COUTO DEFRANCO, P.A.

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Online Advisor

- SEPTEMBER 2014 -

MAJOR TAX DEADLINES FOR SEPTEMBER 2014

* September 15 - Due date for individuals to pay third quarter installment of 2014 estimated tax.

* September 15 - Due date for filing 2013 tax returns for calendar-year corporations that had an extension of the March 17 filing deadline.

* September 15 - Due date for filing 2013 partnership tax returns that had an extension of the April 15 filing deadline.

Dear Anthony,

Did you enjoy the lazy days of summer? Now is the time to start thinking about your finances. Many people think of back-to-school time as a new-beginning! With autumn quickly approaching, tuition deadlines and tax season is just around the corner. Now is the time to give us a call!

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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* October 1 - Deadline for businesses to adopt a SIMPLE retirement plan for 2014.

For more information on tax deadlines that apply to you or your business, contact our office.

WHAT'S NEW IN TAXES

IRS warns again about phone scams

Know the tax effects of investing in mutual funds

Mutual funds offer an efficient means of combining investment diversification with professional management.

Their income tax effects can be complex, however, and poorly timed purchases or sales can create unpleasant year-end surprises.

Mutual fund investors (excluding qualifying retirement plans) are taxed based on activities within each fund. If a fund investment generates taxable income or the fund sells one of its investments, the income or gain must be passed through to the shareholders. The taxable event occurs on the date the proceeds are distributed to the shareholders, who then owe tax on their individual allocations.

If you buy mutual fund shares toward the end of the year, your cost may include the value of undistributed earnings that have previously accrued within the fund. If the fund then distributes those earnings at year-end, you'll pay tax on your share even though you paid for the built-up earnings when you bought the shares and thus realized no profit. Additionally, if the fund sold investments during the year at a profit, you'll be taxed on your share of its year-end distribution of the gain, even if you didn't own the fund at the time the investments were sold.

Therefore, if you're considering buying a mutual fund late in the year, ask if it's going to make a large year-end distribution, and if so, buy after the distribution is completed. Conversely, if you're selling appreciated shares that you've held for over a year, do so before a scheduled distribution, to ensure that your entire profit will be treated as long-term capital gain.

Another strong warning from the IRS is alerting taxpayers to phone scams that have already resulted in 90,000 complaints and the theft of millions of dollars.

Here's how the typical scam works: The caller claims to be from the IRS and, using hostile and abusive language, demands immediate payment of taxes by a prepaid debit card or wire transfer.

The IRS reminds taxpayers it will never contact you by phone about owed taxes; the first contact will be by mail. It will never ask for credit, debit, or prepaid card information in a phone call, and it will never request immediate payment over the phone.

NEW BUSINESS: Part-time workers are on the increase

Most mutual fund earnings are taxable (unless earned within a retirement account) even if you automatically reinvest them. Funds must report their annual distributions on Forms 1099, which also indicate the nature of the distributions (interest, capital gains, etc.) so you can determine the proper tax treatment.

Outside the funds, shareholders generate capital gains or losses whenever they sell their shares. The gains or losses are computed by subtracting selling expenses and the "basis" of the shares (generally purchase costs) from the selling price. Determining the basis requires keeping records of each purchase of fund shares, including purchases made by reinvestments of fund earnings. Although mutual funds are now required to track and report shareholders' cost basis, that requirement only applies to funds acquired after 2011.

When mutual funds are held within IRAs, 401(k) plans, and other qualified retirement plans, their earnings are tax-deferred. However, distributions from such plans are taxed as ordinary income, regardless of how the original earnings would have been taxed if the mutual funds had been held outside the plan. (Roth IRAs are an exception to this treatment.)

If you're considering buying or selling mutual funds and would like to learn more about them, give us a call.

Switching mutual funds can be taxing

Recent job statistics indicate an increase in the number of part-time workers. Employers are increasingly using part-timers to deal with variations in workload and for short-term projects. As one economist put it, "Companies view labor more as inventory that is to be hired when they need it and let go when they don't need it."

Part-timers can turn into a liability if not managed well. Here are a few tips your business will find useful if you hire part-time workers.

* Think before you hire. Decide exactly what you want the person to do, what hours you want the person to work, and who the worker will report to. Decide on the pay level and the benefits you'll offer.

* Communicate clearly with

Many mutual fund companies allow you to switch funds without a penalty or commission, as long as you stay within their family of funds. There's a catch though. Unless the funds are in a tax-deferred retirement account, you could owe income tax each time you make a switch.

When you move money between funds, the IRS considers it a sale. You've sold shares in the first fund, then reinvested the proceeds in the second. As a result, you'll owe income tax on any gain.

You should consider switching funds when it makes economic sense to do so. Just don't forget that Uncle Sam may have his hand out at tax time.

To discuss the tax implications before making a switch, give us a call.

Setting Your Salary: What's the right amount for a small business owner?

One of the greatest perks of owning a small business is flexibility. You can set your own hours and salary. You can plot the firm's trajectory without consulting your boss, upper management, or even corporate policy. But that same flexibility may become a curse if handled unwisely. A small business owner without discipline and a well-thought-out strategy may fall into serious financial trouble. Employees in larger firms often rely on the human resources department to establish pay scales, retirement plans, and health insurance policies. In a small company, all

the part-timer. Explain the person's duties, the hours and benefits, and who the part-timer will report to.

* Tell your full-time staff why you're hiring the part-timer. Make it clear what that person will and won't be expected to do.

* Provide introductory training for the part-time worker. Assign someone the new person can turn to with everyday questions.

* Monitor the part-timer's progress. Provide feedback on performance and recognition for doing a good job.

With attention to these points, your part-time workers are more likely to be a good choice for your company.

QUICK LINKS

Services

Resources

Financial Planning

those choices - and many more - fall to the owner, including decisions about personal compensation.

While there's not a one-size-fits-all formula for determining how much to pay yourself as a business owner, here are three factors to consider:

* Personal expenses. Tracking your business and personal expenses separately makes it easier to track the firm's cash flow, and lets you know how much salary you can realistically draw without hurting profitability.

Start with your household budget; then determine how much you're willing to draw from personal savings to keep your household afloat as the company grows. For a start-up company, owner compensation may be minimal. Beware, however, of going too long without paying yourself a reasonable salary. Be sure to document that you're in business to make a profit; otherwise the IRS may view your perpetually unprofitable business as a hobby - a sham enterprise aimed at avoiding taxes.

* The market. If you were working for someone else, what would they pay for your skills and knowledge? Start by answering that question; then discuss salary levels with small business groups and colleagues in your geographic area and industry. Check out the Department of Labor and Small Business Administration websites. In the early stages of your business, you probably won't draw a salary that's commensurate with the higher range of salaries, but at least you'll learn what's reasonable.

* Affordability. Review and continually update your firm's cash flow projections to determine the salary level you can reasonably

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

CERTIFIED FINANCIAL PLANNERS™

Nelson J. Couto, CPA, CFP™

Anthony DeFranco, CPA, CFP™

View my profile on LinkedIn

Nelson J. Couto, Partner

View my profile on LinkedIn

Anthony DeFranco, Partner

sustain while keeping the business profitable. As the company grows, that level can be adjusted upward.

For assistance with this issue or other business concerns, contact our office.

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.

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"

(FOR 2nd YEAR IN A ROW!!)

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

Like

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 2014. Out of the 3315 wealth managers in New Jersey who were seriously considered for the award, 646 were named. Couto and DeFranco represent less than 1 percent of the eligible Wealth Managers in the New Jersey.

"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, where they combine their CFP® knowledge with over 25 years as being CPAs to help their clients with their wealth management and tax planning needs, along with

helping 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 Certified Financial Planners®-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.

300 Executive Drive, Suite 200, West Orange, NJ 07052, USA.
Telephone: (973) 325-3370 Fax: (973) 325-3371
Email: info@coutodefranco.com