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Important Reminders

Office Hours
West Chester:
Monday – Thursday 8:30- 5:00pm, Friday 8:30am- 4:00pm (This office is closed from Noon – 1pm for lunch daily)

Hamilton:
Monday- Thursday 8:00am- 5:00pm, Friday 8:00am- 4:00pm

Oxford: By Appointment Only

Upcoming dates:

October 15 - Filing deadline for extended 2023 individual and C corporation tax returns

Withdraw excess IRA contributions in 2023 to avoid penalty if filing of Form 1040 was extended

Contribute to solo 401(k) plan or simplified employee pension (SEP) plan for 2023 by self-employed if you received a filing extension

October 23 - Ohio Monthly Sales: Sales & Use Tax Return and Payment Ohio Quarterly Use Tax Return and Payment

October 31 – Halloween

Achieving financial security for you and your family is no small task. With inflation and the allure of signing up for yet another monthly service, saving money can feel like an uphill battle. In this month's newsletter, read about 5 ideas that can help you save money on your road to building wealth.

Also learn about several tips to protect your Social Security number, why you should think twice before tapping retirement accounts to pay for emergencies, and ideas that can help your kids thrive this school year.

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As always, please pass this newsletter to anyone who may find it valuable and call if you have any questions or concerns.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 513.868.8600.

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5 Ideas to Help Save Money

Creating a sound financial foundation for you and your family is anything but easy. It is tough to save when everyone is tempting you with adding one monthly service after another. Add to that the high increases in things like property taxes and insurance and you realize that saving is becoming more of an art form than a great habit. So here are some ideas to help build your wealth.

1. **Pay yourself first.** Treat saving money with the same care as you pay your bills. Take a percentage of everything you earn and save it. Using this technique can help build an emergency fund and keep you from living paycheck to paycheck.

2. **Know and use the Rule of 72.** You can roughly calculate the number of years compound interest will take to double your money using the Rule of 72. Do this by dividing 72 by your rate of return to estimate how long it takes to double your money. For example, 10% interest will double an investment in 7.2 years; investments with an 8% return will double in nine years. Use this concept to understand the power of saving and investment.

3. **Use savings versus debt for purchases.** Unpaid debt is like compound interest but in reverse. For instance, using a 20% interest credit card to pay $1,500 for home appliances costs nearly $1,000 in interest expense if paid back over 5 years (on top of the original $1,500!). The result is that you must work harder and earn more to pay for the items you purchase. A better idea is to save and then buy your dream item. Even better, when you save in a high interest account, you put interest to work for you to make the purchase more affordable.

4. **Understand amortization.** When a bank loans you money, it gives you a specific interest rate and a set number of years to pay it back. Each payment you make contains interest as well as a reduction of the amount owed, called principal. Most of the interest payments are front-loaded, while the last few payments are virtually all principals. Making additional principal payments at the beginning of the loan’s term will decrease the amount of interest you pay to the bank and help you pay off the loan more quickly.

5. **Taxes are complex and require help.** Tax laws are complicated. They are made even more complex when the rules change, often late in the year. Even worse, the IRS is not in the habit of telling you when you forget to take a deduction. The best way to stay out of the IRS spotlight AND to minimize your taxes is to ask for help.

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Tips to Protect Your Social Security Number

Very few things in life can create a higher degree of stress than having your Social Security number (SSN) stolen. This is because, unlike other forms of identification, your SSN is virtually permanent. Here are some things that you can do to minimize the risk of having your number fall into the hands of the wrong people.

- **Never carry your card.** Place your SSN card in a safe place. That place is never your wallet or purse. Only take the card with you when you need it.

- **Know who needs it.** As identity theft continues to evolve, there are fewer people and organizations who really need to know your SSN. Here is that list:
    - *The government.* Federal and state governments use this number to keep track of your earnings for retirement benefits and to ensure you pay proper taxes.
    - *Your employer.* Your SSN is used to keep track of your wages and withholdings. It is also used to prove citizenship and to contribute to your Social Security and Medicare accounts.
    - *Certain financial institutions.* Your SSN is used by various financial institutions to prove citizenship, open bank accounts, provide loans, establish other forms of credit, track digital payments, report your credit history, or confirm your identity. In no case should you be required to confirm more than the last four digits of your number.

- **Challenge all other requests.** Many other vendors may ask for your SSN but having it may not be essential. The most common requests come from health care providers and insurance companies, but requests can also come from subscription services when setting up a new account. When asked on a form for your number, leave it blank. If your supplier really needs it, they will ask you for it. This allows you to challenge their request.

- **Destroy and distort documents.** Shred any documents that have your number listed. When providing copies of your tax return to anyone, distort or cover your SSN. Remember, your number is printed on the top of each page of Form 1040. If the government requests your SSN on a check payment, only place the last four digits on the check, and replace the first five digits with Xs.

- **Keep your scammer alert on high.** Never give out any part of the number over the phone or via email. Do not even confirm your SSN to someone who happens to read it back to you on the phone. If this happens to you, file a police report and report the theft to the IRS and Federal Trade Commission.

- **Proactively check for use.** Periodically check your credit reports for potential use of your SSN. If suspicious activity is found, have the credit agencies place a fraud alert on your account. Remember, everyone is entitled to a free credit report once a year. You can obtain yours on the Annual Credit Report website.

Replacing a stolen SSN is not only hard to do, but it can also create many problems. Your best defense is to stop the theft before it happens.

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STEPHENSON & WARNER, INC.
CERTIFIED PUBLIC ACCOUNTANTS

Think Before Tapping 401(k)s and IRAs as Emergency Fund

All Americans are now allowed to withdraw up to $1,000 every year from retirement accounts to pay for a broad range of emergency expenses. There are several reasons, however, why you should avoid tapping your retirement accounts at all costs.

Reasons to leave retirement funds alone

- **You’re diluting your retirement savings.** Although the money comes in handy now, you’re chipping away at your nest egg and forfeiting growth. For example, if you withdraw $100,000 that would earn 6% annually tax-deferred for ten years, you give up a whopping $79,000 in lost earnings!

- **It may be bad timing.** Experts say it's difficult to time the markets in the current volatile environment. If you sell some holdings right now, you may be locking in losses that would miss future appreciation.

- **You still owe income tax.** Even if it's for an emergency, income tax is due on all withdrawals from traditional 401(k)s and IRAs.

- **You may also owe a penalty.** You may have to pay a 10% penalty on your withdrawal if it doesn't qualify for an IRS-defined exception.

Ideas to find cash

Instead of tapping into retirement funds, here are some ideas to generate the cash you need:

- **Sell unwanted items.** Look around your home for items that you no longer use such as clothes, electronics, or furniture, and sell them through an online marketplace.

- **Rent out a room or other property.** If you have extra space in your home, consider renting it out or finding a more long-term tenant. Be sure to check with your local government for rules on short-term rentals.

- **Freelance or gig work.** Many companies are looking for part-time workers and independent contractors instead of committing to a full-time employee. Consider reaching out to local businesses to offer your expertise, in addition to creating an online profile through platforms that are popular for consultants.

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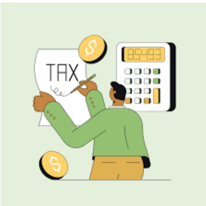

2024 Tax Planning: Meal and Entertainment Expenses

Many businesses consider the occasional wining and dining of customers and clients just to stay in touch with them to be a necessary cost of doing business. The same goes for taking business associates or even employees out to lunch occasionally after an especially tough assignment has been completed successfully. It is easy to think of these entertainment costs as deductible business expenses. However, due to a recent change in the tax law, many of those expenses may not be deductible.

Entertainment Expense Deduction Limited

Congress has eliminated the deduction for most entertainment expenses paid or incurred after December 31, 2017. Entertainment includes fees or dues associated with any social, athletic, sporting club or organization. However, your company may still be able to deduct the cost of meals as a business expense if detailed substantiation and recordkeeping requirements are met.

Business Meals

As a rule, your company can deduct 50 percent of the cost of meals as a business expense if the following requirements are met:

- the expense must be ordinary and necessary and paid in carrying on a trade or business.
- the expense may not be lavish or extravagant.
- the taxpayer or an employee must be present when the food or beverages are furnished.
- food and beverages must be provided to the taxpayer or a business associate; and
- if the food and beverages are provided during or at an entertainment activity, separate invoicing is required.

The food or beverages must be provided to a person with whom the taxpayer could reasonably expect to engage or deal in the active conduct of the taxpayer's trade or business such as the taxpayer's customer, client, supplier, employee, agent, partner, or professional adviser, whether established or prospective. This definition is applied to employer-provided food or beverage expenses by considering employees as a type of business associate as well as to the deduction for expenses for meals provided by a taxpayer to both employees and non-employee business associates at the same event.

Meals provided to employees after 2025. Certain employer-provided meal expenses paid or incurred after December 31, 2025, are prohibited. Beginning in 2026, no deduction is allowed for amounts that an employer pays or incurs for:

- meals that are excludable from an employee's income because they are provided on the employer's business premises for the convenience of the employer; or
- food, beverage, and eating facility expenses for facilities located at an employer's business that provide meals that are considered a de minimis fringe benefit.

Invoicing. Food and beverage expenses deductibility and treatment depends on how invoiced. Food and beverage expenses include delivery fees, tips, and sale tax. For food or beverages provided at or during an entertainment activity, the amount charged for food or beverages on a bill, invoice, or receipt must reflect the venue's usual selling cost for those items if they were to be purchased separately from the entertainment or must approximate the reasonable value of those items. However, if the invoices are not stated separately and no allocation can be made, the entire amount is nondeductible.

Contact Us

Please call our office and we can discuss how your company's typical meal and entertainment expenses fare under the new deduction rules and suggest changes to your meal and entertainment policies. We can also show you how to comply with the recordkeeping requirements.

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Taming Monthly Bill Creep

You notice one of your monthly expenses just went up from $25 to $28. Six months later and you're now paying $35. Fast forward another 18 months and now the charge is $50 a month. If you have an expense on autopay, you may go several months without noticing that one of your monthly expense's doubles in price.

Here are some tips to help you tame monthly bill creep and avoid a price-hike surprise.

- **Investigate your recurring services.** Start by taking stock of every service you're currently using. Review your bank and credit card statements and highlight all the charges that look like a subscription. Some examples to look for are streaming services (video, music and games), magazines, news subscriptions, digital storage services, gym memberships, and financial services. Determine if you have redundant subscriptions, such as multiple music-streaming services. Finally, ask yourself if each service is still providing value to you. If it's not, cancel it.

- **Review bills for unnecessary fees.** Once you trim your list down to the services you want to keep, locate the most recent bill for each. Read through all the charges and make notes of those that are questionable. You might be paying for services you aren't using, such as a video streaming service on your cell phone bill. Or maybe you're paying replacement insurance coverage for something you don't need. For every charge that doesn't make sense, call and ask the provider to cancel it.

- **Bundle expenses when you can.** Many suppliers provide multiple services and will offer discounts if you sign up for a few of them. Bundling your cable TV, internet and home phone is a common example of this. Other places to look for bundling opportunities are cell phone providers and insurance companies.

- **Negotiate for lower rates.** Call each provider and ask for a lower rate or discount. Most companies want to keep your business, so they will often work with you. Service providers routinely change the way they package their products, so saving money might be as simple as changing to a different level of service. It's rare for companies to reach out and offer savings, so you need to make the call!

It's easy for your bills to spiral out of control if you don't keep close tabs on them. Go through a review exercise every few months to ensure you aren't paying more than necessary.

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Proper Inventory Management Can Lead to Higher Cash Flow

Mastering inventory levels is a key to many successful and growing businesses. Here are several reasons why proper inventory management can lead to lower costs and higher cash flow:

- **Less shrink.** Shrinkage represents cash that goes to waste because inventory is damaged, stolen, or past the sell date. Shrink represents an opportunity to improve the inventory control process. Understanding the dynamics of shrink will help focus your attention in the correct areas and ultimately lead to money saved.

  Action: *Create a shrink scorecard that shows the source of shrink. If theft, is it occurring at retail or in receiving? If out of code, is the problem in all products or a select few? If damaged, is it trackable to the supplier or a part of your production process? Remember to compare waste to prior years and against your goals to see how well you are doing.*

- **More cash.** In a perfect world, you sell your inventory as soon as it is received. Material or product that sits in a warehouse adds storage costs, and risks turning into unsaleable products. Aligning your inventory operation with your sales cycle plays directly with improving your cash flow. Understanding sales trends will allow you to optimize your stock levels and save money in the process. When you spend less on unnecessary inventory costs you have more cash to invest into marketing, new product initiatives or capital equipment that can bolster your bottom line.

  Action: *Implement just-in-time (JIT) inventory management with key suppliers. Explore ways to deliver product as you need it versus purchasing a larger amount and then storing it.*

- **Improved forecasting.** The old saying *garbage in, garbage out* applies perfectly when trying to forecast inventory demand. If you can't trust your inventory process, it's impossible to accurately predict future output. This leaves you flying blind when budgeting and preparing for future expenditures. With a firm grip on your inventory needs and procurement-to-sales cycle, your forecasting will become more accurate.

  Action: *Create a rolling 12-month forecast of sales that provide details on major product lines. Translate this forecast into lead times for your inventory procurement.*

- **Better customer relations.** Once you've optimized your operation, the quality of your customers' experience increases exponentially. You can cut prices without sacrificing margin, improve lead times, and add new product lines with your extra cash. While the effective inventory process you built is humming along, you can focus your attention on improving your products to better match the needs of your target market. This will help boost your sales!

  Action: *Set inventory targets to shorten lead times. Measure how many back orders you have and note how often products are returned as defective. If your inventory management is improving, you should see positive results in both areas.*

As always, should you have any questions or concerns regarding your tax situation please feel free to call.

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