ClientLine®

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STILL TIME TO REDUCE YOUR 2024 TAX BILL

One simple move can lower your tax bill and increase your retirement savings. Contributing to an eligible retirement account by the April 15, 2025 income-tax deadline will reduce your 2024 taxable income by the amount you contribute.

INDIVIDUAL RETIREMENT ACCOUNT (IRA)

An IRA offers you the flexibility to choose various investments to hold in your account. For 2024 and 2025, you can contribute up to $7,000 to an IRA—$8,000 if you're age 50 or older. You must have "earned income," including money from wages, salaries, tips, bonuses, commissions, or self-employment, to contribute to an IRA. Your spouse can contribute to an IRA as well.

SIMPLE IRA

A Savings Incentive Match Plan for Employees, or SIMPLE IRA, is a retirement savings plan designed for small businesses with 100 or fewer employees.

Employers must match employee contributions dollar for dollar—up to 3% of an employee's compensation—or make a fixed 2% contribution for all eligible employees, even if an employee chooses not to contribute.

As with a traditional IRA, you can contribute to a SIMPLE IRA until April 15, following the end of the tax year, and benefit from the tax deduction.

SOLO 401(K)

Solo 401(k) plans are designed to cover a business owner with no employees and his or her spouse. You can make elective deferrals of up to 100% of your earned income, or the annual contribution limit, plus employer nonelective contributions of up to 25% of compensation.

Contributions can be made until the company's tax return deadline, including extensions.

Financial and tax professionals can help you determine which plan is right for you.

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PLANNING FOR TOMORROW

When business owners want to sell their companies to non-family purchasers, they have a number of ways to achieve this goal. First, get a current business valuation. Make sure your company's books are in order, as well as contracts that involve future business and income.

INSIDE OR OUT?

If you have partners who want to remain in the business after you leave, work with an attorney to draft a buy-sell arrangement. Another way you might keep the business in familiar hands is to explore the use of an Employee Stock Option Plan. Your tax and legal professionals can provide the details for each approach.

Then, if you want to still sell your business on the open market, work with your tax and legal professionals to establish the optimal price and purchase agreement.

CLIENT PROFILE

Mark owns an architectural firm in a North Carolina region that Hurricane Helene flooded badly, and will not be able to deal with company or individual federal taxes for some time. Will he still owe a penalty?

The IRS announced that Hurricane Helene victims in all of North Carolina have until May 1, 2025 to file various federal individual and business tax returns and make tax payments.

The May 1, 2025, deadline also applies to any payments due during this period, including quarterly estimated taxes due on January 15 and April 15, 2025 and quarterly payroll and excise tax returns normally due on October 31, 2024, January 31, 2025 and April 30, 2025.

The IRS automatically identifies taxpayers located in the disaster area and applies filing and payment relief. But if you live or have a business located outside the covered disaster area call the IRS disaster hotline at 866-562-5227 to request relief.

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

ALL IN THE FAMILY

Here are three ways business owners can turn younger family members into eventual company owners, short of buying the company with ready cash (with its various tax implications).

OWNER FINANCING

Also known as the installment plan, you might create an agreement with the help of an attorney to receive a down payment on the sale of your business, with the rest paid in installments.

Pros include potentially lower interest on payments for the buyer and a stream of income the seller can use in retirement. Cons include less cash flow for the new owner to operate the company and the chance installment payments to the previous owner will stop before full payment.

SINKING FUND

If you have a well-structured buy-sell plan and intend to pass the business on in a specified number of years, you might consider establishing a sinking fund, which becomes a company asset until used to purchase the business. You can schedule regular payments to an interest-bearing account or investment-type fund, with funds growing over time to theoretically fund a future purchase.

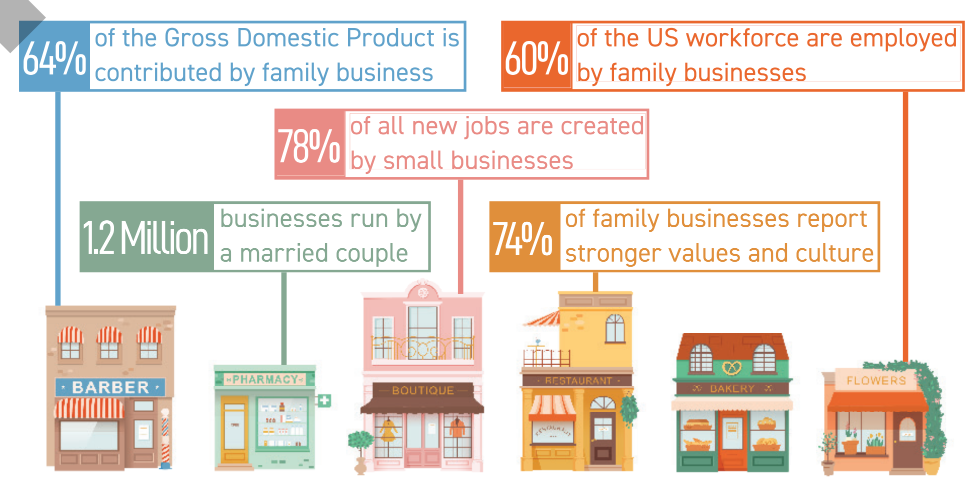
LIFE INSURANCE

You may also want to examine the potential of funding a cash value life insurance policy to use in the future purchase of the business. Like a sinking fund, the life insurance policy becomes a company asset. Unlike a sinking fund, which doesn't help if the existing owner dies before the fund accumulates sufficient cash, life insurance covers a potential sale, whether unexpected or planned.

GET HELP

Work with your legal and tax professionals to better understand the tax implications for you and family successors before deciding which funding method to choose.

FAMILY-OWNED BUSINESSES



Source: SCORE 2024

WHEN FIXED ANNUITIES MAKE SENSE

If you're risk-averse, are concerned that investments in stock or bond mutual funds may lose principal or you're looking for some guarantees in retirement, a fixed annuity* may be one answer.

WHEN YOU WANT CERTAINTY

If your only guaranteed income in retirement is Social Security and your employee retirement plan doesn't offer an annuitization option, a fixed annuity can provide one avenue of dependable income in retirement. While fixed annuities are backed by the financial strength of the insurance companies issuing them, the guaranty fund of your state guarantees them up to certain limits if the insurer can't meet its obligations.

A fixed annuity grows tax-deferred, so you are not taxed on gains until you begin withdrawals, and it offers payment options called "period certain," which is the number of years specified in your contract. You may also choose a lifetime benefit option.

WHEN YOU ARE UNINSURABLE

You might also buy a fixed annuity to provide a financial legacy to loved ones or as a way to pay for your potential long term care costs, in the event health makes insurance unaffordable or unavailable. While annuities offer certain advantages, they can be costly (see the disclaimer below), so make sure to compare annuity contracts from financially strong insurance companies with the help of a financial professional.

**An annuity may impose charges, including but not limited to surrender charges, mortality and expense risk charges, administrative fees and underlying fund expenses. You will have to pay federal income tax on any earnings you withdraw from the annuity. Payments and guarantees are subject to the claims-paying ability of the issuing insurance company.*

Q

My company is thinking about offering a student loan repayment benefit for our employees. How does it work?

A

This benefit, which pays off anywhere from a few hundred to a few thousand dollars a year in student loan debt for employees, has grown in popularity among Fortune 1,000 companies and may make sense for smaller companies.

To protect your investment, define parameters such as eligibility, reimbursement limits and consider implementing retention agreements to require employees to stay with the company for a period after receiving benefits. Also, ensure that you reimburse for education related to your company goals. Consult your tax pro for guidance.

SLICING THE INHERITANCE PIE

ASSET RICH, CASH POOR

Let's say you own a $2 million business, which you intend to pass to your daughter. But, you also have a son who isn't involved in the business and doesn't want to be a future part of it. How do you fairly treat family members who aren't involved with the business when other family successors inherit your company?

ESTATE EQUALIZATION

You could have your heir who won't be in the business inherit an equal amount of other assets and cash. What, however, do you do if your portfolio is asset-rich but cash-poor?

With sufficient time and careful investing, you could sock cash into an account you will use to equalize your estate.

Or, you could buy a life insurance policy with a $2 million death benefit going to your son as beneficiary, while your daughter becomes beneficiary of your company.

Talk to you legal and tax professionals to learn how you might structure an estate equalization approach that works for every family member.

BOOST RETIREMENT SAVINGS

Do you ever wish you could find extra money for your child's college expenses or retirement? Maybe you would like to take a bucket list vacation or buy a larger home. Whatever your financial goals, finding the money to help pursue them can be challenging but not impossible. Here are some ways to find more money:

Retirement investors typically pay attention to whether their contributions are deductible or not. There are a wide variety of investment accounts, from 401(k) and 403(b) plans, that offer this benefit regardless of income.

For high-net-worth individuals, limits to how much they can contribute to these plans may leave them looking for another place to put additional monies. A Roth IRA, which doesn't offer deductible contributions but does feature tax-free qualified distributions. However, high net worth individuals often get shut out of investing in a Roth IRA due to income restrictions. If this describes you, look into a non-deductible traditional IRA. Additionally, the percentage of your contributions to investment gain also won't be taxed when you begin distributions.

There are other alternatives, including taxable investments and potentially qualifying for the Roth in some years by shifting income, so talk to your financial and tax professionals to see what option is best for you.