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December 2019



It's almost New Year! Have you done your yearly credit report checkup yet? While you're at it, protect yourself from charity scams this season by reviewing some big red flags, and learn how to prioritize cash flow in your business.

Call if you would like to discuss how this information relates to you. If you know someone who can benefit from this newsletter, feel free to send it to them!

3 Major Charity Scam Red Flags

This month:

December 22

- Hanukkah begins

December 25

- Christmas Day

December 26

- Kwanzaa begins

January 15

- 4th Quarter Estimated Payments Due



You've probably already received several letters and phone calls from charities asking for donations. Most requests are from legitimate organizations. Some, however, are bogus charities set up by con artists who use the holiday spirit to their financial advantage.

Last year, Americans gave nearly \$428 billion to charities, according to Giving USA 2019: The Annual Report on Philanthropy for the Year 2018. That's a huge incentive for fraud.

If you're planning to donate, take some time to learn how to spot a charity scam. Here are a few big red flags:

- **Popup charities.** Every legitimate charitable association started sometime, and some are still being formed. But natural disasters, endemics and calamities of every type — from Hurricane Dorian to the Ebola virus — seem to spawn an inordinate share of fake charities. You can avoid these popup scams by donating to charities that you trust, which generally means those with a proven track record. If you're unsure, check out the organization with the [Better Business Bureau](#), [Charity Navigator](#), [GuideStar](#) or similar watchdog group.
- **Evasive answers to fundraising questions.** A legitimate caller should be upfront about their charity, the percentage of funds allocated to administration and marketing,

Take final year-end actions

- Deductible gifts
- Capital gains/losses
- Charitable giving
- Dividend income



Time for a Yearly Credit Report

One way to head off fraud during tax season is to get your free annual credit report now. Credit reports often have errors in them; this quick checkup can be the first indication that some form of identity theft has taken place on your account.

The good news is that each of the major consumer credit reporting agencies is required by law to provide you with a free report once a year. Here's contact information to help you get your free credit report:

Annual Credit Report.com

Telephone: 1-877-322-8228

Website: www.AnnualCreditReport.com

Via mail: (fill out the online form and mail it to the following address)

Annual Credit Report Request Service

P.O. Box 105281

Atlanta, GA 30348-5281

Listed here are the three major credit agencies and how to contact them directly.

TransUnion

Telephone: 833-395-6938

and what target groups will be aided by your donation. Whether you're giving to provide medical supplies, support research or some other worthy cause, don't be afraid to ask direct questions and expect direct answers. If the fundraiser seems to hedge their responses or knows little about the supposed cause to which you're contributing, consider a different charity. Beware of vague claims like "educating the public" or "promoting awareness."

- **Urgent email requests.** Websites made to mimic legitimate charities have conned many otherwise careful contributors. Emails asking for money on a deadline may originate from the backroom computer of a scam artist. Never divulge your financial information via email. Call the charity directly and find out if it's registered in your state (if required). Ask for written information. When in doubt, check it out.

Many charitable organizations are seeking your aid to address genuine hardships. Avoid the schemes of unethical scammers, and your donations will provide help where it's needed most.

If you think you've been contacted by a bogus charity, let the Federal Trade Commission know by filing a complaint.

Save More This Shopping Season



This winter, the NPD Group's 2019 Holiday Purchase Intentions Survey is reporting that Americans plan to spend an average of \$740 on holiday shopping — a 7% increase since

Web site: www.transunion.com

Via mail: 2 Baldwin Place

P.O. Box 2000

Chester, PA 19022

Equifax

Telephone: 1-800-685-1111

Web site: www.equifax.com

Via mail: Equifax Credit Information Service

P.O. Box 740241

Atlanta, GA 30374-0241

Experian

Telephone: 1.888.EXPERIAN (397-3742)

Web site: www.experian.com

Via mail: P.O. Box 9701

Allen, TX 75013

Reminder: Each agency may try to upsell you into additional paid services. If you find problems on your credit report, work through the credit bureau's process to correct the error. Also place fraud alerts on your credit agency account if you experience any kind of identity fraud.

Cash Flow: A Central Part of Your Business Plan



When tracking and planning your business objections, it's easy to focus your analysis on two reports — the income statement and balance sheet. But one of the primary keys to your business's success relies more on how you handle the money flowing in and out of the business. The appearance of a solid profit can hide a lurking cash flow problem.

last year. The survey also found that more people started their shopping earlier than last year (even before Black Friday!). So are you like your fellow Americans? What can you do to ensure your spending does not spiral out of control? Here are some ideas:

- **Set a limit.** Decide what you can afford to spend and stick to it. Perhaps you can provide an incentive for yourself with the amount you save under your spending limit. Better yet? Reward yourself with the after-holidays sales!
- **Make a list.** Perhaps Santa got it right when he "makes a list and checks it twice." Your list can be your working tool to try to stay on budget. Try sorting your list by groups of people (family, extended family, colleagues, friends, etc.) or by dates you plan on giving gifts. There are plenty of phone apps that can make this easier.
- **Avoid the impulse.** Yes, the sparkly lip balm packs and shaving sets intentionally placed near the checkout aisles seem like good ideas. But you don't need those impulse buys! A side benefit of making a list is to tie your budget to the items on your list. This matching of budget and list will ensure your spending goal is attainable.
- **Compare, compare, compare.** See something you like but you're not convinced by the price tag? Go online and see where you can find it for less. Even if you don't plan to buy the item online, you can shop different retail locations without making the drive. If you do make an online purchase, don't forget to factor in shipping costs.
- **Consider something other than "things."** If you find yourself buying just to buy because you don't know what to get — STOP. Consider other gift options that may be more meaningful. Many people would appreciate the gift of time. Perhaps it's babysitting or doing yard work for a friend. Consider making a handmade craft or edible goodie. The gift of love is too often replaced by merchandise from a store.
- **Save to spend.** While it may be too late for this year, consider setting next year's budget based on this year's experience. Then set up a special savings account for next year and start funding it. This can readily reduce your spending stress next year.
- **Cherish giving.** One of the nicest gifts one can give is to reintroduce the giving nature of the season. Consider purchasing a gift for a charity and then have your child/grandchild deliver it. This idea can plant the seed for future generations that consumption should not be the central theme of the holidays. Plus your little one has the joy of making the holiday season that much more special!

Here are practices to help you give your cash flow the attention it deserves:

- **Understand your cash position.** Start with simply getting in the habit of monitoring your bank account activity daily to watch for mistakes or unforeseen charges. Then look at each business process that involves cash — purchasing, inventory, collections and payroll are good examples. Consider extending terms for paying vendors, establishing shorter terms for customers to pay and implementing a review process to ensure accurate payroll calculations. Also explore opportunities to turn over your inventory faster.
- **Create a cash flow statement forecast.** With your knowledge of cash, create a forward-looking statement of monthly cash flow. It will reflect the ebbs and flow of cash throughout the year and identify times of cash crunch. You can then see the impact of changes you are making on your company's cash position.
- **Identify relevant ratios.** There are many helpful cash flow ratios. Identify ratios that are especially helpful to your business. Have debt? Consider the cash flow coverage ratio (operating cash flow ÷ by debt) to help plan for scheduled debt payments. Making a lot of capital purchases? Use the free cash flow calculation (operating cash flow – capital expenditures) to determine how much cash will be left over after the purchases.
- **Build in some contingencies.** Most businesses experience seasonality. Understanding your business cycles can help you strategically manage cash in high cash months to cover shortfalls that come in low cash months. Set up a line of credit so it's available in the case of an emergency, or as a bridge during short-term liquidity needs. A line of credit only charges interest only when used, so it's a perfect tool to have at your disposal.

- Watch for hidden cash hijackers. Oftentimes, large cash expenditures can be hidden on your income statement or balance sheet. A few examples are payments on capital purchases, debt obligations, dividends, guaranteed payments to partners and taxes. Income taxes, when not accounted for correctly, can cause a twofold problem — a large lump sum that is due in a short amount of time, plus a larger obligation to account for going forward. Don't wait until the end of the year to project your tax provision.
- Appoint someone to manage cash. As with many business processes, important details can fall through the cracks if there is not clear accountability as to who is responsible for the task. So assign yourself or someone you trust to manage the company's cash flow.

When businesses fail, it's usually because they run out of money. By making cash flow a central part of your business plan, you greatly reduce this risk.

EXCITING COUTO DEFRANCO NEWS:



Six consecutive years! Nelson Couto and Anthony DeFranco have been chosen as FIVE STAR Wealth Managers for the sixth consecutive year!

Nelson Couto, CPA, CFP®, and Anthony DeFranco, CPA, CFP®, MS (Taxation) of Couto DeFranco, P.A. have been named as 2019 Five Star Wealth Managers and will be featured in the Wall Street Journal, February 27th issue. Out of the 6,097 wealth managers in New Jersey who were seriously considered for the award, 477 were named. This is their sixth time winning this prestigious award. Nelson and Anthony were previous recipients of the award beginning in 2013.

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

Couto and DeFranco are regarded as leaders in the field of wealth management. They combine their knowledge of financial services 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 strategy that is sound, objective and honest. This model has been their secret to success.

Nelson Couto and Anthony DeFranco, established the NJ CPA firm of Couto DeFranco, P.A. in 1992 and

are located in West Orange, N.J. The firm serves individuals, businesses, estates and trusts. For more information on their full suite of accounting, wealth management, tax preparation and planning services, please call 973-325-3370 or visit the company's website at <http://www.accountants-nj.com>

