Legacy M&A ADVISORS LLC

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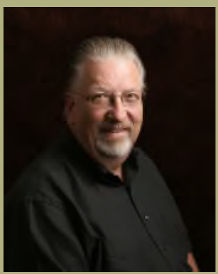

Mike Ertel is a Certified M & A Advisor and a Principal Broker with Legacy M&A Advisors, LLC, a full-service M & A Advisory firm with an office in Tampa, Florida specializing in representing sellers and buyers of small- to mid-sized companies. Prior to joining Legacy M&A Advisors, LLC, Mike's business career spanned 30+ years with Fortune 500 and Fortune 1000 Companies, with senior management roles in Marketing, Operations and Logistics. Mike also served as President, COO of a mid-sized Manufacturing company headquartered in Tampa. Mike also holds a BS in Electrical Engineering and an MS in Industrial Administration, both from Purdue.

Now Trending: The myRA

Roman A. Basi, MBA/Attorney at Law
The Center for Financial, Legal & Tax Planning, Inc.

If you have $1 (one dollar) in your retirement account and you are age 25-64, congratulations you have more money in your retirement account than 45 percent of Americans in that age bracket. Many Americans are not saving for their retirement at all and that is a problem!

Your retirement goal is to have sufficient funds to relax and enjoy your senior years without having to work. Many have come to despise this goal because they feel it is unattainable, unrealistic or even cruel. There are no magic strategies in investing. I'm not one to preach stocks, or real estate, or commodities, but ask yourself one question: Who will fund my retirement if I don't? Bottom line, you have to start somewhere and go someplace. There is a new retirement program available now.

This new program is called myRA. Employers are not required to participate in the new program. The myRA account is administered through the United States Treasury. The plans can be funded by an employer, a personal account, or even from a federal tax refund. The employee must have earned income to participate. A key to the new program is that there are no administrative costs.

To participate, the fund participant goes to myRA.gov, selects the "sign up" option, and follows the step-by-step process. They receive an account number and then fund the account by setting up automatic deposits through their employer, their own accounts, or federal tax refund. If the employer already has a retirement account such as a simple or 401K, then the myRA is not available.

Continued on page 2

A CASE STUDY

Conservation Easement

The Tax Court held that an examiner properly assigned penalties. In the case there was a husband and wife (taxpayers), an examiner, and a plot of land involved. In 2007, the taxpayers donated a parcel of land with the intention of taking advantage of a charitable deduction under a conservation reserve program or CRP. The land was donated to the Colorado Natural Land Trust. They claimed the value of the land was 1.4 million dollars and took part of the deduction in 2007. The remainder was rolled over in 2008, 2009, and 2010 when it was finally used up.

In 2011 the taxpayers were sent a report that the donation did not satisfy the legal requirements for a charitable deduction and also, the value of the land was not $1.4 million. The actual value was more like zero.

However, by trial all the facts had been stipulated and the value of the parcel was stipulated at $80,000. What was at issue was whether the 40% penalty was appropriate given that the initial determination done by the examiner was for 20%. The court found that the Internal Revenue Code Section 6662(h) did not require the 40% determination on the "initial determination". The verbiage was common language and not a statutory requirement.

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When funding the plans, individuals can give a set percentage of money per payroll period or contribute as they go along. There is no minimum contribution. There is no initial startup fee.

Any money put into a Traditional IRA reduces the employee's taxable income. The limit an employee can contribute is $5500 annually. That is unless they are 50 or over, they can add an additional $1000 to their annual contribution for a total of $6500 per year. Income limits are $131,000 for single taxpayers and $193,000 for married filing jointly.

The myRA is a **Roth IRA**. In a Roth IRA, the individual does not get a dollar-for-dollar adjusted gross income adjustment, but instead the funds are tax free when taken out upon retirement. Thus, the employee must contribute after tax dollars now.

Additionally, retirement accounts are generally exempt in a bankruptcy. Bankruptcy is a common occurrence, no matter what a person's income or holdings may be. Having money protected in a retirement account has advantages compared to ordinary savings accounts, CDs, and checking accounts.

The major objective of the new program is to get individuals of all ages into a retirement fund. This new program has a good rate of return. The fund invests in 30 year Treasury savings bonds that have returned 3.19% over the past 10 years. The good part about this account is it cannot lose money. There are no complicated investment strategies, unlike many other funds.

The only drawback is that these accounts are mainly starter accounts. The balance limit is low. Once the account balance reaches $15,000 or the account is in existence 30 years (whichever is first), the account holder must rollover the account into a private account. Once this is done, the investor **cannot** begin another myRA.

This law did not eliminate or limit the use of Roth and Traditional IRAs in anyway. An IRA can be started online or at a local bank with hardly any startup costs.

While this program is not for everybody, it hopefully will get the ball rolling for millions of Americans. If you have any questions about the subject matter herein, Business Valuations, Business Succession Planning or would like additional information, please contact the professionals at **The Center at (618) 997-3436**

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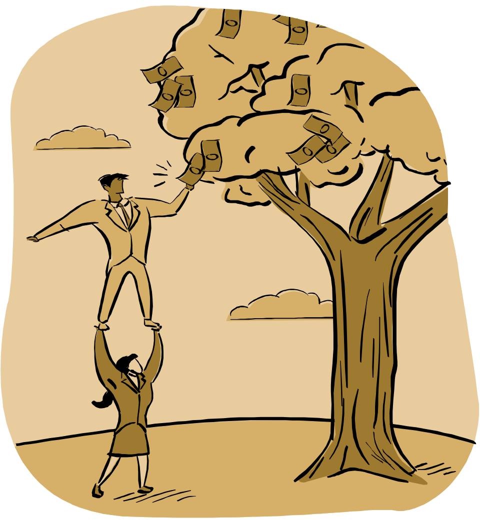
About the author:

Roman A. Basi, President of The Center, is an Attorney, Real Estate Broker, and Title Insurance Agent. Roman speaks and advises The Center's clientele on such matters as Business Law, Succession, Estate & Tax Planning and Real Estate.

Points of Interest

- **If you have $1 (one dollar) in your retirement account and you are age 25-64, congratulations you have more money in your retirement account than 45 percent of Americans in that age bracket.**
- **The myRA is a Roth IRA.**
- **Once the account balance reaches $15,000 or the account is in existence 30 years (whichever is first).**



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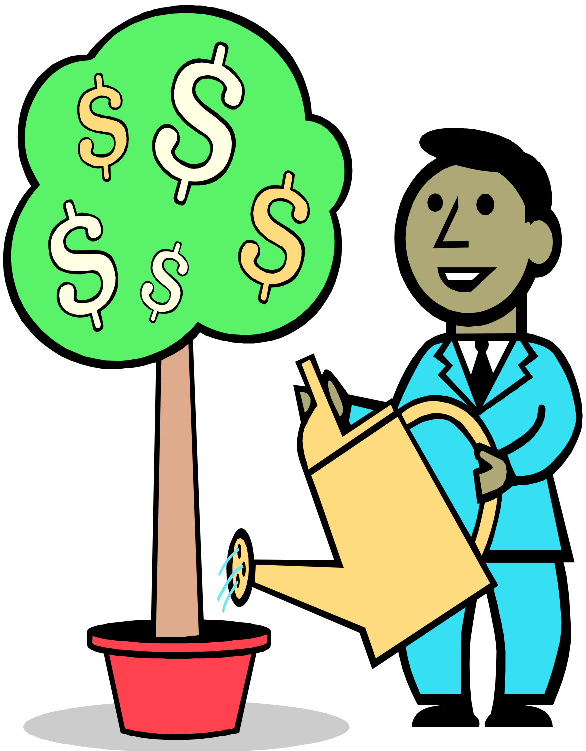
A CASE STUDY CONTINUED:

Editor's Comments:

This was a remarkable job by an attorney on his client's behalf and I believe this case will go further. Recently, the penalties that the IRS can dish out are much harsher than what they previously had and taxpayer's need a victory. On the other hand, this whole thing could have been avoided had the taxpayers gotten a fair appraisal and worked within the letter of the law to get the deduction. We will see where this goes.



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Failing To Plan Is Planning To Fail

In their book, The $10 Trillion Opportunity, Richard Jackim and Peter Christman note that: "...Within the next 20 years, more than 90 million people in the US and Canada will be retiring. These are the "baby boomers," the generation born between 1946 and 1964...Baby boomers have been the most affluent and influential population group in the history of mankind, and now they're getting ready to retire."

Economist and demographic expert Robert Avery at Cornell University predicts baby boomers will transfer 10 trillion dollars to later generations -- the largest generational transfer of wealth in the history of humankind. The vast majority of this wealth is held as stock in more than 12 million privately owned businesses, and during the next 10 - 15 years, more than 70 percent of these companies are expected to change hands."

Yet, according to the authors, in spite of overwhelming evidence that exit planning is a vital part of business ownership, most business owners don't create an exit plan.

"Due to lack of good planning, only 30 percent of family-owned businesses survive through the second generation. A study of 300 former business owners who sold their companies within the last 12 months showed that 75 percent of the respondents felt the sale did not accomplish their personal or financial goals. These statistics suggest too few business owners are proactively planning for the inevitable exit process."

"He who fails to plan is planning to fail." – Sir Winston Churchill

If you know of a business owner who's thinking of selling or buying a business and who might benefit from a free, confidential, consultation with us, have them contact me at mertel@lmaallc.com

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Frequently Asked Questions…

Q: What should I do if I made a mistake on my tax return that I have already filed?

A: It depends on the kind of mistake that you made. Most mathematical errors are caught in the processing of the tax return itself, thus the IRS will recalculate the 1040 and will send you the proper return based on the recalculation, so you don't have to do anything in that instance. If you did not attach a required schedule, the IRS will contact you and ask for the missing information. If you did not report all your income or did not claim a credit, you should file an amended or corrected return using Form 1040X (PDF), Amended U.S. Individual Income Tax Return.

Q: Why do some companies offer a tax refund in as little as one day, while others do not and is this a good thing?

A. When chain tax preparers offer tax refunds in as little as one day, what they are giving the client is essentially a loan based upon the tax return. The company gives the client the loan in advance of the actual refund, but often for an extremely high fee. My advice is that nobody should take a loan like this as the fees charged are exorbitant for getting your refund just a few weeks quicker. If you want a quick return, file early, don't wait until April 15.

Q: Is it possible to reduce income taxes if I own a business by shifting income elsewhere?

A: Absolutely. Business owners have the advantage of making decisions that ordinarily they would not be able to make to provide them and their families with advantages. One of these advantages is known as income shifting. In this process, you can hire family members to perform labor and receive reasonable compensation for their services. While paying your son $100,000 per year to fold mailers will not be "reasonable compensation" under the IRS's position, there is plenty that can be done to shift income and reduce taxes.