

## FOCUS ON LAW &amp; ACCOUNTING

# From the home office: top ten year-end financial tactics

By **JACK PAYNE**

Special for Lehigh Valley Business

When David Letterman retired from the world of late-night talk shows in May, his beloved “Top Ten Lists” became a thing of the past.



Payne

As 2015 winds down, it is a great time to revive this late night tradition with a “Top Ten List of Year End Financial Strategies.”

Cue the sound effects and visuals, please. ...

## ■ NO. 10 – DONATE APPRECIATED SECURITIES.

As the year comes to a close, investors should consider donating appreciated securities to a public charity to lessen their tax burden.

Donors can contribute long-term appreciated securities with unrealized gains to the charity of their choice (that is, those securities that were bought more than one year prior to the donation and with a value greater than the original cost). The full value of the donated securities can be deducted.

## ■ NO. 9 – CONSIDER TAX LOSS HARVESTING.

Another strategy for reducing one’s tax liability is through tax loss harvesting, or selling securities at a loss to lower capital gains liability. In essence, investors purposely sell an investment at a loss to offset realized gains in another holding – thereby reducing taxes owed.

The investment can be bought back after 30 days if one likes its long-term potential. Prior to considering tax loss harvesting, be certain to understand “wash sale” rules so that the tax benefit is not prohibited.

## ■ NO. 8 – ESTABLISH CHARITABLE OR GRANTOR TRUSTS.

Generous investors would be wise to consider the tax benefits of establishing charitable and grantor trusts.

Contributions and assets transferred to these types of trusts are tax deductible. And investment income earned by these trusts is also tax deductible.

## ■ NO. 7 – DEDUCT FROM HEALTH FLEXIBLE SPENDING ACCOUNTS.

Contributors to FSAs should make end-of-the-year doctor and dentist appointments now to take full advantage of pre-tax health care expenditure accounts.

Since contributors can only carry over a maximum of \$500 to their 2016 FSA, spending down health care accounts now is highly recommended.

## ■ NO. 6 – MAXIMIZE GIFT ALLOWANCE.

Individuals and couples concerned about future estate taxes can make gifts of up to \$14,000 (or up to \$28,000 per couple) annually.

In addition to the reduction to the estate, the gift recipient will owe no taxes on the beneficence, and the donor will reduce his or her tax liability for the year. The only caveat to consider is that in 2015, the maximum lifetime exemption for gifting stands at \$5.43 million per person.

## ■ NO. 5 – REVIEW BENEFICIARY DESIGNATIONS.

Each new year brings changes for every family. Be sure to update your beneficiary designations to reflect the birth of a new child, change in family status (e.g., marriage/divorce) or a death in the family.

## ■ NO. 4 – MAX OUT 401K CONTRIBUTIONS.

Investors are advised to contribute the maximum \$18,000 to a 401k plan in 2015.

Depending upon their tax bracket, contributors can save about \$4,500 in 2015 taxes owed if they make this maximum contribution. And those over 50 can deposit even more into a 401k – up to \$24,000 in 2015.

Of course, employees also should explore whether or not their employer matches 401k contributions. Taxes will not be due on the contributed funds until the money is withdrawn.

## ■ NO. 3 – REPLENISH EMERGENCY CASH RESERVES.

To the extent expenditures over the past year have depleted emergency cash reserves, year end is a good time to consider replenishing the reserve account. Instead of reinvesting all investment proceeds received throughout the year, some could be used to rebuild emergency savings.

## ■ NO. 2 – REBALANCE PORTFOLIO.

Investors would be wise to rebalance their

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Rebalancing your investment portfolio once or twice a year is wise, as is maxing out contributions to a 401k.



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## PEOPLE: after hours, out and about, and other noteworthy sightings



### Chamber hosts mixer

The Greater Bath Area Chamber of Commerce of the Greater Lehigh Valley Chamber hosted a community meet, greet and eat mixer and networking event at ESSA Bank and Trust and Gilroy Family Chiropractic in Bath on Nov. 4. ESSA Bank and Trust hosted a wine tasting with appetizers before attendees moved next door to Gilroy Family Chiropractic for dessert. Pictured from left are Carol Bear Heckman, councilwoman, Bath; Jen George, councilwoman, Bath; Bradford Flynn, Bath manager; Mike Reph, councilman, Bath; Mark Saginario, council president, Bath; Terry DeGroot, president, Greater Bath chamber State Rep. Marcia Hahn; Mary Kositz, ESSA Bank and Trust; and Ryan Gilroy, owner of Gilroy Family Chiropractic.



### Businessman honored at Mercy School Gala

Jerry Knoll, owner of IAI Construction Inc. of Fogelsville and board member and longtime advocate of the Mercy School for Special Learning of Allentown, was honored at the 26th Annual Mercy School for Special Learning Dinner Gala and Auction on Oct. 10 at DeSales University in Center Valley. The gala, whose theme was 'The Magical Kingdom of Mercy,' welcomed 335 guests and netted a record \$203,000 to benefit the private school for children and adults with developmental and/or intellectual disabilities. Pictured is Knoll holding the award.



### Douglassville manufacturer hosts high school students

American Crane and Equipment Corp. of Douglassville hosted two groups of high school students as part of Berks Business Coalition's 'Students Interacting with Business' program - for students to learn about the culture of business and how businesses assess prospective candidates for employment. The tour, given by American Crane employees, helped students to understand the life cycle of a crane and other overhead lifting equipment from inception to installation. Students were given a model-sized crane kit and asked to build an overhead bridge crane and appoint a project manager to oversee the assembly. Pictured are high school students assembling the model-sized crane.



### Mohnton businesses host event, donate Christmas tree

Godfrey's - Welcome to Dogdom of Mohnton, a canine lifestyle and training center, partnered with Plow Farms of Mohnton to host a tree-cutting event to mark the donation of a concolor fir tree to the city of Reading. The 25-foot-tall fir will be Reading's official holiday tree. Pictured are tree farm employees bringing down the fir.



### ATAS International competes in Construction Lehigh Valley

ATAS International Inc. of Upper Macungie Township, a manufacturer of metal roofing, wall cladding, ceiling panels and accessories for commercial and residential buildings, entered 'Monsters of Metal' into Construction Lehigh Valley last month at Lehigh Valley Mall in Whitehall Township. Joined by members of Bonsall Shafferman Architects and Space Planners of Hanover Township, Northampton County, the company built a structure made entirely of canned food. Construction is a worldwide event that benefits hunger relief organizations. The food was donated to the Second Harvest Food Bank of the Lehigh Valley. Pictured from left are Jason Eberts, Anne Hicks, Chris Grover, Patrick Reinhart (team captain), Wendi Kirchner, Shirlann Wilkinson and Kevin Klersy. Team members not pictured are Glenn Hechler, Gary Lader and Daniel Lader.

## DIVORCE

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Kopecki offered an instance when the divorce goes on for years because of commercial debt. In one example, a couple, who owns a construction company, has to keep its business open because of liens filed against the business.

Perhaps one business owner can offer assets — sometimes unrelated to the business — to satisfy the opposing party.

### ACCURATE EVALUATION

Accountants say that they have the job of evaluating a company's future growth, assess the liabilities and see what can be depreciated or written off in terms of business assets.

In Hanover Township, Northampton County, Maureen Thomson, senior manager of special services and tax at Concannon, Miller & Co. PC, says that divorces, even the most amicable ones, can take a year or more to resolve. In her experience, husband and wife are bickering and not able to reasonably work together.

"If they want to see the business stay open, they need to decide who has to exit the business. There are usually financial issues, and a business will get sold," Thomson said. "It's very unlikely that the parties can run the business together. It just does not happen."

Thomson said that a valuation is the first thing that needs to be done by someone certified and knowledgeable. The key is to preserve the value of the business and limit tax risk.

Also, there is the issue of one spouse buying out the other and how that will affect the business. Sometimes, that can lead to the demise of a business.

### THINK BEFORE LITIGATING

Jarzyna in Berks County said divorcing business owners really should think before they go through the litigation process.

He said it just means more time and resources taken away from the business.

"What it comes down to is that divorcing business owners have to be civil and always plan for the worst case scenario before going into business together," Jarzyna said.

## TACTICS

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portfolio once or twice a year to ensure that they are not weighted too heavily in one asset class. Asking a financial adviser to review your investments for proper diversification is always a good idea.

### ■ NO. 1 - ANTICIPATE LARGE EXPENDITURES.

Another useful annual exercise is to look ahead 12-15 months to predict future big-ticket expenditures, such as home improvements, new

cars, trips or elective medical procedures. Given the short time-horizon before this money is needed, it is best not to have this money facing market risk, even if markets are rallying.

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