# ClientLine®

June 2019

# A DIFFERENT TYPE OF AUDIT

Auditing your human resources, whether you have a department devoted to it or not, can help protect you, your employees and your business while identifying solutions that can make your company stronger.

### ASK THE RIGHT QUESTIONS

An effective human resources audit begins with a thorough look at your company's personnel policies, written procedures and established steps employees can take when they have a work-related issue.

Do you have comprehensive procedures that employees fully understand to prevent potential harassment and discrimination claims? Are performance reviews conducted according to a process understood by both supervisors and employees? Are complaints documented and investigated? Are your employees properly classified? For example, the federal government has gone back and forth about who qualifies for overtime pay, so whether employees are exempt or non-exempt matters.

Also analyze how your company deals with freelance workers and prospects applying for open positions. Does your company comply with tax, legal and professional requirements governing both hiring and freelancers? Do you have both the procedures and contracts in place to help ensure everyone understands their exact working arrangements?

### A COMPETITIVE TOOL

Once you develop a comprehensive audit questionnaire and receive your results, you may want to compare your findings with those of your competitors. Who are your biggest or closest competitors? Which peer company follows best practices and how does that compare to your policies and procedures?

Answering these and other questions and applying the right solutions can help your company rise to the next level. Your audit may identify insurance solutions that boost your company's financial protection in many areas, and it might discover employee benefits that can improve your firm's ability to attract and retain hard-to-find workers.

If you don't have the personnel resources to conduct this type of audit, consider looking into tax, legal and consulting professionals who can help.


**Karen Petrucco**
*Account Manager*

**LTM Client Marketing, Inc.**
125 Wolf Road, Suite 407
Albany, NY 12205

**Tel:** 518-870-1082
**Toll Free:** 800-243-5334 ext.505
**Fax:** 800-720-0780

kpetrucco@ltmclientmarketing.com
www.ltmclientmarketing.com


## Safe Harbor

The IRS has provided guidance on a safe harbor method for determining depreciation deductions for passenger automobiles acquired and put into service after September 27, 2017 that qualify for the 100% additional first-year depreciation deduction.

## Limit Increased

Recent tax law changes increased the first-year limitation amount for a passenger automobile that qualifies for this additional first-year depreciation deduction. The safe harbor allows depreciation deductions for the excess during the recovery period. The depreciable amount exceeding the new first-year limit is deductible in tax years immediately after the vehicle was placed in service.

Passenger automobiles placed in service by the taxpayer after 2022 can't use the safe harbor. Neither can taxpayers that opted out of the 100% additional first-year depreciation deduction or elected under section 179 to expense any portion of the vehicle's cost. Talk to your tax professional to learn more.

# 5 REASONS WHY ESTATE PLANNING MATTERS

Ask the average person if estate planning is necessary and you will likely hear this answer: "That's only for the rich." This is not true. At some level, estate planning is necessary for almost everyone, regardless of income or amount of assets. Let's count the areas of your life estate planning affects:

1. **YOUR ASSETS –** What happens to your assets when you die? If you care, you can dictate how your assets will pass via a will. Without one, your state's laws will dictate how most of your assets are distributed.

2. **YOUR WISHES –** Financial powers of attorney name a person to act in your financial interest if you can't do so yourself. Healthcare powers of attorney do the same in the event you cannot make your own medical decisions.

3. **YOUR MINOR CHILDREN –** If you unexpectedly died, who would take care of your minor children? It happens. You can name a guardian (or guardians) in a will to ensure your wishes become reality if the unthinkable occurs.

4. **YOUR BLENDED FAMILY –** Second (and third) marriages often come with additional complications and new family members. These complications can multiply when it comes time to distribute your assets as intended. Again, a will can help.

5. **YOUR ADULT FAMILY –** When you pass on, who gets the heirloom jewelry? Who gets the china that has been in your family for generations? While these items may not add up to a lot monetarily, they can mean the world to loved ones. Put your intentions in a will.

## GET HELP

Before drawing up your will, talk it over with family to prevent future misunderstandings. Talk to tax and legal professionals, who can ensure your papers are in order and you transfer as much of your estate as tax laws permit.

## Client PROFILE ••••

**Spencer has run a successful restaurant for more than five years, but is now reaching a crossroad. He wants a bigger space for his business to grow, but he can't afford the prices in his current neighborhood. Should he relocate?**

It depends, but know that sometimes bigger isn't better. While moving is risky business for many companies, it can be especially damaging for restaurants who depend on an often-local crowd of regulars. Spencer should talk to customers about a possible move and ask if they frequent restaurants in other neighborhoods. This piece of information means more than a promise to follow him.

If he changes neighborhoods, understanding how far customers will travel for his food will contribute to his success or failure. Before making the decision to move, he should also learn if his kitchen staff and servers will follow.

If Spencer decides to move, he will need to pick the right time of year to make the transition, and update phone and address information on his website and other marketing materials. If he really likes the new spot, he may want to negotiate a longer lease. Moving can be traumatic, but comprehensive planning can make it work.

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

# AUDITS FOR PRIVATE COMPANIES

Publicly traded companies are used to undergoing financial audits — it's a requirement for most of them — but privately held companies can generally keep their finances private. However, lenders and some insurance companies may require you to have an audit performed. And, in any event, an audit can help owners pinpoint problem areas and identify solutions that can improve their company's prospects.

### A COMPLETE ANALYSIS

One advantage of conducting a private company audit is the depth of findings such an exercise can identify. While a financial audit won't identify or offer an opinion on every internal control process, it may uncover vulnerabilities to embezzlement or significant errors in financial reporting.

### FUTURE PROSPECTS

If expansion plans require a cash infusion or complex insurance arrangements are on the horizon, your company will likely need to show an audited financial statement. The statement should follow standards specified in the Financial Reporting Framework for Small- and Medium-Sized Entities, issued by the American Institute of CPAs (AICPA).

This framework provides a detailed approach to providing the information stakeholders may require, and can help you run your company better. Talk to an accounting professional to learn more.

# BENEFITS OF AN INSURANCE AUDIT

A financial audit isn't the only type of helpful review. Individuals can conduct their own insurance review, taking a comprehensive look at the financial protection they need in various areas of their lives.

### WHEN YOU'RE YOUNG

Your insurance needs begin at an early age when you get a driver's license. Nearly every state requires car insurance. Those that don't often require financial restitution for those harmed by the driver at fault. That will come either from the driver or the driver's insurance company. Considering the potentially high costs involved, it's easy to see how auto liability insurance is typically the choice.


Then, as you build a career and a family, other insurance considerations come into focus. Life insurance is a given, although a long-term disability that prevents you from working (and earning a living) is many times more likely than death at younger ages. Disability insurance offers income protection in that event.

### LATER YEARS

As you age your insurance needs may change, such as for financial protection in the event you need long term care. Your life insurance needs may lessen as you grow older, or they may be different. You may, for example, use life insurance to equalize your estate or leave a financial legacy. If you have questions, talk to an insurance professional.

# Q&A

**Q** **My income last year was too high to take the full qualified business deduction. What can I do to come closer to getting the full deduction next year?**

**A** The qualified business deduction (QBI), also known as a Section 199(a) deduction, is available to owners of businesses whose tax structures are pass-through entities. This deduction was subject to limits for couples filing taxes jointly with taxable income over $315,000 and for all others with taxable income over $157,500 in 2018.

If your business income fluctuates and you're close to the threshold, you might push sales into next year to lower this year's income. You might also open a SEP-IRA, SIMPLE plan or 401(k) plan, where contributions are made pre-tax, lowering your taxable income.

**Q** **With all of the new tax rules, can I still deduct the interest I pay on student loans?**

**A** It depends on the amount of your interest payments and your income. Beginning in 2019, you can deduct up to $2,500 in qualified student loan interest if you meet income requirements. Take the full deduction if you are single or head of a household and have a modified adjusted gross income (MAGI) under $70,000, or if you are married and filing taxes jointly with a combined MAGI of less than $140,000. You can take a partial deduction up to $85,000 and $170,000, respectively.

## ClientLine® SHORT BITS

**> MORE CONFIDENT.** The Conference Board Consumer Confidence Index® jumped to 131.4 in February, up from 121.7 in January. Both numbers, indicating that consumers expect the economy to keep expanding, are relatively high. In other Conference Board surveys, the organization found that consumers' assessment of current business and labor market conditions and their short-term outlook for income, business and labor market conditions also improved.

**> MORE EDUCATED.** Americans are getting more education. According to the U.S. Census Bureau's Current Population Survey, the number of people at least age 25 with a Master's as their highest degree doubled to 21 million from 2000 to 2018. The number of doctoral degree holders also more than doubled to 4.5 million during the same period. In 2018, 13.1% of adults held advanced degrees.

**> MORE MOBILE.** The U.S. may be near full employment, but employee tenure remains tenuous. The Employee Benefit Research Institute's analysis of U.S. Census Bureau data from the Current Population Survey (CPS) found that the median tenure of all wage and salary workers aged 25 or older stayed at about five years. Men's tenure, however, slipped, while women increased their median tenure, according to the EBRI analysis.

**> MORE VULNERABLE.** The Consumer Financial Protection Bureau released a report showing a dramatic increase in financial crimes against the elderly. According to the Bureau, reported incidents of elder financial exploitation exploded to more than 180,000 cases from 2013 to 2017, totaling $6 billion. The Bureau notes that many more incidents are likely not reported. Adults from age 70 to 79 had the highest average monetary loss - $45,300.