UPDATE

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DwightDarby&Company

Certified Public Accountants

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SPECIAL REPORT TO OUR DWIGHT DARBY CLIENTS

2018 Tax Filing Results

Dawn M. Lopez

Were you pleasantly surprised by the result of your 2018 tax liability after the Tax Cuts and Jobs Act (TCJA) or were you in shock? If I had to guess with Dwight Darby's own clients I would say it was 50/50.

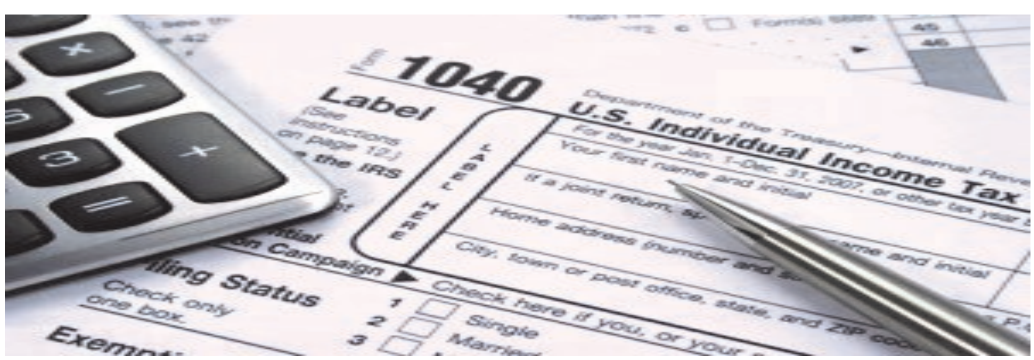
According to the Tax Policy Center: 65% of households paid less in individual income taxes in 2018 and about six percent paid more with the remaining people paying about the same. And in general, the more money you made, the bigger your tax cut on average-both in dollars and as a share of your after-tax income. On average, all households paid roughly $1,300 less in individual income taxes in 2018 than they would have under the old law. The lowest income households (those making less than about $25,000) got an average tax cut of about $40. Middle-income households (who made between about $48,000 and $86,000) paid about $800 less. Those in the top 1 percent, who made $733,000 or more, got an average tax cut of about $33,000. This includes the benefit to business owners of the reduced corporate tax rates that passed through to them on their 1040s.

But, many people felt their taxes rose, why? Many of you had not noticed the increase in your paycheck which means you withheld less. Again why? The IRS had to scramble to release guidance on the new changes that were signed into law on December 22nd, 2017. The new tax tables were only in effect for about nine months of 2018.

Many workers did not adjust their withholding once the new tax tables were released.

Four months of 2019 have gone by already. So, it is time for a check-up. The IRS has an online calculator to estimate how much you should be withholding. See https://www.irs.gov/individuals/irs-withholding-calculator.

Of course, a lot of factors go into our tax liability besides withholding from your paycheck. If you have questions, please do not hesitate to call.



ARE YOU A GREAT BOSS?

Kathy Tushaus

Good managers, bosses and leaders have the most success, not only in their own careers, but in the careers of their employees. Research has shown that employees are loyal to their boss long before they are loyal to their employer. Even if the employee is underpaid or endures long work hours, they will stay with a company because of their boss. An employee's positive interaction with their closest manager/boss plays a big part in their decision to stay with a company. A truly great boss is hard to find, difficult to part with and impossible to forget.

Most employees can relate to the sense of dread about going to work when they have a poor manager or one that makes them feel like their job is at a dead end. Studies show having a bad boss raises a worker's chance of having a heart attack by as much as 60%! Most companies don't think about a great manager as being a benefit to prospective employees, but it is one of the best incentives in retaining good employees.

Good bosses inspire and empower employees to give their best. They genuinely care about their people and this can make all the difference in building relationships and commitment. If you trust employees, you will not micromanage them. If you care about employees, you will show them empathy. If you respect employees, you will not intrude on their personal time by asking them to work late or contact them after hours. If you appreciate employees, you will value their contributions.

- A boss creates fear, a leader confidence.
- A boss fixes blame, a leader corrects mistakes.
- A boss knows all, a leader asks questions.
- A boss makes work drudgery, a leader makes it interesting.

– Russell H. Ewing

Vacation Time!!

Pam Mattox

We all have stress in our lives. We have work and personal stress. We have work deadlines and quotas to meet, households to manage and important decisions regarding our finances and health to make. The list goes on and on. So, what are we to do to alleviate the stress? Take a vacation. Vacations are proven to ease stress and help you refresh. Research shows vacations can help prevent heart disease and illness. As well, a vacation can help you maintain focus and increase productivity.

If you are thinking, I can't take a vacation because I don't have the money or time to travel, think again. You are in luck because Florida is the perfect staycation spot!

Florida is the sunshine state. Florida is a paradise that people from other states and countries flock to for their vacation.

So, what do you do? Your options are endless. You can visit one of our famous theme parks, you can go to the beach and soak up rays, you can go to a lake and take a boat ride, you can go to a top resort and get a massage, you can go to a state park to camp, canoe, hike, walk or run. You get the idea. Relax! Do something special and don't think about work!

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Sales Tax – New Court Ruling May Affect Your Filing Requirements

Sharon Sibilia

On June 21, 2018, the U.S. Supreme Court ruled in favor of the state of South Dakota in the case South Dakota v. Wayfair and concluded that "…a business need not have a physical presence in a state to satisfy the demands of due process."

There are currently 33 states which now have economic nexus standards. We suspect more states will implement standards as time goes on. Having an economic nexus means that the company does not have to have a physical presence (i.e. property or employees) within the state in order to be required to remit sales tax to the state. Each state has its own set of rules and thresholds for filing (sales and/or # of transactions).

All businesses should take time to evaluate the types of presences (i.e. sales, property, employees) they have within each state. We suggest generating a list of each state that your business has made sales to, over $100k, and comparing the sales and number of transactions to the thresholds for each state.

For additional information and resources, please contact us.

Accounting Jokes….Try Not To Laugh!!

Rick Vernal

- **What's the difference between an Accountant and a Lawyer?**
  The accountant knows he's boring
- **What do you call an accountant who speaks to one person a day?**
  Popular
- **What's the definition of Accountant?**
  Someone who solves problems you didn't know you had in a way you don't understand
- **What did the accountant's wife say when she couldn't fall asleep?**
  Darling, tell me about your work
- **How do you know if your child is going to be a CPA?**
  When you read to them the story of Cinderella and get to the part where the pumpkin turns into a golden carriage, and they ask, "is that ordinary income, or a capital gain?"
- **What do you call a trial balance that doesn't balance?**
  A late night
- **Why did the accountant cross the road?**
  Because he looked in the file and that's what he did last year
- **How does a CPA say the F-word?**
  "Trust me"
- **What does an accountant do to liven up the party?**
  Not show up

Top Seven Mistakes When Claiming Social Security Benefits

Dave Bove

Two looming questions are of concern as one is considering retirement: When can I retire? Will I have enough money to retire? There is concern whether we will outlive our assets, given unknown health care costs, inflation, and stock market volatility.

Of course, we want to maximize every potential source of income. Social Security is usually the most straight-forward piece of the retirement income puzzle to estimate. Benefits are paid under a legal formula. Payments do not rise and fall with the markets or depend on company performance. Social Security is a great foundational place to start retirement planning. While Social Security was never intended to provide full support in retirement, this inflation-protected income stream can help.

Below are top seven mistakes made when claiming Social Security benefits and ways to help prevent them:

Relying on general information

Most learn what they know about Social Security from the periodicals they read, friends and family, and the Social Security Administration. This generic information could mislead one into making decisions that would not be most favorable to his or her unique situation. Wherever information is received about Social Security, it should be verified with someone who understands the intricacies of your personal situation and the dynamic Social Security rules.

Omitting critical considerations

Life expectancy, physical health, income needs, spousal and survivor benefits, and plans for how long one will work should all be considered in deciding when to apply for benefits. Overlooking one of these factors can lead one directly to the wrong strategy. For example, even when you retire early, it can be advantageous to delay claiming Social Security if your family history and current health indicate you will likely live well into your 90s. These factors are especially important to consider given people's increased longevity, making the continuous income stream provided by Social Security especially important.

Misunderstanding key calculations

Understanding the way benefits are calculated is important in helping one maximize them. The benefit calculation is based on an average of how much you have earned each year, up to $128,700 (the inflation-adjusted Social Security wage base for 2018), for your 35 highest earning years. In any years that income was not earned, the input is $0, bringing down your benefit if you worked less than 35 years. Therefore, to build up benefits, you could consider working additional years to fill up $0 or other low-earning years.

Failing to coordinate benefits

While looking at Social Security in isolation may yield one recommendation, a completely different recommendation may emerge as most advantageous when considered through the lens of your financial plan. Coordinating Social Security benefits with pensions; personal assets; cash flow (including required minimum distributions, or RMDs); and earned income is critical because actions in one area often have a direct effect on another. For example, it can be advantageous for someone with significant pretax retirement accounts to claim benefits earlier than she would otherwise to avoid depleting the retirement accounts' principal too quickly. On the other hand, if she can bridge the income gap with a portfolio of significant after-tax assets, delaying benefits can be a very viable strategy.

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Misinterpreting early application vs. delaying benefits

Everyone is assigned a full retirement age (FRA), which is between age 66 and 67 for most current workers, based on the year they were born. Whether a person begins claiming benefits at FRA, earlier, or later is personal. A few factors should be weighed in helping you make the decision (i.e., life expectancy, health, income needs, spousal and survivor benefits, work plans). If you begin claiming the benefit earlier than your FRA, the benefit is reduced between 5% and 6.7% annually from age 62 until FRA. Delaying benefits increases your benefit by 8% annually for each year you delay claiming after FRA through age 70. (Delaying your benefit can mean 32% more if your FRA is 66 and 24% if it is 67.) The reduction or increase lasts the rest of your life.

Note: If applicable, survivor benefits (for widows or widowers) can be received from age 66 to 70 while the survivor's earnings record grows (until the survivor switches it at age 70). A similar strategy can be used for couples, where at least one of them was born before 1954 and both are living. (This group was grandfathered under rules that are no longer available for most of the population).

Forgetting about spousal and survivor benefits

There are many cases and times in life where multiple people may be calculating benefits from one record. Consider the following:

- Spouses should elect to receive payments that are either based on their own work record or up to 50% of their spouse's benefit, whichever is higher.
- Those married at least 10 years can also claim Social Security benefits based on their ex-spouse's work record (or their own).
- When a spouse dies, the surviving spouse can inherit the deceased spouse's benefit payment, if it is greater than his or her own. This makes it especially advantageous for the higher earner in a couple to delay claiming benefits so that the survivor can receive a maximized benefit.

Regarding the last point above, many people fall into the trap of thinking that a Social Security claiming strategy is an individual decision when it is actually a household decision. Without proper guidance, one's first inclination will often be to go ahead and begin collecting benefits at FRA or sooner, considering what the claimant sees as his or her likely lifespan for receiving benefits. One should think about a spouse's lifespan as well and consider that when one person in a marriage dies, the other person receives the higher benefit of the two going forward. (This is often referred to as the widow benefit, due to the fact that women tend to have greater longevity than men.) Therefore, the breadwinner, in particular, should consider delaying benefits so that the surviving spouse will receive the highest benefit possible. If funds are needed sooner, a hybrid strategy (where the higher earner delays while the other spouse takes benefits earlier) may be most advantageous.

Misframing Social Security planning

As noted previously, the greatest retirement concern for most people, at every socioeconomic level, is that they will run out of money. While it is advisable to look at how to maximize benefits, it is important to view this through the lens of a long-life expectancy such as age 100.

The compulsion to try to guesstimate how long one might live to beat the averages established by the actuaries and come out ahead is understandable. But this analysis misses the point. The beauty of Social Security is that it provides people with inflation-adjusted monthly payments that are determined by established legal formulas. It is a steady bulwark against poverty in an environment with fewer pensions, volatile financial markets, increasing health care expenses, and increasing longevity. It is important to remember that, consistent with the program's original intent, it should be viewed as longevity insurance.

Thus, should you claim benefits at FRA, delay, claim early, or create a hybrid strategy that incorporates more than one of these? Unfortunately, there is no "always." The only certainty is that it "always" depends. No Social Security claiming strategy is one-size-fits-all. Everyone has unique concerns to plan for. The CPA can use his or her unique view into the client's situation, in conjunction with their knowledge of Social Security, to create a customized strategy. Contact us if you have any questions regarding your situation.

McMillan, Paula S. (2018, December). Top seven mistakes when claiming Social Security benefits. *The Tax Adviser*, pp. 850-853.

Closing Entries

ANNIVERSARIES

The following Dwight Darby & Company employment anniversaries will be occurring this summer.

Dawn Lopez – 26 years in August

Christina Winters – 13 years in June

Summer Refreshment!
Summer Cooler Cocktail

Ingredients
Glassware
Brandy Balloon
5-6 - Watermelon chunks
30 ml - Framboiss
Caster Sugar (1 sachet)
Budweiser

In a Blender add 5-6 seedless watermelon chunks and blend.

Strain into brandy balloon then add Framboiss, caster sugar and top up with Budweiser Beer

Garnished with Watermelon balls. .
Recipe by Mixologist Niraj Ved, Hyatt Regency Gurgaon

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