

Client L I N E

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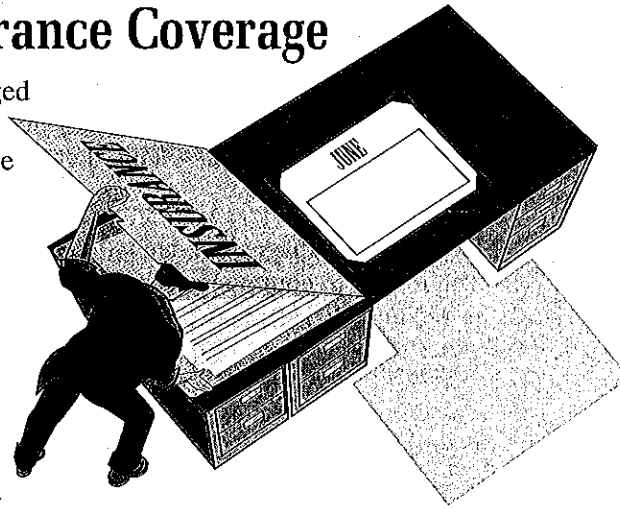
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Checking Your Insurance Coverage

Do you have the oil in your car changed every 3,000 miles and your chimney cleaned once a year? What about those routine physicals and dental appointments? Are you on track with them?

And how long has it been since you had an insurance checkup? Like your car's oil, your home's chimney, and even your own health, insurance can be easy to neglect — until something happens that serves as a reminder of the important protection it provides. If you can't remember the last time you reviewed your insurance coverage, your needs may have changed more than you realize.



Disability. If you are employed or have your own business, you should be insuring your most valuable asset — your earning potential. Disability insurance provides a source of cash flow when you can't work for an extended time because of an injury or illness.

Life. The more dependents you have, the more life insurance you generally need. It's possible your current coverage isn't enough to protect your family, especially if the recession and the turmoil in the housing and investment markets have taken their toll on the value of your assets. Once your children are grown, you may no longer want to carry as much coverage, unless you've identified other needs for it.

Long-term care. An extended illness requiring home care, assisted living, or a nursing home stay could be a severe financial drain. A long-term care policy can protect your assets while allowing you to receive needed care.

Homeowners. While any settlement is helpful if disaster strikes, you'll be in a better position to recoup your losses if you upgrade your policy from actual cash value to replacement cost coverage. Expensive valuables should be covered by separate riders, and a business rider may be needed if you maintain an office in your home.

Collision. The older your car, the greater the possibility that collision coverage is more expensive than repairs would be. Unless a lender requires you to carry collision, consider whether it still makes sense.

Umbrella. Your car and homeowners policies probably provide some personal liability protection. Unfortunately, that protection may not be adequate to protect you from major claims and lawsuits. It may be wise to have an umbrella policy as well. ♦

New Tables

The IRS has revised the tables that employers use in figuring the amount of federal income taxes to withhold from their employees' wages. The revised tables reflect the Making Work Pay Credit, a new refundable income-tax credit added by the American Recovery and Reinvestment Act of 2009.

The new credit is calculated at a rate of 6.2% of earned income, up to a maximum credit of \$400 (\$800 for married taxpayers filing jointly). It is phased out above certain income levels and is not available to workers who are non-resident aliens or can be claimed as dependents.

In general, use of the revised tables will result in higher take-home pay. In certain situations, employees will want to submit a new Form W-4 to their employer because the credit they can claim will be different from the withholding reduction built into the revised tables. This could happen, for example, if a person has two jobs.

Client LINE ITEMS

The Centers for Disease Control and Prevention reported that 17.5% of American households relied solely on cell phones during the first half of 2008, up from 13.6% a year earlier. With an average monthly cost of \$40 for landline service, economics may be playing a role in the growing "cell only" trend.



The U.S. savings rate is improving: Personal savings as a percentage of disposable personal income was eight times higher in the fourth quarter of 2008 (3.2%) than it was in the same period in 2007 (0.4%). Source: The Bureau of Economic Analysis



How many small businesses offer retirement plans? Twenty percent of businesses with one to nine employees offer a plan, as do 49% of those with 10 to 19 employees and 53% of those with 20 to 249 employees. Source: National Federation of Independent Business



The average costs of health-care premiums are in for 2008. For small group plans, the average cost per individual per month was \$346. The average cost of family coverage was \$913 per month. Source: America's Health Insurance Plans (AHIP) ♦

The general information in this publication is not intended to be nor should it be treated as tax, legal, or accounting advice. Additional issues could exist that would affect the tax treatment of a specific transaction and, therefore, taxpayers should seek advice from an independent tax advisor based on their particular circumstances before acting on any information presented. This information is not intended to be nor can it be used by any taxpayer for the purpose of avoiding tax penalties.

All Eyes on the Bottom Line

Sue works in shipping and receiving. She is diligent about spotting shortages and other discrepancies in vendor shipments. Juan is a salesman. He keeps an eye on his customers' payments so he'll know if one of them falls behind.

Are Juan and Sue just stellar employees? That may be one reason for their attention to detail; another may be their company's open-book management (OBM) approach.

It's About Sharing

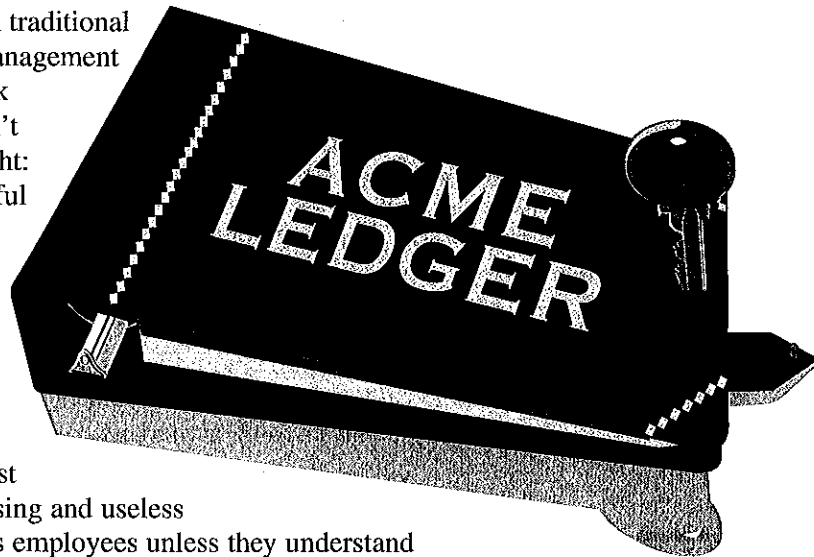
Basically, open-book management is the practice of sharing a company's financial information with its employees. The theory is that when employees understand how a company makes money and turns a profit, then each person will see how he or she fits into the overall picture. Those who endorse OBM say it empowers employees to make decisions and take actions that are in the company's best interest — and, therefore, their own.

It's not necessary — or even desirable — to open the books completely. Open-book management can work well when only key figures are shared. The idea is to communicate appropriate information that allows employees to see how their actions affect the company's performance.

A Long-term Commitment

Switching from traditional closed-book management to an open-book approach doesn't happen overnight: It requires careful planning and a long-term commitment. Adequate training is essential. A company's financial information will most

likely be confusing and useless (or worse) to its employees unless they understand what the numbers mean. Communication is another critical element of OBM, so frequent meetings are common.



Some Drawbacks

As with every management approach, open-book management has its drawbacks. Instead of being empowered by having inside knowledge of their company's finances, some employees may find it frightening. If financial information is misinterpreted or misunderstood, employees can easily make the wrong assumptions or come to erroneous conclusions on their own. Perhaps the biggest risk of all is the possibility that employees could inadvertently — or intentionally — leak critical information to a competitor.

Is It for You?

This is a very brief overview of the pros and cons of open-book management. If you're interested in exploring the subject further, we'd be happy to review with you how OBM might work for your business. ♦

Pitching a Roth IRA to Your Teen

Your teenager sure won't think of it. And it may be a tough sell. But if your teen has a job, now is an excellent time to discuss the advantages of starting a Roth individual retirement account (IRA).

A Retirement Account?

Like your teen, you may question the wisdom of starting a retirement account at age 13, 16, or 19. But a Roth IRA doesn't have to be used exclusively for retirement. In fact, contributed amounts (which are not tax deductible) can be withdrawn tax free at any time. Getting a really early start on saving can harness the power of compounding in a big way.

Tax Talking Point

A Roth IRA's biggest selling point is the potential for tax-free investment earnings. Qualified distributions from a Roth IRA (after a five-year waiting period) are not subject to federal income taxes. Account distributions after age 59½ generally would qualify for tax-free treatment, and so would



distributions to pay first-time home-buying expenses of up to \$10,000.

The Fine Print

To open a Roth IRA, your child must have earned income. Annual contributions are limited to the amount your child earns during the year or \$5,000 (in 2009), whichever is less.

Gift Time?

If desired, you and other family members could partially or totally fund the Roth IRA, within the limits noted. A Roth contribution can make a great gift for a new graduate. ♦

the payroll and leave it at that. The position and the job responsibilities must be legitimate, and the pay Seth earns must be reasonable.

Another good reason for Nora to hire her son: potential income-tax savings. In 2009, a dependent child can earn up to \$5,700 federal income-tax free because of the standard deduction. If Seth continues to work during the school year and earns more than \$5,700, the wages over that amount would likely be taxed at the lowest (10%) marginal tax rate. In 2009, the 10% bracket for single filers extends to the first \$8,350 of taxable income.

Get Moving!



When inventory isn't moving, cash isn't flowing into your business. Compounding the problem, you've already paid for the items or are paying interest on money you borrowed to buy them. Maybe you're renting space for storage as well. What can you do to shake things up?

Identify slow-moving/obsolete items.

Have a system in place that allows you to flag merchandise that isn't selling.

Devise creative discounts. Lower the prices of items you want to clear out. For quicker results, offer steep discounts for multiple or bulk purchases. Or combine several items into one package and price it super low.

Motivate your sales staff. Offer rewards to your salespeople for selling the merchandise you've identified within a time frame you establish.

If you can't sell it, try "strategic" giving. Show your appreciation for important customers through gifts, and create some goodwill in the process. Make donations to local charities to generate publicity. ♦



Nora plans to hire her teenage son Seth to work in her landscaping business this summer. She thinks it's a smart move for several reasons.

For one, hiring Seth will give Nora the opportunity to introduce her son to the challenges of running a small business. Who knows, Seth may want to take over the business someday. Of course, Nora can't just put her son on

Nora will be able to deduct Seth's wages from her business income, which will reduce her income and self-employment taxes. She will not be required to withhold (or pay) Social Security taxes on Seth's earnings since he is under age 18 and the business is unincorporated.

If you have a small business, we're prepared to help you with tax and other financial matters. Please contact us to learn more about our services. ♦

Client Profile is based on a hypothetical situation. The solutions we discuss may or may not be appropriate for you. Talk to us before taking any action.

Exempt or Nonexempt?

A recent court case calls attention to the importance of properly classifying employees as exempt or nonexempt for purposes of overtime pay. The case was brought against a nationwide retailer by a large number of the chain's store managers. The managers claimed they were improperly classified as exempt workers and a jury agreed, awarding the managers back overtime wages. Additional damages were awarded by the court. The decision was later upheld by a federal appeals court.*

It's About Overtime

Several employee classifications are *exempt* from the overtime requirements of the Fair Labor Standards Act (FLSA), including executive, administrative, professional, and outside sales employees. The FLSA spells out specific requirements for each of the exempt classifications, providing a minimum salary requirement and a description of general job duties.

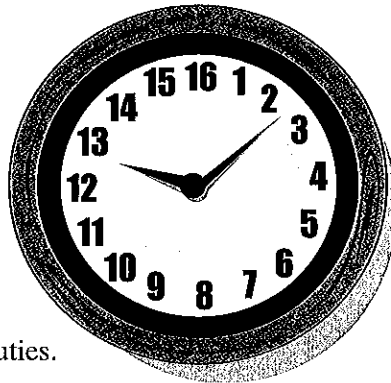
To qualify for the *executive* exemption, for example, employees must earn no less than \$455 a week, their primary duty must be to manage the enterprise or a customarily recognized department or subdivision of the enterprise, and they must routinely direct the work of two or more other full-time employees or their equivalent. (Additional requirements apply.) The managers involved in the court case had all been classified as exempt executive employees.

How'd They Manage That?

The employees worked an average of 60 to 70 hours per week and did not receive overtime pay. So far, no foul from a legal viewpoint. However, the managers were routinely directed by upper management to spend 80% to 90% of their time performing nonexempt tasks, such as stocking shelves, cleaning, and unloading trucks. Only 10% to 20% of their time was devoted to assigned managerial duties, such as paperwork, bank deposits, and petty cash. The evidence overwhelmingly showed that the managers exercised little discretion.

In the end, the retailer failed to prove that the store managers' primary duty was management. As a result, the court found that they were improperly categorized as exempt executive employees. ♦

* *Morgan et al. v. Family Dollar Stores, Inc.*, CA-11, 12/16/2008



QA

Q. *Our son will start his third year of college this fall. Can the Hope Scholarship*

Credit be claimed for junior year expenses?

A. In the past, the Hope Scholarship Credit was available only for the payment of qualified expenses for the first two years of post-secondary education. For 2009 and 2010, however, the Hope credit has been modified and renamed the American Opportunity Tax Credit. It is available for the third and fourth years of college, as well as the first two years. The annual per-student cap on the credit is \$700 higher (\$2,500 versus \$1,800), and the income limits have been raised.

Q. *What are some of the costs involved with refinancing a home mortgage?*

A. A number of closing costs typically have to be paid. Examples include fees for attorneys, a property appraisal, a title search, and document preparation. If the lender charges points, they can be another significant expense. However, income-tax savings from deducting the points as an itemized deduction (generally over the life of the loan) can help qualifying taxpayers recoup some of their expense. ♦

Who's News

School is out and congratulations are in order!

Marty Hrabik's daughter, Sarah, made the Dean's List at the University of Dayton for the fourth consecutive semester, and **Janice Paul-Canfield's** daughter, Rebecca, graduated from Kent State University Summa Cum Laude with her Bachelor's Degree in education. Way to go Sarah and Rebecca!

WDW is always honored when its employees are invited to speak at seminars and help groups. Recently, **Gene Svatek**, the Firm's Quality Control Director, spoke to the Vision Group on both the new Peer Review Standards and the Quality Control Standards. Gene also discussed the AICPA exposure draft on Proposed Statements on Standards for Accounting and Review Services.

Charlie Fast was also asked to speak this past month. He gave a presentation on "The Basics of Accounting" at a North Royalton Chamber of Commerce seminar for small businesses.

Many congratulations to **Tom Scharf** on his appointment as Vice Chairman of Operations for the Seniors' PGA Championship! ♦

HEAR YE! HEAR YE!

WDW will launch its new website in early June. Be sure to check it out at www.walthall.com and let us know what you think!

Estate Planning Practice Group

Cindy Kula, Group Leader
Chuck Battiato, Partner
Doris Day
Rick Lash, Partner
Denise Lavin
John Kromar
Teresa Wisniewski

2009 Recovery Act (Part 2)

BUSINESS INCENTIVES

Although the business incentives in the new law are not as expansive as in some recent tax acts, they are still valuable.

Code Sec. 179 Expensing

Like bonus depreciation, increased Code Sec. 179 expensing expired at the end of 2008. The new law revives it for 2009. Under the new law, Code Sec. 179 expensing for 2009 is \$250,000 and the threshold for reducing the deduction is \$800,000.

Net Operating Losses

Many businesses are in a loss position. The Tax Code generally allows eligible taxpayers to carry back net operating losses (NOLs) two years with some exceptions. The new law increases the carryback period to five years for small businesses (which the new law defines as businesses with average gross receipts of \$15 million or less). The treatment is also temporary, applying only to 2008 NOLs. Businesses that qualify can apply for an immediate refund of taxes paid during the extended carryback period.

Work Opportunity Tax Credit

The Work Opportunity Tax Credit rewards employers that hire individuals from targeted groups, such as veterans and young people. The new law modifies the definitions of eligible veterans and disconnected youth for purposes of the credit.

Cancellation of Indebtedness

Eligible businesses will be able to recognize cancellation of certain indebtedness over five years, beginning in 2014, under the new law. This treatment applies to specified types of business debt repurchased or forgiven by the business after December 31, 2008 and before January 1, 2011.

Energy Incentives

The new law extends and enhances many energy tax incentives for developers and producers of alternative and renewable energy. Examples are wind, biomass, and solar power. The incentives are temporary and are intended to boost production of energy from renewable sources.

More Business Incentives

The new law also allows qualified individuals to exclude 75 percent of the gain from the sale of certain small business stock. Additionally, Congress shortened the holding period for the S corporation built-in gain period, prospectively revoked a controversial IRS notice affecting NOL limitations on banks and enhanced COBRA coverage and the health coverage tax credit. The new law also increases the New Markets Tax Credit program, decreases estimated tax payments for certain individuals whose incomes come from small businesses, and delays withholding on government contractors. Congress also enhanced many tax-exempt and tax-credit bond rules to help states and local governments generate revenue.

The scope of the American Recovery and Reinvestment Act is broad and is difficult to cover briefly. Please contact our office to discuss how the tax incentives in the new law may benefit you.

Are You Covered If....? (Part 2)

Homeowner Insurance Policy

If you have an immediate problem and need to know if you're covered, call your insurer or take a look at your policy right away. But if you're simply wondering what is and isn't covered for future reference, you might start by familiarizing yourself with some real-life scenarios.

There are several types of standard homeowners' policies. Each provides different coverage, and even policies of the same type don't provide exactly the same coverage. To say that you're covered doesn't always mean that you're fully covered. Remember, out-of-pocket deductibles typically apply to the dwelling and personal-property portions of your policy, and every part of your policy is subject to coverage limits.

(continued on the next page)

Each month read *Client Line* on-line at www.walthall.com .
Click on the newsletter icon.

Are You Covered If....? (Cont.)

Let's first focus on your home. Are you covered if:

- Lightning strikes a power line leading to your house and starts a fire? Yes. Fire damage is standard coverage.
- A delivery truck careens off the road and smashes into your house? Yes. Damage from vehicles is standard coverage.
- A pipe bursts in your cellar and covers your downstairs room with water? Yes. Water damage from burst pipes is standard coverage.
- A huge gust of wind blows a tree onto your house? Yes. Windstorm damage is standard coverage in most parts of the country.
- A repairperson damages your walls and ceilings? Yes. It doesn't matter who caused the damage.
- The river behind your house floods, and you have water damage? No. Flood protection requires separate insurance. So does earthquake coverage.
- Your house slides down a cliff? No. You need separate insurance to protect against this.
- Mice infest your home and chew up your insulation? No. The same exclusion applies to infestation by insects and other pests.
- The market value of your home plummets? No. Market value has nothing to do with insurance that is based on replacement cost.
- A house that you haven't lived in for months is vandalized? No. To be covered, the house can't have been vacant for more than 30 days.
- Your home is damaged by water coming in from backed-up sewers? It depends. This coverage may require an endorsement.

Let's move on to your personal property coverage. Are you covered if:

- A wild animal gets into your house and rips apart your upholstery? Yes, unless the animal is a rodent or a pet of yours. If the rodent or pet causes a fire, you're covered for the fire damage.
- A thief breaks into your home and steals your stereo, jewelry, and the family silver? Yes, but keep in mind that separate coverage maximum limits apply to some types of personal property.
- Your golf clubs are stolen from the trunk of your car? Yes (even though the theft occurred off your premises), but you may not receive the full replacement value.
- Your wardrobe is ruined by the smoke from a fire? Yes. Clothing falls under personal property coverage.
- The power goes out on your block, causing the food in your refrigerator to spoil? Yes, under most policies (\$500 is a standard limit).

- The laptop computer that you use for your home business is stolen? No. The laptop would be covered only if it were for personal use at home.
- Your boat is damaged in a storm? No, unless it meets the requirements for a "small-motor" boat. Boats generally require separate insurance.
- Your central air-conditioning breaks down in the middle of summer? No. Homeowners' insurance doesn't cover heating, cooling, and plumbing systems or home appliances for simple breakdown, unless they are damaged by a covered peril, such as fire.
- A repairperson scratches up your furniture? No, in most cases. Damage to your personal property is usually covered only when it's caused by a named peril (e.g., fire or vandalism).
- A company dumps toxins into the creek that runs through your yard? No. The company that did this would be responsible for the cleanup bill and other damages.
- Your fine art collection is stolen? It depends. In many cases, you need a special endorsement to cover valuable art and antiques.
- The movers you hired damage your belongings? It depends. Some policies will cover insured property during a move. Otherwise, you need separate transit insurance.

Other liability issues should also be considered. Are you covered if:

- You accidentally leave your boots on the front step, and your invited neighbor trips over them, breaking her hip? Yes. This is a straightforward liability question.
- You accidentally run your shopping cart over a man's foot at the grocery store, breaking his foot? Yes. Your liability coverage protects you off your premises as well as on.
- Your son hits a baseball through your neighbor's window? Yes, as long as your son didn't break the window on purpose.
- Your dog bites a passerby on the street? Yes. However, many insurers will cover you only for a certain number of dog bites (in some cases, only one).
- After an accident at your home, the injured party brings a lawsuit against you, and you're saddled with legal fees? Yes. Most homeowners' policies cover the costs of defending you against lawsuits.
- A client is injured by falling boxes in your home office? No. Separate liability coverage is needed when you run a business out of your home.
- A tree falls from your yard into your neighbor's yard, breaking his fence? It depends. Your neighbor's insurance would generally cover damage to his own property. However, if you were negligent (e.g., your neighbor told you the tree was dying, and you did nothing), you'd have to turn to your own liability coverage.

Reviewing your policies is a smart idea. Our Financial Planning Group is available to address all your financial planning needs and concerns. Please call us or email us.

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CERTIFIED PUBLIC ACCOUNTANTS

- Strategic Planning
- Succession Planning
- Income Tax Planning
- Estate Planning
- Financial Forecasts and Projections
- Information Technology Planning
- Litigation Support
- Business Valuations
- Performance-Based Compensation
- Real Estate Management and Taxation



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