

Advantage

Your personal finance edge

January–February | 2021



GOAL SETTING
in the
NEW YEAR

Audit protection | What you need to know this tax season
Recharge your remote team | Fun Valentine's Day facts
Get outdoors...with activities for snow or sand

Seize the energy of the new year

The new year is finally here—and with it comes a wave of hope and renewed energy. Let's make the most of it!

A great place to start is by ensuring that your remote team feels connected—especially if they've been working remotely for a while. It's time to look at re-energizing your team meetings and other communication touchpoints to make sure everyone's on the same page and able to be as productive as possible.

A good place to direct your energy now is tax preparation, so you can understand exactly where your tax obligations stand—and avoid late payment penalty headaches down the line.

For businesses, this is the perfect time to re-energize your cash flow strategy—and the "Cash is King" article in the last issue can help you do that. Always remember that our firm is here for you every step of the way, so never hesitate to contact us for assistance with business planning and financial management needs beyond taxes. We can partner with your business all year long to help you build and maintain a strong foundation.

What about physical energy? Even in the winter, you should get outside when you can, to soak up natural light and move your body. You'll improve your mood and maintain a higher energy level. We've included activities for snow and sand to ensure that no matter where you live, you can enjoy the great outdoors.

Last (but never least), there's nothing that can increase your energy and vitality like love—and with Valentine's Day just around the corner, we've got a round-up of fun facts to inspire you and help make your sweetheart feel even more special this year.

Wishing you a happy and healthy 2021!

Your Trusted Advisors

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contents

January–February | 2021

Features

4 | **Goal setting in the new year**

Are you on firm financial footing? Start with these questions to make sure you're on track for 2021.

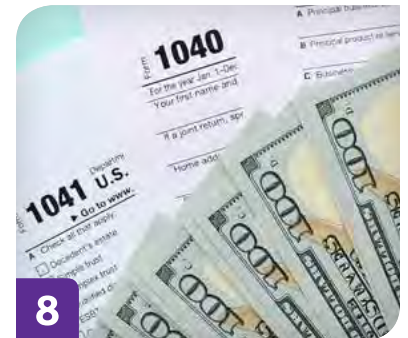


6 | **Audit protection: What it is and what it can do for you**

Nothing strikes fear in the hearts of taxpayers more than a notice from the IRS. Learn what audit protection services can do for you.

8 | **What you need to know this tax season**

Take note of these changes to make this year's tax return preparation easier.



10 | **Recharge your remote team**

Re-energize your team meetings and other communication touchpoints to be sure you're all on the same page.



Departments

2 | **From the firm: Seize the energy of the new year**

2021 is finally here—along with a wave of hope and renewed energy. Here's how to make the most of it.

12 | **Life and living: Get outdoors... with activities for snow or sand**

Whether you're near snow or sand, we've collected several ideas for getting outdoors to have fun.

14 | **Mind flex: Fun Valentine's Day facts**

Test your Valentine's Day knowledge and maybe get an idea for what to get your love this year.



Goal setting in the new year



Does the idea of making a list of financial goals cause you to freeze like a deer in the headlights? Maybe you're afraid there will be more details than you have information about. Or that the process of aligning your finances with your future will be too time-consuming. It doesn't have to be that way. For most of us, the process can be boiled down to just nine basic questions:


- | | |
|---|--|
| <p>① What are the values and motivations behind my financial decisions?</p> | <p>⑥ What's my current debt ratio and how can I reduce it?</p> |
| <p>② Where does my money go on a daily, weekly and monthly basis?</p> | <p>⑦ Do I pay myself first to save money and start a strong retirement income planning program?</p> |
| <p>③ What's my spending plan?</p> | <p>⑧ How do I track my goals and celebrate financial milestones?</p> |
| <p>④ How can I ensure my daily spending habits don't undermine my goals?</p> | <p>⑨ Where can/should I invest money to reach my financial goals?</p> |
| <p>⑤ How can I shop and spend smarter to "find" money without making more?</p> | |

Whatever your feelings about setting financial goals, the important thing is to take a little time to make sure you and your money are on the right track. Start by jotting down the answers to the questions above. And if you're still feeling a little "deer-in-the-headlights," contact our firm and let us know how we can help you meet your 2021 financial goals. ■

Audit protection

A stylized illustration of a hand in a black suit sleeve holding a wooden signpost. The hand is rendered in a simple, bold, black-and-white style. The signpost is a simple vertical line with a small notch at the top where it meets the sign.

**What it is
and what it
can do for you**

A stylized illustration of a hand in a black suit sleeve holding a wooden signpost. The hand is rendered in a simple, bold, black-and-white style. The signpost is a simple vertical line with a small notch at the top where it meets the sign.

Nothing strikes fear in the heart of a taxpayer more than a notice from the Internal Revenue Service. It can be jolting to receive any type of communication from the IRS—no matter the complexity of the request or the issue outlined. That's why so many taxpayers look to audit protection services—to ensure they have a partner to support them through the process.

So, what exactly is audit protection?

It's fairly straightforward. Audit protection services provide you with representation on both the state and federal levels should you receive a notice from the IRS. The IRS sends out a wide range of notices—from the most common CP2000, Notice of Proposed Adjustment, to Letter 525, Examination Report (and many others in between). No matter the notice type, each requires time to properly respond and ultimately resolve.

This is where audit protection services provide great peace of mind. This type of service can be thought of as an "insurance policy" of sorts. Typically, for a fixed monthly fee you retain an accounting professional or firm to serve as your representative should you receive a notice.

The service ensures the paperwork and communications back and forth with the IRS are handled on your behalf. All you need to do is hand over the notice to your professional...and then breathe easy.

What's the value?

Audit protection services provide many benefits, including:

Time savings

Even with the simplest of notices, it can take hours to collect the needed paperwork, write responses and keep up with the back and forth of communicating with the IRS. Some issues can take weeks or even months to resolve, and who has time for that?

Cost savings

When you think about the potential hours required to resolve an IRS issue, it can really add up. Most often, you'll save money by having an accounting professional manage the process for you.

Peace of mind

As mentioned above, great anxiety can come from receiving a notice from the IRS. Knowing you have an expert advocate in your corner to help resolve the issue relieves you of unneeded stress.

Now that you know the basics of what audit protection is and what it can do for you, take some time to think about whether this type of service would benefit you. It's just nice to know that where the IRS is concerned, someone's got your back! ■



What you need to know this tax season

Many people don't pay attention to their taxes until it's time to file their federal return. Now the time is here—and this year's filing includes some key changes you should understand before you hit the individual tax deadline. Here's a summary of changes you'll see on this year's Form 1040:

Cryptocurrency is under the IRS microscope

The Department of Treasury knows there are taxpayers with cryptocurrency—and they want to find them. That's why the first question on Form 1040 asks: "At any time during 2020, did you receive, sell, send, exchange or otherwise acquire any financial interest in any virtual currency?" If you're involved in cryptocurrency, just be honest and remember that you're signing the tax return under penalties of perjury—which can carry up to five years of prison time.

The coronavirus relief bill may allow you to gain a charitable tax deduction

If you wrote a check, gave cash or used your credit card to make a charitable contribution to an eligible charitable organization in 2020, you may be able

to reduce your taxable income by up to \$300 due to a provision in the coronavirus relief bill. To take advantage of this deduction, you must have proper documentation—so retain your receipts. And keep in mind that the contribution cannot be in the form of hard goods (i.e. clothing or other items dropped off at a charity). If you contributed \$250 or more to a single charity, you'll need a letter of acknowledgment to substantiate your donation.

Be prepared for changes in reporting tax withheld from income

A major change to Form 1040 this year is the way you report the amount of federal tax withheld. Previously, you reported one number: the combined total of the paid federal income tax shown on your W-2 and any 1099 Form.

For tax year 2020, however, the number

from your W-2 and any 1099s will be reported on separate lines, which may signal that the IRS will focus on 1099s in the future.

How will the Economic Impact Payments affect your taxes? Line 30 is an item that correlates with any stimulus payments you may have received.

The government is currently calling it a "recovery rebate credit." Keep in mind, however, that not all tax form changes have been finalized, so the name may change. As a result, you may receive an additional credit if your 2020 tax return has a smaller AGI than the one that was used to calculate the initial stimulus check, or if you have additional dependents.

Be sure to have IRS Notice 1444, the letter telling you how much you received, close at hand when you compile this year's tax documentation. That may seem simple enough, but if your household has self-employed individuals (which you report on Schedule H and Schedule SE), you may have to pay extra attention to this calculation due to the fact that the coronavirus relief bill allows employers to defer the deposit and payment of their portion of Social Security taxes from March 27 through December 31, 2020.

This is key because any payroll taxes due during this period may be deferred, with 50 percent paid by December 31, 2021, and the balance by December 31, 2022. If you're a Schedule C filer, this will apply to you.

Retirement plan distribution relief for taxpayers impacted by COVID-19 is in sight

If you were impacted financially by COVID-19, the coronavirus relief bill allows for distributions from a retirement account, including IRAs, to be handled differently. You don't need to have been ill with COVID-19 to be eligible for this relief, but

you must have suffered economic hardship as a result of the virus. Eligible reasons include:

- You were quarantined and unable to work.
- You were furloughed from your job.
- You were laid off from your job.
- Your work hours were reduced.
- You were unable to work because you couldn't find childcare.

Remember, your situation *must have occurred as a result of COVID-19*—and you must be able to self-certify these facts, to qualify for this retirement plan provision. If you do qualify, the tax impact can be substantial:

- There will be no 10 percent penalty if you're under the age of 59½ and take a distribution.
- The distribution will be spread over three years.
- You can repay the amount taken out over three years and avoid taxation.

The best way to take advantage of this relief is to keep all documents you may need for self-certification, such as medical records, notices from your employers or notes describing your circumstances.

Other changes to consider

Solar credits drop from 30 percent to 26 percent (and will be 22 percent in 2021). The standard mileage rate will drop from 58 cents to 57.5 cents for business, 20 cents to 17 cents for medical mileage, and will stay at 14 cents for charitable mileage.

These are the key Form 1040 changes that may impact you as an individual. However, with the election now behind us, there's always the possibility more changes will be made right up to the time the IRS starts accepting the first tax returns. Be sure to contact our firm with questions. We are always here to help! ■



Recharge your remote team

All signs point to the need for many companies to continue remote work in 2021—at least for a while. Now that most of us have been working at home or in other socially distanced locations for much of 2020, it's time to re-energize and keep those productivity levels high. Try these tips to keep your remote team engaged and productive:

■ **Do an IT equipment and needs survey.**

Does your team have everything they need to work efficiently at home or other remote workstations? Consider both the office supplies and technical tools—internet, software and especially hardware—your team needs to get the work done.

■ **Create a FAQ document to help your team navigate the applications you use to work remotely.**

Don't forget to include common IT challenges. This will give your team confidence and reduce the number of questions you field on these topics.

■ **Plan out your troubleshooting processes in advance to minimize downtime for your team in case of technical difficulties.**

Nothing kills motivation faster than ongoing IT issues. Know who to call and what to do if the team experiences connectivity or application issues. Also, have each team member think of activities they can do to keep moving forward if they can't connect to the internet.

■ **Build in daily engagement opportunities for all your team members.**

Ask questions—have a trivia challenge or a quick round robin at the beginning of the day to keep people motivated.

■ **Celebrate successes.**

Even when your team is remote, they still contribute and make progress. When goals are met, be sure to reward them with praise or even little perks like extra time off.

■ **If your budget allows, plan for a remote lunch date for your team.**

Send GrubHub or DoorDash vouchers electronically and have everyone order and eat together while you discuss how remote work is going. You'll be surprised what you can learn with a little bit of casual conversation.

■ **While you want to keep things as positive as possible, don't hesitate to remind your team of the basic rules of etiquette for taking remote calls and participating in online meetings.**

For example, while it's fine to be casual to a certain degree, proper attire, not eating while on remote calls and keeping the background noise level down are all important reminders that keep your team professional.

Even though you may be at a distance physically, it's vital to keep your team engaged and connected so they feel valued and you can all work toward common goals. While many people value the flexibility of working at home, it can also be isolating for some, so be sure to keep the unique needs of each team member in mind. ■



Get outdoors... with activities for snow or sand

Once the holidays are over, you may be looking for some fun things to do with your family to break up the winter months and stay active. Whether you live in a cold climate, or one that's warm most of the year, there are plenty of activities to choose from. Start with the lists below and get moving!

If you live where it snows, try:

Sledding

Head to your local sledding hill for a fun, aerobic workout that requires you to use multiple muscle groups to steer as you speed down hills. You'll get even more exercise as you walk with your sled back up the hill...so you can go down again.

Cross-country skiing

Cross-country skiing uses both your upper and lower body, making it one of the most effective winter workouts. Another advantage of this family fitness activity is that you can do it in a nearby park—you don't have to hit the slopes, which can be pricey.

Ice skating

Here's another winter exercise that's great for family fitness. As with skiing, how fast and how long you skate will determine how many calories you ultimately burn. Another plus: If you skate outside, it may be a free activity.

Snowshoeing

If you want a winter fitness activity that offers a total body workout plus great fun for family fitness, try snowshoeing. Once you purchase the snowshoes, it's also a low-cost activity.

Snow tubing

Sometimes the simplest activities are the best. Add this activity to your winter routine, and your family will have a blast barreling down hills on top of rubber tubes. The advantage to snow tubing is that you don't need any of the coordination or balance skills that skiing or skating require. Everyone in your family, no matter how small or how tall, can participate.

If you live near sand, try:

Touch football

Football can be a great family fitness activity if you don't have to worry about cold weather. If you're worried about the safety of family members due to differing ages and sizes, make it touch or tag football rather than a traditional tackle game.

Walking or running

Walking is a great exercise and a fitness activity the whole family can enjoy. You'll get added benefits if you walk on sand, thanks to the extra resistance.

Paddleboarding

This is definitely a good way to get a core workout. Paddleboarding on a lake or ocean is a great total body workout and it's a fun activity for couples, too.

Rollerblading

The warm-climate alternative to ice skating, rollerblading is a great way to get some cardiovascular activity in and work on your balance and core strength. Just be sure to wear protective gear.

Swimming

If you can swim outside this time of year, you'll get a great all-over workout that's easy on the joints. Make the most of the warm weather and bring your family along, too, for a game of water volleyball.

Enjoy some outdoor exercise this winter—and make the most of the season no matter where you live!



Fun Valentine's Day facts

More than 36 million heart-shaped boxes of chocolates are sold across America each year.

In general, men spend twice as much as women on Valentine's Day gifts. The average man spends \$130, while women spend about \$70.

Around 9 million people buy their pets a Valentine's Day gift.

Teachers receive the most Valentine's Day cards, followed by kids, mothers, wives and girlfriends.

Hallmark was one of the first to mass-produce a Valentine's Day card, in 1913.

Mother's Day tops Valentine's Day in floral sales.

Red roses are still the most popular Valentine flower.

The highest dollar amounts are spent on jewelry, dinner out, flowers, clothing and candy.

More than 8 billion conversation hearts are manufactured each year.

Valentine's Day was voted the best day of the year to propose—and 40 percent of the respondents were men.



We take your data security seriously

Protecting your personal data from today's breed of cybercriminal is a main focus in our firm. We continue to implement best-of-breed technologies and enhance our internal processes to keep your sensitive data safe and secure.

Thank you for making us your trusted advisor.