ClientLine®

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EMPLOYEE RETIREMENT PLAN SELECTION

Offering an employer-sponsored retirement plan is one of the most effective ways to help workers save for retirement. And most provide tax advantages for both employers and employees.

PICK A PLAN

The 401(k) is one of the most common plans employers offer because they're fairly easy to set up. They also offer higher contribution limits than individual retirement accounts (IRAs). But they require more administrative work. An annual report must be filed with the Department of Labor to disclose the plan's financial condition, investments, and plan operations.

Smaller employers can consider a Simplified Employee Pension (SEP) or SIMPLE retirement plan. Both are easier to maintain than a 401(k). The SIMPLE plan allows employees to contribute with pre-tax payroll deductions but is limited to companies with 100 or fewer employees. A SEP plan only permits employer contributions.

TAX CREDITS

A federal tax credit of up to $5,000 for the first three years is available to eligible employers that start a new retirement plan. The credit is for ordinary and necessary costs to set up and administer the plan and educate employees.

To help workers save for retirement, an additional $500 credit is available

for the first three years — if your plan has an automatic enrollment feature.

Remember, tax credits offset the amount of tax you owe dollar for dollar, but deductions only reduce your taxable income.

IT'S A MATCH

Offering to match employee plan contributions is a valuable perk you can use to attract and retain top talent. The good news is that your matching contributions are tax-deductible.

To start, you'll need to determine when you'll begin matching contributions (e.g., after the employee has worked for a year), when your contributions will vest, and how much your business can afford to contribute.

Meet with your financial professional for help deciding which plan is best for your company.

FILING OUT THE FAFSA

If your child is attending college in the fall of 2023, it's time to complete the FAFSA – Free Application for Federal Student Aid. The form becomes available October 1 and is due by the following June 30th. There's no application fee. You can access the application at studentaid.gov.

Aid is awarded on a first-come, first-serve basis, so completing the form early is important. The amount of aid awarded is based on your family's expected contribution (EFC).

The EFC amount is calculated using financial information you provide in the FAFSA. You'll include information about you and your child's tax returns, investments, businesses, and untaxed sources of income, like child support and alimony.

You'll also need to have everyone's driver's license information and Social Security numbers handy.

CLIENT PROFILE

Martin started his graphic design business a few years ago and has experienced steady growth. He is ready to outsource some administrative functions to give him additional time to handle more design projects. What things should he consider when using freelancers?

Since Martin doesn't plan to hire employees to work for his business, he will use independent contractors. That simplifies things and means he isn't responsible for withholding income or payroll taxes for his freelance workers.

But he may need to provide Form 1099-NEC to them in January, depending on how much he paid them. He should collect a completed Form W-9, *Request for Taxpayer Identification Number*, from each freelancer before providing their first payment.

He'll also need to lay the groundwork with each contractor. For example, will he be billed by the hour or by the project and when will that invoice require payment?

Client Profile is based on a hypothetical situation. The solutions discussed may or may not be appropriate for you.

BUILDING A MONEY MANAGEMENT BLUEPRINT

Managing your money usually involves a combination of budgeting, saving, and controlling debt. Creating a money blueprint, or monitoring the one you have, is important to help keep your finances on track.

RECORD YOUR SPENDING

You can't take charge of your money if you don't know how much you're spending. By tracking your expenses, you'll see where your money is going, and it may inspire you to adjust your spending to align with your goals. It can also help you identify areas where you overspend and unnecessary costs, like unused subscriptions or duplicate services.

DEVELOP GOOD HABITS

Your credit dictates your ability to get a loan and what interest rate you'll pay. Credit scores can impact things like car insurance rates and whether you'll need to pay a deposit for utility services.

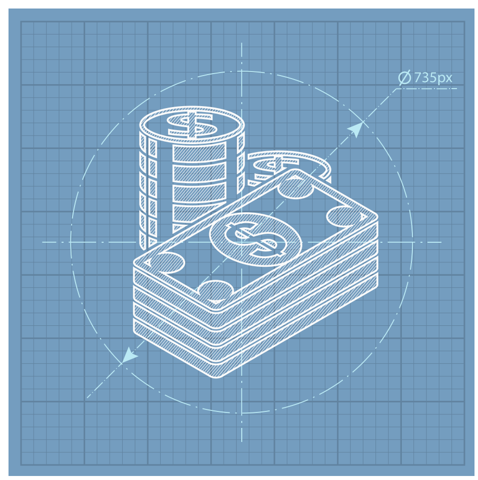
To stay on top of your score, focus on the two biggest factors influencing it: timely payment history and credit utilization (how much of your credit limits you're using). Aim to pay everything on time because just one missed payment can hurt your score.

CREATE A DEBT PAYMENT PLAN

If you have loans to pay off, ensure you have a strategic plan to reach the debt-free finish line. You may want to pay off the most expensive liability as quickly as you can, to reduce the amount of interest paid. Or you can pay off the smallest balance first for a sense of accomplishment and to create forward momentum.

BE PERSISTENT

Sticking to a budget that's too restrictive can be suffocating, causing many people to fall off the financial bandwagon. Don't get discouraged. Instead, give yourself time to adjust as you adapt to living within a realistic budget. Work with your financial professional for additional guidance. Before long, you will be managing your money with confidence.



In 2020, the average household earned $84,352 and spent $70,258.

The largest expenditures were housing, transportation, and food.

Source: U.S. Bureau of Labor Statistics

WHAT IS INTELLECTUAL PROPERTY?

Often referred to as IP, intellectual property represents the ownership and rights to creative work.

PROTECTED PROPERTY

In general terms, intellectual property is any product created by your mind that the law protects from unauthorized use by others. Businesses can own these intangible assets in the form of patents, trademarks, copyrights, and trade secrets.

Intellectual property can be used for various reasons, such as branding and marketing, and to protect assets that give a competitive advantage. Intellectual property can be bought and sold just like tangible assets.

WHAT'S THE PRICE?

Unlike other property types such as buildings, equipment, and vehicles, internally developed intellectual property doesn't appear on a company's balance sheet. These costs are expensed as research and development expenses as they're incurred.

When a business plans to sell its intellectual property, a valuation expert is hired to help determine a reasonable selling price. This calculation may be based on the income, market, or cost method to develop the IP, depending on your company's industry, the economy, and the demand for the asset.

Q **How do I freeze my credit?**

A A credit freeze protects you by blocking access to your credit reports.

You'll need to contact each credit bureau separately: Equifax, Transunion, and Experian. You can call their toll-free numbers or visit their websites.

Although each bureau has different requirements, you'll generally need to provide your name, date of birth, Social Security number, and address.

And if you complete your freeze on the phone, be prepared to answer some authentication questions based on information from your credit report to verify your identity.

SIMPLE VS COMPOUND INTEREST

Understanding the difference between simple and compound interest is not hard.

COMPOUND INTEREST

Compound interest is the rate of interest paid on the principal and on the interest previously earned. This can help you to build wealth over time because the interest compounds on top of interest, in addition to the principal.

SIMPLE INTEREST

Simple interest is the rate of interest that you would pay on the principal only. As a borrower, simple interest is better because you're not paying interest on interest. It's easier to repay debt with simple interest.

PROTECT YOURSELF FROM FINANCIAL SCAMS

No matter your age, it's good to know how to protect your financial accounts. Here are a few proactive habits that can help safeguard your finances.

BE A MONITOR

Review your bank and credit card accounts regularly to catch anything that looks unusual. Most of these companies let you set up notifications that alert you if a transaction exceeds a predetermined dollar amount or an unusual purchase based on your past buying history.

CALLER BEWARE

If someone claiming to be your bank calls or emails you to ask you for a money order or credit card number to clear a debt or to confirm transaction details, chances are it's a scam. Instead, contact your bank using the phone number on your bank statement or the back of your credit card to verify that the inquiry was legit.

MIND YOUR TRASH

Throwing away whole bills or credit offers is an invitation for identity theft. Shred anything that has account numbers or financial information. Consider requesting paperless billing to cut down on the actual mail you get. And if you travel, put a stop on your mail or have someone you trust pick it up for you.