

# Cohen Smith & Company, P.A.

## NEWSLETTER



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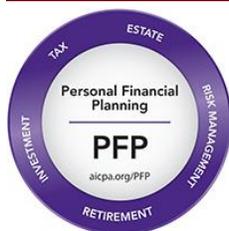
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### January 2017

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#### **The Personal Finance Report Card**



Comprehensive financial planning involves the examination of virtually all aspects of a person's financial life: earning and spending, risk

management and insurance, tax planning, investments, and estate planning. The most serious financial crises are usually the result of unexpected events rather than risks that the person recognized.

The following report card represents a starting point that can be used to summarize your financial situation and as a starting point for assessing your current financial situation and identifying opportunities to meet your financial goals. Once you have completed the Personal Finance Report Card, use the following questions as a guide to take action:

- What area(s) would you most like to improve?
- What would it take to make it happen (support, resources, expertise, etc.)?
- What obstacles are there?
- If any, how have you overcome such obstacles in the past?
- What action steps will you take?
- When can you schedule these tasks?
- Who will you be accountable to?

This report card will not only help you identify the important issues, but can serve to motivate you to take action that will raise your score. It may also help you to avoid one of the biggest traps in financial planning: the focus on short-term investment performance and help you to focus on your “big picture” financial situation.

To complete the report card, assign yourself a score in each of the 25 categories. The maximum score possible is 4 and the minimum 0. As a result, someone whose entire financial life is in perfect order will have an overall personal score of 100. Below the report card are questions to ask in each category in deciding how many of the 4 points to assign.

### Personal Finance Report Card

Category	Item	Grade (0-4)	How To Raise Your Grade
Estate	Wills & Living Trust		
Estate	Titling of Assets		

Estate	Irrevocable Trusts		
Estate	Advance Directives		
Estate	Gifts & Charitable Planning		
Investing	Asset Allocation		
Investing	Diversification		
Investing	Benefits		
Investing	Tax Planning		
Investing	Cost Minimization		
Risk	Business & Umbrella Coverage		
Risk	Life Insurance		
Risk	Property & Liability Insurance		
Risk	Health Insurance		
Risk	Disability & LT Care Insurance		
Spending	Saving Target		
Spending	Emergency Reserve		
Spending	Budgeting		
Spending	Liquidity		
Spending	Debt Management		
Goals	Retirement		
Goals	College		
Goals	Home		
Goals	Work		
Goals	Enjoying Now		
<b>Total</b>			<b>Maximum 100 Points</b>

## Assessment Questions

Use these questions to decide how many of the 4 points to assign in each category. When in doubt, always score lower rather than higher, since the most important use of this tool is to identify areas that require action.

### *Estate Planning*

1. **Wills and Living Trust** - Do you understand the importance of having a will? Do you have a will? Has it been updated since the last major life event (birth, death, marriage, divorce, move from another state, etc.)? Are you and your spouse U.S. citizens? Have you created a living trust (or carefully considered and determined it wasn't necessary)? Have you transferred the appropriate assets into the trust? Do you fully understand your present plan and the way your documents actually work? Do your beneficiaries know the location of these documents or the appropriate person to contact?
2. **Titling of Assets** - Have you properly designated beneficiaries on all retirement accounts and life insurance policies? Have you used such designations on bank accounts, brokerage accounts, and automobile title documents? Do the beneficiaries have copies of these designations so that they'll be able to quickly transfer assets if needed? Have you determined the appropriateness of joint designations on shared assets and considered the effect on community property rules, if applicable?
3. **Irrevocable Trusts** - Have you considered and, if appropriate, established Credit Shelter Trusts, Qualified Personal Residence Trusts, Grantor Retained Interest Trusts, and/or Special Needs Trusts?

4. **Advance Directives** - Have you considered and, if appropriate, prepared health care proxies, durable powers of attorney for financial decisions, HIPAA Authorizations, and living wills? Have you provided the appropriate people with documents needed to utilize these?

5. **Gifts & Charitable Planning** - Is it important for you to leave assets to your loved ones and/or charity? Have you considered your strategy for gifts to loved ones? Have you executed it? Have you considered your strategy for charitable contributions? Have you executed it?

### *Investing*

1. **Asset Allocation** - Have you identified the time frame within which you'll need the funds from various investment accounts? Have you determined your risk tolerance and the returns you'll need to achieve your goals? Have you determined the appropriate percentage of your assets to commit to equity investments? Have you developed an overall investment strategy? Have you executed the strategy? Are you satisfied with your investment performance?
2. **Diversification** - Have you identified any concentration of investments that may be placing you at unnecessary risk? Have you identified ways of diversifying to reduce that risk? Have you executed your diversification strategy?
3. **Benefits** - Do you fully understand any employee investment programs available to you? Are you participating in your company 401(k) plan and taking advantage of employer matching contributions? Have you identified all government benefits to

which you may be entitled? Are you executing strategies to take advantage of them? Do you think an annuity or lump sum is a better strategy for you? Would you prefer to take a single life annuity or a joint life annuity, or other?

4. **Tax Planning** - Have you determined the appropriate allocation of investments between taxable and tax-deferred accounts? Have you identified strategies for transfer of investments to other family members? Have you determined the funds that need to be set aside to cover upcoming tax obligations? Have you considered the potential impact of the alternative minimum tax on your planning? Do you have a strategy to withdraw funds in the most tax efficient manner?

### ***Risk Management***

1. **Business & Umbrella Coverage** - Have you determined the necessary business liability protection? Have you obtained solid coverage from a reliable carrier? Have you estimated the umbrella coverage needed for personal assets? Have you obtained the necessary coverage?
2. **Life Insurance** - Have you determined the amount of life insurance coverage required for loved ones? Have you determined the proper type of life insurance to acquire? Is the life insurance policy owned by the correct person or entity? Have you cancelled unnecessary and inappropriate forms of coverage? Have you reviewed older policies to assess the policy performance, the strength of carrier, or if better alternatives exist?
3. **Property & Liability Insurance** - Do you have adequate replacement cost coverage of assets? Do you have

additional protection as needed for floods and sinkholes? Have you properly covered valuable items such as artwork or jewelry? Do you have an inventory of your assets for insurance purposes in a safe location? Have you eliminated unneeded coverage and raised deductibles for losses you can afford to pay? Have you consolidated various policies with one insurer to benefit from multi-policy discounts?

4. **Health Insurance** - Are all your family members covered for catastrophic health care costs to the extent possible? Do you have coverage in the form you want from a reliable provider? Have you raised deductibles on expenses you can afford to pay and/or considered a health savings account? Do you exercise regularly and avoid smoking? Are you familiar with the eligibility requirements associated with Medicare?
5. **Disability & Long-Term Care Insurance** - Would your financial plan survive if you had a catastrophic event? What would happen to your lifestyle if you did not have adequate coverage? Have you determined the need for income protection policies? Have you obtained as much coverage as you can from a reliable provider? Are you paying with after-tax dollars to ensure benefits are tax-free? Have you considered and, if appropriate, obtained long-term care insurance? Do you understand the costs associated with nursing home care and how the Medicaid program is administered?

### ***Spending***

1. **Saving Target** - Have you determined a reasonable savings rate for the achievement of your financial goals? Have you come to an agreement with

your significant other so that you are both comfortable with this rate?

2. **Emergency Reserve** – Have you calculated what your non-discretionary monthly expenses are? Do you have 3 to 6 months of cash to cover expenses if you were to lose your job or another unexpected event occurred?
3. **Budgeting** - Do you know how much you spend each month? Have you identified expenditures that provide little real value? Do you have strategies for purchasing needed items in bulk or at the right time to reduce costs? Do you have discretionary funds for each family member that don't need to be accounted for? Do both spouses understand the family finances and would be able to make decisions in the event of an emergency? Have you considered costs of caring for elderly parents or for adult children?
4. **Liquidity** - Are you holding the appropriate amount of cash needed to cover expected payments, allow maximum deductibles on insurance, take advantage of opportunities to purchase items at bargain prices, and sleep peacefully when investments are down?
5. **Debt Management** - Have you eliminated non-deductible debt to the extent possible? Have you reviewed interest rates on debts and taken steps to reduce them, if applicable? Do you have available but unused lines of credit to satisfy liquidity needs? Do you check your credit report regularly to make sure your identity has not been compromised?

### **Goals**

1. **Retirement** - Have you determined when or if you plan to retire? Have

you calculated the capital you will need to fund retirement? Have you identified probable sources of retirement income other than investment earnings? Have you considered the availability of social security and the appropriate age to start receiving benefits? Have you determined the appropriateness of annuities and reverse mortgages to finance retirement costs? Have you taken into account unexpected costs in retirement (e.g. health care or caring for a loved one)?

2. **College** - Have you determined the extent to which you want to assist loved ones in financing the costs of attendance? Do you plan to pay for an in-state school or private institution? Have you considered the available savings vehicles? Are you funding them? Have you considered other vehicles in addition to 529 plans? Have you run the numbers for college aid?
3. **Home** - Do you have plans to acquire a home (or a larger or second home)? Have you estimated a reasonable amount to pay for it and what your mortgage options are? Have you determined the necessary cash down payment to purchase and furnish the home? Are you saving for the amount you've determined? Have you considered refinancing your existing mortgage(s)?
4. **Work** - Are you in the line of work that you wish to be? Are you satisfied working for your present firm? Are you taking appropriate education courses to improve your skills or to prepare for a career change? Are you saving what is needed to prepare for a planned career change or sabbatical?

5. **Enjoying Now** - Do you know when and where you will be taking your next vacation? Do you reserve time each week for those who are most important to you? Have you identified those pleasures that you can afford right now without endangering your future? Have you considered your spiritual and other needs and made sure they are not being crowded out by excessive focus on making money?

Please note that not one of the questions on the list related to short-term investment performance; while investment performance is a component of your overall financial health, a useful financial plan must not be based on a belief that short-term performance is either controllable or relevant.



**Reminder: Employers Face New January 31 W-2 Filing Deadline**

A new federal law, aimed at making it easier for the IRS to detect and prevent refund fraud, will accelerate the W-2 filing deadline for employers to Jan. 31. For similar reasons, the new law also requires the IRS to hold refunds involving two key refundable tax credits until at least February 15.

**New January 31 Deadline for Employers**  
The Protecting Americans from Tax Hikes (PATH) Act, enacted last December, includes a new requirement for employers. They are now required to file their copies of Form W-2, submitted to the Social Security Administration by January 31. The new January 31 filing deadline also applies to Forms 1099-MISC reporting non-employee compensation, such as payments to independent contractors.



**Standard Mileage Rates for 2017**

The optional standard rates for business use of a vehicle will drop slightly in 2017, the second consecutive annual decline, the IRS announced Thursday. For business use of a car, van, pickup truck, or panel truck, the rate for 2017 will be 53.5 cents per mile, down from 54 cents per mile in 2016. Taxpayers can use the optional standard mileage rates to calculate the deductible costs of operating an automobile.

Driving for medical or moving purposes may be deducted at 17 cents per mile, which is two cents lower than for 2016. The rate for service to a charitable organization is unchanged, set by statute at 14 cents per mile.



**TAX CALENDAR**

**JANUARY & FEBRUARY 2017**

**JANUARY 2017**

**January 10**

Employees who work for tips. If you received \$20 or more in tips during December, report them to your employer. You can use Form 4070.

**January 17**

Individual taxpayers' final 2016 estimated tax payment is due unless the Form 1040 is filed by February 1, 2017, and any tax due is paid with the return.

**Employers** - For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in December if the monthly rule applies.

**January 31**

Employers must file Form RT-6 with the Florida Department of Revenue.

Most employers must file Form 941 (Employer's Quarterly Federal Tax Return) to report Medicare, Social Security, and income taxes withheld in the fourth quarter of 2016. (If your tax liability is less than \$2,500, you can pay it in full with a timely filed return).

Small employers who have been notified by the IRS should file Form 944 (Employer's Annual Federal Tax Return).

Give your employees their copies of Form W-2 for 2016. If an employee agreed to receive Form W-2 electronically, have it posted on the website and notify the employee.

Generally, give annual information statements to recipients of certain payments you made during 2016. You can use the appropriate version of Form 1099 or other information return. Form 1099 can be filed electronically with the consent of the recipient.

File Form 940 [Employer's Annual Federal Unemployment (FUTA) Tax Return] for 2016 and deposit any unpaid tax using the EFTPS (electronic) system.

File Form 945 (Annual Return of Withheld Federal Income Tax) for 2016 to report income tax withheld on all nonpayroll items, including backup withholding and withholding on pensions, annuities, IRAs, etc. If your tax liability is less than \$2,500, you can pay it in full with a timely filed return. If you deposited the tax for the year

in full and on time, you have until February 10 to file the return.

The government's copy of Form 1099 series returns (along with the appropriate transmittal form) should be sent in by today. However, if these forms will be filed electronically, the due date is extended to March 31.

File Form W-3 (Transmittal of Wage and Tax Statements) along with Copy A of all the Forms W-2 you issued for 2016.

**FEBRUARY 2017**

**February 10**

Employee who work for tips. If you received \$20 or more in tips during January, report them to your employer. You can use Form 4070.

**February 15**

Employers - For Social Security, Medicare, withheld income tax, and nonpayroll withholding, deposit the tax for payments in January if the monthly rule applies.

**Other helpful on-line services**

[www.IRS.gov](http://www.IRS.gov) - [www.MyFlorida.com](http://www.MyFlorida.com)

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[www.Volusia.org](http://www.Volusia.org)