

IT'S *Y*OUR MONEY!

A PUBLICATION OF CASEY PETERSON & ASSOCIATES, LTD.



**CASEY PETERSON
& ASSOCIATES, LTD.**
CPAs & FINANCIAL ADVISORS

SERVING RAPID CITY & GILLETTE
SPRING 2011 • VOLUME 103 • ISSUE 1

Bush-Era Tax Extenders Included in Latest Tax Legislation

The recently enacted “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010” is a sweeping tax package that includes, among many other items, an extension of the Bush-era tax cuts for two years, estate tax relief, a two-year “patch” of the alternative minimum tax (AMT), a two-percentage-point cut in employee-paid payroll taxes and self-employment tax for 2011, new incentives to invest in machinery and equipment, and a host of extended tax breaks for individuals and businesses. Below is an overview of these provisions.

INDIVIDUALS

Estate tax exemption to \$5.0 million

The estate tax exemption is increased to \$5.0 million and rate is at 35% through 2012 and a new provision allows any unused exemption amount to flow to a surviving spouse. For year 2010 an estate can use the \$5.0 million estate tax exemption and step up in basis for income tax or elect to use the one year repeal of the estate tax and limited income tax cost basis step up.

2010 tax rates continue

The current favorable income tax rates will be retained for two years (2011 and 2012), with a top tax of 35% on ordinary income and 15% on qualified dividends and long-term capital gains.

Capital Gain and dividend rates extended for 2011 and 2012

Dividend and capital gain rates have

been 0% for those in a 15% tax bracket and 15% for those in higher tax brackets since 2008. These have been extended through 2012.

Social Security and self employment tax cut for 2011

There is a one year payroll tax cut for the employee’s share of Social Security tax from 6.2% to 4.2% and a similar 2% reduction in self-employment tax. The employer’s matching 6.2% and the 1.45% Medicare rate is unchanged. The Social Security payroll tax is on the first \$106,800 of wages resulting in a tax break of up to \$2,136 per worker.

Tuition credit extension

The American Opportunity Tax Credit of up to \$2,500 per student is extended through 2012. This credit is substantially more beneficial than the HOPE credit. Additionally, employer provided educational programs, education IRA’s and other education assistance programs are extended through 2012.

AMT relief through 2011

A two-year AMT “patch” for 2010 and 2011 provides a modest increase in AMT exemption amounts and allows personal nonrefundable credits to offset AMT as well as regular tax.

Other Extenders

Many of the popular tax breaks that went off the books at the end of 2009 have been retroactively reinstated for 2010 and extended through the end of 2011. Among many others, the retroactively

reinstated and extended individual and business provisions include the election to take an itemized deduction for state and local general sales taxes instead of the itemized deduction for state and local income taxes and the \$250 above-the-line deduction for certain expenses of elementary and secondary school teachers. The credit for making energy-saving improvements for a home has been extended for one year, through 2011, but much tougher rules apply after 2010.

BUSINESSES

Employment tax credits extended

The Work Opportunity Tax Credit, Empowerment Zone Employment Credit and the Indian Employment Tax Credit have been extended through 2011. These three payroll tax credits reward the hiring of specially classified workers.

R&D credit extension for 2 years

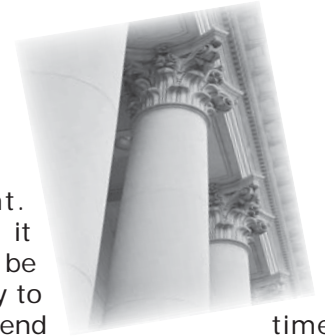
The research and development credit has been extended for two years.

Accelerated Depreciation

Businesses can write off 100% of their new equipment and machinery purchases in the placed-in-service year, effective for property placed in service after September 8, 2010 and through December 31, 2011. For property placed in service in 2012, the new law provides for 50% additional first-year depreciation.

Do you have questions on the new Act? Call your CPA today at (605) 348-1930 or (307) 682-4795.

Casey's Ethics Corner: Spend the Precious Gift of Time Wisely



Have you had someone ask you how you were doing and before you can answer, they have moved on to talk to someone else? They don't hear you say, "I'm miserable" because they have not listened or taken the time to look in your eyes. Do you think they really care? While we expect this socially, it is still remarkable that we accept this type of behavior!

Stephen Covey, in his landmark book, *The 7 Habits of Highly Successful People*, discusses management of time and the distinction of "urgent" versus "important". He describes the dichotomy between them as follows: "Urgent matters are usually visible. They press on us; they insist on action. . . And often they are pleasant, easy, and fun to do. But so often they are unimportant! Importance, on the other hand, has to do with results. If something is important, it contributes to your mission, your values, and your high priority goals. We react to urgent matters. Important matters that are not urgent require more initiative, more proactivity. . . If we do not have a clear idea of what is

important, of the results we desire in our lives, we are easily diverted into responding to the urgent."

Thus, it is imperative that we define and actively pursue our values and our highest goals. Otherwise, if we allow ourselves to drift lazily along with life and society, we will slip into the urgent and miss the important!

In the matrix below, Quadrant I involves urgent and important activities. We all have these activities but they consume one's life and make you feel beaten up all day. The tendency for relief is to work within Quadrant IV, where the not important and not urgent activities exist. When you look over your life, you might be spending 90% of your life in Q-I and 10% in Q-IV.

This is indicative of people who manage their lives from crisis to crisis. Some people function in Q-IV, spending time reacting to the urgent things they assume are important. People living in Q's-III and IV live their lives irresponsibly with the things that are not

important. While it may be easier day to day to spend time in trivia, etc., you are not living your life effectively.

Quadrant II is in the heart of effective people. It involves items that are not urgent but important. Building relationships, clarifying personal goals, and planning long-term goals are all things we need to do but we spend the least amount of time on them.

You must be proactive to work in Q-II because Q's-I and III tend to pull you away. To say "yes" to the important, you must learn to say "no" to the urgent things such as smart phone activities, television, etc. Electronics take over the direction of your life if you allow it. Society will do the same thing.

Take a piece of paper and draw a line down the middle. Label the left side "Urgent" and the right side "Important." As you go through one week, list each activity and the approximate amount of time you spend on it in either column. Then assess the amount of time you have spent on the urgent versus the important activities.

I would speculate that you will be shocked at the amount of time you spend on the urgent versus important things in life. How ironic, the gift of time spent on the important things in your life is the greatest gift you can give to yourself, your family, and your work! Make sure if you ask someone how they are doing that you really mean it and spend the time to find out!

Casey

		The Time Management Matrix	
		Urgent	Non Urgent
Important	I	ACTIVITIES: Crises Pressing Problems Deadline-driven projects	II ACTIVITIES: Prevention, PC Activities Relationship Building Recognizing new opportunities Planning, recreation
	III	ACTIVITIES: Interruptions, some calls Some mail, some reports Some meetings Proximate, pressing matters Popular activities	IV ACTIVITIES: Trivia, busy work Some mail Some phone calls Time wasters Pleasant activities
Not Important			

The Time Management Matrix © 1989 Stephen R. Covey

Securing Company Personal Information and Preventing Identity Theft

by **Cheryl Kenitzer, CPA, CFE**
and **Deidre Budahl, M.B.A., CPA**
Audit Team

Identity theft is on the rise in our country. There are millions of dollars lost each year due to identity theft. Many companies collect a wealth of personal information on employees, vendors and customers including names, addresses and phone numbers, Social Security numbers, Direct-deposit account numbers, W-2's, credit card information, and copies of drivers' licenses. The information collected can become a target for data breaches and identity theft.

The Federal Trade Commission (FTC) has recently issued regulations entitled "Red Flags Rule" that requires creditors to implement identity theft protection programs before December 31, 2010. This regulation applies to any company

that regularly extends, renews, or continues credit and includes companies that defer payments for goods or services. Accepting credit cards as a form of payment does not make your business a creditor. How does your company protect this information from data security breaches and identity theft?

A data security breach could damage customer confidence in your company, attract lawsuits, results in fines, and lead to identity theft for you and others. The cost of paying legal damages and rebuilding customer confidence can outweigh the costs of establishing procedures to prevent data security breaches.

In addition, the Red Flags Rule requires creditors to implement a plan to identify, detect and respond to attempts to use stolen identity information. The

program must state who is responsible for implementing and administering the program and provide training to employees.

Under the Red Flags Rule, any instance of identity theft exposes the organization to a FTC investigation and potential fines. This rule applies to your organization if you handle credit accounts, allow payment plans or issue private credit cards, allow payments in installments, or handle bank account information to automatically withdraw payments.

As organization leaders of a business there are some key questions that should be considered. Please see the box below for a complete listing. Failure to safeguard this personal information can put your company at risk for loss of reputation, customers and profits.

FIVE KEY PRINCIPLES OF A SOUND SECURITY PLAN

- 1 Take stock of the personal information your company collects, how it is collected, where it is stored, how it is backed up and who has access to this information.
- 2 Scale down on the personal information you collect on employees, vendor and customers. Don't collect social security numbers unless absolutely necessary and do not use social security numbers as customer identification.
- 3 Lock up all personal information at all times. Access to this information should be limited. Write protocols for visitor access to your building to minimize potential theft. Protect computerized personal information with appropriate security measures and develop policies on how to handle information when it is taken off premises via laptops, flash drives, or smart phones.
- 4 Ensure the disposal of this information is complete. Typical ways to dispose of this information include burning, shredding or pulverizing. When electronic information is disposed of, ensure all files have been completely deleted. The FTC recommends using computer hard-drive wipe utility programs.
- 5 Finally ensure your company has developed an action plan on responding to a data security breach. A theft of personal information can be very costly to your company in terms of customer confidence, reputation, and profits.

Information above taken from the FTC's brochure, "Protecting Personal Information: A Guide for Business".

Sources: "Prevent Data Breaches Now Protecting Your Company's Sensitive Personal Information" *Fraud* magazine January/February 2011; "The Red Flags Rule – What Does it Mean to Your Organization?" as published in the December 2010 *BDO Knows: Nonprofit Services* alert.

FINANCIAL PLANNING TIPS FOR WOMEN

by **Kathy Waterman, CFP**

Honkamp Krueger Financial Services

My mother-in-law passed away recently at the age of 94. She was a wonderful woman; humble, of modest means, gentle (by nature) but strong (by life's circumstances). Her husband passed away unexpectedly over 40 years ago while two of their five children were still in college. Life events quickly created her financial plan. In her defense, in 1968 financial planning for anyone – men or women – was virtually non-existent. So were 401(k) plans and IRAs.

The National Center for Women and Retirement Research claims that the average age for a woman to be widowed is 56. And the U.S. Census Bureau claims that at some point in their lives, 9 out of 10 women will be solely responsible for their financial affairs. As the financial planning industry developed, men took a more active role, primarily in an effort to protect and provide for their spouse. Now it's our turn to become informed and get involved so we can protect and provide for ourselves too, whether we're single, engaged, or married.

The basics of financial planning for women aren't much different than for men – spend less, save and invest more, and work from a plan. And yet, studies show many women feel overwhelmed with financial planning information and decisions. They find the numbers overly complicated or they don't feel confident in making good financial decisions. And maybe it's the phrase "Financial Planning" that seems intimidating, maybe it's too broad. Financial planning really only comes down to the basics!

Longer Life Spans – Statistics show that, on average, women outlive men by seven

years. Many women are faced with caring for their husbands later in life, but after his death they may be left with no one to care for them. This requires us to consider not only Long Term Care insurance, but a larger retirement plan balance as we face having to stretch retirement savings and benefits over many years.

Take Inventory Now – One of the challenges women face when it comes to financial planning is not knowing where all their records are. Some women learn, to their dismay, that they have no idea where their money is invested or that they're deeply in debt and suddenly need to change their lifestyle or perhaps even return to the workforce.

At a time that is stressful enough to begin with (death, incapacitation, divorce), facing these decisions only compounds the fear and anxiety already felt.

- Write down all your account information – joint and otherwise: investments, bank accounts, savings accounts, IRAs, etc.
- Take inventory of all sources of income. Present income (wages, interest income, investment income), future income (pension, social security, IRAs, inheritance)
- Check your Wills. Review your life insurance and disability insurance. Know your mortgage balance and credit card debt.

Work with an Advisor – Develop a relationship with a financial professional now; someone who is easy to talk to and whom you can trust so when life events occur – good, bad, or indifferent - the plan has been discussed and all involved can feel more comfortable dealing with the challenges at hand.

Take Investment Responsibility – Unfortunately, most women still defer the investment responsibilities to their husband. And in the face of a crisis, too many women are forced to abruptly take the reins of financial planning. Since there is no better teacher than experience, you may want to consider a portfolio of investments separate from your husband's to learn about investing firsthand.

Take an Active Role – While today's marriages encourage the division of responsibilities, financial planning shouldn't be one of them. If paying bills and managing investments rests primarily with one person, regularly reviewing and discussing financial decisions should always be shared together.

Keep Learning – Whether you're working full time or you've chosen to stay at home, it's important to continue to enhance your work skills. Don't expect to go back to work right where you left off. Seek opportunities for additional training and education.

Plan on a Long Life – Modern medicine has and will continue to provide advances in technology to extend and enhance our lives. Therefore, women need to make life expectancy an issue when discussing financial planning. The key to planning is to start saving early and own a globally diversified portfolio that reflects your goals, time horizon, and risk tolerance.

Unlike our mothers or grandmothers, we have financial planning opportunities available to us. And it doesn't have to be overwhelming. We're on Facebook and Twitter; we juggle careers, family, relationships and friendships; **we can master our financial planning needs as well!**

Bits 'n Pieces on the Staff



Theresa Hook
Accounting Team

(Rapid City)

Before coming to CP&A, Theresa worked as a bookkeeper in the construction, securities, real estate, and moving industries. Now, six years later, Theresa uses those experiences to help her clients understand their financial statements, perform payroll, and other bookkeeping issues. Theresa is a Certified QuickBooks ProAdvisor and has taught Beginning and Advanced QuickBooks for the general public for the past six years. She is a member of the Sleeter Group Consulting Network and the Rushmore Chapter of Business Networking International.

Theresa grew up in Kimball, SD and first came out to the Black Hills when attending Black Hills State University. Now in a place she considers "home", she enjoys anything sports-oriented, and is often seen cheering on her three children, Morgan, 19, Megan, 16, and Mason, 11 at their many activities.

Theresa enjoys working with small businesses to help them to achieve success, commenting further: "The relationships we build with our clients are the foundation to everything we do."



Linda Horsley
Tax and Accounting Team

(Gillette)

Linda and her family moved from Montana to Wyoming in 1988. In 2006, she moved to Gillette due to her husband's new job. Immediately she knew it was a good place to raise a family. "I love the schools in Gillette. The sports programs for the kids are great. Gillette is a very family-oriented town."

Linda graduated from Regis University and has ten years of public accounting experience including QuickBooks consulting, bookkeeping, tax planning and preparation. She went to work for DeAnn McNamee (Morgan) at Morgan & Associates in 2006 until the acquisition with CP&A in August 2009. She is a member of the Gillette Energy Rotary Club and treasurer of the Northeast Wyoming Estate Planning Council.

Linda and her husband, Steve, have three children, Simone, 12, Chris, 7, and Miles, 6. In her spare time--when she is not studying for the CPA exam--she enjoys camping, traveling and playing soccer with her kids. When asked what she enjoys most about her job she stated, "I love helping clients with tax planning, their bookkeeping and QuickBooks issues."

New Team Formed to Serve Healthcare Industry

We are pleased to announce the formation of a team of experts equipped to deal with the challenges facing today's physician practices, hospitals and acute facilities, long-term care facilities and various other health care organizations. "Our professionals have been involved with the healthcare community for over 30 years. With the bulk of our clientele in the industry, we felt we could better serve them if we created a core team of experts that could address the specific issues they are facing," stated Mark Lyons, CPA, vice president of Casey Peterson & Associates and healthcare team leader.

The healthcare team is comprised of individuals from the firm's accounting, tax and audit departments. They work together to provide the best solution to the issues our clients are facing, whether compliance-oriented or more of a consultative nature, such as Medicare reimbursement consulting or succession planning. *Want to see what our healthcare team can do for your organization? Call us today at 605-348-1930.*



**CASEY PETERSON
& ASSOCIATES, LTD.**

CPAs & FINANCIAL ADVISORS
PO BOX 8127
RAPID CITY SD 57709

Presorted
Standard
US Postage PAID
Rapid City, SD 57701
Permit #1040

ADDRESS SERVICE REQUESTED

WE'RE MOVING!

We are pleased to announce the relocation of our Rapid City office to the **Turnac Tower** (909 St. Joseph Street, Suite 101) at the corner of West Boulevard and St. Joseph in downtown Rapid City.

We will be conducting business in the new location beginning in early **June, 2011**.



We publish "It's Your Money!" to present general information on financial and business matters. We take no responsibility for changes in the tax laws subsequent to the printing of this newsletter. You should seek professional assistance before taking specific action. Do not hesitate to call us at (605) 348-1930 or (307) 682-4795.
