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

# Online Advisor

- OCTOBER 2015 -

## MAJOR UPCOMING TAX DEADLINES

* October 15 - Deadline for filing 2014 individual tax returns on automatic extension of the April 15 filing deadline.

## WHAT'S NEW IN TAXES:
## Health insurers need your social security number

Among the many provisions in the "Affordable Care Act" is a new information return that "health

***Greetings!***

*Fall is officially here and the holidays are coming. For individuals who have tax returns on automatic extension from the April 15th deadline, October 15th is the filing deadline.  For more information regarding tax deadlines, please contact our office.*

*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.*

*IF YOU LIKE US...."Like us" on Facebook! We will be posting up-to-date information and deadlines.*

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## GIVE YOUR KIDS A HEAD START WITH A ROTH IRA

coverage providers" must file with the IRS. Form 1095-B lets the IRS match your health insurance coverage with the information you report on your personal tax return.

Generally, a "health coverage provider" is an insurance company. To complete Form 1095-B correctly, your insurance company may ask you to provide your social security number. The request will come from the insurance company, not the IRS, and may simply be a letter. At present, there is no official IRS form for the insurance company to use to request your social security number.

Fraud prevention tip: Verify that requests for personal financial information are valid by contacting your insurance company directly.

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## WHAT'S NEW IN FINANCES
## Talk to your college student about finances

Would you like to give your child a head start on smart money habits? Here's a suggestion: Have the child invest in a Roth IRA. Why? The tax-free compounding of contributions and investment returns over your child's lifetime is a great wealth-builder.


Here's what you need to know.

* **There is no minimum age to open a Roth IRA account.** All your child needs is earned income, either from a job or from self-employment.

* **The maximum contribution to a Roth IRA for 2015 is $5,500.** Your child can contribute less and you can provide some or all of the cash, up to the amount of your child's earned income..

* **Your child won't receive a federal tax deduction for a Roth IRA contribution** - and will pay no federal income tax on qualified distributions taken after age 59½.

* **You can continue to claim a qualifying child as a dependent on your tax return.** Your child is also allowed a federal standard deduction of $6,300 for 2015, which means the first $6,300 of earned income is income-tax free.

* **If you own a business and can employ your child, you can benefit from additional tax savings, including a payroll deduction for your business.** In addition, depending on how your business is organized, you may not have to pay federal payroll taxes such as social security, Medicare, and unemployment. Remember, your child must perform real services and the wages can't be excessive.

* **An early Roth IRA withdrawal could affect your child's college financial aid.** Your child can take withdrawals from a Roth penalty-free to pay for college costs. But those withdrawals generally count as income when applying for financial aid.

A recent study by the American Institute of Certified Public Accountants shows a wide gap between how well college students think they handle money and how well they actually handle money. The survey also found that nearly a third of students taught themselves how to budget.

The good news is that 99% of surveyed students said developing money management skills was "extremely" or "very" important, and 84% said they were "extremely" or "very" interested in learning how to make better financial decisions.

It's never too late to teach your kids how to handle finances. Involve them in family budgeting discussions and talk about credit cards and student loan debt. Share your knowledge - and your mistakes. Help your kids take ownership of their future by arming them with sound money skills.

Are you interested in learning more? Give us a call. We'll help you get started on saving for your child's future.

## A BUY-SELL AGREEMENT HELPS YOU PLAN FOR CONTINGENCIES


What will happen to your business if you die, retire, or become disabled? If you are a small business owner, you need a means for the transfer of that business in the event something happens to you. With a "buy-sell" agreement, you are able to plan for many contingencies over which you would otherwise have little control. A buy-sell agreement should establish a price and method of succession.

The traditional buy-sell agreement is a contract between the business entity and all the entity's co-owners. The agreement typically covers valuing the business, laying down triggering events that would bring the terms of the contract into effect, and defining the transfer of ownership. There are many advantages in drafting a buy-sell agreement, including the following:

* Provides a framework for dealing with owner disputes - ensures a smooth transition of control and power to the owner's successor.

* Facilitates estate planning objectives - can help minimize certain estate taxes and can be structured to take advantage of favorable redemption rules upon death.

* Fixes value for estate tax purposes - includes a method for valuing ownership interests and establishing a fixed value for purposes of taxing the estate upon the business owner's death.

* Forces owners to deal with liquidity issues - addresses how a possible buyout would be funded.

* Helps prevent loss of tax benefits - especially for S corporations in which transferred stock could lead to termination of the S election. A buy-sell agreement can prohibit the transfer of

shares without the consent of owners.

The ownership and management of your business should not be left to chance. Your buy-sell agreement must satisfy all parties involved, including the IRS. We'll be happy to work with your legal team to discuss the drafting or updating of your agreement. Please give us a call.

## EX-DIVIDEND DATES CAN BRING A TAX SURPRISE TO THE UNWARY


Are you shopping for a mutual fund? Make sure you understand ex-dividend dates to avoid a surprise at tax time.

Unlike stocks, a mutual fund is required to distribute its annual income to shareholders. The distributions are often taxable in the form of interest, dividends, and capital gains. The ex-dividend date is the day when shares you purchased no longer have the right to receive the scheduled distribution.

Why does the ex-dividend date matter? If you buy shares of a fund before the ex-dividend date, you will receive a taxable distribution - meaning you'll pay taxes on income earned by the fund before you owned it. Since the price of the fund shares before and after a distribution reflect the amount of the dividend, you're converting part of your purchase price into income.
What if you're selling your shares? If you've owned appreciated shares for more than a year, selling them could produce income taxed at favorable long-term capital gain rates, as opposed to receiving distributions taxed at ordinary tax rates.

If you own a mutual fund in a qualified retirement account, the annual distribution will not be subject to immediate taxation. In that case, the timing of your purchase is of less importance from a tax standpoint.

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Mutual fund investing can be advantageous if you know the rules. Give us a call for guidance on the tax implications of your investments.

The information contained in this newsletter is of a general nature and should not be acted upon in your specific situation without further details and/or professional assistance. For more information on anything in the Online Advisor, or for assistance with any of your tax or business concerns, contact our office.

## NEW BUSINESS: SET UP INTERNAL CONTROLS TO MANAGE 401(K) ROTH ELECTIONS

Do you offer a Roth feature with your 401(k)? If so, check that you're handling employee contributions correctly. The IRS urges employers to make sure contributions designated as Roth contributions are deposited in the right account and included in each employee's gross income.

Fixing Roth contributions that have been treated as regular pre-tax 401(k) salary deferrals means making a transfer to the right account and reporting the correct income to employees. For mistakes made in prior years, you may need to correct Forms W-2. In that case, your employees would need to file amended tax returns.

Give us a call for suggestions on how to set up internal controls for your payroll process to avoid errors.

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.

# 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.***

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