Ed Mendlowitz

Tax Season Checklists

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ADVISORY TAX AUDIT

COMMENT: This file also contains the Getting Your Affairs in Order (GAO) Worksheets and they follow the Tax Season Checklists. I combined them to ease the delivery, and your downloading and saving the file. This entire file is also being sent to colleagues that only requested the GAO worksheets.

ED MENDLOWITZ's TAX SEASON and PRACTICE MANAGEMENT CHECKLISTS

Updated January 31, 2022

These checklists have been prepared by Edward Mendlowitz, CPA, emeritus partner with WithumSmith+Brown, P.C. and any opinions implied or expressed are strictly Ed's and not any expression of the practices, procedures or recommendations of WithumSmith+Brown, PC.

These checklists have been prepared for the guidance of fellow professionals and colleagues and for no other purpose. Anyone using these illustrations and ideas assumes full responsibilities for its use.

These checklists have evolved over the years and are, in some respect, a collaboration of professionals seeking to improve the quality of their practice and create methods to work more effectively and efficiently. If anyone has significant changes to make to any checklists, or to add a checklist, please send information to Ed at emendlowitz@withum.com

Some of the checklists are formatted to be printed and hung on walls as posters such as the *Key for a Successful Tax Season, Accounting Firm Business Model* and *Advantages of Tax Season* pages. Since the checklists are presented in Word® format they can be reformatted and customized to suit a particular practice or need, as desired.

You are welcome to use the checklists in your office without attribution. If you use them in a speech handout or presentation outside your firm as long as you are not being paid for it you are also welcome to use them, but I would appreciate an acknowledgement of the source such as: Prepared by Edward Mendlowitz, CPA, Emeritus partner, WithumSmith+Brown, PC. You cannot use them for renumeration without specific permission.

Enjoy and use and have a great tax season!

Ed

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Blogs: www.withum.com/partners-network-blog These address concerns clients have.
www.accountingtoday.com Every Monday afternoon. These cover practice management issues.
www.CPAtrendlines.com Excerpts from my many practice management books they published.

I can’t have it Perfect so I chose Usability

I made this file user-friendly and wanted it used rather than printed in a book with page numbers.

Here is what I mean

The purpose of these checklists is to share with my colleagues. That means I want to provide something that could be used.

If I made this into a book with a Table of Contents and numbered pages it would be much easier to find what you want and would count as a “book” and I could add it to my credits. However, then the checklists would not be easily usable or adaptable. I could “brag” about another book, and possible even sell millions of copies on Amazon.com but then I would not be sharing with my colleagues and friends.

So, here is how to get the best out of this file.
Look at the next five pages of the checklist listing which has been grouped into categories. Choose the checklist you want to use, and then enter the name in the navigation window to search for it, and Voila! A link will appear. Click it and there you’ll have it; then all you’ll need to do is copy and paste it into your file. You will now have a usable checklist or worksheet and even one you could pass on to your clients. Believe it or not, I used everyone of these checklists.

This is a very large file and will take a little longer to save, so expect this.

Use them as you want. You do not need to credit me as long as you use it internally, do not publish it anywhere or sell them. It is my gift to my wonderful profession that has been, and still is, very good to me.

Enjoy!

A suggestion is to print the Checklist listing and keep it handy and refer to it when you want to locate a checklist. There is a lot more here than you might realize.

CHECKLIST LISTING

The checklists are in no particular order, but I tried to group them as much as possible.
The checklist numbers do not appear on the checklists and I did not number the pages.
This Word® file is set up so you can copy and adapt the checklists as you see fit.
You do not need to credit me unless you use the checklists externally from your office.
***A checklist can be accessed by searching key words in the title**.*

BUSINESS VALUATION

70. 50 REASONS FOR A BUSINESS APPRAISAL
71. 64 WAYS TO INCREASE AND ENHANCE THE VALUE OF A BUSINESS
72. PRELIMINARY DOCUMENT REQUEST FOR A BUSINESS VALUATION OR FOR A CONSULTATION ENGAGEMENT

MERGERS AND ACQUISITIONS SERVICES FOR CLIENTS

73. TASK LIST FOR WHEN A CLIENT WANTS TO SELL THEIR BUSINESS
74. TASK LIST FOR WHEN A CLIENT WANTS TO BUY A BUSINESS

FINANCIAL PLANNING AND INVESTMENT MANAGEMENT

75. FINANCIAL PLANNING ENGAGEMENT DOCUMENT REQUEST
76. INITIAL FINANCIAL (AND/OR ESTATE) PLANNING MEETING CHECKLIST
77. REASONS FOR PURSUING A LIFE SETTLEMENT CHECKLIST
78. GETTING MARRIED FINANCIAL PLANNING ISSUES CHECKLISTF
79. PRENUPTIAL AGREEMENT CHECKLIST
80. CHANGING STATE OF RESIDENCE CHECKLIST
81. ED'S STOCK MARKET INVESTING BELIEFS (A "HOW TO INVEST" SUMMARY)
82. 10 INVESTING WATCH-OUTS
83. 15 INVESTING AXIOMS
84. HOW TO BE YOUR OWN FINANCIAL PLANNER
85. A CLIENT'S PERSONAL INVESTING VISION AND MISSION STATEMENTS
86. QUESTIONS A CLIENT SHOULD ASK THEIR FINANCIAL ADVISOR
87. INVESTMENT POLICY STATEMENT TEMPLATE
88. FAMILY BUDGET WORKSHEET
89. ELDER CARE AND FAMILY BILL PAYING AND PLANNING CHECKLIST OR FOR FAMILY OFFICE SERVICES

ENTREPRENEURSHIP

90. BUY-SELL AGREEMENT ISSUES TO CONSIDER CHECKLIST
91. CHECKLIST FOR STARTING A BUSINESS
92. SETTING UP AN OFFICE CHECKLIST
93. PREPARING A BUSINESS PLAN CHECKLIST
94. CHECKLIST FOR PREPARING FINANCIAL PROJECTIONS FOR A BUSINESS PLAN
95. NOT-FOR-PROFIT BOARD MEMBER RESPONSIBILITY CHECKLIST OF TIPS
96. "ABSENTEE" OWNER TECHNIQUE AND CHECKLIST
97. DAILY FLASH NUMBERS' REPORT (3 VERSIONS)
98. 40 CONCERNS OF BUSINESS OWNERS
99. 25 BENJAMIN FRANKLIN MAXIMS

MANAGING AN ACCOUNTING PRACTICE

100. ANNUAL 2022 PRACTICE MANAGEMENT & GROWTH CALENDAR
101. SWOT ANALYSIS
102. CHECKLIST OF REASONS FOR A CPA FIRM MERGER OR ACQUISITION
103. CRITICAL ISSUES IN RUNNING AN ACCOUNTING FIRM CHECKLIST
104. 12 TIPS TO INCREASE BILLING AND COLLECTIONS
105. CREDIT CARD AUTHORIZATION WORKSHEET

KEY FOR A SUCCESSFUL TAX SEASON

ACCOUNTING FIRM BUSINE$$ MODEL

- ☐ Delegating permits leveraging knowledge, skills, techniques, and benefits of some experience
- ☐ Leveraging creates opportunities for owners, partners and staff
- ☐ Delegating signifies trust that what is needed to be done, will be done the way it needs to be done by the due date
- ☐ The firm's system should create a method of training, supervision, oversight and confidence that the work will be done the way it needs to be done
- ☐ The system should establish a structure to make it easier to delegate and manage, and get the work done right – the first time
- ☐ Checklists are part of the system by making it easier to lay out what needs to be done, how and in what order based on what has worked previously and consistently
- ☐ *Not* following the system causes added (and unnecessary) work, time, review, stress and reduces growth, opportunities and profits…and destroys the business model

ADVANTAGES OF TAX SEASON

Tax season presents exciting opportunities for accounting firms and their staff and should be enjoyed and appreciated. Sure, there is a great concentration of work in a short period with occasional pressure, but if handled properly, the work can be managed sensibly with tensions at reasonable levels. Following are twelve advantages:

1. **Tax season is profitable.** Accounting is a business where the owners try to maximize earnings and staff get paid overtime or a bonus for their extra work

2. **Innovation and immediate training opportunities**, growth, responsibility and leadership and innovative uses of resources are created by the large concentration of work and need to lessen time and ease the workload. Public accounting firms have been among the earliest users of PCs, laser printers, high speed scanners, second monitors, portals, secure Internet transmissions, scan and populate software and use of the "cloud." In some respects the smaller firms led the profession in adapting technology as they were able to make the quick acquisition decisions tax season demanded

3. **Continuous product and service development** arises because the tax preparation portion of the practice is a "separate" business that continuously needs efficiency improvement and service upgrades. It is a mini idea factory with continuous productivity and quality control initiatives

4. **Staff become well rounded and tax knowledgeable quickly** because of the high concentration of work. Further, there are myriad opportunities for lower level staff to speak to clients. For individual tax preparation work it is not unusual for low level staff to call clients to get additional data, convey information and also be the first person the client addresses questions to or expresses a financial issue that is on their mind

5. **A level playing field is created for lower level staff** because the tax laws regularly change. The least experienced staff member can know as much about the new laws as the most experienced

6. **Tax returns supply staff with ammunition to get new clients**. When you meet people who possibly can become clients, or hear you are a CPA they usually ask a tax question. Very few ask about an FASB or IFRS application

7. **Taxes lead you to the best opportunities to get new clients** because of the volume of clients. This can be proven by tracing the family tree of your largest clients. Many trace back to a 1040

8. **Tax season is a relationship builder**. It is not unusual for a staff person to interact with a couple of dozen clients during tax season. In a professional services firm, relationships are currency

9. **Free dinners** are provided for staff working late

10. **There is no traffic congestion** when you go home late

11. **Everyone knows about tax season**, so you can get out of going to third birthday parties of your spouses' cousins in-laws' kids

12. **Tax season is fun!** Many firms expend great energy hiring and adding staff and then make no effort to excite them and make them feel part of the firm afterwards. Tax season is a perfect time to foster a feeling camaraderie and of belonging because of the personal benefits of working on individual tax returns and the value created for clients is great and immediate

THREE QUESTIONS TO ASK REGARDING QUALITY OF WORK PERFORMED OR TO BE PERFORMED

QUESTION THAT EVERY PARTNER, MANAGER AND REVIEWER SHOULD ASK EVERY PERSON SUBMITTING WORK TO THEM

Is this the best you can do?

QUESTION THAT EVERY PERSON SUBMITTING WORK TO A SUPERVISOR, MANAGER, PARTNER OR CLIENT SHOULD ASK THEMSELF

Is this the best I could do?

QUESTION THAT EVERY PERSON WORKING ON AN ASSIGNMENT SHOULD ASK THEMSELF

Does what I am doing make sense?

GOALS OF TAX SEASON

Client oriented

1. Service clients better
2. Meet deadlines more consistently
3. Higher quality returns
4. To have staff learn more and interact better with clients
5. To help people – be their trusted advisor
6. To meet with clients you only get to see once a year

Business oriented

7. To make more money – now and in future
8. To get additional clients so practice will grow
9. To broaden relationships
10. To leverage technology better
11. To have more efficient processes
12. To have all procedures adhered to
13. To grow practice
14. To work smarter
15. Reduced pressures
16. To have more fun

CHOOSE A BEST PRACTICE FOR YOUR TAX SEASON

There are many best practices. This one addresses choosing between the value of the preparer or the reviewer.

Ideal Best Practice: To save time for everyone.

Assuming you have to choose
Pick One:

Best Practice 1:
To save preparers' time over the reviewers' time.

Best Practice 2:
To save reviewers' time over the preparers' time.

If you choose Best Practice 1: Are you crazy?

If you choose Best Practice 2: What are you doing about it?
Here are some suggestions:

- ☐ Stop repeating the past things you are not happy about – change some things!!!
- ☐ Insist on having work done right the first time – it needs to become part of your culture
- ☐ Follow your systems and procedures **OR** change them to what you are actually doing
- ☐ Recognize that the right training of preparers is a major way to reduce reviewer time
- ☐ Start using smart scanners
- ☐ Use peer preparers to do ticking and tying
- ☐ Use reviewers for issues reviews
- ☐ Use relevant tax comparison worksheets
- ☐ All preparer errors should be corrected by the preparer
- ☐ The reviewer should be empowered to supervise and train preparers
- ☐ Start a procedure to pre-review complicated transactions

10 WAYS TO STAY IN CONTROL

1. Keep desk or work area clean
2. Open postal mail and take care of, assign, file or toss. Neat piles become tomorrow's mess
3. Do the same with emails – open, take care of, assign, file or delete
4. Return (or have someone return) all phone calls with calls or with e-mails and you don't have to ask about their weekend or vacation
5. Schedule work realistically and keep promises or let people know early on that a commitment cannot be met and reschedule it
6. Establish checklists and standardize procedures and make sure they are followed
7. Your staff needs to report to you on schedule and meet deadlines and use the checklists and follow the procedures
8. Partners need to get back to staff with open items, answers to questions, and their schedules need to be respected
9. Think and be orderly
10. Be quick, open and frank with clients when surprises or problems develop

50 WAYS TO MAKE MORE MONEY DURING TAX SEASON INCLUDING INCREASING AND IMPROVING PRODUCTIVITY

General business

1. More sales
2. More referrals from present clients
3. Better clients
4. Cross sell services to clients they should have, more effectively (Get more business from existing clients)
5. Lower overall costs
6. Greater output per person
7. Better pricing
8. Faster billing
9. Faster payments by clients
10. Fewer price reductions
11. Lower bad debts

Resources

12. Better use of current technology
13. Get better and more current technology
14. Have up to date resources
15. Have admin and support staff trained and ready for tax season
16. Better matching of staff with work
17. Better scheduling of work
18. Better planning

Management

19. Frequent and effective oversight by managers and partners
20. Better coordination of staff scheduling and client appointments
21. More realistic deadline commitments that will reduce calls and follow ups and pressure and client annoyance
22. Meet deadlines and meet them more consistently
23. Quicker turnaround of returns
24. Better hiring procedures
25. Improve intra office communications
26. Quicker feedback to preparers from supervisors and reviewers

Staff

27. Better delegation
28. Delegation training
29. Assign work to lowest level of qualified staff
30. Effective teamwork
31. Greater staff empowerment
32. Staff accountability (and define what "accountability" means to each staff person for each project))

Clients

33. More responsive clients that provide data all at once, or reasonably quick when additional information is needed – fewer "touches"

Preparation process

34. Looking over data client submitted to make sure there aren't glaring omissions before return is put into process
35. More frequent follow ups for requested info will reduce delays in completing return
36. Fewer "touches"
37. Fewer staff reassignments
38. Less errors and rejects
39. Eliminate repetitive errors
40. Reduce staff changes on returns especially on re-do's and delays in having preparer make corrections
41. Better and more applicable staff training including immediate OJT training
42. Greater and more focused supervision

Reviewing returns

43. Quicker turnaround from reviewers – monitor backup or backlog
44. Better reviewer training including return-flow management
45. Reduce back-up at reviewers
46. Oversight on preparers while they are working on returns

Big musts!

47. Stop settling and start expecting - and communicate this to your staff
48. Culture of excellence and stupendous client service
49. Leadership and management by partners
50. Create "excitement"

PREPARER'S WORK PROCESS AND PROCEDURES CHECKLIST

- ☐ Work carefully and deliberately
- ☐ Do not hand in work with mistakes
- ☐ Double check your work
- ☐ If possible look for an alternative way to check your work
- ☐ Compare the final return with previous year's return – line by line
- ☐ Avoid spelling errors, improper use of words and poor grammar
- ☐ Look at final result – ask yourself if it seems reasonable
- ☐ If there is an unexpected result, i.e. a large balance due or refund, you should find out why and explain it in the work papers
- ☐ If there are large differences in individual items or category totals this year when compared to last year, you should find out and explain why in the work papers
- ☐ Find out if a projection was prepared for this client and if so, reconcile any differences with the final result, and put that in the work papers
- ☐ Make sure you understand the reasons for all differences
- ☐ "Large" and "substantial" differences might mean different things to different people – so if the difference is more than 10%, use that as the reference point. For example, if the adjusted gross income is $170,000 instead of $150,000, that is a greater than 10% difference; likewise if the refund is $10,000 rather than $8,500, that is a difference greater than 10%; and so is a balance due of $6.000 rather than $7,000
- ☐ Exercise judgment
- ☐ If something looks like a red flag that might cause an audit, question what it is
- ☐ Look at every page of final return – ask yourself if what you see makes sense
- ☐ If you need to look up or research something, do not spend more than 30 minutes on it. Afterwards you can ask for assistance
- ☐ On a technical issue, do not ask for help unless you tried to find out the answer by yourself (using a 30 minute time budget). Include on your list of open items a brief summary of what you found out or weren't able to find out
- ☐ On non technical matters relating to a client, make a list of your questions, and when you reach a stopping point, ask your supervisor for help. Try to accumulate your questions. If you do not get a response within 3 days, please follow up with the supervisor

- ☐ If you need to contact a client for additional information, do so, and follow up every three days thereafter until you get the information. If you do not receive what you request after two follow up calls, notify your supervisor when it would be the time for you to make a third follow up call
- ☐ Use the tax comparison work sheets from your tax software to compare the last year's categories to this year's. For more involved returns prepare and review an Excel® tax comparison worksheet
- ☐ Follow uniform procedures and use worksheets documenting what you did wherever possible
- ☐ Make sure that all worksheets, schedules and lead sheets tie into amounts on the tax return
- ☐ Complete all checklists after reading each question or item *while you are working on the return*
- ☐ Respond to all open items in the software diagnostics so there are no items left for the reviewer to resolve or follow up on
- ☐ If client asked any questions or made comments on the data submitted, make sure of and indicate that all questions and comments were responded to or that manager or partner were told of the questions or comments
- ☐ Indicate on your workpapers whether another preparer pre-reviewed the detail input and enter their name
- ☐ Make sure you responded to all items you could if reviewer asked you to follow the Reviewer's Checklist
- ☐ Do not become guilty of upward delegation. Do as much as you possibly could so the reviewer or supervisor won't have to do something you could have

REVIEWER'S PROCEDURAL CHECKLIST FOR INDIVIDUAL TAX RETURNS

THIS CHECKLIST DEALS WITH PROCEDURAL AND NOT TECHNICAL ASPECTS OF THE TAX PREPARATION PROCESS.

EXCELLENT PREPARER CHECKLISTS THAT REVIEWERS COULD USE ARE AVAILABLE FROM THE AICPA TAX DIVISION, PPC AND OTHER SOURCES. I REFER YOU TO THOSE CHECKLISTS WHEN YOU REVIEW TAX RETURNS.

Client________________________ Year______ Date Prepared___________ By_____________

Following is a suggested checklist of things for the reviewer to do:

- ☐ Review client's name and address, Social Security numbers and business code (if applicable) (if this is first year doing this client's return)
- ☐ If client showed a change of address,was there a sale of residence to be reported or part year state returns, or was change of address required to be reported to a tax authority
- ☐ Were all required State and Local tax returns prepared
- ☐ Ascertain proper treatment of these COVID related items (use a preparation checklist for details):
    - o Clients that worked at home in a state other than their employer's premises
    - o Child and Dependent Care Credit and Premium Tax Credit
    - o Economic Impact Payments and Recovery Rebate Credits and COVID expenses and PPP loan expenses
- ☐ Was proper tax filing status used
- ☐ Review current and prior year's tax comparison summary or worksheet, and projection if one was prepared, and explanations for large variances, differences, inconsistent amounts or surprise items
- ☐ Compare last year's return with this year's return if comparison worksheet was not prepared
- ☐ Review last year's unusual or large items to see if they are applicable for this year
- ☐ Verify that estimated tax payments were made and dates made
- ☐ Review that estimated tax payments and withholding taxes were entered properly and that withholding tax ties into W-2s and other documents
- ☐ Review that estimated payments were calculated properly for the current year
- ☐ Review K-1 input
- ☐ Review W-2 input
- ☐ Total of all 1099s should tie in with amounts on return. If necessary prepare a worksheet showing this
- ☐ Were carryforwards entered properly and accounted for
- ☐ Were suspended losses properly treated
- ☐ Were gross sales from security transactions reconciled with 1099s
- ☐ Review cost basis that client provided for wash sales and/or stocks received as a gift or inheritance
- ☐ Were deductions for worthless stock or non business bad debts considered and properly documented
- ☐ Compare state returns to federal return to see that add backs and reductions seem logical
- ☐ If a trial balance or financial statement was provided for client's Schedule C business or Schedule E rental property, reconcile any book to tax differences or adjustments and that they appear reasonable
- ☐ Were tax preparation and planning fees allocated to Schedules C or E or other categories of income
- ☐ Were elections made or considered for clients that are real estate professionals or stock traders
- ☐ Was the Qualified Business Income (QBI) deduction (Sec. 199A) and aggregation amounts, and Section 163(j) deduction limitations, considered and documented
- ☐ Ask if cleint engaged in any cybercurrency transactions and that this was reported properly
- ☐ Have all applicable bonus and accelerated depreciation deductions been considered and used if applicable

- ☐ Are hobby loss rules applicable
- ☐ Were unreimbured outside partnership expenses considered and deducted on Schedule E
- ☐ If client is over age 72 were all required minimum distributions taken
- ☐ Was kiddie tax considered for children under age 24
- ☐ If qualified charitable distributions (QCD) were made from an IRA was it properly treated on federal and state returns. The nondeductible portion of any QCD should be included as income
- ☐ If client used the standard deduction were extra available deductions also taken, e.g. educator costs or charity
- ☐ Was there any circumstance requiring the filing of Form 5329 for additional taxes on retirement plans
- ☐ Are health insurance Forms 8962 and 8965 applicable
- ☐ Were items on flag sheets, notes based on discussions with client during the year, special instructions and knowledge points in tax control considered
- ☐ Look at client's correspondence and notes that accompanied their tax information to see if any were applicable to the tax return preparation or if it requires separate follow up actions (and arrange for follow up)
- ☐ Address any notes or comments by a partner
- ☐ Look at tax notices received last year to see if they affect current year's return
- ☐ There should be no diagnostics, open or unresolved items
- ☐ All questions on the preparer's checklist (if checklists are required) should have responses
- ☐ Address S Corporation distributions to client in excess of AAA or with negative capital
- ☐ Were client's basis in S Corporations properly treated
- ☐ If self-employment income, was a SEP, solo 401k or other pension plan payment made or considered
- ☐ If client did not make maximum IRA or Roth IRA contributions, were they made aware of it
- ☐ Was question for foreign bank accounts or signatory powers checked on organizer and FinCEN Form 114 prepared if required
- ☐ If question on organizer was not checked, was client asked if they had a foreign account or signatory powers:

  ___Yes, ___No (If no, make sure they are asked question) and proper box should be checked
- ☐ Review AMT adjustments, calculations and opportunities to use AMT credit from prior years
- ☐ Are filing and estimated tax instructions correct
- ☐ All interest and underpayment and late filing and other penalties should be calculated
- ☐ When a 1041 was prepared, make sure you have a copy of the document that established the trust and that it was read and terms of the trust were reported properly
- ☐ Note that Living Trusts and Grantor Trusts are not required to file tax returns. If they have and use TINs then they might have to file a 1041. The grantor's Social Security numbers should be used in every circumstance.
- ☐ If client has a solo 401k, a Form 5500 must be filed if plan assets exceed $250,000
- ☐ Comment: in every situation where added services need to be performed, client should be made aware of the fee before you do the work
- ☐ Look at every page of completed return and review for any obvious red flags or audit triggers
- ☐ Was there any follow through by client on tax or financial planning recommendations made last year. Report any comments:

  ____

  ____
- ☐ Were opportunities identified for tax or financial planning for the client. This should be followed up after tax season. Put this on tax calendar with follow up date. If not included on separate checklist, list here:

  ____

  ____

REVIEWER'S PROCEDURAL CHECKLIST FOR BUSINESS TAX RETURNS

THIS CHECKLIST DEALS WITH PROCEDURAL AND NOT TECHNICAL ASPECTS OF THE TAX PREPARATION PROCESS. **EXCELLENT PREPARER CHECKLISTS THAT REVIEWERS COULD USE ARE AVAILABLE FROM THE AICPA TAX DIVISION, PPC AND OTHER SOURCES. I REFER YOU TO THOSE CHECKLISTS WHEN YOU REVIEW TAX RETURNS.**

Client_________________________ Year_____ Date Prepared___________ By_____________

Following is a suggested checklist of things for the reviewer to do:

- ☐ Did a partner or manager review the input and net result and approve it. Yes____ No____ (if No, this should be done before you review return)
- ☐ Review client's name and address, business code, State of incorporation or organization and all TINs and owners[1] Social Security numbers (if this is first year doing this client's return)
- ☐ Pass through entities: managing owner should have submitted an updated members' address list
- ☐ Pass through entities with change in ownership: verify that the dates of change and income allocations were entered and allocated properly
- ☐ For first year, make sure all the proper elections have been made such as accounting basis, inventory method, Sections 263A and 409A, S Corporation (including States), mark to market for traders, depreciation and amortization. For later years make sure return is consistent with elections
- ☐ Was Section 199A for QBI items and 163(j) interest considered and properly handled
- ☐ Ascertain proper treatment of COVID related items (use a preparation checklist for details):
- ☐ Make sure all questions on return have been answered
- ☐ Determine that accounting basis listed on the tax return is consistent with prior years and that the income statement and balance sheet presentation is consistently treated
- ☐ Tie in retained earnings or capital accounts balances with trial balance[2] and tax return
- ☐ Make sure the time spent by officers is reflected as a percentage and not as "all" or "part"
- ☐ Review book to tax adjustment reconcilaition and tie in totals to trial balance
- ☐ If financial statement was prepared, review note regarding income taxes for inconsistencies
- ☐ Determine that the individual amounts on book to tax reconciliation appear reasonable
- ☐ Check that cash balances on tax return agrees with year end bank reconciliations
- ☐ Check that totals of fixed assets and accumulated depreciation and amortization on balance sheet of tax return agrees with depreciation and amortization schedules
- ☐ Verify that gross payroll on tax return agrees with gross payroll on W-3
- ☐ Tie in total of all 1099s client prepared with amounts on return
- ☐ Reconcile sales on the client's sales tax returns with the sales on the income tax return
- ☐ Have all applicable bonus and accelerated depreciation deductions been considered and used properly
- ☐ If company is on accrual basis, were accruals timely paid after year end
- ☐ Determine if retirement plan accruals were properly calculated and timely and properly paid
- ☐ Determine if retirement plan is top heavy
- ☐ Was interest properly paid, received, or accrued on loans to/from related parties, and that actual notes receivable or payable have been executed

[1] The term owners used here refers to stockholders, partners or members, as the case may be
[2] Even though "trial balance" is used in this checklist, you can use the Company's financial statements if that was what was used for the preparation of the tax return, or computer-generated statements

- ☐ Obtain explanations for large variances, differences, inconsistent amounts, and surprise items appearing on tax return as compared to prior year and/or projections if prepared
- ☐ Were estimated tax payments entered properly
- ☐ Were estimated payments calculated properly for the current year (If a C Corp and earnings over $1,000,000 any one of last three years, different estimated tax payment rules apply)
- ☐ Are there unreasonable compensation or unreasonable accumulation of earnings issues
- ☐ Review K-1 input and tie in to distributions and investments during the year per the books
- ☐ Were carryforwards entered properly and accounted for
- ☐ Were gross sales from security transactions reconciled with 1099s
- ☐ Compare federal to state returns to see that add backs and reductions seem logical
- ☐ Address S Corporations that had distributions in excess of AAA or with negative capital
- ☐ Were there foreign relationships, transactions or ownership which require special forms such as 8804, 5471, 5472 or FinCEN Form 114
- ☐ Were items on flag sheets, notes based on discussions with client during the year, special instructions and knowledge points in tax control considered
- ☐ Look at client's correspondence and notes that accompanied their tax information to see if applicable to the tax return preparation or if it requires separate follow up actions
- ☐ Address any notes or comments by a partner
- ☐ Look at tax notices for last year to see if they affect current year's return
- ☐ Should be no diagnostics, open or unresolved items
- ☐ Were all questions on preparer's checklist (if one was required) answered. Should be no unanswered items
- ☐ Are filing and estimated tax instructions correct
- ☐ All interest and underpayment and late filing and other penalties should be calculated
- ☐ Look at every page of completed return and review for any obvious red flags or audit triggers
- ☐ Was there any follow through by client on tax or planning recommendations made last year. Report any comments:

  ____
  ____

- ☐ Were opportunities identified for tax or planning for the client. This should be followed up after tax season. Put on tax calendar with follow up date. List here:

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REVIEWER'S REVIEW NOTES

Client_________________________ Year____

Preparer_________________________ Reviewer_________________________ Date _________

Date discussed with preparer___________, How discussed: __in person, __over phone, __by email

Addl date discussed ___________, How discussed: __in person, __over phone, __by email

Addl date discussed ___________, How discussed: __in person, __over phone, __by email

Error or issue	Corrective action taken	Corrected by	Re-reviewed and corrected or additional comment	Reviewer

Additional comment(s) by reviewer____

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TAX SEASON FOLLOW UP FORM

BASED ON ISSUES DISCLOSED BY PREPARER, REVIEWER OR PARTNER

Client__________________________ Year____ Date Prepared__________ By______________

Date followed up____________ Comments____

Date followed up____________ Comments____

Date followed up____________ Comments____

Issue(s) discussed____

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Follow up action____

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Client comments____

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Final resolution:

Additional services performed____

Future follow up date_______________________

Client expressed no interest in corrective or preventative actions___________________________________

Comments____

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REVIEWER'S PRE REVIEW OF COMPLICATED TRANSACTIONS

Examples of complicated transactions that would delay the review process and that can be reviewed while the transaction is taking place, or soon afterwards. Ideally these transactions should have been reviewed during last year soon after the transactions occurred.

- ☐ 1245 and 1250 recaptures
- ☐ 1231 losses
- ☐ Sale of a business
- ☐ Starting a business
- ☐ Closing a business
- ☐ Sale of a residence or vacation home
- ☐ Sale of rental property
- ☐ Sales of partnership and LLC interests with negative basis
- ☐ Changes in partners, members or S shareholders that took place during the year;
- ☐ 754 basis step up – these can be reviewed as soon as the estate or sale is signed off on
- ☐ Payment of personally guaranteed debt of a dissolved S corporation or C corporation
- ☐ Section 1244 losses
- ☐ Section 1202 gains
- ☐ Opportunity zone rollovers
- ☐ ESOP substitute stock dispositions
- ☐ Purchase/sale price allocations and intangibles
- ☐ Grantor trust flow through amounts, reporting of them and verification that the trust did not get and use its own TIN
- ☐ Termination during the year of the grantor's right to affect transactions that make the trust no longer a grantor trust
- ☐ Transfers during the year of partnership and S corporation ownership interests
- ☐ Modeling of potential for qualified business interest deduction
- ☐ Partnership, LLC and S corporation basis calculations
- ☐ Allocation of estimated tax payments for a couple that was divorced during the year
- ☐ Get copies of divorce and separation agreements when executed to ascertain tax treatment and possible basis adjustments
- ☐ Employment severance payments
- ☐ Deferred compensation agreements or payments and possible Section 409A issues

- ☐ Employee exercising incentive stock options or non-qualified stock options or receiving and/or selling restricted stock
- ☐ Donations of artwork or other assets with a value greater than $5,000
- ☐ Gift transactions that will be reported on a Form 709 where business interests are transferred to family members and the valuation will be reported and basis will be needed and if valuation discounts were taken
- ☐ Sale of very low basis property in an S corporation where the shareholder has a very high basis in their stock (such as when they purchased the stock of a C corporation and elected S status and the BIG period expired) to make sure the S corporation is liquidated in the year of sale so the basis can be applied
- ☐ Disposition of S corporation stock where there was a built-in gain that will have to be reported

PURPOSE OF TAX COMPARISON WORKSHEETS

- ☐ To be used to compare with prior year's amounts to spot large differences or surprise amounts
- ☐ To be effective client deliverables
- ☐ Most tax software programs show major categories of income and deductions for the current and prior year with the differences and these are adequate for a large number of clients' returns. However, when a client has a more complicated return that includes Schedule C, D and E items and K-1s, it might not be adequate and in those cases a separate manually prepared Excel comparison worksheet should be prepared.
- ☐ To be a time saving tool (for reviewer and partner signing return)
- ☐ A self-review method to have preparers find their errors which will also reduce overall preparation time

- ☐ A staff training tool to have preparer get a big picture look at the return with the major categories identified
- ☐ A tax planning tool that is much easier to use than laying out returns at meetings
- ☐ A financial planning tool for discussing a client's investment strategy and execution as reflected on the tax return with interest and dividends identified
- ☐ A cross selling tool that could be used to suggest the need for tax or financial planning
- ☐ A grasping the big picture tool – quick and easy and actually pretty thorough when sufficient detail is included (usually on the Excel worksheet)
- ☐ A user-friendly deliverable – it eases a client's review of their own tax return (especially when it contains 642 or so pages)

Biggest problems with tax comparison worksheets

- ☐ Those generated by tax software: The preparer doesn't look at it
- ☐ The Excel worksheets: The preparer fills it out because they are "supposed to" and what they are doing doesn't register, i.e. they do not look at it
- ☐ BTW one of the biggest problems with returns submitted to the reviewers is that the preparers do not look at the output, i.e. the completed return, and the bottom line doesn't "register" for reasonableness

EASING TAX SEASON WORKLOAD COMPRESSION CHECKLIST

- ☐ As long as you want to prepare tax returns, there will be workload compression. It's a reality, so let's figure out how to deal with it as well as possible.
- ☐ Dropping clients will ease the pressure, but many small practices generate up to 40 percent of their income from tax season, so I don't think dropping clients is a good strategy.
- ☐ Based on the type of practice, smaller individual tax returns might not fall within your model or future plans. These returns can be sold to generate some cash while reducing the workload, but this too is not a strategy most can do or would want to do.
- ☐ Hire temporary or per diem people and paid interns to reduce the pressure on your permanent staff. This can be successful if you have a reasonable training method and organized system.
- ☐ I do not believe filing extensions is a viable strategy, so I don't recommend that.
- ☐ Maximize the use of technology—use smart scanners, workflow software, client portals and video calls and become a paperless office. Each of these, and others, will reduce staff time, make client contact more efficient and effective, and in some cases elevate the performance level of staff.
- ☐ Outsource return preparation to other firms or to offshore preparation organizations.
- ☐ Smarter scheduling of return preparation, coordination with reviewers, and the timing of clients submitting their tax information with preparer availability.
- ☐ Do not start work on a return until you are sure all the information has been provided.
- ☐ Work on new and complicated matters before tax season starts—try to work on these issues and have them reviewed when they come to your attention. This requires being in contact with your clients before the end of the year and not waiting until the information shows up with the regular tax data. Examples are alimony payments, sale of a residence or vacation home, inheritance of stocks that were then sold, or real estate where there will be a step up in basis.
- ☐ Push down some of the reviewers' work to lower-level preparers. This will reduce bottlenecks at the reviewer level, elevate the performance of preparers and permit a smoother flow within the office.
- ☐ Better and more deliberate training of staff. I know, everyone says to do this, but it works. The problem is that too many accountants are too busy doing the work to take the time to train. Pretty stupid!
- ☐ Closer supervision. It can't take more than a half hour a day to walk through your office three or four times. I always did that, and even if I didn't notice a lack of movement the first or second trip through the office, I finally noticed it and was able to get the person unstuck. This was an issue raised at the breakfast, and I was surprised how many left their staff on their own for long periods and then were disappointed with the results. This is called MBWA (management by walking around). This also includes touching base with virtual staff.
- ☐ I said better training, but you also need to adopt a culture that doesn't tolerate errors. Reducing errors can save five or six hours a week per person. Five hours a week for a 10-week tax season is like adding a person for one full week for each person working for you. This is not a problem solver, but it certainly will reduce pressure
- ☐ Part of your training must be to have the person who makes an error fix it themselves. Otherwise the error remains embedded in the skull of the person who made the error forever.
- ☐ Pay for the previous week's overtime in the next paycheck. This won't reduce the workload, but it will definitely make overtime more satisfying for the staff. It also will create an ally of their spouse or partner instead of a complainer about their work conditions. Money talks! A post-tax season "bonus" doesn't do it.

- ☐ Tax season hours should not be imposed until there is tax return work that needs to be done. Do not use “tax season” as an excuse to have staff work on regular assignments late or on a weekend.
- ☐ For firms that have extensive non-tax season work, days should be scheduled in which only tax returns are worked on, and reviewers should be available to work on those person’s returns as completed.
- ☐ There are many advantages of tax season. These should be played up and a culture of excitement should replace one of drudgery.

TOP 12 TAX RETURN PREPARATION ERRORS

1. **Number transposition and spelling errors**. This includes income and deduction amounts and client Social Security numbers, addresses and zip codes. Spelling errors should also be avoided – they indicate a lack of attention to what you are doing

2. **Unreported 1099 income**. Clients frequently leave out 1099s, but the preparer should make sure all 1099 items from last year are accounted for. Missing 1099s that were not final for last year should be accounted for

3. **Tax payments**. Entering incorrect and unpaid amounts can be avoided by requiring the client to provide “proof” of the payments. “Incorrect” amounts provided by the client is a major cause of tax notices

4. **Keeping review notes after the return is completed**. This can create liability issues if there is ever a controversy over the return. Review notes usually deal with errors and omissions and the type and quantity of them can indicate a lack of training or adherence to processes or care, or improper procedures. Retaining these notes cannot ever help you

5. **Not correcting reason for tax notices for prior year on this year’s return**. This is a no brainer, but for many preparers there is a disconnect between a notice for last year’s return and the preparing of this year’s return

6. **Not questioning numbers that stretch the imagination**. My imagination is likely to be different from yours, but a client with high debt indicated by mortgage and home equity loan interest usually won’t be making cash charitable contributions equal to 8 percent of their gross income. Likewise for maximum allowable IRA contributions. Explain the requirements for substantiating these deductions and ask client if they have it

7. **Not following up enough with clients to get missing information**. This could create last minute rushes and unhappy clients, even though it was because of client’s lack of response

8. **Not specifically asking clients** if they have, can sign or control a foreign bank account

9. **Not telling client about items that aren’t on return** such as traditional and Roth IRAs, SEPs, making charitable contributions with appreciated stock, claiming a grown child with minimal income who lives with client as a dependent, or signing up for an employer’s 401k plan and/or flexible spending account, partial exercising of ISOs to avoid AMT or potential for a Section 83(b) election for restricted stock or ISO awards

10. **High mortgage interest deductions**. Excessive amounts (usually over $50,000) are a red flag for the IRS. Make sure the interest is not from excessive mortgages, that the funds were used for proper purposes or that the interest tracking rules have been complied with and if mortgage proceeds were used for investment purposes, it is properly reflected on the return

11. **Alternative minimum tax.** Watch for unapplied AMT credits and AMT NOLs, and state tax refunds reported as income even though not deducted in prior year because of AMT

12. **Not calling a client to relay unexpected (and especially bad) results**

CHECKLIST OF 46 TAX FILING ERRORS CLIENTS SHOULD AVOID

This is directed at clients. It is included here to indicate the types of typical errors clients make, and can serve as a heads-up to clients. It can also be a heads-up of what types of errors preparers should try to avoid.

Taxes are hard enough without making avoidable errors. Before you file, double check to make sure you do not make these errors.

1. Not signing the return (if you file paper copies)
2. Number transposition and spelling errors
3. Unchecked or unanswered questions
4. Entering incorrect or unpaid estimated tax payments
5. Missing pages in a paper filed return
6. Not correcting reason for a tax notice for a prior year, on this year's return, if there is a continuing issue
7. Underpaying or overpaying [Ugh!!!] the tax due
8. Sending your tax check or making out the check to the wrong tax agency
9. Not calculating underpayment penalty (on Form 2210), if applicable
10. Not calculating a penalty on an early withdrawal from a retirement or IRA account
11. Calculating a penalty on a permissible early withdrawal from a retirement account
12. Paying tax and penalty on IRA distributions that were timely rolled over to another IRA account
13. Not calculating a penalty if you took more than one 60-day tax free rollover in a 365-day period
14. Not filing Form 5329 (Additional Taxes on Qualified Plans Including IRAs and Other Tax-Favored Accounts) when it was required and if being filed separately from tax return, it must be signed
15. Not calculating self-employment tax on freelance income or commissions
16. Information from K-1 schedules entered incorrectly or withholding tax on those forms not properly claimed as a tax payment credit
17. Responding to an email notice from a tax agency – they do not send emails. You received spam
18. Your paid preparer did not sign your return or enter their ID number
19. Claiming the wrong exemptions or omitting a correct Social Security Number
20. Claiming an exemption for someone that properly can claim themselves (this can occur when a dependent marries during the year and files a joint return; or no longer qualifies as a dependent such as because of excessive income and/or is not a student for at least five months of the year or is a student and over age 24 at end of the year; or a child you support where your ex-spouse is entitled to the exemption under a divorce agreement)
21. Omitting a Social Security Number for someone you paid alimony to
22. Not itemizing deductions when you should have
23. Claiming excessive home mortgage interest deductions is a red flag. Interest on home mortgages over $1,100,000 is not deductible
24. Deducting points in full on refinanced mortgages, instead of amortizing them
25. Reporting mortgage interest and real estate taxes on rental properties as itemized deductions
26. Not claiming investment interest costs properly and not being aware of limitations or interest tracing rules
27. Omitting or reporting incorrect state tax payments and withholdings as an itemized deduction

28. Reporting deductions that stretch the imagination, e.g. someone with high debt indicated by a high mortgage and extensive home equity loan interest (not reportable) usually won't be making cash charitable contributions equal to 16 percent of their gross income
29. Not properly picking up carry forward expenses or credits from the prior year's return. This includes charitable contributions, investment interest expense, net operating loss deductions, capital losses, suspended losses from passive activities, alternative minimum tax credits and foreign tax paid credit
30. Reporting as income the state tax refund you received and that was reported on a 1099 when you did not get a full deduction for that on your prior year's return because you claimed the standard deduction or all or part of the payments were "disallowed" because you were subject to the alternative minimum tax
31. Not correctly answering foreign account questions on bottom of Schedule B especially when Schedule B is not otherwise required to be filed and then not filing the FBAR FinCEN Form 114
32. Overstating charitable contributions or deducting contributions you did not make, or overvaluing non-cash contributions
33. Not having proper charitable contribution receipts in your possession when you file your return claiming those deductions
34. If you made non-cash contributions over $500 additional forms must be attached to your return
35. Not having a certified appraisal if you made a gift of tangible property over $5,000. The entire contribution can be disallowed because of this
36. If your income is sufficiently high, not adding the 3.8% tax on net investment income or the .9% tax on earned income
37. If you were a "real estate professional" that did not claim yourself as such you possibly subjected yourself to the tax on net investment income
38. Reporting incorrect cost basis on sales of capital assets. This is common with inherited stocks, stocks received as a gift, or with dividend reinvestment account accumulations or where you had a previous wash sale
39. Not treating wash sales properly. If you have a wash sale, any losses are not deductible but increase the basis of the purchased shares that caused the wash sale
40. Reporting gross sales from brokerage transactions that are less than the amounts reported on the 1099s issued by your brokers
41. Not reporting proper basis on employer stock sales that were also reported as income on your W-2 form
42. Self-correcting and reporting the "correct" amount where you received an incorrect 1099 (and cannot get a corrected 1099 in time to file your return). You should report on your return the amount on the 1099, even if it is wrong, and subtract as an adjustment on another line (e.g. line 21) so the net amount is the proper income you received
43. Omitting allowable IRA, Roth IRA, SEP or other retirement plan contributions
44. Omitting paying payroll taxes on your individual tax return for household employees
45. You should self-check your return by a line by line comparison to last year's return and understand large or illogical differences
46. Inputting incorrect bank account numbers and information for your tax payment or refund

And… make sure you e-file or mail your return by the due date including extended due dates!

REVIEWER QUALIFICATION TEST

The primary people that should review tax returns are trained tax department reviewers. However, often the bunching and compression of work shifts some of the review to higher level non tax personnel such as audit managers and partners who might not necessarily have the comprehensive training, background, and experience to handle everything that might come up during the tax preparation process. Additionally, in many firms, almost everyone on the staff prepares some returns, and that lack of dedicated preparers with the trained skills places an added burden on the tax reviewers, making it important for them to have the range of experience needed to perform the review.

Following are 10 questions reviewers should be able to answer to qualify for their role. *Note:* Whether or not you agree with the questions below, you have to consider a method for making sure reviewers are qualified. Doing so should also include reviewer-appropriate CPE and in-house training.

1. What is the latest date a simplified employee pension (SEP) plan can be opened for last year for a sole proprietor?

2. What date is used as the "date purchased" to report a stock transaction that includes an unallowed loss because there was a previous wash sale?

3. Are extra payments made to an ex-spouse to cover unanticipated increases in tuition in her nursing school deductible as alimony?

4. What is the maximum federal capital gains tax rate from any portion of the gain on commercial real estate that an individual tax client sells?

5. When would you use the annualization exception for the 2210 penalty?

6. How are individuals taxed on section 1256 gains?

7. How would you advise a client who makes large amounts of annual charitable contributions and typically reports large long-term capital gains?

8. What cost basis is used when a client sells at the point of vesting employer-issued restricted stock shares that had no cost and the stockbroker has provided a 1099-B showing proceeds of $8,100? Use an approximate amount for the cost basis for your answer.

9. What would a minimum strategy be for a client with a low mortgage and minimal medical expenses and $10,000 in charitable contributions?

10. What is the equivalent taxable interest amount for a client with 4% municipal bond interest if his or her marginal federal tax rate is 25% (assume no state tax)?

ANSWERS

(No peeking)

1. It can be opened through the latest due date, including extensions, of the tax return.

2. The date the first or original lot of stocks was purchased.

3. Voluntary payments to an ex-spouse are not deductible as alimony.

4. Pre-1987 recaptured depreciation on real estate is taxed at ordinary income rates; 1987 or later recaptured depreciation on real estate is taxed, for 2021 tax reporting, at a top capital gains rate of 25% and might be subject to an additional 3.8% tax for net investment income.

5. When the income or deductions are earned erratically, bunched or not received or paid equally during the year and it results in a lower or no 2210 penalty.

6. The gains are taxed as 60% long-term capital gains and 40% short-term capital gains regardless of holding period.

7. To consider donating appreciated long-term-held securities. The client would get a charitable deduction for the fair market value of the securities and not have to report the capital gain income.

8. The employer is required to report the entire gain as wages on the employee's Form W-2. I would use $8,100. However, the technically correct answer is the cost should be the fair market value on the date vested, before deduction for the broker's commission. Doing it this way would result in a capital gain or loss equivalent to any changes in value until sold and a capital loss for the amount of the broker's commission. A practical solution on small transactions is to use the net proceeds.

9. To consider using the standard deduction going forward and loading up this year with the next few year's charity either accelerated or put into a donor advised fund (or if client is over 70 ½ to use part of their RMD for charity)

10. 5.33%. Divide 4% by 75% (1 – 25%).

TAX RESEARCH REQUEST

Client ____ Client #_______________

Requested by ______________________

Date _______________________

Date needed _________________ If it cannot be completed by this date, speak to person requesting research as soon as you become aware of this.

If you cannot provide an "off the top of the head" response, then see time budget.

Time budget: Not to exceed _________________ hours. *If you believe this will exceed this time, do not start until you discuss with person requesting the research.*

Issue or tax area ____

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Facts____

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Documents provided____

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Question____

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Response____

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20 REASONS FOR OBTAINING EXTENSIONS

Those that know me know that I do not like extensions. However, there are valid reasons for extensions and here are twenty of them. If you know that you will be filing for an extension, do not wait until the last minute. Do it now in a less-rushed atmosphere.

1. You did not receive some K-1s or 1099s or other documents with information that you need to report
2. You did not receive letters confirming charitable contributions that are required to be in your possession by the due date of your tax return. This includes certified appraisals for contributions of property over $5,000
3. You have pending litigation or a tax audit and reporting certain transactions might prejudice your position or you are awaiting resolution which might affect an item on this year's return
4. You are involved in a marital separation, litigation or are a candidate for a public position that requires tax return disclosure and you want to delay this as long as possible
5. You might want to reverse a 2021 IRA conversion to a Roth IRA and would rather not file by April 15. An amended return would not be necessary if you decide to reverse the conversion by October 17, 2022
6. Circumstances may have prohibited you from assembling all your information properly. This might include a medical emergency or searching for tax basis of securities or assets that have been sold, or being on jury duty for a protracted period
7. You have a complicated situation and you feel it is best to have an extension so you or your preparer would have more (and more relaxed) time to devote to your return
8. If your tax preparer is unable to devote the necessary time to get the return ready to file on time
9. You might want to open and/or fund a SEP pension plan. By extending, you will have until October 17 to make your decision. If you have a Keogh, 401k or SIMPLE plan, the contribution for last year can be made by the extended due date, but the Keogh and 401k must have been established by the previous December 31 and the SIMPLE by September 30, 2021 (crazy and inconsistent rules for basically the same type of deductions)
10. You did not file last year's return and feel that filing this year's return before the prior year will cause extra IRS attention to you. However, irrespective of what you did not file, you should file this year's return on time which would be the extended due date
11. Those with a 2021 installment sale might want to wait as long as possible in 2022 to consider electing out of the installment sale if your 2021 taxable income is substantially lower than what is expected for 2022 or later years
12. People with net operating or other losses that can be carried back might want to delay filing to determine if they should elect to forego that and carry it forward
13. The extension can delay elections that are made on the first-filed tax return reporting certain new transactions
14. The extension is for a gift tax return where not all the issues are clear – including generation skipping elections and spousal consents, or where basis information is not readily available or discount valuations are not completed
15. There is a high risk of audit – filing an extension might reduce the chance of an audit. Note that it will not lower the chance of a computer-generated notice questioning an item or picking up income that was not reported

16. An error is discovered on a prior year's return and additional time is needed to research and correct it, and the current year's return might be affected by the change
17. You will be out of the country during the filing period and will not have adequate time to thoroughly review your return. Note: If you are a U.S. citizen or resident and qualify under special rules for being out of the country on April 15, 2022 you will have an automatic two-month extension to file and make any payments and do not have to file for the extension. If you need additional time after that date, then you will need to file for an additional four-month extension. If you are abroad and want the extension because you expect to qualify for special tax treatment you should file Form 2350
18. You did not receive a W-2 wage statement from an employer. This can be a problem, but the IRS has Form 4852 Substitute for Form W-2 to recreate your version of your W-2
19. A suggestion to avoid filing an extension when you did not receive a K-1 that will report an insignificant amount is to estimate the amount and file on time. When you file next year's return adjust the amount for the difference in what you reported and the actual K-1 amount. If the amount is substantial I suggest waiting for the final K-1 and filing the extension
20. You ran out of time to get the return done

Comment: The extension is to delay the filing, not the payment. Payments must be timely made. A tip for those filing extensions that also have to pay estimated tax is to include the first quarter estimated payment with the extension payment. In the case where you underestimated your 2021 tax for the extension, the added first quarter payment would reduce that penalty which is greater than the penalty for the underestimated 2021 tax. Also, do not forget to also file a State extension if applicable.

TRAINING A NEW TAX SPECIALIST

The following is some of the advice I give when I train or mentor a new tax specialist:

- To build awareness of what they need to know, they need to peruse every journal or tax service they subscribe to. (If you are not going to go through it, then don't subscribe — osmosis doesn't work in this situation.) This means looking at every page of every issue to see the topics written about and when they come across something they are working on or that might affect a client, they should read it. They also need to retain what they are looking at so if something similar comes up, they could recall seeing that matter being written about and possibly when. At a minimum they need to look at their society journals, should belong to the AICPA tax section and get the Tax Adviser and tax checklists, daily tax updates, some e-newsletters and some other publications that I usually recommend. Don't forget what you worked on. The really good tax people never forget what they worked on, either directly or through formal or informal discussions or consultations with colleagues and clients. The exact details don't need to be remembered but the issues need to be.

- Look everything up. Don't trust your memory and, anyway, taxes change daily, particularly many of the complicated issues we usually work on.

- Know where to look. Always go to original sources when doing research. Summaries, headnotes, articles, books, firm internal memos and previous research papers and seminar and conference handbooks are good places to start or to get a first look. But you must go to the Code, regulations, revenue and private rulings, court decisions, and everything and anything else that is the original source of the commentary.

- Check the internet and know what's available. I find almost all the research is being done online. I used to have two librarians come to my office every other week to file the tax service updates. Now, my office does not have any bookcases.

- The tax form instructions are excellent sources of information about a return. Use them regularly.

- Use prior tax returns done for the client as a guide to the current year or matter, and to establish a database about the client. No matter what the current issue is, you should have a handle on their income and tax situation — the prior returns provide that.

- When working on a type of tax return for the first time, find out if there were any other clients this return was done for, and use that as a guide.

- Know who the experts are. Know the go-to people in your firm who are experts in particular areas, or who to go to outside your firm. Not knowing who to go to within your firm is a sin. Make use of outside people you meet through attending conferences and networking, and read their published material. Become familiar with everyone you work with, or should be working with.

- Know the methods for contacting the IRS National Office on issues that your research cannot produce conclusive answers to or where the issue is vague.

- Use checklists to follow procedural paths and every checklist the firm requires. To maintain the integrity of the firm's system, the checklists must be used in every instance, with no shortcuts. If they are not, try to have the firm change the system, but until then, they must be used.

- Do not accept work from subordinates who did not follow procedures or use the checklists the proper way.

- If you are a new reviewer, use the AICPA Tax Section (or PPC) Long Form checklists as a guide to what you should be looking at and thinking about until you develop your own methods and momentum.

- Use your judgment and focus on adding value to the client.

- Be responsive to clients and colleagues. Tax specialists are supportive to those working directly with clients. A low-level staff person could have a request for research that the firm's largest client asked her about. Also, not responding to staff lessens your value to the firm and will have those staff people look elsewhere for what they need to know. A basic rule is to respond in a timely way to every request, email, text and phone call. If you cannot provide an immediate answer, give a date and time when you will, but respond quickly. If you are too overloaded, then speak to your superior to help you organize your schedule. You are never alone in the firm.

TOP 10 CLIENT PET PEEVES

1. Inconsistent treatment of same items for business partners or husband and wife' e.g. titling one as the "Sole owner" and the other "owner"; different formats for addresses, answering questions on returns differently such as on one return the ability of IRS to contact preparer; different occupation descriptions for two partners doing same work; not putting electronic payment info on one return and putting it on the other

2. Client's or children's name speled rong, or other spelling errors

3. Hard to follow or indecipherable instructions

4. No clear comparison to last year or to projection with explanation of differences

5. Client caught error and preparer blamed formulas that did flow from prior year in their computer system

6. Accountant did not take any notes at meeting with client; or accountant took notes but did not look at them when they did the work or compare to finished product

7. Promises not kept, e.g. late delivery or following up when they said they would

8. Much higher bill than expected with no breakdown or explanation

9. Estimated payments entered incorrect or some payments omitted

10. Not being called or given a heads-up as soon as a surprise result is identified by the preparer, but leaving it to be found when client receives the completed return or a final draft to review [This appears of a few lists and that indicates its importance]

WHAT MAKES A GOOD CLIENT

Clients are our customers that pay our salaries and present us with stimulating opportunities allowing us to grow. There is no such thing as a bad or nuisance client, although there are clients that sometimes do bad or nuisance things. Following is a listing of what makes a good client.

1. Clients that do what they say they will do and who do not delay sending us what we ask for

2. Clients that do the work organizing their documents before they provide it to us

3. Clients that give us estimated amounts, that tell us they are estimates and how they arrived at it and why they cannot provide the actual amounts

4. Clients that understand the basis for our fees and the greater value they receive for it

5. Clients that pay their bills promptly

6. Clients that call the partner to complain about a bill instead of "complaining" by sending a note to our "bookkeeping department"

7. Clients that complain right away to the partner when they are upset with something, and not to a staff person who happens to be at their office at that moment

8. Clients that understand that we sometimes make a mistake, who accept a rational and reasonable explanation and who won't keep bringing it up months and years later

9. Clients that make us explain clearly what we tell them to do, and who don't give the go ahead without fully understanding what is to be done

10. Clients who review the work we send them when it is received and who don't sit on it until eight minutes before it needs to be filed or sent to a bank

11. Clients that use technology fully

12. Clients that are not litigious

13. Clients that understand that taxes need to be paid to maintain our society and that we do not make the rules that cause them to pay taxes

14. Clients that realize that banks and finance companies need back up and documentation when they lend funds, and that there is a cost to develop that data, and that it is not our "fault" the work is needed
15. Clients that occasionally thank us for our efforts on their behalf

16. Clients that appreciate the long-term benefits of our relationship and recognize that we will always "be there" for them

17. Clients that refer potential clients

18. Clients that are happy with their lives

FOR CLIENTS: HOW TO MAKE YOUR TAX RETURN EASIER TO DO & REDUCE TAX PREPARATION FEES

Preparing tax returns is difficult even for a skilled professional. Our "very smart" Congresspeople and Senators who created the tax laws can't even follow the instructions and need to use paid preparers. There is something wrong with this, but that discussion is for another time. Here are some tips to reduce the complexity of your return that you can start doing now to make it easier to have your return prepared next year, and that will also reduce your tax preparation fees.

- ☐ **Publicly traded partnerships**

  Consider not investing in publicly traded partnerships ("PTP") unless you intend to invest meaningful amounts. The K-1s these entities provide are ten or more pages with at least a dozen numbers that need to be recorded on the return and which cause extra forms to be used. If the PTP has income in states other than yours, you might have to file returns in those states to report the income, or if losses, to preserve the ability to carry forwarded those losses to eventual income that you might be taxed on. If those PTPs do not do business in your state, they likely would not file a return in your state and that might make you unable to e-file in your state making paper filing necessary which is now an added step.

  Some PTPs send K-1s late, i.e., after the original filing date making it necessary to file an extension for your individual return. A tip to be able to file on time if the income is a relatively small amount is to file your return using an estimated amount and "true it up" on next year's return. "True it up" means adjusting the next year's K-1 amounts for the difference between the amounts reported the previous year and the actual amounts. This is only suggested for small amounts of income. Small is defined relative to your total income on your return and is an amount that would not be misleading or cause a distortion of your income, and the estimates must be reasonable and not a deceptive amount. I would suggest that the better way is waiting until you get the K-1.

  Further, if these shares are owned in a retirement account including an IRA, Roth IRA or 401k some of the income could become taxable in those tax-sheltered accounts. This means that the retirement account would need to file a tax return and pay tax on some of its income. Why would you want to do this? It is important that you check with your tax advisor before making such investments in your retirement account.

  If the investment is significant to your total worth, then the additional delays and preparation fees would not be a major issue; otherwise perhaps you should consider not making or maintaining PTP investments. If you already own such shares, sell them now and this will be the final year that you would have to report these investments.

  Make life easier by skipping these investments. There has to be many other opportunities to make similar investments in conventionally traded stocks.

- ☐ **Hedge funds**

There are some publicly traded hedge funds, but many are also privately owned that are not traded and are illiquid. Making these investments is complicated and also needs serious tax and financial planning advice..

Everything written above for PTPs applies to Hedge Funds except these K-1s could be as many as thirty pages with about twenty numbers that need to be transcribed on to your return. Also, if you are not sharp, you might miss the note buried on page 14 or thereabouts that the amounts on page one of the K-1 are likely not correct and you need to look elsewhere in the K-1 for the correct entry, or check with your tax preparer [who will have no knowledge about that particular hedge fund]

Like PTPs, if you believe you are wealthy enough to invest in hedge funds and that they are appropriate for you, then don't skip these because of the increase in the complexity of your return and your preparation fees.

- ☐ **Foreign stocks**
  Foreign stocks provide complicated 1099s with foreign tax withheld. If you are in a mutual fund with foreign stocks the reporting gets even more complicated since there are withholdings from multiple countries that need to be reported separately.

  Foreign stocks with withholding cause extra forms to be included in your return. If you have a few of these it will take some unraveling when the info is transferred from your brokerage or mutual fund statements usually causing additional fees.

  Some brokerage accounts that report the foreign dividends do not provide the full information on the 1099s, but refer the investor to an attachment sheet, instruction material included with the 1099 or a website. Not fun!

  As for PTPs and hedge funds, unless such investments are important to your overall portfolio, skip these.

- ☐ **Investment club**
  If you are in an Investment Club, you also should have the club get out of all of the above so your K-1s will not be delayed and you won't have to deal with the above nonsense for relatively very small amounts.

- ☐ **Tax-free bond funds**
  Tax-free bond funds provide 1099s but you probably would need to look at the attachment sheet that gives the percentages of taxable income allocated to each state the interest was from. Either buy individual bonds or buy a fund with bonds from a single state.

  Many tax-free bonds now have interest subject to the Alternative Minimum Tax (AMT). Watch for this, and if you are subject to the AMT consider staying away from them.

- ☐ **Shares owned that are not in brokerage accounts**
  If you have shares in your own name rather that with a broker, consider transferring them to a brokerage account. This way the dividends will be deposited in that account and you will receive

one 1099 reporting all your dividends. When you transfer the shares, provide your cost basis to the broker. Many brokerage firms could arrange the transfer to your account for you.

Comment: If you do not know your cost basis, then consider donating those shares to a charity or a Donor Advised Fund to get a charity deduction equal to those shares' values without having to report the capital gain or providing the basis. When you make the donation, you will need to provide a basis, but it would only be for informational purposes and I suggest that a good faith estimate would be sufficient.

If you have small numbers of shares and get mail from the Company's transfer agent offering to buy them from you, you would do better by transferring the shares to your brokerage account and then either selling them, holding them in that account, or donating them (see above). Most discount brokers' commissions are either zero or much less than the "nominal" fee the transfer agent will charge you. Actually, for the cost the Company incurs by you remaining a stockholder is likely greater than those changes and it would probably be much less costly if the company offered to do the redemptions for no charge to encourage you to get out.

If you still have shares in custodian accounts and your children are over age 18, transfer them to your kids' brokerage accounts.

- ☐ **Mutual fund families**

  Many mutual funds companies have different types of funds that can be invested in, and that people do. The mutual fund also provides a single 1099 at the end of the year with the information that should be reported for *each* fund in its group. The problem with this is that each fund's information will need to be entered separately and completely.

  An easier way would be for these funds to be transferred, if they are able to, to a brokerage account and then you would only need to report the aggregate combined results. Since this is not done, the extra entries cannot be avoided. This is exacerbated by the owners switching between the various funds. Also, each time there is a transfer, it is treated as a sale and purchase, causing capital gain reporting. If the transfer is made within a year of purchase, the gains would be short term capital gains.

  A suggestion to reduce tax reporting is to reduce the switching. Alternatively, just grin and bear it, and accept the extra work. Question: How is long term investing served by excessive trading?

- ☐ **Children with summer or part time jobs**

  The children of clients with high school or college children working summer and vacation jobs could possibly receive W-2s from two or three states. Usually many of these tax returns might not be required to be filed, but if there is withholding tax, returns would need to be filed to receive the refund. Occasionally the tax preparation fees are greater than the refunds.

  To eliminate unnecessary tax returns or the child losing the withholding tax, your children should report that they are exempt from withholding. This is done by the child writing "**Exempt**" on the W-4 in the space below Step 4(c); and then completing Steps 1(a), 1(b) and 5, and NOT completing any other steps. This will eliminate the withholding and possibly the need to file returns with the IRS and/or those states. If it is later determined that a return needs to be filed and that a tax will be due, there might be some interest and penalties, but they would likely be minimal amounts. If in any doubt, check with your tax adviser.

- ☐ **Foreign bank accounts**

  If you have foreign bank accounts or have signature power in a foreign bank account or are a grantor, trustee or beneficiary of a foreign trust, this must be reported to the IRS if any account balance during the year exceeded a specific amount, which is pretty low. This will require added questions by the preparer and forms that will need to be filed. Have complete information available to provide to the preparer. This will also apply even if you are not an owner, but have a job where you have this responsibility.

  Having these accounts might not be avoidable, but if they are, then it is suggested you close them. Otherwise be prepared for the added preparation bother and costs.

- ☐ **Keep in touch with your tax adviser**

  It is a good practice to keep in touch with your tax advisor to discuss anything new that arises to determine if there are taxes that somehow could be saved.

  If anything unusual either occurs or will occur during the year, call your tax preparer or accountant to discuss whether there are any tax ramifications and whether you would need to pay estimated tax or for a heads up on what you will have to pay when your return is filed.

  Further, unusual transactions are best worked on when they occur and not worked on during “tax season” when most preparers’ resources are stretched to the limit. Working on something in September or October is a lot easier and will get a lot more attention than if the transaction needs to be worked on the end of March or beginning of April; and can also eliminate the need for an extension.

  These types of transactions include marital separation agreement payments, sale of a residence, vacation home, rental property, a business, partnership interest, or valuable artwork or a hobby collection, tax free exchanges, sale of certain employer stock or exercising options, or sales of stock and property that was inherited or received as a gift. If also includes inherited partnership interests, stocks, or other investment property, and more than a dozen other types of transactions. If you are contemplating making a charitable donation of property valued over $5,000 you **must** speak to your tax adviser before making that contribution since you would need to obtain an IRS acceptable appraisal within a specific time frame. You should also consult with your advisor if you make or want to make gifts during the year.

  If your income is substantially greater than last year or if you won the lottery or have large gambling gains**,** meet with your accountant before the year ends to see if there is anything that can be done to save taxes**.** Once the ball comes down for the New Year it will be too late.

- ☐ **Be organized**

  When you submit your information, have it organized in a logical order, answer all questions on the organizer and explain unusual transactions or questionable items. Anticipate how the preparer will react to what you are providing and whether it is clear.

A suggestion is to set up a folder in your filing cabinet, or a large envelope conveniently located or a desk draw to put all you tax info as it arrives. Also have a file in your computer to transfer any digital tax information as it arrives. Some companies now send their 1099s with the fourth quarter dividend checks (for those that still own stocks in their individual names) so watch for this. This will ease the gathering of the info when you are ready to have your return prepared.

Try to submit complete information at one time. Otherwise, additional contacts, extra handling and touches will cause delays and added efforts.

- ☐ **Respond promptly to requests from your preparer**

  Respond promptly to tax preparer requests for additional information. Not responding will delay the completion of the return, increase the touches of your "file" and cause added time chasing after you for the information. Also, while a lower-level staff person might be making the call, the partner is usually aware of it and this causes further additional time and in some cases an annoyance about the delay in getting the return completed. Also, no matter how small the firm, there are usually at least 3 people involved in the preparation of a return. The admin person that receives and processes the information when it comes in and when the return is completed and ready to be sent to you, the preparer, the reviewer and partner. In a very small firm the partner might also be the reviewer, and that is a separate function from the partner's final review before the return is ready to be provided to the client.

  Making it easier for the firm will, in the long run, make you get a better return, sooner and at a lower cost to you.

The above are some suggestions of what you can do that will make preparing your return easier, less costly if you use a professional and can make you more aware and proactive in reducing your taxes as much as possible.

THINGS TO CONSIDER WHEN ACCEPTING A NEW TAX CLIENT AND ESTABLISHING A FEE ARRANGEMENT

This is a very subjective area and this listing should be used as a guide but is not definitive and would include particular issues you are concerned with.

- ☐ Higher income amounts create greater responsibility for the preparer. We are responsible for our errors and with higher amounts, they can cause greater damages. To some extent we are "insurers" of loss from our human errors

- ☐ How demanding client will be. Consider whether

  - client is a call stalker

  - wants after hours' meetings

  - expects unreasonable turn around

- ☐ How responsive client and his staff will be to information requests

- ☐ Whether client overly mentioned fees and is looking for cut-rate fees

- ☐ Whether client says he has **not** been receiving everything he should get from his present accountant, and then wants you to charge less than he is presently paying. This is a totally illogical fee request that occurs frequently and if you fall into this situation, you deserve it. If you do more work, you should be paid a higher fee and you should add to that amount because you are better and will be doing a better job of creating value for the client

- ☐ Whether payment terms will be reasonable

- ☐ Whether client seems litigious

- ☐ Whether client is in a category that you want to have, such as a celebrity, a leader in an industry, or a higher echelon executive that you feel could lead to better quality referrals

- ☐ See checklist on WHAT MAKES A GOOD CLIENT

ADDITIONAL SERVICES CHECKLIST FOR CLIENTS

This checklist should be reviewed with the client and the recommended or needed services should be discussed with client. Indicate disclaimer at bottom of checklist.

Client______________________________

Date___________________

Prepared by_________________________

The following services were identified that the client might benefit from.

- ☐ Review adequacy of life insurance based on our discussion of family's financial needs
- ☐ Client indicated they do not have a will. We can consult on what should be in the will
- ☐ If client has a concern about their estate plan, we can advise them based on their desires
- ☐ Client said they do not have a buy-sell agreement with their business partners. We can consult on the terms that should be in the agreement and ways to value the business
- ☐ Client expressed goals of when they want to retire. We can help them develop a financial plan leading them toward achieving these goals
- ☐ Client indicated a concern about cash flow in retirement. We can review their present assets and accumulation plans to illustrate if they can achieve the targeted cash flow
- ☐ Client needs a separate tax planning consultation
- ☐ Client is subject to Alternative Minimum Tax. Client should schedule a pre-year-end meeting
- ☐ Client should have a pre-year-end tax planning meeting and projection
- ☐ Client indicated that they might have a big change in their income this year. Client should call us when it appears it will occur – *before* the event takes place
- ☐ Client's estimated tax payments do not protect them from penalty. Client needs to inform us before each payment is due so we could calculate protective estimated payments. Note: Due dates are Apr 15, June 15, September 15 and January 15 of current year
- ☐ Client is going through a marital separation. Client should schedule an appointment to discuss the financial and tax aspects of the separation, and possible divorce, and valuation of businesses, if any
- ☐ Client should consider a retirement plan for their business and should call for a consultation
- ☐ Client has a household employee and needs further information
- ☐ Client makes large charitable contributions and needs a consultation on tax advantaged ways to make them
- ☐ Client expects a substantial inheritance in the future
- ☐ Client has a relative they are responsible for handling their financial affairs
- ☐ Other____
  ____
  ____

NOTICE TO CLIENT: We assume no responsibility to perform these services. Consultations are available for additional fees. Please call our office to schedule a meeting.

SAMPLE LISTING OF ADDITIONAL SERVICES FOR TAX CLIENTS

The following listing provides ideas of what types of additional services tax clients might need. This list is not complete, but it is a good start for you to start thinking about what types of additional services you can offer to your clients!

1. Estate planning
2. Inheritance advice and guidance
3. Succession planning
4. Personal financial planning
5. Investment allocation construction
6. Investment management
7. Investment clubs
8. Elder care assurance services
9. Business performance measurement services
10. QuickBooks ® training and consulting
11. Outsource business and back office services
12. Outsourced CFO services
13. Outsourced corporate tax preparation – income taxes, executive tax preparation, sales taxes, state registrations
14. Second opinions
15. Business valuations
16. Retirement planning and counseling
17. Pension planning
18. IRA distribution analysis
19. IRS tax audit protection service
20. Conflict resolution
21. Single couples living together planning
22. Second marriage assistance
23. Pre-nuptial agreement analysis
24. Divorce settlement planning
25. Conflict resolution
26. Buying and selling a business assistance
27. Starting a business
28. Buying a franchise
29. Entering a partnership
30. Getting stock in a corporation
31. Receiving stock options
32. Projecting financial aspects of proposed actions
33. Basis calculations for pass through activities
34. Employment contract negotiations
35. Executive compensation review
36. Downsize settlement structuring
37. Corporate management and financial planning training
38. Industry specific tax and business advisory services
39. Structuring partnership and buy sell agreements
40. Recession or business downturn consulting

TAX DEPARTMENT SERVICES

Identified below are the separate and distinct tax service disciplines divided into the three broad categories of compliance, planning and support services. Obviously, there are other services that can also be included.

Tax compliance services

1. Individual returns
2. Business returns
3. Trust returns
4. Not for Profit returns
5. Employee benefit and pension plan returns
6. Gift tax returns
7. Estate tax returns
8. Payroll tax returns
9. Excise tax returns
10. State sales tax returns
11. State Nexus issues
12. State tax registration
13. Reporting foreign ownership in U.S. businesses
14. FBAR compliance and reporting
15. Family office activities
16. Tax calendars
17. Tax audits and examinations
18. Tax agency notices
19. Household employee compliance
20. Penalty abatement
21. Estate and Trust Administration

Tax planning services

1. Income tax Planning
2. Tax projections
3. Transactional planning
4. Entity selection
5. Financial planning
6. Family budget counseling
7. Investment asset allocation
8. Investment location planning
9. Investment management
10. Financial services
11. Family wealth management
12. Contract reviews
13. Buying, selling or merging a business tax planning and structuring

14. Buy-sell agreement consulting
15. Succession planning
16. Estate tax planning
17. Estate planning for second marriages
18. Estate planning for unmarried couples
19. Postmortem estate planning
20. Asset selection to fund trusts
21. Generation skipping tax planning
22. Supporting a relative planning
23. State domicile and residency planning
24. Retirement planning and counseling
25. Pension planning
26. Children's education funding planning
27. Family financial security risk management
28. Dynasty trust consulting
29. Offshore business and investing planning
30. Planning for foreign ownership in U.S. real estate and businesses
31. Transfer pricing
32. Cost segregation studies
33. Research and development credit analysis

Support services

1. Tax provision calculations for financial statements
2. Tax audit or uncertainty determination for notes to financial statements
3. Assistance in tax modeling of investment location for investment planning engagements
4. Review of entity selection and calculation of tax provision for business valuation engagements
5. Review of merger or acquisition contracts and assisting in identification and determination of tax issues in proposed transaction
6. Income and estate tax issue identification in shareholder, partnership and members' agreements
7. Trustee or Executor for a client
8. Being available to discuss contemplated transactions regardless of whether there is a tax element

SAMPLE TAX NOTICE SERVICE LETTER

January 20XX

[Client Name]
[Client Address]

Dear [Client Name],

The last two years has seen an epidemic of individual tax notices and inquiries from the IRS and the state tax authorities. These notices usually result from a mistake by the tax agency, income reported to the tax agency for which the taxpayer didn't receive the appropriate information documents, or incorrect estimated tax payments.

Should you receive a tax notice, it makes sense for you to forward it to us to check it out. We normally charge extra for this service. As you may be aware, the fees for these services are becoming quite expensive, occasionally greater than the cost of the actual tax return. This is not through the fault of our clients or us but, rather, is the nature of dealing with the "new" IRS and the state tax authorities.

In order to institute a more equitable process and spread the costs, we have initiated a policy under which we will charge every individual tax client a $XXX fee for each tax year, which will cover any notices or inquiries for tax returns we have prepared. In this manner, nobody will be charged extra if and when a tax notice occurs.

Please note that the tax notice service fee does not apply to tax examinations, meetings with tax agents or collections officers, extensive phone calls, and appeals (which would be billed at our standard hourly rates). Generally, our contact with you under the tax notice service would not include any meetings but would involve telephone, fax, or e-mail.

If you have any questions about this new policy, please call us.

If you do not wish to participate in our tax notice service, please sign the following waiver and return it to our office within 10 days.

Sincerely,

[*Partner Signature*]

ACKNOWLEDGEMENT OF DECLINING SERVICE

☐ By checking this box I hereby acknowledge that I am declining the tax notice service. I understand that I will not be billed the $XXX fee for this service with my 20XX tax return, but if I ask you to respond to a tax notice, I will be charged at your standard hourly rates.

Name (please print)_______________________

Signature________________________________ Date___________

BILL ACCOMPANYING THE TAX NOTICE SERVICE DESCRIBED IN THE LETTER

Preparation of 20YY federal and state individual income tax returns as follows:

Tax preparation fee	$XXX.XX
Optional tax notice service fee (see enclosed letter)	YYY.YY
Total due including tax notice service fee	$ZZZ.ZZ

We highly recommend accepting the tax notice service. If you decide to decline the tax notice service, ignore the optional fee and just pay the balance. If you decline the service and receive any tax notices that you want us to handle on your behalf, you will be billed for our services at our standard rates.

PREPARING BILLS FOR TAX RETURNS

I believe that the most efficient time to bill is when you send the tax return to the client. It is also important to provide an itemization of additional services performed. This is especially true when a client is expecting to pay an amount similar to the prior year's amount or based on the range estimated before the work began.

For one thing, the return and client information are in front of you. Also, if you want to question the time or whether any additional work was done, it will still be fresh in everyone's minds.

Furthermore, clients have the results of your work, along with their pile of information, in their hands when they see your bill. They are writing other checks, and they might as well write one to you, or give you their credit card information to pay your bill.

You should add to the bill extra services or additional work not usually done for that client such as for researching basis, exercised stock options, calculating first time alimony payments, extra financial planning, carry back refund claims, gains on sale of a vacation home and a myriad of other extras as well as time spent and not billed during the previous year such as extra telephone calls or email questions you received from the client.

Follow-up billing and phone calls are also suggested as are late charges for past due accounts. If you bill for extras, it is important for the client to not feel their fee has "permanently" been increased and that the additional charges will not be repeated. Additionally, when you bill extra and haven't been paid as promptly as the client usually pays their bills it is important that you follow up and even call the client for payment. Failure to follow up can indicate to the client that you feel the billing *was* excessive and are therefore afraid to confront the issue.

Sample Bill for a Tax Return and Additional Services

(Amounts are sample amounts for illustrative purposes)

Services in connection with your 20XX individual income tax returns:

Preparation of tax return	$2,200
Preparation of Form 1045 net operating loss carryback	1,500
Calculation of basis for stock acquired by gift in 1990	400
Financial planning services during the previous year	350
Calculation of gain on sale of vacation home	750
Tax notice service for this return	100
Total	$5,300

LETTER TO INFORM A CLIENT OF A FEE INCREASE FOR THE COMING YEAR

Dear Client:

Over the years, we have valued your business and appreciated the opportunity to act as your tax advisor and return preparer.

Recent years, however, have brought with them ever increasing costs of providing these services to you. Costs such as maintaining a highly skilled and qualified staff, together with the technology needed to support them, as well as the effects of inflation, have made it impossible for us to maintain your fee at the current level.

As a result, we have been left with no choice but to increase your fee to $XXXX, starting with preparation of your 20XX income tax returns.

This has not been an easy decision for us, but as professional financial advisors, we must look at this decision in a purely business setting.

We hope that you will continue to see the value of our services and will understand the need for us to increase the fee associated with the high-quality services we perform for you.

If you wish to discuss this matter with us, please do not hesitate to call.

Thank you in advance for your understanding.

Cordially,

Partner, CPA

LETTER TO INFORM A CLIENT OF A MINIMUM FEE THAT IS HIGHER THAN THEY SHOULD PAY

Dear Client,

We have reviewed our fee structure for individual tax returns and have decided to impose a minimum charge of $XXX[1] per return for the 20XX tax season.

In reviewing your tax return and the fee we charged you, we feel that you can best be served by a colleague of ours who charges fees consistent with the way you have been billed in the past. Accordingly, we have made arrangements with a local CPA, Mr. Alfred Accountant, 123 Main Street, Your City, NJ Tel 1-XXX-XXX-XXXX, to provide him with our copies of your files and computer database, if you authorize us to do so.

We appreciate you using our services in the past and the trust you placed in us. We are confident that the quality of service and responsiveness that Mr. Accountant will provide will meet your high expectations.

We will provide Mr. Accountant with your contact information, but we will retain your files until we receive authorization from you to release the information. If you decide to use someone else, rest assured that we will cooperate with you in the transfer. Additionally, we will be available to discuss with you or your new accountant anything that appears on the returns we prepared.

We thank you for your previous business and wish you a success in the future.

Cordially,

Partner, CPA

[1] Minimum not applicable to minor children's tax returns.

WAYS TO GET ADDITIONAL TAX CLIENTS

- ☐ Send an extra blank organizer to your tax clients asking them to pass it on to a friend. If you use a minimum fee schedule include that with organizer
- ☐ Ask each client you meet with to recommend you to a friend [if they recommend you to an enemy you should rethink what you are doing]
- ☐ Ask attorneys, insurance agents, real estate brokers, business brokers and other people you interact with professionally for referrals
- ☐ Mail flyers to new homeowners – this is a common technique and usually yields some clients to make the mailing a break-even effort for the first year and the profit comes with the retained clients
- ☐ Advertise for small business clients and include in a less prominent position that you do individual tax returns. I find that people think that accountants that do businesses will do a better job on their 1040, and they expect to pay a little more for their return
- ☐ Advertise for QuickBooks consulting and include in a less prominent position that you do individual tax returns. Same reason as previous. You can test this and the previous ad and see if one does better than the other
- ☐ Hire a telemarketing service
- ☐ If you have an accessible office or store front, put up a sign that you do tax returns and that walk-ins are welcome
- ☐ Join organizations, go to meetings, get to know people and the business will come
- ☐ Ask business clients to hire you to do tax returns for their employees as a benefit and make a "volume" price arrangement
- ☐ Buy a tax practice

Some ways are more effective than others. At one time or another I used every method above except the sign in window and got some business from each one. Note I could have used the sign but never thought of it at when I had the opportunity.

WAYS TO GET ADDITIONAL BUSINESS CLIENTS

Some of these methods duplicate the above checklist. When something works, keep using it

- ☐ Ask each client you meet with to recommend you to a friend that has a business
- ☐ Ask attorneys, insurance agents, real estate brokers, business brokers and other people you interact with professionally for referrals
- ☐ Mail flyers to new homeowners promoting that you handle home based and small businesses
- ☐ Advertise for small and home-based business clients
- ☐ Advertise for QuickBooks and Peachtree consulting
- ☐ Hire a telemarketing service
- ☐ Hire a commission based new business marketing company
- ☐ Hire a salesperson
- ☐ If you have an accessible office or store front, put up a sign that you do tax returns for businesses and they are welcome to come in with any questions about your service
- ☐ Join organizations, go to meetings, get to know people and the business will come
- ☐ Look at listing of businesses that have tax liens and contact them to see if they need a "good" accountant
- ☐ Walk into a business, introduce yourself and ask if you could spend ten minutes with the owner – not a second more. Try to have a book to give them that might help them. You can give them a current best-selling business book, or you can buy prepared booklets with your name printed on it.
- ☐ Circulate a press release and advertise the two free books that are available at your office. They can come in and pick up a copy – no obligation and no names will be taken. While there if they want, they could speak to a CPA for 10 to 15 minutes, also no charge and no obligation. Put a price on the cover, e.g. $15.95, and sell it to those that don't want to come into your office. Don't charge extra for postage. Note we charged $29.95 for the *New Business Kit* when we were publishing it
- ☐ Hold a breakfast seminar for business owners at a local hotel
- ☐ Host a "How to read between the lines of a financial statement" breakfast or lunch and learn for a law firm or business or trade association
- ☐ Present a speech at a local group, and publicize it yourself and send handouts afterwards to clients and targeted prospects
- ☐ Introduce or strengthen your brand using social media including a regular blog
- ☐ Mail and/or email a newsletter
- ☐ Mail or email reprints of articles you wrote or were quoted in
- ☐ Buy a practice
- ☐ Ask for referrals – you cannot ever ask too many times

Most of these ways will get some results. Even if the initial cost is not recouped, do not consider it a loss since the costs will be recovered over the life of the client because most work we do is repetitive, even if only once a year.

21 REASONS FOR LACK OF TAX CLIENT RETENTION

How many of these reasons can be avoided?

1. Client owed a large amount that wasn’t expected
2. Get super large refund that wasn’t expected
3. Accountant doesn’t return phone calls
4. Last minute rush
5. Errors every year
6. Large (or even a small) error not apologized for
7. “Dumb” phone calls from preparer’s office
8. Fee too high (based on previous years)
9. Got notice and paid penalty that was preparers fault
10. Paid interest on a late payment that was caused by CPA’s delay
11. Accountant didn’t follow up on something they should have
12. CPA should have called client more frequently for missing info
13. “I was charged for a redo” because of a corrected statement from my broker
14. “I was charged for handling a notice” that was erroneously sent to me by IRS
15. Client was billed for people working on return that they never heard of
16. Billed for staff people correcting errors they made (this was printed on the time run sent along with the bill)
17. CPA lost personal touch
18. Person handling the client left and client was not comfortable with new person
19. Practice was sold and client never heard from new accountant
20. CPAs appearance and office looked out of control
21. Client did not see CPA as a “partner”

WHY SHOULD A CLIENT USE YOU TO PREPARE THEIR TAX RETURN?

(see responses on following page – do not peek)

FACTS

- Client is worth $50 million which includes $30 million in Muni Bonds, $5 million in an IRA and 401k, house worth $5 million and 100% of his business worth $10 million
- Client is age 68, wife age 68
- They have 2 grown children that are not married each with approximately $50K salary income
- Client's income from business is $2.5 million made up of salary and S Corp profits
- Minimal other taxable income
- He gives $200,000 to charity

TAX RETURN

- He has a different CPA firm prepare his business tax returns and this will not change
- He presently pays $4,000 to a comparable CPA firm for his and his children's tax return preparation. You estimate your time would be $3,500 and client said they are looking to pay $3,000
- The HR Block fee schedule would price his return at $340 and each child at $190
- He wants to use you. You are thinking of charging $7,500. How can you justify this fee?

Comment: Instead of these amounts assume an existing client is paying you $750.00 and he can get return elsewhere for $400.00 – what value do you add for the additional fee?

YOUR RESPONSE (You need to justify a fee almost double what client is presently paying. Comment: Instead of looking at it as a percentage or multiple of what he is presently paying, look at the added dollars and the value conferred for that amount)

- ____
  ____
- ____
  ____
- ____
  ____
- ____
  ____

WHY A CLIENT SHOULD USE YOU TO PREPARE THEIR TAX RETURN

Your responses or questions to prospect

- We want to know why you want to switch and we assure you those reasons will not reoccur!
- We are not tax return preparers. We prepare tax returns as part of our professional services. Our core activity is helping clients manage their wealth intelligently
- Our services include pre-year end projections and monitoring during the year. We are available for calls and meetings as the need arises during the year
- We are always accessible and available
- We manage the tax payment process year round
- We try to understand the underlying reasons for our clients' reasons for their financial configuration and review it from the tax aspect as well as stated goals and their financial security feelings as determined by the client
- Preparing a tax return is filling in numbers on a form. Tax planning is a creative and innovative process that requires understanding the client's entire situation, needs, desires and integrating it to help the client maintain or improve their wealth based on their goals
- We want to be the first person you contact when considering anything new in the financial area. Our initial meetings for each new project or proposal is without any additional charge
- Even though we will not be the accountants for the business, we would want monthly profit and loss statements and balance sheets sent to us for a review to determine that they are on target with the projections we made at the end of the prior year
- In the present situation it appears the opportunities to reduce the client's taxes would be substantially at the business level. To advise properly we need to have an understanding of how the business operates which also might require contact with the business' accountant
- We are good at asking questions and at efforts to understand the why the client is doing something, or has done something
- We will set a fixed fee in advance based on the value of the services to you
- You will be getting a professional financial service backed by the resources of our profession and firm along with the knowledge and experience, and judgment ability of the partners and support staff working on your financial affairs

ADVANTAGES OF A CPA[3] PREPARING TAX RETURNS

Many people have simple circumstances that can be handled adequately by tax preparation services or by self-preparation with Turbo Tax type of software, and this checklist doesn't cover those clients. People with rental property, unincorporated businesses, investments that generate K-1s, grantor trusts, substantial investments in marketable securities or large retirement accounts and 401k balances need to engage a CPA firm, and this checklist is directed toward those clients.

- ☐ Engaging a CPA is the start of a professional relationship that includes more than preparing a tax return. It is acquiring a "partner" in your quest for financial security and someone that can be called with any type of financial, investment, business or employment compensation question

- ☐ The CPA can offer advice to maximize tax savings opportunities both for the return they are working on and the current year

- ☐ CPAs are required to attend substantial numbers of continuing education courses and tax updates. This puts them in the position of staying current, interacting with fellow professionals where tax saving ideas are shared and people that they can discuss specific client situations anonymously with

- ☐ CPAs are planning oriented looking to the future to see how clients can do things that reduce their taxes

- ☐ CPAs analyze trends and can use this skill to pick up drifts that can be called to the client's attention to help them going forward, by the client being able to reverse unfavorable and capitalize on favorable changes

- ☐ CPAs are knowledgeable in a wide range of retirement plans – deductible and non- deductible. Their guidance can possibly save some taxes retroactively and can explain the benefits of establishing a pension plan for the current and future years that will maximize tax savings

- ☐ CPAs can assist a client in establishing investment allocation formulas based on client's goals and considering the client's entire investments including retirement accounts and unmanaged securities

- ☐ Besides asset allocation, the CPA can help determine the proper location for assets between individual and retirement plan ownership

- ☐ CPAs can help clients in mortgage refinancing, auto lease or buy choices, life insurance policy acquisition and many other financial situations that arise

- ☐ CPAs can assist clients contemplating switching jobs with employment contracts and exit agreements, and option exercising and restricted stock tax alternatives

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[3] You can substitute Professional Tax Preparer or Enrolled Agent for CPA. This list is prepared to help you provide satisfactory responses to prospective clients' questions or expressed concerns

- ☐ CPAs are knowledgeable in entity selection to maximize tax benefits of commercial activities including single owner businesses and those that invest with others

- ☐ CPAs can be consulted with about financial aspects when contemplating a divorce, retirement, funding children's college, buying a house or any change of life action

- ☐ Through the tax preparation relationship, CPAs know their client's level of aggressiveness and are adapt at explaining the risks of taking tax positions that the IRS might be targeting

- ☐ CPAs are aware of IRS "hit" lists and advise clients against positions that have high probability of challenge and disallowance

- ☐ When clients take positions contrary to the Tax Code, CPAs prepare the proper disclosures so penalties will not be assessed should an IRS challenge be sustained

- ☐ CPAs are aware of the myriad forms and substantiation requirements and regularly advise their clients about what is needed and when it must be in their possession

- ☐ W-4 withholding requirements and estimated tax rules are important to follow both from compliance and cash flow standpoints and CPAs regularly advise on this

- ☐ CPAs can explain the special tax rules that apply to businesses including inventory methods, basis of accounting, start-up costs, T&E expenses and tax credits

- ☐ The alternative minimum tax is a "killer" for many clients; however, CPAs can explain some ways of taking advantage of this tax and the application of AMT credits

- ☐ For some clients, the state of residency and/or domicile can reduce overall taxes and the CPA can advise on this

- ☐ CPAs are always available to assist and handle tax audits, advise ways to minimize the cost of representation and ways to prepare returns that will not create red flags

- ☐ CPAs can assist with tax agency notices and mail audits

- ☐ CPAs are available, knowledgeable and helpful when clients must have assistance

CHECKLIST OF QUESTIONS TO ASK A NON-FILER WHO WANTS TO FILE THEIR DELINQUENT RETURNS

Client___________________________ Date___________ Preparer________________

- ☐ What caused or prompted you to decide to file now?
- ☐ Was there any sort of contact [either by mail, telephone or in person] by a tax agency
- ☐ Can we see what was given to you or what you received
- ☐ If there was an in-person contact, what were their names, agency and title or position
- ☐ If there was an in-person contact, how many people were there from the agency?
- ☐ Are you married?
- ☐ If you are married, the questions also apply to your spouse for the periods you were married
- ☐ Are you a U.S. citizen or resident
- ☐ What state are you a resident of
- ☐ When was the last U.S. tax return you filed
- ☐ How many years have you not filed
- ☐ What country or state have you lived during this period
- ☐ If you lived in another country did you file all required tax returns in that country
- ☐ Do you have non-U.S. bank or brokerage accounts
- ☐ Are you a grantor, beneficiary or trustee of any type of trust
- ☐ Why returns were not filed
- ☐ What was the source of your revenue, e.g. job, business, interest and dividends
- ☐ Have any estimated taxes been paid
- ☐ Were you ever subject to back up withholding
- ☐ Where was the revenue earned
- ☐ Do you have the funds to pay any past due taxes, interest and penalties?

POST TAX SEASON RETROSPECTIVE CHECKLIST

Overall Procedures.

- ☐ Was turnaround time acceptable?
- ☐ How was the effectiveness of staff training?
- ☐ How did total staff hours compare to last year and was it adequate or excessive?
- ☐ Weigh the growth of individual staff and whether any “stars” developed. .
- ☐ How did the quality and quantity of client comments compare to past tax seasons?

Preparation

- ☐ Was the return data sent to smart scanner?
- ☐ Were there any systemic problems or issues with the smart scanner that need to be improved?
- ☐ Were the documents adequately bookmarked?
- ☐ Were the preparers properly trained based level of complexity of returns they were assigned?
- ☐ What changes in training methods are suggested?
- ☐ Did the preparer have a “go to” or resource person to answer questions (either technical, procedural or client specific)?
- ☐ Did preparer familiarize themself with planning done during the year?
- ☐ Did preparer review and compare final results of the return to previous year?

Review

- ☐ Was review time reasonable (e.g. less than 25% of preparer time)?
- ☐ Was return resubmitted to reviewer within two days of being assigned to make corrections?
- ☐ Did preparer complete all necessary checklists and worksheets?
- ☐ Were review comments and diagnostics addressed completely?
- ☐ Were the reviewers properly trained?
- ☐ If non-tax managers or partners reviewed returns, did they do a satisfactory job?
- ☐ Were there any review bottlenecks in general or with a particular reviewer that were not cleared up within one day?
- ☐ Were there delays in needed decisions from partners or managers?
- ☐ Were follow up notes for the current year filed properly for easy retrieval next year?

Administrative

- ☐ Was information receipt entered in the tax control and flow software within one day?
- ☐ Was the turnaround from the administrative staff satisfactory?
- ☐ Were administrative personnel properly trained and oriented to tax season?
- ☐ Was the final return placed in the paperless filing system when processed, or was there a delay?
- ☐ Did admin staff work adequate overtime, if it was necessary?
- ☐ If the firm has more than one administrative staff member, did they work staggered hours so someone was available whenever preparers and reviewers were working?

Staffing

- ☐ Were staff properly assigned?
- ☐ On larger returns were attempts made to have same staff as last year prepare the return?
- ☐ Did bottlenecks develop with any individual staff person?
- ☐ Were any staff apparently under or overused?

- ☐ Did all staff perform roughly the same number of hours?
- ☐ Review and discuss the error rates for returns done throughout tax season. Were more errors detected at the beginning, middle or end of the season?
- ☐ Should there have been additional staff hired for tax season?
- ☐ How did new staff or interns perform after their initial training?
- ☐ What worked or needed changing in staff scheduling procedures?
- ☐ Was there a reduction in time or quality on regular work?
- ☐ Was the staff excited about tax season and was that excitement conveyed to clients?
- ☐ Was the quality of the smart scanner satisfactory?

Error Reduction

- ☐ What error patterns can be identified? How can they be categorized? (Don't concentrate on isolated instances.) What steps could reduce or eliminate them?
- ☐ Was every error that was discovered on a delivered return addressed immediately by a partner?
- ☐ Did specific staff members have higher error rates? What types of errors were involved? For instance, if an inexperienced staff person had high error rates because of inadequate instruction, then it may be the instructor, and not necessarily the preparer, who needs additional training.
- ☐ To what extent would errors have been avoided had checklists been properly used or standard procedures followed?
- ☐ What kinds of errors did partners find when they received returns ready to be signed and mailed?
- ☐ What policy will the firm use to monitor and prevent errors going forward?

Client Communications

- ☐ Were clients called by a manager or partner with news of unexpected results (i.e. refunds under *or* over expected amounts)?
- ☐ What kinds of client complaints were received? How were they handled and by whom?
- ☐ Did clients have problems using the firm's secure portal?
- ☐ Was the period between information receipt and first contact for additional information reasonable (by client standards)?

Partner Interaction

- ☐ Did the partners receive too many phone calls or emails from clients with complaints?
- ☐ Were there fee complaints?
- ☐ Did staff complain about partners' accessibility?
- ☐ Were partners available to assess or close bottlenecks in the procedures?
- ☐ Did partners discover errors in returns that were ready for their final review and signature?
- ☐ Did partners detect a rushed or harried atmosphere among the staff?

Seasonality

- ☐ Were the overtime hours sufficient to complete all tax returns on time?
- ☐ If interns were used to prepare returns, was their work satisfactory? Did they have positive experiences at the firm? Should any be offered permanent positions?
- ☐ Did individual returns get backlogged because of the firm's failure to timely prepare business returns that provided K-1s?

Additional Client Services and Marketing

- ☐ Were clients informed about available additional post-tax season services? If not, why not? Which firm members did or did not identify additional service options?
- ☐ If some tax clients did not come back, what were the reasons?
- ☐ What follow-up procedures will be used to explain the need for—and availability of--additional services?

GETTING RID OF TAX PREPARATION CLUTTER

This is a listing you can provide to your clients, or use in a follow up letter you could send to them after tax season.

- ☐ Many people have substantial brokerage accounts for themselves and are custodians for their children with inconsequential total investments. Yet, they will have accounts with three or four fund families and have each spread into four or five funds. That's about 15 funds that have to be reported separately; yet the total of all 15 accounts do not equal the smallest position in their personal account. This makes no sense. Consolidate them all into one mutual or index fund and stop incessant trading.
- ☐ If you have an investment manager, check to see their range of investments. Any small or minimal positions cannot have significant effects on your portfolio's total results so ask your manager why they have them and to consider cleaning them up.
- ☐ If you have stocks registered in yours and also a deceased person's names, change the designation to just your name. Even though the Social Security number is yours, this will facilitate transfers upon your death. Alternatively substitute a name the shares can be transferred to upon your death.
- ☐ If you still have many stocks in your name, transferring them to a brokerage account will reduce your correspondence and the number of dividend checks you receive and have to deposit. This also applies to any Dividend Reinvestment Plans ("DRIP") you might have.
- ☐ Many companies that offer DRIPs now charge fees for the dividends they are reinvesting. If you have these, consider closing them, transferring the shares to a brokerage account and receiving the dividends directly into that account. Some brokers will reinvest the dividends for you. So, if you want to continue that, check it out with your broker.
- ☐ Custodian accounts for children over age 18 should be transferred directly to the child.
- ☐ If you typically do not read all the mail you get, request it electronically and open and read only what you want. Also, tell your brokerage firms to stop providing your phone number and this will stop the calls to vote your proxy.
- ☐ Consolidate your brokerage accounts as much as possible.
- ☐ Look at the tax allocation of your investments and try to minimize your taxes.
- ☐ If you have inactive accounts, write a letter informing the bank, broker, custodian or insurance company that the account should be considered active and not subject to escheat laws
- ☐ File a claim to recover unclaimed funds the State might be holding for you.
- ☐ Donate stocks where you own an insignificant number of shares to reduce your mail, eliminate brokerage fees on the sale, get a tax deduction, not have to report the gain and conserve your cash.

Additionally, reducing the clutter will improve the quality of your life.

ADVICE TO ~~A BEGINNER~~ EVERY TAX PREPARER

- ☐ Work carefully and deliberately
- ☐ Do not hand in work with mistakes
- ☐ Double check your work
- ☐ If possible, look for an alternative way to check your work
- ☐ Compare the final return with pervious year's return – line by line
- ☐ Avoid spelling errors and improper use of words
- ☐ Comment: pervious is wrong - it should be previous… Be alert!
- ☐ Look at final result – ask yourself if it seems reasonable
- ☐ If there is an unexpected result, i.e. a large balance due or refund, you should find out why and explain it in the workpapers
- ☐ There is a lot more, but work on these

WAYS TO MAKE TAX SEASON BETTER AND MORE FUN
FOR YOU AND YOUR STAFF

- ☐ Better hours during tax season
- ☐ A continuous recognition and "selling" of the benefits of tax season for staff
- ☐ Making sure staff are presented work they will enjoy and find stimulating
- ☐ Have staff meet with clients to get tax information, sit in on such meetings, or call client for additional information and to obtain answers to open item questions
- ☐ Set up self-checking methods so less work is submitted that needs to be corrected
- ☐ Floating weekend day off during tax season
- ☐ Close the office the weekend after March 15, and the day after April 15
- ☐ Flowers or plant to the spouse or partner of a staff person, dinner on you after tax season, a surprise gift for young children of staff
- ☐ On an individual basis give tickets to a night or Saturday afternoon basketball or hockey game
- ☐ No Mickey Mouse overtime or "bonus" payments – pay for the work
- ☐ Don't make people work late before there are actual tax returns to do
- ☐ Better scheduling of work
- ☐ Flextime during tax season and/or certainly on weekend days
- ☐ Involve staff in decision making process on clients they work on
- ☐ Occasional surprise ice cream or yogurt treats in the afternoon
- ☐ Close the evening of Valentine's Day (without a make-up date)
- ☐ St. Patrick's Day beer fest at the local bar and no work that night
- ☐ Masseuse weekly to loosen tension in staff's backs
- ☐ Think of some other things that will interest, excite and provide some fun.

ADDITIONAL WAYS TO EXCITE STAFF THAT ARE NOT DURING TAX SEASON

- ☐ Day at a ball game
- ☐ Family picnic
- ☐ Trip to a museum followed by dinner and a Broadway show.
- ☐ Tailor made appropriate CPE for each staff level
- ☐ Unusual CPE such as a comedian economist (they do exist, and I have seen a couple)
- ☐ CPE program at Atlantic City (or similar resort) the first Thursday and Friday in May after tax season ends (with a CPE program from 1 to 5 on Thursday and 8 to Noon on Friday) and give the staff money for dinner and entertainment so they don't have to spend the entire night with you (no matter how exciting you think you are, you are a generation older than your staff and they want to have fun with people their own ages)

THINGS TO CONSIDER WHILE TRAINING STAFF

- ☐ Find ways to constantly tell them they’ve done a good job
- ☐ Don’t let them go home upset, or with unfinished tasks
- ☐ Excite them
- ☐ Give smaller or more frequent tasks to do - It's easier to review small things than big things
- ☐ Train in a way that doesn’t take excessive time
- ☐ Try to train in 3’s. Give them three of the same type of work to do. Instruct on the first. Monitor on the second and congratulate on the third
- ☐ Think in terms of modularization of the work functions. This makes it easier and quicker to train, makes it easier for other staff to train and easier for a newer team member to step up to the work done by those above them
- ☐ Emphasize processes, systems and checklists
- ☐ Irrespective of the last item, encourage independent thinking, ingenuity, ideas and questions
- ☐ Work toward empowering staff
- ☐ Grade the training upward as they accomplish the earlier functions
- ☐ No shortcuts and no skipping steps
- ☐ Tell staff what is expected of them and how they should develop learning habits on clients they work on
- ☐ Ask your staff what they learned today
- ☐ Don’t assume anything – teach everything
- ☐ Be patient
- ☐ Make effective training and learning part of your culture
- ☐ Be a learning organization

STAFF DEVELOPMENT AND GROWTH CHECKLIST

This is a guide to assist staff in their development and for them to understand some of what is expected. There are general rules that are not included here such as fitting in with your culture and being an effective team member and firm and profession advocate.

- ☐ Be up to speed in learning the new tax laws that will affect the tax returns you will be working on. This is for individual as well as the entities you will be working on – 1065, 1120S, 1120 and 990

- ☐ You will be judged on the number and type of review notes the reviewers make on returns you worked on

- ☐ Keep your work papers orderly and make sure they can be easily followed

- ☐ How well you manage your workload and client responsibilities, and your follow up to receive missing information

- ☐ You should always be on time for meetings and meeting your commitments

- ☐ You are responsible for following all our procedures

- ☐ Your success with supervising and training staff under you, and your ability to report problems and evaluate the staff. Note that we are always available to assist you in this and any other area you feel you need guidance in - we are here to help you succeed

- ☐ You are expected to be familiar with the articles in all the journals you subscribe to and for this to be done timely. It will be assumed by us that this is done by you within a week of your receipt of the journals. Note that we will pay for any journals you want to subscribe to. At a minimum you should read the business section of a major daily newspaper, or *Wall Street Journal*

- ☐ Besides taxes, you will be working on audits, reviews and compilations. Your attention to the instructions, response to the training and progress will be evaluated by your supervisors and us

- ☐ Before you start any assignment, you should review the audit, review or compilation programs and procedures, checklists and the prior year's financial statements including the notes. Also, review some public company financial statements that are in the same industry, if possible

- ☐ You should try to obtain an understanding of the client's business so you will have a running start when you enter the client's premises. This can include looking at the client's sales literature and web site.

- ☐ You will be evaluated on your assumption of responsibility for regular work on some small clients. This will be overseen by us, but you will need to "push" us in this regard should it not occur to your satisfaction

- ☐ You will be provided with an evaluation after you complete an assignment and will be given a formal performance and growth evaluation at six-month intervals. Each of these should have input from you as well as us

WAYS TO EVALUATE STAFF TAX SEASON PERFORMANCE

- ☐ Does staff person make repeated errors
- ☐ Does staff person listen to instructions
- ☐ Does staff person follow procedures
- ☐ Does staff person omit required standardized workpapers or lead sheets
- ☐ Does staff continuously miss deadlines
- ☐ Does staff person seem to always work under pressure
- ☐ Do clients complain about staff people who doesn’t return calls
- ☐ Do clients complain that staff person is not responsive to their questions
- ☐ Does staff person shows an inability to finish their work without proding and excessive follow up
- ☐ Does staff person routinely keeps the partner or manager informed of their progress and questions and concerns of clients

DECIDING WHO TO LET GO

Staff evaluation is an ongoing process and not a once a year meeting. I have a number of checklists that cover different factors. Here is another one.

Two question you can always use to evaluate staff is:
"HOW MUCH OF MY WORK DOES THAT STAFF PERSON DO THAT I DON'T HAVE TO DO AND HOW WELL DO THEY DO IT?"

"DOES THE STAFF PERSON MAKE MY LIFE EASIER AND OR MORE ENJOYABLE?"

A lot of factors go into this. Here is a short list of some things to consider:

- ☐ How well do they follow your instructions?
- ☐ Are they learning from each new job so that the third time they do similar work, they do not need instruction?
- ☐ Do they apply what they learned on one project to another, or from working on one client to the next?
- ☐ Do they remember what they worked on so they could apply it if it comes up again either on that client or somewhere else? This and the previous two are similar, but I know from experience they are three separate questions.
- ☐ Do they know basic tax and accounting issues you would expect them to know at the staff level they are at?
- ☐ Are they expanding their knowledge in areas that benefit clients, the firm and themselves?
- ☐ Do they meet deadlines without constant prodding by you?
- ☐ Do they take "ownership" meaning that they assume responsibility to see something through to completion or follow up when they hand off what they did to others?
- ☐ Can they handle multiple projects?
- ☐ Do they follow up diligently on missing information or incomplete projects?
- ☐ Do they keep you posted timely and regularly on their progress with each multi-day project?
- ☐ Is their work relatively error free?
- ☐ Do they ask for help when they are working on a new area for the first time? They should but only after they made an attempt to learn what they could on their own...within a reasonable amount of time.
- ☐ Are they a self-starter?
- ☐ Do they follow firm procedures and processes and use checklists properly?
- ☐ Do they have good relationships with other staff and clients?
- ☐ Do clients they work on routinely call you, or does the client call the staff person who then refers to you when they cannot handle something? If you get the calls, then, in my opinion, there is a lack of confidence by the client in the staff person; or that the staff person really hasn't assumed the role you needed them to.
- ☐ Do they make your life easier?
- ☐ Do they help you make more money?

30:30 TRAINING METHOD CRIB SHEET

My training method takes three minutes to learn. All you have to do is read the following; and it takes no more than ten minutes a day to implement with each staff person you are working with. These ten minutes are your "cost" to get a full day of effective efficient work out of a low-level professional.

Try it – the most you can lose is five or eight minutes if you decide it is not for you. On the other hand, think about what you can gain… Following is my 30:30 Training Method Crib Sheet. Print it and use it.

Ed Mendlowitz 30:30 Training Method
Break all work into single step segments
Do not give work that would take more than 30 minutes to do
Do not take more than 30 seconds to explain what to do
When a task is completed, it should not take you more than 10 seconds to review it, and then use the next 20 to 30 seconds to give next task
Every time something is completed, tell him or her that they did a good job
If there are continuing errors, then either you are taking too long to explain what to do, or the work is not broken down into a single segment, or the person is not listening
If it is you, then examine what you did, and do it better
If it is the staff person, then they are not good, and deal with that accordingly
Do not explain why something is being done. Only tell (and show) what to do. If the staff person wants to understand why they are doing something, tell them you will explain it to them after they have done that same thing for the third time (and in that case take all the time that is necessary so they understand it)
The downside to this method is the large number of interruptions you will get
The upside is that you will not spend, in the aggregate, more than five minutes during the entire day; the staff person will get many compliments making them feel good; the work will be completed; and the staff person will have learned how to do something. Staff people that do and learn things and get complimented get excited, and excited staff people are much more effective and enjoyable to work with
If possible, try to have two more similar projects ready for that person to work on. After the third time, your training time will be less than minimal; and in most cases they will understand why and what they did. If they do not, then they should ask you to explain it
<u>Additional points when not with the staff person:</u>
Assume the staff person will not understand the instructions, so keep it as short as possible, but thorough enough so they know what to do, i.e., the 30:30 method
Set time deadlines for the project or work in progress when you are not overseeing your staff
When not with staff person, monitor their progress and have check-in times or points
Provide a time limit for stumbling blocks, such as stopping after a half hour of no progress

CONTROLLER'S CHECKLIST

ROLE OF CONTROLLER

- ☐ The role of a controller is to be responsible for the proper functioning of the financial reporting and accounting and bookkeeping departments.
- ☐ This responsibility includes training, overseeing and supervising the people in those departments.
- ☐ Regular evaluation of the accounting systems and software and equipment.
- ☐ Development and presentation to management of the reports needed by them to make decisions and for management to feel that there are effective controls within the business.
- ☐ The role includes profit planning, budgeting, sales forecasting, capital investing, cash flow planning including banking needs, credit allocations, cost accounting, price testing and the establishment and administering of procedures to accomplish these functions.
- ☐ Projecting the cash needs, necessary investment and funding sources, profit and loss and cash flow from contemplated activities. This should also include pricing decisions and capacity utilization.
- ☐ Where applicable there will be oversight of loan agreements and covenants and interaction with the lenders to maintain a regular and consistent relationship with them.
- ☐ Where necessary financial and accounting policies will be formulated and coordinated with the independent accountants.
- ☐ Tax administration and government reporting will be controlled and overseen.
- ☐ Methods to control business assets should be instituted and managed including internal controls and auditing and assessments of insurance coverage and needs, and overall company risk assessments.
- ☐ The controller should also be aware of economic conditions that might affect the operations of the business or its assets and bring assessments to management's attention.
- ☐ The controller should be a member of a professional organization where they will interact with other controllers and attend courses covering the newest techniques and methods.

SUGGESTED SPECIFIC ACTIVITIES

Immediately to acclimate, set up or catch up
(A schedule to perform these functions should be set up so that these are all completed within three months of starting)

- ☐ Review financial statements or tax returns for last three years to see if there are any trends, variances or non-typical items and discuss with management.
- ☐ Tie in opening retained earnings to balance sheet amount.
- ☐ Make sure bank reconciliations are current
- ☐ Work up worksheets for every balance sheet account scheduling difference in accounts to be investigated or adjusted
- ☐ Tie in all intercompany balances.

- ☐ Determine if notes exist for all intercompany, owner or shareholder loans and if not, generate them to be signed. To the extent terms are not evident it should be discussed with management or the owners as the case may be.
- ☐ Prepare a fixed asset schedule and compare with insurance policy coverage and DMV registrations if applicable.
- ☐ Evaluate the accounting systems and software and equipment, and report generation capabilities. Include comments relating to ease of use and training new people on system.
- ☐ Evaluate internal controls and report findings to management.
- ☐ Meet with each person in the accounting and bookkeeping department and get an initial feeling of their ability. Repeat this after three months and then report your findings to management.
- ☐ Prepare a listing and schedule of work responsibilities of each person in the accounting and bookkeeping department.
- ☐ Prepare a Tax and Special Items Calendar of tax payment and form due dates, bank covenant requirement dates, insurance payments, pension payments and important non monthly expenses or payments. Make sure state sales tax and regulatory returns and forms are included.
- ☐ Try to determine regulatory reporting responsibilities.
- ☐ Prepare a break-even analysis. Also set up a plan to monitor regularly, especially product lines with different gross profit percentages.
- ☐ Prepare an annual operating budget.
- ☐ Prepare a cash flow projection for the next twelve months.
- ☐ Prepare a schedule of monthly recurring expenses.
- ☐ Meet with independent accountants and find out any issues and concerns they have, or have expressed to management, about the accounting and bookkeeping department.
- ☐ Find out from the independent accountants what reports and schedules they would like to receive monthly, quarterly or semiannually, if any.
- ☐ If the independent accountants will be performing interim work, determine what it is and how often, and work out a schedule for them to come in.
- ☐ Meet with bankers and find out their concerns and issues.
- ☐ Determine inventory policies and review any perpetual records, and the most recent actual inventory. Review method of reporting or accounting for monthly inventory.
- ☐ Review any cost sheets, and cost accounting records, if any.
- ☐ Find out if any new projects, major hiring, expansion or equipment purchases are planned for the next year.
- ☐ Determine if there have been any fines or violations in the last two years and any unresolved, unsatisfied or outstanding issues.
- ☐ Set up daily flash number reports (sample attached).
- ☐ For anything not completed at the end of three months, a plan and timetable should be developed to show when it can be completed; and discussed with management.

Daily (in addition to regular work)

- ☐ The last thing that should be done before going home each day is to present the flash number report to management.
- ☐ Review back log of work for each person in accounting or bookkeeping department.
- ☐ Each morning determines what each person will be doing that day that is not an ordinary regular function. Alternatively, this can be done at the end of each day for the next day.
- ☐ Review Tax and Special Items Calendar for amounts due that day.
- ☐ Discuss with management anything of an unusual or not regular nature that came up that day.

Weekly

- ☐ Prepare a report of past due accounts receivable and accounts payable.
- ☐ Report to management any employee absences (whether or not excused) during the week.
- ☐ Review time sheets or cards for the week. Determine if any work was done that has not been billed or that should be billed extra.
- ☐ Make sure all taxes that should be payable that week have been paid with the appropriate forms.

Monthly

- ☐ Monthly profit and loss statements, balance sheets and cash flow statements should be presented to management by the end of the last business day of the month. To the extent this is not possible based on the condition of the accounting records, this should become a goal that is bettered each month. There is a disconnect between generating and presenting the reports and their being completely accurate (which is impossible due to the unavailability of all the information to prepare accurate reports such as bank statements and vendor bills), but the reports should be prepared and given to management on the last day of the month.
- ☐ When the monthly reports are presented, it should be accompanied by a reconciliation of the differences between the previous month's actual amounts and the amounts on the report that was presented. This should then be discussed with management.
- ☐ Review month end schedules of key items such as accounts receivable, accounts payable, bank reconciliations and the monthly payroll listing.
- ☐ Review monthly payroll and taxes that have been paid. Present a schedule showing monthly gross payroll, head count, and overtime paid.
- ☐ Review monthly sales tax returns.
- ☐ Prepare a salesperson's compensation analysis for sales people with draws and expense accounts.

Quarterly

- ☐ A narrative report of the results of the business operations for the past quarter should be prepared, presented and discussed with management by the end of the third week of the month.

Semi annually

- ☐ Bank covenants should be tested at that point and projected as of the end of the year.

Annually

- ☐ Prepare a schedule with the independent accountants when they will be coming in and when they expect to complete and issue their financial report and tax returns.
- ☐ Ask independent accountants to present a schedule of what they expect to have prepared by the internal staff, and when.
- ☐ Make sure annual payroll tax returns and tax information forms are prepared and issued on time.

CFO RESPONSIBILITY CHECKLIST

Position Summary: The Chief Financial Officer (CFO) provides the leadership, management and vision necessary to ensure that the company has the proper financial and operational controls, administrative and reporting procedures, and people systems in place to effectively grow the organization and to ensure financial strength and operating efficiency. This position is responsible for certain shared services including: Finance, Distribution, Warehouse Operations, Inventory Management and Human Resources.

AREAS OF RESPONSIBILITY AND TASKS

Senior Management and Board Reporting

- ☐ Field inquiries from Senior Management and Board
- ☐ Distribute Monthly or Quarterly financial statements
- ☐ Understand and report on historical, current and future trends
- ☐ Lead in development of long-term strategic plan
- ☐ Monitor long term strategic plan and report on progress, variations and digressions

Financial management

- ☐ Cash management and cash flow
- ☐ Oversee and manage accounting and financial systems aspects of NetSuite [or whatever system is being used] operation, use and implementation
- ☐ Oversee and analyze foreign exchange activities and uncover opportunities to minimize losses and maximize gains
- ☐ Prepare profitability and sales analysis reports
- ☐ Oversee or assist in preparation of yearly budgets with department managers and combine in an organization wide budget
- ☐ Prepare quarterly income and expense reports and compare to budget and make recommendations for improvement
- ☐ Arrange and manage Lines of Credit and banking relationships
- ☐ Coordinate distributions to Principals

Shared services management

- ☐ Monitor and improve warehouse operations and efficiencies
- ☐ Work with warehouse team to improve inventory and accounting management systems and process
- ☐ Coordinate with head of HR the adherence of present policies and the setting of new policies and/or revising existing policies
- ☐ Provide guidance and assistance to HR on employee and personnel issues
- ☐ Responsible for coordinating with Professional Employer Organization (PEO)

Manage the accounting staff with regards to daily, weekly and monthly responsibilities

- ☐ All general ledger functions and proper reconciliations
- ☐ Recording of transactions into proper into accounts
- ☐ Oversight of recurring entries and its periodic review and testing
- ☐ Preparation of and filing of all sales tax returns for all jurisdictions organization operates in
- ☐ Review current systems and internal controls for accuracies and potential for increased efficiencies
- ☐ Accounts payable
- ☐ Accounts receivable and cash collections
- ☐ Ensure compliance of all covenants that the enterprise is obligated for including:
  - ☐ Bank Loan covenants
  - ☐ Partnership and joint venture agreements
  - ☐ Leases
  - ☐ Purchase and sales contracts, e.g. most favored nation compliance
- ☐ Working with outside accountants to ensure accurate, timely and efficient financial reporting
- ☐ Manage year-end audit process so that audit is completed timely and efficiently
- ☐ Review income tax filing, compliance, payment schedules and planning with independent tax advisors

Oversight of important legal, financial, insurance and business matters

- ☐ Reviewing and negotiating leases, including being point with third party consultants for new or added warehousing or offices
- ☐ Communications with Landlords
- ☐ Reviewing insurance coverage and policies; liaise with logistics and insurance agent on claims and responsibility that premium payments and claims are made timely
- ☐ Communications with lawyers and tracking of litigation
- ☐ Implement and coordinate changes in state licensure permits, sales tax and shipping regulations with warehouse and customer service
- ☐ Credit card corporate travel expense program
- ☐ Assist in setting up operations in new markets, e.g. Europe or China
- ☐ Oversight of transfer pricing reports and compliance

QUALIFICATIONS

- ☐ CPA, CMA and/or MBA or other degrees deemed necessary for position
- ☐ ___ or more years' experience as a CFO
- ☐ Retail, warehouse, manufacturing, distribution, health care, financial services, trucking industry, not-for-profit [choose what is applicable to organization] experience a must or a plus but not required [indicate if this is a must or a plus]
- ☐ A career indicating a meaningful commitment to prior employers

QUESTIONS FOR INTERVIEWING A BOOKKEEPER

This can be used at an interview to prescreen a candidate for a bookkeeper for a client and can be adapted to specific circumstances. Questions that were answered on the resume do not need to be repeated

- ☐ Have prospect give a rundown of their experience
- ☐ Why are they leaving their present position
- ☐ Why did they switch jobs so much [if that is the case]
- ☐ What was size in sales and employees of largest company they worked for
- ☐ Who did they report to
- ☐ What did they provide to their boss each day, week or month?
- ☐ Did they prepare any Key Performance Indicators (“KPI”)?
- ☐ If they prepared KPIs, how often and to whom and what were they?
- ☐ How did they interact with independent auditors
- ☐ What software did they work with for cash disbursements, general ledger and ales and accounts receivable?
- ☐ What specialized software did they work with, if any, such as product costing, project management and inventory control?
- ☐ What special experiences do they have to offer (over and above what most bookkeepers do)
- ☐ What is the best single thing they did for their boss
- ☐ Any final comments about anything I did not ask them or that they want to know about job

RESPONSIBILITIES OF AN IN-HOUSE BOOKKEEPER

- ☐ Prepare and submit weekly payrolls to service bureau and review output
- ☐ Make sure withholding taxes were timely paid
- ☐ Calculate, enter and pay monthly union benefit payments
- ☐ Prepare and maintain monthly calendar of recurring work that needs to be done and payments that need to be made
- ☐ Include insurance, real estate tax payments, payroll tax filings and estimated tax payments on calendar
- ☐ Enter data regularly and run reports as needed/requested
- ☐ Manage and conduct all facets of the company's cash receipts and cash disbursements needs
- ☐ Run monthly balance sheets and income statement reports
- ☐ Review and make sure accounts receivable and accounts payable schedules agree with general ledger
- ☐ Make calls to customers with past due balances and advise sales department
- ☐ Reconcile bank accounts statements at least once a month
- ☐ Manage the company's banking relationships
- ☐ Assist accountant with audits and tax preparation
- ☐ Working knowledge and experience with QuickBooks Online
- ☐ Working knowledge and experience with Microsoft Word, Excel and Outlook
- ☐ Experience with Unionized employees
- ☐ High degree of accuracy and attention to deadlines
- ☐ Ability to multi-task
- ☐ Must be able to meet deadlines
- ☐ Responsibilities may change or be assigned at any time with or without notice
- ☐ Experience with C & S-Corp tax rules a plus
- ☐ At least three years' experience in similar position
- ☐ Working knowledge of applicable GAAP
- ☐ Prepare budgets and forecasts as directed

RUBEN’S A.U.D.I.T ACRONYM

My friend and partner Ruben Cardona developed this. It is included with his permission.

A: **Analyze** – Analyze client’s system, transactions, and processes
U: **Understanding** – Understand what the client does, how sales are generated, products shipped or services provided and how client makes money
D: **Documentation** – Record everything you work on and observe
I: **Investigate** – The auditor must independently verify and investigate the information presented to them
T: **Testing** – Test transactions and sample

FOR STAFF: WHAT YOU SHOULD DO BEFORE STARTING TO WORK ON AN AUDIT

- ☐ Look at budget and planning memo for what you will be doing
- ☐ Look at last year’s audit program and workpapers for what you will be doing
- ☐ Look over last year’s financial statement and tax return
- ☐ Read last year’s management letter
- ☐ Look at organization chart
- ☐ Look at client’s website
- ☐ Search web for news stories about the client
- ☐ Get an understanding of client’s industry
- ☐ Try to get an understanding if how client does business
- ☐ Try to get an update of client’s situation
- ☐ Look over accounting literature to get an overview of special issues
- ☐ Ask your supervisor if there is anything else you should do before you start

FOR STAFF: WHAT YOU SHOULD DO WHEN YOU FINISH WORKING ON AN AUDIT

- [ ] Read final financial statement
- [ ] Read management letter
- [ ] Look for your input in the financial statement and the management letter
- [ ] See that the journal entries are sent to controller
- [ ] Make sure all your review comments were cleared
- [ ] Review what you did and look at the big picture of where it fit into the entire job
- [ ] Look at the completed tax return and try to understand the book to tax adjustments (if you weren't involved with the tax accrual)

INITIAL AUDIT PLANNING FOR NON-MANAGERIAL STAFF

- ☐ Understand the entity and its environment
- ☐ Understand the type of entity and its owners and key managers, related parties, subsidiaries, affiliates or joint ventures and business activities and relationships
- ☐ How the entity is managed
- ☐ Industry conditions
- ☐ Regulatory issues
- ☐ Industry risks and issues affecting financial reporting
- ☐ Risks of existing debt structure
- ☐ Subsequent events that might affect entity, its operations and debt structure…
- ☐ Key performance indicators and who uses them
- ☐ Frequency financial statements distributed, what type of statements and to who. Who prepares them?
- ☐ If there are budgets and projections, how often they are reviewed
- ☐ Frequency of management meetings; who attends; who sets up agenda
- ☐ Description of open lawsuits, both as a plaintiff and defendant
- ☐ Product warranties and size of claims
- ☐ If there are business or property valuations, why they were prepared
- ☐ Get copy of buy-sell agreement among the owners, if any
- ☐ Are there any evident contingent liabilities
- ☐ Identify areas of potential significant risk of material misstatement
- ☐ Recent developments in economy that would affect entity and their industry
- ☐ Unusual accounting principles used by the client…
- ☐ Timing and deadlines
- ☐ Important control systems
- ☐ Significant IT applications and how the client’s use of IT may affect the audit
- ☐ Areas susceptible to management override of controls
- ☐ Materiality at the financial statement level and performance materiality
- ☐ How materiality will be used to determine the extent of testing
- ☐ Remain alert for information or other conditions that may indicate a possible material misstatement due to fraud or error
- ☐ Follow up on all indications of a material misstatement
- ☐ Review the application of generally accepted accounting principles to the client’s facts and circumstances based on the client’s accounting policies
- ☐ Remember to exercise professional skepticism throughout the engagement

QUESTIONS TO ASK A CLIENT THAT WANTS A FIRST AUDIT

- ☐ What does company do?
- ☐ Are there any subsidiaries or parent entities or related entities with similar or common ownership?
- ☐ We cannot locate your website – can you provide the URL.
- ☐ What years do you need audited? For example, 2019 only, 2019 and 2018, or other periods.
- ☐ Please provide balance sheets for each period that will be audited plus the immediately preceding year.
- ☐ Comment: For a first audit we would need to do extra work on the opening balance sheet, which process would not need to be repeated on subsequent audits.
- ☐ Please provide a copy of the last income tax returns the company and all related or affiliated entities filed.
- ☐ Why do you need the audit?
- ☐ Who is the audit being done for? For example, a bank, potential investor, or to prepare the company for a sale.
- ☐ When is the audit needed to be completed by?
- ☐ Have you ever been audited before?
- ☐ Have you ever received a review financial report, or a compilation with notes? If so, please provide the most recent financial statement.
- ☐ Who are the company's management?
- ☐ What internal staff do you have that could assist us in the audit including writing the notes to financial statement.
- ☐ Is there any pending litigation or litigation in progress?
- ☐ Is the capital structure properly reflected on your books?

FACTORS TO CONSIDER WHEN ESTIMATING THE COST OF A REVIEW REPORT

I get more than a few calls from accountants that do considerable business tax work and who are asked occasionally to bid on a review report and they ask me what they should charge. That is similar to someone asking a sneaker salesperson what the average shoe size is. No relevance at all. There can be no average fee or even an average fee range. Myriad factors go into determining the price of a review report. Here is a listing of some of the factors that affect the fee.

Engagement specific

- The purpose of the review report
- Whether the report will be GAAP or some other basis
- Who will actually prepare the financial statement and write the notes to financial statements? If the client prepares, what is the competency of the person preparing it and their knowledge of the reporting framework (i.e. GAAP)
- Number of periods involved. If this is a first review, the opening entries might need to be tested
- Whether the accounting firm has expertise in the industry
- Time schedule for delivery of review report
- Availability of your staff
- Co-operation of client’s staff
- Where the work will be done, e.g. at the client’s premises or virtually
- Who the referral source was

Company specific

- The size of the company
- The industry and also whether special reporting applies to that industry
- Condition of the books and records and underlying data that might need to be reviewed
- Adequacy of internal controls
- Whether there are related entities that will need to be consolidated or combined with the main entity
- Risk areas
- Sources of revenue
- Revenue recognition policies
- Size of installment, deferred or consignment sales
- Type of and concentration of customers
- Potential warranty liabilities
- Extent of related party transactions
- Dependence on a single or small group of specialized suppliers
- Type of accounts receivable and inventory
- Existence of intangible assets and possible valuation issues
- Debt covenants and whether the entity has met them
- Contingent liabilities
- Extensive commitments
- International trade (inbound/outbound)
- Capital structure

- Employee stock option plans
- Out of line or illogical ratios
- Whether there is any pending litigation against the company
- Going concern issues

This list is not complete but gives a strong enough indication that a fee cannot be quoted without some inquiry. Every situation is different, and some may require a meeting and a review of the client's information and situation beforehand to assess the situation. Some situations may not lend themselves to being able to be reasonably estimated, yet many clients do not like open-ended time-based fees. Even then a range could be requested which then sets a "fixed fee" within that range.

Sometimes a less costly compilation or a more costly but thorough audit would be a better choice for the client. Use this list as a guide and follow through as best you can. Good luck!

This list was prepared with the assistance of my partner, Frank Boutillette, who can be reached at fboutillette@withum.com if you have additional questions. Do not hesitate to contact me at emendlowitz@withum.com.with your practice management issues or questions or questions regarding deciding whether to accept a review engagement.

CHECKLIST FOR ESTABLISHING A FIXED PRICE

While there are many different ways to set a fee the two major ways seem to be using a fixed or value price before the engagement starts and pricing based on time.

I don't want to get involved here about which way is better, but I've used both methods along with other methods as the situation warranted. Here is a checklist of some things to consider and how to proceed in establishing a fixed price, *before* the project starts.

- Be totally clear about the work that is requested. This means a full understanding of what the client wants. Let the client talk all they want and only interrupt to clarify something they are saying. I always take notes and repeat what I think the client said to get his or her acknowledgement.
- I try to consider whether what the client wants is realistic for that client at that time in the manner he or she wants it done.
- Prepare an engagement proposal that lists *exactly* what you will be doing and the total price for the project. I usually do not break down the fee into sections unless there are different phases of it (see next bullet).
- If the project is multifaceted then quote each part separately, remembering to be crystal clear about what you will be doing at each step.
- If the project is of dubious duration or parameters, then do not quote on it, but limit your proposal to the beginning part that will define the entire assignment. Consider that an exploratory assignment and explain it that way to the client. I believe clients will understand that and also get value even if they decide to not proceed, or, ugh, not use you for it.
- Cost out your services. Prepare a worksheet of each service you will be performing with a time estimate and identity of which staff or partner will be doing that work.
- Assign a dollar amount to the total hours that you think is reasonable for that assignment. You can use 'cost," hourly rates for each staff person (discounted at some factor to arrive at your cost) or simply use the hourly rates for each person. This is not a science, but you should be trying to determine a relative fee based on time that will be expended. This is quantifying your inputs in a way that you could relate to it.
- Next relook at what you came up with taking into account expertise, timing, staffing, difficulty of work, responsibility, availability, apparent cooperation and responsiveness from client's staff, ease of access for that type of services from other accountants and determine if the total fee seems reasonable and that the client could easily "afford" it.
- Now review the total fee and try to determine the value to the client and compare to what other similarly qualified firms (if there are any that the client would have access to) might charge. If the value appears to be much greater than your estimated fee, then quote a higher price. If much lower, pass on the assignment.
- In my experience, unless it is a totally unique situation, my fee calculations come pretty close to the value on the low side considering all circumstances; or much lower than the value but I am constrained by "competition" or the client's mindset. Being constrained by competition is an external situation that I usually would not have control over, assuming that the "competition" is equally qualified, which I doubt in many situations. If the constraint is the client's mindset, then it is a weakness on my part in not being able to convey the value, as I see it. If it is an added service for a continuing client, then I would also need to consider the totality of the relationship

and price the project with that in mind. However, in that case my value in all things I get involved in should be evident based on the proven value and benefits I have delivered many times for that client.

- Keep in mind that many new types of projects are unique to that client and can lead to many directions which cannot be figured on when scoping the job. This has occurred too many times to say it is an aberration. It is more of a rule. In new projects where we spot an opening to expand the scope – to the client's complete benefit – we need to be able pursue it unconstrained. Locking ourselves into a fixed fee and then presenting a change order before we can see any clear ending or results doesn't work. Further, even pricing on a time basis needs justification when our time charges will exceed any reasonable estimate determined at the beginning of the assignment. In these cases, these projects need to be done on trust and confidence with a client that is sophisticated enough to understand how the creative and innovative mind works. I have not had much problems justifying the time afterwards, even occasionally when there was no positive benefit to the client [not every idea works], to a client that is fair and reasonable and understands the value of the relationship.

The above is a checklist of a method I follow. As I get older, I tend to rely more on checklists to guide me and find the above to be pretty workable.

SAMPLE TERM SHEET DESCRIPTIONS FOR BANK LOAN

Term sheets are used for discussion purposes and when a lender makes a nonbinding offer to a customer. The term sheet is a summary of the pertinent conditions of the lending and is a guide to what the provisions of the loan will be.

Item	**Description**	**Sample term or amount**
Lender	Who the bank is	Bank's name
Customer	Who the borrower is	Customer's name
Co-Borrowers	Who additional borrowers are	Additional people and/or other companies with common ownership
Guarantors	Guarantors can be other entities owned by the same people that own the borrower and also the individual owners. The guarantees are usually jointly and severally.	Unlimited guaranty of payment by primary owners; and every other company owned by any of them
Working Capital Line of Credit		
Working Capital Line of Credit	Maximum amount that will be lent to provide working capital	$XXX,XXX
Maturity date or term	The due date of the loan	Usually 1 year after loan agreements are executed
Payments	When interest and principal is paid	Interest is usually paid monthly. The full principal and unpaid interest are due on the maturity date
Interest Rate	The cost of the money and the basis for determining it	Variable at a per annum rate equal to the sum of 3% plus the One-Month LIBOR (as published in *The Wall Street Journal*) based upon actual days elapsed over a 360-day year. As of today, the interest rate on this facility would be X.XX%
Annual Facility Fee	"Points" paid upfront	1.0%
Prepayment penalty	Charge for early payment of loan	Usually not applicable for working capital loans

Real Estate Loan		
Loan Amount	Maximum amount that will be lent with a mortgage on the real estate	The lesser of i) $X,XXX,XXX, or ii) 80% of the fair market value of the real property
Maturity date or term	Due date or length of time of the mortgage	96 months (8 years)
Payments	When interest and principal are paid and the basis of calculation	This example assumes the payments will be made on the basis of a 20-year loan but the unpaid balance (referred to as a balloon) will be due in full at the end of the term (in this example 8 years). Principal will be paid equal to 1/240 of the original loan amount. At the end of the 96th month of the term, the outstanding loan balance will be due as a balloon payment. Interest will be paid monthly based on a variable rate determined similar to the terms stated above in the Working Capital Loan illustration. An alternative to the floating rate is a fixed rate with all monthly payments the same and paid over 8 years but based on a 20-year payment schedule (which is done to keep the monthly payments lower). On all loans that are not self-liquidation at the end of the term, a balloon payment will due representing the unpaid balance of the loan
Interest Rate	The cost of the money and the basis for determining it.	Variable at a per annum rate equal to the sum of 5% plus the One-Month LIBOR (as published in *The Wall Street Journal*) based upon actual days elapsed over a 360-day year. As of today, the interest rate on this facility would be X.XX% The rate could also be fixed for the entire term (See info about Swaps below)
Facility Fee	"Points" paid upfront	2.0%

Prepayment penalty	Charge for early payment of loan	Usually applicable for commercial mortgages if prepaid within the five years or first half of the term. An example is 5% if prepaid during the first year; 4% if during 2nd year; 3% during 3rd year; 2% in 4th year; and 1% if in 5th year. In lieu of prepayment penalties higher upfront points are charged. An alternative is where a fixed interest swap (see explanation below) is purchased and then the penalty for prepayment any time before maturity is subject to market conditions.
Term Loan		
Loan Amount	Maximum amount that will be lent to provide funds for a specific purpose such to partially finance the acquisition of equipment	Up to $XXX,XXX
Term	Length of time of loan	Usually 60 months, but can vary based on circumstances
Payment	Equal consecutive monthly payments that include interest and principal	See above terms for Real Estate Loans
Interest Rate	The cost of the money and the basis for determining it	Could be fixed when the loan is taken out, or a variable rate similar to the terms above for the other loans.
Facility Fee	"Points" paid upfront	1.0%
Prepayment penalty	Charge for early payment of loan	See above terms for Real Estate Loans

Terms applicable for all types of loans		
Collateral	The security the lender has for repayment of the loan	A first lien on all business assets of the borrower that is presently owned and hereafter acquired. This would include accounts receivable, inventory and equipment. A first mortgage on business real estate and improvements, together with an assignment of rents and security interest upon all fixtures presently owned or acquired in the future. Additional requirements for real estate: Title insurance policy; life insurance on property owner; Phase 1 Environmental Audit Report; appraisal from an MAI appraiser; a real property condition assessment if property is over XX years old.
Cross collateralization and cross default	Guarantors can be other entities owned by the same people that own the borrower	Unlimited guaranty of payment by every other company owned by any of the owners
Representation and warranties	A guarantee that what the borrower told the bank to induce them to make the loan is true and correct	Self-explanatory. Also the bank might state specific items
Monitoring requirements	This refers to specific documents that are periodically provided to the bank. These monitoring requirements are occasionally included with the covenants (see next item)	Annual audited or reviewed financial statement by borrower's independent CPA (bank may want right to approve of CPA firm); Quarterly company prepared financial statements; Monthly or quarterly accounts receivable aging report; Monthly or quarterly covenant compliance certificate. Annual personal financial statement of all owners of a XX% or greater interest in the primary borrower. Right to send in an auditor once a year at borrower's expense

Covenants	Specific requirements that give the bank the right to call the loan if they are not met	Minimum tangible net worth; Minimum debt service coverage ratio; Maximum amount of additional borrowing; Maximum amount of salary, dividends or distributions to owners; Amount of subordinated debt. Right to have bank's attorney review any law suits against the borrower over $xxx,xxx at borrower's expense. Life insurance on primary owner of the borrower with bank named as a beneficiary. Property insurance of at least $xxx,xxx with bank named as loss payee
Expenses of loan	The bank's expenses that are paid by the borrower	Nonrefundable application fee or refundable application fee (no interest will be paid on these amounts); legal fees; collateral audit fees; appraisal fees; UCC, lien or mortgage filing fees; insurance costs and any other costs of the bank.
Swap	Swaps are a method that shifts interest rate risk. FYI, it is a derivative. This is a transaction that converts a variable or floating interest rate into a fixed rate, or a fixed rate into a floating rate. Swaps are usually not done directly with the bank but is arranged by the bank for a third party to accept the opposite end of the interest rate risk. Swaps eliminate the risk of floating rates becoming substantially higher than it was at the time the loan was taken out; or eliminates the risk of a fixed rate remaining much higher than a floating rate	The swap has a cost. Terminating a swap early can result in a gain or loss based on the current interest rates as compared to the rates when the swap was executed and depending upon which side of the risk you were on. The cost is based on market conditions of the differences between fixed rates and the variable or adjustable rate at the time the loan is received. If this becomes something you would be doing, it will be more fully explained at that time. Anyone doing a swap should make sure they fully understand their risks should it be necessary to terminate the swap early. Swaps are terminated when the loan is repaid in full.

SERVICES AN ACCOUNTANT CAN PERFORM TO ASSIST FINANCIALLY TROUBLED CLIENTS or CLIENTS THAT HAVE FINANCIALLY TROUBLED CUSTOMERS

This was prepared by Kenneth DeGraw, CPA, CFP, CFE, CFF, a partner with WithumSmith+Brown, PC. He specializes in bankruptcy and insolvency consulting and financial forensics. This is a partial listing – there are many more specific services within this specialty. It is included with his permission.

Non-Bankruptcy

- Assist in communications with lenders and vendors in support of out of court resolution
- Preparation of projections and liquidation analysis
- Assignments for the Benefit of Creditors: Serve as Assignee or financial advisor and/or evaluate preference claims
- Receiverships: Serve as receiver or financial advisor
- Chief Turnaround/Restructuring Officer: Serve in a role designed to critically evaluate the company and assets with its reorganization
- Creditor representation
  - Preference defense
  - Critical vendor status
  - Claim preparation and assessment
  - Reclamation actions

Chapter 7

- Prefiling advisory services
- Assist debtors with schedules
- Provide Financial advisory services to the Trustee
- Evaluate, investigate and uncover preference actions
- Financial Forensics
- Computer forensics
- Tax services
- Fraudulent Conveyances
- Terminate ERISA plans
- Solvency Analysis
- Claims analysis

Chapter 11

Services for Debtor:

- Assist in bankruptcy planning
- Assist in preparation of schedules
- Assist in development of projections
- Assist in preparation of financial aspects of plan and disclosure statement
- Assist in the preparation of monthly operating reports
- Assist in development of 363 sale information
- Preparation of liquidation analysis
- Claims analysis
- Tax services

Services to Creditors Committee

- Evaluate, investigate and uncover preference actions
- Look for undisclosed assets
- Evaluate inventory
- Evaluation of debtor reporting
- Review payments to management
- Review proposed new financing arrangements
- Evaluation of financial aspects of the plan of reorganization
- Pursue Avoidance actions

Liquidating/Litigating Trust

- Serve as Trustee
- Serve as financial advisor
- Serve as disbursing agent
- Tax services

INFORMAL ARRANGEMENT IN LIEU OF A CHAPTER 11 FILING

Rather than a company filing for Chapter 11, occasionally an informal arrangement can be made with major creditors. Here is a suggested plan of what to do and what is required.

1. Having a plan that will show profitability.
2. Contacting major creditors and getting some buy-in from them. An example could be a freeze on past due debt and a COD type of arrangement where payments of past due debt is made equivalent to the amount of new shipments. Occasionally this is accepted but with a 10 percent add on. This means that an order of new merchandise of $40,000 will be accompanied by a $44,000 payment to be applied to older accounts receivable. This way the supplier still has a customer and the prior debt is frozen but also is being reduced somewhat.
3. Key customers agreeing to remain as a customer. This is important since some companies have a requirement that suppliers cannot be operating under Chapter 11, or be noticeably insolvent.
4. Key customers can be asked to still place orders and to keep their account current.
5. Employees agreeing to maintain their status and perhaps forgo raises and bonuses.
6. The landlord agreeing to a partial rent reduction.
7. The bank agreeing to accept interest only for a period without principal reductions.
8. Company management able to increase sales.
9. A great set of advisors that know what they are doing and can keep the plan intact and negotiate on the company's behalf.
10. Hard focused work by everyone in the company.

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PROTECTING A CLIENT FROM A CUSTOMER PLANNING A BANKRUPTCY

Advisors can provide guidance to their clients on how to spot potential Chapter 11s from their customers by advising them to watch for or be aware of some of the following***.*** This checklist was prepared with the assistance of Kenneth DeGraw, CPA, CFP, CFE, CFF, a partner with WithumSmith+Brown, PC. He specializes in bankruptcy and insolvency consulting and financial forensics.

1. An awareness of changes in buying patterns such as an acceleration of order sizes and/or order frequency.
2. Notice whether payment patterns changed or slowed up. Comment: A customer that is billed on net 30 terms than typically pays in 10 days and now has slowed to 25 days are still paying early, but this is a change in the pattern for that customer. Your client should find out why there was a change.
3. Be aware whether the accounts receivable is creeping up.
4. Is customer ordering something new.
5. Is ordering by customer being done by a different person.
6. Are orders missing full authorization or paperwork.
7. Are shipments requested on a rush basis.
8. Is customer substituting items for backorders or waiting as usual.
9. Have pattern of sales returns changed.
10. Try the “smell” test. If something doesn’t seem right, check it out further.
11. Review for public filings including UCCs, tax liens, eviction notices or judgments.
12. Have lawsuits started against your customer.
13. Does customer have new banking relationships.
14. Has a major customer of your client filed bankruptcy.
15. Is a major customer of your client involved in litigation or warranty claims that could affect its continuance.
16. Has customer downsized.
17. Are union or employee problems evident.
18. Has management or ownership changed.
19. Have accountants changed.
20. Did company engage a bankruptcy attorney.
21. Are items that your clients sell being resold at lower prices.
22. Has customer stopped price bargaining.
23. Has customer’s “housekeeping” deteriorated.
24. Did customer relocate in a manner that indicates it wasn’t planned or thought out thoroughly.
25. Has customer’s marketing and advertising expenses been drastically reduced.

SOME PROTECTIVE MEASURES THAT CAN BE CONSIDERED:

26. Have your clients consider selling on consignment so title remains with them until paid for
27. Client can file UCCs on items shipped to customers
28. Client can get paid COD or CBD (cash before delivery)
29. Get a third-party guarantee
30. Get a personal guarantee from owner [this might not protect the client too much, but it can have a psychological effect on customer and your client can assess the reaction to this request].

NEEDED FOR EVERY SUCCESSION PLAN

Regardless of the method used in a succession plan ownership will be transferred to another owner. Needed before any transaction can be planned or consummated is the following:

- ☐ An estate plan for the owner
- ☐ A financial plan for the owner
- ☐ An analysis of the cash flow from the transfer to the owner
- ☐ An analysis of the cash flow from the successor and sources of the funds
- ☐ Valuation of the business
- ☐ Possibly a banker
- ☐ Due diligence reviews by successor
- ☐ Employee should be represented by an advisor – definitely an attorney and possibly an accountant and valuation specialist
- ☐ There should *absolutely* be a buy-sell agreement with strong restrictive covenants
- ☐ Compensation agreement for all owners that work in the business
- ☐ Should be a lease for any real estate rented to the company by owner
- ☐ Notes for all owner debt to or from the company with interest and a due date
- ☐ Any excess cash in the company that is not necessary for operations should be withdrawn
- ☐ If excess cash that is withdrawn *might* later be needed in the company, it could be loaned back with appropriate documentation, terms and interest. If it is needed for “capital” the terms could include subordination to bank or other debt
- ☐ If there are owner personal guarantees on debt, this needs to be worked out as part of the overall transaction

This list is not a suggestion, it is a must do. Get it done!

30 WAYS TO TRANSFER OWNERSHIP TO A SUCCESSOR

Succession planning is serious business, but many owners fail to prepare, either through inaction, disinterest, not knowing how to start or what to do, or other priorities. What they do is their concern even though lack of a plan combined with a sudden death or disability can cause much disarray for stakeholders or dissipated value for the owner's family.

For those that want to know somewhat how the process works, here are 30 ways ownership can be transferred to a successor. The following was abstracted from a speech I regularly present with this title.

1. Sell the stock
2. Gift the stock
3. Stock given as additional compensation
4. Stock and cash given as additional compensation
5. Nonqualified stock options
6. Incentive stock options
7. Restricted stock issuance
8. Stock options or restricted stock issued in tandem with cash
9. Golden parachutes
10. Phantom stock
11. Shareholders', members' or partners' agreements
12. Clauses in compensation agreements
13. Setting up a new business
14. Clauses in a will
15. Living trust combined with an option
16. Stock redemption
17. Installment sale
18. Self-canceling installment note
19. Installment sale to a "defective" grantor trust
20. Charity remainder trust
21. Grantor retained interest trust
22. Employee stock ownership plan
23. Sale-Leaseback
24. Preferred stock recapitalization
25. S election
26. A B stock recapitalization
27. Private annuity
28. Stock Split Up
29. Family Limited Partnership
30. Leveraged buy-out

Many of the above methods are usually used in combinations. Additionally, many can be done pre or post death – it just needs the proper contractual agreements. This list runs the gamut of simple to complex but there is always a way to get it done for a willing client.

A word of caution is that many of these methods are highly technical and provisions of the Internal Revenue Code and Regulations must be strictly adhered to. Additionally, in some cases it might be desirable to secure an IRS ruling.

The above should give you an understanding that these things do occur. It just needs the owner to initiate the process.

50 REASONS FOR A BUSINESS APPRAISAL

There are many reasons for valuing a business, and here are some of them:

1. To know what business is “worth”
2. To have an idea how the market would value the business should you want to sell
3. To set up a process that would make the company more marketable should the owner decide to sell or when they are ready to sell
4. To be used to consider an offer from someone who wants to buy the business
5. Creates a bigger playing field for owner to assess the results of their decisions or potential of wealth creation
6. The valuation is a method that can show how wealth is created and that can indicate a direction to go in
7. Can show how an initial operating cost can become an investment and how it can be recouped by increased value of the business
8. Places the owner in a position to measure the business in terms of value creation and not on the immediate profit (or loss) from a transaction
9. Identifies value drivers
10. Can possibly uncover areas of the business that can be exploited for greater current profit as well as long term growth
11. Can identify weaknesses or areas that dissipate value
12. To establish a buy-sell agreement and a method of automatic adjustments
13. For updating buy-sell agreements
14. Shareholder or partner disputes
15. To freeze out minority owners
16. Business or owner life insurance purposes
17. To determine built-in gain for conversion of a C Corporation to an S Corporation
18. For owners’ personal financial planning
19. To use on owners’ personal financial statements
20. To be used as a guide to determine retirement or buy out payments to the owner
21. To indicate the value for credit purposes
22. To value assets and asset impairment for GAAP, i.e. financial statement, purposes
23. To be used as a guide to determine reasonable compensation
24. To plan for a merger with a supplier or competitor
25. To allocate costs in an acquisition or merger
26. To assist the dream of going public and capitalizing the business’ value
27. For gift tax purposes such as ownership transfers to a child, donations to a charity, transfers to grantor trusts or installment sales to a defective trust
28. For estate tax reporting purposes
29. For an estate’s division of assets where the business will go to one beneficiary and offsetting assets to another
30. To assist a beneficiary in selling an inherited share of a business
31. For succession planning
32. To set up, or value, an employee stock ownership plan
33. For stock compensation awarded to employees including restricted stock and stock option plans
34. To determine a base line and value growth for phantom stock arrangements

35. To value assets in a marital dissolution
36. To be used for prenuptial agreements
37. Valuation of business in a bankruptcy
38. To distinguish between enterprise and personal goodwill
39. To establish economic damages should there be a loss from a disaster and lost cash flow
40. To use as a benchmark to measure the business' "growth"
41. Can provide measures of key numbers and ratios with peer companies
42. To be used in or to get started with strategic planning
43. To see if an independent appraiser can uncover hidden value
44. To determine if there is value greater than, or separate from, the present operations such as strategic value
45. To indicate how to recognize, maximize, build or grow and realize full value of strategic value
46. To raise owners' mindsets from daily operations to that of creating long-term and sustained value
47. To understand the illusion of value and ways to make the value a reality. For instance, value can be lost very quickly when exposed to risks such as damage to reputation and regulatory overreach and valuations can assist in identifying the importance of this
48. Creates a vaster vision for the business owners
49. Periodic valuations can be a tool to track the ways value is created assisting in strengthening the business
50. To help identify whether the business is a growing, stagnant or wasting asset

Valuations are serious undertakings and can be extremely revealing. When properly and thoroughly done, they can also add value. If you own a business, consider valuing it.

64 Ways to Increase and Enhance the Value of a Business

By Edward Mendlowitz, CPA and Henry R. Mandell, CPA (inactive)

Posted date: March 03, 2021 http://quickreadbuzz.com/2021/03/03/business-valuation-mendlowitz-mandell-64-ways-to-increase-and-enhance/

Buyers look at earnings as a primary driver of value. There are many other factors such as strategic value, competitive position, branding, secret processes, and cost to duplicate. There are also many other factors, some not so evident or obvious, some intangible and some in the "good feelings" attitude about the business or its prospects. At the end of the day, it is sometimes hard to pinpoint exactly what made the difference for the buyer to close on the transaction. This article presents 64 items that can either increase or enhance a business' value, or in the absence of them, decrease the value.

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1. Increase profits. Always good.
2. Increase cash flow. Always important but cash flow is usually reduced when a company is profitable and growing rapidly, so this metric needs to be used along with many of the others. It is not a one-off.
3. Increase free cash flow. This is cash flow from operations less payments for fixed asset acquisitions. This provides the amount available from operations that could be distributed to owners, pay down debt, and leave funds available to invest in the business for infrastructure, marketing, innovation, or growth.
4. Increase sales. The rate of increase is also important as well as the trend.
5. Increase margins or maintaining stable margins. Always important. Dropping margins is not good but that might not be avoidable. Any negative change should be explained in a memo, even if the change was your fault. This will usually be noticed and questioned, so it is better to present the reason before the question is asked. Some people feel they do not want to call attention to the negative, but in the case of value creation or protecting the value, a small negative could affect the business' value in a big way. Also, by being up front it indicates that you are on top of things, in control, are working on solutions, and are trustworthy.

6. Identify drivers of future growth that you were not able to yet capitalize on. Perhaps due to limited working capital, borrowing capacity, time, or lack of other resources. Drive the investment thesis and narrative.
7. Separate sales into product lines or customer groupings and measure each line and group separately.
8. Identify product or services lines that have continuous renewals or follow a subscription model. These usually have value separate and apart from the rest of the business.
9. If you have a product service arm as part of a product sales operation, and the aggregate service revenue is substantially less that the sales portion, consider carving this out and showing it separately. While there might not be service contracts, the pattern of repetitive sales can be tantamount to an informal subscription model. This could also be separately valued and might command a higher multiple due to the predictability of that revenue and cash flow stream.
10. Understand your different profit centers and the margins for each. Use the previous item as a sample of the value of this.
11. Understand and identify your profitability by customer. Sometimes your noisiest and neediest or even your friendliest customers are your least profitable. This shows an emphasis on quality of sales, rather than quantity. What you do with this information is a function of how you run your business. However, segregating these customers and providing this information is a good start. Point to keep in mind is the "family tree" resulting from some of these customers. A very unprofitable and small customer might have been responsible for you getting introductions to your two largest customers. Know your numbers—all of them—and share them with a prospective buyer.
12. Evaluate and quantify the profitability of your largest customers and determine what they add to the bottom line. At one point it might have made sense to have a very large customer or two to capture a greater sales volume to absorb some overhead or maybe a better price from a vendor. Nowadays with the technology many companies are using and the ability to run leaner and more agile operations, this might not be as valid. It never hurts to review this. Also, by dropping a large volume customer with very low margins, the overall company margins will increase without affecting profitability too much, if at all. This has many pieces and warrants a look. A value adder is a key "name" customer that has a limited number of suppliers for specific products and where a buyer would want to have access to that customer.
13. Group smaller customers and treat them as a separate profit center. For instance, eight small customers combined would create a more meaningful profitability and cash flow center than each one by themselves would. Then compare the aggregate numbers for this group with single customers that size. Sometimes this creates revealing actionable data. Again, the more positive data that is provided to buyers, the greater the potential to add to the overall value of the company.
14. Decrease overhead, but not to the extent that you would lessen effectiveness or efficiency. Demonstrate how you have "right sized." Doing something positive does not mean that it should be looked at separately. Show and tell about it.
15. Decrease debt. This usually does not factor into the value, but too much debt lessens the business' value since the buyer will need to come up with more cash or their own debt to acquire and then operate the business.

16. Increase debt. Leverage should be used to grow the business. Short term borrowing will smooth out peaks and valleys in cash flow. Long term borrowing will provide funds to grow the business by adding product lines, inventory, a bump up in accounts receivable, perhaps expanded facilities or equipment and warehousing, increased marketing or advertising, creation of a website or intellectual property or proprietary products and branding. When borrowing, try to justify it by calculating a return on the investment and the loan.
17. Get timely and accurate financial statements. This is extremely important to a buyer and speeds the delivery of current information helping the negotiations.
18. Understand your balance sheet. This indicates the liquid assets such as accounts receivable and inventory, and current liabilities like accounts payable. Working capital and debt to equity ratios are important in evaluating a business, so focus, pre-going-to-market, on increasing receivables and inventory turnover. Reduce accounts receivable past due amounts. Consider how your inventory could be reduced. Consider selling obsolete inventory for whatever you could get; it is not like fine wine that increases in value as it ages. See if your vendors will hold your inventory for you and only bill you when it is shipped. A “just-in-time inventory system” increases inventory turnover as previously mentioned.
19. Develop a five-year growth plan. Whether you use it (you should) or not, this can provide information that could have a buyer increase the price for your business because it is part of your growth narrative.
20. Implement the growth plan. Just get started. Sometimes small steps morphs into an inveterate march.
21. Develop a strong web presence that is professional, attractive, and easy to use. Invest in search engine optimization (SEO) and robust metatags to build organic search position placement. Provide useful information to customers and prospective customers which is searchable and that will drive traffic to your site. How-to or explanatory videos increase your organic search position and makes your site the go-to place for information related to your products. That is how you can increase web-based sales. High visitor count and engagement has a positive impact on valuation because a buyer may view this as potential for greater sales if fine-tuned. This is where the action is nowadays in case you have not noticed.
22. Depending on the products or services you sell, consider how to reach Millennials with a message that will resonate. This is the largest generational group. Many are concerned with the positive social impact a business makes, are more interested in experiences, different natural foods and artisan products, and uniqueness. What worked with Baby Boomers does not necessarily work with Millennials. A business that understands how to appeal to Millennials and what makes them tick has great value to larger, more mainstream businesses. You also must reach Millennials through an active social media program.
23. Be digital and develop virtual capabilities. This might not add value, but because it is expected, would decrease value if you are not on board with it.
24. Establish a brand that endures, that drives profits, sales, and/or margins. Sometimes small strategic investments in this regard add exponential value to a business. Invest in a logo, promote your brand and back it up with a culture that your customers and potential customers connect with or aspire to and that gets buy-in from all your team members. Walk the talk!

25. Increase product or company visibility. This can be done many ways. Some are with advertising, publicity, experiential events, social media presence, and "working" your social media and SEO.
26. Bad social media comments can hurt the valuation. Positive comments will not add value but will create a good feeling about the business. Always respond to negative comments in a positive, non-hostile way, and quickly. Thank all customers for commenting, especially those with positive comments.
27. Have better empowered and responsible employees. Train in technical as well as customer facing skills, and work at strengthening your culture.
28. Prepare an organization chart and then really look at it. One technique to use is to have each manager prepare an organization chart and then compare these to what you think it should be. Do not be surprised at the differences and real lack of clear lines of responsibilities. It is your doing. However, recognizing the reality; fixing it can only increase a company's value.
29. Be a better manager. Be a manager! Delegate. Empower your people to be entrepreneurs. Create opportunities for your personnel to grow. Leverage yourself. Do not micromanage; you have better things to do with your time. A business' value increases as the work the owner or manager does increases in its effectiveness.
30. Focus on growth and meeting your "numbers". Use daily key performance indicators (KPIs) or dashboards, weekly financial data, and monthly financial reports. Track what is important to your business. Shorten customer order backlog and reduce your work in progress inventory. Maximize your sales to your existing customers by finding out what products or services they buy elsewhere that you could provide to them. Get a bigger share of your customers' spending.
31. Remove uncertainty which is perceived as a valuation lowering risk. Strive for and demonstrate a predictable business. Show how you have accurately predicted your business with prior quarters or years variance to budget.
32. Establish strong internal systems and controls. You must have tight controls.
33. Set up firm-wide procedures that can easily be taught and where others can fill in if necessary. Have more checklists and more directed and focused training.
34. Reduce production backlogs and areas of constraints.
35. Demonstrate an ongoing capability of continuously reducing your product costs. This is accomplished through better sourcing, engineering simplification, improving plant throughput or better grouping of orders to maximize buying power or production efficiency.
36. Increase sales per customer or average order size. If you sell a product, try to add on a service contract and an extended warranty when manufactures' warranty expires. Keep track of warranty expiration dates. Track optimal customer reorder times.
37. Identify customer requests for services or products where you refer them to another vendor or source and show how much revenue would be captured by adding that service or product to your company, and the cost and effort it would take.
38. Partner or collaborate with suppliers or customers to develop new products or uses. Help customers increase purchases of your products. (This is a recurrent theme, and it works if it is worked at by you!)
39. Make sure your equipment is well maintained and in good repair.

40. Have a neat and clean factory, warehouse, or back office as well as a customer facing facility. Neat does not add, but messy will cost you.
41. Prepare a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and then follow through on critical points that are raised. Show a buyer how you have mitigated weaknesses and threats while maximizing your strengths and opportunities.
42. Try to resolve any environmental issues or head off actions that might cause problems or violations.
43. Develop an environmentally friendly, green sustainability policy. Become aware of vendor sourcing and make this an issue. This does not need to be done as a revolution, but it needs a start and a plan to be a better business citizen. Your customers, especially Millennials, will appreciate your effort which builds brand loyalty.
44. If there are intercompany issues, try to resolve them and certainly document them fully and properly.
45. Resolve pending or potential sales and use tax issues, and payroll and income tax issues or inquiries before going to market.
46. Review independent contractor arrangements to make sure there would be no employment tax issues later. Resolve current labor issues.
47. Review long-term contracts for unwieldy or stifling encumbrances.
48. Do not lose major or longtime customers. This sounds like a foolish comment, but this can have a much greater effect on your company's value than the profits lost from these customers. Remember to think value enhancement**.**
49. In preparing for the lead up to a sale, seek to diversify your customer base to reduce reliance upon a single or very small number of accounts. No account should be more than 20% of your business. Such concentration is a risk. Sometimes this cannot be helped, but you can still try to work at it.
50. Lower employee turnover. High turnover will cause a reduction in selling price.
51. Lower customer turnover. Try to never lose a customer. Assemble a listing of your 5 or 10 largest customers over the previous five years and try to determine why some dropped off that list and how the new ones were added.
52. Short term leases that are easily renewable and cancelable are a plus. This will not add value, but long-term leases could cause a reduction in the value. Conversely, a long-term lease at favorable terms reduces risk and adds value. This could be complicated, as all the items on this list, but with valuing a business, everything counts.
53. Being in an industry that is growing rapidly is a plus.
54. Being a leader in your segment is a plus. Being a "follower" will not reduce the value, but being the leader adds. For that reason, being active in industry and trade associations can add value. This is important and keeps you in touch with what is going on in your industry.
55. Having a good location if you are a retail business or if you need to draw on a pool of skilled labor.
56. Being a union shop or not being unionized. This is a company-by-company or industry-by-industry issue and depending upon that, could be a plus or minus. If unionized, then stable, solid, and upfront relationships with the union is an asset. If not unionized, efforts to develop and maintain strong employee relationships and fair working policies and conditions is critical. However, this is also necessary if you are unionized. This also ties in with the buy-in to your culture.

57. Having a succession plan with potential new leadership able to step up will add value. Conversely, not having this may reduce value since it indicates that you are a "one person show." Most buyers are prepared to step in as the operator, but they want to know that there is home-grown support.
58. Not having a buy-sell agreement will hurt the valuation. While it will not matter once the transaction is completed, it is an indication of a lack of attention to smart business practices and attention to detail, and adds to the buyer's risk.
59. Having a dearth of lawsuits. Avoid being a defendant but being a plaintiff too often indicates you are litigious. Buyers do not like to deal with sellers that are quick to sue.
60. Long time favorable professional relationships with accountants, attorneys, insurance agents, consultants, bankers, and others you talk with.
61. Having an informal board of advisors. I find it hard to imagine this not adding substantial value after at least a year of quarterly meetings. Whatever the cost, this is an investment in the business' future. Also, this may be an attractive aspect to a buyer if they are not a strategic buyer and are looking for industry expertise.
62. Try to head off any inkling of governmental intervention, anti-trust claims, diversity or inclusion issues, or professional ethics or licensing problems.
63. Anticipating and mitigating risk should be ingrained in your modus operandi. That shows a buyer you have been vigilant and "skeletons in the closet" are less likely.
64. Being in an industry that is part of a roll up can add value, especially if you are an important cog in that wheel.

This is comprehensive and is not complete as each deal is different and no matter how experienced the appraiser or buyer is, there are always new issues that arise. Use this list as a starting point.

This list can also be used by any business as a guide to best practices. Either way, sometimes small changes can breed huge results.

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He has a solid track record of effecting operating efficiencies, turnarounds, profitability enhancement, and organizational change in middle-market companies and in challenging business environments.

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PRELIMINARY DOCUMENT REQUEST FOR A BUSINESS VALUATION OR FOR A CONSULTATION ENGAGEMENT

This list is preliminary and upon receipt and review of the information we may need to request additional documentation.

This request also applies to any related or affiliated entities or entities with common ownership that does business with the entity being valued.

If any information does not exist, please state that. If any information is not immediately available, please indicate when it could be expected. You can black out the names of customers, suppliers and employees if you wish.

We would prefer to have this information either emailed to us or provided on a CD that is sent to us. However, any format is acceptable.

1. Valuation date: ______________________

2. Purpose of valuation or consultation:

   ____

   ____

   ____

3. All shareholder, partnership or members' agreements in effect as of the valuation date and through date of this request.

4. Copy of the stock certificate or the legend, if any, appearing on stock certificates issued to the people transferring the interests being valued.

5. Listing of all the locations business is conducted from.

6. Organizational chart, if any.

7. All employment, consulting, management or any other agreements in effect during last five years and through the date of this request.

8. Financial statements, if any, for the most recent five fiscal years with the accountants' report, and any financial statements issued after that date with an accountants' report.

9. Federal and all state tax returns for the most recent five years, including all schedules, statements, forms and attachments.

10. Copies of the W-2 and 1099 forms for the two immediate preceding years.

11. Aged schedules of accounts receivable and accounts payable and accrued expenses as at the end of the last two fiscal years.

12. Listing of 5 largest customers for each of last three years and sales to them each year.

13. Listing of 5 largest suppliers for each of the last three years and purchases from them each year.

14. Copies of any contracts with customers or suppliers currently in effect.

15. Copies of any commitments to buy equipment.

16. Copy of all loan applications from the beginning of the second preceding fiscal year through the date of this request including all statements and attachments.

17. Copy of all loan agreements, covenants, and notes from the beginning of the second preceding fiscal year through the date of this request including all statements and attachments. We will need a schedule of the loan covenants and your compliance with them as of the end of the last fiscal year. We also need copies of any bank correspondence after the loan was issued regarding your performance under the loan agreements.

18. Copy of any agreement, outline, term sheet or proposed agreement for which this valuation is required, if any; or, if for estate planning or wealth transfer purposes, a listing of the individual gifts that are contemplated.

19. Independent appraisals of any real estate.

20. Independent appraisals of any equipment. In the event that equipment values are not significant we would accept in lieu of the appraisal a representation letter by the Company's management of what amount we should accept as the value of the equipment in connection with our valuation.

Task list for when a client wants to sell their business

By Edward Mendlowitz, CPA and Louis Young, CVA, WithumSmith+Brown, PC.

Following are the steps involved when a client wants to sell their business. Buyers can also use this list as a timeline and road map of the steps that are expected to occur and what is expected of them.

- ☐ Be sure client wants to sell
- ☐ Be doubly sure client wants to sell. Them
- ☐ saying it doesn't make it so. Many prospective sellers start the process but do not have the commitment to sell or desire to leave the business. Without that commitment, the deal won't close and then all the efforts would have been for naught, except for the "education" the client paid for, which likely will help immensely when they are really ready to sell; unless the client decides to work until they drop. We believe the process is a very revealing business and owner self-assessment tool that does create substantial value and benefit, just that it is not what the client expected when they signed on to get started, and we tell them that. Most business owners spend very little time on self-reflection or looking at the big picture of the purpose, benefits and value of the business and this provides it. If it leads to the sale, then that is what the client wanted. If it leads to a withdrawal from the market, then that is good too. We have many experiences that could illustrate this, but for now we try to make sure the client knows what they are getting into
- ☐ Ask client for assurances that his or her spouse or partner is on board with what they will be doing, i.e. selling the business and paving the way for a "retirement"
- ☐ The seller needs to be made aware that they will have to provide full and revealing information about their business and won't be able to hold back anything
- ☐ Seller also needs to understand that they will be required to spend considerable time on the entire process, and this might interfere with operating the business
- ☐ A transactions-based attorney needs to be engaged
- ☐ The business' accountant needs to be notified, if they weren't part of the initial decision process, and be brought on board as soon as the project starts
- ☐ Prepare a transaction information fact sheet with some basic information about the business
- ☐ Possibly engage an M&A advisor, investment banker, or business broker to either advise client or find a buyer or buyers
- ☐ Have a valuation specialist determine the value and help client decide on the asking price and what he or she should settle for and the amount they should not go below, and the terms
- ☐ In many transactions the terms can be more important than the actual transaction price, so client should pay particular attention to what they will be getting, and when
- ☐ The accountant should model out the tax methods and consequences of various methods of the sale including what the client would net after all costs and taxes and the possible cash flow seller would end up with afterwards
- ☐ Client should have discussion with potential buyers to determine interest level and if client thinks they are serious
- ☐ The potential buyers should be requested to provide some sort of assurances they have funding available and of their financial viability
- ☐ The attorney should prepare a confidentially or nondisclosure agreement letter for the prospective buyer to sign *before* they are given anything beyond the initial fact sheet. Included

in that agreement should be definitions and descriptions of what constitutes confidential information and what sensitive areas would require special access or arrangements

- ☐ Note: It has been our experience that keeping these negotiations confidential is very difficult at best, so client should be prepared to deal with questions from other parties (including customers, suppliers or key personnel) that tell you what they heard and ask for verification, or reassurance
- ☐ Have the buyer give you a letter of interest laying out suggested terms – this is the start of the negotiation process
- ☐ Once the letter of interest is received you should start assembling the information the buyer would need to have the due diligence performed. Usually the buyer would give a listing of what they would like, initially. Note that we have such a list that we usually give to our clients when the process starts
- ☐ When a deal is agreed to in basic or general terms, request the buyer to present a thorough letter of intent ("LOI"). This is the start of serious negotiations and should be handled with the upmost focus and interest. The LOI would give the price and terms, based on representations the seller made. These representations would come from the financial statements, schedules, tax returns and whatever other information that was provided to the buyer. If the financial statements contain inaccuracies or noncompliance with GAAP (generally accepted accounting principles) or sound tax reporting such as inventory, depreciation or revenue recognition rules, the price in the LOI will be nothing more than a starting point which would be reduced based on the buyer's due diligence. Terms would usually be stated as cash or a specific payout schedule and could be subject to suitable financing arrangements (which are almost always subjective) obtained by the buyer. Also full details of the payout are occasionally not stated such as being unsecured and subordinated to all other financing facilities. The LOI will also state who is responsible to pay any investment bankers, brokers or anyone else involved in introducing and assisting the two parties
- ☐ To be considered is whether an earnest money deposit should be made by the buyer when they give the LOI and conditions on its refund if the deal doesn't close
- ☐ The LOI will also include the due diligence period and conditions as to access to records. In today's digital environment, much of the due diligence can be done virtually
- ☐ Your attorney would review the legalities with you and if necessary, will suggest changes. In particular the seller's indemnities need to be reviewed and explained.
- ☐ You should definitely have the business' accountant also review the LOI. They will look for deal breakers, price reduction instances and weaknesses in the payout amounts and terms. They will also review the tax structure of the transaction. The difference between an asset and stock sale could result in added taxes as would the treatment of intangible assets and allocation of the purchase price, and the existence of compensation agreements and what health insurance and fringes would be continued and an earnout of a portion of the purchase price.
- ☐ Also to be reviewed by both the attorney and accountant would be potential or contingent liabilities such as product warranties, and return, discount or advertising agreements or conventions or most favored nation understandings with customers.
- ☐ When assets are sold, it will require a more detailed description of the assets and liabilities and what would be excluded from the transaction. When stock is sold, there would be descriptions of what would be excluded and a "guarantee" of a capital or working capital amount at the closing
- ☐ Once the LOI is signed either your attorney or the buyer's attorney would start preparing the contract of sale. While this is being done, issues will be raised that haven't been previously

discussed. These include the need for the buyer to review employment contracts, independent contractor and consulting arrangements, tax compliance filings, leases, licenses, trademarks and patents, vendor or customer contracts, warranties, insurance policies and claim history, regulatory issues and myriad other items that you likely haven't thought about in years, if at all

- ☐ One of the things we look for in a LOI are the "zingers" which we call hidden items the buyer inserts that give them all sorts of outs and indicate, to us, a lack of good faith. Remember that the seller is turning over their business to the buyer that most likely will owe a portion of the purchase price, might be an employer of the seller and where a final adjustment of the price will be determined a few months after the sale based on meeting the benchmarks in the contract such as final working capital amount, inventory valuation, key employee, customer and supplier retention, severance pay costs and possible regulatory approval. While good faith cannot be inserted into the LOI or contract, it is very important
- ☐ Seller would need to discuss with the buyer whether any employees will be let go and the timing and who will be responsible for severance payments
- ☐ The LOI would also define post-closing arrangements and events and time limits for this, and who covers the costs
- ☐ The contract drafting will cause a new round of negotiations – not as serious as the previous negotiations, but the price or cash flow could be affected by the results of this. Included in this will be the amount held in escrow and how payments would be released and paid out. The contract will include covenants not to compete, details of notes payable by the buyer and lease assignments or if the premises are owned by the seller, then a new lease to the buyer
- ☐ Occasionally the seller might be asked to take some ownership in the entity that acquires the business. The terms of this would need to be described as well as the capital structure of the buyer, identity of other owners and any restrictions on transfer of those shares
- ☐ The LOI should refer to pending litigation against the seller, so this information would need to be provided beforehand. Occasionally companies do not want to disclose this information before they know that the buyer is seriously interested
- ☐ Other prospective buyers will need to be told that the client is selling to someone else. This is usually included in the LOI where the seller warrants that they will cease all activities in that regard. Also, a time deadline for closing the sale should be included in the LOI and a possible timetable
- ☐ Seller will have to decide which of the personnel, if any, they will inform about what is going on, or if they will want to keep it secret from everyone
- ☐ If there is an earn out or deferred payments or some ownership that is retained, that will be covered more thoroughly in the contract, and this is usually negotiated as part of the purchase price
- ☐ If there are to be deferred payments, decide on the type of security or collateral, if any
- ☐ If there are deferred payments seller should consult with an insurance agent to determine if a life insurance policy on the buyer is necessary and if it can be obtained. Seller should be told how those premium payments would be taxed
- ☐ The interest rate on deferred payments will also need to be determined. If no interest is provided for, there would be imputed interest for tax purposes – make sure client understands how this would work
- ☐ When the buyer commences the due diligence process, seller will need a "team" to assist with this. Once the LOI is signed, the due diligence process will likely start pretty quickly
- ☐ There will be some more negotiations and contract amendments and seller should be aware of this

- ☐ The contract could be signed before the due diligence starts, during the due diligence process or at the closing. This depends on the thoroughness of the letter of intent and timing of the sale
- ☐ When the closing takes place, seller will get their money, usually a certified check, attorney's escrow check or a wire to seller's bank, and any notes for deferred payment
- ☐ All professionals and those assisting seller on the team will need to be paid any balances due
- ☐ There likely will be some post-closing adjustments that will need to be negotiated. Usually the contract would call for indemnification of undisclosed liabilities in excess of an aggregate amount – watch for this
- ☐ If the assets of the business were sold, rather than the corporate stock or ownership interests, seller would need to wind down and eventually liquidate that entity. This can take a few months or a few years depending on the circumstances. Seller will need their accountant and attorney to review this with them
- ☐ If client sold the assets of an S corporation or another pass-through entity, and had outside basis, they might need to liquidate that entity in the same year as the sale to be able to offset any gains with that basis. This is a very complicated tax move and client must be advised about this before the transaction is consummated
- ☐ Client shouldn't plan their vacation right away – they will need to hang around a while to assist in the transition to the new owners
- ☐ Client should plan a nice long vacation about three months after the closing, and let the buyer know well in advance of their lack of availability during that vacation

Some deal points that come up that aren't usually negotiated initially

- ☐ Guaranteed net worth of the entity that is the buyer
- ☐ Financial statements usually need to be on GAAP, but many companies use a modified GAAP or income tax basis. It needs to be made clear what method the reports presented are on and that they should be acceptable as such, without GAAP adjustments
- ☐ Software licenses for every computer

The above is a pretty thorough list, but every deal is different and brings forth new sets of issues, things to do or what to provide to the buyer. Use this as a guide to provide to client who should be made aware of the intricacies of the transactions before commencing, so they will understand what they are getting started with.

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Task List for When a Client Wants to Buy a Business

By Edward Mendlowitz, CPA and Louis Young, CVA, WithumSmith+Brown, PC.

The following are key steps involved when a client wants to buy a business. Buyers and their advisors can use this list as a timeline and road map of the steps that are expected to occur and what they should plan on doing. A companion posting for clients that want to sell a business can be found at: http://quickreadbuzz.com/2020/06/17/business-valuation-ed-mendlowitz-task-list/

- ☐ The buyer needs to make sure the seller wants to sell. The seller saying it, doesn't make it so. Many prospective sellers start the process but do not have the commitment to sell or desire to leave the business. Without that commitment, the deal won't close and then all the efforts and cost would have been for naught. We have found that the commitment is evidenced by the submission of requested data. Everything might not be provided initially, but the minimum is the financial statements or tax returns. People do not give these out unless they are serious.
- ☐ Ask the seller for assurances that his or her spouse or partner(s) are on board with what they will be doing, i.e. selling the business and paving the way for a "retirement." Here also, added assurances equate to a serious seller. It doesn't mean the seller will go through with the sale, but it indicates that he or she might and that is the reason for proceeding.
- ☐ The seller needs to be made aware that they will have to provide complete financial, tax, compliance and procedure information about their business.
- ☐ Seller also needs to understand that they will be required to spend considerable time on the entire process, and this might interfere with operating the business.
- ☐ The process starts with the seller providing the prospective buyer with a fact sheet with some basic information about the company; in effect that is the admission "ticket" that starts the process.
- ☐ If the buyer is interested, and before signing anything or proceeding they should engage a transaction-based attorney to assist them in the purchase.
- ☐ The seller would be requesting that a confidentially or non-disclosure agreement (NDA) be signed by the prospective buyer. This can be before or after the fact sheet is provided. Included in this agreement should be definitions and descriptions of what constitutes confidential information and what sensitive areas might require special access or arrangements.
- ☐ It has been our experience that keeping these negotiations confidential is best for all parties. Concerns and questions from others including customers, suppliers or key personnel can be stressful in the pricing, timing and negotiations of the deal.
- ☐ The buyer needs to engage a strong accountant with experience in M&A transactions and who is comfortable in the industry that the business is based.
- ☐ The buyer should possibly engage (based on transaction size and circumstances) an M&A advisor, investment banker, business broker and a valuation specialist that would provide an indication of the business' value and to help the client decide on a fair price to pay, a negotiating posture and the amount they should not go above.
- ☐ If the buyer engages an investment banker or business broker, the contract should contain provisions that commissions or performance fees would not be payable if the transaction does not close *for any reason*. Usually this is somewhat offset by upfront retainers that are paid.
- ☐ Based on the fact sheet, the buyer would present a letter indicating an interest in acquiring the company with broad parameters, but with no details, of a purchase transaction. This should

be sufficient so that the buyer would know there *could be* a deal they could agree to. We've seen some of these letters of interest that were so off base that the seller felt it would be useless to proceed. Ed once received such a letter at a meeting on behalf of a client that wanted to sell his business and where he just stool up and left the meeting without any reply or remark other than "good-bye and don't call me."

- ☐ If the preliminary letter of interest indicates that there *could be* a final meeting of the minds, the buyer would present the seller with an entire shopping list or document request of information that is needed so that a formal offer could be made.
- ☐ This is the start of the serious negotiation process. Actually, the negotiation process started when the buyer and seller agreed to meet. Everything from that moment forward became part of the negotiation. Responsiveness, hesitancy, indecision, holding back essential information, a comment about the warehouse cleanliness, who picks up the lunch check, whether the employees smoke, inventory that appears to not be in order, answering a phone call during a discussion or delaying the next meeting all send messages and become something that is factored in during the negotiation. Ed once used an opposing principal's stop at an ATM to withdraw what Ed thought was a very small amount to make a much lower first offer that was eventually the basis for the agreement. That ATM withdrawal benefitted his client by many hundreds of thousands of dollars. Everything counts in a negotiation.
- ☐ As early in the process as possible, the buyer needs to know how and when they will need financing and the source and terms and have a reasonable idea of how the deal can be structured. Most sellers start out by asking for all cash, but most deals end up with some deferred payment terms. The buyer should have their accountant run some models so they could have a plan of how they would proceed.
- ☐ In many transactions the terms can be as important or more important than the actual transaction price, so the buyer should consider the cash flow for paying for the acquired business.
- ☐ After the information is received the buyer would then prepare a letter of intent (LOI). This is a pretty formal document and would give the price and terms, based on representations the seller made. These representations would come from the financial statements, schedules, tax returns and whatever other information that was provided to the buyer. At that point, everything presented is assumed to be accurate and reflective of the financial condition and operations of the company. It is suggested that the buyer do not try to verify any of the information but wait until the due diligence process. The more knowledgeable the buyer becomes at this time, the less wiggle room they will have to change their offer when they find out the reality during the due diligence process.
- ☐ Before making the offer the buyer must consider the projected earnings, cash flow, balance sheet and bank loan covenants for any financing they will be getting. It is our experience that the owners of most acquisitions will not be able to meet all of the financial and ratio covenants until, at least, the second year. This must be integrated into the bank loan agreement and should either have delayed target dates or waivers for the initial operating period.
- ☐ The buyer could provide that their offer is subject to consummation by them of suitable financing arrangements [which are almost always subjective]. Sellers do not like this, but typically would go along with this if they could be otherwise assured of the financial viability and strength of the proposed buyer. The buyer should be prepared to demonstrate this. Usually it is done by a letter from a bank that says the buyer has a substantial line of credit or creditworthiness to consummate a transaction of the size indicated in the LOI. Occasionally the buyer would produce a personal financial statement or a brokerage statement indicating the

size of their net worth or marketable assets in their name. Sometimes nothing is necessary because of the reputation of the buyer. We do not think that Warren Buffett would need to present a personal financial statement.

- ☐ A full recitation of the payment terms is usually not in the LOI, but enough to indicate if there will be deferred payments and the approximate period. More details arise later on usually during the due diligence and contract writing process. When we represent the buyer we try to make this as vague as possible. When we represent the seller we want it as detailed as possible. Sellers usually go along with reasonable terms unless there is an overriding need for all cash.
- ☐ Typically any seller financing is unsecured and subordinated to all other financing facilities.
- ☐ A suggestion of what a buyer could ask for would be the seller retaining notes for about 30% of the total price, the buyer puts up as equity about 30% to 40% of the purchase price and there is commercial financing of the balance. The buyer's equity indicates "skin in the project." Too little and they could have less equity than the seller (or the bank) – that is usually not acceptable.
- ☐ Once the LOI is signed by both parties the buyer would need to start its due diligence process. This is where the claims made by the seller are verified or tested for validity, where undisclosed liabilities are looked for, or where weaknesses in the supply chain or with key customers or major products are discovered. The due diligence should start as soon as possible. The document request should be given early on to the seller and the seller should start organizing the information even before receiving the LOI.
- ☐ A good accountant will have a long list of elements to consider in the due diligence process including financial, tax, compliance and operational factors. These include the need for the buyer to review employment contracts, independent contractor and consulting arrangements, tax compliance filings, leases, licenses, trademarks and patents, vendor or customer contracts, warranties, insurance policies and claim history, regulatory issues and myriad other items.
- ☐ If the financial statements contain inaccuracies or noncompliance, the price in the LOI will be nothing more than a starting point which would be reduced based on the buyer's due diligence. If too many differences result the buyer could withdraw his or her offer.
- ☐ The LOI will also state who is responsible to pay investment bankers, brokers or anyone else involved in introducing and assisting the two parties.
- ☐ To be considered in the LOI is whether an earnest money deposit should be made by the buyer or the seller to be paid if either party seller backs out for reasons other than those involving the transaction. For example, if the seller simply decides at the last minute that they do not want to sell.
- ☐ The LOI will also include the length of the due diligence period and conditions as to access to records and any assets to be reviewed and if suppliers, customers or key personnel will be interviewed. In today's digital environment, much of the due diligence can be done virtually, but depending on the business, site visits can be important.
- ☐ Whether it is a stock or asset purchase transaction is always an important issue. The difference between an asset and stock sale could result in added taxes for the seller or reduced tax deductions for the buyer and would determine the treatment of intangible assets and allocation of the purchase price. The buyer and seller would need to agree on the purchase price allocation.
- ☐ For a stock sale, the buyer must consider any potential or contingent liabilities such as product warranties, and return, discount or advertising agreements or conventions or long-term understandings with customers. There would be descriptions of what would be excluded and a guarantee by the seller of the capital or working capital amount at the closing.

☐ For an asset sale, the buyer would require a more detailed description of the assets and liabilities and what would be excluded from the transaction.

☐ Occasionally the character of the business would dictate the necessity of one method over another. For example non transferrable leases, long term contracts with customers or suppliers or the nature of the customers such as a governmental agency required to agree to any change in organizational structure. Many of these reasons are legal issues that are best handled by the attorneys for both sides. The seller's attorney should be familiar with these issues and not wait for the buyer to bring them up.

☐ Also to be considered in the offer is whether there will be compensation or consulting agreements with the seller and what health insurance and fringes would be continued and whether there would be an earnout of a portion of the purchase price. Comment: An earn out is a contingent payment for the business based on attaining certain predetermined targets.

☐ Soon after the LOI is signed, either the seller's attorney or buyer's attorney would start preparing the contract of sale. While this is being done, issues will need to be addressed. As buyer, you might want the seller to remain in the business, or have some of the purchase price conditional on meeting certain benchmarks such as final working capital amount, inventory valuation, key employee, customer and supplier retention, severance pay costs and possible regulatory approval. Some of these should have been covered in the LOI but they also can develop as the attorney draws up the contract or underlying issues are revealed during the due diligence process.

☐ Businesses are sold without any debt, other than typical accounts payable, accrued expenses, payroll taxes, customer deposits and possibly warranty reserves. If there is any bank debt the seller would have to pay this in full at the closing. Usually this payment comes out of their proceeds.

☐ The buyer needs to determine during due diligence if any employees will be let go and the timing and who will be responsible for severance payments.

☐ The LOI would also define post-closing arrangements, calculations and events and time limits for this, and who covers the costs.

☐ The contract drafting will cause a new round of negotiations – not as serious as the previous negotiations, but the price or cash flow could be affected by the results of this. If there is an earn out or deferred payments or some ownership that is retained, that will be covered more thoroughly in the contract, and this is usually negotiated as part of the final purchase price.

☐ The contract will contain arrangements for the amount that will be held in escrow, who the escrow agent will be, the costs of this and how payments would be released and paid out.

☐ The contract will include covenants not to compete, details of notes payable by the buyer and lease assignments or if the premises are owned by the seller, then a new lease to the buyer.

☐ The LOI should refer to pending litigation against the seller, so this information would need to be provided beforehand. Occasionally companies do not want to disclose this information before they know that the buyer is seriously interested.

☐ Buyer along with the seller will have to decide which of the personnel, if any, they will inform about what is going on, or if they will want to not disclose the transaction to anyone.

☐ When the buyer commences the due diligence process, seller will need a "team" to assist with this. The due diligence process should as smooth as possible.

☐ There will always be some more negotiations and contract amendments and seller should be aware of this.

- ☐ If there will be bank financing, the bank will want to perform its own due diligence. This is usually a good thing for the buyer since the bank's team should be pretty adapt at assessing the underlying value of the assets that will serve as collateral.
- ☐ The contract could be signed before the due diligence starts, during the due diligence process, afterwards or at the closing. This depends on the thoroughness of the letter of intent and dynamics and timing of the sale.
- ☐ When the closing takes place, the buyer will pay their money, usually a certified check, attorney's escrow check or a wire to seller's bank, and sign any notes for the deferred payment.
- ☐ There likely will be some post-closing adjustments that will need to be calculated and possibly negotiated.
- ☐ Usually the contract would call for indemnification of undisclosed liabilities in excess of a base amount.
- ☐ If the assets of the business were sold, rather than the corporate stock or ownership interests, the seller's existing company usually would need to wind down and eventually be liquidated. This can take a few months or a few years depending on the circumstances. This should usually not affect the buyer but may affect any personnel tied to both the new and old company.

Some deal facets that come up that may not be discussed or negotiated initially:

- ☐ Software licenses for every computer.
- ☐ Contracts or leases for or on any equipment.
- ☐ Contract for any services provided to the old company.
- ☐ Any long- or short-term arrangements or understandings with any customers.

Added issues for the buyer

- ☐ State tax compliance rules need to be followed. This includes bulk sale reporting, tax compliance certificates and possibly filing a final return and a liquidation of the selling corporation.
- ☐ Final payroll reporting of the seller's business and a transferring over of wage limitations and caps to the buyer's new entity.
- ☐ Withholding tax if there is a purchase from a non-U.S. person or entity.

The above is a pretty thorough list of things the buyer would need to do or should consider. However, since every deal is different there are always new issues that arise and need to be dealt with. These transactions take considerable time, involve many professionals and advisors, need special care and usually do not have much margins for error. Lots of times it is the details that sink a deal, not the big picture of deciding on a price and transferring ownership. Spending the time, being deliberate and avoiding short cuts can lead to a successful closing. Use this as a guide when advising buyers of what they should be made aware of and the intricacies of the transactions before commencing, so they will understand what they can expect and what they are getting into.

FINANCIAL PLANNING ENGAGEMENT DOCUMENT REQUEST

Initial document request and includes memo to client

Following are some things you can bring when we meet. This is not all-inclusive, and you can bring anything else that might not be on the list that you think is relevant or that you want to discuss.

Item	**Reason for needing information**
1. Bring copies of your tax returns for last two years for me to look at – I do not need to keep the copies. Also, bring copies of W-2 forms reported on the returns.	This will show the amounts and sources of income; the amounts and types of deductions. It will show income from pensions, IRAs, annuities, Social Security, and installment sales. It will show ownership of real estate, partnerships, LLCs, S Corporations, security trading activity and loss carry forwards. It will separately show AMT items such as employer ISOs. In addition, the take home pay can be calculated quickly by looking at the W-2s. A quick look at the dividend and interest income can yield impressions of the risk tolerance and asset allocation, and if there are high concentrations of stock ownership.
2. If you have any mortgage or equity loans on your residence bring details such as term and interest rate. If you have a home equity line of credit available (whether or not you drew against it) and what are the terms.	Shows leverage and need to uncover reasons.
3. Details of any other debts including credit cards. Please bring the last statement for each account.	Shows level of responsibility toward their personal finances. Reason for debt might also uncover non-evident personal situations that need to be factored into planning.
4. Ages of your children, and their general financial situation.	Different planning if client needs to provide support, financial assistance or special help for children and/or grandchildren.
5. Information regarding anyone you are supporting, outside of those living in your house.	Important for planning.

6. Complete details of any annuities you have – including what you make annually from it – what the investments inside the annuity are– what you are guaranteed – the penalty for terminating the annuity – and how long you had it – and the title of the account – is it within an IRA or other tax sheltered retirement account	A financial asset that does not appear on tax return if distributions are not being made. Ask if any charity gift or immediate annuities. Source of or potential source of cash flow.
7. Bring the last bank and brokerage statements of each account you have, including dividend reinvestment plans. The statements should all be with the same closing date. For example if the last statements you have from most of your accounts are May 31, and one account is dated March 31 – then bring all the March 31 statements. Bring subsequent statements if major changes have occurred.	Need to know total financial assets; asset allocation; available cash; cash flow; general idea of risk tolerance, and a reflection of the type of advice they may be currently getting. This is part of picture. Also will need same information for tax-deferred accounts (see below).
8. Details of any pension income you are or will receive. What the survivor benefits are. If you are an active participant in an employer pension plan, the last statement provided to you would usually be sufficient.	Current or future source of cash flow.
9. Bring the last bank or brokerage statement of each retirement plan, IRA, Pension, 401k, and 403b account you have, also with the same closing date.	Need to know assets in tax deferred accounts or Roth IRAs. This will be combined with assets in non-tax deferred accounts to develop a holistic approach to client's cash and investable assets.
10. If you have employer securities in your 401k account, please bring cost details.	This would be important if you are contemplating terminating your employment and have the ability to rollover your 401k to an IRA or another qualified plan.

11. Bring your last participant statement if you are in an Employer Stock Option Plan (ESOP).	This should be part of your asset allocation and would be considered as part of a “concentrated” stock position.
12. If you have a concentrated stock position, i.e. more than 15% of your total financial assets in one company, please bring a schedule of the cost of those shares by number of shares, date purchased and amount.	If so, this will require special attention and special handling since occasionally client is emotionally attached to the investment. Will also need to determine the reason for the concentration.
13. Bring schedules of the expiration dates of all employer stock options and indicate if they are incentive stock options or non-qualified stock options.	This should be part of your asset allocation and would be considered as part of a “concentrated” stock position. Decisions will also have to be considered of when to exercise and any alternative minimum tax avoidance potential. Also considered will be whether there should be a “cashless” exercise.
14. If you have restricted stock from your employer, bring schedules indicating the date issued, cost and value when issued, vesting dates, and approximate current value.	This should be part of your asset allocation and would be considered as part of a “concentrated” stock position. Decisions will also have to be considered of when to exercise, whether a Section 83b election can be made (this election can only be made within 30 days of being granted the shares), and strategies and tax consequences upon vesting.
15. Bring details of cost of any shares you own through your employer’s stock purchase plans.	This should be part of your asset allocation and would be considered as part of a “concentrated” stock position.
16. If you have any other cash, or stocks or bonds, please bring a listing, or the last bank or brokerage account statement for them.	Catch all in case there are accounts client does not consider being in any of the categories specifically listed in this document request.
17. Bring a copy of your current will for me peruse.	A 30-second look can determine if there are special bequests or needs for an heir. This will then need to be discussed. If client doesn’t have a will, or has a very old will, that gives an impression of their attitude toward planning.
18. If you have granted anyone a power of attorney, please bring a copy of the power form.	This will be discussed very briefly.

19. Bring copies of any trusts you established, or are a beneficiary of, or are a trustee.	Special needs trusts. Inheritances. Structured legal settlements. Living Trusts (find out reason for establishment). Trusts established for benefit of client. Charity remainder trusts. Qualified Personal Residence Trusts. Grantor Retained Trusts. Anything of this sort.
20. Bring copies of any documents relating to estates you are a beneficiary of.	Inheritances that have occurred or that are in process or probate.
21. Details of any life insurance you, your spouse or partner have – including face, premiums, ownership and beneficiaries. This would include employer provided life insurance.	Look at type and amount of insurance and cash value and policy expiration date. Try to determine original purpose of insurance and current need and whether premiums are being paid; and ownership and if in a trust. If in a trust, tell client to check with attorney or accountant regarding Crummey letters.
22. If you have umbrella insurance coverage, please provide me with the amount.	This concerns your overall asset protection and liability for loss from an unanticipated disaster.
23. Copies of any financial agreements such as a divorce or marital separation agreement, prenuptial agreement, or employment contracts.	It is surprising how often these pop up, and they won't if client is not asked about it. If there are requirements for funding, ask client to check with advisors if they are properly and fully funded. This will not be covered at the meeting.
24. Your annual personal household and cash expenditures – a round ballpark number is all I need.	Cannot help on asset allocation if the cash flow needs are not known. This can be ball parked if client doesn't come prepared with this information. I take total income shown on tax return, add non-taxable income, then subtract the unspent income (such as bank CD income and DRIP dividends), 401k and flexible spending amounts on W-2, withholding taxes including FICA and Medicare. I then try to determine if savings were added to or reduced and factor this amount into the cash flow from the income. That should provide the amount available for spending for the year. This is reduced by the deductions on the tax return such as medical, mortgage interest, charity and other items on the return. Also, reduce the mortgage principal that has been repaid. This can take ten to fifteen minutes. This item can be saved if client comes prepared with this information. Note: In extreme cases, we suggest keypunching all of the client's transactions for the previous year or two, including credit card spending.

25. Details of any real estate you own – original cost, approximate additions, major repairs and renovations, and present value.	The tax return provides a road map of real estate owned and cash flow.
26. If you own a business, please bring the latest three years' financial statements and tax returns; and any stockholders, partners, members' agreements including buy-sell. Also bring a copy of any business appraisals during last ten years.	Depending on size of business, this could be a very important part of meeting. A business buy-sell agreement is similar to a will for an individual, but many businesses do not have one.
27. Also bring details of any business owned life insurance on you or partners, members or fellow stockholders.	Important to know and an indication of "value" of business.
28. Details of any other assets of value you have such as jewelry and art. If the items are covered by insurance, please bring the policies.	Surprising what can turn up. Painting that cost $10,000 can be worth a million bucks!!!

If you do not have everything, or if it is too difficult to get the information, do not spend a lot of time before the meeting creating the information. If it is needed for a future meeting, you will have time afterwards to get or recreate the information. The more info you bring the better, but it is more important to come to meeting and not to delay it.

Everything listed above is pertinent to our discussion, but we will only spend minimal time on some of the items. For instance, the information I could get from your will in a 30-second look could save a few minutes of questions and answers. A less than one-minute look at your tax returns will provide me with information that could take you 45 minutes of filling out an investment profile questionnaire. Note that I DO NOT need copies of anything to keep.

The above information request seems like a lot and might seem overly voluminous**. You should consider the meeting as something that might alter the course of the rest of your life, and the degree of financial security you should have.** In that case, shouldn't we use as much information as possible? The greater the input, the more applicable the output will be.

When we start our meeting, I will ask you why you came and what you hope to accomplish. Please try to jot this down before you come so your responses would flow easier and quicker. If you have broad financial security goals, also jot these down for you to use at our meeting. I do not want you to give me your notes – I will ask you questions and will mark down your replies in a way that I could use them to advise you. I will likewise provide you with no copies of my notes. You can however take any notes you want.

To maximize the benefits from our meeting, and to accomplish what we need to, the better prepared you are will result in a more efficient meeting. Keep in mind that our goal is to determine if your investment holdings and strategies are consistent with your goals, and if not, what tweaking, or changes are in order.

Note that no estate or tax planning will be done at our meetings, and none should be inferred or expected. No investment advice will be provided other than asset allocation and financial security risk/reward discussions and none should be acted on without you discussing it with an investment adviser.

INITIAL FINANCIAL (AND/OR ESTATE) PLANNING MEETING CHECKLIST

Client________________________________

Financial and/or Estate Planning Agenda and Notes – Initial meeting

Date: ________________________

1. What are you trying to accomplish?

   ____

   ____

   ____

   ____

   ____

2. What are short term and long-term goals?

   ____

   ____

   ____

   ____

   ____

3. Dates of birth:

   H

   W

4. Marital status: ☐ Married ☐ Single
5. How long married ___
6. Any previous marriages

   H __ Yes __ No

   W __Yes __ No

   Any alimony or support payments?

7. Children and their ages

8. Anyone else being supported
9. Annual income [this can be determined by looking at last tax return] plus any expected major changes.

10. Annual expenses, estimated

11. Any large planned expenses

12. Net worth (and in whose names or joint) [please provide a statement of net worth or provide an estimated amount now and this amount will be worked up at a later point]

____

____

☐____

____

____

13. Does each spouse have at least an equal division of assets or a minimum of estate tax exemption amount? ☐ Yes ☐ No

14. House value and who owns and what state, and mortgages

15. Any vacation homes or secondary residences, and value and states located, and mortgages

16. IRAs,401k, 403b or other pensions [details to be provided], and will need designations of beneficiary forms

17. If self-employment income, are retirement plans maximized? ☐ Yes ☐ No

18. Need copies of wills and any codicils ☐ Husband ☐ Wife

    A thorough checklist will be used to review wills. The following questions are preliminary.

    ☐ Husband ☐ Wife

    a. Date of wills
    b. Dates of codicils, if any

c. If minor children, is a guardian named
d. If guardian, is there an "allowance"
e. Special bequests
f. Who are primary beneficiaries
g. Residuary beneficiaries
h. Any charity bequests
i. How are funds distributed to minors
j. Is there a bonding requirement for executors
k. Is there apportionment for estate taxes
l. Is there credit shelter provisions
m. Is there QTIP provisions
n. Other preliminary comments

19. Need copies of all trust agreements
    a. Need copies of last 1041s filed, if any
20. Does Power of Attorney give right to make unrestricted gifts ☐ Husband ☐ Wife
21. Amount of umbrella insurance
22. Does client have workers' compensation rider on homeowners policy
23. Ex amine life insurance policies including life insurance through employer
    a. Estimated amount of insurance [actual amounts will be determined when policies are reviewed]
24. Need copies of any prior gift tax returns that were filed
    a. Check here ☐ if client said none were filed

25. Asset allocation of marketable securities

Owner of accounts______________________

Broker	Acct #	Total	Cash	Stocks	Fixed	Other

Owner of accounts______________________

Broker	Acct #	Total	Cash	Stocks	Fixed	Other

Owner of accounts______________________

Broker	Acct #	Total	Cash	Stocks	Fixed	Other

26. Estimated estate taxes and distribution to beneficiaries

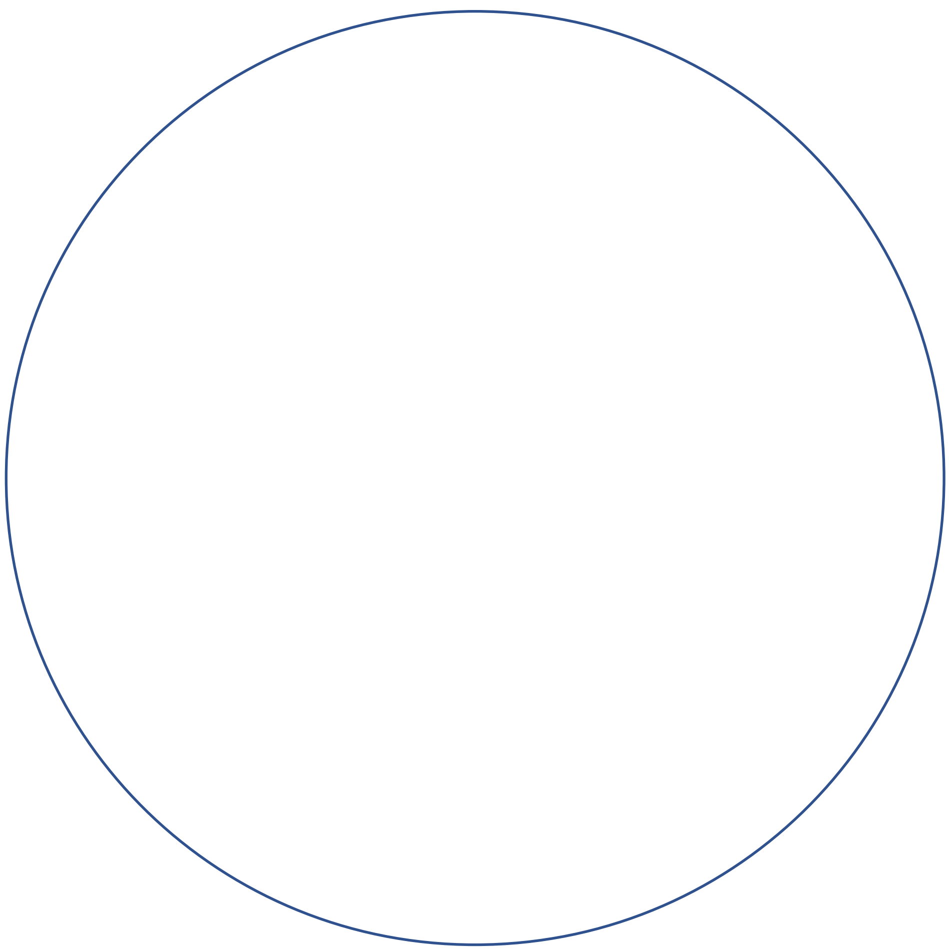
Gross estate					____________
+	Add back prior gifts				____________
-	Liabilities				____________
-	Administration costs				____________
Taxable estate					____________
-	State estate taxes				____________
-	Federal tax ____________	Less credit	____________	Tax	____________
Total estimated Federal and state taxes					____________
Net estate assets to be distributed to beneficiaries					____________

Amounts to beneficiaries [these are all estimated beneficiaries and amounts and do not separate distributions to trusts]

Spouse ____________ Children ____________

Charity ____________ Others ____________

Pie chart of estate distributions:



REASONS FOR PURSUING A LIFE SETTLEMENT CHECKLIST

There is a variety of motivating factors for seniors who sell their policies, some of which include the following:

- ☐ No longer a need for the insurance originally bought for a spouse to rely on the funds.
- ☐ Spouse or beneficiaries have passed away.
- ☐ Spouse that was beneficiary is divorced from insured.
- ☐ Children have attained their financial independence.
- ☐ Insured has “outlived” the policy and cash value is as much as the coverage.
- ☐ Premiums are no longer affordable.
- ☐ Financial assistance is needed to pay for medical bills.
- ☐ Funds are needed for long-term care.
- ☐ A family business is sold, or the owner retires, and key person insurance is no longer needed.
- ☐ The business loan that the policy was obtained to provided added comfort to the lender has been paid.
- ☐ Cash is needed to pay off debt.
- ☐ Funds are needed for retirement or lifestyle enhancement.
- ☐ Getting cash that can be used for gifts to family members or to make an unusual purchase such as a vacation home.

GETTING MARRIED FINANCIAL PLANNING ISSUES CHECKLIST

People that are getting married generally do not spend as much time as they should to consider the financial issues. Here are a few things to ponder.

- ☐ Credit score and credit card debt
- ☐ Review each other's credit reports
- ☐ Joint or separate credit cards – each should have at least one card in their own name
- ☐ College loan debt
- ☐ Develop a joint plan to pay down existing debt
- ☐ Decide on joint ground rules for new credit card debt
- ☐ Owning a house – how it would be titled
- ☐ Joint or separate bank accounts
- ☐ Provide for each spouse to have their own spending money that does not have to be accounted for, and if necessary, each should have a separate bank account
- ☐ Designate one spouse that will pay the household bills and the other should reconcile the bank account each month
- ☐ Change wills
- ☐ Change pension designations – IRAs and employer plans. Consider spousal rights
- ☐ Decide on joint retirement planning funding targets
- ☐ Consider having powers of attorney – make sure you each understand the significance of these powers
- ☐ Health care proxies and living wills
- ☐ Custodian accts from parents should be terminated
- ☐ Life insurance and ownership and beneficiary designations
- ☐ Care or provisions for a child born after death of a parent
- ☐ Health insurance
- ☐ Decide whether the spouse will legally change their name
- ☐ If name changed, follow through on driver's license, passport, professional license and similar items
- ☐ Make a decision to fie joint income tax returns
- ☐ Tax liens
- ☐ Judgments
- ☐ Discuss attitudes toward finances – spending, saving, budgeting and investing
- ☐ Talk about the possibility of needing to help a relative financially and the limits
- ☐ Decide together on long term financial goals
- ☐ Decide to discuss all major financial decisions
- ☐ Major or significant investment decisions or financial maneuvers should not be made without telling your spouse

Second marriage additional issues

- ☐ If you have a prenuptial agreement, follow up on implementation
- ☐ If current spouse is not to receive any inheritances from pension plans, that has to be stated in writing after the marriage by the spouse
- ☐ Consider having an "emergency" fund joint checking account

- ☐ Be aware that a joint or payable on death account passes outside of a will and the named party becomes the outright owner upon death
- ☐ Determine what would be left to surviving spouse and that if there are children from a prior marriage anything left to the spouse will eventually go to their children and not yours
- ☐ Make living arrangements post death in the marital residence or vacation or second residences
- ☐ Consider QTIP trusts
- ☐ Consider who is the trustee for your health care documents
- ☐ Make a decision to file joint tax returns
- ☐ Make decision whether gifts will be split for tax filing

PRENUPTIAL AGREEMENT CHECKLIST

Prenuptial agreements are becoming de rigueur for many marriages. I don't want to seem skeptical but along with the "use agreement" of the engagement ring should come a draft of a prenup. The gift of the engagement ring can be made permanent at the marriage ceremony, but the prenup better have been worked on and signed much earlier. Here are some things to be aware of. These are some pointers but you MUST speak with an attorney for a fuller explanation of the uses and benefits of a prenup.

- ☐ Both parties need their own attorney, and need to be separately advised
- ☐ The agreement must state that it includes everything discussed and that there are no oral arrangements, agreements or concessions
- ☐ The prenup should be signed about a month before the wedding, The closer to the wedding date, the harder it could become to defend if it is challenged
- ☐ The request to have a prenup needs to be made early on in the engagement period so there will be an absence of time pressure
- ☐ There can be no undue force or pressure to execute the agreement. Time satisfies these issues
- ☐ There must be full disclosure of assets with realistic current values
- ☐ Liabilities, debts and loan guarantees must also be fully disclosed
- ☐ Employee stock and options that are an asset or represent a potential asset and should be fully disclosed
- ☐ Business buy-sell agreements and restrictive covenants need to be disclosed
- ☐ Prior liabilities for divorce and child support must be disclosed
- ☐ If there are pending actions that can result in the acquisition of large assets, these should also be disclosed
- ☐ Offers of alimony in the prenup should be reasonably based on expected lifestyles
- ☐ Timetables with upward adjustments can be included (such as if the marriage lasts two years, five years, ten years and/or twenty years, or if there are children)
- ☐ How asset divisions will be paid or funded
- ☐ Whether living trusts will be funded and with what. This is particularly important with second marriages
- ☐ How inheritances will be done or not done and how the wills or trusts will refer to this
- ☐ Whether joint income tax and/or gift tax returns will be filed
- ☐ If one party has very large tax loss carryforwards and it will be utilized by the other on a joint return, the tax benefit sharing must be clearly documented
- ☐ How joint bank and brokerage accounts will be funded, if at all
- ☐ How powers of attorney will be executed, if at all
- ☐ Note that pension plans cannot be included in the prenup. These must be disclaimed after the marriage. Those with large pension plans must make sure you get the right advice. However, IRAs can be included in a prenup

The reason for the use agreement for the ring is so that it won't be considered a taxable gift to prospective bride. Gifts between spouses are gifted tax-free; not so for someone getting engaged.

CHANGING STATE OF RESIDENCE CHECKLIST

When more than one residence is owned, a perplexing issue is determining the state or locality the owner is a resident of for tax purposes.

For many states, an individual can be a tax resident if they are either domiciled in that state or maintain a permanent place of abode in the state and spend more than 183 days during a calendar year in that state. Most states are aggressive in auditing this confusing area, so it is important to follow the rules and do it right.

Many states and localities define when a person is considered domiciled in their jurisdiction and/or is a resident. They say that person is a resident for personal income tax purposes, unless for that year, such person maintains no permanent place of abode in the jurisdiction during the taxable year; maintains a permanent place of abode outside the jurisdiction during the entire year and spends in the aggregate not more than 30 days of the taxable year in the jurisdiction. In addition, some states and localities have a rule regarding presence in a foreign country.

Domicile is viewed as a state of mind and some of the questions that need to be answered are:

- Where do you really want to live and where is your “home?”
- Where do you want to spend most of your time and where do you spend your time?
- Where are your most precious and important possessions kept?
- Where are your business interests located and how active is your participation?
- Where does your family live?

When an individual does change their domicile, a taxpayer should consider doing the following:

- Change car registrations
- Change driver’s license
- Change voter registration ***and*** vote there
- Change passport
- Establish religious affiliations in the new area
- Establish social affiliations such as country clubs, dining clubs and other groups
- Move personal items including the near and dear things you have. Near and dear items include family photo albums and mementoes and valuable art
- Insurance policies should show your primary address in new state
- File for homestead exemption, if applicable
- File an affidavit of Domicile in new state, if applicable for that state
- Execute a new will and any applicable trusts with an attorney in the new state under that state’s laws
- Change credit card billing addresses
- Open local bank accounts and brokerage accounts and change all account addresses to your new address
- If you use a safe deposit box, open one in the new jurisdiction
- File non-resident tax returns in state you moved out of if you have business or employment income from that state

- Buy municipal bonds from new state and dispose of bonds from previous state

Failure to do most of the previous items will cause the jurisdiction to question whether a taxpayer has ***really*** changed their domicile. Each taxpayer's situation is different with their own distinct facts and circumstances so adapt the list to suit your circumstances.

Even if the jurisdiction agrees that a taxpayer has changed their domicile, the day count or 183 statutory day test is put into place. The jurisdiction's position in cases where taxpayers are being audited for residency is that every day has to be accounted for. In some cases, that could be extremely hard to do. Also, proving a negative is very difficult so taxpayers should keep contemporaneous diaries or detailed schedules. Third party documents such as grocery and credit card receipts, bills and airline tickets should be kept in order to verify where you were. The burden of proof for this is always the taxpayer's. Remember, any part of a day (with certain exceptions) in a jurisdiction counts as a day for residency purposes. The consequences of not having adequate records can be very costly.

It is also possible to be deemed a resident of more than one state or jurisdiction if residences are maintained in more than one jurisdiction making recordkeeping even more important. This can lead to excessive tax assessments and onerous penalties. Also note that depending on circumstances, both spouses do not have to be domiciled in the same state.

Many taxpayers' returns where a change of residence has occurred will likely be reviewed and possibly audited by the taxing authorities. Like all tax matters, planning and compliance must be done early and not started only when a response is necessary to a challenge by a taxing authority.

Barry Horowitz, CPA, MST, Partner in charge of our State and Local Tax group assisted in the preparation of this blog. If you have any questions or concerns about any residency issues, please contact Barry directly at 212.829.3211.

ED'S STOCK MARKET INVESTING BELIEFS (A "HOW TO INVEST" SUMMARY)

Purpose
I believe the purpose of investing in stocks should be to share in the growth of the economy as reflected in the stock market over a long period of time.

Strategy
I do not believe it is possible to "beat" the market over a sustained period by owning more than a few securities or by trading stocks to either time the market or try to "outsmart" all the other people doing this.

Time horizon
I believe the minimum holding period for investing in the market is seven years. So, if the time horizon is less than that, or there is a likelihood of needing the funds prior to seven years, the stock market should not be invested in.

Risk
I believe that buying individual stocks increases risk because the portfolio possibly would not be as diversified as it needs to be to spread the specific risk inherent in individual issues or sectors. Further, specific stocks with a disproportionately high weight in the portfolio should be avoided. Risk is the element that makes achieving gains easier or harder. The lower the risk the lower the potential returns or losses; the higher the risk the greater the potential returns or losses.

Risk assumption
I believe that the level of risk that is assumed should match the probability of attaining stated goals. The lowest level of risk to attain goals should be assumed. Taking on a greater risk than necessary can jeopardize the entire portfolio and investment goals and plan.

The way to invest
I believe that a purposefully developed portfolio that is not actively managed and that is occasionally rebalanced based on a loosely drawn schedule can accomplish broad goals of approximating the market.

Investment activity
I believe that the efforts, expertise and time monitoring actively managed portfolios along with the cost of trading with possible tax costs, and where emotions and reactions to daily news would likely influence choices would make accomplishing stated goals extremely difficult and highly improbable to achieve.

Investing costs
I believe that it is desirable to keep costs as low as possible and this includes management and advisory fees, trading costs and taxes. Costs reduce investment returns. Some costs cannot be avoided and managers that perform exceptionally well on a consistent basis or that bundle the portfolio management with added services should be compensated accordingly and should not be compared to mediocre managers or those that do not perform beyond a minimum level.

Index funds
I believe there are many good mutual funds whose purpose is to duplicate index returns. Typical low-cost S&P 500 index funds are Vanguard 500 and Spartan 500, and the ticker symbols for some large exchanged traded funds are SPY, DIA, QQQ and IWM. There are many others, and these are just included for illustration purposes.

One size does not fit everyone
I believe that everyone has different purposes, motives, risk tolerances, backgrounds, education, investment sophistication and knowledge, income and cash flow, responsibilities, goals and plans. Accordingly, investment policies and plans should be carefully crafted and determined on individual basis without referring to the average investor, or what everyone else is doing, or what the current investing trends are.

The game
I believe investing is not a game and should not be done because of supposed "excitement." It is an endeavor which purpose is to secure yours and your family's future financial security. This should not be approached in anything other than in the most serious manner

I believe
I believe many things and this blog is limited to some beliefs regarding investment and wealth management. This blog represents some of my opinions and is presented for educational purposes only and should not be construed as investment advice or recommendations of specific things to do or invest in.

10 INVESTING "WATCH-OUTS"

1. Watch out for someone that recommends something that they cannot clearly explain so you fully understand it
2. Watch out for taking greater risks than you need to
3. Watch out for investments that do not bring you toward your goals
4. Watch out for losses – they hurt more than gains help
5. Watch out for the market tanking suddenly – it can – make sure you are protected
6. Watch out for individual stocks tanking suddenly – they can – make sure you can absorb the loss
7. Watch out for someone that says they can time the market for you – nobody can
8. Watch out for spending more than you make – if you don't reduce your spending or increase your income you will need to reduce your assets, or incur debt
9. Watch out for falling into or remaining in stupid patterns
10. Watch out for your assets or you could lose your ass – be organized

15 INVESTING AXIOMS

1. Financial planning is about providing for future family financial security… nothing else
2. Losses hurt more than gains benefit
3. In many cases, you may not get an opportunity to recover from a loss
4. Cash-flow needs, and timing should drive investment decisions, not desire for asset acquisition
5. Don't assume a greater risk than you need to
6. Risk avoidance, in general, is not possible and uninformed choices of what risks to avoid will not typically get you where you want to – and need - to be
7. Before making any investment, always ask, "What happens if these choices turn out to be wrong?"
8. Make realistic goals and use them to lead your decisions
9. Interest on credit card debt is the cost of past excess spending or consumption – pay your balances down and reduce interest
10. Investing decisions should not be made emotionally
11. Money and stocks are inanimate – don't form attachments.
12. Just because everyone seems to be doing something doesn't make it right for you
13. You are not "everyone," "average" or "like most people" – you are "you" and you are "unique." Know what's in it for you when you invest
14. You are the most important person in the world to you. Only deal with advisors that treat you that way – always!
15. Don't be stupid!

HOW TO BE YOUR OWN FINANCIAL PLANNER

Financial and investment planning is a skill that is never mastered. People can get good at it – very good in fact, but you are always working against a moving target. The economy, government policies, global demand for capital, commodities and labor and personal goals that keep changing all make it hard to have a concrete agenda. However, **those that plan are much better off than those that do not.** Here is a 13-step tool kit to use to plan your own finances.

1. **Purpose of Planning**: Write down the purpose of why you want to plan. Review it to see if it is realistic and addresses your overall big picture concerns
2. **How much you spend:** Determine how much you are currently spending a year, and how much you will be planning on spending at later intervals in your life
3. **Short-Term Goals:** Write down what you want to accomplish over the next few years
4. **Long-Term Goals:** Write down longer-term goals. Based on your age and situation, this could be five years from now, or twenty-five years
5. **Risk profile:** Write down what you understand risk to be about and how you feel about stocks, bonds, commodities, real estate and if you have one, your business. How do you view inflation as a risk factor? Did you already win your “personal lottery?” See my prior blog dated June 20, 2013
6. **Cash flow:** What is your annual cash flow and what do you expect it to be at various stages later in your life
7. **Net worth:** Tally up your assets and debt. What is your financial net worth? Do you have a sensible way to pay down your debt, or get it under control? Determine likelihood of your net worth growing and how
8. **Asset allocation:** Based upon your goals, determine how much of your net liquid assets should be allocated to rainy day funds, stocks, fixed income and other broad investment categories and at what levels of risk
9. **Relook at your asset allocation:** Take another look at what you did. Does it make sense? Do your rainy-day funds reflect immediate and possible emergency needs? Make sure you are reasonably comfortable with the allocation categories
10. **Number crunching:** Work out potential cash flow from your asset allocation. Estimate expected interest, dividend and stock appreciation rates. Include income from your job or business, Social Security and pensions. Be realistic on the low side. If your income estimate is too low, you won’t get hurt; if it is too high, you could be hurt! Overestimate expenses for same reasons
11. **Whether goals are attainable:** Match the cash flow against how much you spend and plan on spending. If there is a short fall between your cash flow and spending, you should consider adjusting your spending, increasing risk, working longer, or even getting another or a part time job. What many people do not realize is that financial goals are behavioral. Spending can be controlled or curtailed to accumulate funds that will enable future goals to be attained, or goals can be altered. For instance, a 52-year-old might want to retire at age 60 but because of the funds they presently have and are expected to accumulate, they will not be able to retire until age 64. By curtailing certain spending and investing a little more aggressively, they can cut two years off and retire at age 62. It is then their choice to change present spending or their retirement goals

12. **How to attain goals:** Write out a clear plan based on everything done in the first 11 steps that shows how you will attain your goals. That will become your big picture plan that you should now follow
13. **Plans are road maps:** Road maps point you in the direction you want to travel, but lots of time there are unplanned for turns, tie ups or unexpected roads. The plan and goals will help you better maneuver those bumps and forced changes

A CLIENT'S PERSONAL INVESTING VISION AND MISSION STATEMENTS

Whether you realize it or not, you are the CEO of your personal finances. As such, you are fully responsible for the realization of your goals and attainment of your future financial security. As CEO, I believe you should develop a vision and mission statement and use it to guide your investing actions.

Vision Statement

This defines your dreams, goals, what you are going to do and want to do. A vision statement is intended to motivate personnel toward a common goal. With investing it is about money, wealth, cash flow and security. In your case you are the "personnel."

Following is a listing of some visions that can be adopted by you. Which ones are yours?

- ☑ Be financially secure
- ☑ Become rich or richer
- ☑ Have no money pressures or worries
- ☑ Live comfortably in same style for rest of life
- ☑ Have adequate cash flow to accomplish goals
- ☑ Enhanced lifestyle
- ☑ Leave money for my children
- ☑ Have money for my children (or grandchildren) to go to college
- ☑ Accumulate money to be able to buy a vacation house
- ☑ Become a philanthropist [we should all try for this]

Mission Statement

The mission statement supports your vision. It tells how you plan to do it.

- ☑ Define goals and create a time horizon to attain goals
- ☑ Invest in a reasonable way to get needed returns
- ☑ Manage risk
- ☑ Diversify investments
- ☑ Understand what "diversify investments" really means
- ☑ Make as much as possible without risk
- ☑ Get reasonable returns and not lose what I have
- ☑ Don't take foolish risks
- ☑ Understand how I can make money or lose money on a particular investment
- ☑ Be able to survive any losses
- ☑ Have all investment costs quantified, spelled out fully and be transparent
- ☑ Get best available advisors
- ☑ Understand that I am not "average;" I am not part of a "grouping;" but I am "me" who is an individual with all the life experiences, fears, dreams and hopes I've had to date
- ☑ Learn as much as I can about what investments are suitable for me
- ☑ Make sure I cannot lose more than the amount I invested

Use the above as a guide. You can supply your own items, but whatever you do, develop a plan and then stick to it. Act like the CEO that you are.

QUESTIONS A CLIENT SHOULD ASK THEIR FINANCIAL ADVISOR

This was originally a blog posted at www.withum.com/partners-network-blog. Many that have a financial advisor or investment manager get periodic updates and reasonably unlimited phone calls. However, I notice that many do not. Here are some questions to consider asking to determine how your money is being handled. If you know the answers to these questions, then good for you – it seems you are in good hands. Otherwise, ask these questions.

1. How often should I expect communications from you regarding my portfolio, its performance, and strategy or any changes in strategy?
2. Why don't you ever call me when there is a major drop in the stock market?
3. How does the present portfolio match up with the original plan or instructions that were discussed when you started managing my investments?
4. Why has there been no co-ordination by you or attempt to find out about my other investment portfolios?
5. What arrangements do I need to make with you now for my spouse if I die unexpectedly or become disabled?
6. Why should I recommend you and to whom?
7. Who decides what to buy in my portfolio, e.g. foreign vs. domestic or large and small cap, and how does the decision process work?
8. What is your fixed income strategy – the yield appears very low after deducting your fees?
9. It seems the fees I am charged are different than what we agreed to – can you explain your charges?
10. Why is there always a balance in my cash account and how come some of the purchases in my account are for very low amounts, and how often do you make purchases?

It's your money; it might be your future financial security and missteps might alter the plans you made for the rest of your life. Be a little involved. Ask these and any other questions that are on your mind.

When you get the responses, evaluate them to determine if this advisor is still the right person for you.

INVESTMENT POLICY STATEMENT TEMPLATE

This IPS has been prepared for guidance and illustration purposes by Edward Mendlowitz, CPA, Partner, WithumSmith+Brown, PC. No responsibility is assumed by the availability of the checklist. Any use should be coordinated with your financial advisor.

Name____

Date prepared or updated________________________

Executive summary (brief summary what is in the IPS)

____

____

____

Purpose of the IPS (why you are preparing the IPS)

____

____

____

Goals and objectives (what you are trying to accomplish)

____

____

____

Risk management (description of your risk tolerance and how you feel about taking risks with your investments)

____

____

____

Players, roles and responsibilities (list people you will rely on, or use to assist you in developing and implementing your plan)

____

____

____

Criteria for selection of advisors (State the methods you will use to engage advisors)

____

____

____

Costs (Describe costs you expect to incur in addition to the advisors' fees. I would also include here the method of how your advisors will be compensated and how you feel about that method. For instance, will they receive an hourly fee, an annual fee, a transaction fee, a fee based on total assets under management, a fee based on performance of your investments or a commission for products you buy?)

____

____

____

Asset class allocation (This would require you to have some knowledge of the different ways of investing. It also needs you to understand the importance of asset allocating and why it is being done in a certain manner for you. You can ask your advisor for assistance in filling this in here)

____

____

____

Reallocation and rebalancing (reasons and timing of reallocation and rebalancing your assets)

____

____

____

Monitoring (how often you expect to receive information and in what format)

____

____

____

Tax objectives (How will taxes factor into your investments – the cash flow and location of your securities)

____

____

____

Review and oversight (the method and time frame should be established for you to review your portfolio's and your advisors' performance. While this is usually done on a continuous basis, there should be a set time for this to be discussed)

____

____

____

FAMILY BUDGET WORKSHEET

The following worksheet can be used to assist clients in preparing a family budget. Adapt as necessary. At the end is a brief section to calculate the change in the client's net worth.

Section 1: Items of expenditure or cash out flow	**Amount**
Financial payments:	
Repayment of debt	
Periodic savings or investment program	
College savings deposits	
Mortgage payment (principal and interest)	
Home equity line of credit payments	
Real estate taxes	
Rent	
Credit card fees and bank charges	
Credit card payments	
Student loan payments	
Household expenses:	
Food and groceries	
Telephone	
Cable and internet access	
Video streaming	
Utilities: Gas, Oil, Electric and Water	
Garbage removal	
Cleaning	
Maintenance	
Repairs	
Gardening	
Lawn mowing	
Snowplowing	
Insurance premiums	
Life insurance, disability and long-term care premiums	
Medical and health insurance	
Furnishings	
Alarm system	
Clerical and office costs:	
Postage	
Office supplies	
Computer costs	

Accountant and tax preparation	
Subscriptions, publications, books and downloads	
Health, entertainment and relaxation:	
Physicians and dentists	
Prescriptions	
Eating out	
Entertainment	
Travel and vacations	
Hobby costs	
Health club	
Weight loss programs	
Courses	
Massages	
Children's costs	
Allowances	
After school programs	
Tuition	
School room and board	
Day care	
Parties	
Summer camp	
Allowance	
Personal:	
Cash payments	
Clothing purchases	
Laundry	
Hairdresser, nails and barber	
Auto lease or loan	
Auto gas, maintenance and licenses	
Tolls and parking	
Auto insurance	
Local transportation and commuting	
Job related costs	
Gifts	
Charity	
Holiday tips	
Pet costs	

Other	
Income tax payments	
Pension and IRA	
Nondiscretionary items	
Support of others	
Alimony	
Funds for major purchases or costs	
Total spent	
Take home pay or total cash inflow that you lived on	
Difference (Subtract total spent from take home pay) If a plus – good for you! If a minus – you have work to do	
Section 2: Change in net worth	
Add back investment items included above	
Repayment of debt	
Periodic savings or investment program	
401k or 403b deductions from payroll	
Pension and IRA	
Other employer savings programs you contributed to	
Net change in net worth If a plus – good! If a minus – you have serious work to do	

This worksheet can be used to calculate the change in net worth from take home pay. Just complete the Section 2 at the bottom.

The budgets above are for current expenses. To be factored in are special non annual or regular expenses such as a car purchase or home improvements. Also needed to take into account are rising costs due to inflation if the budget is for a prolonged period.

ELDER CARE AND FAMILY BILL PAYING AND PLANNING CHECKLIST
OR FOR FAMILY OFFICE SERVICES

Bill paying and bookkeeping

- ☐ Preparation of a tax payments and bills due calendar to track due dates
- ☐ Collect all bills and ascertain their validity and accuracy
- ☐ Following up on bills that appear incorrect
- ☐ Write and mail checks for payments due in a timely manner. This should be done at least weekly or more often based upon circumstances. Note that it is recommended that payments be made without prior authorization for recurring expenses and amounts under a predetermined value such as $2,000. Permitted items over that that threshold would include the monthly rent or mortgage payment, real estate taxes, insurance, income taxes, and estimated tax payments. All payments can be reviewed by the client when they receive the monthly reports and copies of bills paid. If there is an incorrect payment, it can be followed up at that time
- ☐ Arrange for payroll to be paid to full, part time or household employees and reviewing time records
- ☐ Arrange for payment to independent contractors such as private duty nurses and reviewing time records
- ☐ Income expected to be received will be reviewed to ascertain that it is received or deposited timely. This will include Social Security checks, IRA withdrawals, bank and/or bond interest income and dividends and any other income usually received
- ☐ Receipts for prescriptions and other medical and health care expenses will be submitted where necessary for reimbursement and follow up on their payment
- ☐ Digital files of original invoices and receipts will be maintained and accessible by the client or their authorized representative
- ☐ A monthly listing of all disbursements and receipts along with copies of all invoices and bills will be provided to the client or caregiver generally during the first week of each month
- ☐ Year to date summaries by categories (a general ledger) will be provided each month along with the monthly transaction listings
- ☐ All bank accounts will be reconciled monthly and copies of all bank reconciliations and the statements will be sent monthly – either digitally, by access to our portal or by postal mail as the client requests
- ☐ All brokerage and fund accounts will be reviewed and reconciled, and copies will be sent to client
- ☐ All transfers in and out of each brokerage or bank account will be traced for validity
- ☐ Preparation of all required tax reporting statements including 1099s and W-2 forms
- ☐ A review of insurance policies to determine whether coverage is adequate including workers' compensation, umbrella and liability insurance
- ☐ Telephone calls to and from client and their authorized family members as necessary

Investment oversight

- ☐ The types of investment alternatives will be discussed as funds become available. Suggestions will be made, but there will be no direct decisions by the CPA. Decisions will be made by the client along with their investment manager. The CPA should not have signatory power over any investment accounts unless they are properly licensed and are performing investment management services

Tax assistance

- ☐ Whatever information is needed for the client's tax returns will be collected as received during the year
- ☐ The CPA will not be responsible to prepare any tax returns unless specifically engaged to do so, but will pay the estimated taxes when due

Administrative services

- ☐ A dedicated checking account where CPA could sign the checks should be opened. This account should have an initial balance equivalent to about two months of expenses. As the balance declines it would be replenished
- ☐ No income will be deposited into the account maintained to pay bills. Rather, all income will be deposited into accounts that client controls and where the CPA is not a signatory. The CPA will have access to this account to review deposits and reconcile the balances
- ☐ If requested CPA can calculate the required minimum distributions from retirement accounts and arrange for their withdrawal and deposit into the client's account or the checking account CPA will maintain for the client if that is to be the source of the funding
- ☐ The CPA should use small business accounting and investment tracking software (such as QuickBooks and Quicken). The versions used should be owned by the CPA and will not be billed to the client unless the software providers change their policy and require the purchase of separate software packages for use in these services.
- ☐ Preprinted checks will be ordered and billed to the client. To get started, temporary checks can be printed by the CPA

Additional services available

- ☐ Arranging for ambulance service or transportation to and from physicians, therapists and similar care providers
- ☐ Arranging for physicians or others to come to client's residence to perform their services
- ☐ Arranging for prescriptions to be renewed
- ☐ Arrangements for haircuts and beauticians
- ☐ Scheduling Wheels on Meals if necessary
- ☐ Arranging for people to visit, read and socialize with client
- ☐ Arranging for a client's cat, dog or pet to go to the vet

Planning services that can be provided

- ☐ Financial planning services including goal setting, asset allocation, cash flow and budget management and possibly debt reduction

- [ ] Assisting the client in developing an investment policy statement and long-term strategy, including segregating “rainy day” funds
- [ ] Investment management including discretionary investing
- [ ] Estate planning
- [ ] Tax planning
- [ ] Tax return preparation
- [ ] Assistance in establishing a back-up account in case of disability of the elder care client

BUY-SELL AGREEMENT ISSUES TO CONSIDER CHECKLIST

Following is a listing of major items that should be considered in partnership agreements. This is provided for instructional and guidance purposes and should be further discussed with clients for business issue purposes and then with an attorney who would also prepare the actual agreement.

1. Parties to agreement

    a. Should be all shareholders, partners, members or owners.
    b. Will the business be a primary, secondary or default party, or not be a party to the agreement
    c. Should there be prohibitions or restrictions on transfers to family members or trusts for their benefits, or transfers through a will. Suppose one owner wants to make transfers for estate tax purposes?

2. Form of agreement

    a. Buy-Sell - this is where the entity will repurchase the interest
    b. Cross Purchase – this is where the agreement is between each partner or owner and not with the entity
    c. The agreement should state whether the purchase is mandatory or optional (usually the offer to sell is mandatory)

3. Value of business

    a. How business will be valued
    b. Will a "fair market value" valuation prepared
    c. Will there be a formula or periodic revaluation
    d. A default purchase price formula should be set
    e. Will valuation discounts be considered in determining the buyout price
    f. Will book value, or will parts of book value be treated separately
    g. If a valuation is required, the agreement should state how it should be done and by whom

4. Compensation

    a. This can be covered in the shareholders' agreement, or in a separate compensation or employment agreement. Either way, it is an issue that has to be covered.
    b. How salaries will be paid.
    c. How bonuses will be paid.
    d. You should cover how SEP, 401k, pension plan or similar type of payments will be figured in as compensation.
    e. Will there be any minimum work or time requirements
    f. What will compensation be in case of disability – suggestion is for full salary for three months; half salary for three more months and then nothing.
    g. What happens upon termination of employment – is a sale triggered or can the shares be retained

5. Profits and losses

    a. How profits and losses will be divided

b. Will there be distinctions between different categories of income, such as ordinary income divided one way, capital gains another and depreciation a different way
c. How will cash flow be divided, if different from profits

6. Decisions

   a. How decisions will be made – Suggestion: equally or based on ownership percent
   b. How are deadlocks handled?
   c. What decisions are unanimous – Suggestion: decisions to admit a new partner, moving the office, borrowing, or involving individual items in amounts over $xx,xxx
   d. Policy toward spouses, children and other relatives working in business

7. Voluntary buyout

   a. For any reason except death, disability, retirement or any other reason that is specifically covered
   b. Need price determination and terms or payout
   c. Consider what happens if remaining people do not want to do buyout
      i. Is there a dissolution
      ii. Will person originally requesting buyout get opportunity to buy out those refusing for the same price or a discounted amount and more extended terms

8. Buyout upon death

   a. Need price determination and terms or payout
   b. Consider if life insurance is wanted and how quickly payment will be made after receipt of the proceeds from the insurance company. What happens of not all parties are insurable?

9. Disability buyout

   a. Need price determination and terms or payout
   b. Need determination of definition of disability
   c. Need determination of period of disability that will trigger buyout. Suggestion: Eighteen months after start of disability the disabled partner must sell his partnership interest under the same terms as a voluntary buy out, if the partner was disabled and unable to perform his full duties for at least fifteen of those months.
   d. Consider if disability buy-sell insurance is wanted and how quickly payment will be made after receipt of the proceeds from the insurance company. Also consider what will happen to insurance proceeds if they are received before the buyout is triggered under the agreement, and disabled returns to work

10. Buy out on losing license

    a. Need price determination and terms or payout
    b. Will employment be terminated or continued

11. Buyout on personal bankruptcy

    a. Need price determination and terms or payout
    b. Will employment be continued

12. Retirement Buy out

    a. Need price determination and terms or payout
    b. Age after which retirement can or must start
    c. Minimum notice required

13. Funding

    a. Will funding be done on a regular basis, or after the buy-out event occurs
    b. Will and/or can current funding be on a tax advantaged basis for buyer or seller?

14. Restrictive covenants

    a. What restrictions will be placed on the person being bought out from working in the profession or industry, and for how long, and within what geographic area
    b. Restrictions apply to being in business or having executive or key positions and approaching or soliciting customers, suppliers and employees, as well as using or applying any competitive information obtained while employed by Company

15. Taxability of payments

    a. How will the payments be deducted and how will they be taxed to the person being bought out
    b. The taxability of payments will be based upon how the purchase price is allocated
    c. If there are payments for intangibles, the parties will agree to the allocation

16. Ownership of non-operating, investment or intellectual property

    a. How will non-operating assets be treated (such as artwork in offices)
    b. How will investment assets be treated
    c. Who will own copyrights and patents - will royalties be payable to person leaving

17. Vacation and personal and sick days

    a. How much vacation and personal and sick days will each owner be permitted
    b. How much will be the most consecutive time off that can be taken
    c. Will untaken time be cumulative from one year to the next or, lost

18. Other business ventures

    a. Will this be permitted and if so under what conditions

19. Timing of signing of agreement

    a. Agreement should be executed before shares are issued or business commences
    b. If entity is operating, should be executed as quickly as possible
    c. Best time is when either party, or their family, could be the buyer or seller

20. Separate advisors

    a. Each party should have their own advisors and attorneys

CHECKLIST FOR STARTING A BUSINESS

The following is a guide of the issues that need to be considered by someone starting a business. No opinions are offered or should be inferred. You should seek professional guidance and advice where necessary on some of the issues.

1. Business name – a person's name or names, or a fictitious name such as "Smarty Pants Business Associates." Assumed names need to be registered with the local County Clerk

2. Type of entity (choose one of the following). See questions that follow before deciding. Use an attorney where applicable:

    a. Sole proprietorship
    b. Single member LLC
    c. General partnership
    d. Limited partnership
    e. Limited Liability Company
    f. Professional limited liability company
    g. S Corporation
    h. C Corporation

3. Determine state of organization
    a. Usually it would be the state you will be doing business in
    b. If you have a choice of state where the business would be organized in or located, try to pick the state with lower taxes

4. Decide if the business' premises will be rented or owned, or if you will be working out of your house

5. Location if you will have a retail business

6. If property or assets will be transferred from another entity, find out the tax consequences of this

7. If business will have inventory, where will it be kept and in rented or public warehouses (this might determine the state of organization)

8. Is business part of a controlled group or related entities

9. If business will own real estate, consider a pass-through entity, unless it is foreign owned, and then the decision might be based on the taxability of the foreign owner in the United States

10. If foreign ownership, consider the following:

    a. An entity that is NOT a pass-through entity
    b. Become familiar with withholding requirements for distributions
    c. Determine whether there is a tax treaty with country where owners are

d. The foreign owner must become familiar with how they will be taxed in the United States
e. You would need the address of the owners and other identifying information

11. Obtain a Taxpayer Identification Number (TIN) for the business. Even if a one-person business with no employees or independent contractors this might be advisable. File IRS Form SS-4 which can be accessed at www.irs.gov and prepared the application online

12. Licensing with professional board, state or locality as a business if a professional practice or if required. This also applies to one person practices or businesses

13. Join professional or business associations if applicable

14. Determine how business will be financed

15. Project cash flow and cash flow management methods

    a. A good way to start is to project revenues and expenses (called a profit and loss statement (P&L))
    b. Then convert the P&L into elements of cash received and paid out. It is suggested that this be done on a monthly basis (for some business' weekly might be more appropriate)
    c. Include your initial investment and any amounts borrowed
    d. Make sure the cash never dips below zero for any period. If it does, its over…
    e. This will also tell you the minimum investment needed, and you need to make sure you have this available before you start the business
    f. If you cannot make it come out on paper before you start, how do you think it would be once you are in business

16. Determine capitalization and loan policies for initial and subsequent investments. If there ill be loans, make sure there are notes with interest and due dates stated

17. Establish owner's payroll or draw policy

18. Solo or with a partner

19. Buy-sell agreement if more than one partner or owner

20. Tax elections and policies to be established

    a. Basis of accounting – cash, accrual or other
    b. Inventory method
    c. Fiscal year if applicable
    d. Retirement plans
    e. Hiring children
    f. Startup costs
    g. Expense reimbursement policy

21. Business plan (and strategic plan)

a. Identify service niches or specialties, or position in marketplace
b. Market serviced
c. Identify how sales will be made
d. Vision
e. Mission
f. Brand
g. Business philosophy
h. How products or services will be obtained and delivered
i. Marketing plan
j. What is your USP (Unique Selling Proposition)
k. Equipment or software needed
l. Any special processes or formulas that will be involved, purchased or developed
m. A thorough business plan should be prepared
n. If the business plan is carried forward at least three years past the startup and negative cash flow period, it becomes a strategic plan

22. Technology hardware, equipment and technical and specialized software that would be needed in your business and software that is specific for your industry

23. Cloud, paperless strategies, workflow and document management systems

24. Need secure portal availability

25. Obtain accounting software

    a. Establish billing and invoicing methods and payment terms
    b. Establish policies for paying vendors
    c. Determine if payroll will be done in house or with an outside service bureau
    d. Administrative software such as mailing list and customer relationship system, calendar and scheduling software

26. Define and develop mobile strategies

27. Personnel levels and admin support

28. Use of permanent or part time staff, consultants or outsourcing partners

29. If using independent contractors, fill out IRS Questionnaire Form SS-8

30. Employment agreements if necessary for your type of business

    a. For all employees
    b. For executive and managerial employees
    c. Confidentiality agreements
    d. Non-compete agreements
    e. Employee handbook

31. Staff scheduling, dispatching or work assignment and oversight or review methods
32. If there is more than one owner, what functions and work each will do and be responsible for
33. Determine necessity of getting proforma contracts to use with customers
34. Get a Logo
35. Get a Website
36. Email addresses
37. If there will be patents, trademarks, copyrights or other intellectual property determine who will own them – the business or individuals
38. If there will be patents, trademarks, copyrights or other intellectual property (IP) it is strongly suggested an IP attorney be consulted regarding appropriate protection of origin and ownership of such intangibles, and the type of entity that should be organized for such protection
39. Open a bank account
40. For bank account, determine who will be signatories and whether more than one signature will be required
41. Determine if you want a post office box, or mail to be delivered to your office
42. Office equipment, filing, telephone, postage meter, courier accounts, stationery
43. Communications methods
44. Insurance - umbrella, workers' compensation, general, product and malpractice liability, general office
45. Medical insurance
46. Life insurance on owners
47. Disability income insurance on owners
48. Disability buy-out insurance if more than one owner
49. Pension or retirement plan contribution policy
50. Owners' meetings frequency, location and length
51. Owners' retreat

52. Document all important decisions with memos or minutes of meetings
53. Owners' compensation and profit division policy
54. Owner benefits policy such as vacations and time off
55. Publicity, marketing, advertising and sales promotional activities
56. Social media strategies, and establishing accounts
57. Networking methods
58. Referral sources
59. Mailing list – establishing and maintenance
60. Engaging a mailing service
61. Announcements of new firm or business
62. How will you create excitement?
63. Practice or business continuation agreement if a single owner
64. Exit strategy (already? "Didn't I just get started?")

SETTING UP AN OFFICE CHECKLIST

1. Develop mailing list
2. Rent office or office to receive mail and packages
3. Open bank account
4. Open payroll bank account
5. Notify CPA board of new company
6. Change affiliation with professional societies and associations
7. Register to provide CPE programs
8. Design logo
9. Order stationery or embedded letterhead file for letters
10. Order mailing envelopes
11. Order paper for copier/scanner
12. Order scanner
13. Order and mail and email announcements
14. Send out press releases
15. Call every client you presently have
16. Call referral sources
17. Report binding system for hard copies
18. Postage meter and weight scale or print on computer
19. Fax machine or do through computer
20. Set up express courier account
21. Order telephones
22. Telephone answering system and software
23. Tax update services
24. Accounting update services
25. Get account for tax software
26. Get paperless filing system
27. Order desks and chairs
28. Order filing cabinets [for some out of sight storage] and bookcases
29. Practice management software including time and billing
30. Bookkeeping/Accounting software
31. Software for PCs
32. Typical office supplies
33. Coffee machine
34. Refrigerator
35. Water bottles and soft drinks
36. Flower delivery to office
37. Plants and service to maintain plants
38. Medical insurance
39. Office insurance
40. Workers compensation and disability insurance
41. Professional liability insurance
42. Hire administrative assistant
43. If employees, sign up with payroll service
44. Hire outsourced bookkeeper

PREPARING A BUSINESS PLAN CHECKLIST

A business plan is essentially a selling memorandum for prospective investors. Through it, you communicate your knowledge of what your business can accomplish to someone who might put up money. A good business plan will clearly show investors that you are more than just a dreamer. It will show that you're organized, you know where you're going, and you know what you want.

Preparing the plan will give you a unique opportunity to consider every facet of your proposed business or expansion and your business strategy. The plan can also serve as a business guide, budget and road map to future success.

Elements of a business plan:

1. Executive summary. This goes on the first page and is the first thing a reader will look at… making it an important component of the business plan. This should be a paragraph summary of the business – what the company does, why it is different from what is being done now, current status and what its future plans are. Follow this, still on the first page, with a one-paragraph summary of what you need in the way of financing and what the funding will achieve.

The summary must grab the reader's attention. It must make a prospective investor want to dig deeper into the plan. You must tell why this business is different from what's out there and why people will buy the product or use the service. Why be different? Why buy?

2. Detailed financial projections. This is showing how much money you expect to make from the business. The figures should be projected out over five years, as the yardstick used by many investors of what the business would be worth at the end of five years. Many times the "value" is a multiple of the fifth-year earnings.

3. Cash flow projections. These are often overlooked in business plans. They show how much cash you're going to need to accomplish the projections that you've outlined above. If you don't arrange to get the necessary funding when you start a venture, you may not be likely to get it later on. The income projections could show a very profitable company, but you must be sure you don't run out of cash along the way to that ultimate profitability.

4. Projected balance sheet. A projected balance sheet shows how the company's financial position will look at the end of each year of the projections, and in particular, at the end of the five-year projection period.

5. Detailed explanations of the assumptions. This is used as the basis for the numbers you've given in the projections. Financial and cash flow projections can't stand alone. You must show, in great detail, what you based the projections on. For example, monthly sales figures, types of customers, average sales per customer and per order, frequency of orders, how orders will be obtained, time table from receipt of order to shipment to customer, inventory requirements, your selling price and cost of raw materials, sales commissions, shipping costs, number of employees, salaries, the number of square feet of space you'll need and the estimated cost per square foot. Detail is critical here.

6. Prior financial statements. If you've been in business for a while, you must attach financial statements for at least the past three years. If you don't have financial statements or if the tax returns are prepared on a different accounting method than the financial statements, you must include them also.

7. Detailed description of the product. Include everything, good and bad, about the product. It is important not to leave out something bad about the business or product. If an investor, doing his own research, discovers something negative, the deal is off. Always be up-front about the downside of your business. Also include information about whether the product is patentable, what intangibles there are and any "secret" processes or formulas.

8. Market research. Include independent information about the size and health of the market, if it is growing, how the competition is doing, what are the offshoot products, what is the potential for related, upselling and repeat sales, the sensitivity to economic conditions, availability of unskilled and skilled personnel and management, and of vendors and the importance of quality control of the product and how it is performed within the industry. You must tell why this business is different, why it is needed, what space it will fill and why people will buy the product or use the service. Why is it different? Why buy?

9. Product samples. Don't forget to include these, or well taken photos.

10. Logo. Hire an artist to design a logo, even if the business is just an idea and not yet a going concern. A professionally designed logo will add legitimacy to the project. It may also help give the business some shape or personality.

11. Management team resumes. Include with the resumes, a detailed description of how you and your management team are experienced in the industry and in running a business. Describe any outsourced services you will obtain. Mention people that are willing to serve on an advisory board or board of directors.

12. Description of the company. Describe your future plans for the business. Where does it stand now, and why you are looking for money? Also, tell what will happen if you don't get the money you're asking for.

13. Ownership structure. Describe the current ownership structure. Do not put in how much of the company you are willing to give up (or willing to keep). If the investor is interested, there is plenty of time for that. Also, if you have more than one person seriously interested, the deal will be much better for you.

14. Detailed marketing plan. Cover the industry and potential customers. Include letters from potential customers saying they'd be interested in buying your product. These letters show you're alive and you have a viable product or idea. In addition, explain where you fit in the industry. Why will you be more competitive, better, unique and why you will get business? Describe the competitors and the area that you're going to service. Explain how you will make sales – will it be through the internet, or with salespeople or through a retail store.

15. Explain the production process. Include the problems you might have and what your capacity might be. The actual production numbers should be in the financial assumptions, but this is a narrative illustration of the process. Use flow charts if applicable. Tell if you will employ any special technology and what access you have to it, or will have, and why.

16. Relationships. Have relationships that the organizers have with people related or associated with them that they will be doing business with. There must be full disclosure or any arrangements that will be outside of the company where profits or transactions will not remain or flow through the company.

Caveat

Be realistic and practical. Do not make the business plan either too ambitious or too modest. Do not ask for $1,000,000 if all you need is $400,000. On the other hand, don't ask for $400,000 if you really need $600,000. The figures given in the plan must realistically show what you need. Don't forget that you'll only have one crack at a potential investor. You cannot tell an investor who only wants to put up $250,000 that you'll come up with a revised business plan supporting the $250,000 figure. The original plan must support itself.

Give the plan your best shot with your best estimates. However, prospective investors will use it as a guide to what you plan on doing. They also bring to the table elements you might not be aware of such as their special skills, knowledge of the industry and potential customers, and sources of supply.

How to Get Your Business Plan Read

Active investors and venture capitalists get hundreds of business plans a month. To get more than a glance, yours must stand out as a serious and readable document.

The one-page executive summary will be your first, and perhaps, your only chance at making the reader interested in the idea, but there are some subtle things you can also do.

1. Make sure the plan is graphically appealing, attractive and pleasing to the eye
2. Email secure pdf copies that cannot be altered. Also, pdf copies will open up as you prepared it; a Word® file might not open easily. Have pdf copies available even when you present a printed version and offer to email them to the investor or their advisor.
3. If printed, use rag content paper. It costs very little extra, but it feels luxurious, and more substantial than plain bond paper. It impresses subconsciously.
4. Don't use exotic typefaces. Use a standard font. The pages should be easy on the eye, with print that is similar to what the reader is used to reading. Bizarre typefaces can quickly turn off a busy financier.
5. Use 8-1/2" by 11" paper. Oversize business plans won't be recognized for what they are.
6. Make the right-hand margins ragged. Pages with type set "ragged right" are easier to read and more spontaneous looking, more familiar to readers, and less boring than pages that have the right-hand margins justified in a straight line.
7. Avoid fancy bindings. Have a commercial printer bind the plan in a conventional way. Spiral bindings are OK, but hardcover bindings are not (although they are more impressive). Again, you

want to make sure that the plan is read. Never use bulky three-ring loose leaf binders that likely won't fit in the venture capitalists file cabinet.

Conclusion

Keep in mind that the business plan is your sales literature to prospective investors. Also, many people, other than the person you might give it to, will also be reading it. Some people that are part of the investor's team are partners, lawyers, accountants, appraisers, consultants, marketing and production people. Every one of them must have their concerns addressed in your business plan. You won't meet most of these "other" people, and they will not share the enthusiasm of the investor you have already met. They will dispassionately read, review and critique your business plan. Don't neglect to include information they will want to know.

CHECKLIST FOR PREPARING FINANCIAL PROJECTIONS FOR A BUSINESS PLAN

1. The projection should be a minimum of five year
2. Clear and detailed description of the business, but there also needs to be a short clear concise summary. Most call it an executive summary. It is very important for the reader to quickly and easily know what you want, what you will be doing and how it will happen, so there is a frame of reference for your project in a quick easy way for the reader to digest
3. You should whet the appetite of the reader for the grand company you will grow with some nice charts and graphs at the beginning showing summaries of the financials
4. There must be a cash flow projection
5. Tell clearly how much is needed and when
6. Don't ask for only part of what you need – ask for everything. If you don't, when do you think you will get the rest of the funds, and how? Usually you are dreaming
7. Show what the investor gets – how much ownership of the company, what interest rate and payment terms on funds loaned to the business and the possible fortune when they want to cash out, and how
8. What control the investor will have or won't have, trigger points when the investor can assume control; or what say the investor has in "cashing out."
9. Absolutely no speling` errors - it shows a lack of attention to detail. (I know I just made a spelling error - I wanted to see if you caught it. You must pay attention to detail – every detail!)
10. The sales that are projected should explain the types and numbers of customers, the typical sales units and amounts, the frequency of orders, what the customers do with the products purchased from the company, how quickly the customers pay their bills, and what if any returns, discounts and markdowns are to be expected. Tell me the sales cycle. Tell how many calls or presentations will need to be made to get a sale. Tell how connected you are to the industry and what you know the promoters know that no one else knows
11. Include information about the seasonality of the product or services, or clearly explain why there is no seasonality (you'll have to be super clear on this unless you have a new breakfast cereal that every grandchild, parent and grandparent will eat everyday)
12. If there will be a branded or consumer product, show how you will be promoting the brand and how long it will take to connect
13. Be clear about what differentiates your business from existing ones
14. Explain how the product is made and the various product lines or how you supply the services you sell. Note that this will be used to assess if you know what you are doing, understand the dynamics of producing what you will be selling, and the practicality of your methods. Make sure there are no inconsistencies with what you said about the sales
15. Make sure you indicate the ease or difficulty of the supply of your raw materials or products or services and whether any products are commodities and the market conditions of those commodities
16. Describe the types of jobs to be filled and when, and the ease or difficulty of finding the right people. A proposed organization chart would be a good idea
17. Include a time line of how and when the business will grow. Stoppedhere A simple time line is great. I know the same information can be seen from monthly projections but it makes me work harder to get the big picture – why do you want to make me work any harder than I have to? The best thing for you would be to give me a pill to swallow after which I would know whatever I need to know to approve the business plan. The second best thing is to lay it out as orderly, logically and carefully as

possible. I can assure you that if I can get what I need by some quick glances I will not delve into as much as I will if I don't have a clear picture of what you want to do with my boss' money

18. You are not being given money by investors so you can take out an obscenely high salary. Make sure you put in the plan how much you will be getting paid, how it will increase and performance stages to qualify for bonuses (bonuses? Ha Ha – what planet are you from?)
19. If you think you can receive dividends you must be mentally impaired.
20. In setting up your business plan, I need you to show me some negatives – what can go wrong – everything about what you will be doing can't be great. I like to see a SWOT analysis somewhere and in some way incorporated in the plan
21. Not including any market research data makes me flip pages looking for it and I get annoyed because I probably used some wasted effort looking for it. You can have the best product of its kind but without a clear market need and marketing plan no one will know about it and you won't sell enough to make any money
22. You need to convey your knowledge of your market and the segment you want to conquer – no new company will be able to take over an entire market quick enough to benefit from it
23. I need to know all about your competition – who they are, how long they have been established, their ownership structure, what market shares they have, how aggressive they are in building their business, and a whole bunch of other goodies. A good start is to go on line to www.dnb.com and purchase a full report for your two or three most major competitors, or your intended major competitors. These reports won't tell you too much, but would minimally list the owners, number of employees, square footage, bank liens and law suit judgments and should be worth what you pay.
24. If any of your competitors are publicly traded, you should get their latest Forms 10-K and 10-Q and use their information in your plan in the appropriate places. You can get these at www.sec.gov/edgar. You can also enter their ticker symbol on Yahoo, AOL or Google and view research material about the company after you get the stock quote. If they are newly public (last five years) it also doesn't hurt to review their financial structure and how they raised their capital
25. Another thing I like to see is an industry analysis. Here you can purchase one from www.firstresearch.com. Before you go to First Research make sure you are crystal clear of the industry classification. Don't give me the whole report. Abstract the information you want to tell me and put it in your report, and make it seem authoritative – but don't put something in that isn't provable – I might decide to check out some of your facts
26. There is some excellent business plan software you can purchase and use as a template. Each section is explained with illustrations and material you can edit and use. I am not going to explain much more. If you are too stupid not to use a fully organized format with hints and guides, then I would be wasting time going any further anyway, so I am stopping here

Some final points:

27. Some small things that are big things to me – get a nice logo made up if you don't have one; show competitors websites and yours if you are beyond the start up phase; include product samples if applicable; resumes of the key players is a must; show a detailed marketing plan and even letters from potential customers if possible; ask for the right amount – many plans I see ask for too little, and that is fatal; and print it on good paper (rag bond) and bind it so the pages lie flat and make it standard size so it will fit in my case easily or if emailed it will show easily on my screen
28. Never forget that you are using the business plan to make a sale – I am your customer, not my boss. You already "sold" him or her when I got the plan. I would not have received the plan if they

weren't impressed with you and liked what you told them. Write the plan to me and impress me and make me an expert in what you want to do and do it so I don't need to ask you any questions. I keep thinking about what Warren Buffett said when he was given the Lehman Brothers financials to review when they were trying to save their company. He said he started to look over the financials and every time he had a question he jotted it on the cover. At one point he looked at the cover and saw it covered with so many notes that he figured it had to be too complicated a transaction for him – so he passed on it. Oh, if you email the report, don't worry too much about the paper.

29. Make sure you reread your plan a couple of times before submitting it to me, and make sure there are no unanswered questions. Ask yourself if you would invest in the business based on your business plan presentation
30. I do have one more thing to say "Live from New York, it's Saturday Night!" This has nothing to do with the business plan, but I always wanted to say it. Good luck in your pursuit of building a company and obtaining the needed financing

NOT-FOR-PROFIT BOARD MEMBER RESPONSIBILITY CHECKLIST OF TIPS

In order to safeguard the organization, the governing body member, or sub-committees of the governing body, should consider the following:

1. A strong system of written internal controls is required. Review and approval annually by the oversight group is also a strong practice.
2. A sub-committee structure whereby individuals with different expertise on the board oversee different areas is a strong mechanism for oversight.
3. Significant transactions and contracts carry additional risk and should have an ancillary layer of review outside of the Executive Director, namely, by a governing body member, and contractual obligations may require full board approval.
4. The 501(c)(3) exemption is conditioned on the organization being one “of which no part of the net income inures to the benefit of any private shareholder or individual.” A strong conflict of interest policy should be in place and enforced to identify related party transactions and instances where private inurement arises. A written statement from members on conflicts or lack thereof from management and the governing body can accomplish this task with annual attestations required to ensure compliance with this policy for a board member and key employees.
5. NFP accounting nuances exist, including additional layers of disclosure as well as differences in the treatment of revenue as compared to for-profit accounting. Be careful when reviewing not-for-profit financial statements to consider the unique operating metrics of NFPs.
6. Revenue generated from activities which are outside of the organization’s charitable mission may be subject to income tax. Performing too many unrelated tasks could lead to loss of tax exemption. The governing body should verify that management or a third-party consultant are evaluating each revenue stream for potential Unrelated Business Income issues.
7. Non-filing of the 990 tax return for three consecutive years will lead to loss of tax-exempt status. The governing body is required to be a part of the review and filing process as well as for overall compliance with the filing requirements. The 990 is also a great marketing tool for contributions so governing body involvement is key.
8. Annual discussion of agency-wide risk and threats to the organization, including evaluating internal controls, legal and compliance risk, reputation risk, operational risk and other significant risks to the organization is strongly suggested. The governing body should maintain written notation of the risk assessment performed.
9. Compliance with all federal, state and local laws, including payroll and income tax liability is required and governing body members can be held liable personally for lack of compliance. The governing body should verify management is handling these matters.
10. Grant contracts and donor contributions are complex and the organization needs to monitor these agreements closely and carefully to ensure compliance. In today’s environment, states and local governments are trying to cut, not increase, their budgets – the first place they look are organizations with habitual non-compliance.
11. Executive Compensation must meet the IRS criteria of “rebuttable presumption of reasonableness” which means there must exist a formal process to determine and evaluate officer compensation – the process must be written and based on an analysis of comparable data. This documentation generally occurs at the governing body level and should be performed annually.

12. Meeting minutes must be written and contain information concerning significant actions of the board as well as sub-committees of the board. The minutes should be approved by the governing body members by vote.
13. If the organization has an endowment fund, each state generally has laws for the prudent management over the endowment and the investments. For example, in New Jersey, not-for-profits must follow the "UPMIFA" laws as well as specific contract laws associated to the agreements establishing the funds, unless the donor instructions include details on how the funds are to be maintained. An investment committee of the governing body generally oversees the management of endowment funds and establishes an investment policy.

Although governing body positions are generally held by volunteers, it is important to remember that being a member of the governing body of a not-for-profit requires due care, strong oversight and exercising of fiduciary responsibility.

If you have any questions about the above or a NFP board you are on, you are welcome to contact me at emendlowitz@withum.com or Brad Caruso at bcaruso@withum.com who assisted in preparing this checklist.

“ABSENTEE” OWNER TECHNIQUE AND CHECKLIST

The author contends that almost every business owner or manager is an absentee owner or manager, regardless the amount of time they spend at their business.

While many are ever present either physically or virtually by phone, texts and emails, they are not managing but rather working in their business on what needs to be done at that moment or that day. They are responding to normal business routines, customer, supplier and personnel requests or problems, and myriad other situations that demand their time such as banking relationships, cash flow planning, HR issues including hiring, discharging and compliance, interactions with outside professionals including their attorneys and accountants, and regulatory and occupancy issues. Some have partner issues and if they are managing a not-for-profit organization, then board and possibly funding and development issues. They are functioning as a necessary, and essential employee, and are not really running the business or organization – as if they were not there or were in another part of the country.

Given that this is so or at least if you think my contention might be valid, there are a number of ways to handle this. But first there needs to be a recognition that what I am suggesting is the situation. This requires a self-assessment of a number of things as follows:

- Is the owner/manager doing work that someone else could do?
- Does the owner/manager interject themselves into most “important” situations where a decision is needed by them before others can move the project forward?
- Are conversations with partners or professional consumed with operating issues rather than directed toward long range planning, direction and growth or increasing the value of the business?
- Does the owner/manager feel that they could do more and are “stuck” in place?
- Are key personnel not empowered to make decisions (and therefore not “permitted” to make some errors)?

If *any* response to the above questions is a “Yes” then I believe some reassignment of the owner’s responsibilities needs to be made. This listing is a small part of defining the absentee managers role, but the “yes” responses are strong indications they are not managing as well as they can. Moving forward, irrespective of how poorly or greatly they manage, there are certain financial data they should get on a regular basis; and I contend it should be the same information an inactive or passive owner sitting half way across the country should be getting.

Spending focused time of just two or three minutes a day, and a half hour once a month can provide the absentee [or present] manager with sufficient information that can have them gain better control over the business. I have seen owners and managers that use this information with concentrated attention for the short periods I suggest start to change their role to a more valuable presence with this becoming a catalyst propelling bigger picture strategic thinking that moves the business to a new level. Change needs to start, and this is a way to do it.

Here is a listing of reports, reasons and approximate time a manager would spend using them.

Daily reports (about 3 minutes)

- Daily cash report – this is a single sheet with the daily cash receipts, disbursements and cash account balance – time to view: 1 minute. Cash flow monitoring is paramount.
- 4 or 5 key performance indicators – This is essential information about the business for the previous day. Examples are daily sales and returns and credits, number of units produced and sold, total production hours, total hours worked or personnel head count, hotel rooms occupied and average room rate, pounds of steel received and shipped, patient visits and medical or dental procedures performed, restaurant covers, order backlog, chargeable hours, hospital bed count and average stay, new real estate listings and closings, orders received and shipped or hit ratios from websites – time to view: 2 minutes.

Weekly reports (about 2 minutes)

- Summary of aged accounts receivable schedule compared to previous month and the beginning of the year amounts – time to view: 1 minute
- Summary of aged accounts payable schedule compared to previous month and beginning of the year – time to view: 1 minute

Monthly reports (about a half hour)

- Profit and loss statement by each month for the current year, and compared to the yearend amount for the previous year – time: 2 minutes
- If a product is sold, review monthly percentage of purchases to sales [this should be done when reviewing the profit and loss statement) – time: 1 minute
- Look at percentage of all labor and benefits costs to sales – a separate schedule should be prepared for this – time 1 minute
- Balance sheet for current year with a column for each month and the previous year's ending amounts – time: 2 minutes
- Aged accounts receivable schedule – time: 5 minutes (with bookkeeper present or skype or on phone). Without bookkeeper – 10 minutes
- Aged accounts payable schedule – time 3 minutes
- Inventory valuation from perpetual records compared to previous month and to the prior year's ending balance – time 2 minutes
- Schedule of bank loan covenant compliance – time: 1 minute
- Sales from 10 largest customers compared to previous year: 1 minute
- Purchases from 10 largest suppliers: 1 minute
- Average invoice amount by month for the previous 12 months: 1 minute
- Review general ledger transactions for month and year to date: 5 minutes

Ongoing as necessary

- Approve contracts and single purchase commitments over a predetermined dollar amount, e.g. $20,000, $100,000 or $250,000 depending on size of company
- Have 24/7 on-line access to accounting system, and periodically look at income statement and balance sheets and selected other information

At least once a year to be performed by independent accounting firm

- Internal control review with a report or copy of their procedure's checklist discussed with client
- Review of one bank reconciliation for each bank account chosen randomly
- Review tax withholding payments made by payroll service for a randomly selected month
- Sales tax returns and payments' review
- State and local tax compliance review
- Form 8300 cash reports review
- Review one of each type of report provided to the "absentee owner"

This listing looks involved, and it is, but with the information presented properly and promptly the time spent for the owner should not be onerous. Also, this is a way to control the business or organization. The amount of time suggested is negligible based on the total time already spent each day and this will enable the owner/manager to have better control over what is likely an important asset for the owner. Try it – it works!

A postscript is that if the business does not have ability to provide the information shown above, that is a clear indication of a business out of control with serious deficiencies.

DAILY FLASH NUMBERS' REPORT

Version 1

This is a sample that should be adapted for the specific needs of management. One way is to ask what numbers are looked at by management to see how the business is doing. We suggest a maximum of six items.

Month of________________________

All amounts should be daily transactions except for checkbook balance

Date	Cash receipts	Cash disbursements	Checkbook balance	Sales	Purchases	# customers or invoices
1						
2						
3						
4						
5						
6						
7						
8						
9						
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DAILY FLASH NUMBERS
Version 2 for cash account only

Client's name
Daily Flash Numbers
Month of_________________________

Amounts should be daily transactions except for checkbook balance

				Use if needed	
Day	Cash receipts	Cash disburse-ments	Checkbook balance	Checks written and not mailed	Adjusted checkbook balance
1					
2					
3					
4					
5					
6					
7					
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9					
10					
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12					
13					
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DAILY FLASH NUMBERS
Version 3 for multiple accounts or entities

Client's name____________________________________

Client's name______________________________

Month of__________________________

Amounts should be daily transactions except for checkbook balance

Date	Cash receipts	Cash disburse-ments	Checkbook balance	Cash receipts	Cash disburse-ments	Checkbook balance
1						
2						
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40 CONCERNS OF BUSINESS OWNERS

Here are some concerns my small business clients have. These ideas are listed in the order that they came to my mind and not in order of importance. Each owner will provide their own order of importance.

1. Availability (actually, **non-**availability) of quality managerial help
2. Availability of competent and skilled employees
3. Employees who lie or steal
4. Airtight internal and financial controls
5. Cash flow
6. Banking relationship and availability of loans if and when needed
7. Putting everything they have at risk for the business
8. Getting sick
9. Getting ***really*** sick, i.e. heart attack, stroke, car accident
10. Having a good varied group of customers who appreciate doing business with them and who show the appreciation by paying their bills timely
11. Threat of unionization
12. Not overpaying taxes
13. How things they can't control can affect their business such as the economy, extremely bad weather, short supply of commodities needed to make product
14. Loss of a major supplier or being captive to them
15. Loss of a major customer or being captive to one or two customers
16. Consistency of quality of raw materials and products purchased
17. Too much of the wrong inventory
18. Being afraid to unload bad inventory at a loss
19. Customers who expect me to maintain inventory for them and they not telling me their true plans so every time they order it creates a minor crisis
20. Overspending on pet projects
21. Spiraling costs that are not controllable such as health insurance
22. Keeping current with technology changes
23. Being on top of social media
24. Succession of business leadership and ownership
25. Continued flow of new product ideas
26. Sensitivity to and adaption to new trends and needs in the market
27. Not being able to take extended vacations and even when they take short vacations they must check in with office
28. Developing a niche in their market
29. Establishing a positive and dynamic brand image
30. Lack of availability of competent consultants
31. Threat of lawsuits against the company
32. Being underinsured against catastrophes and the rising cost of insurance that they do have
33. Not really knowing if the insurance policies they have are for the right coverage
34. Spending too much time putting out fires and not enough time "doing business"
35. Not enough available time to reflect and see the big picture
36. Not feeling fulfilled or satisfied

37. The original fire is no longer there
38. Loss of initial momentum the business had in its early years, combined with a leveling off or capping of the business
39. Inability to reverse maturation of the business
40. Fantasies that no longer exist

There are others, but these seem like enough for now.

25 BENJAMIN FRANKLIN MAXIMS

Benjamin Franklin is the only person that appears on two circulating U.S. currencies. His portrait is on the front of the $100.00 bill and he appears in a painting depicting the Signing of the Declaration of Independence that is on the back of the $2.00 bill.

Many aspects of his life are still being written about in specialized biographies. One such new book is Benjamin Franklin in London by George Goodwin that I just finished reading which is an interesting and somewhat detailed account of the 18 years he lived in London through three voyages. Rather than review his life there I would like to repeat some of his numerous adages, many of which appeared in his Poor Richard's Almanac over a 25 year period. Note that his advice was practical and profitable as he earned his living as a self-employed businessman and was able to retire at the age of 42. He spent the next 42 years of his life in non-business pursuits such as giving us the theory of electricity, helping to create the United States of America and inventing bifocals among many other activities.

- DILIGENCE IS THE MOTHER OF GOOD-LUCK.
- DO NOT DO THAT WHICH YOU WOULD NOT HAVE KNOWN.
- HE THAT CAN HAVE PATIENCE CAN HAVE WHAT HE WILL.
- THE ROTTEN APPLE SPOILS HIS COMPANION.
- DON'T THROW STONES AT YOUR NEIGHBORS, IF YOUR OWN WINDOWS ARE GLASS.
- HE THAT SPEAKS MUCH IS MUCH MISTAKEN.
- CREDITORS HAVE BETTER MEMORIES THAN DEBTORS.
- HE THAT WOULD LIVE IN PEACE & AT EASE, MUST NOT SPEAK ALL HE KNOWS, NOR JUDGE ALL HE SEES.
- REMEMBER THAT TIME IS MONEY.
- HE THAT RISETH LATE, MUST TROT ALL DAY TO CATCH UP.
- LOST TIME IS NEVER FOUND AGAIN.
- YOU MAY DELAY, BUT TIME WILL NOT.
- LET THY DISCONTENTS BE SECRETS.
- THREE MAY KEEP A SECRET, IF TWO OF THEM ARE DEAD.
- LITTLE STROKES FELL GREAT OAKS.
- THE EYE OF A MASTER WILL DO MORE WORK THAN BOTH HIS HANDS.
- NOT TO OVERSEE WORKMEN, IS TO LEAVE THEM YOUR PURSE OPEN.
- WANT OF CARE DOES US MORE DAMAGE THAN WANT OF KNOWLEDGE.
- BEWARE OF LITTLE EXPENSES; A SMALL LEAK WILL SINK A GREAT SHIP.
- WHAT MAINTAINS ONE VICE WOULD BRING UP TWO CHILDREN.
- IF YOU WOULD KNOW THE VALUE OF MONEY, GO AND TRY TO BORROW SOME.
- FOR 6£ A YEAR, YOU MAY HAVE USE OF 100£ IF YOU ARE A MAN OF KNOWN PRUDENCE AND HONESTY.
- WOMEN AND WINE, GAME AND DECEIT, MAKE THE WEALTH SMALL, AND THE WANTS GREAT.
- CREDITORS ARE A SUPERSTITIOUS SECT; GREAT OBSERVERS OF SET DAYS AND TIMES.
- A LITTLE NEGLECT MAY BREED GREAT MISCHIEF; FOR WANT OF A NAIL THE SHOE WAS LOST; FOR WANT OF A SHOE THE HORSE WAS LOST; AND FOR WANT OF A HORSE THE RIDER WAS LOST, BEING OVERTAKEN AND SLAIN BY THE ENEMY, ALL FOR WANT OF CARE ABOUT A HORSE-SHOE NAIL.

Enjoy! And try to heed some of this pithy advice.

ANNUAL 2022 PRACTICE MANAGEMENT & GROWTH CALENDAR

Month	Task	What I will do this month	Follow Up Action (if any)
Jan	**Raise** all your fees 5 percent across the board, or whatever percentage makes sense for you, but increase your fees. However, do not include clients who are struggling to survive. **I know** you are busy, but there are many ways of having client contacts without seeing or talking to clients. One way is to postal mail or email a letter to your clients welcoming them to 2022. Keep it short and give them an update on your firm. **Remind clients** they can call you anytime with any tax, financial or business questions or concerns. **Schedule** a Retreat for July or August **Year-round:** Send clients a birthday card or an email on their birthday.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Feb	**Tell your staff** that errors on returns will no longer be tolerated (and mean it). Staff must check and double-check their work before handing it in for review. **Book** your post-tax season vacation now If you haven't done it already, and hopefully you'll be able to take it. Alternatively, block out the time for a non-travel vacation — and take the time off. **Send a postcard** or email to clients with a short note that you are open for all clients' business and financial needs, in addition to their taxes, and they are welcome to call you with any questions or anything else they wish to discuss. **Ask for referrals**. **Showing availability** is the important thing with your client contacts.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Mar	**Close** the weekend after March 15. This way your staff can catch their breath, catch up on family duties and have a "whole" weekend to chill out. Whether your staff works virtually or in your office, they could use the time off. **You can skip** marketing activities in March — clients might think that if you have time to		

	send them a marketing pitch, you are not too busy, so then why would they be getting their return at the last minute?		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Apr	**File** your own return on time with no extension! **Close** the day after tax season ends; this year it will give staff a three-day weekend. **Retrospective:** Schedule a lunch, two hours maximum, on April 22 for a tax season retrospective while everything is fresh in everyone's minds. A virtual lunch is OK and if so, give your staff a voucher to buy themselves and their family a nice lunch. **Update:** At the end of April, send clients a letter with an update on how you did during tax season and thanking them for being your clients and friends and for their referrals.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
May	**Checklist:** Send clients an email with one of my tax season checklists that you can adapt from my Word® file that I distribute at the end of every January. Two that come to mind are "Getting rid of tax preparation clutter" and "Ways to reduce tax preparation fees." **Take** your well-earned vacation. **Send** a postcard to your clients and prospect list if you take a vacation at an exotic place. You can have the cards printed and addressed before you leave with write a nice message. When you arrive, buy local stamps and mail them. **Off-site** partners' monthly meetings should start. If you are a solo, then with yourself and at least one staff person.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		

	Other		
Jun	**Start** reviewing your clients' tax returns and any notes you made about additional services they might need. Try my 1/20th rule, which is to provide additional services to 5 percent of your individual tax clients each year. **Continue** with your monthly partners' meetings. **Try** taking off every Friday from now until at least Labor Day. If you are very busy, then work harder and longer the other four days, but take Friday off.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Jul	**Send** a July 4th card or email to your clients. If you want to get a little corny, have a photo taken of you and your staff, each holding a flag or wearing a flag T-Shirt. **Visit,** meet or schedule a Zoom-type meeting with every business client that you haven't been with since April. This also shows your availability. If COVID caused a reduction of your in-person meetings, then make it up with twice as many, but shorter, virtual meetings or phone calls. **Use** the summer to connect by writing a letter describing your (or a partner's) vacation to an exotic place if you haven't sent a post card (see May). Alternatively, write a letter describing one of your hobbies or some charitable project you or one of your partners or staff were involved in. Make it personal and share the experiences. **Connect. Share. Show Availability**. **Retreat**. I hope you scheduled a Summer Retreat.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Aug	**Continue** your client meetings and the 1/20th calls. **Get started** with the extended returns so September so the first half of October won't be so burdensome. **CPE**: Try to schedule some.		
	Individual growth		

	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Sep	**Busy month**: It’s a busy work month, but do not stop your monthly partner or owner meetings. **Referrals**. Ask for referrals from every client you interact with.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Oct	**CPE**: Toward the end of the month, start up your CPE again. **Call** tax clients to find out what changes took place with them during the year that might have tax consequences. Anything that has happened that can be worked on before the year ends will have that work shifted from the busiest part of tax season to a less hectic November or December. **Make the call!** **You could also** send a letter asking clients if they need any year-end tax planning, saying you should be made aware of anything that happened during the year that would need to be reported on their 2022 return and that it should be worked on now. Even better, make the call or do both. **Do not** skip you partners’ meeting. I won’t be reminding you of this anymore.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Nov	**Make the calls** you didn’t last month. **Second vacation**. This is a good time for it. Why not? **Tax season**. Start your planning now. **Send** a Thanksgiving card with a message that you made a contribution on behalf of your		

	clients to the local food pantry or a similar organization.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		
Dec	**Be a realistic** businessperson. Did your firm do the best it could this year? Are your staff growing the best they can? Are you keeping up with your clients? Are your clients keeping up with your growth, increased, improved and expanded capabilities? If the latter hasn't happened, then determine why not and make it happen next year. **Review** your clients and determine if work was done that was not billed, was out of scope or was done inefficiently or should not have been done at all. **Bill** for whatever extra work you did that you can. **Plan time budgets** for next year for your larger clients. **Review** your job-planning procedures and cut out nonessential services. **Send** a desk or wall calendar to your clients and contacts. It should be something nice and tasteful. If it ends up on a wall, you would have acquired a 12-month "billboard" for very little cost. **Send** an email or postal letter asking clients for referrals. One of my colleagues mails a $100 gift certificate to be applied against a client's tax return fee for ***every*** new client they refer. He has received over 150 new clients from this tactic. **Mail or email** a listing of what records can be discarded and what should be retained. **Happy Holiday and New Year!** Restart this calendar for next year.		
	Individual growth		
	Client service solutions		
	Staff development		
	Business development		
	Firm procedures		
	Other		

Extras	**If you ever did business with me, you know I always provide an extra.** You should too. **Availability:** There are many ways of keeping in touch with clients in a regular and unobtrusive manner that demonstrate your availability in addition to what was suggested in this calendar. Come up with your own methods and follow through with them. **Added ideas**: During the year you can send clippings or reprints of articles or even a book, or give a magazine subscription. **Make frequent** "just checking in" calls to see how your clients are doing, and if there are any major changes in their lives where they might need financial or tax assistance. **Social media**. Notice that I did not refer to any form of social media. This should already be fully integrated into any regular regime. **Starting point**. Use the above as a starting point to develop your monthly client contact schedule for next year.		
Added to do's			

SWOT ANALYSIS

SWOT is an acronym for “Strengths, Weaknesses, Opportunities and Threats.” Shown is a grid and sample entries for an accounting firm and these can be used for your firm or adapted for any client.

Strengths	**Weaknesses**
Opportunities	**Threats**

Strengths

- Adaptability and adoption to technology and availability of a wide range of systems and software
- A dedication to training staff. The large and all successful firms hire out of school and grow what they need
- A great reputation of trust, integrity and competence
- Our clients and the general public rightfully consider us as being smart
- Many of us are looked at as thought leaders and our opinions are sought out, and listened do
- We have strong professional associations and societies that promote the profession and keep track of legislation that might hurt us
- We have a “franchise” to audit financial statements and for many attestation functions
- The larger firms, i.e. top 100 are become more corporate with centralized and professional management. This is a model that can be emulated by smaller firms, even those with a dozen people
- As a profession we are relatively free of debt

- The larger firms have been set up to work virtually for many years. The smaller firms adapted quickly (in some cases in a day) when forced to and were good enough with virtual services which have become pretty standard and is a testament to our adaptability
- We run profitable businesses with a good percentage of repetitive services providing a sustainable cash flow [this could also be a weakness since losses usually spur change more than profits]
- Longevity of clients and client base and high client loyalty
- Key employees with low turnover
- Strong firm cultures
- Teamwork is pretty seamless
- Our systems all work, even the bad systems are effective (to a point)
- Open relationships with clients some of whom are top level industry leaders
- Virtual employee training
- Some firms have monetized websites where business is obtained
- Accounting firms are learning organizations
- Solid capital structure
- A ready supply of buyers that maintains asset values of the practices
- We are generally available to our clients on short notice

Weaknesses

- The culture of many firms thwart the majority of personnel from becoming aware of the many advisory services their firm offers and how staff could spot opportunities
- Technical and systems training that enables staff to get working productively pretty quickly but that is not designed to teach them how to be innovative and to seek out opportunities with clients or within the firm
- Minimal soft skills training
- Competition on a majority of the standardized services we provide tends to reduce fees
- The inability of many partners "selling" a prospect to present the full value the firm will provide, so the sale becomes that for a commodity
- A lack of inhouse professional business development people that can be brought on sales calls
- Many partners resist necessary training in new endeavors, procedures and new technology
- Firms' infrastructures are based on an old model with higher or now unnecessary costs
- Setting up new systems at many firms are executed "perfectly" but are not being carried through to full implementation
- Office facilities are on a path to be downsized over remaining lease terms costing substantial amounts that could have been saved
- If the firm is a niche provider in very few industries and those industries have a melt-down, the firm could lose a substantial source of its revenue
- Building up skill levels of staff to support partners and services and then not promoting them because they do not generate new business
- Partner compensation mired in old school models
- Inability of many older partners to authorize or permit investments in new and innovative services and infrastructure strengthening
- Lack of diversity of staff and also of client base
- Some firms have very high employee turnover, older management base, are not a learning organization, and no partner energy or synergy.
- The opposite of any strengths listed in that section

Opportunities

- To be able to not only grow with our clients but in many cases to lead clients' growth
- The need for advisory services is expanding very rapidly and many of the innovative firms are jumping on these opportunities
- The accountant usually finds out early on about personal or professional services a client needs enabling us to enter that space
- The colleges provide a steady stream of entry level personnel and as we add services, we can draw the people we need from the colleges [a threat could be a declining number of students enrolled in accounting programs]
- Business transparency is increasingly becoming more important and that means added services for independent accountants
- AI and robotics and other technological methods are rapidly growing and some of our societies are leading and supporting this growth
- Globalization

Threats

- Many innovative premium advisory services will become commoditized putting pressure on pricing those services
- It is becoming easier for other service companies, particularly niche providers, to offer advisory services to our clients
- Much of our value is based on reputation and a single inappropriate action by a partner could destroy that reputation and firm's value.
- Inattention by partners could cause the loss of clients or key staff
- Swift, more frequent and wide range of tax changes
- Government regulations
- Negative publicity of other accounting firms shortcomings or errors
- Fear of change by older partners who are complacent and risk adverse and who dominate many practices

These examples should help you get started with your SWOT particularly if some of these apply to you. Do not use this list as all inclusive, but as a start. Identifying the issues is not the problem. An inability to implement the more important or current issues is the problem, so if you work on this, do not neglect the follow through.

CHECKLIST OF REASONS
FOR A CPA FIRM MERGER OR ACQUISITION

- ☐ Get greater volume
- ☐ Make more money
- ☐ The practice is available at an attractive price and terms
- ☐ Get or attain a critical mass either in volume or a specialty
- ☐ Acquire a specialty or expertise
- ☐ Step into a reputation in a niche or service area
- ☐ Better utilize partners in combined or larger firm
- ☐ Have a spokesperson that is well known in the media
- ☐ Operate in a geographic area or strategic location
- ☐ Have better perception by clients of being a player in the marketplace
- ☐ Get trained staff
- ☐ Get needed management skills
- ☐ Get needed administrative skills
- ☐ Get clients in an industry
- ☐ Step into valuable banking, bonding, legal or other relationships
- ☐ Become a larger firm so that clients' increased needs for credit can be supported
- ☐ Succession or transition planning reasons
- ☐ Get young blood, or an elder statesman to accommodate client or referral base
- ☐ Consolidate administrative, bookkeeping, technology and marketing functions to obtain better utilization at lower combined costs
- ☐ Better access to technology, more sophisticated software, procedures and infrastructure
- ☐ Freedom for most partners from admin and firm management
- ☐ Partners not getting along personally
- ☐ Partners who don't agree on the future direction of the firm
- ☐ Partners who don't want to invest in the future
- ☐ Move or obtain a new lease
- ☐ Lost a tenant and need to fill space
- ☐ Already have a good working relationship with merger partner
- ☐ Business presently being referred can be retained by the combined practice
- ☐ Acquire a super rainmaker
- ☐ A previously negotiated deal fell through and a need to act quickly
- ☐ A death or disability and a practice continuation agreement is in effect
- ☐ The smaller firm partners believe they can "take over" managing bigger firm

This is a listing of reasons for mergers or acquisitions. Not all are desirable or good reasons or goals, but I've seen all of the above at various times. This is a checklist designed to get you thinking. If you have additional reasons, please let me know.

CRITICAL ISSUES IN RUNNING AN ACCOUNTING FIRM CHECKLIST

- ☐ Future of the small [medium] [larger] [large] firm
- ☐ Identify your firms Unique Selling Proposition (USP) and build on that
- ☐ Growing the practice
- ☐ Tax season hours and payment to staff for “overtime”
- ☐ Getting, retaining, training and developing staff
- ☐ Virtual staffing
- ☐ Work / Life balance
- ☐ Pricing, billing and collecting fees
- ☐ Time sheets and realization
- ☐ Client retention
- ☐ Selling existing clients additional services
- ☐ Getting new clients and practice development
- ☐ Networking
- ☐ Client service
- ☐ Developing new services
- ☐ Succession issues or merging or selling a practice
- ☐ Buying a practice to expand
- ☐ Practice continuation if a sole proprietor or a buy-sell if more than one owner
- ☐ Keeping current and information overload
- ☐ Adopting technology
- ☐ Systems and procedures
- ☐ Improving and strengthening infrastructure
- ☐ Virtual client service and relationships
- ☐ Social media presence and use
- ☐ Keeping ahead of clients who can obtain their real time data by pushing a button
- ☐ Risk management
- ☐ Quality control
- ☐ Profitability, cash flow, overhead costs – Payroll, Admin and support, rent
- ☐ Creating wealth outside of the practice
- ☐ Culture and Branding
- ☐ Team building
- ☐ Design
- ☐ Facilities management

12 TIPS TO INCREASE BILLING AND COLLECTIONS

Poor fee management does not serve you or your clients well. If you are being underpaid your efforts and energies have to turn to servicing and prospecting for more profitable clients, causing a lessening of the services provided to those clients whose fees have not kept up with your increased costs. Here are some best practices for setting and managing fees.

1. **Know the costs of providing your services**
Your practice is a business and as such you should measure and control your costs. The easiest way is by keeping time sheets. Each person should be assigned a billing rate based on their costs, allocated overhead and targeted firm profits. If you collect less that that amount, you have an "unprofitable" client. Dividing the total time charges by the fees collected or collectible gives you your realization rate. Determine the overall firm realization rate and for each client by dividing chargeable time by the fees collected. Lower realization rate clients should be reviewed and possibly culled out of your practice.

2. **Determine the right fee for the value provided**
Except for specialized work, fees for most services can be reasonably estimated. Compare that estimate to the valu$e and benefits provided to your client. If you price a specific tax return at $800 and most of the other accountants in your area will charge $500, then perhaps you are not charging the right fee. Likewise, if you price an audit at $50,000 and most other firms will charge $30,000.

3. **Decide on the billing method**
Three methods are a fixed fee, a time based fee or a value added fee. Recognize that you need to be flexible and choose the appropriate method for the job. A tax return without complications can be priced based upon a fixed fee schedule; a first time audit can be based upon the time charges with perhaps a cap; and assisting a client in selling their business can be based upon a minimum retainer with a bonus for the value added to the transaction.

4. **Know if you are performing value added or commodity based services**
The type of services will determine the fee. Most practices do both types of services. Commodity services are bought based on price while specialized consulting is based on the value created. If you price your commodity services too high, you risk losing the client. I have found that many CPAs believe that most of their services are the value added type while the clients perceive of them as the commodity variety. Be realistic is evaluating your fees. If you feel they are not commodity services then make sure your client knows. This requires continuous marketing those thoughts to your clients. Many CPAs make tremendous efforts getting new clients and initially overwhelm the client with service only to fall into a comfortable work pattern without the additional efforts they made early on unwittingly becoming a commodity service provider.

5. **Assess your client's ability to pay your fees**
It doesn't matter what you need to charge a client if they cannot pay for the services. Match the level of service to the needs of the client with perhaps a little extra. If those little extras become a lot of extras and the client cannot afford such services, then you are misdirecting your efforts. Target the clients that will benefit from your extras, convey the benefit and show how they can afford to engage you for these extras.

6. **Bill timely**
Simple rule: The longer the time span between performing the service and delivering the bill, the less it is likely the client will appreciate the value of the service. If possible, bill as soon as the work is completed. Better yet, ask for an upfront deposit or retainer to ease your cash flow. Most clients are

businesspeople and understand your need for an even cash flow. Also, another rule is that the service is usually more valuable to the client *before* you are engaged than after it is completed.

7. **Don't work for clients that aren't paying you**
A practice is a business that needs its customers to pay their bills. Establish an understanding early on that your bills need to be paid currently. If you have been lax with this, then start now with a program for your clients to catch up on the back amounts while paying the current bills as rendered. To create an incentive for payment, offer to have payments charged to their credit cards creating a "bonus" of mileage points.

8. **Use changes in a client's payment pattern to monitor satisfaction**
Clients occasionally become upset about something their accountant might have done (or think was done) or become generally dissatisfied with the service. Most people are uncomfortable in communicating this so "show" it by slowing up or holding back payment. Pattern changes are signals – heed them, and contact the client and find out what is wrong.

9. **Carefully and professionally explain reasons for the fee increases**
In many cases much of the increase is not as much an increase in the fee as a passing on of increased costs. A five or eight percent increase just offsets higher costs. A twenty percent increase would reflect added charges for increased services or extra work that has to be done for the client. Be proactive not passive or reactive

10. **Materiality**
The total fees you collect are material to you and the success of your business and your future financial security. The amounts your clients pay are never material to their business – unless your fees are not paid regularly and they accumulate to a fairly large amount. Don't let your clients fall behind!

11. **Become your client**
Spend a few minutes of concentrated focused time each month on your billing activities; the realization percent; reviews of the services performed and their value to the client; potential for additional services; and ways to eliminate high cost, low realization services. Spend the time with yourself (and your partners) in the same manner you would spend and discuss with your clients. With the right data it shouldn't take you more than about twenty minutes a month.

12. **Evaluate the threats**
Any fee increase presents a threat of losing the client. Accordingly you must be prepared for this. However, not raising fees also presents a threat – a threat to your long term success and business viability, and this must also be considered. You will be much better off in the long run with fewer clients paying higher fees with them getting better service than a large number of clients with marginal fees running you ragged. You may also want to cull out your two or three worse clients to make room for newer and more profitable and possibly more pleasant and appreciative clients.

Doing nothing is a decision to maintain what you are doing! It would seem that increasing fees minimally to keep up with increased costs is a necessity and some marketing to gain additional clients is also in order. Your practice is a business and pricing your services properly should be given the highest priority and thoughts.

CREDIT CARD AUTHORIZATION WORKSHEET

Client can pay online at ______________________ . Go to ONLINE PAYMENT SYSTEM (at top of home page)

Date_____________

Prepared by____

Client name____

Client #________________________

Invoice #_______________________

Amount to be charged $___________

Credit card processing fee $ _________ or percent _________%

Authorized person____

Telephone #____________________

Credit card type____

Credit card #____

Verification #__________________

Expiration date________________

Amount $____________________

Repetitive amounts____________________________ Dates________________________

Card in name of____

Address of cardholder_______________________________________

____

City______________________ State__________ ZIP____________

Email address____

Signature____

SAMPLE EMPLOYMENT POLICIES CHECKLIST

This is a guide and not meant to signify a contract or obligation by the employer.
Before anything is adopted it is suggested it be discussed with an attorney.

Federal and NY State withholding

All salaries are subject to Federal, NY State and Local withholding taxes, as applicable. Employees will receive a W-2 form by the end of January for the previous year. Each person must submit a W-4 withholding statement with their marital status and the number of exemptions claimed.

Social Security and Medicare

All employees will be covered by Social Security and Medicare and will have the statutory amounts withheld from their salaries.

Unemployment and disability insurance

Each employee will be covered for NYS statutory unemployment and disability insurance. The required withholding will be deducted from the employee's salary.

Worker's compensation

All employees will be covered by worker's compensation insurance. In the event of an injury, the insurance carrier will provide claim forms.

Health insurance

[This policy, as all policies, need to be determined]
The employer does not provide health insurance for any of its personnel.
Or
Health insurance will be provided for employees meeting minimum employment requirements. This was explained when you were hired.

Pension plan

No pension benefits are provided as part of the employment arrangement.

401(k)

A 401k plan is available for employees to voluntarily contribute part of their salary. All deductions will be placed in a segregated account for the employees benefit only. The company will not match any contributions.

Overtime

Salaried and hourly employees will be paid time and a half pay for each hour worked over 40 hours a week. Hourly employees will be paid based on the time sheets submitted. Salaried employees will submit a time sheet indicating the total hours worked each week for any week they worked more than 40 hours. If a time sheet is not submitted it will signify that the employee did not work more than 40 hours for that week. Time sheets must be submitted by close of business on last day of that work week.

The overtime hourly rate paid to a salaried employee will be their gross weekly pay divided by 40 multiplied by 150%.

Holiday or vacation days
The following holidays will be given days off:

New Year's Day
Dr. Martin Luther King Jr Day
President's Day
Memorial Day
The Fourth of July
Labor Day
Thanksgiving Day
Christmas Day

Hourly employees will be paid for 8 hours for each holiday. Part time employees typically working less than 30 hours a week will not receive any holiday or vacation pay. If a full-time employee works on one of those holidays, they will be given two days off to be taken at another time.

Full time salaried employees will be given two weeks' vacation after one year of employment. No payment will be made for untaken vacation time. After five full years a third week will be added.

Sick pay or personal days
Five days sick pay or personal days will be paid to salaried full-time employees after they have been employed one year if they have not taken this time off. This is to be paid at the end of the year. If a partial year is worked, it will be paid at a prorated basis at the rate of one day every 2 1/2 months worked for the first ten months of a year and then a day for the final two months of a year.

Hourly employees will be paid for 8 hours for each sick or personal day taken or not taken up to five days a year.

Part time employees typically working less than 30 hours a week will not receive any sick pay or pay of personal days.

Maternity policy – This came up literally minutes before I was going to post this, so it is not addressed here, but I am including it so a policy can be described if it is applicable to your business

Payroll dates
The payroll will be paid by direct deposit into the employee's checking account. Payments will be made bi-weekly.

Legal agreement
This summary explanation of sample employment policies is not intended to constitute a legal agreement or any type of contract or agreement and does not confer any rights or obligations on the employer. This has been prepared for guidance and informational purposes only.

Employment questions
Any questions about your employment should be directed to __________________.

CHECKLIST OF ITEMS TO PUT IN PERMANENT FILE

A permanent file should be maintained for each of your clients. This would include the following:

- ☐ Engagement letters
- ☐ Representation letters - I would keep these in the permanent file. An example is that a claim could be made after you no longer have the work paper file associated with the matter. This is especially so with estate planning consultations where a claim could arise many years after a gift tax return was filed. I would keep copies of Crummey letters in the file for the Gift tax returns, if it is your practice to obtain copies of such letters
- ☐ Gift tax returns should be permanently retained, though not necessarily in the permanent file
- ☐ Basis of property received or given as a gift
- ☐ Basis of property inherited - try to obtain the 706 if one was filed, showing the valuation amount
- ☐ Final divorce agreements
- ☐ Pre-Nuptial agreements
- ☐ Employment contracts
- ☐ Employment severance payment documentation
- ☐ Stock option information - both for incentive and nonqualified options
- ☐ Restricted stock awards
- ☐ Section 83b elections
- ☐ Deferred compensation agreements
- ☐ Alternative minimum tax credit backup
- ☐ Stock and business ownership basis calculations
- ☐ Installment sales basis calculations and copies of actual notes
- ☐ Section 754 basis calculations
- ☐ Schedules of carryover amounts
- ☐ Partnership, Buy-Sell, Members' Agreements and similar agreements
- ☐ Real estate closing documents for real estate that client owns
- ☐ Business valuations and appraisals
- ☐ Closing contracts for a business that has been purchased
- ☐ Purchase or sale of a business price allocations including for intangibles
- ☐ Built In Gain S corporation conversion valuation
- ☐ Appraisals of charitable gifts
- ☐ CYA letters such as a widow or widower refusing to have a 706 filed to claim the Portability election
- ☐ Tax opinions for ongoing or long-lasting transactions

- ☐ Private letter rulings
- ☐ Tax audit closing letters
- ☐ Estate tax returns closing letters
- ☐ Financial plans
- ☐ Estate plans
- ☐ IRA or other retirement plan basis calculation backup
- ☐ Corporate minutes documenting tax issues
- ☐ Client business ownership information
- ☐ Ownership transfers of business or property interests
- ☐ S elections
- ☐ Not-for-profit approval from IRS and individual states
- ☐ Opinions as to taxability of transactions for state tax purposes
- ☐ Copies of clients' wills
- ☐ Copies of designation of beneficiary forms
- ☐ Copies of trust agreements where client is a grantor, trustee or beneficiary
- ☐ Documents evidencing termination of grantor trust status of a trust client established or is or was deemed the grantor of
- ☐ Any powers of appointments in favor of client
- ☐ Powers of attorney client executed by client or where client is granted the power
- ☐ Documents client asks you to retain copies of
- ☐ Life insurance policies where you are trustee of client's ILIT
- ☐ Private letter tax rulings
- ☐ HUD-1 forms for real estate purchased
- ☐ 1031 basis and back up documentation
- ☐ 1035 basis and back up documentation

ORGANIZATION MINUTES CHECKLIST

The following is a brief checklist of what should be considered to be in the corporate or organization minutes.

- ☐ Were all the owners or board members notified of the meeting and is there current contact information for each person
- ☐ The prior meeting's minutes should be accepted
- ☐ Officers should be elected
- ☐ The chief executive officer, executive director or managing member should present a summary of the previous year's results
- ☐ Salaries, bonuses and other compensation paid to officers or other high-level personnel should be included in the minutes and ratified
- ☐ Accruals of salaries, bonuses and other compensation should be ratified
- ☐ Health insurance and medical reimbursement plan (if any) payments should be ratified
- ☐ Payments and accruals of pension, retirement or deferred compensation plan contributions and inclusion of participants in such plans should be ratified
- ☐ Benefits paid to or on behalf of officers or high level personal should be ratified
- ☐ Expenses paid on behalf of an officer or high-level person, or paid as a reimbursement to them, should be ratified
- ☐ The amounts and basis for owner or executive salaries for the current year should be explained and ratified
- ☐ Employee benefit plans in effect or to be adopted should be ratified including expense accountable plans, adoption assistance plans, cafeteria plans, educational assistance plans, and nonqualified retirement plans
- ☐ Any waived or underpayment employee compensation amounts should be stated in the minutes
- ☐ The organization's overtime pay policy should be reviewed to ascertain it is in accordance with federal and state wage laws
- ☐ Leases between the organization and an owner, manager or director should be reviewed as to appropriateness of usage, terms and payment amounts
- ☐ There should be a ratification or appropriate use if the organization provides a vehicle to an employee with verification noted that there is proper insurance coverage on the vehicle that protects the organization
- ☐ Ratification of dividends paid
- ☐ If the corporation has not paid dividends this year, then reasons for retaining the income should be expressed
- ☐ All loans or advances to OR from employees more than $10,000 [or an amount deemed appropriate] should be memorialized with notes with payment terms, a due date and interest rate
- ☐ Organization loans guaranteed by individuals should be recognized at the meeting and included in the minutes
- ☐ The board should approve all charitable contributions more than $250 during the year
- ☐ There should be an affirmation that the organization made no political contributions during the year
- ☐ If the organization has more than one owner, there should be a current buy-sell agreement and the values in it should be certified to as being the appropriate values
- ☐ If there is no buy-sell agreement it should be so stated, and the owners should take immediate actions to procure one

- ☐ If the business has a single owner, the contingency plan in the event of an untimely death or disability of the owner, should be reviewed. If there is no such plan, immediate steps should be taken to prepare one
- ☐ All loan agreements and covenants should be reviewed to see if there are any danger points or impending unpleasant trigger points and so noted in the minutes
- ☐ All leases and contractual obligations extending beyond one year should be reviewed for termination date and current appropriateness
- ☐ The minutes should note approval of all ownership redemptions, transfers, recapitalizations, issuance of options, warrants, or restricted stock
- ☐ The entity tax status should be reviewed, and potential changes should be reviewed
- ☐ Description of any lawsuits against the organization should appear in the minutes
- ☐ Purchases of equipment or for any other purpose or contracts more than $50,000 [or any amount deemed appropriate] should be approved in the minutes
- ☐ Terminating contracts should be approved in the minutes
- ☐ Disposing of corporate assets in excess of $50,000 should be approved in the minutes
- ☐ Delivery should be indicated of a copy of the minutes to anyone that was supposed to be at the meeting that wasn't

Many organizations that should have minutes do not. If the above checklist seems excessive, imagine the organization's and its managers' positions if a problem arises with just one of these items and how it would be resolved and whether it would then be wished that the minutes would have been prepared and the due diligence done in responding to the checklist items.

RUNNING A MEETING CHECKLIST

Meetings can either be super productive, great timewasters or every gyration in between. What they are is usually determined by the person organizing and running the meeting.

Here are some tips for more effective meetings:

- Create and distribute a specific agenda in advance so those needing to prepare will have enough time
- Be prepared (yourself)
- Ask for “new business” or off-agenda proposals to be provided to you in writing early enough so it could be added to the agenda
- Decide if you will lead the meeting or facilitate discussions
- Have some punch list items to lead with if a discussion doesn’t get started
- Stay on topic – stick to agenda
- If someone is off target, politely stop them, pointing out that what they are suggesting or discussing is not on the agenda and you can discuss with them after the meeting to determine if it belongs on a future agenda
- Decide on your personal style of permitting discussions – can each person express their thoughts on an issue only once or twice, or as many times as they choose, only limited by being recognized by you. In matters where everyone might want to express an opinion, go around the table with each person getting one chance for a limited period to provide their thoughts. This will force them to be concise, clear and complete
- Do not permit cross conversations
- Start on time
- Set an ending time and end on time
- Do not interrupt the meeting to bring latecomers up to date
- If assignments are given out, set due dates
- If committees are organized, designate a chairperson
- Set date for next meeting
- Decide if you will run meeting like a dictator or following parliamentary rules – meetings called by a project manager will not necessarily follow parliamentary rules. Not-for-Profit organization committee meetings will
- Have a reasonable summary of Robert’s Rules of Order handy in case you need it

Keep in mind that the purpose of the meeting is to accomplish a specific goal. Anything discussed at the meeting that doesn’t lead toward that purpose is a waste of everyone’s time.

CHECKLIST FOR CHANGE PROJECTS

Based on *Who Killed Change?: Solving the Mystery of Leading People Through Change* by Ken Blanchard, John Britt, Judd Hoekstra and Pat Zigarmi © 2009 by Polvera Publishing and John Britt. Published by HarperCollins.

- ☐ You need complete buy-in by all levels of leadership team and management
- ☐ A beginning statement by the “boss” with reasons for the change, input going into the decision-making process to adopt the change, plan on how it will be achieved, details of the execution, and desired end result and benefit to everyone
- ☐ Company culture needs to embrace change
- ☐ Leadership commitment
- ☐ Sponsorship and guidance
- ☐ Cohesive change leadership team
- ☐ Effective communications and dialogue
- ☐ A sense of urgency
- ☐ An inspired vision that is clearly transmitted
- ☐ A wide range plans
- ☐ Detailed plan of accomplishment
- ☐ Realistic budget applied with discretion
- ☐ Adequate, full and fun training
- ☐ Achievable incentive plan
- ☐ Timely performance measurement
- ☐ Documented activities
- ☐ Accountability by each team and each team member

WHY AM I TALKING

I printed the following on an index card and keep it on my desk and near my phone and when I am in virtual meetings. I also look at it before face-to-face meetings. A good rule to follow is to let your client and prospect do most of the talking. I have found that the more they talk, the smarter they think I am. Also, its hard to learn about a client and find their pain points if you do all the talking.

Note that I did not make this up but copied it from something I read where I cannot remember what.

W.A.I.T.

BOOKS TO BOOST YOUR PRACTICE

Accountants spend a lot of time learning their craft and keeping current. What many do not do as well is keep up with practice management. An easy way is to read some of the many books on that topic. If you implement one new idea a month, you would be doing 60 new things over the next five years. This would greatly improve your practice, staffing, client services, profitability and work-life balance. So, get started and look for that one idea you can implement each month. Included are some of my books.

Overall practice management

- "8 Steps to Great" by Domenick Esposito. The eight essential strategies driving success at the world's largest CPA firms (CPA Trendlines)
- "Power Bites" by Edward Mendlowitz.
- "101 Questions and Answers for Managing an Accounting Practice" Volumes 1 and 2 by Edward Mendlowitz (CPA Trendlines)
- "Call Me Before You Do Anything: The Art of Accounting" by Edward Mendlowitz (CPA Trendlines)
- "Accountaneur / The Entrepreneurial Accountant" by Hitendra R. Patil (CPA Trendlines)
- "On Your Own: How to start your own CPA Firm," 2nd ed., by Brannon Poe (AICPA)
- "The Relentless CPA: A New 21st Century System for Driving Success at Tax and Accounting Firms" by Frank Stitely

Managing staff and establishing processes

- "Talent Development & Career Planning: Practice Manual & Planning Workbook" by Glenn Alan Cheney, managing editor (CPA Trendlines)
- "The Checklist Manifesto" by Atul Gawande
- "The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It" by Michael E. Gerber (HarperCollins)
- "30:30 Training Method" by Edward Mendlowitz (CPA Trendlines) Free download by clicking here: (http://cpaclick.com/free-30-30).
- "CPA Firm Staff: Managing Your No. 1 Asset" by Marc Rosenberg (The Rosenberg Associates). Marc has written over two dozen books (he calls them monographs) and they are all highly recommended. They are all on sale at CPA Trendlines.

Introducing clients to a higher level of service and practicing at a higher level

- "Improv Is No Joke: Using Improvisation to Create Positive Results in Leadership and Life" by Peter A. Margaritis (Advantage Media)
- "Taking the Numb out of Numbers: Explaining and Presenting Financial Information with Confidence and Clarity" by Peter A. Margaritis (Silver Tree Publishing)
- "Remaining Relevant: The Future of the Accounting Profession" by Rob Nixon (Vivid Publishing)
- "Firm Forward: A Journey from the Land of Compliance to a World of Reliance" by Edi Osborne (Oz Publishing)
- "The Radical CPA: New Rules for the Future-Ready Firm" by Jody Padar (CPA Trendlines)
- "From Success to Significance: The Radical CPA Guide" by Jody Padar (CPA Trendlines)
- "Accountant's Flight Plan: Best Practices for Today's Firms" by Brannon Poe
- "The Art of Client Service: 58 Things Every Advertising & Marketing Professional Should Know" by Robert Solomon. Yes, I am recommending this to accountants!

- "The Personal CFO: The Secret to Getting More Out of Your Money and Your Life" by Kyle Walters (Lioncrest Publishing)

Pricing and billing

- "Bill What You're Worth," 3rd ed., by David W. Cottle (AICPA)
- "Implementing Value Pricing: A Radical Business Model for Professional Firms" by Ronald J. Baker (Wiley)

Marketing

- "Business Development on a Budget" by Martin Bissett (CPA Trendlines)
- "How to Build a Stronger Tax Practice: The Who, What, When, Where, Why, and How for Delivering More Client Services and Making More Money" by Edward Mendlowitz (CPA Trendlines)

Tax season management

- "Managing Your Tax Season," 3rd edition, by Edward Mendlowitz (AICPA)
- "How to Review Tax Returns" by Edward Mendlowitz and Andrew D. Mendlowitz (CPA Trendlines)

Social media

- "Social Media / The Accountant's Social Media Handbook" by Becky Livingston (CPA Trendlines)
- "SEO for CPAs: The Accountant's SEO Handbook / Get Found Online – Organically" by Becky Livingston (CPA Trendlines)

Free practice management interview download

- Interview with Edward Mendlowitz by Chris Frederiksen for 2020 Group USA. A one-hour audio recording and a free download by clicking here.
- There are a number of practice management podcasts by me that can be downloaded for free from YouTube. Go there and search "Ed Mendlowitz"

You can get a 25 percent discount off any book CPA Trendlines sells, not just mine, by entering the discount code "**EdSentMe**" at www.cpatrendlines.com.

I have many other books I could recommend that are equally as good, but space restricts what I can include here. I know many of the authors, have heard them speak and read their blogs and articles. There is a treasure trove of assistance in the books out there. You just need to pick them up instead of passing by and pushing them aside.

TOP 10 ALL-TIME LEADERSHIP AND MANAGEMENT BOOKS

This is my list that was posted at **www.accountingtoday.com** January 11, 2021. Technically it is not a checklist, but I wanted to include this anyway.

My list of the Top 10 leadership and management books is list. I could likely include three or four dozen additional books, but I wanted to limit my selections to my top 10. That means I left off, by my own reckoning, at least 36 other books. You can have favorites you think should be on this list, but I feel it would be pretty difficult to disagree with more than one or two of my choices. However, if you have books you think should be on this list, by all means email me with your selections. I can easily post a follow-up listing but hurry up since reading time might be curtailed during the coming tax season. It shouldn't, but it will be. Meanwhile, these are books I learned a lot from and wholeheartedly recommend to my colleagues and all business managers and leaders. Enjoy! A tip is to read one you've never read every two months. This will get you through the entire list in the next two years. Not such a bad undertaking. Also, with one exception, they are not too long.

"The One Minute Manager" by Ken Blanchard and Spencer Johnson

I recommend each of Ken Blanchard's books. They are all gems. I've read them all and am always rereading some of them. I am listing this one here but can easily list them all.

He introduces the One Minute Praise — catch a staff person doing something right. He also suggests trying to catch yourself doing something right (self-checking). People who feel good about themselves produce good results. Always make it clear what you want done and what the assigned person will be accountable for, with crystal clear feedback. Train. Most businesses spend 30 to 70 percent of their money on staff, but less than 1 percent on training.

"Murphy's Law" by Arthur Bloch

This is another classic, and Murphy's Law has entered everyday business lexicon. It says: If anything can go wrong, it will. Nothing is as easy as it looks. Everything takes longer than you think. If there is a possibility of several things going wrong, the one that will cause the most damage will be the one to go wrong. Left to themselves, things tend to go from bad to worse. There are many more. Read the book.

"How to Win Friends and Influence People" by Dale Carnegie

This is the granddaddy of self-help books. Relationships matter more than ever. Carnegie tells how to build up people. Any fool can criticize, condemn and complain, and most do. When dealing with people, remember you are not dealing with creatures of logic; rather you are dealing with people with emotions, prejudices, pride and vanity. Treat them well and courteously. Carnegie said that you can make more friends in two months by becoming interested in them than in two years by trying to get them interested in you. Today is the tomorrow you worried about yesterday. Knowledge isn't power until it is applied.

"First Things First" by Stephen R. Covey, A. Roger Merrill, and Rebecca R. Merrill

Covey has written a ton of books — all meaningful and important — but if I have to choose one, this is it. His main admonishment is: "The main thing is to keep the main thing the main thing." Too many of us do not keep this in mind or in view. Write this out and keep it on your desk or taped to your laptop. This book is about getting where you're headed and not necessarily how fast you're going. Some quotes: Where there is no gardener, there is no garden. Identify your role. Plan your time. It's easy to say "no!" when there is a deeper "yes!" burning inside. Priority is a function of context. I believe context is very important and when the leaders have a big picture vision and mission, the context becomes clear at least to them. Then their ability to communicate it and get buy-in is what separates the winners from the also rans.

"The Essential Drucker" by Peter F. Drucker

Peter Drucker is, if not the top management advisor, then certainly one of the top. His writings are as fresh today as when he published his first book in 1939. He coined the phrase "knowledge worker." Some of his ideas are: Management was developed to supervise large groups of unskilled laborers. Today they are handling highly educated knowledge workers. The soldier has a right to competent command. Management is about making people capable of joint performance. A business enterprise must build a true team and weld individual efforts into a common effort. The traditional mindset of a business: Buy low and sell high. The new approach: Add value and create wealth.

"The Way to Wealth" by Benjamin Franklin

I believe that Ben's autobiography should be required reading for every entrepreneur. Franklin was an entrepreneur and was one of the richest men in the country when he died at age 84. He retired from active business at age 42, and most of what he is remembered for was accomplished during the remaining 42 years of his life — and what a life it was! He is probably the only founding father who can be referred to by his first name and people would know who it is.

However, while I suggest his autobiography, I am recommending an immediate reading of his "The Way to Wealth," which can be downloaded for a few bucks and read in less than an hour. Here is some of what to expect: The eye of a master will do more work than both his hands. Not to oversee workers is to leave them your purse open. Want of care does us more damage than want of knowledge. Remember that time is money. Does thou love life? Then do not squander time, for that is the stuff life is made of. A little neglect may breed great mischief; for want of a nail the shoe was lost; for want of a shoe the horse was lost; and for want of a horse the rider was lost, being overtaken and slain by the enemy, all for want of care about a horse-shoe nail.

"Think and Grow Rich" by Napoleon Hill

Classics are books that have stood the test of time; here is another classic. Some quotes: "No one ever achieved worthwhile success who did not, at one time or other, find himself with at least one foot hanging well over the brink of failure. The starting point of all achievement is desire. Keep this constantly in mind. Weak desires bring weak results, just as a small amount of fire makes a small amount of heat. If you're not learning while you're earning, you're cheating yourself out of the better portion of your compensation. One of the most common causes of failure is the habit of quitting when you are overtaken by temporary defeat."

"Parkinson's Law" by C. Northcote Parkinson

Every law is valid. Know the laws and you will be a much more effective manager.

This is possibly the granddaddy of the management books. A must read. Some of Parkinson's Laws are:

Law #1: Work expands so as to fill the time available for its completion.

Law #3: In nearly every matter of controversy to be decided, we can assume that the people who will decide will be in the middle bloc.

Law #4: The amount of time spent on any item of the agenda will be in inverse proportion to the sum involved.

"The Peter Principle" by Dr. Laurence J. Peter and Raymond Hull

This principle is even more perfectly true than when this book was first written. I defy you to prove it is not valid. Peter says: In a hierarchy, every employee tends to rise to their level of incompetence. Bluntly put, this means people who perform well get promotions, and keep getting promotions, until they no longer perform well, where they then remain indefinitely. Therefore, they rise to their level of incompetence. A suggestion is to spot an employee's point of maximum ability and effectiveness and not promote beyond that.

"In Search of Excellence" by Thomas J. Peters and Robert H. Waterman, Jr.

This must be included as one of the great books for leadership and management. The authors show that winning companies have a bias for action. They are active decision makers. They also get close to their customers and learn from the people being served by them. Autonomy and entrepreneurship foster innovation, including within a company. Productivity through people and employees is a source of quality. Needed: a management philosophy that guides everyday practice and that shows its commitment.

Every one of these is available online through Amazon or Barnes & Noble or in your local public library. These summaries have been abstracted, and some were edited somewhat and are subject to the copyrights of those books.

AUTOCORRECT SHORTCUTS

Following are AutoCorrect abbreviations I use on Word®. You can set it up anyway you want. These are a sampling of the ones I frequently use.

- ☐ "iy" If any questions, please contact me. All the best. Ed
- ☐ "emc" Edward Mendlowitz, CPA
- ☐ "Py" Please reply that this email was received.
- ☐ "atb" See attached. Enjoy! All the best. Ed
- ☐ "Rcd" Received.
- ☐ "s/b" should be
- ☐ "AGB" Please provide your phone number and some times I could call you to discuss.

Some abbreviations I use that I feel do not need AutoCorrect:

Tks	Thanks.
LMK	Let me know.
FYI	For your information.

"Canned" phrases I use that I copy and paste into Social Media messages or replies. I send these with attachments of reprints of articles or speech handouts relating to their posting:

See if the attached could give you an idea or two. All the best. Ed

See if there is anything in here that you could use. Enjoy! Ed

Please contact me at emendlowitz@withum.com to discuss this further.

BENJAMIN FRANKLIN'S TOP 15 ITEMS TO TAKE ON A CRUISE

by John L. Smith, Jr. Reprinted from *Journal of the American Revolution* January 15, 2014. Footnotes omitted. This was copied from: https://allthingsliberty.com/2014/01/franklins-top-15-items-take-cruise/

Franklin's Return to Philadelphia, 1785. Source: Library of Congress

Between his voyages to England and France, Benjamin Franklin logged more transatlantic cruises than any other founder. In fact, in his lifetime, he took a total of eight cruises.

On his final 1785 cruise sailing from France to Philadelphia, Ben continued a letter he had started in 1784 in Paris to his friend Julien-David LeRoy. This very long letter eventually morphed into a 1786 paper called "*Maritime Observations*" and was published by Franklin's own American Philosophical Society in their publication *Transactions*. In this mega-letter, Franklin predicted the propulsion of ships using steam instead of wind. He added additional data to his earlier research of the Gulf Stream's water current temperature variability and its effect upon vessel speed and navigation.

Ben's Cruise Checklist

But on a lighter note, Franklin also gave travel tips to future voyagers thinking about taking a transatlantic cruise, the average length of time being six weeks. Franklin stated that no matter what the ship's captain said he had on board for food and drink supplies, ***like a frequent flier in today's world***, Franklin listed fifteen items "*Passengers*" should always bring with them:

1. *Good Water, that of the Ship being often bad. You can be sure of having it good, only by Bottling it from a clear Spring or Well & in clean Bottles.*
2. *Good Tea.*
3. *Coffee ground.*
4. *Chocolate.*
5. *Wine of the sort you particularly like, & Cyder.*
6. *Raisins.*
7. *Almonds.*
8. *Sugar.*
9. *Capillaire [infusion of maidenhair fern, used to treat coughs].*[v]
10. *Lemons.*
11. *Jamaica Spirit.*
12. *Eggs greas'd.*
13. *Diet Bread.*
14. *Portable Soup.*
15. *Rusk.*

In typical Franklin style in caring about the less-fortunate people, he wrote that there's always the small chance the captain actually stocked *good* supplies on board, "*as to render some of the Particulars above recommended of little or no Use to you.*"

So rather than over-indulging or letting the carry-on supplies go to waste, Ben reminded the reader, "*… there are frequently in the Ship poorer Passengers, who are taken at a lower Price, lodge in the Steerage, and have no Claim to any of the Cabbin Provisions, or to any but those kinds that are allow'd the Sailors. These People are sometimes dejected, sometimes sick, there may be Women & Children among them. In a situation where there is no going to Market to purchase such Necessaries, a few of these your Superfluities distributed occasionally may be of great Service, restore Health, save Life, make the miserable happy, and thereby afford you infinite Pleasure.*"

Pick Your Captain, Don't Tell Anyone, and Don't Swim With the Sharks

Aside from the 15 items Ben suggested to pack as cruise carry-ons, he had a few other tips. Regarding the ship's captain, Franklin told the reader that one cannot always "*make a Choice in your Captain.*" But he added that if you could, it would make all the difference in making the closeness of a very long cruise miserable or make it "*so much the happier*."

One particular travel tip of Franklin's is as valid today as it was back in his time. He suggested not telling anyone you're taking a trip until you're completely packed. Then, if there is leftover time, go see *them* at *their* house. *"When you intend a long Voyage, you may do well to keep your Intention as much as possible a Secret, or at least the Time of your Departure; otherwise you will be continually interrupted in your Preparations by the Visits of Friends and Acquaintance, who will not only rob you of the Time you want, but put Things out of your mind, so that when you come to Sea, you have the Mortification to recollect Points of Business that ought to have been done, Accounts you had intended to settle, and Conveniences you had propos'd to bring with you, &c. &c. all of which have been omitted thro' the Effect of these officious Friendly Visits."*

To stay freshened up on those long sea voyages, Franklin had a habit of waiting until a calm day when there was no wind pushing on the ship's sails. Then he'd jump overboard and swim around in the salt water for a while. In one letter, he wrote there was, *"… a calm that lasted all day. In the afternoon I leaped overboard and swam around the ship to wash myself. Saw several Porpoises this day*."

But a little more than a month later in the same voyage, Ben penned, "*I was determined to wash myself in the sea to-day, and should have done so had not the appearance of a Shark, that mortal enemy to swimmers, deterred me; he seemed to be about five feet long, moves round the ship at some distance in a slow majestic manner …"*

The following day, Franklin's only entry reads, "*A fresh gale at West all this day. The shark has left us.*" It doesn't mention if Ben splashed into the Atlantic again that day. Franklin was a smart guy. Maybe he figured he could wait and just take his chances with sharks of a different nature at the upcoming Constitutional Convention.

CHECKLIST FOR TRAVELING

- ☐ Use "things to pack" checklist
- ☐ Use tuxedo checklist if applicable
- ☐ If traveling during an election – get absentee ballot
- ☐ Arrange for car service to/from airport
- ☐ Back up computer
- ☐ Set up out of office message for emails
- ☐ Empty Outlook Inbox and SentBox
- ☐ Set up phone message on cell phone
- ☐ Set up phone message on office phone
- ☐ Notify clients of unavailability
- ☐ Notify secretary at NFP I am treasurer of
- ☐ Notify secretary of 2nd NFP I am treasurer of
- ☐ If traveling to give a speech
    - o Need PowerPoint remote
    - o Back up of speech on stick drive
    - o If I will have handouts, arrange for printing them at hotel
- ☐ ________________________________
- ☐ ________________________________

If going out of country

- ☐ Call credit card companies and find out foreign exchange charges
    - o MasterCard ____________________
    - o Visa __________________________
    - o Visa __________________________
    - o American Exp __________________
    - o Other _________________________
- ☐ Make arrangements for phone calls and texts
- ☐ Make arrangements for Internet access on computer
- ☐ Pack electric power adapter
- ☐ Pack portable power recharger for cell phone (make sure it is fully charged before leaving)
- ☐ Make copy of passport
- ☐ Make copy of credit cards
- ☐ Bring adequate cash
- ☐ _______________________________
- ☐ _______________________________

THINGS TO PACK FOR A TRIP

Following are two checklists. Packing for a trip and packing for my tuxedo.
I usually set these up so I could print 4 of each on a page and cut them.
As I pack each item, I cross it out. The last item is usually crossed out just before I leave my house.
These checklists can be customized any way you want.

To pack	To add to bag
Toiletry bag	Electric Razor
Shoes & Sneakers	Alarm clock
Socks	Cell phone
T Shirts	Phone recharger
Undershorts	Sunglasses
Dress shirts	E-Z pass (get permission)
Slacks	Ethernet cable
Suits and/or Sport jacket	Computer
Ties and belt	Computer recharger
Bathing suit & suntan oil	Backup stick
Sandals and beach hat	Rx
Sweater	Cash
NJSCPA bag	UPS label to office
Travel key	United club passes
Hotel mileage cards	
Passport	
Plane tickets	
Book to read	**To do**
Portable radio	Water plants
TK Batteries	Adjust thermostat
Camera	Set timers
Camera chip & recharger	Record TV shows
Extra luggage tag	
Vitamins	
Business cards	
Water bottle (if driving)	
Outdoor jacket	

Checklist for Tuxedo on a trip

__Tuxedo
__Shirt
__Cuff links
__Studs
__Suspenders
__Cummerbund
__Shoes
__Socks
__Bow tie
__Elastic for shirt sleeves

CHECKLIST FOR GOLF

To bring

- ☐ Golf clubs (including everything kept in the bag)
- ☐ Golf watch
- ☐ Pretzels (or munchie equivalent)
- ☐ Water
- ☐ Shoes
- ☐ Socks
- ☐ Hat
- ☐ Sunglasses
- ☐ Suntan lotion

To do

- ☐ Keep head down
- ☐ Take second shot first
- ☐ Take a half extra breath before putting
- ☐ Don’t have to say: “You made me rush!”
- ☐ Focus – focus – focus
- ☐ Put iPhone on vibrate and keep in pocket to measure distance walked

NEEDED FOR CARD GAME

Choose from this list based on your preference. This list is a suggestion and the host decides what they want to serve. Your House – Your Treats!

- ☐ Ice
- ☐ Potato chips with ridges
- ☐ Pretzels – thin pretzels
- ☐ Popcorn
- ☐ Cashews
- ☐ Onion dip or Medium Salsa
- ☐ M&Ms with peanuts or Hershey miniature bars
- ☐ 1 Bottle Diet Cherry Ginger Ale or Dr. Browns Diet Black Cherry Soda (do not get ice tea)
- ☐ 10 Water bottles (put in refrigerator beforehand)
- ☐ Grapes, watermelon or pineapple chunks
- ☐ Friendly Ice Cream pops or Klondike bars

- ☐ Black Sambuca
- ☐ Johnny Walker Black
- ☐ Liquor of your choice or beer

- ☐ 16 oz. drinking cups
- ☐ 8 oz. drinking cups for liquor
- ☐ Spoons
- ☐ Small paper bowls

- ☐ 2 new decks of cards

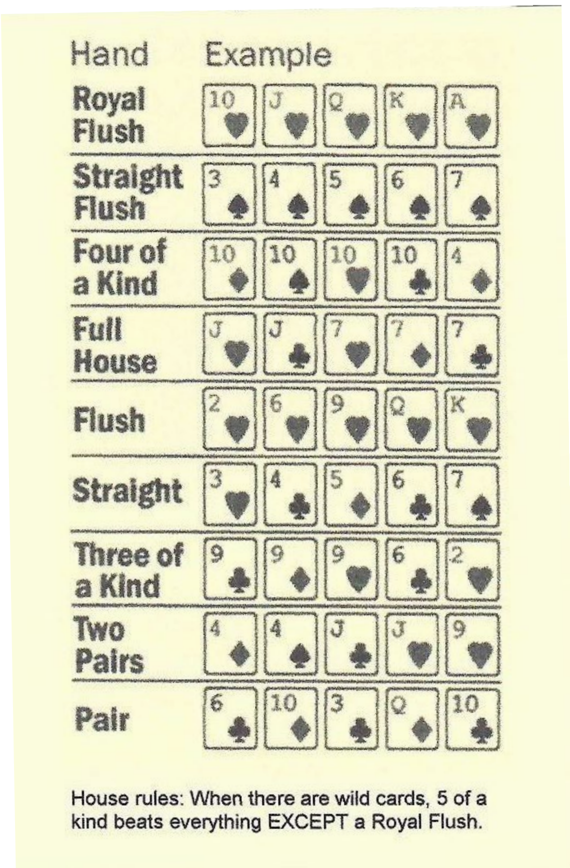
Sign if needed:

ATTENTION CARD GUYS

Cold bottles of water are in refrigerator – just take one.

Ice cubes are in the freezer.

Our Rules



- ☐ We start at 8:00 and we get to the host's house about 10 minutes early. We end at 11:00.
- ☐ The stakes are 10¢ and 20¢. The bet could be 20¢ when there is a pair or on the final bet of the hand. 3 raises are permitted. There is no checking and then raising.
- ☐ We buy $10 in chips and if we lose that, we buy additional chips from someone that is winning. (Don't bring a $50.00 bill and expect change.)
- ☐ We play every Tuesday.
- ☐ We are all vaccinated.
- ☐ We play dealers choice and we usually explain each game before we play it, even if we play it 10 times that night! We also make sure new players understand the rules of each game.
- ☐ We rarely play games with wild cards, but sometimes someone feels like it and they say what is wild and if it is not straight forward, they explain what is wild. It is dealer's choice.
- ☐ Most games are high / low where the best hand splits the pot with the lowest hand. 6 4 3 2 1 is a perfect low. If more than one person has the same hand, they split that half of the pot. Each player declares high or low before showing their hands at the end of the game.
- ☐ Players declare **high** by putting one chip in their hand; **low** by having no chip in their hand; and can declare high AND low ("**both ways**") by putting two chips in their hand. If they go both ways, they must win or tie both high and low. If they lose one of those ways, they lose the pot.
- ☐ If there is an extra chip after splitting the pot, the person with the high hand gets it. If there is an extra chip after splitting the tied hands, it goes into the pot for the next hand.
- ☐ There are usually 7 of us but occasionally an 8th shows up or we have a guest. If we have 8 or even 9 players and a game is chosen where only 7 could play, the person on the dealer's right sits out. We have played with a minimum of 5 people, but prefer 6 or 7. Under 5, we do not play.
- ☐ If someone cannot play, they let the host know in advance and he keeps track of the number of players.
- ☐ We rotate houses and everyone gets a turn to be host.

BBQ CHECKLIST

Yeah, I know you think I am nutsy with checklists, but I find them very helpful and big timesavers. Here is a checklist I use for the BBQs I run at my Synagogue's Men's Club once a year. I left in the "Kosher" designation, but you could edit it any way you want. I also update it immediately after the BBQ based on what was eaten and what was left over. This is for 30 people, but you could adjust it for any quantity. I also pre-order some of the food and use a copy of the checklist for that preorder.

BBQ Food List
Date of BBQ: _________________
Contact person: ____________________________ Cell _____________
# of people: **30**

Bring Tax Exempt certificate for check-out. Should be no sales tax (for a NFP organization)
Make sure everything is labeled **Kosher or Kosher Pareve (but NOT Kosher Dairy or D)**

Food to be preordered a day earlier from ______________________________and pick up day of BBQ

1. Chicken Thin sliced breasts: 4 pounds or 16 breasts
2. Hamburgers: 36 patties
3. Potato salad 10 pounds
4. Cole slaw 5 pounds

Food to be purchased the day of the BBQ

5. Hot dogs (not the very skinny ones – get the 2.5 oz. hot dogs) 48
6. Fresh tomatoes - 8
7. Onions - 2
8. Hot dog rolls: 40
9. Hamburger rolls: 40 These are also used for the chicken breasts
10. Desserts – Get whole watermelon
11. Desserts – 5 packages of Stella D'Oro Pareve Swiss Fudge cookies
12. Desserts – 5 packages of Halvah (to be cut at BBQ)

Food that can be purchased earlier

13. Ketchup
14. Mustard
15. Kosher Sour Pickles – 2 jars (do not get Dill pickles)
16. Sauerkraut – 2 16 oz. packages
17. Relish
18. Soda diet: 24 cans
19. Soda not diet: 24 cans
20. Club soda: 12 cans
21. Water – 24 bottles
22. Pretzels – Large bag
23. Potato Chips – 2 large bags

From Liquor store

24. Lite Beer – 6 bottles
25. Regular Beer 12 bottles

Non food items to deliver before BBQ so grills can be lit at ____. [If you use an indoor stove or oven, skip this section]

26. BBQ lighter fluid
27. 2 Bags of 16# Briquettes for grills
28. Bring old newspaper to crumple under charcoal to help get fire started
29. Matches

Supplies

30. Knives, Forks, plates, cold cups and napkins. Enough for 30 people
31. Round and long tablecloths – one for each table we will use. The long tables are for serving and round for eating
32. 6 Large serving forks
33. We need 2 spatulas and 1 thongs
34. 2 Sharp knives (to cut watermelon, tomatoes, onions and Halvah and to remove casing from hotdogs)
35. Bottle opener for beer (in case some beer bottles don't have a screw top)

Cooking and set up instructions

- The person doing the cooking should wear old clothes because of the smoke
- We will eat inside building, but cooking outside – too hard to set up and take down tables
- Put beer and soda on ice in 2 Home Depot pails (kept in storage closet)
- Start chickens first, then hot dogs and hamburgers. Cook chickens on a separate grill
- Take off casing from Hot Dogs

Instructions for setting up

For a 7:00 BBQ start time.
The Grills need to be lit and started by 6:15.
I plan on getting there at 6:30 with the food.

BBQ grill

- I left the storage room unlocked so you can get the grills
- I brought some old newspapers

Cooking

- I think we need to start the chicken ASAP on a separate grill
- The hot dogs and hamburgers on the other. We can start early and "inventory" the cooked food until it is ready to be served
- TAKE casing off the hotdogs – need sharp knife for this

Drinks

- Put all drinks on a separate table and the food on the other table
- I put sodas in the refrigerator. There are 4 cartons of 12 sodas. Put these on the drink table. There is a fifth carton of soda in kitchen with the desserts

- I put two 6 packs of beer in the refrigerator on bottom shelf. Fill up the orange Home Depot pails (I cleaned them) with the beer and ice cubes and put on the drink table. Do as soon as you could so beer will be nice and cold
- Fill up some bowls with ice cubes and put on drink table
- If needed, put bottle opening with beer

General set up

- Set up paper plates, utensils, drinking cups, napkins, etc., on tables
- Put tablecloths on round tables that will be used
- Chairs should be with the round tables
- Open Ketchup, mustard, relish, etc. Put forks for serving where needed

Food

- Tomatoes and onions need to be sliced. We need a sharp knife for this
- Keep pretzels and potato chips in the bags – less to clean up
- Open potato salad and coleslaw and put large serving forks with them
- Sauerkraut will need to be put in a serving dish

Desserts

- We can put out dessert when the food is pretty much finished
- We need to cut the halvah and put on a small serving dish
- Cut up watermelon

Take some time to also enjoy the BBQ.

FRAMING AND ATTENDING VIRTUAL MEETINGS

Following are some tips for setting up or attending virtual meetings.

- ☐ The camera should be level with your eyes for the best effect. If necessary, place a book under your laptop to raise it.
- ☐ Position your screen so there is not much room above your head. Preferably at eye level.
- ☐ If you have a choice of the position of the screen on your monitor, try to center it below the camera so you will be shown looking into or toward the camera rather than to the side.
- ☐ You can also position the screen so that if you stand up and take a couple of steps backward, your face will show.
- ☐ Do not have lights or unshaded windows in back of you. Try to position a lamp in front of you behind the camera to best show your face.
- ☐ Do not use a virtual background. They look cool but a lot of backgrounds cut off pieces of your head or shoulders. Viewers are now used to people working from their homes and seem to discount or ignore the house type of backgrounds.
- ☐ Silence your cell phones and try not to have your desk phones ring in the room you are sitting in.
- ☐ Ask people in your house to have their conversations or calls in a far-off room and try to have as few background noises as necessary. However, normal distractions are accepted and tend to be ignored if they are of short duration. Note that no matter the time that I am on a virtual meeting on a Tuesday, the lawn people seem to show up at that time. On Thursdays they come to my neighbors on both sides of my house. C ‘est la guerre!
- ☐ Using ear buds or a headset will shield some background noises. Also, when you work off your computer audio, sometimes there is an echo effect when other people are talking, and you are not muted.
- ☐ When you are muted and it is your turn to speak, be ready to unmute yourself quickly. There are usually two ways to do this. One is to click the video icon. The other is to click Ctrl-A. Practice this when you sign on.
- ☐ Sign on early so you can practice and make sure you are set up properly. Also, this might allow some networking before the meeting starts.
- ☐ Have a fall back if you lose your connection. Get the dial up number (and password or passcode if applicable) to call from your cell phone. Occasionally a connection is temporarily lost and then reconnected in a few minutes. By using the dial up number you might not miss more than 30 or 40 seconds of the meeting or program. This too has become accepted as part of what goes on, so do not get flustered and just proceed as best as you can. Occasionally Deleting the meeting’s software from your task manager and then immediately signing back on.
- ☐ You can adjust the screen view for the gallery (which is everyone logged on) or to show the speaker. This is based on your preference and what the venue permits.
- ☐ Note that on some systems you can set your screen to view the speaker separately. Also a highlighted box can surround the person speaking.
- ☐ Try to keep an eye in the chat board in case there is a message or instruction for you.
- ☐ If you want to save the chat’s, you can copy and paste the messages before you log off.
- ☐ If you want to save something on the screen, some systems permit a screen shot which you can temporarily save on your desktop, or you could “print screen” from your computer and copy that on your desktop. Alternatively you can take a photo of the screen.

- ☐ Many webinars and some meetings are recorded. Find that out for two reasons. 1) If you want to rehear the program or parts of it. 2) Know that anything you say will be recorded, so watch your words.
- ☐ If you click the close caption or transcription option, this is usually saved along with the recording. Try to find this out before you organize a meeting.
- ☐ If you are not on your computer or devise, you can change the name that appears on the screen in Zoom by clicking the three dots in the upper right of your photo or identification box on the screen. One of the options is to change the name.
- ☐ Things on virtual meetings happen a little slower, so have some patience, and be ready when it is your turn to speak.
- ☐ People are used to seeing speakers looking down at their notes, but it looks awkward when people look up and that occurs when people read off of another monitor that is positioned higher than eye level. I remember Anthony Hopkins saying he practiced looking slightly up when he played Hannibal Lecter.
- ☐ To avoid monitor and meeting fatigue, try standing and stretching at half hour to one-hour (maximum) intervals for a few minutes and try not to schedule back to back meetings. If possible take a short outdoor walk after a meeting.
- ☐ If you are attending a program around breakfast or lunch time, you can have your meal then as long as you won’t be speaking. Just be careful not to spill your drink or drip Russian dressing or hot sauce on your keyboard.
- ☐ I like having a glass of water handy to sip when I speak rather than a bottle of water. I think the glass looks classier, but this is not a major issue as long as you have something to drink easily available.

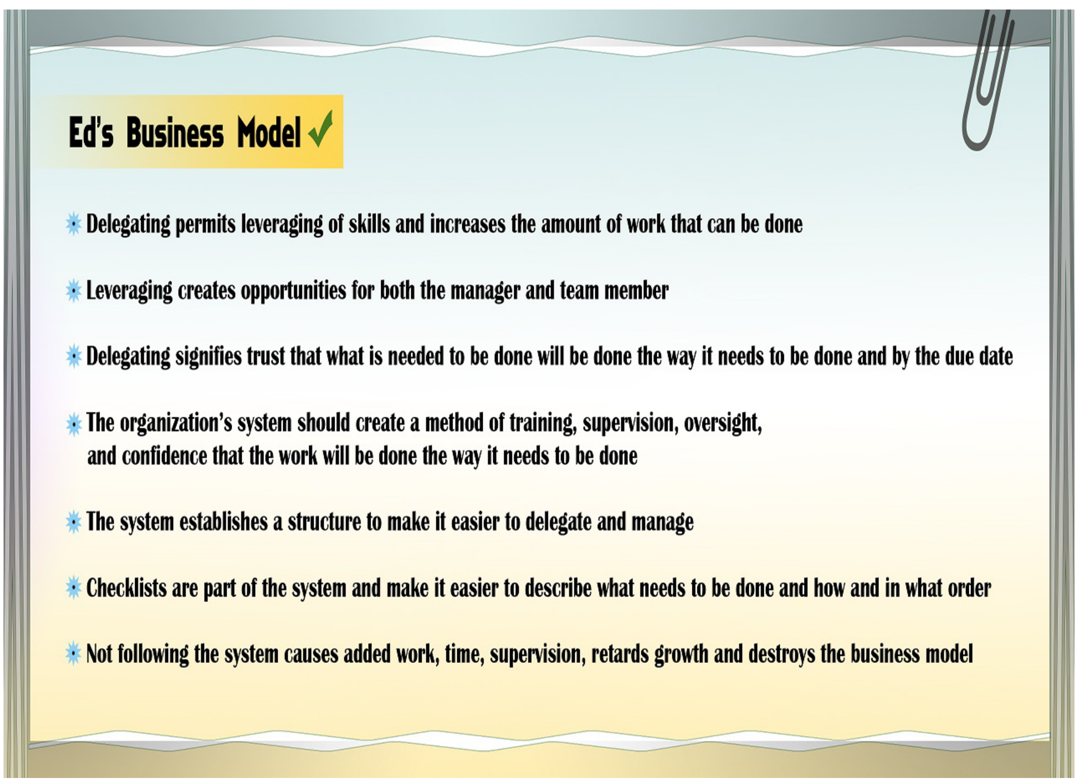
CHECKLIST FOR USING OUTSOURCED ART SERVICES

Outsourcing has become a common practice. One of the vendors I use a lot is www.fiverr.com. I developed this checklist which helps me to not leave out any instructions.

The first two items apply to anything you ask anyone to do for you.

- ☐ Write out clearly and specifically what I want
- ☐ Be sure that is what I want
- ☐ Write exactly what I want artist to do
- ☐ Write clearly the purpose or use
- ☐ Size of final drawing, if applicable, e.g. 8 ½ x 11 if a speech cover
- ☐ Whether pdf or jpg (usually pdf)
- ☐ I do not want source document – do not know how to use it
- ☐ I will usually want within 48 to 72 hours
- ☐ I will want copyright

This is a sample of artwork I purchased on www.fiverr.com. Also my "announcement" caricature at the beginning of this file.



10 DO NOTS

1. Do not keep your pocketbook, wallet or key chain visible on your desk or work area.
2. Do not leave your house keys in your coat jacket when hanging it up anywhere not in your house.
3. Do not put your office pass in your coat, sweater or jacket pocket that you might take off during the day.
4. Do not save your bank and brokerage account passwords on your computer or smartphone.
5. Do not (or seriously try not to) conduct banking or investment transactions on your computer or smartphone when out of the country.
6. Do not subscribe to a journal or magazine unless you intend to read it – or peruse it as soon as it arrives.
7. Do not skip a funeral, wake, Shiva or memorial service if you will be embarrassed about not going the next time you see the bereaved family member.
8. Do not get stupidly upset at really selfish or inconsiderate meatheads when driving.
9. Do not avoid confronting your physician, investment advisor, accountant, lawyer or any other professional when you are given advice you do not fully understand.
10. Do not avoid owning up to an error you made with people you do business with or interact with or who depend on you for something or other, no matter the size or significance of the matter.

THINGS TO DO TO START THE YEAR ON A HIGH NOTE

Starting the year right means getting things organized, in order and getting started on the right foot. Here is a checklist of some things to do:

- ☐ Stop putting SALY (Same As Last Year) next to last year's resolutions. Make one or two big-time life goal resolutions that you will do
- ☐ Determine the most important things in your life and act like that they are
- ☐ Value your time. Each day, identify and do your most important thing first; touch things once; make "do it now" your mantra – don't delay.
- ☐ Check your personal insurance coverage. Make sure you have adequate liability, uninsured motorist, umbrella and workers compensation insurance at your home and the right type and amount of life insurance to provide for your family. A suggestion is to schedule a biennial meeting with your insurance agent to review your coverage and deductibles and find out what is available that you do not have
- ☐ Do some tax planning. Manage investments to benefit from tax savings such as reconfiguring your investments with long-term fixed income securities in tax sheltered accounts and equities in taxable accounts, or if actively trading, put your trading activities in the tax-sheltered accounts. Consider tax free bonds if you are in the higher tax brackets
- ☐ Get rid of clutter – See separate checklist
- ☐ Stop being stupid. Treat your family, business and relationships the way they should be treated with the right priorities and expenditure of time and energy. Do not spend your time unwisely
- ☐ Don't deal with or work with "jerks." Have a "No Jerk Rule!" Don't suffer fools. Don't waste time arguing with stubborn people who refuse to listen to reason or logic
- ☐ Review your will and other estate planning documents and have them updated if necessary, or get them done
- ☐ Do the same for your business buy-sell agreement which is actually a will for your business
- ☐ Review or get a practice or business continuation agreement if you are a sole proprietor
- ☐ Stop texting and dialing numbers when driving. Also, slow down – getting stopped by a patrolman will eat up more time than what you will save by doing what could be very dangerous. Also, skip the road rage – why get mad at an a$$ hole!
- ☐ Call former partners and friends, brothers and sisters and others you were once close with to wish them a happy new year. Life's too short to dissipate energy holding grudges against people whose funeral you might go to. Clear the air – someone has to take a first step – why not you? Why not now?
- ☐ Go through your pile of business cards and call people you want to stay in touch with or want to rekindle a relationship with and wish them a happy new year. If you no longer care about that person, throw the card away
- ☐ Write and mail a letter for every financial account you have informing the bank, broker, custodian or insurance company that the account should be considered active, not dormant and subject to escheat or unclaimed funds' laws
- ☐ File a claim to recover unclaimed funds the State might have for you. This should be done whether or not you are aware of funds being there
- ☐ Go to every bank you have a safe deposit box with if you haven't been to it in a year to show activity
- ☐ Examine all accounts, annuities, investments to make sure they are in line with your needs and goals

- ☐ Review professional license expiration dates and follow up that you received renewal forms if applicable
- ☐ Request and review a copy of your credit report. Do this once a year
- ☐ Change batteries in smoke and CO detectors, flashlights, clock radios and all electronic equipment where you have battery back-up
- ☐ Review the tax assessments for your homes and if applicable start the process for tax reduction
- ☐ Develop a disaster plan. Make sure you have extra batteries, food that won't spoil (such as peanut butter, crackers and canned goods), emergency numbers to call, that your valuables are documented, and that important papers, photos, health information and insurance policies are digitized or secured and kept off site
- ☐ If you have home size fire extinguishers throughout your house make sure they are still activated. Do not let this provide comfort to avoid reporting a fire immediately. If you have young children, make sure they know how to call 911 to report a fire or other emergency. For better instructions, speak with your local fire department
- ☐ Check dryer hoses and lint traps
- ☐ Change heating and air conditioning filers
- ☐ Check out and repair cracks around doors and windows [in the winter you can feel the cold air coming in]
- ☐ Think healthy – your body is made to travel a certain mileage with the right fuel, maintenance and care – maximize that mileage
- ☐ Join a gym
- ☐ Go to the gym you joined
- ☐ Get your annual medical check-up this year
- ☐ Plan to take that once in a lifetime vacation this year (when you are able to start traveling again)
- ☐ Be nicer and don't deal with people that are not nice
- ☐ Be grateful for all of your Blessings!

This is a big list – but all are important and things you will wish you did if a problem develops in one of these areas. Take care of yourself!

START THE NEW YEAR WITHOUT CLUTTER

This is a suggested list of how to declutter in the coming new year. Some things can be sold, given away to friends or relatives, donated to a charity or thrown in the trash (while being careful to shred papers with personal and confidential information). If you are in doubt about something having a value, check it out on eBay.

- ☐ Playbills, Reader's Digests, National Geographic, Harvard Business Reviews and similar magazines that you just can't part with even though you haven't opened them in years
- ☐ Old magazines or newspapers of "historic" events
- ☐ The magazine pile you haven't been able to get to
- ☐ Stamp, coin, baseball card or similar collections that you no longer care about. Give to someone, sell them or donate to a charity. If you still actively collect, make arrangements for its disposal after your death
- ☐ Framed art or prints
- ☐ Books you haven't looked at in years, school textbooks, and books you received as gifts that you never read
- ☐ High School and College notebooks
- ☐ Old appointment books
- ☐ Trophies from your childhood or your parent's or children's childhoods
- ☐ Halloween costumes
- ☐ Clothing, shoes and hats you haven't worn in 42 years
- ☐ All the great ties you bought, wore once or twice and are now completely out of style and even if they came back in style, you would be out of style wearing them
- ☐ Boxes with stuff you haven't looked at in 12 years
- ☐ Family bikes, tennis or lacrosse rackets and baseball gloves that haven't been used in 17 years
- ☐ Old musical records that you don't want to play even if you still had a Victrola. Maybe try to sell them
- ☐ Old tax records, receipts, cancelled checks and brokerage statements (go to my previous blog for a list of what records you should retain)
- ☐ Plastic and straw gift baskets, ribbons and wrapping papers
- ☐ Dolls and teddy bears that lost their sentimentality (and whose names you do not remember either)
- ☐ Old pet carriers (you haven't had a dog or cat for 9 years!)
- ☐ Expired prescription and over the counter drugs and toiletries (dispose of properly)
- ☐ Toothbrush collection from your infrequent dentist visits over the last 50 years
- ☐ Partially filled liquor bottles you haven't touched in years – or start "touching" them now…
- ☐ Old cameras
- ☐ VHS tapes you either purchased or recorded – you no longer have a VHS machine. If they have emotional value, such as from a wedding, bar mitzvah or christening… transfer to a DVD or to Cloud storage
- ☐ I know you will keep the 14 boxes of photos you have, your high school yearbooks and similar other important things. Try to consolidate or digitize them
- ☐ Your army uniform and school jerseys no longer fit you – throw them out. Also, get rid of the cleats
- ☐ The box of stuff from the closet and drawers you cleaned out nine years ago and are actually afraid to see what's inside

- ☐ The hundred and seven framed prints that haven't been on a wall since you moved from your three houses ago
- ☐ Things and stuff – you know what these are
- ☐ Consolidate your brokerage and IRA accounts
- ☐ Consolidate and reduce the number of mutual funds you have. Ditto for savings and CD accounts
- ☐ Sell or donate stocks where you own an insignificant number of shares to reduce your mail and also ease your tax preparation with fewer 1099s
- ☐ If, per chance, you have stock certificates or DRIPs, send or transfer them to a brokerage account, or get rid of them by donating them to a charity
- ☐ ____
- ☐ ____

If in doubt – Declutter!

TAX AND OTHER FINANCIAL RECORDS YOU SHOULD KEEP FOREVER —AND THOSE YOU SHOULD TOSS

Here is a listing of what records you should keep and for how long that my partner Brian Lovett, CPA, JD and I have prepared. Also keep in mind that anything that is discarded should be shredded. When organizing your files, please remember these are general rules concerning your records. But don't get rid records you will or *might* need, so go through this listing carefully.

The rules we present here are simplified but comply with the IRS' requirements.

Income tax returns and related items. Keep all federal and state income tax returns for at least seven years. Keep supporting documents (i.e. items confirming your income and/or deductions) for a minimum of three years after a return's filing date or two years after paying the tax if you filed an amended return or a claim for a credit or refund paid later than when the return was filed. You should keep records for seven years if you file a claim for worthless securities or a bad debt deduction. If the IRS claims you did not report income that is more than 25% of your return's gross income, you must have the records for at least six years back to contest those claims.

In all of these cases, a simple rule is to keep proof of the expenses claimed for four years and everything else for seven years. If you did not file a return or filed a fraudulent return, there is no statute of limitations, so whatever records you have should be retained indefinitely. Employment tax records should be retained for four years after the later of the date the tax became due or was paid.

Put each year's return and data in an envelope (or on a disk) marked with the tax year and the date (four, six or seven years later) you should dispose of it. If you mark each year's envelope for seven years, then you do not have to separate the data.

If you have any final tax audit settlement letters, we recommend keeping these letters permanently because some tax authorities have recently been dredging up old items and sending bills without regard to whether they have been settled, and it is much easier to get these cancelled if you have the proof on hand.

The tax returns and back-up income data that you keep as described above can also be a "road map" to facilitate settling your affairs or to assist someone handling your affairs. This will provide a very good idea of what assets you have and where they are.

Gift tax returns. If you ever made gifts where you filed federal gift tax returns, those returns along with the back-up should be retained forever. These returns will be needed to be filed with estate tax returns or possibly to establish basis.

Mailing receipts. If you file your return by certified mail or by an authorized express carrier, keep the receipt with your copy of the tax return. Make sure the receipt shows the date the return was mailed and is stamped by the post office or carrier. If your return is filed electronically, keep a copy of the electronic filing confirmation. In the event the return is misplaced or lost by the tax authority, this documentation will save you from having to pay late-filing penalties.

Gifts or inherited assets. Keep all records showing your basis in inherited assets and assets received by a gift. These will be needed if you sell the assets and might be needed if you are involved in a marital separation. If you received a gift of property or inherited assets, and you do not have the tax basis, now is a good time to try to get it. Note: the basis of inherited securities is included on the estate tax returns if they were required to be filed.

Wills and trusts. Obviously, you must keep current wills and trust agreements. However, we recommend retaining old, superseded wills and trusts to indicate a trail of how your thinking developed, especially if your will excludes certain people from receiving bequests or distributions or if the percentages of distributions are altered greatly. To avoid confusion, clearly mark on every page of any superseded agreement that it has been superseded and is no longer in effect.

Residential property records. The tax laws allow part of the gain to be tax-free when you sell your residence. However, you still might have to substantiate the amount of the gain. Because of this, you need to keep closing statements from all home purchases and records of amounts spent for home improvements. After a residence is sold, put these papers with your other tax information for that year. We suggest permanently retaining the closing statements and title policies.

Stock and bond records. Keep records of your investment (e.g., stocks, mutual funds and bonds) purchases. Besides providing you with a date for determining the type of gain—long-term versus short-term—these records establish your basis in the investments and help to compute the gain/loss when you sell them. In addition, keep records that show return-of-capital dividends and complete back-up of DRIP (dividend reinvestment plan) additions which establish your basis in those shares.
Because of the potential of class action lawsuits that might affect securities you owned and your need to furnish proof of your period of ownership if you want to be included in the class, we suggest you keep all records of your stocks and bond buys and sells for at least 10 years. However, you should retain all documentation of acquisitions until you dispose of the asset and then include that with your tax data for the year of sale.
Tax tip: If you've owned DRIPs or other stocks for many years and do not have the back-up information and want to dispose of those stocks, consider using them instead of cash to make a charitable contribution. You don't need your basis—you will get a deduction for the full current value of the stock, and you do not have to recognize the capital gain on those shares. You could also contribute them to a donor advised fund and have the funds distributed to your charities of choice with your own timetable.

Medicaid applications. People applying for Medicaid need to produce all bank and brokerage statements for the full five years before their application date. For this reason, it is suggested you retain these records for at least five years. If there are substantial repayments of prior debt during that five-year period, you will need full documentation to have those payments allowed and not added back to the account balances.

Rental real estate records. For any rental real estate or depreciable business property that you own, keep records of the property's cost, the purchase date, costs of all improvements, the method used to calculate depreciation and a schedule of all depreciation claimed on the property. Maintain these records until you sell or dispose of the property. Once you sell such property, keep these records with the tax return on which you report the sale. You need to keep current leases handy, and we would also retain the immediately preceding leases in case rent control or other claims are made against you and you would need to refer to the older lease.

Partnership and business agreements. You should retain all partnership, membership, or corporate organizational, buy/sell or cross purchase agreements as long as you have an interest in any business interest or entity. You should also retain all basis calculations.

Employment contracts. Any employment contract, employment-related stock purchase, option, restricted stock or similar agreements should be retained as long as you are employed by the company and then at least through the date of expiration of any of the commitments should they go past your employment. It is also important to have these handy for your heirs if you die and there are limited exercise periods that survive you. We also suggest preparing a separate calendar of exercise dates, so you do not lose track of deadlines for any opportunities.

Art, jewelry and collectibles. Keep all receipts of purchases and appraisal reports as long as you own the property. The receipts will be needed to substantiate cost basis when sold or if you make gifts of that property or if you need to establish the loss for insurance purposes. In the event you donate any to charitable organizations for their use, you will need the cost basis for reporting the gift for deduction purposes. Note that there are special rules for gifts to charities valued over $500 and also over $5,000, and you should consult with an accountant before making any such gifts. If any are sold, put the receipts with your tax information for the year of sale.

Military papers. Military benefits, discharge, decorations and perhaps military burial arrangements should be retained permanently. We know someone who applied for, and was granted, partial military disability benefits 65 years after serving in World War II. You will also need your discharge papers when applying for Social Security, veteran's or certain state's tax benefits.

Personal records. Keep a permanent file of your own family's personal records such as any marriage licenses, divorce agreements, prenuptial agreements, birth certificates, adoption records, name change papers, expired passports, Social Security cards and cemetery deeds…plus, if you have them, family trees and birth and death certificates of parents and grandparents and other close family members.

Retirement plans. If you have made nondeductible contributions to an IRA, 401k, 403b or employer retirement account, maintaining records of these contributions will facilitate proving, and reducing, the tax liability when funds are withdrawn. You should also retain back-up of Roth IRA conversions that were taxed. For this, you can keep the tax return for the years the tax was paid. Also, retain all current plan documents and copies of all designation of beneficiary forms. If you do not have copies of your designations of beneficiaries, now is a good time to request them or simply fill out new designations.

Legal judgments and loan satisfactions: We recommend keeping these forever. This is irrefutable proof that you do not owe those debts or obligations.

Insurance policies. All current and in-force policies should be kept in an easy to access place. This includes every type of insurance policy including life, disability income and long-term care. We suggest also retaining the previous two years' policies so that you would have a comparison if you need to make a claim and to check rates and coverage. We would retain expired life insurance policies until you request and receive a status report from the insurance company that the policy is no longer in effect. Some old life policies have cash value that will last for quite a few years after the premiums stop being paid.

Warranty agreements. Keep for one year after expiration.

Escheat information. *Escheat* refers to unclaimed funds that have been turned over to a state. If you ever make a claim to recover escheat funds that predate your current address, proof will need to be provided of your relevant prior residences or office addresses. So, keep some documentation of your prior addresses such as a phone or utility bill or a bank statement.

General Rule: When in doubt about something – keep it.

This was originally posted: https://bottomlineinc.com/blogs/pay-less-tax-man/how-long-keep-financial-records

SUSTAINABILITY – 12 EASY THINGS YOU CAN DO

Sustainability in the environmental sense is the support of long-term ecological balance and the discouragement of actions that are harmful to the environment. In the business sense Sustainability is a catch all word that describes and encourages corporate social responsibility.

This is not a new area, but the involvement of accountants to develop metrics and measure and analyze performance is fairly new. Recently I have become involved in these efforts through the NYS Society of CPAs and its new Sustainability Committee and am the chairman of its Education Sub-Committee. This blog is the start of some descriptions that will periodically be posted.

Before there can be a discussion of how accountants can contribute to this new and exciting field, I think it is necessary to provide a sense of the overall topic. For starters here is a list of 12 little effort no cost things you can do that will contribute to "saving the planet" and conserve natural resources.

1. Do not keep water running when you brush your teeth
2. Lower your thermostat a couple of degrees in the winter and raise it in the summer
3. On mild days in the Spring and Fall turn off your air conditioner and open your windows
4. Add a few extra plants to your house and office
5. Recycle as much as possible – Look for the blue receptacles
6. If given a choice, buy from "green" companies
7. Try to purchase more natural foods and those without artificial flavoring and preservatives
8. Print fewer emails and reports that can easily be viewed on your screen
9. Use your public library to borrow books (including downloads) and to read current issues of magazines instead of buying the books and subscribing to the magazines
10. Turn off lights when leaving a room
11. Reduce your shower time by two minutes
12. Use larger loads in your dishwasher and washing machine

Try some of the above – none will hurt and they might help!

ED’S “K” RULES

Good communications are essential to effective management. Without getting stuck with clichés I put together a short “crib” sheet of reminders where they all begin with the word “keep,” therefore my K Rules.

- KOP [Keep on point]. Stay on point and do not digress from the matter at hand.
- KIR [Keep it relevant]. All comments you make should be relevant.
- KII [Keep it interesting]. What you do and say should be interesting.
- KF [Keep focused]. Do not wander, either with an agenda or running a meeting, with instructions, when supervising or when giving a presentation.
- KCE [Keep creating excitement]. As the boss or manager, you need to be the head cheerleader. Creating excitement is part of your job.
- K# [Keep eye on numbers]. Watch your daily key performance indicators, and weekly monthly reports and compare performance to your budgets.
- KOL [Keep on learning]. You should be learning something new every day. If not, then why not? Growth comes from your experiences and what you can garner from others through interactions and their speeches, podcasts, article and books.

Here are some K Rules when writing. This applies to everything you write whether a text, email, memo, letter, speech or book.

- KIT [Keep it tight]. Keep out extra words.
- KIS x 2 [Keep it short and Keep it simple]. The shorter the better. Also, write to communicate which means getting people to adopt what you want them to do or your ideas. Do not write to impress; write to move bodies and minds. Use language that people use when they talk, not when they write a college thesis.

There are likely many more, but this short list seems to cover the range of what managers do.

Getting Your Affairs in Order Tool Kit

Presented by: Edward Mendlowitz, CPA
Partner, Withum
withum.com/partners-network-blog

withum
ADVISORY TAX AUDIT

Edward Mendlowitz, CPA

Edward Mendlowitz, CPA, is a partner at WithumSmith+Brown, PC and is one of *Accounting Today's* 100 Most Influential People. Ed is the author of 29 books and has written over 1500 articles and blogs and developed and presented over 350 professional speeches, CPE programs and webinars. Ed won the Lawler Award for the best article in 2001 in the *Journal of Accountancy,* The Eddie Award in 2018 from *Folio Magazine* for his Art of Accounting series in *Accounting Today,* and the 2019 Innovation in Accounting History Education Award by the American Accounting Association's Accounting Historians Section. His practice management techniques are posted weekly at CPATrendlines.com, accountingtoday.com and have been reported on in *The Wall Street Journal,* the *Journal of Accountancy* and many other publications. His twice a week blog is posted at www.withum.com/partners-network-blog

Ed is accredited as a personal financial specialist, in business valuations and in financial forensics by the AICPA; is admitted to practice and has argued cases before the United States Tax Court; testified twice before the House Ways and Means Committee on Tax Reform, Fairness and Equity; is a professor in the Fairleigh Dickinson University MBA program; is on the editorial board of QuickReadBuzz blog, the co-editor of *The CPA Journal's* Personal Financial Planning column, and has been on the *Bottom Line / Personal* Panel of Experts for Taxes since the publication's inception and was the author of their tax blog. Ed has also been a team captain and conducted quality and peer reviews of CPA practices. In 2017 Ed was inducted into the Estate Planning Hall of Fame and in 2018 he was awarded the NJ Society of CPA's distinguished service medallion.

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Subscribe to and read my blog and also for updates to this handout:
www.withum.com/partners-network-blog

Caveat

This handout has been prepared to accompany a presentation by Edward Mendlowitz, CPA and has been prepared for that purpose. Before doing anything of a technical, legal or tax nature, the user is cautioned to consult with their own advisor who can not only advise on the technical issues but also the specific applicability to you based on your individual circumstances.

Most of the checklists and worksheets contained herein originally appeared in *Getting Your Affairs In Order* book by Edward Mendlowitz, CPA or his blogs at www.withum.com/partners-network-blog

GETTING YOUR AFFAIRS IN ORDER – TOOL KIT

I did not number the pages. This Word® file is set up so you can use and adapt as you see fit.
You do not need to credit me unless you use the checklists externally from your office.
***A checklist can be accessed by searching for "worksheet** and the **#**" or by using the worksheet's name*

Worksheet 1

Checklist of Estate Planning Things to Do

This is a sampling of things that should be done. This checklist is preliminary to meeting with an attorney and some of the items might need explanations from your attorney. This checklist is not a substitute for legal advice that can only be provided by an attorney.

#	Description	Done (T)	Comments
1	Make a listing of all assets and liabilities		
2	Prepare a listing of intended beneficiaries and secondary and successive beneficiaries		
3	Make a list of what distributions you would want to make to each beneficiary, including specific property		
4	Prepare a schedule of how your assets PLUS life insurance benefits and other assets not necessarily under your control, will be distributed to your heirs and beneficiaries. Determine if this meets with your wishes		
5	Decide if bequests will be made outright or in trust. If in trust, determine the terms of the disposition of the income and principal		
6	Decide who will be your executor and alternates. Decide if a bank will be ultimate alternate executor		
7	Decide who will be the trustees and alternates. Decide if a Bank will be ultimate alternate trustee		
8	Decide if statutory fees will be paid to executors and trustees		
9	Decide whether executors and trustees will need to obtain a bond		
10	Obtain copies of previously signed designation of beneficiary forms from every account needing one. Some accounts would be: IRA accounts, Roth IRA, 401k or 403b, Pension plans, Life insurance policies, and any other account maintained where a beneficiary may have been designated		
11	Meet with attorney		

12	Need a will		
13	Discuss with attorney if you should set up and transfer assets to a Living Trust.		
13a	If a Living Trust is set up, determine what assets will be transferred to it, and how and when, and who the ultimate trustee will be		
14	Advance Directive including a Durable Health Care Power of Attorney (or Health Care Proxy or Living Will) sets forth what you would want in the way of treatment or lack of treatment in the event you are unable to speak for yourself. This document should also legally appoint someone to make medical decisions on your behalf when you are unable to. Presumably they would follow your wishes included in the advance directive portion of the document.		This includes when treatment should stop, or when you would want pain relief even if it hastens your death. Included would be how you feel about being kept alive with artificial methods, or your refusal of dialysis, blood transfusions, cardiac resuscitation or other lifesaving or prolonging treatments. This is a method of having your wishes explicitly stated.
15	Durable Financial Power of Attorney legally designates someone to make financial decisions on your behalf when you are unable to. Need to determine who will be designated and what powers they will have This terminates upon your death.		
16	Determine need for a Limited Power of Attorney for a bank account with a limited amount of funds (say, $25,000 or any other amount considered necessary or appropriate).		
17	Decide if any bequests will be made to charitable organizations. Also decide if a charity will be an ultimate beneficiary if there are no other beneficiaries		
18	If a business is owned with others, there should be a shareholder, partnership, members buy/sell agreement-that has previously been executed. It should be reviewed to determine if it is still applicable, relevant or current If not owned with others, make arrangements for its sale or continuation after death of the owner		
19	Prepare a statement of values – religious, ethical, moral or social		
20	Listing of specific bequests of jewelry, art or items of sentimental value		
21	Set up a meeting with your children or people you appointed to discuss your wishes and reasons for your choices, if you think it would be helpful		

Worksheet 2

People to call about my death or permanent disability

Name	Address and contact information (such as telephone # and email address)	Relationship

Worksheet 3

Designation Sheet

A separate sheet should be completed for each spouse or partner. This will be needed when you meet with an attorney to have will prepared.

Title	Designee	Relationship
Executor of Will		
Co-executor (if any)		
Alternate		
2nd Alternate		
QTIP Trust Trustee		
Co-Trustee (if any)		
Alternate		
2nd Alternate		
Credit Shelter Trust Trustee		
Co-Trustee (if any)		
Alternate		
2nd Alternate		
Life Insurance Trust Trustee		
Co-trustee (if any)		
Alternate		
2nd Alternate		

Living Trust Trustee		
Co-trustee (if any)		
Alternate		
2^{nd} Alternate		
Guardian (a guardian is one person, not a couple)		
Alternate		
2^{nd} Alternate		
Children's Trust Trustee		
Co-trustee (if any)		
Alternate		
2^{nd} Alternate		

Worksheet 4

People to Include in Will or Trusts

Name	Address	Relationship	Date of Birth

Worksheet 5

Specific Bequests

Use this sheet to list specific items or amounts you want to leave to certain people.

Beneficiary	Item	Amount or estimated value

Worksheet 6

Obituary Questionnaire

How will your obituary read? What accomplishments stand out and separate you from others? Was your outstanding event, job or business related to your family or your good deeds to others? Following is an outline for an obituary. Look it over and consider how yours will read, especially the charitable activities and accomplishments.

Introduction

- ☐ Full name
- ☐ Nickname
- ☐ Date of death and age
- ☐ Date of birth
- ☐ Place of birth
- ☐ City of residence at death
- ☐ Place of death
- ☐ Cause of death

Family

- ☐ Parents' names
- ☐ Spouse's name and how long married, and place of marriage
- ☐ Children and their spouses' names
- ☐ Grandchildren
- ☐ Siblings
- ☐ Non-married partner or companion
- ☐ Other relatives
- ☐ Friends of note
- ☐ Pets
- ☐ List who predeceased you with dates of death

Education and work

- ☐ Education: Schools, dates graduated, degrees
- ☐ Professional designations
- ☐ Honors, awards and special recognitions and accomplishments
- ☐ Publications
- ☐ Employment and/or business history – organizations, titles or positions
- ☐ Union activities
- ☐ Professional organizations
- ☐ Military service, branch, dates, highest rank, honors and awards and where served

Personal interests

- ☐ Places of residence
- ☐ Religious affiliation and activities
- ☐ Charitable organization activities and service
- ☐ Hobbies and sports

- ☐ Other interests
- ☐ Achievements
- ☐ Unusual attributes or features

Funeral and service

- ☐ Date, time and place of service
- ☐ Who will officiate
- ☐ Speakers, pallbearers and/or others participating in service
- ☐ Visitation dates, times and location
- ☐ Place of internment
- ☐ Name of funeral home
- ☐ Where to call for additional information

Concluding information

- ☐ Where memorial donations should be directed
- ☐ People or organizations to thank
- ☐ Favorite quotation, poem, thought or remark
- ☐ Closing comment

Additional information but not for obituary

- ☐ Location of photos that will be shown at service or in announcement
- ☐ People to advise about death and funeral
- ☐ Newspapers to send obituary to
- ☐ Location of funeral instructions
- ☐ Location of will
- ☐ Location of important papers executor will need

Worksheet 7

Checklist to prepare for the death of a spouse or partner or a close person you would be responsible for handling their affairs

- ☐ Fill out the checklists include in this tool kit (a lot of this info that is included in any of the prior checklists does not need to be repeated here) (Worksheets 8 or 9)
- ☐ List all accounts and location and advisor's name and contact information (Worksheets 8 or 9)
- ☐ Discuss total assets and cash flow from all accounts (Worksheets 10 and 11)
- ☐ Discuss debts and how to pay them off (Worksheet 16)
- ☐ Determine spending needs and if there is adequate cash or cash flow coming in
- ☐ Determine if there is liquidity for immediate expenses. This can be obtained by having a joint account. Note that a payable on death account might need the death certificate which could take a couple of days to get or require a visit to the bank
- ☐ Discuss liquidity to cover major spending until estate is settled. This includes estate operating and administrative fees and taxes
- ☐ Discuss all credit cards and automatic bill paying linked to those accounts
- ☐ Discuss what advisor(s) survivor should go to for advice and guidance
- ☐ Discuss choices of outside advisors, trustees and executors
- ☐ List and provide location of life and disability insurance policies (Worksheet 14)
- ☐ List pensions and annuities (Worksheet 15)
- ☐ Review how assets and accounts are titled and determine if they are properly titled and whether or how survivor or beneficiaries will have access to the accounts
- ☐ Prepare warning letter for IRA beneficiaries to seek professional advice. See IRA distribution kit for a sample letter (Worksheet 19)
- ☐ Location of will, trust agreements, retirement account information, house deed and other pertinent legal documents
- ☐ Discuss funeral arrangements and where cemetery and deeds to plots are
- ☐ Prepare a list of people to notify of death and funeral (Worksheet 2)
- ☐ Discuss location of prior tax returns
- ☐ Complete Obituary Questionnaire (Worksheet 6)
- ☐ Provide passwords that are being used (Worksheet 17)
- ☐ Consider making escheat claims (Worksheet 18)
- ☐ Consider reducing clutter

Worksheet 8

Important Papers Listing and Checklist
Short form from book

Security is a warm calm feeling. There are many ways of protecting yourself. One way is making sure your affairs are in order.

Getting your affairs in order could be as simple as preparing a listing of where you keep your important papers. Other ways would be to make sure you have an updated will, health care proxy and living will. Following is a checklist where you could enter where you keep your important papers, and at the same time it could be used as a checklist of some things that you should have.

If information is indicated on tax return information such as annual 1099s or K-1s, state this.

Prepared by:_______________ **Date prepared: _____________**	**Comments**	**Location**
Your Will		
Spouse's Will		
Addendums, codicils or changes to will		
Powers of Attorney		
Living Will and Health Care Proxy		
Funeral Arrangements		
Birth Certificates		
Marriage License		
Divorce Papers		
Passports		
Other Personal legal papers such as change of name		
Military Discharge		
Family Tree		
Blood Bank location (if blood is needed by me)		
Other personal info (e.g. blood type, medical history)		
Real Estate Closing Contracts		
Mortgages Payable		
Notes Payable		
Deeds & Title Insurance		
Automobile Title(s)		
Judgments and satisfactions		

Loan, Mortgage, Levies and Lien Satisfactions		
Jewelry, art and collectibles bills of sale		
Jewelry, art and collectibles location		
Appraisals of any property		
Safe Deposit Box Location		
Stock Certificates		
Bonds		
Stock Options		
Stock Purchase Agreements		
Checking Account Documents or info		
Money Market Accounts info		
Savings Passbooks		
Certificates of Deposit		
Brokerage Account Info		
Notes Receivable		
Life Insurance Policies		
Disability Insurance Policies		
Medical Insurance Policies and Coverage Information		
Insurance Policies - Other		
Partnership and/or Corporate Agreements		
Employment Contracts		
Retirement Agreements		
IRA documents including designation of beneficiary forms		
Pension Plan Documents		
Profit Sharing Plan Documents		
Deferred Compensation Agreements		
Military benefits		
Income Tax Returns		
Gift Tax Returns		
Trust and Other Tax Returns (state type of return)		
Trust Documents		
Financial and Estate Plans Prepared by Self or Others		
Pending Contracts		
Passwords for Computers, Email and		

All other Accounts Requiring Passwords		
Other Records		
People to Call		
Accountant		
Attorney		
Banker		
Broker or financial planner		
Insurance Agent		
People to consider selling my art, jewelry or collectibles to		
Person or People with Access to my Personal Information		
Location of Letter of Instruction to Executor or Heirs or distribution list of jewelry and other precious or sentimental items		

Worksheet 9

Important Papers Listing and Checklist
Long Form with Space for Complete Details

A Word® file with expandable space is available for this and all of the worksheets in this Tool Kit by emailing your request to Ed at emendlowiz@withum.com

Prepared by:____________________ **Date prepared: _______________** **Name of spouse:_________________** If this checklist is being completed for both spouses, state that and indicate which spouse the information is for. I recommend separate checklists for each spouse and where there is duplicate information, it can be stated on the second spouse's checklist instead of rewriting the information. Where that is done, then both checklists should be kept together	**Comments**	**Location**
Your Will	Date will prepared: If you have minor children, list name of guardian how to reach them if necessary. The will would provide their name, but not their address and other contact information.	Location of original: Location of copy:
Spouse's Will	Date will prepared: If you have minor children, list name of guardian how to reach them if necessary:	Location of original: Location of copy:
Addendums, codicils or changes to will, if any, and list whether for husband or wife. If none – write NONE or N/A (Not Applicable)		
Powers of Attorney - You	Person named:	Location of original:

	How to reach them if necessary: If more than one person, you should discuss with your attorney	Location of copy:
Powers of Attorney -Spouse	Person named	Location of original: Location of copy:
Living Will and Health Care Proxy	Person named How to reach them if necessary:	Location of original:
Funeral Arrangements (Specify any requests as to burial or cremation, obituary notices, people to notify, clergy to perform service and location of funeral or memorial home and cemetery)		Location of original documents or deed:
Birth Certificates		Location of original:
Marriage License (s)	11	Location of original:
Divorce or separation papers		Location of final decree of divorce, or legal separation if divorce not finalized
Prenuptial agreements and/or related trusts		
Passport Date expires________________________		Location:

Other Personal legal papers such as change of name	Describe papers:	Location:
Military Discharge		Location:
Family Tree If you prepared one, give location or say if you are attaching a copy to this schedule		
Blood Bank location (if blood is needed by me) Also write down if you have donated blood to them		
Other personal info (e.g. blood type, medical history) (If you keep your medical history and records on a computer, back up drive or notebook, provide location or passwords)		
Real Estate Closing Documentation (I recommend keeping all closing records – purchases and sales – of all real estate you have owned)		Location:
Mortgages Payable (and list property subject to the mortgage)		Location:
Notes Payable	List payees:	Location of back up:

Loans, notes and mortgages of others that I co-signed and guaranteed		
Deeds & Title Insurance	Property:	Location:
Automobile Title(s)	Auto:	Location:
Judgments and satisfactions		
Loan, Mortgage, Levy and Lien Satisfactions		Location:
Jewelry, art and collectibles bills of sale	A listing of large purchases and this should be crossed referenced to insurance policy coverage if they are insured	Location:
Jewelry, art and collectibles location		
Appraisals of any property	Property:	Location:
Safe Deposit Box	Bank and box # Name of box owner and co-owners	Location of key:
Stock Certificates (to simplify investment tracking publicly traded shares should be deposited in a brokerage account)	Name of company:	Location

Dividend reinvestment plans (state whether all accounts are reported on tax return)		Location:
Bonds (publicly traded bonds should be maintained in a brokerage account)	Type of bond:	Location:
Stock Options	Company issuing option: Expiration date (this is important to list if there is a time limit after death in which the options have to be exercised)	Location:
Stock Purchase Agreements	Company issuing option: Expiration date (this is important to list if there is a time limit after death in which the options have to be exercised)	Location:
Checking Account Documents or info (State if anyone has power of attorney on any accounts and location of copy of papers)		
Money Market Accounts info (State if anyone has power of attorney on any accounts and location of copy of papers)		

Savings Passbooks (State if anyone has power of attorney on any accounts and location of copy of papers)		
Certificates of Deposit (State if anyone has power of attorney on any accounts and location of copy of papers)		
Brokerage Account Info (State if anyone has power of attorney on any accounts and location of copy of papers)		
Notes Receivable	Payee:	Location of original
Life Insurance Policies (list if anyone other than you personally owns or has a policy on your life) Provide date policy expires, or last date a policy can be converted from term to whole life, or any other similar data		Location of policies:
Disability Insurance Policies		
Medical Insurance Policies and Coverage Information		

Insurance Policies – Other		
Partnership and/or Corporate Agreements	Company and type of agreement:	Location:
Employment Contracts	Company:	Location:
Retirement Agreements	Company:	Location:
IRA documents including designation of beneficiary forms (Include traditional, rollover and Roth IRA accounts). If copies of designation of beneficiary forms have not been retained, copies should be obtained from custodian or new forms should be executed.	Account:	Location:
Pension Plan Documents If copies of designation of beneficiary forms have not been retained, copies should be obtained from custodian or new forms should be executed.		
Profit Sharing Plan Documents If copies of designation of beneficiary forms have not been retained, copies should be obtained from custodian or new forms should be executed.		

Deferred Compensation Agreements (provide any unusual terms)	Company:	
Military benefits		
Income Tax Returns	Name of preparer:	Location of copies for last 5 years (Note that the tax return is a road map of assets owned and liabilities owed as reflected in the interest and dividend income and interest paid that has been reported on the tax returns)
Gift Tax Returns (All gift tax returns should be retained and will be needed there is a taxable estate)	Years filed	Location:
Trust and Other Tax Returns (state type of return)		Copies of last five year's returns
Trust Agreements	Name of trust and trustee along with contact information:	Location:
Financial and Estate Plans Prepared by Self or Others with dates		
Pending Contracts		
Passwords for Computers, Email and All other Accounts Requiring		

Passwords There is a separate listing sheet for this that should be filled out. If not attached, then list the location of that information on the right		
Other Records		
People to Call about my death or permanent disability Either include here or put on a **separate list**. You can list names here and reference location of the contact information such as your Outlook Contacts, telephone directory or print the contacts and affix to this schedule		
Accountant (The firm name will be listed on your tax return, but your contact person might be someone else from that firm that did not sign the return)		
Attorney		
Banker (if a business or if you have complicated banking arrangements)		
Broker or financial planner (also include insurance agents you		

purchased annuities from)		
Insurance Agent (Include general insurance and life insurance agents, and any others that you use)		
People to consider selling my art, jewelry or collectibles to Be specific as to type of property and who to go to and method of sale		
Person or People with Access to my Personal Information		
Location of Letter of Instruction to Executor or Heirs or distribution list of jewelry and other precious or sentimental items		
Other information		

Worksheet 10

Balance Sheet

List your assets and liabilities. Approximate amounts are sufficient since the amounts will continuously change. The purpose of the balance sheet is to give you a place to list everything you own and owe.

Prepared for:

Date prepared:

Asset	Account # (if applicable)	Amount or Value	Comment or who to contact
Cash accounts			
Brokerage accounts			
Retirement accounts			
Annuities			
Real Estate			
Residence			
Business			
Personal property			
Household furnishings			
Jewelry			
Art			

Collectibles			
Life insurance cash value			Death benefit:
Other assets			
Total Assets		$	

Liabilities		$	
Credit cards			
Loans			
Mortgages (list property)			
Loan guarantees			
Loans co-signed			
Total liabilities			
Net worth		$	

Worksheet 11

Cash Flow and Income

List any income and cash flow that would not be obvious from reviewing tax returns. Include pension and annuity income, and cash flow from reverse mortgages, if any.

Include trusts you are a beneficiar
y of.

Item	Account #	Amount	Comment

Worksheet 12

Estimated Assets to be Included in Estate and Potential Distribution to Beneficiaries

This should be filled out based upon your existing will. If you have no will, then base the list on how you want to make your bequests. Use estimated amounts. Do not get caught up with exact details – use big picture amounts. The amounts will be different when you die. You may want to add categories or expand on what is shown below –the format is illustrated to get you started.

Item	Amount of asset to be included in estate	Distribution of estate assets							Items passing outside of estate but subject to estate taxes	
		Used to pay debts	Used to pay taxes	To trusts for child-ren	To QTIP trust for spouse	To spouse outright	To specific individ-uals	To charities	Amount	Benefi-ciary

Schedule 13
Terms of Trusts

Following is an outline to list terms of certain trusts. You can follow this to add other trusts.

Children's trust
Payments equal to earnings when child reaches age 21. 1/3 of principal upon reaching age 25, 1/2 of the remaining balance upon attaining age 30, the balance at age 35. Alternatively, the trust can provide that a portion be distributed upon marriage, or receiving certain college or university degrees, honorable discharge from the armed forces, or the attainment of any other significant event in their lives.
To the extent individual income taxes will have to be paid by a child on any income accumulated but not paid or distributed, there will be a distribution to cover the taxes. The amount distributed will be at the highest effective tax bracket the child is in for the year the income is taxed. The trustee will have the right to invade principal for ascertainable standards of health, education, and general well-being of the beneficiary. The trustee will have discretionary powers to make distributions for anything that the trustee believes will be in the child's best interest.
Payments to Guardian from Children's Trust
The designated legal guardian of the children would receive a net after tax income of $3,000 [or any chosen amount] per month until the youngest child reaches age 21 and is not attending a four year college program; or if attending a four year college program or in the armed services, then until one year after graduation, or are honorably discharged from the service, or the child reaches age 24, whichever occurs earlier. There will be no accountability of these funds.
The trustee will have the right to make interest-free loans or mortgages to the guardian, if in trustees opinion, the purpose of the loan is to assure or provide for the comfort (to be defined as loosely or liberally as possible) of the person in fulfilling their responsibilities as guardian of the children. The loans could have a maximum principal stated such as $400,000; and can have a maximum term such as ten or twenty years, or one year after the guardianship ends. The trustee will also have the right to withdraw principal or income at their discretion to apply for the benefit of the children or guardian if in the trustee's opinion such funds would benefit the children or the guardian's care of the children.
QTIP Trust
Payments of income quarterly for the rest of my spouse's life
Principal equally, per stirpes, to my children when my spouse dies

Credit Shelter Trust
Income to be distributed annually to any of the following at discretion of trustee: My spouse, children, and grandchildren, all per stirpes
Principal equally, per stirpes, to my children when spouse dies
Or
Income to be distributed annually to my spouse for rest of life
Principal equally, per stirpes, to my children when spouse dies

Worksheet 14

Life Insurance

List all life insurance that covers you. Include policies you own, owned by others and trusts, coverage on loans and mortgages and employer provided policies.

Insurance Company or Employer	Policy #	Death Benefit	Annual premium	Due Date	Owned by	Beneficiary

Worksheet 15

Pensions and Annuities

List all pensions and annuities that cover you or that you will receive some day or are receiving presently. Include annuity policies you own or owned by others and trusts.

Insurance Company or Employer	Policy #	Annual payment	Start date	End Date	Owned by	Beneficiary and payment terms to beneficiary

Worksheet 16

Financial Obligations

List any financial debts and obligations such as loans that you guaranteed or co-signed, alimony or prenuptial agreements, commitments or contingencies from businesses, buy out commitments for a business, charitable obligations and pledges, and any other promises made that could create a liability or financial obligation.

Worksheet 17

Passwords

Name of person that has information that is not listed here____________________

URL or item	**Username**	**Password**	**Special comments**
Computer			
Cell phone			
External disk backup			
Cloud storage			

Worksheet 18

Escheat or Unclaimed funds request forms

You should check out to see if you have unclaimed funds that might be held by the state. Go online and search for UNCLAIMED FUNDS for your state and then click and follow the procedures to make a claim. Do this once a year, starting now. Following is information for NJ and NY.

NJ Website: http://www.unclaimedproperty.nj.gov/

The claim inquiry form, once completed, should be mailed to:
State of New Jersey
Unclaimed Property Administration
P.O. Box 214
Trenton, NJ 08625-0214
ATTN: Claims Section

Establishing Your Identity
Acceptable Credentials

1. Clear copy of driver's license or other legal photo identification.
2. Proof of Social Security Number or FEIN
3. Documentation of name change if different than listed on the search results page.
4. Proof of the original owner's address as listed on the search results page.

Below are examples to help prove the address or name relationship:

- Auto Registration
- Marriage Certificate
- Utility Statement
- Bank Statement
- Court Documents
- Medical Card
- Insurance Policy
- Birth Certificates
- Divorce Decree
- Canceled Check
- Income Tax Return
- Report Card
- Pay Stub
- Postmarked Envelope Addressed to You
- Expired Driver's License
- W-2

New York website: https://www.osc.state.ny.us/unclaimed-funds?redirect=legacy

Claims for Individuals

Individuals can submit claims online or by mail.

Search: Enter your name in the Search for Individual box on our Search for Lost Money page.

Online

- Select the item you wish to claim from the search results.
- Follow the step-by-step directions and prompts that appear onscreen after your Search.
- Based on your answers and the information we have on file, we'll let you know if your claim was successful or not.

By Mail

If you can't submit your claim online – or choose not to – follow these steps:

- Complete the information requested on the "Mail Claim Form" page that appears after you select a name from the search results or select the "Mail Claim Form" link.
- Enter your full name and current address to generate a claim form.
- Print the form.
- Sign the form and have your signature notarized by a licensed notary public.
- Attach the Required Documentation described on the website and below.
- Mail to:
  Office of the State Comptroller
  Office of Unclaimed Funds
  110 State Street
  Albany, New York 12236

Required Documentation

If you're submitting your claim by mail, attach the following documentation to your claim form.

Proof of Address
If your current address is different from the address appearing in the Item Details, submit proof of your connection to the old address. Acceptable proof of address includes copies of:

- Driver's license or non-driver photo ID showing the old address;
- Birth and marriage certificates;
- Passport, if it shows old address;
- Bills and statements such as banking, utility, medical, credit cards;
- Records such as tax (W2 and 1099 forms), school, insurance, medical, military;
- Legal papers such as divorce decree, separation agreement and mortgage; and
- Postmarked envelope.

Proof of Ownership
Acceptable proofs of ownership include copies of:

- Bank books, passbooks or bank or mutual fund statements;
- Certificates such as stocks, bonds or bond coupons;
- Uncashed checks such as money orders, gift certificates or traveler's checks; and
- Insurance policies.

Proof of Name Change
Acceptable proof includes:

- Marriage certificate;
- Adoption papers;
- Divorce decree; and
- Court papers.

Comment: If you moved and are making a claim for all of your prior addresses [you should] you will need proof of those addresses. Because of this you should retain some bills, bank statements or expired licenses or passports from *every* address you lived at or did business at.

Some final tips and comments

- There is no time limit on applying and no limit on how many times you can apply
- You will need "proof" of every address you lived at
- You will need proof of every address you worked at if you received personal mail there
- You will need proof of every address you used to open a bank or brokerage account if different from the other addresses mentioned
- You cannot lose anything if you apply and there are no unclaimed funds sitting there waiting for you
- Whatever you receive will be without interest
- There will be no tax on what you receive since, if the unclaimed funds was taxable income, you already paid tax on it because you would have received a Form 1099 reporting it as income

Worksheet 19

Warning Letter to IRA Beneficiaries

Insert name and address of IRA Owner at top of letter

Warning letter to seek professional assistance

Dear_________________________________,

You have been named as a beneficiary of my IRA.

You should seek personal guidance BEFORE you request or accept any distribution from the account.

You should not change the names on the account; and should not take, deposit or receive ANY distributions before getting advice.

Doing the wrong thing could make the entire IRA taxable in the year of my death instead of allowing the distributions to be taxed over a longer period.

The longer period will depend on your age, or the age of alternate beneficiaries if you disclaim this inheritance, and other factors that Congress and the IRS has made extremely complicated for something that should be handled without much bother. Also, receiving any distribution can ruin your chances to have tax planning done for you or your family such as making a qualified disclaimer and considering using the IRA for asset protection.

I hope you make the most of this inheritance.

Good luck!

With love,

____

Worksheet 20
How to Protect Your Children Against Identity Theft

A friend received a letter from her 25 year old daughter who recently sent her a notice that she received from the U.S. Office of Personnel Management ("OPM") stating that her social security number, fingerprints and other personal information were included in a "malicious cyber intrusion," which resulted in the theft of background information records. Needless to say, she was a little "freaked out," and so was I. She is a young adult and we have had several chats about being careful using social media and protecting her personal information.

The IRS as well as the OPM have breach procedures in place and notify individuals when there is a risk of identity theft or other adverse effects from data breaches. They are also required to follow federal authority to disclose such occurrences.

That being said, you are probably aware of your own risk of identity theft and maybe have taken some precautions to guard your own personal and financial data, but what about your minor children? Identity theft on a child can go on for years undiscovered. Experts say children represent an emerging market for identity theft thieves who steal their social security numbers knowing that these numbers may not be used for years. Most victims do not even know about it until they are young adults and find their credit rating compromised, or are rejected for student loans, jobs or from renting a place to live.

Researchers at Carnegie Mellon conducted a study on child identity theft and found that 10% of children are victims as compared with less than 1% of adults. They analyzed more than 800,000 records. The loud and clear message imparted at a recent identity theft conference sponsored by the Federal Trade Commission ("FTC") is that this fraud has a systemic financial impact and we have an ethical, moral and legal duty to help our children have a future that they can create for themselves.

WHAT ARE THE WARNING SIGNS THAT YOUR CHILD'S CREDIT HISTORY MAY HAVE BEEN COMPROMISED?

- Your child is denied a bank account or a driver's license
- Credit card and loan offers addressed to your child
- Collection calls or bills addressed to your child
- A notice from the IRS that your child owes income taxes or was claimed as a dependent on another return

WHAT YOU CAN DO BEFORE AND AFTER A POSSIBLE DATA BREACH?

Check your child's credit history. There are three recognized companies that can assist with this process:

- Equifax (1-800-525-6285)
- Experian (1-866-200-6020)
- TransUnion (childidtheft@transunion.com)

REPAIR THE DAMAGE

- Contact the credit reporting company and ask them to remove any files that have your child's social security number listed.
- Place a fraud alert with the applicable entity on the credit report.
- File a fraud report with the FTC online or call 877-438-4338.

PREVENTION AND PROTECTION

- Find a safe location for papers and electronic records.
- Cross shred documents with personal information.
- Don't share your child's SSN unless you know and trust the other party.
- Ask at your child's school or medical office how your child's information is collected, stored, used and thrown away.
- Be aware of events that may put information at risk like a break in at your child's school, doctor's office or in your home.
- Before your child turns 16 get a credit report. If there are errors due to fraud, you will have time to correct before your child applies for a job, a loan for tuition or needs to rent an apartment.
- Teach your children to keep personal information private when they are online. Social networking sites can be a goldmine for identity theft thieves.

RESOURCES

Any taxpayer who believes they are at risk of identity theft due to lost or stolen personal information should contact the IRS immediately so the agency can take action to secure their tax account. The taxpayer should contact the IRS Identity Protection Specialized Unit at 800-908-4490 Ext. 245. The taxpayer will be asked to complete the IRS Identity Theft Affidavit, Form 14039, and follow the instructions on the back of the form based on their situation

The IRS has issued guidance for actual or potential identity theft, phone scam and phishing victims.

- Taxpayer Guide to Identity Theft
- Publication 5027, Identity Theft Information for Taxpayers (PDF)
- Data Breach: Tax-Related Information
- Requesting Copy of Fraudulent Return
- Publication 4524, Security Awareness For Taxpayers (PDF)
- Identity Theft Victim Assistance: How It Works

CONCLUSION

This is very serious stuff. Be alert and be diligent and discuss with your children. by Rhea Harris, CPA
If you have any questions or would like to discuss this matter further, please contact Rhea at rharris@withum.com or me at emendlowitz@withum.com.

Worksheet 21

10 NON-TAX REASONS FOR ESTATE PLANNING

People associate estate planning with saving estate taxes, but in reality, very few pay estate taxes. However, there are many good reasons to plan, and here are ten of them.

1. Execute a will. When you do not have a will, your affairs will be settled according to legislative and bureaucratic norms (usually never the full way the deceased would have chosen.) A will also allows the appointment of people to settle your affairs and says whether they will be compensated or need to obtain surety bonds.
2. Planning can provide for charitable bequests, delayed distributions to beneficiaries, different classes of beneficiaries and asset protection for your heirs. This can be done through a will, trusts or by the way assets are owned and beneficiaries designated.
3. Probate is the process of settling an estate by proving the will, qualifying the executors, administering the estate, resolving all claims, accumulating and liquefying assets, filing all tax returns, paying taxes, and making distributions to beneficiaries. In many cases, probate can be minimized by a careful titling of assets.
4. Choosing a guardian can be easily done in a will, and done with much difficultly, confusion and cost in a Surrogates Court when there is no will. Choosing a guardian is necessary in the event of an untimely death of both parents of a minor child or children.
5. Provisions can be made in a will or trust for an allowance or regular stipend to be paid to the guardian, and also to provide for funding for additions to the guardian's home or to acquire a bigger home if needed for the appropriate care of your children. Without a will, needless costs will mount up each time the guardian needs additional amounts for the care of the children.
6. An estate plan can provide for estate liquidity such as making funds available to heirs soon after death, providing for the management and operation of businesses or real estate, providing funds to a guardian or indicating a need for life insurance. Many times, low-cost fixed premium 20- and 30-year term life policies can solve potential problems.
7. Planning enables the synchronization of non-probate assets such as IRA, 401k and 403b accounts, pension plans, annuities and jointly owned accounts or houses with assets individually owned. It is important to understand that many assets that people own are not distributed or covered by a will and care needs to be taken to consider the complete distribution of all of a deceased's assets in accordance with what is desired.
8. A plan enables the preparation of healthcare proxies, living wills, powers of attorney and provisions for care when incapacitated or disabled. In many instances determining who "pulls your plug" could be much more important to you than who gets your money.
9. This is an appropriate time to prepare a letter providing the pertinent information you would want your family to have regarding your affairs, your background, ethical, moral and/or religious values and any other sage advice you want to leave behind.
10. Planning forces the organization of information and your affairs. A final word is to leave a list somewhere with all your passwords, so your family won't go crazy trying to decipher your email accounts, your computer and cell phone.

Nothing beats being prepared. As seen from the above, planning is essential - even when there is no taxable estate.

Worksheet 22
Forms of Ownership

Following, is a listing of some types of ownership.

Joint Tenancy or Joint Tenancy With Rights of Survivorship
This is a form of joint ownership where all joint owners have an undivided interest in the entire property. If a joint owner dies, the other becomes the complete owner of the property.

Tenancy by the Entirety
Form of ownership limited to a husband and wife in which each has an undivided interest in the entire property. The survivor ends up with the entire property.

Tenancy in Common
Form of joint ownership where each party owns a specified share of the property. There is no right of survivorship. When one owner dies, their share goes to their estate (or a beneficiary that is designated), not to the other owner.

Community Property
This is limited to married couples in the states of Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin. The assets include all property acquired during the marriage while they are domiciled in a community property state, except property received as a gift or inheritance. Each spouse is deemed to own half of the property.

Custodian for a Minor
Under state Uniform Gifts (or Transfers) to Minor Acts ("UGMA") an adult person can hold title to property for the benefit of a minor. Upon the minor reaching majority, the funds must be transferred to the minor's name. Assets held under UGMA use the social security number of the minor and the income is reported on the minor's tax return.

Trusteeship
Assets held in a trust are "owned" by the trustee for the benefit of the beneficiaries as designed in the trust agreement. There are many different types of trusts and many different reasons why they are formed. Some trusts pay taxes and transfers to some trusts are subject to gift tax. Trusts can be formed by a person during their lifetime or upon their death per instructions in a will.

Totten Trust
This is not actually a trust but a designation on an account at a financial institution where someone other than the depositor or account owner is named as a beneficiary in the event of the owner's death. The designation would have the owner's name with "in trust for ___________ [beneficiary's name]" after it. Upon the owner's death, title immediately transfers to the "in trust for" person.

Power of Attorney
This is where someone is granted control over a bank or brokerage account but does not have any ownership or inheritance rights. The power terminates at death. This is usually used if there is incapacity and the funds need to be accessed. The power can be limited to a single account or to every asset the person granting the power has.

These methods involve serious tax, estate and financial planning issues and should not be done without competent professional advice. All documents should be prepared by an attorney experienced in such matters.

Worksheet 23

Managing Other People's Money

Life brings surprises – not always good and not always without responsibility. Occasionally, you can end up having to care financially for someone else – a parent, an adult child, a close friend or a not-so-close relative. Here are some basics to be aware of.

- Before you start, you need to obtain the authorizing document – either a will, trust agreement, power of attorney or court order. You also need to make sure you fully understand your role, duties and responsibility and who else needs to be informed and reported to
- If an insurance bond is necessary, you will need to arrange for a policy
- Also determine if you will be compensated and how
- Make sure you have, or will have, no conflicts of interest. It is also best to avoid any appearances of a conflict, even where there are none
- Do not comingle their affairs with your own
- You will need to locate all of their accounts and assets
- Arrangements will need to be made to consolidate assets and prepare an inventory that will need to be watched over and accounted for
- If inadequate cash is available, then investments will need to be sold
- You will need to arrange to be able to write checks on their accounts. This needs to be done as quickly as possible. You will need to bring an official copy of the authorizing document to the bank and other depositories of the person you are financially caring for
- You will need to coordinate what you are doing with the health care proxy to determine the needs of the person and time frame this will be done over [either a few months, years or permanently] and the cost
- If there are family members, they should be advised of the situation, your role and your request for input
- Proper investment arrangements will need to be made. If you are not financially oriented, you will need to engage an investment professional and/or manager
- You will need to engage an attorney and accountant
- You should get copies of all necessary documents such as the will, health care proxies, living wills, powers of attorney, contracts, employment agreements, retirement plans, leases and anything else that might need to be monitored
- Discuss financial arrangements with the place where your principal is or will be residing
- Locate all outstanding bills
- Arrange to reimburse the health care proxy for any of their out of pocket expenses
- You should start out by immediately keeping careful, complete and meticulous records
- Tax records will need to be kept in order and you will need to locate prior year tax returns
- Funeral arrangements will need to be determined and arranged for including obituary notices if deemed appropriate
- Get a list of people to notify of the condition and then do so appropriately
- Either the apartment will need to be cleaned and lease cancelled, or a house put in marketable condition and sold
- Arrange to open a Post Office Box and have mail transferred there
- Find out if there are any safe deposit boxes, locate keys and see what is inside them. Make sure you have someone accompany you to the box to witness the contents
- Any personal items should be collected and saved for the person or their family

- If there are funds being held for minor children, coordination will need to be done with the guardians, and investments synchronized with trusts or other documents providing for their financial well-being
- If Medicaid will be applied for, speak to an attorney who could advise you on how to go about it. Note that you will need copies of bank and brokerage statements and complete details of transactions going back five full years, so you will need to start locating these
- A preventative action, while everything is ok, is to make arrangements to have access to some ready funds if there is a sudden need. This can be done by having the principal open a bank account with a reasonable balance and making you the limited power of attorney on that account. This is so you will be able to immediately write checks if the need arises

This is a start of what you should expect when called on to manage someone else's affairs. The care needs to be at a higher level than you might do for yourself. Good luck if you find yourself in such a situation.

Worksheet 24

How to Give to Charity from Your IRA (And Avoid Taxes)

If you are over age 70 ½ [note that the age for taking required minimum distributions (RMDs) from an IRA is 72, but age 70 ½ has been retained for these purposes], you can give charity ***directly*** from the IRA. You can direct any portion of your distribution to be contributed directly to one or more charity–this is called a ***qualified charitable distribution*** or QCD. Such contributions would not be deductible, but the IRA QCD withdrawal would not be taxable for federal tax purposes.

This method would particularly benefit people who do not itemize or who would otherwise get no tax benefit from their charitable payment…those with low income where the IRA distribution would trigger a tax on Social Security benefits…or those in higher federal tax brackets who will not get a full benefit for their contributions.

Making a qualified charitable distribution would also reduce adjusted gross income, possibly benefiting Medicare premium payers and those in the highest tax brackets.

But (no shocker) there are caveats and rules that must be followed to get the best financial outcome not only for the charity but for you as well. Here are some of the rules (with thanks to my partner Brian Lovett, CPA, JD, who helped lay these out).

- There is a maximum transfer under this method of $100,000 per year per taxpayer. Spouses can each make qualified charitable distributions of $100,000.
- The taxpayer must be over age 70 ½ .
- QCDs can come only from traditional IRA accounts; they cannot come from an active SEP, SIMPLE, Roth IRA, 401(k) or 403(b) plan or any other type of pension or retirement plan. A QCD can be made from a completely inactive SEP, but I would advise checking first with an advisor before doing that.
- A QCD can be made from an Inherited IRA. When this is done the amount paid will appear as a "death distribution" on the 1099, but it should be treated the same as if made from a traditional IRA.
- The QCD must be paid directly to the charity by the IRA custodian.
- The charity must provide a contribution acknowledgement the same as for direct-from-taxpayer contributions.
- If you have a 401(k), 403(b) or other type of retirement plan that RMDs must be taken from and you want to make a QCD, one possibility is to roll the account over to an IRA and then make the QCD. ***Caution:*** There are other things to take into account when considering rolling over a 401(k) or other retirement plan to an IRA. For instance, a participant over 72 who is still working and is not more than a 5% owner of the company sponsoring the retirement plan does ***not*** have to start RMDs…there are ERISA liability and bankruptcy protections for a qualified retirement plan that might be better for the participant than IRA protections…rolling over a retirement plan needs spousal consent under certain circumstances…if beneficiary designations differ between the accounts, the rollover would change them. Also, the retirement plan investments might be managed while the IRA would not be, and an investment advisor might then need to be engaged. Taxes are important, but how you manage your wealth and who you designate it to go to might be more important and would affect a greater portion of the net assets. Do not let taxes drive the cart.

- The QCD might be taxable as a retirement account distribution for ***state*** reporting. You would have to check your state's income tax rules.
- QCDs cannot be made to a donor-advised fund or private foundation; only directly to a public charitable organization.
- If the IRA includes nondeductible contributions, a special rule permits QCDs to be treated as coming fully from deductible funds without having to allocate the distribution between deductible and nondeductible contributions, as would be done if the RMD were made directly to the participant.
- If a QCD is made that includes nondeductible funds, there would be a charitable tax deduction to the extent of the nondeductible distribution if the taxpayer itemizes.
- Some IRA custodians will give you a checkbook for the IRA account and you can write your own checks and mail them directly. If you do not want to do that, you can request payments be made directly to the charity by the IRA custodian on forms the custodian usually would have on its website.
- If you make the contribution and get a charity letter for a quid pro quo benefit, you should report that amount as a taxable withdrawal from the IRA.

This, as with all potentially powerful but complex tax moves, should be discussed first with a knowledgeable tax advisor who will not only advise you on the tax issues but who will also consider the applicability to your entire financial plan.

Worksheet 25

What you should tell your family about your will

Everyone should have a will and other estate planning documents. In many situations, the plans are a complete surprise to the heirs and others entrusted with responsibilities. Here is a brief guide on what to advise named parties about before that tragic day.

1. While I believe it is important to share the information about responsibilities, I do not think it advisable to tell how much you have or will be leaving to them. Estate plans are for when you die or become unable to care for yourself. As long as you are still able to kick the tires and am not kicking the bucket, you not only should be in control of your actions, but shouldn't have to be accountable and put yourself in a situation where you have to explain what you do or not do, or be seemed to renege on what the children might have considered as a promise by you. Also circumstances change and what is intended today might not meet expectations tomorrow or some later date. Further children or other heirs have needs, spouses, children and responsibilities and many always seem to be short of ready cash. A needy child might not understand why a parent with a bundle [that is being conserved so their cash flow can be comfortably maintained] might not generously help them out now instead of having to wait until their parents kick the bucket.
2. Wills name beneficiaries either directly or in trust, or as alternates. You should tell who you've named and if there will be any conditions, but not any amounts. An example is that you are naming your children for primary shares, and grandchildren and some other people (such as your children-in-law, siblings or a close or needy friend or relative) for lesser amounts. You can also tell them [assuming this is the case] that some of the funds to your children will be outright and some will be in a trust to assure the funds remain in your blood line, i.e. any funds remaining when they die will go to their children and not to their spouse. You can also tell them, if that is the case, that the funds for your grandchildren will be designated for college and a balance when they attain a certain age such as 25, 30 or 40, or whatever conditions you decide upon.
3. Wills also name executors and trustees. Everyone given a responsibility should be told what is expected of them, professionals they should consider engaging such as lawyers, accountants, appraisers, auctioneers, collectible dealers and what first steps will be necessary.
4. From what I've seen, many people that want to leave money to beneficiaries in trust do not have to do anything while they are living. They can leave clear instructions in their will how the trust should be established and maintained. Setting up trusts while the grantor is living can be important to some people, particularly if you live in Florida, if you are fortunate to have such amounts that will be subject to federal estate tax or if you have a complicated financial situation where a trust can facilitate management now and later and if you are one of those, then do it, but most people do not need to do anything while they are living.
5. People have many other documents that leave assets to beneficiaries in ways that by-pass the will or estate. Some of these are life insurance policies and annuities, IRA, 401k, 403b and employer plans, and bank and brokerage accounts that name beneficiaries payable on death. Whatever you have, these should be coordinated with the plans you make in your will. A good estate planning attorney should be able to assist you in this. If your attorney doesn't ask you about these, then I suggest they are not good estate planning advisors, and perhaps you should look elsewhere.

6. If you want to leave funds to charity after you die you can make these arrangements in your will. An alternative is to transfer some IRA funds to a separate IRA account naming the charity or a donor advised fund, or a foundation to be created [if you have that much money] as the beneficiary. Whatever you decide, let your beneficiaries know about this and your wishes about how it should be handled.
7. If you have minor children, a guardian will need to be designated and they would have to agree. Here you can tell them any financial arrangements you will make so they would not have to reach into their own funds to care for your children. A trustee would need to be designated to handle the funds left to your children and the amounts that will be paid to the guardians. These people need to be told of your plans.
8. Prepare a listing of listing of assets and include who to go to for disposal of collections, art, jewelry and business interests, and tell them where this info could be found and should be with your estate planning documents. You can also include a note of where you might have hidden some cash or gold coins such as “check the toolbox in the shed.”
9. If you have a “ready cash” account that can be quickly accessed, let them know and also consider naming them in a way that they can act on that account if necessary.
10. Your documents will include, besides a will and designations of beneficiary forms, a financial power of attorney to handle your financial affairs, a health care power of attorney to determine your medical attention and when to “pull the plug” if you are unable to make those decisions for yourself and also who can be permitted to speak to the physicians on your behalf. Each of the care or action and responsibility provisions should be explained to those so named and they will need to agree to act accordingly if necessary. If not, then you will need to make other arrangements. Also include burial and cemetery information. It might be helpful if you prepare a memorandum of your funeral arrangements that would be available almost immediately after you pass away.

If married both spouses should agree on what to tell the children. You should prepare a memo and a meeting should be held to go over this with them.

This listing seems confused. I do not think it is, but it can be overwhelming considering you are writing about what would happen after you die. However, if it seems confused now, imagine how it would be to your children if this planning wasn’t done.

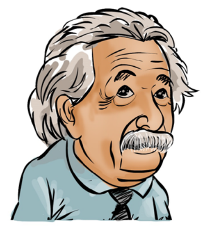
This listing covers what you should tell the parties involved *after* you arranged your affairs. If you haven’t done that yet, then get it done!

$E=fs4U^h$

Ed = financial security for YOU at a higher level

Pythagoras
$a^2+b^2=c^2$

Luca Pacioli
A = L + C



Albert Einstein
$E = mc^2$

Edward Mendlowitz
$E = fs4U^h$

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Contact me if you have the need for any services the partners or staff at Withum can assist you with and I'll connect you with the right person for your engagement.