THE CURCHIN GROUP

Newsletter

Q4. 2019

7 Effective Tax Saving Tips You Need to Know: 2020 Edition

By The Curchin Tax Team

April is tax season, and for some people that can be scarier than Halloween. The average American can expect to pay a little over $10,000 a year in taxes, or 14 percent of their household income.

That's a sizeable tax bill and one that many people would rather not have to shoulder. Fortunately, there are a few methods that can help slash what you owe in April, and perhaps even get you a refund!

Keep reading to see some of the best tax-saving tips for your federal income tax return!

1. Consider Changing Your W4 Form

Though it won't reduce the total amount of money that you pay in taxes, changing your W4 will reduce the bill you will face in April. If you see a massive tax bill in 2019, you may want to increase the amount being withheld from your paycheck each week.

This way, when April rolls around, you'll only have to front a small amount of money, or even be entitled to a refund, instead of having to scramble to get the funds together for a huge bill on short notice.

2. Save for Retirement

Did you know that the contributions that you make to your 401(k) or IRA plans will reduce your tax bill? It's always better to contribute to a 401(k) plan since your employer will likely match a certain amount of the money that you put in - which is the same as cashing a paycheck for your future self!

In 2020, the maximum contribution to a 401(k) plan is $19,500, or $25,500 if you're older than 50. For IRAs, you can contribute up to $6,000, or $7,000 if you're older than 50.

3. Harvest Your Investment Losses

Another key way to reduce a high tax bill is to sell off investments that are not performing well. You can reduce your capital gains tax all the way to zero by doing this and can then use up to $3,000 in losses against non-investment income. If you lose more than $3,000 in a single year, you can carry over the excess for next year.

Keep in mind that if you do this, you can't buy the same or similar investments for at least 30 days afterward.

4. Give to Charity

Another common way to reduce your tax obligation is to give money to charity. You are able to deduct the value of the contribution, up to 60 percent of your adjusted gross income.

Keep in mind that it may make more sense to contribute securities like stocks to charities instead of straight cash. By doing so, you are able to deduct the fair market value of the stock without having to pay capital gains tax on an appreciated security. Of course, no matter what or how much you donate, make sure that you have documentation for proof. These types of charitable contributions are allowed up to 30 percent of your adjusted gross income.

> *"...key way to reduce a high tax bill is to sell off investments that are not performing well. You can reduce your capital gains tax all the way to zero..."*

5. Defer Income

Depending on your financial situation, it may make sense for you to defer income from one year to the next. For instance, pushing back a raise or bonus to January instead of taking it in December can save you money on this year's tax bill.

However, this is only a smart decision if you think that you will earn less money or have

Article continues on page 2

Article continuation: *7 Effective Tax Saving Tips You Need to Know: 2020 Edition*

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fewer deductions next year than this year. That way, your extra bonus or raise won't be taxed at a higher rate, and you'll be able to enjoy two low tax bills or refunds instead of a large bill and a small refund.

6. Bunch Deductions

In a similar vein to the above point, you can bunch up your deductions in a single year. In 2020, the standard deduction increased to $12,400 for individuals or married people filing separately, and to $24,800 for married couples filing together. Heads of households (those who are single but have a qualifying person) have a standard deduction of $14,100.

Paying medical expenses or accelerating charitable contributions can push you over the standard deduction threshold. The result would be one-year itemizing and one year utilizing the standard deduction. In this manner, utilizing itemized and standard deductions over two years results in more deductions as opposed to two years of standard deductions.

"...funnel gross earnings into an account that you can then use to pay for medical bills, dental costs, or even child-related expenses..."

7. Contribute to a Flexible Spending Account

A flexible spending account, or FSA, is a type of savings plan offered by employers. Through these plans, you can funnel gross earnings into an account that you can then use to pay for medical bills, dental costs, or even child-related expenses in some instances.

This will then lower your gross earnings, lowering your bill come April, while still dedicating money to important purchases. You are limited to contributing a maximum of $2,750 to an FSA in 2020.

You will usually have to spend the balance before the end of the year, as it will not roll over. In some cases, the IRS will allow you to carry over $500 from one year to the next, but your employer will have to have gotten an exception.

The Best of All Tax-Saving Tips is to be Proactive

Now that you know seven of the simplest, yet most effective, tax-saving tips, you can begin to take steps to reduce your tax liability before next year hits. Maintain a plan throughout the year, and always think about the tax implications of any financial decision that your family makes.

Want more information about filing your taxes and personal finance more generally? Check out the rest of our blog!

A Guide to the Different Types of Business Valuation Methods

By Roy H. Kvalo, CPA/ABV/CFF/CGMA, CVA, Director of Litigation & Valuation Services

In 2018, 10,312 businesses exchanged hands across the United States. That was a 4% uptick in acquisitions from 2017.

Various reasons might cause you to want to sell or buy a business. No matter the reason behind each transaction, the one constant is that each target firm needs to be valued to determine an attractive price.

There are various valuation methods you can use to quantify the worth of a company that you plan to acquire or sell. The main valuation approaches are classified as asset-based, market value-based, and earning value-based. Here is a closer look at some valuation approaches you can use.

1. Profit Multiplier

The changes that took effect in 2018 were the The profit multiplier business valuation method capitalizes on the profit to earnings ratio (P/E ratio), to determine a firm's worth by multiplying its profit. In this scenario, the price is the company's value, while the earnings are the profits the business generates.

For example, assume that a company brings in $200,000 annually, and you want to use a multiple of 4 to arrive at its value. The price at which you can value the business will be $200,000 multiplied by four, which yields $800,000.

It goes without saying that the multiple you use has a significant impact on the valuation. The larger the business is, and the better the track record, the higher the multiple you will use.

Typically, small firms command a multiple of between three and four using pretax profit. If it is a high performing firm, then the multiplier can go up to five. For larger businesses, the P/E multiples range between seven and twelve with an exceptional firm garnering a higher multiple.

When evaluating a business using P/E multiples, you should account for the adjusted profit. Adjusted profit is where you take the owner's salary into account to arrive at an accurate profit level for the firm. You don't want to buy a company whose profitability dips once the owner exits, leaving you with a less valuable investment.

Another point to consider when using P/E multiples to value a firm is the average profit. By taking Earnings Before Interest and Tax (EBIT) into consideration, you can gauge a target firm's actual profit position before debts or surplus cash balances alter it.

2. Going Concern

A going concern valuation method is an asset-based approach that assumes a business will continue operating and be profitable. The going-concern value, also known as the total value, differs from a liquidation concern due to the inclusion of intangible company assets.

Such assets include brand names, intellectual property, customer loyalty, and trademarks.

With a going concern, you assess the value of a firm by looking at its assets and subtracting the liabilities. The only difference is that you get to count the intangible assets as well.

3. Liquidation Value

Liquidation valuation is another asset-based approach that seeks to determine how much cash will be left over once all the assets are sold off and liabilities paid. By its nature, liquidation valuation does not treat a business as a viable one. Thus, the assessment won't include any intangible assets.

When you appraise a firm using liquidation valuation, the assets end up fetching a lower value that doesn't reflect market value. Liquidation valuation is, however, higher than salvage value. Since liquidation valuation is typically urgent, the seller's focus is usually to get as much money in the shortest period possible.

4. Comparables

Comparable business valuation is one where you look at similar businesses with similar metrics to estimate the value. These metrics can include Earnings Before Income, Taxes, Depreciation, and Amortization (EBITDA), price to book, price to earnings, and enterprise value to sales, among others.

To pull this off, you need to run a comparable company analysis (CCA) that helps paint at the best peer firms to look at.

> *"... similar metrics to estimate the value."*

When using comparables valuation, you should be wary of making inaccurate comparisons. Talk to others in your industry to have a better picture of what other firms are selling at so that you can better anchor your comparison metrics.

5. Discounted Cash Flow

Discounted cash flow valuation (DCF) appraises a firm based on its future cash flows. Essentially, DCF explores the current value of a business today based on what is predicted to earn in the future.

When you are using DCF, you need to consider the future profit margin and sales growth. In addition to these, you can't avoid taking the discount rate into account. The discount rate is influenced by several factors that you must assess, including the following:

- The risk-free interest rate
- The cost of capital
- Potential share price risks

A DCF valuation model works best when you are assessing a firm you intend to control. You will have a much better ability to forecast factors that inform the valuation model.

To calculate a firm's value, you need to forecast the revenue coming into the business and the expenses that will likely be paid out for several years. Once you have this information, you can then subtract the expenses from the revenue to ascertain the estimated net cash flow position for each year.

Apply a discount rate to the figure for each year's net cash flow to figure out the net present value of each year's future profit. Remember that you have to use an accurate discount rate, or else the results might be skewed.

Many people tend to use a three to five-year horizon when forecasting the revenues and expenses in a DCF model. If you expect the firm to continue generating income beyond the five years, then you need to consider the terminal value. Terminal value is that income generated by the company beyond the outer time limit of your DCF model's time frame.

Get the Best Price Using the Right Valuation Methods

Business acquisitions are inevitable, and to get the best value, you need to understand how various valuation methods work. If you use an ill-fitting approach, you may not ascribe the best value to the business you want to sell or buy hence losing out on value.

The Curchin Group, LLC, has been helping businesses since 1955 meet their accounting needs. Talk to us today to find out how you can get the best value, whether you're buying or selling a business.

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8 Crucial Ways to Protect Y

By Carolyn Giunco Kvalo, CPA/CGM

Anyone who has a bank account or credit card runs the risk of being defrauded. Learn how to protect yourself from ATM and mobile security fraud in this article.

Did you know that more than 15 million Americans are victims of identity theft every year?

Identity theft and fraud are serious crimes, and ones that can follow you for years, or even decades. Victims of identity theft can have money stolen from their bank account, loans taken out in their names, and even money stolen from their businesses.

It is important to protect your identity on every front. Once it is stolen in one place, this information can be used to access other parts of your identity.

Want to learn more about ways to protect yourself from fraud? Read here to learn more.

Targeting Weak Points

To get access to your identity, scammers tend to target weak points where you are using your information in a less protected way. This includes when you are using mobile devices, or when you are using a credit or debit card at places like the ATM or the gas pump.

It is important to be aware of the risks presented by your daily activities. Let's take a closer look at how to protect yourself in each scenario.

ATM Protection

Scammers know that there are certain actions we take as part of our daily lives: getting money from the ATM, buying a drink from the coffee shop, and filling up the car with gas are all examples.
This is why it's important to take certain precautions when using your debit card. Let's take a look at a few.

1. Cover Your PIN

These days, someone doesn't have to be standing behind you to catch a glimpse of your PIN. Scammers can place hidden cameras to view your PIN. When you're entering the number, make sure to cover it with your hand.

2. Watch for Skimmers

In addition to cameras, some scammers put a device called a skimmer on an ATM or gas station pump to collect your information. There are a few warning signs you can watch for to see if there is a skimmer.

First, look at the ATM. Sometimes scammers will put another keyboard over the original one that can collect your PIN.

Next, feel the card scanner. If it is unstable or moves around, don't use it. This is a sign that it has been tampered with.

3. Check Your Balances

With identity theft, it's important to find out that you've been compromised as soon as possible. This makes it easier to prevent further fallout.

Scammers will often make a few

smaller purchases with a stolen debit card before making a large purchase. Check your balance frequently so that you will know right away whether any suspicious charges emerge.

You can also sign up for account alerts. This way, you will get a message right away if there is a charge that wasn't made by you.

4. Keep Money in Your Savings Account

One way to prevent money being stolen from your checking account is to keep only a small amount of money in there. This will limit the amount of funds that are left vulnerable. Keep a larger portion of money in an account that you do not use a debit card for.

5. Switch to Electronic Statements

If you receive paper statements, you are essentially having personal information left in your mailbox once a month. This makes it easier for scammers to intercept those details. By receiving those statements electronically, you are able to keep that information more secure.

Mobile Security Protection

Of course, we are using mobile devices and online resources to access our money more now than ever. This has led scammers to seek out opportunities to access your information through your mobile device. There are some important steps you can take to protect yourself.

6. Keep Your Operating System Updated

It can be annoying when you get a message on your phone that it needs to restart and install an update. But these updates are important. In many cases, they include security protection.

7. Do Not Share Private Information on Public WiFi

Public WiFi is fine for checking your email or watching a cat video. But if you want to make a deposit in your bank account or do some online shopping, save those activities for your at-home internet.

Public WiFi is not as secure as your home's WiFi. Doing financial activities over public WiFi can make that information vulnerable to scammers.

8. Do Not Click on Strange Texts

Sometimes, scammers will try to gather your information or install malware on your device by sending strange texts to your phone. These are similar to "phishing" scams that are sent to emails with bad links or attachments.

In these texts, scammers may pretend to be a financial institution. They may send a text claiming that you overdrew your bank account, or, ironically, that there was a suspicious charge.

If you signed up for mobile alerts from your bank, save their number in your phone so you will know when you've received an actual text from them. If you receive a suspicious text, do not click on the link. This can be a tool to download a virus on your phone which can then be used to gather your private information.

Implement These Ways to Protect Yourself From Fraud Today

By practicing these ways to protect yourself from fraud and identity theft, you will be able to keep your information secure and uncompromised.

Looking for more help with your finances? Contact us today to set up an appointment.

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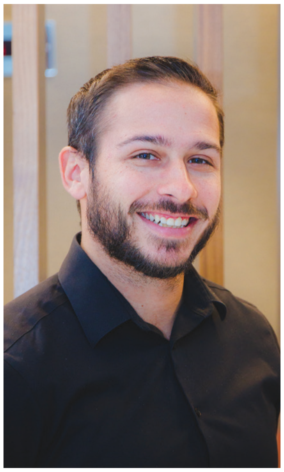
Featured Employee:



DUSTIN DEBENEDETTO, STAFF ACCOUNTANT

Dustin joined The Curchin Group in 2016 as a staff accountant. He graduated Magna Cum Laude from Johnson and Wales University in Providence, Rhode Island with a B.S. in Accounting. He works on audits for construction & contracting companies, Not-for-Profits, 401ks and pensions. In addition, he prepares tax returns for individuals, exempt organizations, and corporations. Since joining The Curchin Group he has gained a lot of experience in a variety of industries, helping diversify his knowledge in the accounting field. He has appreciated the relationships he has established with his coworkers and the mentorship his manager has taken towards him. When not in the office, he enjoys going to the beach, hanging out with friends, and playing multiple sports including golf, beach volleyball, and bowling.

Firm News

Bob Fouratt, Rich Presser, and Caroline Sigona attended the NJ Credit Union League Convention which was held at Hard Rock Hotel in Atlantic City from Oct 20th – Oct 21st.

Carolyn Kvalo and Nicole Ullmeyer attended the AICPA Conference on Credit Unions in Nashville from Oct 21st – Oct 24th.

NJCPA Monmouth/Ocean Chapter recently held 2 seminars at The Jumping Brook Country Club in Neptune. On Dec 4th, Roy Kvalo did a presentation on Forensic Investigative Accounting and on Dec 12th, Edward Rigby did a Federal Tax Update presentation.

CURCHIN CARES

October 20, 2019

The Curchin Cares Team raised over $1,500 for the October 20th Making Strides Against Breast Cancer Walk in Point Pleasant.

2019 CURCHIN OPEN

November 6, 2019

The 14th Annual Curchin Open Miniature Golf Tournament transformed our Red Bank office into a 9-hole, fun-filled mini golf course while raising $18,500 for this year's local charity recipients, HOPE Sheds Light and the Boys & Girls Clubs of Monmouth County (BGCM). HOPE Sheds Light offers support to families and people seeking long-term recovery from addiction. BGCM is dedicated to empowering Monmouth County kids and teens to reach their full potential through education, skill-building, arts programs and more.

Since its inception in 2005, the Curchin Open has raised more than $213,000. We are very thankful for our sponsors, attendees and staff who continue to make this event a success each year.

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