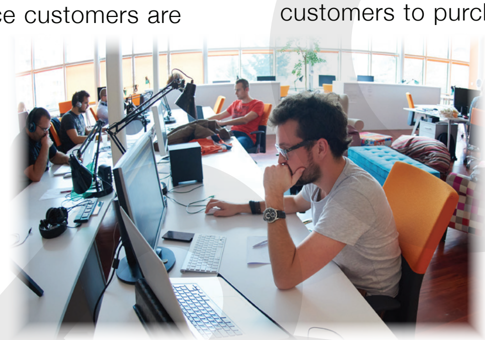
LET'S TALK
MONEY®
July/August 2023

Help Your Startup Weather Record-high Inflation

Costs go up and sales go down. That's the double whammy of inflation. When prices of the items you need to run your business increase, profit margins decrease, leaving a business owner in a precarious position. Here are steps you can take that may help maintain profits.

Adjust Pricing

If your costs are greater than your revenue, you may have no choice but to increase prices. Consider raising regular prices, while offering sales and promotions that attract customers and boost your profits. Bundling related products at a small discount can also be profitable, since customers are spending more to get a bargain.



Renegotiate Terms

Ask vendors for longer repayment terms so you can hold onto your cash for as long as possible. Manage cash flow on your end by sending out invoices quickly to customers and making the payment period shorter.

Cut Expenses

Reducing costs is a sure way to increase profit margins. Downsize your office space and/or have employees work remotely if your business isn't customer-facing. If you need to maintain your physical space, try negotiating lower rent and look for ways to cut utility costs. Shop around for less expensive vendors and service providers or negotiate pricing with those you currently use. Looking at all costs line by line may help you find significant savings across the board.

Add Product Lines

Introducing new products that complement the ones you're already offering can bring in new customers and encourage current customers to purchase additional items. Consider featuring a subscription service that allows customers to get a discount on products or services they buy or use frequently.

Promote Loyalty

When it comes to purchasing goods or services, customers have a lot of options. A loyalty program that rewards them for their purchases can keep customers coming back to you. Loyalty programs also can attract new customers and give you an edge over your competition.

Keep in Touch

Maintain a database with contact information for people who use your products or services. Sending periodic emails or texts announcing sales and discounts can bring customers to your business with little effort on your part.

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Small Business Version

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Inflation and Your Tax Bill

Inflation is measured by changes over time in the price of a fixed basket of goods and services that represent the everyday purchases of U.S. households. Each year, the IRS makes adjustments for inflation to certain items used to prepare your income tax return.

These items include income-tax brackets, standard deductions, capital gains income thresholds, the earned income tax credit, and retirement plan and IRA contribution limits, among others. All are adjusted to reflect inflation during the previous year, based on the Chained Consumer Price Index for All Urban Consumers (Chained CPI-U).

But some items that can have an impact on your tax bill are not adjusted for inflation.

Social Security Benefits

Although Social Security benefits generally receive a cost-of-living adjustment each year, the income thresholds at which benefits are taxed have remained the same: $25,000 for single filers and $32,000 for married taxpayers filing jointly. Depending on your income, up to 85% of your benefits could be taxed.

Home Sale Tax Exclusion

The amount of gain on a home sale that can be excluded from tax remains at $250,000 for single filers and $500,000 for married joint filers, despite increases in housing prices. You must have lived in your home for at least two of the last five years before the sale to claim the exclusion and haven't claimed an exclusion in the previous two years.

Surtax on Investment Income for High Income Individuals

A surcharge of 3.8% on net investment income, such as dividends, interest, and capital gain, applies to single filers with modified AGI over $200,000, and married joint filers with modified AGI over $250,000. In addition, the 0.9% surtax on earned income, including wages and self-employment income, is not inflation adjusted.

Your tax professional can help you make the most of any deductions and credits you may qualify for that can lower your tax bill.

A Financial Wellness Checkup

How are your finances doing? If you're not sure, it may be time to take steps to assess your financial health.

Find your net worth. Net worth is what you own — savings, investments, cars, property, valuables — minus what you owe — loans, credit card balances, car payments, mortgage, etc. The result is your net worth.

Review your budget. See where your money is going and make adjustments.

Start an emergency fund. Set aside money from each paycheck for unexpected expenses.

Contribute to a retirement plan. Join an employer's plan or open an IRA.

Don't Put Off "The Talk"

How much have your parents shared with you about their finances and estate plan? It's a difficult subject for most families. Parents often don't want to discuss their personal finances, and adult children may be reluctant to initiate the conversation. Even when parents are active and in good health, it's important for children to have information about their financial situation and the plans they have in place.

A Beginning

Although not a comprehensive list, parents should share the following information with their adult children:

- Estate planning documents, including wills, powers of attorney for finances and health care, and any trusts they've created
- Names, contact information and account numbers for financial institutions, brokerage firms and insurance companies
- Information on retirement and investment accounts, pensions and annuities
- Contact information for their attorney, financial advisor and accountant/tax preparer
- Loans or other outstanding debts
- A list of credit cards with account numbers
- Location of safe deposit box and keys
- Logins and passwords for all accounts (including social media)
- Vehicle titles/registration/insurance
- Location of deeds to property and cemetery plots
- Funeral arrangements and/or final wishes

It's Time to Ask

When parents aren't forthcoming about their situation, adult children may have to take the first step. Framing the discussion around something you're doing, such as making your own will or designating a power of attorney, can get the conversation started. Asking their advice on some aspect of finances or investing may encourage parents to share their financial information.

Assess Their Abilities

Keeping in touch with parents is the best way for adult children to pick up on any decline in their ability to handle their finances. If you're concerned, offer to help with financial tasks, such as banking, investing and paying bills. Monitoring their accounts online can help protect them from fraud and scammers.

Understanding APR

If you apply for a loan or open a savings or investment account that pays interest, the documents you sign will include the annual percentage rate, or APR. APR is the yearly interest rate charged for borrowing money or the annual interest rate earned on an investment.

The APR offered to a borrower will depend on several factors, including competing rates offered in the market, the prime rate set by the central bank, and the borrower's credit score. Typically, borrowers with the highest credit scores are offered the best rates.

APR may be fixed or variable. A fixed APR loan has an interest rate that's guaranteed not to change over the term of the loan. A variable APR may change at any time. Lenders may charge different rates for purchases, balance transfers and cash advances.

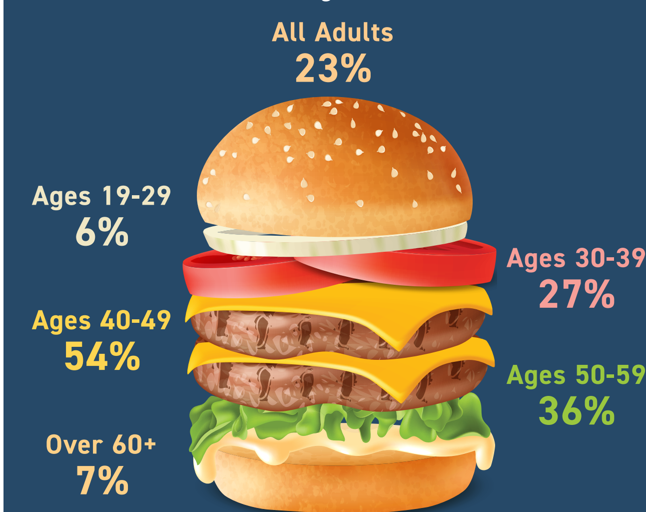
Consumers can use APR to compare lenders, credit cards or investment products. Do your research to find the best rates.

Welcome to the Sandwich Generation

Approximately one quarter of U.S. adults are members of the "sandwich generation" — individuals who have parents older than 65 and who either are raising at least one child younger than 18 or have provided financial support to an adult child.* Adults in their 40s are the most likely to be part of the sandwich generation.

THE SANDWICH GENERATION

(Percentage of adults)



*Source: Pew Research Center, Survey of U.S. adults conducted October 18-24, 2021

TAX PLANNING

Takes a Village

A successful business requires planning, so when it comes to determining your business's income taxes, tax planning can help make the most of deductions and potentially lower your tax bill. By assembling a team of tax, legal and financial professionals, you may be able to create tax strategies that can reduce what you owe.

Tax Planning Goals

The goal of tax planning is to find effective strategies that minimize risk and save your business money. It is important to the process to know how much you earn, the amount you typically owe in taxes and which of your business's expenses are deductible. From there, you can define specific goals, such as preserving working capital, expanding your business's capacity, etc.

Meet with Your Accountant

Meeting with the accountant who prepares and files tax paperwork for your business is a good place to begin developing a plan. Discuss whether your CPA has the resources and expertise to create a plan that can position your business to take advantage of all tax code benefits available to you. If your CPA is unable to do this, he or she may be able to recommend other professionals who can help you design a plan. An accountant who specializes in tax planning can work with you to protect assets and build wealth outside of your company.

Where Does Your Business Stand?

Organizing your records and ensuring they are up to date is an essential precursor to tax planning. Be certain you know your business's current net profit and confirm that your administrative staff can provide your tax accountant with financial information, such as cash flow and reserves.

Include Your Financial Professional

Integrating your personal financial goals with your goals for your business can ensure that your tax planning strategy does double duty. Your financial professional will add another layer of knowledge to the process, since your financial plan already may include tax strategies that will complement your business tax planning.

Worth the Cost

The money you spend on tax planning should deliver savings that far outweigh the expense and offer a good return on your investment. A bonus: the cost is deductible as a business expense.

We Value Your Input...

Your feedback is very important to us. If you have any questions about the subjects covered here, or suggestions for future issues, please don't hesitate to call. You'll find our number on the front of this newsletter. It's always a pleasure to hear from you.

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ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

March 21, 2023

Reference: **FR2023-0310-0152/E**
Link Reference : FR2022-1228-0080

Org Id: 23568

1. Let's Talk Money Newsletter - July/Aug 2023 Business

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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