct mortgage interest and real estate taxes.

Probably, but there are new limits. Recent tax law changes cap the tax deduction on interest for primary and secondary homes to mortgages totaling no more than $750,000. Another complicating factor is a $10,000 annual cap on all state and local taxes – income, sales, real estate, and personal property taxes. If you keep two homes and work, there's a good chance you'll exceed the caps.

One way around these caps is to use the vacation home as a rental property, in which case most of these expenses are deductible without the caps. However, you could only use the rental property fewer than 14 days or 10% of the total days you rent it to others annually at a fair rental price.

Personal use includes days family and friends use the home at less than fair market value. Talk to your tax professional to learn more.

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

GIVING NOW OR LATER

Charitable trusts are popular because they give donors a tax-advantaged way to benefit both a favorite cause or charity and their loved ones. Charitable remainder trusts (CRTs) and charitable lead trusts (CLTs) are the two most recognizable types of these trusts.

CRTs

A CRT grants those you name in the trust document the right to take distributions from the trust's assets for a certain period of time. For example, you might grant a spouse or special needs child the right to take periodic payments from the trust. This arrangement typically ends when the beneficiary dies, at which point the "remainder" of the assets passes to a charitable organization named in the trust.

CLTs

A CLT is the reverse of a CRT. You might put income-producing assets into the trust for the immediate benefit of a named charitable organization. Then, upon your death, the trust's assets would pass to your beneficiaries named in the trust. Talk to your financial and tax professionals to learn more.

WHEN THE OWNER RETIRES

Working to secure a comfortable retirement is difficult enough for many individuals, but the complexity multiplies when you combine that with selling a closely held business. If you're selling your business and it also happens to represent most of your retirement income, there are a few steps you might want to take as retirement beckons.

SUCCESSION SUCCESS

If you're passing on your business to family or to unrelated partners, you should consider having a succession plan — with a funding mechanism — in place. If you're lagging on the latter point, now is the time to really build the funds needed for the sale of your business — and a comfortable retirement.

TIDY UP

If you plan to sell your firm on the open market, consider the steps you can take now to ensure you get the most for your money. Your accountant and perhaps a business valuation expert can help you establish a price and suggest ways to increase the value of your business.

PONY UP

If you have company-provided and individual retirement accounts, consider contributing the maximum allowed each year. If you don't have much in the way of retirement accounts, explore qualified plans such as a 401(k) plan to provide both you and your employees an opportunity to save for the future.

....Q&A

Q **Every year I pay for an all-day employee picnic during the summer, not to mention a holiday party later in the year. Are these expenses still deductible after the tax law changes?**

A The new tax law eliminated much of the 50% deduction for meals and entertainment expenses related to customers and business prospects, with some exceptions. If your company gatherings are for employees or the public, the cost is still deductible. Costs are generally not deductible if you entertain clients. Look for future guidance from the IRS on this matter.

Q **I used to invest through an online trader, but my income has increased significantly and I want to work with an investment advisor. How do I compare fees?**

A Comparing fees can prove difficult because of the number of different compensation methods. While there are still commission-based advisors out there, it's more common to see asset-based advisors, who typically charge a small percentage of total assets they manage. Some advisors also charge an hourly fee, such as for advising about your investments in a company 401(k) plan or advising on other assets they don't manage. Ultimately, you'll want to focus on what advisors net their clients after expenses to find a true measure of performance.

PROOF

ClientLine® SHORT BITS

> **A JOINT REPORT BY THE LIMRA SECURE RETIREMENT INSTITUTE AND INSURED RETIREMENT INSTITUTE (IRI) FINDS ONLY 51% OF AMERICANS BELIEVE THEY ARE KNOWLEDGEABLE ABOUT HEALTH SAVINGS ACCOUNTS (HSAs).** Those who say they aren't knowledgeable should learn more about HSAs, which not only provide a tax-free way to save for and pay qualified medical expenses but can be used for additional income (after paying ordinary income tax) in retirement.

> **THE FEDERAL RESERVE BANK OF NEW YORK'S CENTER FOR MICROECONOMIC DATA REPORTS 40.2% OF RESPONDENTS SAY THAT THEIR HOUSEHOLD FINANCIAL SITUATION HAS IMPROVED COMPARED TO A YEAR AGO.** This is the highest number since the survey's inception in June 2013. Consumers' outlook for the year ahead has also improved.

> **MISSING A TAX REFUND?** If you earned income in the last three years but didn't file a tax return because your wages were below the filing requirement or didn't receive a refund you were expecting, the IRS may have some money for you. The IRS has millions of dollars in unclaimed and undeliverable refunds. After three years, the money becomes the property of the U.S. Treasury.

> **FULLY ENGAGED CUSTOMERS —** those who are emotionally and psychologically attached to a brand, product or company — spend 23% more than average consumers, according to Gallup, and 51% more than actively disengaged customers, who are resentful that their needs aren't being met. The lesson for retailers? Take good care of your customers.