

Financial Planning is Worth Its Weight in Gold

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The fall season is often a good time to take inventory of the projects we have delayed for some time and need to complete. One of them is taking stock of your financial affairs in all areas that relate to you, your business and your family. The matter may be something as simple as completing the titling of a new asset to your living trust. But often these small items, if not completed, translate to missed opportunities or expensive results if a sudden change occurs.

It is easier to identify the issues that relate to your situation by working with a financial coach who is helping you with your "life plan." You may have dreams and goals that you think about but never realize because they also become stashed away in the procrastination pile! All dreams and goals become much more realistic if they are quantified, written down and discussed with spoken words. Our work is to help you with this process.

It is also difficult to define financial planning. Does it mean planning for retirement or creating the correct asset allocation for achieving your retirement goals? Maybe for some people, it means starting a "529" college fund for your children or grandchildren. For others it may mean protecting your wealth from creditors and taxes and passing a legacy to future generations. When is the last time you sat down, thought about these issues and set about with an action plan that was based on your personal financial situation and your personal goals? What are your dreams for the future and what could stand in the way of you achieving them? If you own a business, have you responsibly planned for a succession process in the event of your death or disability? Have you coordinated your

business succession plans with your personal estate plan or do they cause conflict among family members that may lead everyone to pay expensive legal fees if you were not around to referee. Are you taking advantage of new opportunities with a retirement savings plan that allow you to combine a defined benefit and defined contribution plan to maximize the amount you are able to defer into your tax deferred retirement account? Have you considered working with an advisor to help maximize your tax benefits and possibly increase the impact you wish to have on your favorite charity?

Consider hiring a financial coach to help you accomplish several objectives:

- Inventory and list your personal goals - quantify these goals if possible.
- Become educated on the latest ideas available to solve your problems and help you meet your objectives.
- Seek a second opinion on your current situation if you have set up most of your planning on your own.
- Achieve "Peace of Mind" that you have set up a plan for yourself and your family based on the information available to you today.
- Learn strategies to help you communicate with your adult children around money issues.

We know life brings constant change—it makes sense to re-evaluate your plans based on a major life event or approximately every five years. What are your plans? What are your dreams and hopes for your family, your business and who are you adding to your team to help you achieve these dreams?

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Our New BFF, Gc

It is extremely important that each one of us participate in life and what's going on around us rather than being a spectator to it and if you do that, if you participate in the world, in your community, your school, your company, or your country, then you will be useful and hopefully leave the planet a little better."

*—Janet Holmes a Court,
Australian business woman*

Yes, our new best friend forever (BFF) is going green! Let's face it, we already work together. And some of us even play together. So why not take an extra step and pool our resources to support a worthy cause—saving our planet.

While concerns about the environment seem almost as old as

mankind, it doesn't seem as if enough of us have been mobilized into action in previous years. Today, however, this issue has come under the spotlight, brought to the forefront by startling global warming studies. As a result, conversations are springing up around the world as businesses and individuals alike have taken an admirable interest in protecting the environment for future generations.

But what can we really do? It turns out, quite a lot. It's amazing how a few tiny actions by a small group of people can quickly multiply into huge results. For instance, did you know that simply by letting your car idle 10 minutes less per day, you can help keep 550 pounds of carbon dioxide out of the air every year? Try multiplying that small effort by thousands and thousands of people. You get the idea.

However, do opportunities really exist to turn off an idling car? You bet they do. How about when picking the kids up from school, or waiting in line at the drive-up? Better yet, consider taking an alternate route to avoid traffic areas. That ought to save much more than 10 minutes of idling time—and might prevent a few headaches as well.

What about those water bottles? We all love the pure, clean water that comes from them, but did you know that in 2002, 15 billion bottles of water were sold in the U.S. The question is: Where did the empties end up? In most cases, they're sitting in our landfills. In fact, only about 12 percent of water bottles were recycled in 2003, resulting in 40 million bottles being thrown into the trash bin each day.

We can help reduce landfill waste, as well as reduce petroleum usage, by recycling all water bottles. Better yet, we can purchase a reusable water bottle and install a filtration system in our homes and offices. Not only will we be doing our part for the planet,



Going Green

A Smart Idea

What kind of light bulbs are you burning in your office and home? Are they ENERGY STAR® rated? If they are, you could be helping to conserve energy—and save money.

In fact, by switching from a standard bulb with a compact fluorescent, such as a GE Energy Smart™ bulb, you will consume up to 75 percent less energy than an incandescent light bulb. Plus, it lasts about ten times longer.

So why not switch out your bulbs—in your home and your office. You can make a difference.

Source:
GE website



the water will probably taste all the sweeter.

Speaking of sweets, the grocery store is another opportunity for 'going green.' As you go up and down the aisles, try to purchase items that are contained in recycled packaging. It's easy to figure out—many products say "made of 100 percent recycled materials" on the package. Others, though, aren't that direct.

Yet, you can still crack the recycle 'code.' When shopping for cereal, cookies, crackers, and other groceries packaged in cardboard boxes, take a peek at the underside of the box. If it's gray or brown, you've hit pay dirt. If it's white, the packaging isn't made from recycled materials. It's that easy to shop recycled.

These are just a few ideas of how we can work together to make a difference. Really, it's not about taking a giant leap and

changing your entire life. It's about deciding as an individual, or as a team, on a few earth-friendly challenges you can take on. And then following through on them. Our efforts will add up—and we can do it together. **TGG...ITMAD! (Think Going Green... It Truly Makes A Difference!)**

Use Your Creativity... Bag It!

Looking for something creative as well as good for the environment to do with all those plastic grocery bags? Problem solved with this idea from eco-friendly design guru Danny Seo. Just cut the bags into squares, layer and cinch together, then tie to skewers, place it in a decorative vase to make a colorful bouquet for your table.



Paper Facts

Business and individuals can join forces to help save our forests—and our landfills. And it's relatively easy simply by cutting back on paper usage. Or by recycling the paper we do use. Consider these paper facts:

- The U.S. uses 25 percent of the world's paper products.
- Each year, the average American uses 18 cubic feet of wood and 749 pounds of paper—equal to a 100-foot tree with an 18-inch trunk.
- If offices throughout the US increased the rate of two-sided photocopying from the 1991 figure of 20 percent to 60 percent, they could save the equivalent of about 15 million trees.
- Recycling one ton of paper saves 682.5 gallons of oil, 7,000 gallons of water, and 3.3 cubic yards of landfill space.
- The average daily web user prints 28 pages daily.

Sources:

Bullet 1 – American Forest & Paper Association 2004

Bullet 2 – Choose to Reuse by Nikki & David Goldbeck, Earth 911

Bullet 3 – Waste Reduction in a Smart Business, Onondaga Resource Recovery Agency

Bullet 4 – Gartner Group

Bullet 5 – American Forest and Paper Association



FINAL RESULTS: 2007 TAX DEVELOPMENTS

Richard Pon, CPA, CFP®

“The art of taxation consists in so plucking the goose as to obtain the largest possible amount of feathers with the smallest amount of hissing.”

—Jean Baptiste Colbert

With the Presidential election campaign in full swing, Congress has been hesitant to pass any significant tax legislation. However, as we all know, the tax world never sleeps, A number of important tax developments occurred in the past several months that may affect you or your business.

■ INDIVIDUAL TAXATION

New guidance on new rollover option for nonspouse beneficiaries of retirement plan account:

The IRS has issued guidance on a new choice for nonspouse beneficiaries of an inherited qualified plan account. These beneficiaries may be able to transfer part (or all) of the deceased employee's account balance into an inherited IRA. Under the new guidance, a nonspouse beneficiary can, in most situations, receive payouts from the inherited IRA over his or her lifetime. This can make an inherited IRA a powerful tax-deferral tool, but expert help is a must to assure that key rules are met (such as when distributions from the inherited IRA must begin). The one downside is that under the IRS's latest guidance, company retirement plans are not required to offer the rollover option for nonspouse beneficiaries.

Kiddie Tax change: The 2007 Small Business Tax Act has increased the kiddie tax to include more children. Starting in 2008, the kiddie tax will reach a child age 18 or age 19-23 if a full time student. This could cause the investment income of such a child to be taxed at the parent's higher tax bracket but there may be a way to completely avoid this result if the child has enough earned income (such as wages).

Mazda joins the hybrid club: The IRS has announced that Mazda's 2008 Tribute hybrids qualify for the alternative motor vehicle credit. The two-wheel Tribute hybrid credit amount is \$3,000 (\$2,200 for the four-wheel drive version).

Taxation of Municipal Bond Interest: The U.S. Supreme Court has decided to review a Kentucky Court of Appeals decision that held a statute unconstitutional because it taxes interest earned on bonds issued by other states while exempting interest earned on Kentucky bonds. California is one of many states whose laws are similar to Kentucky's with respect to taxation of bond interest. While the Kentucky decision did not directly affect California taxpayers, if the U.S. Supreme Court rules in favor of the taxpayers, Californians may be eligible for refunds of tax paid on interest from out-of-state municipal bonds. We will keep you informed if this case results in a taxpayer victory.

■ BUSINESS TAXATION

Sec 179 Expense Extension: The 2007 Small Business Tax Act has extended and enhanced the option to currently deduct the cost of business machinery and equipment (i.e. Sec 179 election). For tax years beginning in 2007, the limit is increased to \$125,000 and the investment-based phaseout is increased to \$500,000, and the election is extended through 2010. However, California has not adopted this law and the California Sec 179 limit is still \$25,000 and is completely phased out when assets exceed \$225,000.

California Enterprise Zones: There are currently conditional designation of several enterprise zones throughout California including an extension of enterprise zone credit for the cities of Richmond, San Francisco and San Jose. There are 42 enterprise zones in California, 23 of which will be expiring over the next several months. The most popular component of the enterprise zone incentives is the Enterprise Zone Hiring Credit, which allows zone-located businesses to claim a state income tax credit based on the wages paid to qualifying employees. Many more businesses located in San Francisco can take advantage of these credits as the new San Francisco zone includes the financial district.

Investment Fees for Trusts: The Supreme Court has decided to review a Second Circuit decision that investment advisory fees paid by a trust are deductible only to the extent that they exceed 2% of the trust's adjusted gross income. If trusts can't fully deduct advisory fees, more of them will likely end up subject to the alternative minimum tax (AMT), because under that tax, investment advisory fees aren't counted as a deduction. In addition, if trusts can deduct only those fees that exceed the 2% floor, they will have more taxable income.

California Escheat Law: Due to a federal injunction, California is now forbidden from cashing in on billions of dollars' worth of unclaimed property. The federal injunction means the state controller can neither sell the more than five billion dollars in unclaimed property it has taken possession of, nor can it take any more unclaimed property from businesses. However, taxpayers are still allowed to file claims for unclaimed property that is theirs by visiting: www.searchthevault.com. As of mid-October, there is a pending court case that may lift the injunction on collecting funds. (Your friends at Lautze & Lautze have brought this website to the attention of many of our clients to reclaim thousands of dollars of unclaimed property.)

Please contact us for more information about any of these developments and what steps you should implement to take advantage of favorable developments and to minimize the impact of those that are unfavorable.

All in the Family (Continued from Page 1)

custom-made units meeting the specific needs of clientele in both the retail trades and construction industries.

"I thoroughly enjoy the business side of Calstone," said Matt. "And, it's great to have the opportunity to work side by side with my father. He worked very hard when I was growing up and we've been having a wonderful time building the business together." In addition to performing his duties as president, Matt earned his MBA from the College of Notre Dame.

"I'd say our greatest accomplishment is that we produce the very best paving stones in the world," said Matt. "We have people from all over the world coming to our plant in Tracy to see our operations."

Peninsula Building Materials: A Showcase of Possibilities

In 1923, Peninsula Building Materials opened its doors to provide building materials to the growing San Francisco Peninsula. After World War II, rail transportation was complimented with more efficient direct trucking, providing a diverse availability of building materials from across the country.

Spanning four generations, Peninsula Building Materials today has 100 employees and specializes in the natural stone, brick and building materials market. The company has facilities in Redwood City, San Martin and Sunnyvale. Recently, the company also opened its Mountain View showroom, an 8,500-square-foot building displaying full-scale stone and brick structures from entryways, fireplaces, fountains, and outdoor barbecues.

"We've had a conservative growth approach over the years, and now we're finding a niche and growing the company," said Adam. "We primarily provide materials to high-end contractors. Now we're also adding commercial clients, such as the Safeway food chain.

"Our new showroom is another step in our growth," continued Adam. "The showroom has been very well received by builders and their clients and provides a great opportunity for

making design decisions. It also houses our corporate headquarters, so we have our administrative team in a clean, serene environment, which they like."

Lautze and Lautze San Jose Joins the Family

Director, George Uccelli has been working with Adam and Matt Morey, for a number of years. Succession planning, estate and retirement planning, and strategic business consulting are among the list of services that Lautze & Lautze has provided to both Calstone and Peninsula Building Materials.

"George has been one of my mentors over the years," said Matt. "He has provided so much help—every acquisition, every new plant, he's been there as an advisor. He has been an excellent resource as we work to grow Calstone.

"I'm also very happy with Lautze & Lautze's tax and trust services," continued Matt. "The things I value most are the integrity of the firm and George's knowledge and trustworthiness. We know that he will do everything in our best interest."

Adam agrees that Lautze & Lautze has been a valuable partner. "I rely on George as a very important resource, and have developed a personal relationship with him in the process. We're currently reforming our profit sharing plan, and he has been a tremendous help. And when it came time to change our auto policies, I asked what other companies were doing.

"It's been a great experience working with George," continued Adam. "I've tapped his brain power on a regular basis, and I expect our relationship will continue for years to come."

In The Know...What Clients Are Saying About Lautze & Lautze Directors and Managers

Judy Lee-Strain – "The thing I value most about Judy's great work is her availability. We always get a very rapid response, especially for the review that Lautze & Lautze conducted." – *Leland Lyter, Controller, Brent Redmond Transportation, Inc.*

Jim Petray – "It's easy to access Jim Petray and other key people, and I always receive efficient and timely responses. It's been very effective – we always get great turnaround from Lautze & Lautze." – *Donald Endo, Chief Financial Officer, Qvale Automotive Group*

Annie Bianchini & Julie Babcock – "We've had a really good experience working with Annie Bianchini and Julie Babcock. As with a lot of Catholic schools, it's a challenge – lack of resources, skill level of personnel, etc. When Lautze took over the account, there were some 'findings' – for example we needed an accounting manual. What Lautze did was to help us to institute best practices." – *Enrico (Rico) Hernandez, Director of Finance and Business Services, Notre Dame High School, Belmont*



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