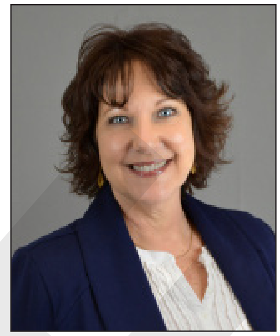
ClientLine®

October 2019



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OPEN ENROLLMENT TIPS

FOR EMPLOYEES

As summer turns to fall, employers across the country are getting ready to present their annual open enrollment options for employee benefits. As an employee, whether you're a newbie or an experienced hand at choosing employee benefits, it is crucial to do your homework before making your selections.

WEIGH YOUR CHOICES

Health and other benefit options can change from one year to the next, even when providers haven't. Health insurance plans regularly change their premiums, deductibles and other out-of-pocket costs, and employers could pass increases on to employees. Plans add and subtract network health providers, and may do the same with peripheral benefits such as chiropractic care and acupuncture.

You'll also want to examine any health savings plans offered, including the Health Savings Account (HSA) if you have a high-deductible health plan. HSA contributions are deducted pretax, and potential earnings and qualified withdrawals are tax-free. In 2020, contribution limits will increase to $3,550 for self-only coverage and $7,100 for family coverage.

AND THERE'S MORE

While health insurance is the primary "want" of most employees, other benefits may play an important role in your financial and risk planning. Employer-sponsored life insurance – typically of the term variety – can provide a good foundation of insurance to help protect loved ones. Because it is group life insurance, it typically won't need underwriting – an important consideration for employees with preexisting conditions.

Disability income (DI) insurance may also be an important coverage for younger employees, who are much more likely to become disabled than to die at their age. This insurance protects what is many employees' largest asset – their ability to earn a living. Life insurance, DI and other benefits may also be tax-advantaged, reducing taxable income and, ultimately, taxes.

These are a few of what can be many benefit offerings. Discuss your choices with your financial and tax professionals.

3 Tips for Employers

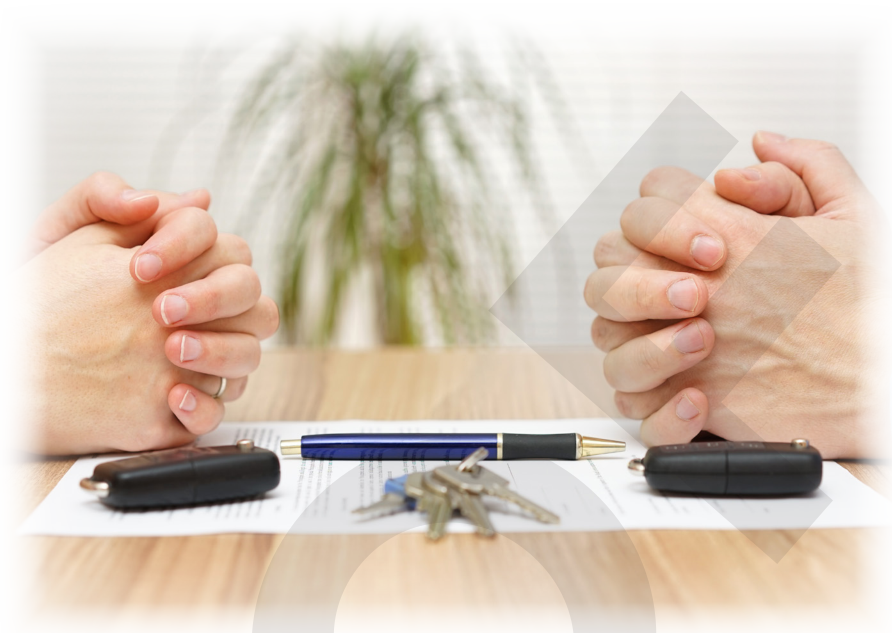
If you're ready to offer your employees open enrollment for benefits, your planning should mostly be done at this point. Even so, consider tightening up the following three communication areas to make sure your open enrollment is a success.

First, make sure to get the word out about the value of your benefit offerings regularly. Benefits can comprise 20% to 40% of an employee's total compensation, so sharing this information is important to help your company attract and retain the best and brightest.

Second, communicate through channels most likely to reach your employees throughout open enrollment. This means via smartphones and apps for younger workers and print and in-person presentations for an older workforce.

Third, make sure you communicate simply in a language your employees understand. Eliminate jargon to increase understanding. As important, give employees easy-to-reach resources should they have questions.

TAX ISSUES IN DIVORCE



Divorce is emotionally painful, and it can also hurt financially. From splitting retirement and other assets to negotiating child and spousal support, there are tax and financial landmines that forethought and planning can help you avoid.

RETIREMENT ASSETS

Retirement plans are often a source of disagreement in divorces. When proper procedures are followed, the transfer of retirement assets to a divorcing spouse's retirement account is typically tax-free. It's important to consult legal and tax professionals to learn how to avoid setting off tax alarms, as procedures for a tax-free split of IRA and 401(k) plan assets differ. And a divorcing individual will usually want to avoid taking a direct distribution to give to a spouse, due to its negative tax effect.

DOING THE SPLIT

Other asset splits will produce varying tax and financial consequences. Is a buyout better than paying capital gains taxes on property? If so, a divorcing individual who buys out previously joint property in a settlement should try to avoid withdrawing retirement assets to pay for it, which can trigger early distribution penalties and additional income taxes.

How will a state's community property laws affect the transfer of assets? Divorcing couples need the answers to these and other questions, including the tax treatment of spousal and child support and who gets to claim children as dependents on their tax return after divorce.

PLAN NOW

No one gets married planning to get a divorce, but it happens. If this happens to you, try to resolve issues as swiftly and amicably as possible. The longer things drag out, the more complicated issues can become. And, if you are thinking about marriage and have substantial assets, consider a prenuptial agreement to protect what is yours.

Client PROFILE....

Amy is giving her employees large year-end bonuses in December for increasing sales, and some employees asked about putting their bonuses into their 401(k) plan. Can they, and what does she have to do to allow these lump-sum contributions?

If Amy's qualified retirement plan documents don't allow for lump-sum contributions, her company will need to work with legal and tax professionals to add the stipulation. This may take a pay period or more, so consider making the change now if you intend to allow future lump-sum contributions.

Amy will also need to ensure that making this change doesn't trigger unintended consequences. For instance, will her company match the lump-sum amount?

Will the one-time contribution fall within the limits established by the plan? In the latter case, top earners who already contribute an amount close to IRS limits may exceed it with the lump-sum contribution, triggering penalties and other tax consequences.

While generous, Amy should first examine these and other considerations before making a decision.

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

GET READY FOR SMALL BUSINESS SATURDAY

While Black Friday – the day after Thanksgiving – has become one of the biggest sales events of the year for the largest retailers, small business owners look forward to Small Business Saturday – the next day - as one of their busiest days. If you own a small business, here's how you might position yourself for success that day.

ADVERTISE

If you depend on foot traffic, as many Main Street businesses do, advertise prominently on your storefront so that people walking by notice. Advertise sales in your community paper and especially via apps and social media. Perhaps you'll publicize a promotion where the winners come away with merchandise as their prizes

INCENTIVIZE

You'll have to start by cutting prices in line with what your competitors charge. Consider providing services like free wrapping, and offering additional incentives for shoppers on your preferred and frequent customer lists. You might also give a small bonus or increased commissions to workers who serve your clients on this big day.

TRAIN

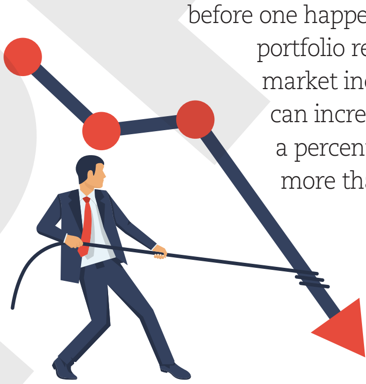
Your employees are your customers' first and last impression. Train them to greet everyone with a smile and a comprehensive knowledge of the merchandise they'll sell.

SURVIVING A BEAR MARKET

In the wake of a record stock market, the last thing most investors think of is a coming bear market. Expect one, though, because history shows that what goes up almost always comes down. The steps you take now will determine how well you survive the next bear market.

IT'S NOT ALL BAD

A bear market is one in which prices decline at least 20% from their high, as often measured by the Standard & Poor's (S&P) 500 or the Dow Jones Industrial Average (DJIA). While you wouldn't normally associate bear markets with good news, there is some during a down market.



When you *realize* more investment losses than profits during a given year, you get to deduct the difference on your income tax return, just as you have to report realized capital gains. (Unrealized gains and losses have no effect on your tax picture.) Your tax professional can tell you which investments qualify, the annual limits and more.

REVIEW YOUR INVESTMENTS

You can take some common-sense steps that may help you survive a bear market before one happens. Rebalance your portfolio regularly. Recent stock market increases, for instance, can increase stocks as a percentage of your portfolio more than you intended.

Don't panic, either. If you have conservative investments that match short-term goals and you can wait out price swings on solid investments for your long-term goals, you may want to wait out the volatility.

Q&A

Q **I own a small business, but I'm required to give my personal social security number when I apply for business credit. Do I need to know my business credit score, too?**

A It can't hurt. Many small business owners receive credit based primarily on their personal credit strength, but building a business credit rating can help some firms grow. Dun & Bradstreet is a primary source of business credit reports, which other companies often seek to determine the creditworthiness of future business partners and their ability to pay their bills. Creditors can also decide lending rates for your business with this report, while insurance companies may use it to figure premiums.

Q **Last year I paid the Alternative Minimum Tax (AMT) and I wonder how I might avoid paying it again for 2019. I heard there are a few things I can do.**

A There are. For starters, make sure you itemize on your tax return. Then, increase qualified retirement contributions up to the maximum your plan or account allows. Consider increasing contributions to a Health Savings Account (HSA) and qualified charities, too. Talk to your tax professional to learn other ways to save and, for that matter, whether you even have to pay the AMT in light of generous new limits.

ClientLine® SHORT BITS....

> **BUSINESS COSTS UP.** Running a business can be expensive, but costs have remained stable, despite almost full employment in the workplace. Compensation costs for civilian workers increased 2.8% for the 12-month period ended March 2019, compared with a compensation cost increase of 2.7% during the previous year. Wages and salaries increased 2.9% during the latest period, up from 2.7% the year before, while benefit costs rose 2.6%. Wages comprised 70% of total costs, with benefit costs making up the rest.

> **WATCH OUT!** While compensation costs were tame, the 2019 second quarter increase of 3.7% year over year for full-time wage and salary workers indicates business costs could be rising. This increase was more than double the coinciding inflation increase (see next Item). The median weekly earnings during this time were $908. Broken down, that was $1,000 for men and $814 for women, or 81.4% of what men earn, indicating more room for progress.

> **INFLATION TAME.** Inflation remains tame, according to the Bureau of Labor Statistics. The Consumer Price Index for All Urban Consumers (CPI-U) increased 1.6% for the year ending June 2019. Prices for all items, less food and energy, rose 2.1% during this time, while food prices increased 1.9%. The good news was that energy prices fell 3.4% over the last 12 months.

> **EMPLOYMENT STEADY.** The U.S. Bureau of Labor Statistics reported 164,000 new nonfarm jobs in July, with unemployment remaining unchanged at 3.7%. The Bureau added that job growth occurred in the professional and technical services, health care, social assistance, and financial activities sectors.