

# Carr Talks

**TAXLOGIC**



**WEEKLY SUMMARY**

With less than 2 weeks to go until Debtageddon, or debtapocalypse, (happy to take credit for either or both of them) it is coming down to the wire for the politicians to made a decision, compromise, or kick for touch. What do you think they will do?

Undoubtedly they will do nothing bold that will actually fix the problem, (pay down the debt and run a balanced budget). The problem is an annual unsustainable difference between revenues (taxes) and spending (expenses).

My guess is they will kick the can down the road, make minor changes around the edges and hope no one notices they have passed the hand grenade to the next generation.

It looks certain that mortgage interest will be limited (total itemized expenses will not be able to exceed say 30% of income, and medical expenses will basically become non deductible.

I cannot see the Federal Government defaulting on the debt, despite bellicose statements from both sides of the isle, nor the posturing from Democrats or Republicans.

Having said that, most of those resident in Minnesota in the past month, may not have known their government was shut down for 2 weeks without the end of the world happening.

## What is ahead for Social Security – Part 2

Strategies to maximize benefits...

**"62/70 strategy."** Married people should consider this. The lower-earning spouse, usually but not always the wife, claims benefits based on her own earnings at age 62, with her husband claiming spousal benefits on her earnings as soon as he reaches his full retirement age—66 if he was born between 1943 and 1954. Then the husband switches to his own benefits when he turns 70, with his wife switching to spousal benefits based on his earnings. This couple receives the largest possible benefit checks after the husband turns 70 but still gets benefits before then.

**"File-and-suspend" strategy.** If one spouse has no significant earnings history, this strategy is a second option. Here, the wage-earning spouse files for benefits when he reaches the normal retirement age, then immediately asks that those benefits be suspended. Then his partner can claim spousal benefits based on his suspended account, while the amount that will be on the wage earner's eventual monthly checks continues to grow until he ends the suspension in his late 60s or at age 70, the age at which the benefits rate stops rising.

Continuing to work is far more likely to increase someone's eventual Social Security benefits than it is to reduce them even if the late-career job doesn't pay well. Benefits are computed based on the 35 highest-earning years among your final 40 working years, not on the final salary, as they are with some pension plans.

If someone has worked for fewer than 35 years, even a small paycheck will boost benefits because it will replace \$0 earning years in the calculations.

If the person already has 35 working years, the small paychecks might not boost the earnings history but will make it easier to delay the start of Social Security benefits past age 62, thereby increasing eventual monthly checks by up to 8% per year, simply based on age, until age 70. Just try to avoid starting benefits while you're still working—that would increase the odds that your benefits will be taxed.

Working additional years is likely to reduce Social Security benefits only if someone already has worked 40 years and had high earnings in the early years relative to the rest of his career. Continuing to work in this situation could bump those long-ago high-earning years out of the most recent 40 working years, removing those years from the benefits equation. Creditors and debt collectors usually cannot legally garnish Social Security benefits.

Unfortunately, when banks receive court orders directing them to freeze accounts, they often do so, even when the accounts contain Social Security assets. Most account holders don't fight this because they don't realize it is illegal.

If this happens to you, be sure to contact the bank and point out that Social Security income is in the account and cannot legally be frozen. Then insist that the assets be released. Be aware, however, that Social Security benefits can be legally frozen or garnished if the debt involves unpaid federal income taxes or child support.

	Last Week	End of Week	Next Week	12/31/2011
Gold	\$1,544.60	\$1,594.50	\$1,600.00	\$1,600.00
Oil	\$96.48	\$97.49	\$95.00	\$120.00
Dow Jones	12,657.20	12,479.73	12,600.00	12,250.00
Prime Rate	3.25 %	3.25 %	3.25 %	4.00 %
Unemployment	9.20 %	9.20 %	9.20 %	9.50 %



## Services that we provide:

- Tax preparation, individuals, corporations, LLC's, partnerships, overseas residents, non resident aliens, prior year returns
- Annual minutes for your company
- Ability to use Quickbooks and Quicken files, Online Quickbooks
- Certified Quickbooks Pro Advisor
- Monthly accounting – we will prepare your financial statements, bank reconciliations and depreciation calculations
- Payroll preparation and filing – we offer turnkey payroll solutions
- Human Resource Management – we can prepare an employee handbook for your particular situation
- Entity selection and compliance with various State and Federal regulations
- Efficient tax strategies – we can **recommend** the most appropriate strategy for your particular situation
- Financial planning - we can give you appropriate financial planning and budgeting information
- Forensic accounting – we can investigate “white collar” crime committed against you, or your business
- Valuation services – we can assist with the valuation of your business and investment assets for specific applications, estate planning, divorce, buy and sell agreements

## New for 2010 tax year in 2011:

- You will be able to check on the status of your refunds [www.irs.gov](http://www.irs.gov)
- We will store your source documents online in a PDF file format for easy access in future years
- Electronic filing of Sub S and C Corporations and Partnerships
- We will be able to file multiple state returns this year – in the past we were limited to the number of state returns we could file for you
- Medical records – we are giving you the opportunity to have all your medical records in one secure location – [www.allmymedicalrecords.com](http://www.allmymedicalrecords.com)
- Charitable donations. Maintain your charitable deductions during the year at [www.allmydeductions.com](http://www.allmydeductions.com). In that way whether you use cash, credit card, debit card, checks, or donation of clothes etc you won't miss any deductions. Use our convenient list of accepted valuations to value your donated goods to Goodwill, Salvation Army, church, etc
- Entity selection – we have extensive information on company formation, whether it be an LLC, S Corporations, or C Corporations. Once you are incorporated we will walk you through the setup process
- Federal Identification applications – we can file and receive federal identification numbers – all on line for your convenience
- On line legal forms – we have the ability to prepare basic legal forms online
- Payroll preparation – we offer a comprehensive, competitively priced online payroll preparation service



## Payroll Processing Services

### You provide:

- Hours worked and employment information and forms for the staff. You can email, (Karen@psspaysroll.com) fax (580) 286 5818 or call toll free (800) 937 8868 to give us this information

### We will provide the following services:

- No long term contract
- Payroll preparation for your employees and direct deposit of payroll checks and ACH transfer of payroll amount
- Payroll calculation within 24 hours
- Compliance with all government and state withholdings requirements
- Detailed invoice for all payroll related costs

### Each Pay Period you will get:

- Payroll stubs for employees
- Management report detailing cost breakdown but only one amount to pay for all federal and state taxes
- Direct deposit of net payroll

### Each Quarter

- We will file all required state and federal quarterly reports

### What we need to get started:

- W4's for each employee
- I-9's for each employee
- Direct deposit information for the employees
- Bank details for the company's payroll account
- Your Federal ID number for the business