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HOT OFF THE PRESS

THE "BUSH TAX CUTS"

The Bush Tax Cuts, enacted in 2001 and 2003, are scheduled to expire on December 31, 2010. This could usher in what is being called the largest tax increase in history. However, there is growing support in a lame duck Congress, to take action before the end of the year.

Without action, some of the tax rules that would take effect include:

- * the top two tax rates would be 36% and 39.6% (currently 33% and 35%)
- * there would be no special tax treatment for qualified dividends
- * the maximum capital gains rate would rise from 15% to 20%
- * high-income taxpayers would face a phase-out of their personal exemptions and itemized deductions.

At the time of this letter's publication, there is no news regarding the status of the "Bush Tax Cuts". If and when there is a change, we will provide you with an update.

Whenever Congress finally makes its decision, **there is one thing everyone should do, review your W-4 Form.** The W-4 is the form that tells your employers how many exemptions you want to take, and those exemptions directly affect the amount of taxes withheld from your paycheck. The exemptions you take are based in part on how much you expect to claim in deductions and tax credits, several of which would change if some or all of the "Bush Tax Cuts" were allowed to expire.

FORM W-2 REPORTING COST OF HEALTH INSURANCE COVERAGE

There has been a great deal of discussion, especially on the internet, about reporting of the cost of health insurance coverage on W-2s. Here are the facts.

Under the Patient Protection and Affordable Care Act of 2010, beginning in 2011, employers must report the value of health insurance coverage they provide to their employees on the employees' Form W-2. Unfortunately, determining the "value" of the health insurance provided is not so simple, and so far, no guidance has been issued by the IRS on how to determine this value.

Of course, as most 2011 Form W-2s won't be filed until January, 2012, it may seem like we have a long time to figure it all out. However, it should be noted that an employee who leaves during the year could request an early Form W-2. Therefore, it is possible for the reporting requirement to kick in much earlier than that. The IRS has announced that the reporting requirement is not mandatory for Forms W-2 issued for 2011 (but optional reporting is allowed).

Although reporting the cost of coverage is optional for 2011, the IRS continues to note that when amounts are reported, **they are not taxable**. The new reporting requirement is intended for informational purposes only and to provide employees with greater transparency into overall health care costs.

NEW RULES REQUIRE RENTAL PROPERTY OWNERS TO ISSUE 1099s

The recently enacted Small Business Jobs Act contained a provision that may have escaped the notice of persons who own rental property. Under the provision, owners of property who receive rental income will be required to issue forms 1099 to service providers for payments of \$600 or more during the year.

The act subjects recipients of rental income from real estate to the same information reporting requirements as entities engaged in a trade or business. Thus, rental income recipients making payments of \$600 or more to service providers in the course of earning rental income are required to provide an information return to the IRS and to the service provider. This provision applies to payments made after December 31, 2010, and will cover, for example, payments made to plumbers, painters, or accountants in the course of earning rental income.

While rental property owners will not actually issue the required 1099s until early 2012, they need to start keeping adequate records of payments beginning January 1, 2011, so information will be available to issue correct 1099s. The owners will also need to obtain the name, address and taxpayer identification number of the service provider, using form W-9 or a similar form.

SOLVING THE INTESTOR'S PLIGHT-PART 2

By Keith M. Lichtcsien, CFP[®], AEP[®]

To follow up on part one, and drive home the point that most investors behave irrationally, let's look at one final recent example. A December 31, 2009 *Wall Street Journal* article recounted the saga of the best performing mutual fund of the decade, ending December 29, 2009. With an annualized 10-year return of 18.2%, the winning fund was the \$3.7 billion CGM Focus Fund. Simply remarkable given the challenging time period and how it bested the second place fund by 3.4% per year.

Before you jump to buy this fund, or beat yourself up for missing out on its tremendous run, let's take a look at how the average shareholder fared. When we calculate the *dollar-weighted return*, we find the average investor racked up a **loss** of 11% per year, a divergence of over 29% annually! How is this possible? Investors poured in their capital after the fund gained 80% in 2007, only to pull out during the ensuing year as the fund plummeted 63% from its high point to low point, losing 48% for the calendar year. This is a poignant example of emotionally based performance chasing and its dramatic negative impact on people's lives.

In my experience helping successful families, the primary goal for most is to become and remain financially independent; the point at which they can receive desired cash flow for as long as they live without the overarching concern of outliving their money. Once that is accomplished, the focus shifts to preserving wealth for their heirs, while keeping the IRS from being their primary beneficiary. This feat requires strategic thinking developed and implemented through trusted advisors providing strong leadership.

Interestingly, it is very rare to find somebody with these goals clearly defined and on a path to achieve them. Those without a clear picture of what they are trying to accomplish over the long run are the easiest prey for the devastating impacts of investor behavior. By setting goals, developing strategies to achieve them, and tracking progress at stated intervals, the likelihood of damaging oneself through poor investor behavior is dramatically reduced.

Most investors crave leadership, a source of confidence and comfort, but seldom ever receive it. The lucky few who find a trusted professional adviser with knowledge, wisdom and experience in a goals-based approach, who keeps discussions centered on progress relative to goals rather than market indices or the hottest stock, are rewarded with a greater chance of reaching Financial Independence. We find these investors are better able to remain focused on their family's 'end-in-mind', despite constant short-term distractions.

In addition, an investor who finds a professional who adheres to a strict discipline of allocating among historically non-correlated asset types and styles based on a clearly stated personal investment policy with rebalances at stipulated intervals (based on a defined discipline and not on emotion and/or short-term predictions) is one who can feel confident that his or her resources dedicated to achieving and maintaining financial independence are being handled appropriately.

As we have discussed, investors face a difficult challenge and many fail to enjoy the positive long-term returns provided by investing in successful businesses. By taking a long-term, goals based approach, and benefiting from sound leadership, it is possible for investors to gain a higher level of clarity and confidence, allowing them to restrain their behavioral instincts and avoid becoming part of the sad side of the statistic that shows how poorly many investors have fared.

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Keith offers fee based planning and third party money management through Resource Strategies, Inc., a state licensed advisor, and securities through ValMark Securities, Inc. Member FINRA, SIPC. Resource Strategies Inc. is a separate entity from ValMark Securities, Inc.

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NEWS AND NOTES

Runners R Us. . . Congratulations to **Andy Press** upon completion of the Towpath Half. . . **Dr. Jeff Marks and his wife Gail and daughter Andrea** upon completion of the Akron Marathon. . . **Rory O'Malley** (son of Gerry) upon completion of the New York City Marathon . . . **Loren and Shira Berger** (son and daughter-in-law of Bonni and Alan Berger) also upon completion of the New York City Marathon . . . and congrats to **Paul Quay** (friend of Christine) upon completion of the Marine Corps Marathon. Besides the satisfaction of completing these runs, the runners also helped raise significant monies for various charities.

Other. . . **Zack Singer** (son of Michael and Debbie Singer) has been hired as Director of Customer Experience at People to My Site in Columbus. . . **Josh Berger** (son of Bonni and Alan Berger) has been hired by the Lake Erie Captains in their sales and marketing department . . . **David Wasserman** (son of Barry) has joined Harper Engineering, Inc. as a structural engineer.

Congratulations to friends and clients named to "*Crain's Cleveland Business Names to Know in Northeast Ohio*". They include **Steven Dettlebach; Ari, Jori and Rick Maron; and Douglas Katz.**

Also, congratulations to **Spartan Logistics** and **Edward and Steven Harmon** and associates, who were honored by the Conway Center for Family Business (Columbus, Ohio) in the category of Succession Planning, for making the successful transition to 2nd generation leadership.

And finally, we are pleased to recognize **Kathy Gottlieb** who some how has survived here for **25 years!!** We do not know where we would be without her!

Season's Greetings

***Best Wishes for a Wonderful Holiday
and a Happy New Year!***

BUSINESS IS GREAT . . . AND WE ARE LOOKING FOR MORE!

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