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Summer Tax Moves

The dog days of summer are actually an excellent time to review your business and individual tax planning. Here are a variety of ideas to consider.

Summer driving. Keep track of tax-deductible summer driving. The IRS has just increased the standard mileage rate for business, medical, and moving driving. For the last six months of 2008, the business mileage rate has been increased to 58.5¢ a mile. The rate for medical or moving costs has been increased to 27¢ a mile. The rates for the first six months of 2008 (January 1 through June 30) remain at 50.5¢ for business and 19¢ for medical and moving. The rate for charitable driving remains at 14¢ a mile for all of 2008.

Your vacation home. If you have vacation/rental property, you might increase your tax deductions by adjusting the number of days you use your vacation home.

Day camp. If you and your spouse work, the cost of sending your children to a summer day camp may qualify for the child care credit.

Business entertaining. Summer is a good time to do business entertaining. Keep records of the cost, the date, the attendees, and the business purpose. Your tax deduction is limited to 50% of the cost.

Hire your children. If your children worked in your business this summer,



a reasonable wage paid for legitimate work is a business deduction.

Retirement plans. Establish a retirement plan if you don't already have one. Examining the choices now gives you time to select the best plan for your business and to get the paperwork completed. Then you'll be set to make contributions as your cash flow allows – and to take the deduction on your 2008 tax return. Another plus: You may be able to claim a credit on your 2008 tax return for the costs of establishing the plan.

Deduct equipment purchases. You can expense up to \$250,000 of business equipment purchased this year. If you buy new equipment (not used), you may also qualify for 50% bonus depreciation in 2008.

Employee Benefits. Check your benefits. If you offer health benefits to your employees, look into tax-advantaged plans such as health savings ac-

counts, flexible spending accounts, or health reimbursement arrangements. These plans can reduce your taxes and help control your benefit costs.

Start a business. Planning to acquire or start a business this year? Keep good records of your costs to get the business off the ground, including advertising costs, legal fees, and accounting expenses. Up to \$5,000 of these expenses could be deductible on your 2008 tax return.

Succession Planning. Entrepreneurs often spend so much time building their business, they give little thought to how they'll leave it and often get blind-sided by the amount of time it takes to create and execute an effective succession plan. Planning how you'll leave your business can be difficult emotionally, financially and logistically. Start early, so you'll have the time you need to create, finance and execute a successful succession plan.

Estate taxes. The estate tax is still with us. Make time this summer to create or update your estate plan as part of your overall tax-reduction efforts.

College fund. Now that the tax benefits of Section 529 plans have been made permanent, investigate their suitability in building a college fund for your children.

Give us a call at 847-267-9600 to discuss your planning needs. Now is a great time to address any of the points above and more.

Business Strategies for Tough Economic Times

For many organizations, the long shadow cast by stock market turmoil and economic recession has replaced the rosy glow and giddy expansion boom of recent years with a nervous pallor of uncertainty.

Not all businesses are hurting, by any means, but most are feeling at least a bit feverish at the thought of what might continue to be in store. If yours is one of them, here are some strategies to help you navigate through tough economic times.

Listen Before You Cut

Trimming expenses may very well be necessary, but where should you cut? Before you decide, form a cost reduction task force. Larger organizations may need to appoint a formal committee for this, but most businesses can accomplish the same thing just by really listening to employees. The people in the trenches know where the fat is. Ask them.

By doing so, you'll not only discover cost-cutting measures you hadn't even thought of, you'll also achieve more buy-in for belt tightening. Dieting is, after all, always easier if we at least get to help choose the menu.

Apply the Customer Value Rule

When deciding which overhead costs to trim; another valuable tip is that the rule for overhead is to apply the question: "Does it add customer value?" If it does, think twice before you swing that knife.

Instead, get aggressive about improving your purchasing procedures. Make better buying decisions in all areas of your operation. Get new bids from suppliers, change vendors if necessary, barter, and consider banding together with other businesses to make cost-saving bulk purchases.

Fix the Leaks

When times are good, it's easy to overlook the problems caused by letting things slide. If invoices aren't done on time, if data entry gets behind, so what? When cash flow is sufficient, the income leaks these practices create just seem like trickles. It's not until times get tight that we realize we've actually created gushers. Can you really afford not to fix the leaks?

Consider Outsourcing

Are there tasks that could be accomplished more cost effectively by outsiders? Could outsourcing free up more of your staff's time for mission-enhancing activities? Is there an income stream you're missing out on because you don't have enough people to market/operate it? It's time to take a look at new possibilities.

Remove the Blocks

Most organizations have layers of bureaucracy that impede the flow of ideas and slow down the approval process. If yours is one of them, remove as many of those blocks as you can so that your organization is able to react quickly when new developments or changing trends warrant.

Get Out of the Bunker

If you're not already doing it, this is the time when you must get out from behind the desk and concentrate on building and nurturing relationships. Meet face to face with important customers and your business advisors, become active in community groups,

cultivate new contacts -- and network with local business people. Hearing the strategies they're using to cope may help you develop even more of your own.

Step Up Marketing, Don't Cut It

Marketing is often the first thing to be cut when money gets tight. But that's a mistake. This is the time when you need to increase your marketing efforts, not eliminate them. Instead, put your money where it counts. Spend your money on results-oriented marketing materials, not image building. Four-color brochures, expensive annual reports, elegant stationery and dazzling store packaging are great for building your image -- and for draining your recession-era budget. When dollars are tight, it's more important to concentrate on creativity and effective calls to action. And while you're at it, consider doing rack cards instead of brochures and using more postcards and self-mailers.

"When You Run Out of Red, Use Blue"

Pablo Picasso had the right idea. There are always solutions -- even in tough economic times. The trick to finding them is being willing to look for them, and being flexible enough to adopt them when you do.

Contact us to discuss your business performance, cash flow, cost controls and other strategies that can benefit your bottom line results.

Your Referrals are Appreciated

We appreciate your business and we appreciate your referrals. The best measure of your satisfaction with our services is your confidence in referring us to others. Thank you!

Disclaimer: This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation. For further details on any article, please contact us at 847.267.9600.