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Planning and monitoring become more important. If you do not plan you do not know where you are going. If you do not monitor you do not know if you are where you planned to be.

Planning includes estimates and assumptions about future events. Flexibility should be part of the planning process. Do not lock yourself into a position that limits your future options.

You need to monitor because estimates and assumptions of future events tend to be inaccurate. Life events, like the weather change. Natural disasters and geopolitical events are generally not predictable. With a plan you can identify when changes are needed. Making adjustments too frequently will be counter productive. A plan helps to identify when changes should be made.

Your referrals are appreciated, thank you!
Joe

These are the times that try financial expectations.

2012 June

Mid-Year Reality Check: Covering Your Bases in Uncertain Times

Ways Parents Can Help Their Boomerang Kids

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Current Financial Topics

Food for Thought

Mid-Year Reality Check: Covering Your Bases in Uncertain Times



Imagine playing a complicated game, but the rules of the game are changing, and the new rules have yet to be announced. That's what income tax planning is like this year. In fact, if there was

ever a year to spend some quality time with your financial professional, this is it. Here are a few items to discuss.

How will higher rates next year affect you?

Federal income tax rates are scheduled to jump in 2013, with the bottom (10%) rate disappearing, and the top rate increasing from 35% to 39.6%. Starting in 2013, high wage earners--those with wages exceeding \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married individuals filing separately)--will also have to pay an additional 0.9% in the hospital insurance (HI) portion of their payroll tax, commonly referred to as the Medicare portion.

Could the current federal income tax rates be extended again? Of course, but it's far from a certain bet, and the odds are that any action would not take place until after the presidential election. That means any financial plan you put in place has to account for this uncertainty. And the uncertainty extends beyond just tax rates, because a number of popular tax breaks are also scheduled to expire at the end of the year, while others have already expired. So, any potential moves have to be considered in the context of several "what if" scenarios. For example, if you have the opportunity to defer compensation to next year, you have to really think about whether that makes sense, or if you would be better off paying tax on the income at this year's rates.

Potential investment moves

In addition to increased tax rates on earnings, the rates that apply to long-term capital gain and qualifying dividends are scheduled to increase in 2013. The maximum rate on long-term capital gain will jump from 15% to 20%. And while qualifying dividends currently benefit from being taxed at the rates that apply to long-term capital gain, in 2013 they'll be

taxed at ordinary income tax rates. Also beginning in 2013, a new 3.8% Medicare contribution tax will be imposed on the net investment income of individuals with modified adjusted gross income that exceeds \$200,000 (\$250,000 for married couples filing jointly and \$125,000 for married individuals filing separately). That means someone in the top tax bracket could potentially end up paying tax on some investment income at a total rate of 43.4%.

Potentially higher rates in 2013 could be a motivating factor in your investment strategy. For example, you might want to consider selling investments that have appreciated in value to recognize long-term capital gain in 2012, before the maximum rate is scheduled to increase. Alternatively, you might consider timing the sale of an investment to postpone the recognition of a capital loss until 2013, when it could be more valuable.

Roth conversions--is this the year?

If you've been on the fence about converting traditional IRA funds or pretax 401(k) contributions to a Roth account, you ought to give the matter one last hard look before the year ends. That's because when you convert a traditional IRA to a Roth IRA, or pretax dollars in a 401(k) plan to a Roth account, the converted funds are subject to federal income tax (to the extent the funds represent investment earnings, tax-deductible IRA contributions, or pretax 401(k) contributions) in the year that you make the conversion.

If tax rates go up next year, so will the effective cost of doing a Roth conversion. Additionally, qualified distributions from Roth IRAs and Roth 401(k)s are free from federal income tax. That could make a big difference in retirement if you're paying tax at a higher rate at the time. Whether a Roth conversion is right for you depends on a number of factors. If it makes sense for you, though, it might pay to think about acting now, rather than later.

Ways Parents Can Help Their Boomerang Kids



A financial strain

Parents naturally want to help their children during hard times, but in some cases, the financial strain of another adult (or two or three) in the house can be too much of a financial shock. If your adult child needs to move back home, discuss how long your child plans to stay and how he or she can contribute financially to the household.



It's been called the new retirement wild card. But it's not inflation, health-care costs, or taxes, though those things certainly matter. What is it that's causing so much uncertainty? It's boomerang kids, and the money their parents spend on them.

The trend

According to the U.S. Census Bureau, there were 6 million young adults ages 25 to 34 living at home in 2011--19% of all men (up from 14% in 2005) and 10% of all women (up from 8% in 2005). Not surprisingly, the percentages are higher for young adults in the 18 to 24 age bracket, with 59% of young men and 50% of young women living with their parents in 2011.

Sociologists have cited a number of reasons for this trend--the recession, college debt, the high cost of housing, delayed marriage, and a tendency toward prolonged adolescence. But whatever the reason, there's no doubt that boomerang children can be a mixed blessing for their parents, both emotionally and financially. Just when parents may be looking forward to being on their own and preparing for their retirement, their children are back in the nest and relying on their income. While the extra company might be welcome, you don't want to sacrifice your emotional and financial health to help your kids.

Set ground rules

If your adult children can't afford to live on their own, establish ground rules for moving back home, including general house rules, how long they plan to (or can) stay, and how they can contribute to the household in terms of rent and chores. As an adult, your child should be expected to contribute financially to the household overhead if he or she is working. Determine a reasonable amount your child can contribute toward rent, food, utilities, and car expenses. You can then choose to apply this money directly to household expenses or set it aside and give it to your child when he or she moves out, when it can be used for a security deposit on an apartment, a down payment on a car, or some other necessary expense.

You should also discuss your child's long-term plan for independence. Does your child have a job or is he or she making sincere efforts to look for work? Does your child need or want to go back to school? Is your child working and saving money for rent, a down payment on a home, or graduate school? Make sure your child's plans are realistic and that he or she is taking steps to meet those goals.

It's a balancing act, and there isn't a road map or any right answers. It's common for parents to

wonder if they're making a mistake by cushioning their child's transition to adulthood too long or feel anxious if their child isn't making sufficient progress toward independence.

Turn off the free-flowing money spigot

It can be tempting for parents to pay all of their adult children's expenses--big and small--in an effort to help them get on their feet, but doing so is unlikely to teach them self-sufficiency. Instead, it will probably make them further dependent on you.

If you can afford it, consider giving your child a lump sum for him or her to budget rather than just paying your child's ongoing expenses or paying off his or her debt, and make it clear that is all the financial assistance you plan to provide. Or, instead of giving your child money outright, consider loaning your child money at a low interest rate. If you can't afford to hand over a sum of cash or prefer not to, consider helping with a few critical expenses.

Evaluate what your money is being spent on. A car payment? Credit card debt? Health insurance? A fancy cell phone? Student loans? General spending money? Your child is going to have to cut the frills and live with the basics. If your child is under age 26, consider adding him or her to your family health plan; otherwise, consider helping him or her pay for health insurance. Think twice about co-signing a new car loan or agreeing to expensive lease payments. Have your child buy a cheaper used car and raise the deductible on his or her car insurance policy to lower premiums. Help your child research the best repayment plan for student loans, but don't pay the bills unless absolutely necessary. Same goes for credit card balances. Have your child choose a less expensive cell phone plan, or consolidate phones under a family plan and have your child pay his or her share. Bottom line--it's important for your child to live within his or her financial means, not yours.

Solidify your own retirement plan

Even if your child contributes financially to the household, you may still find yourself paying for items he or she can't afford, like student loans or medical bills, or agreeing to pay for bigger ticket items like graduate school or a house down payment. But beware of jeopardizing your retirement to do this--make sure your retirement savings are on track. A financial professional can help you see whether your current rate of savings will provide you with enough income during retirement, and can also help you determine how much you can afford to spend on your adult child now.

Natural Disaster Planning for Small Businesses



The survival of your small business after a natural disaster may very well depend on the disaster preparedness plan you create now.

Whether your small business survives a natural disaster may depend as much (if not more) on the plans you put in place now, before a disaster occurs, as on what you do after a disaster strikes. Here are some disaster preparedness ideas for you to consider for your small business.

Before the disaster

Evaluate possible natural disasters that may affect your small business. Determine the probability of a disaster occurring and its likely impact. Some natural disaster risks to consider might include hurricanes, tornadoes, straight-line winds, thunderstorms, lightning, snow and ice storms, avalanches, extreme temperatures, flooding, drought, volcanoes, earthquakes, tsunamis, mudslides, sinkholes, and wildfires.

Identify the critical functions of your business that must be maintained or restored as soon as possible. Be sure to consider the means of communication for your business, whether through phones, Internet access, or direct contact at a physical location. Also, consider possible disruptions to your supply lines.

Identify critical functions of your business that require power. Consider a power backup solution in case of a power outage.

Estimate the revenue that may be lost if disaster strikes. For both the short term and longer, will you still have goods or services to provide, and customers to purchase them?

Identify expenses that must be paid even if a natural disaster strikes. For example, mortgage, lease, or rental payments may still need to be made even after a disaster strikes your business.

Keep emergency contact information handy and in a safe place. Also, back up all of your critical data and keep a copy at one or more other safe locations. If your small business has more than one location, consider whether operations could be redirected to other locations if a natural disaster strikes at one location.

Maintain one or more disaster kits. Consider stocking the kits with water, nonperishable food, a flashlight, a portable radio, batteries, a first aid kit, and a cell phone.

Consider any steps that could mitigate the risks of a natural disaster. For example, rent or build facilities that may withstand the forces of a hurricane or an earthquake, or locate on sites less prone to flooding.

Insure against losses to your small business resulting from natural disasters. Property

insurance may insure against some damage to property. Key person life insurance may protect against the loss of a key employee. Business interruption insurance may cover certain expenses if you are unable to operate your small business due to a natural disaster.

Caution: *Special insurance may be required if you wish to insure your small business against certain natural disasters such as flooding or earthquakes.*

Communicate your business plans for a natural disaster with your employees. Consider running a disaster drill to put your plan to the test.

Monitor impending or approaching potential natural disasters, where possible. Take appropriate steps to keep your employees and yourself safe.

After the disaster

Communicate with your employees. They may have to deal with personal disaster-related issues of their own.

Focus initially on restoring critical functions as quickly as possible. Hopefully, any planning you did prior to the disaster will serve you well.

Document any damage or losses and contact your insurance company or agent. You may need to mitigate damages (for example, having a roof that is damaged tarped so that further damage does not occur).

The Federal Emergency Management Agency (FEMA), along with state and local governments, may provide some assistance. However, most assistance provided by FEMA is to individuals, rather than to businesses, and is intended to provide only for essential needs. The assistance cannot duplicate any benefit you receive from insurance.

The Small Business Administration (SBA) can provide a disaster loan for up to \$2 million (generally, at favorable terms). The loans cannot duplicate any benefit you receive from your insurance or FEMA. The loans can be for losses that are not covered by or compensated for by your insurance (including deductibles). The loans can be used for the repair or replacement of certain physical property used in your small business, or for normal financial obligations of your business that you could have met if the disaster had not occurred.

If your business is in a federally declared disaster area, you may be entitled to special tax treatment. This may include an extended time for filing tax returns and paying tax, or certain other favorable tax provisions occasionally granted to individuals who work or live in a federal disaster area.

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Is it true that Social Security beneficiaries are being required to receive their payments electronically?

That's correct. On March 1, 2013, the U.S. Treasury Department will stop mailing paper benefit checks. After that date, all Social Security beneficiaries (as well as anyone receiving another type of federal benefit, such as Supplemental Security Income benefits, Railroad Board annuity payments, federal retirement benefits, or veterans benefits) will be required to receive their benefits electronically. The federal government estimates that switching to electronic payments will save taxpayers \$1 billion over 10 years, and cut down on the risk of lost and stolen checks.

Most Social Security beneficiaries are already receiving benefits electronically, and if you're among them, you don't need to do anything--you'll continue to receive your benefits via the method you've chosen. But if you're receiving a paper check, you need to choose one of two electronic payment options as soon as possible.

The first payment option is to have your benefit directly deposited to a bank or credit union account. The second option is to have your benefit put on a Direct Express® Debit

MasterCard® prepaid card that can be used to pay bills, make retail purchases, or withdraw benefit funds from an ATM or a financial institution. Most transactions are free, although fees do apply to certain services. The Treasury Department recommends the direct deposit option for anyone with access to an account at a financial institution. The Direct Express® card is most appropriate for individuals who need the benefits of direct deposit but who don't have an account at a financial institution. If you haven't chosen an option as of March 1, 2013, you'll be automatically enrolled in the Direct Express® card option. If you're applying for Social Security benefits for the first time, you'll be asked to choose your payment option at that time.

To sign up for electronic payments, you need to visit the government website, www.GoDirect.org, or call the U.S. Treasury Electronic Payment Solution Center at (800) 333-1795. You can also sign up for the direct deposit option at your bank or credit union, or for the Direct Express® card at www.usdirectexpress.com.



Is the Social Security Administration mailing out annual Social Security Statements?

In 1995, the Social Security Administration (SSA) began mailing out annual Social Security Statements to everyone age 25 and older. These statements were designed to help Americans plan for the future by providing a detailed record of their earnings and estimates of Social Security benefits. Last year, the SSA suspended mailing these statements because of budgetary concerns, but in March 2012, the SSA resumed mailing annual statements to workers age 60 and older. If you're age 60 or older, you should receive your statement every year, about three months before your birthday. The SSA is also resuming the mailing of one-time statements to workers who are age 25 to introduce them to Social Security programs and benefits.

The SSA has also unveiled an online version of the Social Security Statement, available at the SSA website, www.socialsecurity.gov. You'll have immediate access to your statement once you've signed up for a "My Social Security" account. Statement information includes a projection of your retirement benefits at age 62, at full retirement age, and at age 70; projections

of disability and survivor's benefits; a detailed record of your earnings; and other information about the Social Security program. Individuals who are receiving paper statements in the mail will have the option to sign up for online statements instead. While workers are encouraged to use the online statement option, in some cases, the SSA will mail statements upon request to individuals under age 60, including domestic violence or identity theft victims who have blocked online access to their personal information.

There's also another way to estimate the amount of Social Security retirement benefits you will be eligible to receive in the future under current law. You can use the SSA's Retirement Estimator, which is also available at the SSA website. To use this calculator, you must have enough credits to qualify for benefits, and you must not already be receiving benefits or waiting for a decision on your benefit application. You can create various scenarios that will illustrate how different earnings amounts and retirement ages will affect your future retirement benefit.