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June 2015 Client Newsletter

"We cannot solve our problems with the same thinking we used when we created them."
Albert Einstein

The American Flag Takes Its Place In Popular Culture…

Times have changed for Old Glory. The beautiful flag ceremonies that were once understood by every Brownie scout are rarely performed except at official functions.

It was once considered scandalous to wear flags or flag patterns on clothing, but today Old Glory has evolved. It's part of the popular culture now and people wear the stars and stripes on hats, shirts and jackets to celebrate every patriotic holiday. Flag Day, June 14th, offers a chance to display the flag and to learn its traditional ceremonies and history.

The Continental Congress established the first flag on June 14, 1777. In 1949, President Truman officially declared June 14 as Flag Day. Today, our flag has 13 alternate red and white horizontal stripes representing hardiness and valor, and 50 white stars, representing our 50 states, on a blue field symbolizing vigilance, perseverance and justice. In ceremonial and official settings, our flag is flown only between dawn and dusk and never in inclement weather. If flown at night, as on some high buildings, it should be spotlighted. It is flown vertically, with the stars and blue field at the top and to the viewer's left. It should never be allowed to touch the ground and never be dipped toward any person or object. When it is raised or lowered in a public ceremony, or passes by in a parade or review, we should face the flag and place our right hand over our heart. Even if you don't get a chance to see a flag ceremony this flag day, take the time to wave Old Glory in honor of our freedom. Reaffirm our loyalty to our nation, to its beliefs in liberty and justice, and to its unity as one nation, under God, indivisible.

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“Fear is Worse Than Facts”

Pop quiz: Do you know how your income taxes are spent by the U.S. government?

If you can confidently answer "yes" to that question, you're in the minority.

A February 2014 poll by GOBankingRates asked participants to rate how strongly they agreed with the following statement: "I know how my income tax dollars are used."

Just 8.5 percent of poll participants responded that they "strongly agree," followed by "agree" (12.4 percent), "neutral" (29.7 percent), "disagree" (23.7 percent) and "strongly disagree" (25.7 percent).

How can that be possible that we don’t know where our hard earned tax dollars are being spent? Doesn’t that sound crazy?

But you see our tax system is so convoluted and complicated that it just causes so many Americans to just throw their hands up in disgust basically give in to the crackpots in Washington that have corrupted this system for decades!

The complexity and opaqueness of our tax system compared to developed countries such as Australia, The United Kingdom or Hong Kong is astounding! Our tax code has not been updated since 1986! It does not keep up with modern times and reflect the changes and realities of what the population deals with in order to achieve personal financial stability.

However, insane and outdated our tax code seems, we can’t just blame it on the government. This is a two-way street. Remember we’re a democracy and “We the People” are the ones that put the lawmakers in office. However we continue to be intimidated by their shenanigans and irresponsibility on creating a tax system that makes more sense.

What we see day in and day out, and especially at this time of the year, is how many people choose to be afraid of taxes and the IRS. They unconsciously choose to play a victim role in regards to their tax situations.

Actually, we see this type of attitude pop up in many aspects of personal finances.

There seems to be a psychological factor that makes people think if they don't understand it, they don't have to be responsible. Many people will say that they are not good with numbers or that the tax code has gotten too complicated. Most people don't like dealing with the reality of the numbers and so it's better to not get informed and have to make different choices.

In other words, there needs to be accountability on the individual level for seeking this information out, too -- information that is readily available. We know it’s complicated to do that too. So did some research and found a report on how the thousands of dollars you hand over to the IRS every year are being spent.

According to the Bureau of Business and Economic Research, per capita personal income (the average of each income per person) for 2013 was $42,693, (remember we’re doing 2014 taxes now, so 2013 figures are still relevant as a reference). Also the White House report of how your taxes were spent.

Here’s how those numbers would break down.

$1,263.18 - National Defense (24.64%): At just under a quarter of your federal income tax bill, national defense is the largest spending category. It includes salaries and benefits for military personnel, equipment and supplies, research, weapons and construction.

$1,202.30 - Health Care (22.45%): The next largest area of federal income tax spending is health care, which includes Medicaid and Medicare, the CHIP program, COBRA tax credit, research and disease control.

$968.94 - Job and Family Security (17.26%): Services like unemployment insurance, food stamps and other nutrition assistance, as well as housing assistance, fall into this section.

$400.77 - Additional Government Programs (11.38%): A catch-all for the rest of the government programs that receive federal income tax dollars, this category includes transportation and governmental administration.

$410.91 - Net Interest (8.01%): This income tax category goes to paying interest on Treasury debt securities, as well as other interest.

$228.29 - Veterans Benefits (4.53%): Most of the taxes allocated to veterans benefits pay for income and housing support. This category also includes health care, education and training for veterans.

$182.63 - Education and Job Training (3.30%): At just over 3 percent of the average federal income tax bill, the majority of taxes in this category pay for elementary, secondary and vocational education. Additionally, financial aid and job training services fall under this section.

$101.46 - Natural Resources, Energy and Environment (2.05%): Programs such as water and land management, energy supply and conservation, and environmental protection get about 2 percent of federal income taxes.

$101.46 - Immigration, Law Enforcement and Administration of Justice (2.05%): Things like border security and immigration enforcement fall into this category, as well as various activities related to administration of justice.

$81.17 - International Affairs (1.72%): At less than 2 percent of the average tax bill, international affairs includes humanitarian assistance, security assistance and foreign affairs.

$50.73 - Science, Space and Technology Programs (1.06%): The bulk of these tax dollars is allocated to NASA and the Natural Science Foundation.

$35.51 - Agriculture (0.65%): Less than 1 percent of federal income tax dollars are spent on research, crop insurance and agricultural subsidies.

$25.37 - Community, Area and Regional Development (0.48%): Just under half a percent of your tax bill goes toward spending to strengthen communities.

$20.29 - Response to Natural Disasters (0.43%): Finally, the last half percent or so is allocated toward natural disaster response and insurance, like Small Business Administration disaster loans and FEMA grants.

We know, these figures look boring, but, face it, so does our electrical bill, our kids tuitions, etc… Money is a lot more fun to spend than keep track of. But it is important to know where our money is going.

But it comes down to personal responsibility. We know this is tough. We deal with it every day. WE ALSO KNOW IT'S NEVER GOING TO BE FUN.

That's why we're here. You don't have to be someone that is glued to the Bloomberg Channel or CNBC to be aware. And you don't have to freeze in your tracks and shudder every time you see a year-end tax statement come in the mail and wait until the last minute to gather everything to figure out you're taxes.

One thing we know for sure, the fear is worse than the facts. You see if you know the facts about your personal tax situation, it will give you the power to use every legal way possible to make sure you are paying only what you need to pay.

You MUST review your situation with us to make sure that you're taking advantage of every legal way to reduce your taxes. It is easy to misunderstand this incredibly complex tax code, so please do not do anything that affects your taxes without us advising you all the way!

Remember there is no way to avoid paying taxes but you would surely be a fool to pay more than you are legally required to!

REMEMBER – WE WANT YOU TO CONTACT US WITH YOUR “HERE’S WHAT WE’RE THINKING ABOUT DOING QUESTIONS”, NOT YOUR “GUESS WHAT WE JUST DID!” COMMENTS!

“Nothing is impossible. ‘Impossible’ just takes a few more phone calls.” - Michael J. Fox

Financial Tip of the Month

Having a Successful Money Conversation with Your Spouse

You've heard it a million times before; relationships are often and regularly destroyed by money. Money and how it's dealt with is a major factor in modern relationships. Prioritizing your financial life is one of the best ways to make the most of your relationship. This, of course, will take work. Here are some suggestions to having a successful budgeting meeting with your spouse.

1) Have a planned meeting
Spontaneous money conversations NEVER go well.. Bringing up a major financial issue or even a nitpicky detail in the heat of the moment doesn't bring out the best in either of you. Set a time and date each month to have your financial meeting. It doesn't have to be long; a 30-minute meeting will be plenty long enough. This monthly 30-minute meeting is the time and place to openly communicate about your finances. Yes, it will be awkward at times and someone will surely get upset about something at some point or another, but it will get better over time. If you need to discuss something during the month prior to your scheduled meeting give your partners two days advanced warning, and then briefly discuss the issue at the appointed time.

2) Get it all out in the open
Especially if this is your first budget meeting together it's important to start out by getting not just to the heart of your financial situation but of your financial feelings about each other. Start out by asking your spouse a series of questions:
1. Is there something that I'm currently doing, in relation to our financial life that stresses you out?
2. What's my most annoying financial habit?
3. What am I good at, when it comes to money?
4. Do you worry about money?
5. Do you think we were in a better financial position 12 months ago?
6. Do you think we're trending toward being in a better financial position 12 months from now?

Then switch and have your partner ask you the questions. More than anything else this will get you talking. These are probably questions you've never asked each other before and you might be surprised by what your spouse has been feeling, but not sharing.

3) Develop joint financial goals
You are two individuals with competing wants and needs and tolerances for financial challenges, this makes creating and following through with joint financial goals difficult. Compromise is absolutely necessary. Begin by each laying out your personal financial goals for your family. Compare lists, any goals that match up can stay; the rest will have to be talked out and compromised on. And while choosing financial goals is tough, actually working through them will be harder. Set short and specific goals. 30-day goals are best. You both want to increase your retirement contributions. That's great, but it's not a goal. A goal is to say in the next 30 days you will each increase your retirement contributions by 3%. When you report back at your next budget meeting this goal should be accomplished.

4) Keep the communication equal and open
Many couples get tripped up when the partner who makes more money wants more say in the conversation. This won't work. In a partnership the funds blend together and each person gets an equal vote. Same goes for secrets. Don't keep a secret account. Keep communication about your money life open and honest.

One of the best ways to have a great relationship is to have regular and open communication about your finances. A monthly planned budget meeting keeps your communication on a set schedule and creating joint goals will help you move forward each month.

"One of the weaknesses of our age is our apparent inability to distinguish our needs from our greed." - Don Robinson

"Family Feud"

Becky & Lana were referred to us by a long-time client of ours. Becky and Lana are sisters in their late fifties. Both had grown up in a middle class home with their two parents Louise & Joe and their little brother Mark.

When we met with these two women they look exhausted. After they shared their story of the problems they were having in their family we could understand why. Here's their story.

Joe was a carpenter and Louise was a stay at home mom. After surviving the depression, Joe's main goal as a husband and dad was to never have to worry about having a roof over his family's home. So he worked three jobs when his family was young and paid off his home that he bought in 1957 in seven years. The rest of his working life, he socked away the money in simple saving accounts and then went really "wild" in the early 80's when interest rates were sky rocketing and invested in CD's. "I'm a simple, hard-working man and proud of it", he always said, "nothing fancy for me".

Because of his frugalness he was able to fully pay for the kid's college education. You see Joe was as cheap as they come, but he was very generous with his kids. Becky and Lana had no interest in going to college. They both married their high school sweethearts and soon started their own families.

Because they did not take any money for college, Joe & Louise helped them out by giving them a down payment for a house as their wedding gift.

Their brother Mark was a different story though. He went far away to college and majored in economics, got his master's degree and even went on to get his Ph.D. In his mid-thirties he ended up teaching at the university. And his parents paid for the whole thing. However after a few years of teaching, he decided academia was not for him and he was sick and tired of being broke. So with his background in economics and his interest in the stock market and investing, he decided to go out on his own and become a financial advisor.

Now, we have to tell you that Mark started out with a little edge here. Although he easily passed all the licensing exams, he didn't need to worry about building a clientele, because, his Uncle Bill, Louise's brother, was a bachelor that had owned his own technology company for years and had just sold it for approximately ten million dollars. He turned all that money over to Mark to manage. So Mark had a really good start in business. (Don't even get us started on how unethical and illegal this is that he would have power of attorney on an account he was making commissions on)

Sadly, a few years later, Joe woke to find that Louise had died in her sleep. The family was devastated and Joe never truly recovered. He fell into a deep depression and just didn't care about things anymore.

Now that his son Mark was working as a “financial advisor”, he just signed power of attorney over to him and didn’t pay attention to anything. Becky paid all his bills and Mark took care of his investments.

Not long after that Uncle Bill died too. The girls knew they would inherit some money, but Mark always had a way of telling them that it was invested and in trust and since he had power of attorney, there was nothing they could do about it right now. He told them that they lose money if they took it now and they would all be better just leaving it in the trust and letting it grow. Really swell, guy, huh?

And, because they had never gone to a professional to handle their financial situations they didn’t know any better.

Things went along okay for several years and then old age just caught up with Joe. His doctors didn’t know if he was suffering from mild dementia or just was giving up on life.

The sisters were really concerned because they both lived at least an hour away from Joe and Mark lived out of state. They had tried to get a caretaker to look in on him once a day, but Joe fired everyone they got.

They were truly at the end of their ropes. One day Becky heard about a retirement home that was just a mile from her home. It would be perfect for Joe. She and her sister took him out to look at it and he was actually pretty impressed. To tell you the truth, he was really happy that the girls would want him nearby.

They spoke to their brother Mark, but he wouldn’t hear anything about. “Absolutely not, he raged. I will not put my father in a nursing home”. Well, of course it wasn’t a nursing home, but a really beautiful retirement community with wonderful amenities, but Mark wouldn’t hear anything of it. He flew home over the holidays to access the situation himself.

Well, as these things have a way of happening as people deal with the caretaking of the elderly, there was a huge family blow up. Mark had talked Joe into staying put, telling him that this new place would eat up all his retirement savings. It ended with Becky & Lana insisting on seeing Joe’s & Uncle Bill’s finances. Of course he resisted, but when they threatened to contact an attorney, he knew he had no choice to back down.

Becky & Lana were stunned to find out their dad was worth over $1.2 million dollars and they were each included in Uncle Bill’s trust which was over 3.5 million dollars. (It was actually worth a lot more than that to begin with, but good old Mark had been trading the stock market instead of smartly investing the money).

They were both furious! To think that their own brother would keep this money from them just so he could make an easier living was disgusting. Well, needless to say, the jig was up. They visited an attorney we work with who advised them of their rights. They then met with Mark who begrudgingly agreed to sign off on disbursing the funds from Uncle Bill’s trust.

The girls both cried tears of relief when we showed them all the things that we could do to help them not only take care of their dad but have them both set for life financially.

Once we looked at Joe’s paperwork we discovered he really didn’t have a financial plan, just a stock account that Mark had been trading. His insurance needs and tax strategy were extremely outdated. We were able to utilize income & estate planning strategies to reduce his taxes. We also rearranged his portfolio to minimize capital gains taxes and reposition some of the freed up cash into low risk, tax-deferred savings vehicles. All of that on top of the big commissions he had been paying to Mark on the needless stock trades we showed them how he would be savings at least $30,000 the first year of this plan.

Becky & Lana both cried tears of relief when we showed them all the things that we could do to help them not only take care of their dad but have them both set for life financially.

And more, importantly they told us they were so relieved that they didn't need to worry about Joe anymore. They were going to speak to him that afternoon and show him how moving in the retirement village close to their home would actually be saving him money!

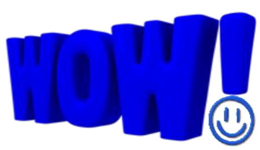
They recently called us to let us know that they met with their brother and he agreed to let them take charge of the situation as long as their dad never knew how irresponsible he had been. No problem there, the last thing they wanted to do was hurt Joe. So, they all met with Joe and laid out the plan and he agreed to the move to the retirement place near them.

They were very grateful, and set up an appointment to come in and have financial plans set up for each of them so that they can properly manage the inheritance they would soon receive. We know they will be blown away when they see how we can have them have a secure and peaceful financial future!

These situations can be very painful. But not as painful as not knowing the truth and suffering the consequences!

So, please don't hesitate, CALL US NOW!!! We want to hear from you whenever there is any change in your life or you want to head in a new direction. We'll do our best to be YOUR travel guide through your financial adventures.

Gossip!!!



Congratulations to Frank J. Imperial, Jr., CPA for achieving his Certified Financial Planner (CFP®) designation. Frank has been an accountant with us for the past seven years and has successfully passed his CPA in January 2012 and his CFP December 2014.

Nickolas Clairmont, son of Rick and Sharon Clairmont, grandson of Earl A. and Marlene Clairmont, Jr. is graduating from Upper Merion Area High School and will be attending High Point University in the fall. His sister Lauren Clairmont will be attending Emerson University in Boston this fall to purse her master's degree. Nice job Clairmont children!!!

Mohan Shendge, Jr., son of Lisa and Mohan Shendge, Sr. recently graduated from Shippensburg University with his BA in Communications/Journalism electronic media. Way to go!

<u>Did You Know…?</u>
(Our monthly feature of tidbits of news and info to make your life easier, your money work harder and so you're healthy all the time!)

<u>Sticks & Stones</u>

Sticks and stones may break your bones, but words can change your brain.

In their book, "Words Can Change Your Brain", Andrew Newberg, M.D. and Mark Robert Waldman write: "a single word has the power to influence the expression of genes that regulate physical and emotional stress."

Positive words, such as "peace" and "love," can alter the expression of genes, strengthening areas in our frontal lobes and promoting the brain's cognitive functioning. They propel the motivational centers of the brain into action, according to the authors, and build resiliency.

Conversely, hostile language can disrupt specific genes that play a key part in the production of neurochemicals that protect us from stress. Humans are hardwired to worry — part of our primal brains protecting us from threats to our survival — so our thoughts naturally go here first. However, a single negative word can increase the activity in our amygdala (the fear center of the brain). This releases dozens of stress-producing hormones and neurotransmitters, which in turn interrupts our brains' functioning. (This is especially with regard to logic, reason, and language.) "Angry words send alarm messages through the brain, and they partially shut down the logic-and-reasoning centers located in the frontal lobes," write Newberg and Waldman

By holding a positive and optimistic [word] in your mind, you stimulate frontal lobe activity. This area includes specific language centers that connect directly to the motor cortex responsible for moving you into action. Research has shown, the longer you concentrate on positive words, the more you begin to affect other areas of the brain.

<u>Why 'I'm so happy I could cry' makes sense.</u>

It may seem like a strange response: to break down in tears when you are happy. But now a group of psychologists from Yale say they have found the reason why, and that crying tears of joy may well be the body's way of restoring "emotional equilibrium".

The psychologists say that, by responding to an overwhelmingly positive emotion with a negative one, people are able to recover better from strong emotions.

They found individuals who expressed negative reactions to positive news were able to moderate their intense emotions more quickly. Examples of where people responded to a positive experience with a negative emotion, including concert goers screaming in horror at the presence of their idol and lottery winners breaking down in tears. According to the results of the study the psychologists have reached the conclusion that it's just the bodies way of keeping its psyche balanced. These insights advance our understanding of how people express and control their emotion, which is importantly related to mental and physical health, the quality of relationships with others, and even how well people work together.

Don’t Use Financial Commitment as Your Workout Buddy.

Many people sign a long-term health club contract thinking their obligation will help guilt them into going to the gym more often. That kind of negative incentive is usually pretty ineffective. And it puts you at the mercy of the club. Use workout buddies, or your own self-discipline, or FitBit, or Google reminders, or pictures of yourself looking particularly plump, as inspiration. Don’t use an entangling financial contract with a health club as inspiration.

To that end, month-to-month contracts are a great option, even if they cost more. I know, on Jan. 1 you told yourself you’d go to the club three time a week. But will you will you still do that in spring? Keep yourself a club-free agent as best you can. It’s worth it.

Welcome To New Clients And Thank You For Referring!

We love giving recognition to our new friends and our wonderful existing clients who are kind enough to refer their friends and relatives to us! We are all helping each other, which is the whole point.

This past tax season we were fortunate to welcome 157 new tax clients and 46 new business clients. They became members of our firm’s accounting and financial planning family. We’d like to welcome them and thank all the people who have referred business to us.

As you may know, marketing for new clients costs a great deal of money, time and energy. We, like any business, need to get new clients to stay in business. Over the years, we have found that marketing takes away from the time we would rather be spending with you. We have learned that by encouraging you to refer your friends and relatives to us works for all of us. We help you, and you help us. Thank you.

Health Tip of the Month…

SUGAR SHOCK!!!!

Every few years, there's a new food bad guy in town—and right now, it's sugar. Some experts have even declared it a "poison" that's "killing us." Yet could the sweet stuff people have been eating forever really be so terrible? "We actually need sugar; it's our body's preferred fuel," says David Katz, MD, director of the Yale University Prevention Research Center. "But we eat too damn much of it."

Naturally occurring sugar—which gives fruit, some veggies, and milk their sweet taste—is perfectly healthy. It's *added* sugar (sweeteners put in during processing and prep) that we need to not OD on. No need to cut out dessert: The key is to eat strategically.

Happily, some major companies are getting on board. In the past four years, cereal brands have cut back on sugar, the milk industry recently lowered amounts in the chocolate milk served in schools, and Walmart is aiming for 10 percent less added sugar in select foods by 2015.

Is there such thing as a sweet tooth?
Yes, sugar love is in your DNA. Researchers have found two sweet-receptor genes that can predict a preference for sweets.

How much is OK?

The American Heart Association (AHA) recommends most women get no more than 24 grams of added sugar per day. That's about 6 teaspoons, or 100 calories—a little less than the amount in one can of soda. Thing is, the average American woman eats about 18 daily teaspoons.

Sugar is hidden in unlikely foods, from salad dressing to crackers, which can push you past 24 grams. Read labels; if there's a sweetener in the first few ingredients (some common aliases: evaporated cane juice, high-fructose corn syrup, fruit juice concentrate, agave nectar, fructose, dextrose, and syrup), look for a brand with a low-or no-sugar option.

Is it really so bad?
Sugar is an important part of our lives, but a little goes a long way. Added sugar has been linked to obesity, type 2 diabetes, and cardiovascular disease. In a nutshell, eating too much sugar can cause fat buildup in the liver, which can lead to these problems.

It's not all bad. There's no need to avoid the naturally occurring sugars in fruit, vegetables, and low-and nonfat dairy. As sweet as some of these things may taste, they contain relatively small amounts of sugar. Plus, nature's packaging comes with essential vitamins and minerals, along with water and fiber that slow the release of sugars into the bloodstream and prevent insulin spikes.

What's up with 'natural' sugars?
Sugar in the raw is no better than regular sugar. Agave nectar, alas, is also not great: Its main constituent, fructose, tends to get held up in the liver more than other types of sugar. Some sweeteners, like raw honey and sucanat, have trace nutrients, but they're all the same as white sugar in terms of calories—and some contain even more calories.
Is it ok to use calorie-free sweeteners?
Yes! The FDA deems stevia, aspartame (Equal), sucralose (Splenda), and other cal-free sweeteners safe. Short-term data suggests they're safer than table sugar. Faux sugar won't cause blood-sugar spikes or weight gain—and all the potential health ills.

These tips are not for everybody and should not be taken as specific recommendations. Before you take any action regarding yours or anyone's health, we strongly suggest you consult a qualified physician!)

Here's the December 2014 Quiz Question and Answer!

Q. Which of the following explains best why municipal bonds pay lower yields than other government bonds?

A. Municipal bonds are lower risk.

B. There is a greater demand for municipal bonds.

C. Municipal bonds can be tax-free.

Answer: C. Because dividend payments from municipal bonds are usually exempt from federal income tax, even with lower yields than other government bonds their after-tax rates of return are attractive to investors in higher tax brackets.

Here’s the June 2015 Quiz Question

Question: America’s financial epicenter, Wall Street is named after:

A. The Wall Street Journal

B. James Haverford Wall. Who conceived the short-lived $3 bill.

C. The wooden wall built by the Dutch to protect New York against invaders.

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Help us grow in 2015!

This year, our goal is to offer services to several other clients just like you! We would be honored if you would:

- ✓ Add a name to our mailing list,
- ✓ Share this article with a friend or colleague,
- ✓ Have them come in for a complimentary initial meeting.

Contact me

Please call Lisa at (610) 265-4122 or email lisa@cpcfinancial.com and we would be happy to assist you.