

The Warner Write-Up

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by Warner & Company, Certified Public Accountants

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BE PARANOID ABOUT YOUR TAX RETURN ~

“Then we can do the best job for you,” says Linda Streb

More than one presidential appointee has had to withdraw in recent months because of tax problems they could have avoided, says *NY Times* columnist Ron Lieber. “Adopting a conservative, even paranoid, approach, will improve your chances of avoiding these problems.... It might also help you sleep better.”

Warner & Company tax manager Linda Streb agrees. “We pride ourselves on having a minimum of three people – a staff accountant, a senior accountant or manager, and finally one of our partners – review and sign off on every return. Tax forms are never prepared by just one person. But we can only work with what we are told.”

In January, Streb points out, Warner’s clients receive a Tax Organizer, which includes your comparison figures from the previous year. Filling out the organizer, adding details in the spaces provided, stimulates thinking about personal finances. “But you’ve got to keep good records all year. The IRS has become more stringent about proof of deductions. You need a system that works for you, with folders for medical expenses, property taxes, charitable contributions. If you paid for education credits this year, or you own a rental property, make folders for these expenses as well.

“We encourage clients to come in for a tax conference sometime after tax season, so we can help with tax planning for next year. Will you be buying or selling real estate? Are there management fees and unit insurance on your rental property? Do you pay a nanny, a housekeeper, or a home health aide? Are you eligible to contribute to a tax-deductible IRA? Should you sell that summer home at the shore for income, or keep it to leave to your heirs? Every

financial decision you make will have tax consequences, and could change your tax picture for years to come.”

“The tax code is complicated enough that many, perhaps most returns contain some sort of flub,” states columnist Lieber. “Don’t start in March. Cramming all your thinking about taxes into a few weeks of the year is a recipe for errors.” And Cindy Hockenberry, research coordinator with the National Association of Tax Professionals, adds, “Sometimes a light bulb goes off and you realize you forgot all about that bank account that paid interest.” Remembering this after your return is filed, however, means corrections requiring more paperwork, time, and expense.

“Our goal at Warner’s is that each person who comes in the door pays what they are required by law to pay,” Streb says. “Unlike some tax preparers, we don’t guarantee you a refund, but we’ll do whatever we can to make your tax life easier. Also, if you’re called in for an audit, we can go with you. Our fees are deductible. And we find that, more often than not, our clients win out.”

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FOR BETTER OR FOR WORSE

Lynn Johnston



ARE YOU A WARNER WORD WHIZ?



*Pick Out
A Car!*

Auto manufacturers worldwide are struggling. In the interest of encouraging global economic recovery, we invite your help in the effort to save a few famous brands from obscurity.

If you study the sentences below, you'll find ten makes of cars that have been hidden. To offer an upscale example: *Did you see that golfer rarin' to go? There's your Ferrari!*

Send us your answers by May 15th. Our spring Word Whiz winner, chosen at random, will receive a certificate for dinner at a local restaurant.

1. Sailing was rough on days like this, when the wind was unusually high.
2. The resort offers a pool, tennis, sandy beaches, and delicious food.
3. Barely ahead of King Leopold's mob, I leaped the fence and escaped.
4. We'll be okay if orders come through soon.
5. Engineers slowly gave the new sub a run-through to test its complicated control system.
6. Of course little Alex uses all sorts of excuses to stay up later.
7. She didn't sing at all – she simply mouthed the words.
8. I remember when Marlon Brando'd get Oscar nominations year after year.
9. I'm walking around in a stupor – scheduling has been crazy.
10. His friend Alan drove really, really fast.

✦ **Congratulations to our winter Warner Word Whiz, Steve Brangs, of Newark, Delaware!**

ANSWERS to "Find the CPAs!" in our fall issue: 1. CARE packages; 2. Candlestick Park; 3. Carolina Panthers; 4. Combat pay; 5. Canoe paddles; 6. Cabbage Patch; 7. Cake pan; 8. Control panel; 9. Carbon paper; 10. Completed pass.

➔ *Just in case you still think death and taxes are sure things ~ in Ohio, applying make-up in a beauty salon incurs sales tax, but if you're dead, applying make-up in a mortuary is tax-free!*

MONEY TROUBLES? WHAT TO TELL THE KIDS

In a recession economy, it's more important than ever to teach your kids about finances. Studies indicate parents are twice as likely to show their children how to do laundry as they are to help them learn money skills.

"Parents generally don't want to bother their kids with their whole money situation," says Elisabeth Donati, who runs camps and programs to teach children -- and parents -- about money. "Then parents wonder why, when their kids leave home with a checkbook and credit card, they have no idea how to handle either one."

But how much should we tell them about the gloom and doom? And how can we prepare them to face some scary economic monsters in the closet when they grow up? A recent MSN Money article offers suggestions from a variety of experts. We've pulled out a few.

- * **Show** children, from the time they begin elementary school, regular bills you receive that must be paid.
- * **Explain** how credit works, and that if you borrow money, there's risk and liability: you have to pay interest.
- * **Involve** kids in family finances; they can learn to spot specials on groceries and other necessities, and to lower energy bills by turning off lights and appliances.
- * **Tell** kids that in order to go on a vacation, they'll need to help save, and ask: What can this family do without?
- * **Demonstrate** your own job, if possible, with visits. or a special "Take Your Child to Work Day," to show what it takes to generate an income.
- * **Search** for creative ways to teach money skills. Dan Henderson, CEO of Summit Products, a toy company, gave his children their allowances by check; they learned the system, and also that they had spending limits.
- * **Challenge** your kids from an early age to find ways to earn money – on this all the experts agree. What does your child love to do? A young musician might tutor others; a cook can become the neighborhood supplier of fresh chocolate chip cookies; baby-sitters who are responsible will always be in demand.
- * **Encourage** entrepreneurship. "Some of the most profitable times for entrepreneurial businesses come when the economy is in a slump," says Gabe Graumann, who writes a financial-coaching blog. "That's when the market is looking for new ideas, and you have an opportunity to create a new niche." For example, if your child earns spending money cleaning your office, that experience might grow into a local cleaning service.
- * **Sit down** with your kids, from their earliest teens, to devise ways to save for that vital college fund.
- * **And in the end, be sure** children learn to set aside some money they want to share, says Jim Del Favero, a manager at Quicken software. "This teaches them the important lesson of giving back to the community."

BITS AND BYTES

All kinds of e-mail scams are on the rise.

And this year the tactic topping the IRS list of their "Dirty Dozen" schemes is "phishing." Thieves use this e-mail scam to trick victims into revealing personal information. Criminals then use the information to empty bank accounts, run up credit card charges, and apply for loans in their victims' names. Phishing scams usually appear on e-mails that seem to come from a legitimate source, and often they claim to come from the IRS.

Taxpayers need to know that the IRS NEVER uses e-mail to contact them about their tax issues. If you do receive unsolicited e-mail on a letterhead supposedly from the IRS, you should forward it to a special electronic mailbox, phishing@irs.gov. At last count, more than 33,000 taxpayers had forwarded these scam e-mails. Obviously, countless others are out there.

There is only one official IRS web site: www.irs.gov. For more information, you can request an article titled "How to Protect Yourself from Suspicious E-Mails or Phishing Schemes."

When your family's moving to a new area

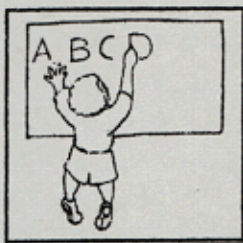
and you're searching for a home, a top item on your list of requirements is likely to be "Good Schools." A real estate professional can be helpful here. And to get more details on the quality of the school system in your next home town, here are some suggestions.

1. Use the Internet. The Department of Education in each state, as well as independent web sites such as schoolmatters.com and greatschools.net, will provide statistics and background on school districts, as well as criteria to compare schools.

2. Make sure to see the big picture. Look at student-to-teacher ratios, test scores, and the percentage of students who go on to higher education. Also look at sports programs, the value placed on the arts, and the strength of extra-curricular activities. A district that emphasizes education *and* creating a well-rounded student is always a better system.

3. Once you've narrowed your search, try to visit both the town and its schools. No phone conversation or online ranking can replace the feeling you get from walking into a school and experiencing its students, teachers, and faculty. By calling the superintendent or principal, you can usually arrange a tour.

4. If you love a certain area but find its schools fall short of your expectations, research area parochial and private schools as well. They may offer the alternative you seek.



➔ **When you want to breed your thoroughbred horse in Kentucky, keep in mind there's a 6% sales tax on the stud fee. Says one breeder, "You wouldn't believe how many \$500,000 checks I send back for that \$30,000!"**

Who gives the best financial advice? In

today's volatile world of money management, a new survey by TD Ameritrade provides Stephen Warner, president of Warner Financial Services LLC, three reasons to feel encouraged. He explains.

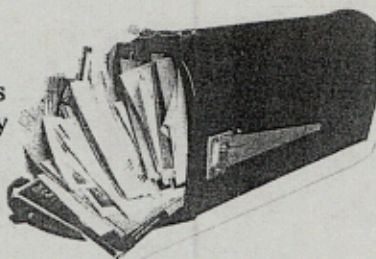
"Thirty-eight percent of Americans say independent financial advisers – that's us – can provide the best advice about finances," says Warner. "Friends and family came in second, at 24% (and for many clients, we do qualify as longtime friends), while 18% voted for #3, accountants, which of course we are. Americans, by a large majority, said they'd prefer taking advice from someone who is paid a flat fee rather than someone who is paid a commission for selling products."

As a Registered Investment Adviser, Warner can offer trained assistance in surveying your total financial situation, for a flat fee. If you need help navigating your money situation, give us a call.

Want to de-clutter your mailbox? All those

catalogs and credit card offers kill a lot of trees, says Jeremy Caplan in TIME.

"The average American gets 40 pounds of junk mail every year, or about 18 pieces of junk mail for every personal letter.... Paper spam takes about 100 million trees a



year, most of it ending up – unopened -- in a landfill."

So far 19 states have debated Do Not Mail proposals, modeled on the successful Do Not Call Registry. But none has passed. Marketers pour millions of dollars – and lobbying savvy – into manipulating our mail, simply because "Mail works," says Don McKenzie, CEO of marketing firm Direct Group. "It's one of the best advertising methods out there." Sales from direct mail are currently estimated at \$646 billion a year.

To combat your own mailbox mess, you'll need to take charge. More than a million people have signed up for CatalogChoice.org, a free service. You tell the nonprofit which catalogs you want to stop getting, and the site contacts mailers on your behalf. ProQuo.com, another free service, will also let you opt out of credit card solicitations, Valpak coupons, sweepstakes announcements, and other mailings Caplan refers to as "postal plaque."

If you're willing to pay \$20 annually, GreenDimes.com pledges to reduce your junk mail 90% within 90 days, by pulling your name off a broad range of lists, and to follow up monthly, to make sure you stay off those lists. Incidentally, ProQuo.com says they plan to generate ad revenue by letting consumers specify the kinds of offers they actually want to receive.

Amazingly good idea, we think.

PERSONAL NOTES

On a recent Sunday afternoon -- not surprisingly during tax season -- there was lots going on at Warner & Company. **Michael Warner** had skipped lunch. He put a popcorn bag into the new microwave in our upstairs kitchenette, pushed the button, and briefly left the room. When he returned and opened the oven, smoke poured out (with an evil smell that lasted two days) and set off the fire alarm, bringing a visit from both the fire company and the police department. Our retired founder **John Warner**, who turns 85 in May, learned of this on his police scanner; fortunately, he got a quick phone call from **Michael**, and did not have another heart attack. Now that the smoke has cleared, **Michael** offers a moral: "Don't EVER leave popcorn unattended." ... **Peggy Scheule** has recovered from a skiing injury and is back on her bike; she reports spring weather has brought our **Warner's Wheelers** out in force, training for the MS City-to-Shore ride on October 3-4. In-house fundraisers continue, including a delicious breakfast chaired by **Lorran Earnest** and **Betsey Andrews**. Among the 50 teams registered so far, we are currently fundraising in 6th place, with over \$3,000. Two new team members are our IT Manager **Jan Kosior** and Woodstown Mayor **Rick Pfeffer**. Last year **David Wirth** received our "Iron Man" award for completing 100 miles on an old bike that kept losing its chain, but he won't qualify this fall, since he'll be riding that shiny new model he got for Christmas. (And of course we could have an "Iron Woman"!) We invite readers to join us; you don't need to ride the full distance to be on the team, but you do need to get your application in before registrations reach the cutoff number of 7,000 bicyclists. Volunteers for support jobs are also welcome. ... **Lori Hatch** has been enduring endless smart remarks ever since the tax season phone call when a client, possibly a fan of "Desperate Housewives," asked to speak to **Terri Hatcher**. Lori's job title has now been changed to "Celebrity Accountant." ... Don't forget our third **Spring Shredding Shindig**, on Saturday, May 2, from 11 a.m. to 2 p.m. in our parking lot. Safely disposing of your old piles of paper makes spring-cleaning chores much easier. This year we have a new feature: a second truck will pick up computers, laptops, and monitors, for recycling. Our shindig includes a free lunch. If you haven't already, please call to **RSVP!**

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is published three times a year by Warner & Company, CPAs, for our clients and friends. The content is necessarily abbreviated, and readers should obtain specific professional advice before taking action.

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