ClientLine®

September 2024

FINANCIAL TASKS FOR SEPTEMBER

With the new year just around the corner, now is a good time to review some of the key tax moves you should make before 2025.

Pay your third quarter 2024 estimated tax. Generally, the estimated taxes for the third quarter are due on September 15. However, since that due date falls on a Sunday, you have until Monday, September 16, to pay this year. You can pay electronically or use a Form 1040-ES mail voucher. Mailed payments will be on time if the envelope bears a U.S. Postal Service post no later than Sept. 16, 2024.

File your 2023 business tax return if your calendar-year partnership or S corporation requested a six-month filing extension. Small businesses filing Forms 1065 or 1120-S late can face hefty penalties. The IRS charges a minimum penalty of $235 (for 2023) for each month or part of the month the return is late multiplied by the number of shareholders or partners. This due date is also September 16, 2024.

Maximize retirement plan contributions. If you can contribute more to your 401(k) plan you have until the end of the year to do so. Or, if you qualify by income, you have until April 15, 2025, to make the 2024 maximum IRA contribution of $7,000. If you are age 50 and older, you can add another $1,000 in catch-up contributions.

Review your business structure with your tax and business advisor to see if a different structure might be more tax-effective, especially if you have not done that in some time.

Wherever possible, maximize deductions before year-end. If your business has the cash, stock up on supplies or equipment you'll need soon anyway.

Consider whether to defer income to 2025 or accelerate it to 2024. Deferral is the usual strategy. But accelerating may make sense if you have carryover tax credits to use or expect a higher income in 2025 and want to even out taxes.

Don't trash furniture and equipment you're no longer using. Instead, donate it to a nonprofit organization so your business can claim a charitable deduction for the gift.

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USING AI TO ADD VALUE

Incorporating artificial intelligence (AI) for your small business may be a way to help you and your employees get through the workday more efficiently and add value to your business.

EMAIL

Today's email clients can use AI to organize messages by type and priority. They can sort important messages to a primary inbox to respond to first and less important messages to another "box" to read later.

INFORMATION

An AI meeting assistant can transcribe and recap online meetings so you have a summary of the information covered afterward. You might also tap AI for basic information on an unfamiliar topic, ideas for articles and reports, or examples and statistics for your writing. However, be aware that AI information may not be 100% accurate or current.

TIRESOME TASKS

AI may relieve you of tedious tasks around the office, like invoicing.

CLIENT PROFILE

Marcus is a self-employed personal trainer at a local gym. Like other service providers who operate on an appointment schedule, he's noticed increased no-shows and is considering implementing a no-show fee. His research on the effectiveness and potential client resistance to these fees provided helpful information.

Over a recent three-year period, a Square survey found an 11% increase in the percentage of beauty professionals charging patrons for missing appointments. Similarly, a Resy survey reported that from 2019 to 2024, restaurants charging cancellation fees more than quadrupled. People have also become used to paying fees for missing medical appointments.

Marcus also found ways other personal service providers mitigate client ire. Many give a warning only for the first missed appointment, but after missing two appointments without notice, charge a fee to rebook. Others waive fees in cases of emergency. This policy works best if it defines what constitutes an emergency.

Marcus decides he can institute a no-show charge policy without risking business loss.

Source: WSJ, 2024

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

TIME FOR A FAMILY LIMITED PARTNERSHIP?

A Family Limited Partnership (FLP) is a classic technique to shift income and wealth to future generations. With an FLP, family members pool money to run a business project. Each family member can buy shares for a potential profit.

PARTNERS

FLPs have general partners and limited partners. General partners usually own the largest share of the business and are responsible for day-to-day management tasks. Limited partners have no management responsibilities. Instead, they buy business shares in exchange for dividends, interest, and profits the partnership may produce. Members risk losing their investment or even incurring debt if the business fails.

THE ATTRACTION

FLPs may help preserve a family's generational and business wealth by allowing for tax-free transfers of assets, real estate, and other wealth.

Gift-Tax Advantages. Using the annual gift-tax exclusion, you might gift FLP interests tax-free to your children and grandchildren. In 2024, this exclusion lets you give up to $18,000 (or $36,000 per married couple) to as many individuals as you choose. This amount is reviewed for inflation increases annually.

Estate-Tax Advantages. Assets in an FLP effectively leave the partners' estates. So, the partnership's future returns are generally excluded from estate taxes, benefitting your children, grandchildren, or limited partners. You can set stipulations in your partnership agreement to protect your gifts from being squandered or mismanaged. One strategy is a rule stating that gifted shares can't be transferred or sold until the beneficiaries reach a certain age. Shares can be transferred to minor beneficiaries through a Uniform Transfers to Minors Act (UTMA) account.

CAVEAT

FLPs and the tax laws that govern them are complex, and creating one may entail some expense. Families should consult qualified accountants and tax professionals before establishing an FLP. Most often, setting up an FLP will call for a tax specialist and estate planning attorney, and you may need to call on other professionals associated with helping to support an FLP.

A surviving spouse or partner's credit score dropped an average of 10 points primarily due to the loss of the deceased's Social Security and/or retirement benefits.

Source: Ohio State Retirement and Disability Research Center at the University of Wisconsin

WHAT STANDARD HOMEOWNERS INSURANCE MAY NOT COVER

Whether you're a soon-to-be or long-time homeowner, don't be caught off guard in a disaster by your homeowners' policy because you don't know what damages and thefts it does and doesn't cover.

COMMONLY EXCLUDED DAMAGES

Homeowners' policies generally don't cover damage from natural disasters like floods, landslides, sinkholes, and earthquakes. For such protection, you may need to buy flood insurance from the National Flood Insurance Program or a private insurer. Additional insurance is also advised if you live in an earthquake-prone area or are at risk for landslides or sinkholes.

VALUABLE POSSESSIONS

Possessions, such as expensive jewelry and collections like art, cars, antiques, etc., aren't fully covered. To insure these items for full value, you should have them professionally appraised and then purchase a personal property endorsement or floater to supplement your homeowners' insurance. Rates vary between insurers.

HOME OFFICE EQUIPMENT

According to the Insurance Information Institute, a typical homeowners' policy provides only about $2,500 coverage for business equipment. But it estimates you can double that coverage for as little as $25.

Q

My husband and I approach investing differently. Is this the norm?

A

Quite often, it is. According to studies by the University of California, Berkley and Nerdwallet, more men (68%) hold stocks than women (48%), and men trade about 45% more often than women. Women are less likely to feel educated about and confident in choosing investments.

These findings don't mean men's approach to investing is better; it is just different. Women investors (66%) make up for lesser knowledge and confidence by seeking professional assistance.

They're also more risk-averse than men and hold their investments longer—traits that may potentially give women a leg up on consistent long-term returns.

MORE THAN INFLATION CAN IMPACT YOUR INVESTMENTS

There's also disinflation, no-inflation, deflation, and stagflation.

Inflation is the overall rise in the prices of goods and services over time. When it spikes, stock investments may be attractive for investors willing to buy and hold for more than five years.

Disinflation occurs when price increases slow. During disinflation, you may be rewarded for accepting more investment risk and buying growth stocks.

No-inflation occurs when consumer prices rise by no more than 2% a year, creating price and economic stability and a good climate for most types of investments.

Deflation is a generalized economy-wide drop in prices. The U.S. has seen deflation only during the Great Depression in the 1930s and the Great Recession in 2009. During deflation, bonds with a fixed positive interest rate offer positive real returns.

Stagflation is characterized by slow growth, high unemployment, and inflation. TIPS, which, if held to maturity, are guaranteed to return your investments, may help weather stagflation.

HAPPY EMPLOYEES ARE PRODUCTIVE

The general business consensus is that happy employees are more productive. So, are most of today's employees satisfied with their employment? A Conference Board study conducted in late 2023 seems to give a resounding "yes."

A CLOSER LOOK

The survey found that 63% of workers are satisfied overall, the highest job satisfaction rating since the survey began in 1987. But this bright report has some dark spots. One is the significant gap in satisfaction between men and women, particularly related to the financial benefits of work, such as wages, benefits, and bonuses.

The survey also noted a never-before discrepancy. Satisfaction decreased across the first 26 questions compared to 2022. Those declines indicate that future job satisfaction overall may be at risk despite the record rating in 2023.

KEEP PACE

While wages and key benefits remain vital to job satisfaction and productivity, respondents focused more on positive work culture and experience than in previous years. This suggests you should prioritize and emphasize factors such as the quality of leadership, career paths, work/life balance, work-from-home and flex options, and workplace culture to drive employee retention, productivity, and job satisfaction. Also, be alert to areas of low satisfaction, such as mental health programs, education/job training, recognition, and workload, and address the gaps in male/female and short tenure/longer tenure satisfaction.

Women remained less satisfied than men in general. This suggests that employers should bolster efforts to provide benefits that better support working women.