

## Fine-tuning for 2011

By Janet Jones Kendall

There are plenty of nuts-and-bolts strategies small-business owners can adopt to improve their financial standing as the end of the year nears -- even as the impact of financial reform and potential changes to tax law remain unclear, accountants say.

But Margo Geller suggests business owners do something else before getting to all of the options.

"Before you set business goals, think about the impact of a happier personal life on your business success and potential to increase profits," Geller said. "I've learned from over 10 years of experience in working with small-business owners, that it is huge. Be more loving and kind toward yourself and others. Do what makes you feel good, more often. Take some deep breaths. Calmer leads to stronger."

Geller, a licensed counselor and business networking coach, is the author of "The Love Club: A New Approach to Business Networking."

"Focus on what you have control over," Geller said.

With continued uncertainty about how tax law and the Federal Reserve's recently announced plan to buy \$600 million in long-term treasuries in an attempt to pump up the economy, that is excellent advice, according to two Atlanta accountants.



*"It's important for business owners to actually sit down and prepare a company budget/projection for 2011," said Sam Levy, an accountant at Levy Tax and Consulting LLC. "Often business owners are too busy to take a step outside normal day-to-day operations and do some planning and forward thinking. By actually going through the budgeting process, the owner is forced to study the numbers for 2010 and make decisions about 2011 that can set some expectations during these uncertain times."*

*This process allows owners to make decisions on staffing needs, find ways to increase the top line and develop strategies to save on overhead costs, which could result in a larger bottom line, Levy said.*

Cort Haber, an investment adviser at French Wolf & Farr Inc, said giving yourself flexibility as a small-business owner is a good strategy heading into a year that has more questions than answers.

"Although recent discussions from congressional leaders indicate a better likelihood for the extension of the Bush tax cuts, we have seen some business owners sell their business or have at least begun the evaluation process by discussing the pros and cons with their advisers," Haber said. "Now is a good time to tidy up the balance sheet, look for expense and tax savings, and consider getting an updated appraisal of your company. If you have business partners, dust off your buy/sell agreements and ensure any insurance policies associated with the agreement are still adequate."

*The focus for 2011 should be on increasing the top line of the budget -- sales and revenues, Levy said.*

*"During these uncertain times, lost customers need to be replaced, sales representatives on staff may need different incentives to grow the top line, or pricing needs to be adjusted (downward or upward) to maximize results," he said.*

*End-of-the-year planning also means looking at a business' tax considerations. There are a number of ways to mitigate taxes with proper planning.*

*"Depending on the upcoming changes in the tax code, small-business owners need to look at their tax situation two years at a time," Levy said. "Often, it's beneficial to accelerate year-end expenditures and defer revenues until the next year. With the potential of tax rates increasing in 2011 (although not guaranteed), the reverse may be a better option. Showing a larger profit this year instead of next may save business owners a few dollars in the long term."*

Small-business owners should coordinate their personal balance sheets with their company balance sheets to get the most out of their tax returns, Haber said.

"Both will have an impact on deciding whether it makes sense to take more deductions, more gains or generate losses," he said. "In business owners' personal investment portfolios, we have opportunistically harvested capital losses which carry forward indefinitely and can be used to offset future capital gains. Several methods can be used in order to bank the capital losses while still positioning the portfolio to stay in line with investment goals and objectives."

Year-end gifting and retirement planning is another way to plan for the future while avoiding tax losses at the same time.

Owners can make annual non-taxable gifts of up to \$13,000 to non-spouses, and can transfer wealth through Grantor Retained Annuity Trusts, which might be particularly helpful in a down economy because they pass on future appreciation, Haber said.

"Another option for leveraging gifts is to use a family limited partnership where units can sometimes be gifted at discounts due to a lack of control and marketability of the partnership units," he said. "From a retirement planning standpoint, once owners have ensured sufficient liquidity for their short-term needs, they should try and maximize contributions to their SEP IRAs, SIMPLE IRAs, Roth IRAs, etc. in order to take advantage of greater tax-deferred compound growth."

Haber added that business owners who are 50 years or older should take advantage of additional catch-up contributions allowed by the IRS.

Year-end planning also offers a chance for business owners to compare their investment portfolios to the targets in their investment policy statement or draft a statement if they don't already have one.

"As owners are rebalancing their portfolios, they should also consider asset location strategies that place securities which generate ordinary income and short-term capital gains inside tax-deferred accounts and place securities in taxable accounts that generate income taxed at lower rates," Haber said.

If possible, Geller said, owners should also take a break from working through their checklist to step away from their business and refresh.

"Reflect on what worked well in 2010 and write down one or two positive or 'I'm proud of...' stories," she said. "What led to those positive experiences?"