Q3 - 2019

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Choosing the Right Type of Account

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Tis the season for summer weddings, which means a merging of vows, lives, and more often than not, bank accounts. Joint accounts can provide convenience to the owners, if they are set up and titled correctly. Business partners, close relatives, and other couples can enjoy the convenience of a shared account as well.

When setting up an account with more than one owner, there are several items to consider. We recently had a walk-in visitor looking for an explanation for why he was assessed inheritance tax on his checking account. Why? He wanted a friend to get his money when he died so he added her to

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his account as a joint account owner. Unfortunately, she passed away first and her "share" of his joint account was included in her estate and he was assessed inheritance tax on the amount.

Depending on your financial goals and your particular situation, you must find the option that works best for you. If you spend the time up front considering your options, you may be able to find the account that works best for you.

Joint Accounts

If you are looking for an easy way to have shared access to funds, then a joint account is generally a good option. This is ideal for couples, business partners, and close relatives. Quite simply, this account is owned by two people, both of whom can make deposits and withdrawals to the account.

Also, keep in mind that joint accounts only require one account holder to close the account. Right of survivorship is usually included on this account type, meaning when one co-owner dies, the other automatically becomes the sole owner of the account. Even though the account itself would not be subject to probate, a portion of the account will contribute to the decedent's taxable estate. Since assets that pass to a spouse are not taxed, that is not an issue for a married couple.

Probate estates and taxable estates are two very different things. Probate assets are those that require some legal mechanism to pass to a living beneficiary after death, while joint accounts with rights of survivorship do not. Taxable assets include anything the decedent had an ownership interest in at the time of their death.

Designating Beneficiaries

Another general means of releasing funds from an account, and to avoid probate, is to designate beneficiaries to a payable on death account, or transfer on death account. The beneficiary will only have to show the bank a death certificate to access the account.

Unfortunately, the death of a beneficiary before the account owner could potentially present a problem. Failing to determine the amount designated for more than one beneficiary, or if the only beneficiary predeceases the account owner without a new contingent or beneficiary listed, can result in the account going into probate and becoming part of the owner's estate.

Inheritance Taxes

Do not forget that with payable on death accounts there may be an inheritance tax. While the federal government does not impose an inheritance tax, the beneficiary is expected to pay the tax owed on the value of the POD account that transfers to them if the decedent held the account or died in Iowa, Kentucky, Nebraska, New Jersey, Pennsylvania, or Maryland. The inheritance tax rate is as much as 18% in Nebraska. For example, you could owe $18,000 if you inherit a $100,000 account. The good news is that the more closely related you are to the decedent, the less of a rate you may have to pay. Surviving spouses are typically exempt from this tax entirely, and some states exempt the children of the deceased as well. Beneficiaries who are not related to the decedent can expect to pay the highest rates.

If you are in need of a financial advisor, give us a call! We are here to help with questions about your distinct situation.

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Stay Interviews

Most companies and HR professionals are familiar with the concept of an exit interview. These are used to gather feedback on why individuals are leaving and to use this information to fix issues with corporate culture, compensation, or other concerns that may result in the departure of additional staff.

In fact, you would be hard pressed to find a business person who hasn't participated in an exit interview at some point in his or her career. But, it's a better solution to get in front of the reasons for turnover in the first place by implementing stay interviews instead of, or in addition to, traditional exit interviews. More and more companies are realizing the usefulness of conducting stay interviews to influence employee retention and reduce turnover.

How Do They Work?

The stay interview is a valuable tool for companies struggling with retention or engagement issues and even for those that are not. It's an opportunity to speak candidly with staff members to find out what they love about their job and the company, and why they stay there. It also presents an opportunity to learn about team and individual best practices as well as challenges and frustrations.

The data gleaned from the interviews can be used to develop programs and practices that influence employee engagement, retention, job satisfaction, and company culture. In many cases, just doing the interviews boosted the employees' impressions of the company, as they were happy to be given the attention and opportunity to share feedback and be heard.

How Often Should They Be Conducted?

Stay interviews should be conducted once or twice a year and should include everyone from entry level to senior management. It may be beneficial for a company to bring in an objective, neutral third party to begin the process of the stay interview, since people are often more willing to be open and honest about their concerns with someone outside the organization, especially in a stay interview. In exit interviews, the person has nothing to lose by airing their issues, however, in a stay interview, an employee may be hesitant to "rock the boat", especially since they aren't leaving the ship.

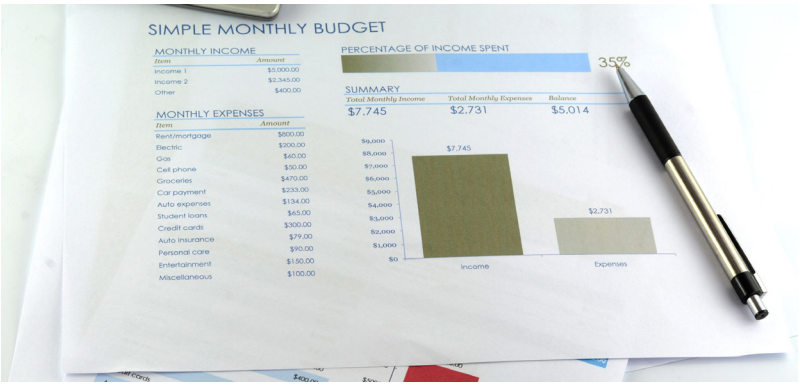
Stay interviews should dig deeper than the usual questions asked in exit interviews, which tend to focus on severance, the office environment, and policies. Stay interviews focus on more significant engagement questions, which try to discover what motivates employees.

What Questions Should be Asked?

You want to find out what excites people about their roles and the company. Is this consistent with how they felt when they first started, and if not, what has changed? Was what was portrayed in the interview process an accurate picture of real life with the company? Are there any areas of their current job they dislike so much that they might be tempted to leave? What do they think they might find elsewhere that would be a better fit or more engaging for them?

Additional Support

The stay interview should be a tool to help with employee retention and as mentioned above, it might be useful if a neutral third party was used to conduct the interviews. Donnelly-Boland, and our HR professionals would be good choices to bring in as a neutral third party. If you wish to discuss this further, or have any other HR topics you would like to discuss, please feel free to contact me or any of our Human Resource professionals at Donnelly-Boland.



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Nonprofit Budgeting

Budgeting is a critical factor in every business, as this allows organizations to plan for the future and help meet their current fiscal goals. Although all organizations benefit from proper budgets, those with limited or fixed funding typically rely most heavily on budgets. Non-profit organizations face particular challenges, many of which can be remedied by proper budgeting.

Determining the Revenue

Unlike for-profit businesses that sell a product or a service to make money, many non-profit businesses rely on income from fundraising and grants. There are other sources of income such as donations, programs, interest income from endowments, or various forms of sponsorships. However, many of these things could change drastically from year to year. This means that revenue is limited and often puts a constraint on spending. To best identify your organization's revenue, review your financial statements from previous years and work to project your anticipated revenue for the upcoming year.

Identifying Projects

Nonprofits have many fixed expenses such as salaries, benefits, building costs, and standard supplies. However, each year nonprofit organizations also set new objectives and plans, which typically require sources of funding. One of the best ways to ensure that programs are implemented in a nonprofit business is to properly allocate funds to the various projects in a budget. Especially with larger projects, significant research may be necessary to determine a projected cost. Budgets help to identify what programs are possible and what actions can realistically be taken in a given year.

Facilitating a Systematic Plan

Budgets are also a great way to instill confidence. The community, organizations, and members who are invested in the nonprofit business want to know where the money is being used and ensure that there is a plan in place. Identifying projects, setting a budget, and adhering to the budget will help to achieve the nonprofit's objectives while maintaining a good relationship with the board of directors, the organization's donors and the community. This becomes important when looking for more funding sources in the future, too.

If you have questions about budgeting or ways to help your non-profit run more efficiently, please give us a call.

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Calling All Tax Payers

Procrastination is easy, especially when it comes to summertime tax planning. But waiting to implement strategies to reduce your 2019 tax obligations could cost you money. Here are some suggestions to help jumpstart your midyear review:

Adjust your withholdings and estimated payments

If you haven't already, update your withholdings and estimated tax payments to reflect any changes needed since last year. Updates may be in order if you experience a big life event, such as marriage, divorce or a new job. Overpaying your 2019 tax reduces the cash you have on hand throughout the year, and underpaying can lead to penalties and interest.

Save more for retirement

When inflation adjustments kicked in at the beginning of the year, did you boost your retirement plan contributions? If not, you still have time to increase your contributions over the remainder of 2019. Contributions to your 401(k) are made on a pre-tax basis, which means they're not included in your gross income. Taking advantage of this benefit can reduce your taxable income.

For 2019, you can deposit up to $19,000 in your 401(k) and $6,000 into your IRA (additional catch-up contributions apply if you're 50 or older). You can contribute to both a 401(k) and an IRA, though tax deductibility on IRA contributions may be limited, depending on your income.

Deploy a gift-giving strategy

It's time to work on your 2019 gifting plan if you haven't started yet. As you plan, remember that the annual exclusion lets you make gifts up to $15,000 in 2019 to any number of individuals without having to pay gift tax or file a gift tax return.

If you decide to gift money to a child or grandchild for education expenses, the $15,000-per-person annual gift limitation does not apply if a payment is made directly to a qualifying educational institution. Not only are gift tax limitations removed, making substantial education payments in this manner could also reduce your taxable estate — ultimately reducing your exposure to estate taxes.

Don't forget that your direct education gift can be for a grandchild, niece, nephew or anybody else of any age, either related or unrelated.

Consider the new kiddie tax rules

If your school-aged child works, recent changes to how their unearned income is taxed may mean you'll be dealing with higher tax rates. The tax is now based on the rates for estates and trusts instead of parents' top tax rate. So your child's unearned income tax rate gets much higher much sooner than in prior years when it could be taxed at parents' lower rates.

The best way to avoid a higher tax rate is to manage your child's unearned income at or below $2,200 for 2019.

Be tax-savvy about school savings

Are you currently setting aside money in a taxable account to pay for your child's school expenses? You could realize tax savings by opening a 529 education savings account instead. The sooner you do, the sooner earnings will grow tax-deferred. They will also generally be tax-free when withdrawals are used for qualified education expenses.

Conduct an annual estate plan review

The estate tax is still alive and well, so as part of your midyear review you should update your will and other estate documents. Remember that the federal estate tax applies to fewer people now, with the exemption at $11.4 million per individual.

Safeguard your deductions

Too often people are surprised when the IRS reduces their deductions. Don't let this happen to you. You can work to ensure you can take deductions by keeping great records throughout the year. You'll need proof if you want tax breaks for things like charitable contributions, gambling losses, vehicle costs and travel expenses. If you neglected to track these expenses at the beginning of the year, get going now.

There's still enough time to make tax changes that matter. Call today for help keeping your tax outlook as positive as possible.

Around Donnelly-Boland

Website

Donnelly-Boland recently launched our new company website. The site is mobile optimized and includes a more robust feature to search for events, newsletters, and articles. www.donnelly-boland.com

BBW Chamber

Communications and Development Supervisor, Matt Fazio, has been named the new Brentwood Baldwin Whitehall Chamber of Commerce President! Our organization has been involved with the chamber for a long time, and we are proud to have one of our employees serving as president.

DBU Seminars

Our fall calendar for DBU Seminars appears below. Our seminars are complimentary and cover business topics geared toward helping small businesses and nonprofit organizations.

SMALL BUSINESS SEMINARS

Budgeting and Financial Analysis | September 11 | 12pm
QuickBooks Desktop | October 9 | 8am
Human Resources: Trending Topics | November 13 | 12pm
QuickBooks Online | December 11 | 8am

All Seminars are complimentary and will be hosted at our Home Office location in Baldwin.

Sam Lutz, Senior Accountant, presenting a QuickBooks Desktop Seminar.

ABOUT US

Donnelly-Boland and Associates, a certified woman-owned business enterprise, is a CPA and management consulting firm that provides an array of professional services including accounting, financial services, government and nonprofit consulting, human resources, and taxes. We have extensive experience in providing these services to governments, nonprofits, individuals and service businesses. Donnelly-Boland and Associates was incorporated in 1992 and is headquartered locally in Baldwin, Pennsylvania with offices in Brentwood and Waynesburg. We assist a variety of organizations, large and small, on both an interim or more permanent basis.

WHAT OUR CLIENTS SAY

"I strongly believe there would have been serious consequences for the business had the DBA team not come in and taken over the financial office operations."

- Educational Organization

"We wouldn't be where we are without Donnelly-Boland. The expertise, guidance, responsiveness, and flexibility has allowed us to grow..."

- Tech Company

"Fast, efficient, and effective."

- Community Development Organization

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BBB ACCREDITED BUSINESS

BBB Rating: A+

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