



COUTO DEFRANCO, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

# Online Advisor

- NOVEMBER 2015 -

## MAJOR UPCOMING TAX DEADLINES

**During November:** It's wise to estimate your 2015 income tax liability and review your options for minimizing your 2015 taxes. Call us if you would like to schedule a tax-planning session, or have us prepare a tax projection.

## WHAT'S NEW IN TAXES:

Beware! Tax Scams  
Old and New

### **Greetings!**

*Year-end is quickly approaching. Please click on the link below to view our annual On-line Tax Planning Guide for strategies to reduce your 2015 taxes or, call us if you would like to schedule a tax planning session.*



*Couto DeFranco is collecting coats for those in need. If you have gently worn coats that you are no longer using, please consider dropping them by our office. See info below.*

*As Thanksgiving and the holidays approach us, we would like to wish you health and peace during this busy time.*

*We are looking for more good clients, and since we are expanding, we would appreciate your referrals!*

*Forward this email to friends and family; it entitles them to a complimentary consultation.*

*The partners and staff of Couto DeFranco, P.A.*



The IRS has issued several warnings recently about scams both old and new.

In the "old" category are unsolicited phone calls from con artists who claim to work at the IRS. According to a press release, the Treasury Inspector General for Tax Administration has received reports of approximately 736,000 contacts since October 2013 and has become aware of approximately 4,550 victims from every state in the country who have collectively paid over \$23 million as a result of this scam.

Remember that the IRS will generally contact you first by regular postal mail - not by phone. The IRS will not demand that you pay any tax bill with a prepaid debit card or wire transfer, nor ask for your credit card number over the phone.

A newer scam attempts to profit from the recent flooding in South



[IF YOU LIKE US.... "Like us" on Facebook! We will be posting up-to-date information and deadlines.](#)

## REDUCE THE EFFECT OF THE NET INVESTMENT INCOME TAX

Year-end tax planning has traditionally included tips for managing ordinary income and capital gain tax.

These long-established strategies are still effective - but now your planning also needs to include ways to manage your exposure to the net investment income tax.



This 3.8% tax applies to the lower of your net investment income or the amount by which your modified adjusted gross income exceeds \$200,000 when you're single or \$250,000 when you file jointly.

Example. Say you're filing jointly for 2015. Your net investment income for the year is \$25,000 and your modified adjusted gross income is \$300,000. The tax is \$950 (3.8% of \$25,000).

Although the term "net investment income" covers most investment income - including capital gains, interest, royalties, dividends and passive income - other items such as distributions from IRAs and qualified plans and active business income are excluded. Be aware the excluded items may still increase your modified adjusted gross income and bring the net investment income tax into play.

Here are planning opportunities to consider before the end of the year to reduce the effect of the net investment income tax.

- \* Harvest capital losses from securities transactions and use them to offset capital gains.
- \* Turn a passive activity into an active business by increasing the hours you spend participating in the activity.
- \* Invest in tax-free municipal bonds or municipal bond funds that won't increase your net investment income or your modified adjusted gross income.
- \* Sell real estate on the installment basis to spread out capital gain over several years or arrange a like-kind exchange to defer gain.

Carolina. Fraudsters impersonate a charity and attempt to solicit donations as well as personal financial information.

We urge you to hang up immediately on any suspicious telephone calls. You can report scam attempts to the Treasury Inspector General for Tax Administration, the Federal Trade Commission, and the IRS. If you need assistance, we're here to help.

## GET FAMILIAR WITH THE COST OF OWNING MUTUAL FUNDS



Are you familiar with the costs associated with mutual funds? Since fund expenses affect investment

\* Instead of selling appreciated property, donate it to charity and realize a charitable deduction - with no capital gain.

\* When possible, defer taxable business income, including bonuses, to 2016 if you expect your income to be lower next year.

Reviewing your options for reducing the net investment income tax is only one part of comprehensive planning. Give us a call. We'll help you factor the net investment income tax into your year-end decisions.



## INCREASE CUSTOMER SATISFACTION- AND YOUR PROFITS

In some industries, service has become a quaint memory. Customers are often reduced to selecting the provider that costs or annoys them the least. In this environment, pleasing your customers can create a powerful competitive advantage - and a few simple changes may increase your bottom line.

**To distinguish your firm from the rest, consider the following customer service policies and procedures.**

- Communicate with your customers. Return calls, emails, and social media contacts promptly. Send updates about matters in progress, and explain delays as soon as you can.
- Make life easy. Offer discounts at the point of sale rather than giving out coupons or making buyers apply for mail-in rebates. If you use an automated phone system, provide a simple method for reaching a live person.
- Apologize early and whenever necessary. If you're even partly wrong, apologize and proceed to a resolution. Train your employees to do the same and reward them for positive outcomes.
- Put customers first. Let your customers know you're there for them and that you regard them as more than "cash cows." Listen to concerns and address them promptly. If a customer is unhappy with a purchase (whether product or service), fix it, replace it, or refund the payment in full. At worst, the loss won't be compounded by damage to your reputation. At best, the money will come back multiplied by repeat business and referrals.

Quality service is a powerful marketing tool that's surprisingly easy to implement. Simply imagine how you would want to be treated and provide that treatment to your customers. As customer satisfaction increases, your profits

return, understanding the costs is an important step in making sound investment decisions. Here are some common charges you'll want to know.

\* **Load.** A load is a sales charge imposed by the fund. You might think of it as similar to the fee you pay a broker to purchase a stock. Mutual funds fit in two broad categories: load and no-load. "Load funds" include front-end, back-end, and level-load. A front-end load, as the name implies, is charged when you make your initial investment. A back-end load is charged when you sell your investment before a specified period of time has passed. A level-load charges you an ongoing fee (for instance, 1% per year) as long as you own the shares. "No-load funds" have no sales charge. Keep in mind that no-load is not the same as no-fee. No-load funds can still charge purchase, redemption, exchange, and account fees. Look for information on these in a table located near the front of a fund's prospectus under the heading "Shareholder Fees."

\* **Expense ratio.** The expense ratio tells you the cost of operating and managing the fund. These costs include marketing fees (sometimes called 12b-1 fees), management and administrative fees, operating costs, and other asset-based costs incurred by the mutual fund. A high expense ratio can hurt your overall return.

\* **Turnover and taxes.** A fund's turnover ratio indicates how often the

will follow.

## NEW BUSINESS: PRACTICE GOOD INFORMATION SECURITY

The IRS recently released an updated version of Publication 4557, Safeguarding Taxpayer Data. Even if you're not in the business of receiving, maintaining, sharing, transmitting, or storing the personal information of taxpayers, looking through the publication may benefit you. Why? Because Publication 4557 contains general processes, best practices, and guidelines for information privacy - and those tips can be useful no matter the type of financial information you acquire, use, and retain about your business partners, customers, and vendors.

For example, the publication contains a checklist that can help you define information security procedures and controls. Topics include risk assessment, facilities security, personnel security, and information systems security.

In today's world, identity theft is not only a concern of big corporations. Protecting valuable business records is a smart move no matter the size of your company.

fund buys and sells investments. A high turnover ratio reflects active trading. Because funds pass capital gains through to shareholders, active trading could result in taxable income for you. A low turnover ratio indicates a "buy and hold" strategy that can postpone the tax bite.

If you have questions about investing in mutual funds, give us a call.

## QUICK LINKS

[Services](#)

[Resources](#)

[Financial Planning](#)



Nelson Couto CPA, CFP™  
Anthony DeFranco CPA, CFP™



# Have an extra coat in your CLOSET?

**Couto DeFranco, P.A.**  
is collecting clean, gently worn coats!

**November 9<sup>th</sup> - December 11th**

Coat collection boxes will be at  
300 Executive Drive, Suite 200  
West Orange, NJ 07052

**Mon-Fri 9am-5pm**

on behalf of



ONE WARM COAT®

[www.onewarmcoat.org](http://www.onewarmcoat.org)

We hope you found this information helpful. Call today to schedule your appointment to start getting into financial shape!

973.325.3370

Sincerely,

The Partners and Staff  
Couto DeFranco, P.A.

[Nelson J. Couto, CPA, CFP™](#)

[Anthony DeFranco, CPA, CFP™](#)

View my profile on  
[Linked in](#)

Nelson J. Couto, Partner

View my profile on  
[Linked in](#)

Anthony DeFranco, Partner

Like us on [Facebook](#)

[Couto DeFranco](#)  
[Facebook](#)

For Interesting Tax  
Facts and Small  
Business Updates, be  
sure to "Like Us"  
on **Facebook!**

 Like

## EXCITING COUTO DEFRANCO NEWS:

We've been recognized as  
"Top Wealth Managers in NJ"

2nd Year in a Row!!



**Nelson Couto and Anthony DeFranco** honored with a recognition by **NJ Monthly Magazine** in its selection of "Top Wealth Managers In NJ 2014"

Nelson Couto, CPA, CFP® and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2014 Five Star Wealth Managers and featured in New Jersey Monthly magazine January 2015. Out of the 5063 wealth managers in New Jersey who were seriously considered for the award, 672 were named. This is their second time winning this prestigious award.

"We are delighted to be acknowledged as a Five Star Wealth Manager by New Jersey Monthly, and proud that the work we have done for our clients has been recognized," says Anthony

DeFranco.

Couto and DeFranco are recognized as leaders in the field of wealth management. They combine their knowledge of financial planning with over 25 years as CPAs, helping their clients with their wealth management and tax planning needs, along with assisting them with their financial goals and aspirations.

They believe the best way to help clients reach their financial goals is simple: to listen. "It is important to listen to where they are today and where they want to be tomorrow," says Nelson Couto. The partners feel that clients are paying them for their knowledge-both as NJ Certified Public Accountants and as Certified Financial Planner™ professionals-so it is their responsibility to develop a financial plan that is sound, objective and honest. This model has been their secret to success.

*Starting a business? Tax Questions? Need Financial Planning?*

*Print out this certificate for a complimentary one-hour consultation.*

COUTO DEFranco, P.A.

[ABOUT US](#) | [SERVICES](#) | [INDUSTRIES](#) | [RESOURCES](#) | [CAREERS](#) | [CONTACT US](#) | [HOME](#)

300 Executive Drive, Suite 200, West Orange, NJ 07052, USA.

Telephone: (973) 325-3370 Fax: (973) 325-3371

Email: [info@coutodefranco.com](mailto:info@coutodefranco.com)

*Couto DeFranco, P.A. provides the information in this e-newsletter for general guidance only, and does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind. The information provided herein should not be used as a substitute for consultation with professional tax, accounting, legal, or other competent advisers. Before making any decision or taking any action, you should consult a professional adviser who has been provided with all pertinent facts relevant to your particular situation. Tax articles in this e-newsletter are not intended to be used, and cannot be used by any taxpayer, for the purpose of avoiding accuracy-related penalties that may be imposed on the taxpayer. The information is provided "as is," with no assurance or guarantee of completeness, accuracy, or timeliness of the information, and without warranty of any kind, express or implied, including but not limited to warranties of performance, merchantability, and fitness for a particular purpose.*