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Client Information Bulletin

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Eight Steps Toward a Prosperous Future

Positioning your company for an economic rebound

No one can predict with certainty what the economy will do next year: go up, go down or remain essentially the same. But most economic experts agree that a rebound is inevitable. And, when that occurs, you want your company to be in position to reap the potential rewards.

How can you do that? Mainly through a little foresight and a lot of common sense. Here are eight specific steps a company can take now to strengthen itself:

1. **Button up the budget.** Keep a close watch on proceedings and adjust your budget accordingly. For instance, a further downturn may require more belt-tightening, while an upturn could give you more leeway. If you utilize expert cost analysis and other budgetary measures, your company should be better equipped to capitalize on improving conditions.

2. **Reassess the workforce.** Did layoffs cut too deeply during this year's downturn? It may be time to rebuild your staff by adding highly skilled professionals to the roster. If it meets your company's needs, hire temporary workers or independent contractors to help fill the gaps.

3. **Adhere to compliance requirements.** It is important to "keep your eye on the ball" when it comes to financial reporting requirements, information technology (IT) controls, risk-assessment procedures and other documentation. Continue to use business advisers to address corporate governance issues. Small public companies should assess the means to comply with the Sarbanes–Oxley Act of 2002.

4. **Anticipate financial reporting changes.** The Securities and Exchange Commission (SEC) is requiring that public companies report financials using an interactive data format by 2011. Other changes will involve convergence in the rules for domestic and international reporting. Help your staff become better educated and prepared for these initiatives.

5. **Train employees for the future.** Undoubtedly, any training activities may have waned in recent months if your business has struggled. Reinvest in your people by reinstituting training procedures that can help your company seize new business opportunities. Emphasizing professional development can also boost employee job satisfaction and company morale.

6. **Improve IT systems.** If your company has been forced to "make do" with outdated technology, it may be time to upgrade. Outdated systems can affect your ability to compete in the marketplace. **Caveat:** IT changes usually take considerable time and money. Before you undertake improvements, make sure you have the resources needed to implement the plan.

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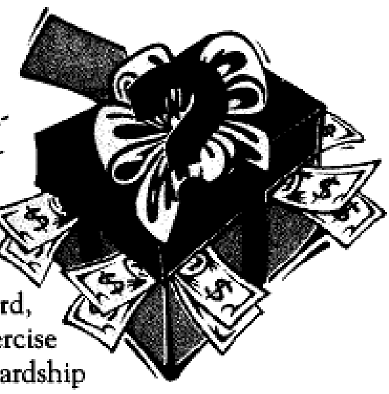
7. Expand the product line. Be ready to launch a new product or service offering once the economy turns around. Conduct a thorough cost analysis, and use other business projections to improve the likelihood of a successful launch. Do your research now, and be prepared to spring into action.

8. Protect your best employees. Currently, the job market is tight, but that can change dramatically under different economic conditions. For instance, some of your top performers may be lured away by competitors when the economy rebounds. **Be proactive**: Meet with employees regularly to discuss their career paths. Try to lay out objectives and let them know how much you appreciate their contributions.

As with the economy, there are no absolute guarantees. But taking these steps should help position your firm for the future.

Charitable Donors: Do You Know Your Rights?

Fundamental principles designed to protect gift-givers



Just as the Founding Fathers developed the Bill of Rights to protect the nation's citizens, the Donor Bill of Rights is designed to afford protection to charitable gift-givers.

This is particularly relevant at this time of year when many individuals are encouraged to make donations to charitable organizations. **One reason**: The contributions you make by December 31 generally can be deducted on your 2009 tax return. But how do you know whether your contributions are being put to good use?

The Donor Bill of Rights was created by several associations involved in philanthropy and has been endorsed by a multitude of charities throughout the country. Here is the relevant text:

The Donor Bill of Rights

Philanthropy is based on voluntary action for the common good. It is a tradition of giving and sharing that is primary to the quality of life. To ensure that philanthropy merits the respect and trust of the general public, and that donors and prospective donors can have full confidence in the not-for-profit organizations and causes they are asked to support, we declare that all donors have these rights:

I. To be informed of the organization's mission, of the way the organization intends to use donated resources, and of its capacity to use donations effectively for their intended purposes.

II. To be informed of the identity of those serving on the organization's governing board, and to expect the board to exercise prudent judgment in its stewardship responsibilities.

III. To have access to the organization's most recent financial statements.

IV. To be assured their gifts will be used for the purposes for which they were given.

V. To receive appropriate acknowledgement and recognition.

VI. To be assured that information about their donation is handled with respect and with confidentiality to the extent provided by law.

VII. To expect that all relationships with individuals representing organizations of interest to the donor will be professional in nature.

VIII. To be informed whether those seeking donations are volunteers, employees of the organization or hired solicitors.

IX. To have the opportunity for their names to be deleted from mailing lists that an organization may intend to share.

X. To feel free to ask questions when making a donation and to receive prompt, truthful and forthright answers.

Reminder: *Keep this Bill of Rights handy when you contemplate gifts at year-end. If a charity does not abide by these principles, you might consider other options.*

Give Us A Call!

*Do you have any questions or comments about **Client Information Bulletin** or your individual situation? Please do not hesitate to contact our office. We would be glad to serve you in any way we can.*

How to Address Eldercare Issues

Four suggestions for family discussions

Gradually, the roles of parents and children change, especially if one or more of the parents has health problems. This can raise sensitive legal and financial problems.

For example, an elderly parent may no longer be competent to handle his or her affairs. You might ignore the situation and hope it goes away, but that is not a realistic approach.

Instead, it is generally better to discuss "eldercare planning" frankly and openly with your parents. Include siblings and anyone else who should be involved. Here are four practical suggestions:

1. Take it slowly. It is usually not necessary to cover everything in one or two sittings (unless the parties live relatively far apart). Build from one meeting to the next. In most cases, your relationship will not change overnight, but rather over the course of several years.

2. Be gentle. If you hit your parents with a barrage of information, they may be overwhelmed. Instead of opening up, the lines of communication can close. You might start by showing your parents a relevant clipping from a newspaper or magazine. If you give them time to talk with friends, they will find out that there are others in the same position. That may soften their resistance to these changes.

3. Emphasize that you have your parents' best interests at heart. If they are like most elderly people, they will want to maintain their independence for as long as they can. You may be able to provide some options that allow them to keep a degree of control over their lives and finances.

4. Ask the critical questions. Then you can begin to plot a course of action. Some typical questions are:

- Do you have a will, power of attorney, living will or similar document? Where is it located? Have you prepared a letter of instructions?
- Do you have life insurance and disability insurance policies? Who are the insurers, and how much are the policies for?
- Are you covered by a pension plan or other retirement plan? What about IRAs? Who maintains them, and what is their value? Who are the beneficiaries?
- Do you receive Social Security benefits? How much? Are those benefits directly deposited into your bank account?
- Are you receiving income from other sources, such as annuities, stocks and bonds, and certificates of deposit (CDs)? What are they, and how much income do they earn?
- What are your real estate investments? Is any property owned as a "life estate" where ownership of the property ends at death?
- Do you have any other assets? What is their value, and where are they located? How about bank accounts and safe deposit boxes?
- Have you already transferred some of your assets? To whom did you give them and how much did you give?

Try to develop a plan that satisfies the main objectives while taking all the factors into account. For example, you may be able to protect your parents from the exorbitant cost of nursing home stays by having them transfer assets to a Medicaid trust within the proper time period.

Be aware that the laws may vary widely from state to state. Obtain professional assistance before taking any action in this area.

Wash Sale Rule: Stay Dry

If you sell securities at year-end, you might be soaked by the "wash sale" rule. This rule prevents you from claiming a tax loss on the sale of securities if you acquire "substantially identical" securities within 30 days of the sale.

However, it is relatively easy to avoid the wash sale rule. One obvious strategy is to wait at least 31 days before you buy back the same securities. Alternatively, you can "double up" on your investment.

Of course, other economic factors besides taxes should enter into your investment decisions. Just remember to watch out for the wash sale rule if you sell securities at a loss.

Salvaging Tax Breaks for College Expenses

Find relief in several tax law provisions

It costs a pretty penny to send a child to college, but you might be entitled to some tax relief when you file your 2009 return. Here is a summary of the key tax breaks for higher education currently on the books.

Education tax credits: Depending on your situation, you may qualify for one of two special tax credits for higher education. However, the credits are phased out for high-income taxpayers.

- The Hope Scholarship credit has been enhanced for 2009 and renamed the "American Opportunity Tax Credit." For starters, the maximum credit per student is increased from $1,800 to $2,500. Also, the credit is extended to all four years of study, not just the first two. The credit begins to phase out at a modified AGI of $160,000 for joint filers; $80,000 for single filers.

- The maximum Lifetime Learning Credit remains at $2,000 for 2009. Unlike the American Opportunity Tax Credit, the Lifetime Learning Credit cannot be claimed on a per-student basis. This credit begins to phase out for 2009 at a modified AGI of $100,000 for joint filers; $50,000 for single filers.

Tuition deduction: In lieu of an education credit, you may be able to deduct a portion of your child's college tuition and other qualified fees. The maximum annual deduction is $4,000. A deduction of up to $2,000 is available to joint filers with an AGI that does not exceed $160,000; $80,000 for single filers.

Coverdell Education Savings Accounts (ESAs): Distributions from a Coverdell ESA (once called the "Education IRA") are tax-free if used for higher education expenses. But the maximum annual contribution has remained at only $2,000 for several years. For 2009, availability of a Coverdell ESA begins to phase out at a modified AGI of $190,000 for joint filers; $95,000 for single filers.

Student loan interest: The tax law allows an annual deduction of up to $2,500 for interest paid on student loans. For 2009, this deduction begins to phase out at an AGI of $120,000 for joint filers; $60,000 for single filers.

Section 529 plans: You can contribute generous amounts to a Section 529 plan with a child as the beneficiary. There is no current tax on the earnings within the plan. What's more, distributions from Section 529 plans are exempt from income tax if the funds are used to pay for higher education expenses.

Educational assistance plans: The first $5,250 of benefits paid by an employer through an educational assistance plan may be excluded from tax. This tax exclusion applies to graduate courses, as well as undergraduate studies.

Make sure you coordinate these tax breaks with a professional adviser. Note that you cannot claim either higher education credit in a year in which you claim the tuition deduction.

Facts and Figures

Timely points of particular interest

➡ **Scenario Planning**—After a flood occurs, many people buy flood insurance. Similarly, "scenario planning"—preparing responses to imagined changes in conditions—typically increases after a crisis. A 2002 survey showed an upswing in scenario planning to 70% among business executives following the attacks of September 11. It is expected that many firms will adopt this practice because of the 2009 recession.

➡ **401(k) Losses**—Participants in a 401(k) plan had nine investment options, including company stock. When business dealings caused the stock value to plunge, the participants sued the company. But the district court ruled that the employer was not liable for the losses. **Reason:** The company provided adequate information about the 401(k) investment choices and the risks. Also, plan participants had other options.