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

ONLINE ADVISOR

January 2020

Welcome 2020. A new year calls for a fresh look at your financial strategies. Consider how to make the most of your savings accounts — and don't forget you still have time to fund your IRA! You can also try the following fail-proof tricks to keep your New Year's resolutions on track.

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.

This month:

January 15

- 4th Quarter Estimated Payments Due

January 20

- Martin Luther King Jr. Day

Start tax planning for the new year:

- Adjust withholdings
- Organize filing records
- Schedule tax consultation
- Rebalance investment portfolio

There's Still Time to Fund Your IRA

There is still time to make a contribution to a traditional IRA or Roth IRA for the 2019 tax year. The annual contribution limit is $6,000 or $7,000 if you are age 50 or over. Prior to making a contribution, if you (or your spouse) are an active participant in an employer's qualified retirement plan (a 401(k), for example), you will need to make sure your modified adjusted gross income (MAGI) does not exceed certain thresholds. There are also income limits to qualify to make Roth IRA contributions.

Maximum 2019 IRA Contribution amounts: $6,000 or $7,000 (with age 50+ catch-up provision)
2019 IRA Income (MAGI) Limits

	Traditional IRA allowed contribution range		**Roth IRA** allowed contribution range	
Filing Status	**Full Contribution**	**Phaseout Complete**	**Full Contribution**	**Phaseout Complete**
Single	$64,000	$74,000	$122,000	$137,000
Married	$103,000 (both participating) $193,000 (nonparticipating spouse)	$123,000 (both participating) $203,000 (nonparticipating spouse)	$193,000	$203,000

Note: *Married traditional IRA limits depend on whether either you, your spouse or both of you participate in a qualified employer-provided retirement plan. If married filing separate and either spouse participates in an employer's qualified plan, the income phaseout to contribute is $0-10,000.*
If your income is too high to take advantage of these IRAs you can always make a non-deductible contribution to an IRA. While the contributions are not tax-deferred, the earnings are not taxed until they are withdrawn.

2020 Retirement Plan Limits

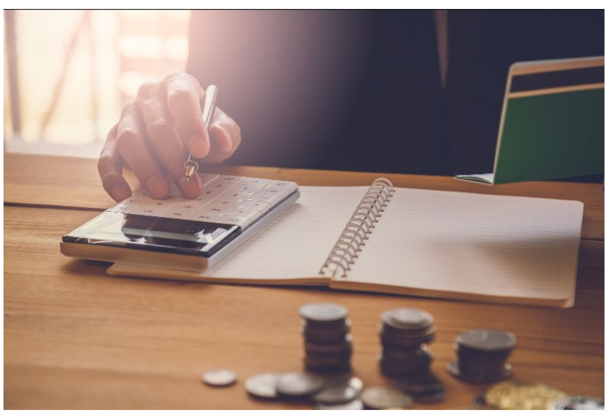
As part of your 2020 planning, now is the time to review funding your retirement accounts. By establishing your contribution goals at the beginning of each year, the financial impact of saving for your future should be more manageable. Here are annual contribution limits:

Retirement Plans	2019	2020	Change	Age 50 or older catch up
IRA: Traditional	$6,000	$6,000	none	add: $1,000
IRA: Roth	$6,000	$6,000	none	add: $1,000
IRA: SIMPLE	$13,000	$13,500	+$500	add: $3,000
401(k), 403(b), 457 plans	$19,000	$19,500	+$500	add: $6,500

Take action

If you have not already done so, please consider:

- Reviewing and adjusting your periodic contributions to your retirement savings accounts to take full advantage of the tax advantaged limits
- Setting up new accounts for a spouse or dependent(s)
- Using this time to review the status of your retirement plan
- Reviewing contributions to other tax-advantaged plans including flexible spending accounts and health savings accounts



It's Time to Prioritize Inventory Management

Extraordinarily low interest rates and a rapidly evolving business climate has made inventory management a lost art. Other business initiatives may seem to be more urgent and impactful, but in reality, mastering inventory levels is a key to most successful and growing businesses. Here are reasons why prioritizing your inventory management is a must:

- **Less shrink.** Shrinkage represents cash that goes to waste because inventory is damaged or past sell date. It is a sign of a weakness in the inventory control process. Adding quality control practices that account for climate control and other factors can help avoid damaging valuable stock and catch defective purchases before they make it into your warehouse. Tightening up your inventory controls equals less stuff to throw away which means less money wasted.

Make Your Cash Worth More

Your cash is parked. Do you know if it's making or losing you money? For instance, letting it sit in a non-interest-bearing account is a waste of earnings potential. It’s actually losing money if you factor in inflation! Here are some ideas to help you make the most of your banked cash:

Understand your bank accounts. Not all bank accounts are created equal. Interest rates,

Action: *Create a shrink scorecard. Note all product that is non-saleable, and track units tossed, their dollar value, and who supplied it. Compare waste to prior year and against your goals.*

- **More cash.** In a perfect world, you receive your inventory as soon as it is sold. Material or product that sits in the warehouse adds storage costs and risks turning into unsaleable product. Aligning your inventory operation with your sales cycle plays directly with improving your cash flow. Understanding sales trends will allow you to optimize your stock levels and save money in the process. When you spend less on unnecessary inventory costs you have more cash to invest into marketing, new product initiatives or capital equipment that can bolster your bottom line.
  Action: *Implement just in time (JIT) with key suppliers. Explore ways to deliver product when you need it versus purchasing a larger amount and then storing it.*

- **Improved forecasting.** The old saying garbage in, garbage out applies perfectly when trying to forecast inventory demand. If you can't trust your inventory process, it's impossible to accurately predict future output. This leaves you flying blind when budgeting and preparing for future expenditures. With a firm grip on your inventory needs and procurement-to-sales cycle, your forecasting will become more accurate.
  Action: *Create a rolling 12-month forecast of sales. The forecast should provide details on major product lines. Translate this forecast into lead times for your inventory procurement.*

- **Better customer relations.** Once you've optimized your operation, the quality of your customers' experience increases exponentially. You can cut prices without sacrificing margin, improve lead times, and add new product lines with your extra cash. While the effective inventory process you built is humming along, you can focus your attention on improving your products to better match the needs of your target market. This will help boost your sales!
  Action: *Set inventory targets to shorten lead times. Measure how many back orders you have and note how often products are returned as defective. If your inventory management is improving you should see positive results in both areas.*

Inventory management will not take care of itself. Giving your inventory system the attention it deserves will pay major dividends both now and in the future.

monthly fees, minimum balances, direct deposit requirements, access to ATMs, other fees and customer service all vary from bank to bank and need to be considered. Start by digging into the details of your accounts. There may be some things you've been unnecessarily living with like ATM fees or monthly account charges. Once you have a handle on your current bank, conduct research on what other banks have to offer.

Know your interest rates. As a general rule, the more liquid an account, the lower the interest rate. Checking accounts offer the lowest rates, then savings accounts, which yield lower rates than CDs. Maximizing your earnings is as simple as keeping your cash in accounts with higher interest rates. The overall interest rate earned between all your accounts should be higher than the inflation rate, which is generally around 2 percent.

Make smart moves. There are a couple of things to take into account when making transfers. First, federal law allows for only six transfers from savings and money market accounts per month. Second, if you invest in longer term investments like CDs or bonds, there are penalties for withdrawing funds before the maturity date. So make sure you can live without the funds for the duration of the term.

Stay diligent. Putting together a cash plan is just the start. The key to success is to be persistent. Besides losing out on potential earnings, mismanaging your cash can result in hefty overdraft fees. The more attention you devote, the more your money will grow.

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