

# Newsletter

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January 2019

This month

**January 1:** New Year's Day

**January 15:** 4th Quarter Estimated Payments Due

**January 21:** Martin Luther King Jr. Day

**Start tax planning for the new year:** Adjust withholdings, Organize filing records, Schedule tax consultation, Rebalance investment portfolio

**T**he new year is upon us! As you finish cleaning up the champagne glasses and confetti, now is the time to start thinking about your tax preparation plan. This issue is packed with useful information including tips to receive a faster refund. In addition, there are ideas to manage cash flow for your business, and age-appropriate suggestions for teaching your children how to handle financial matters. Call if you would like to discuss how any of this information relates to you. If you know someone that can benefit from this newsletter, feel free to send it to them.

## Tips for a Faster Refund

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As the tax filing season approaches, there are steps you can take now to speed up the filing process. The faster your return is filed, the faster you get your refund. Even if you end up owing money to the IRS, knowing the amount due sooner gives you more time to come up with the funds needed to pay your tax bill. Here are things you can do now to get organized:



- 1. Look for your tax forms.** Forms W-2, 1099, and 1098 will start hitting your mailbox. Look for them and get them organized. Create a checklist of the forms to make sure you aren't missing any.
- 2. Don't wait for Form 1095s.** Once again, proof of health insurance coverage forms are delayed. The deadline for companies to distribute most Form 1095s to employees is pushed back to March 4. The IRS is OK with filing your return prior to receiving the proof of insurance form as long as you can provide other forms of proof. Remember, 2018 is the last year of penalties if you do not have adequate insurance coverage.
- 3. Finalize name changes.** If you were recently married or had a name change, file your taxes using the correct name. File your name change with the Social Security Administration as soon as possible, but be aware of the timing with a potential name conflict with the IRS.
- 4. Collect your statements and sort them.** Using last year's tax return, gather and sort your necessary tax records. Sort your tax records to match the items on your tax return. Here is a list of the more common tax records:
  - Informational tax forms (W-2, 1099, 1098, 1095-A, plus others) that disclose wages, interest income, dividends and capital gain/loss activity
  - Other forms that disclose possible income (jury duty, unemployment, IRA distributions and similar items)
  - Business K-1 forms
  - Social Security statements
  - Mortgage interest statements
  - Tuition paid statements
  - Property tax statements
  - Mileage log(s) for business, moving, medical and charitable driving

- Medical, dental and vision expenses
- Business expenses
- Records of any asset purchases and sales
- Health insurance records (including Medicare and Medicaid)
- Charitable receipts and documentation
- Bank and investment statements
- Credit card statements
- Records of any out of state purchases that may require use tax
- Records of any estimated tax payments
- Home sales (or refinance) records
- Educational expenses (including student loan interest expense)
- Casualty and theft loss documentation (federally declared disasters only)
- Moving expenses (military only)

If you are not sure whether something is important for tax purposes, retain the documentation. It is better to save unnecessary documentation than to later wish you had the document to support your deduction.

5. **Clean up your auto log.** You should have the necessary logs to support your qualified business miles, moving miles, medical miles and charitable miles driven by you. Gather the logs and make a quick review to ensure they are up to date and totaled.
6. **Coordinate your deductions.** If you and someone else may share a dependent, confirm you are both on the same page as to who will claim the dependent. This is true for single taxpayers, divorced taxpayers, taxpayers with elderly parents/grandparents, and parents with older children. While you are organizing your records, ride the momentum to start your filing system for the new year. Doing so will make this process a breeze this time next year!

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## Every Business Needs Cash!

### *5 keys to better cash management*

Focusing solely on sales and profits can create a surprise for any business when there is not enough cash to pay the bills. Here are five key principals to improve your cash management.

1. **Create a cash flow statement and analyze it monthly.** The primary objective of a cash flow statement is to help you budget for future periods and identify potential financial problems before they get out of hand. This doesn't have to be a complicated procedure. Simply prepare a schedule that shows the cash balance at the beginning of the month and add cash you receive (from things like cash sales, collections on receivables, and asset dispositions). Then subtract cash you spend to calculate the ending cash balance. If your cash balance is decreasing month to month, you have negative cash flow and you may need to make adjustments to your operations. If it's climbing, your cash flow is positive.



**Bonus tip:** *Once you have a cash flow statement that works for you, try to automate the report in your accounting system. Or even better, create a more traditional cash flow statement that begins with your net income, then make adjustments for non-cash items and changes in your balance sheet accounts.*

2. **Create a history of your cash flow.** Build a cash flow history by using historical financial records over the course of the past couple of years. This will help you understand which months need more attention.
3. **Forecast your cash flow needs.** Use your historic cash flow and project the next 12 to 24 months. This process will help identify how much excess cash is required in the good months to cover payroll costs and other expenses during the low-cash months. To smooth out cash flow, you might consider establishing a line of credit that can be paid back as cash becomes available.
4. **Implement ideas to improve cash flow.** Now that you know your cash needs, consider ideas to help improve your cash position. Some ideas include:
  - Reduce the lag time between shipping and invoicing.
  - Re-examine credit and collection policies.
  - Consider offering discounts for early payment.

- Charge interest on delinquent balances.
  - Convert excess and unsold inventory back into cash.
5. **Manage your growth.** Take care when expanding into new markets, developing new product lines, hiring employees, or ramping up your marketing budget. All require cash. Don't travel too far down that road before generating accurate cash forecasts. And always ask for help when needed. Understanding your cash flow needs is one of the key success factors in all businesses. If your business is in need of tighter cash management practices, now is the perfect time to get your cash flow plan in order.

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## How to Raise a Financially Savvy Child

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If you have children (or grandchildren) you have an opportunity to give them a jump-start on their journey to becoming financially responsible adults. While teaching your child about money and finances is easier when you start early, it's never too late to impart your wisdom. Here are some age-relevant suggestions to help develop a financially savvy young adult:

- **Preschool** – Start by using bills and coins to teach them what the value of each is worth. Even if you don't get into the exact values, explain that a quarter is worth more than a dime and a dollar is worth more than a quarter. From there, explain that buying things at the store comes down to a choice based on how much money you have (you can't buy every toy you see!). Also, get them a piggy bank to start saving coins and small bills.
  - **Grade school** – Consider starting an allowance and developing a simple spending plan. Teach them how to read price tags and do comparison-shopping. Open a savings account to replace the piggy bank and teach them about interest and the importance of regular saving. Have them participate in family financial discussions about major purchases, vacations and other simple money decisions.
- **Middle school** – Start connecting work with earning money. Start simple with babysitting, mowing lawns or walking dogs. Open a checking account and transition the simple spending plan into a budget to save funds to make larger purchases. If you have not already done so, it is a good time to introduce the importance of donating money to church or charity.
- **High school** – Explain the job application and interview process. Work with them to get a part-time job to start building work experience. Add additional expense responsibility by transferring direct responsibility for things like gas, lunches and expenses for going out with friends. Introduce investing by explaining stocks, mutual funds, CDs and IRAs. Talk about financial mistakes and how to deal with them when they happen — try to use some of your real-life examples. If college is the goal after high school, include them in the financial planning decisions.
- **College** – Teach them about borrowing money and all its future implications. Explain how credit cards can be a good companion to a budget, but warn of the dangers of mismanagement or not paying the bill in full each month. Discuss the importance of their credit score and how it affects future plans like buying a house. Talk about retirement savings and the importance of building their retirement account. Knowing about money — how to earn it, use it, invest it and share it — is a valuable life skill. Simply talking with your children about its importance is often not enough. Find simple, age specific ways to build their financial IQ. A financially savvy child will hopefully lead to a financially wise adult.




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

This newsletter is provided by

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