

Advantage

Your personal finance edge

March–April | 2021

Mastering your metrics: Why KPIs matter

Stop the pain of payroll | Smart purchases for the pandemic and beyond
Tips for a better tax year | Breaking bread: Recipes to try
Most outrageous purchases ever

Reset and renew this spring

Here we are, with another tax season in full swing. If you've already filed your taxes and received a refund, you'll want to check out our tips for making sure you use it wisely. Plus, if you received a big refund, you'll also want to ensure that your withholding amounts are aligned with your income to avoid giving the government a tax-free loan.

One area of taxation that business owners often struggle with is related to payroll. Beyond payroll taxes, there are many critical payroll compliance issues to make sure your company's on top of to avoid fines or penalties. Check out the article in this issue to make sure you're on track with all aspects of your payroll compliance.

On a brighter note, in this issue of *Advantage* you'll also find some unique recipes that involve breaking bread...and find new ways to use your favorite type of loaf for everything from a salad, to a main dish, to dessert.

We've also included a list of some popular items to purchase during the pandemic—and what to avoid now and in the future. This is good information to help you streamline your budget over the long term—and to be sure you're prepared for future emergencies.

If you still haven't filed your individual taxes, you should be aware that waiting too long may mean you need an extension. Don't forget to factor this into your plans as you work to get your documentation prepared.

Hoping this spring finds you healthy and full of hope,

Your Trusted Advisors

Beyond payroll taxes, there are many critical payroll compliance issues to make sure your company's on top of to avoid fines or penalties.

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Mastering your metrics: *Why KPIs matter*

It's difficult (if not impossible) for business owners to set growth goals when they don't have a clear picture of the business's current financial health. This is where key performance indicators (KPIs) play a major role.

KPIs serve as measurable indicators of a business's successes and failures. A few examples of common KPIs for small businesses include net profit, net profit margin, cash flow, customer lifetime value and conversion rate. When the right KPIs are monitored on a regular basis, it provides an overview of how the business is performing at any given time.

This level of insight better enables owners to proactively correct issues and adjust goals and objectives as needed throughout the year. Overall, KPIs can help keep your business on track and uncover initiatives and areas of operation where your efforts are paying off (or not).

Mastering key metrics...

To help you master the metrics that matter for your business, the following offers details on five common KPIs to track:

Net profit

To start out with a simple KPI, commit to tracking your net profit over time. Analyze the data to find out if your company is showing more or less profit year to year. Net profit is calculated as follows: **Revenue - Expenses.**

Be clear that your net profit will not continuously go up. Keep in mind the times when you've reinvested in the business, experienced seasonal sale slumps and/or turbulence in

the economy. Overall, the goal is to track profit and help identify if you're earning more than you spend.

Net profit margin

Net profit margin measures the profitability of your business and is also an indicator of how well revenue is being used. It's a measure of how much profit your business makes from the revenue it earns. The formula to calculate net profit margin is: **Net Profit / Revenue.**

To further clarify, consider the following example: Your business has \$200,000 in revenue during the year and a net profit of \$50,000, making your profit margin 25 percent. That means for every dollar earned, the business keeps \$0.25. Comparing net profit margin year over year helps you see if an increase in revenue increases profit at the same rate.

Cash flow

Cash is the lifeblood of any enterprise. Maintaining a healthy cash flow ensures that a business can pay common expenses such as salaries, utilities and taxes while also having funds to put toward growth and business expansion. As a result, tracking this common KPI is critical to business success because it allows you to better plan for large expenditures, keep spending in check, and offer lenders a clear picture of the business's financial health should you need to apply for a loan. *(Read more on cash flow management in the "Cash is king" article published in our November-December 2020 issue of the magazine.)*

Customer lifetime value

This KPI answers the question of how much a customer is worth. It's an important metric to

monitor because it helps guide you on properly allocating funds to areas like sales and marketing. For example, if you know that an average customer is worth \$500, you'll want to ensure that the cost to acquire the customer is well below that.

For companies that work with customers on a retainer model, this is a much easier KPI to track. For those who work with clients on a per-project or per-purchase basis, it can be tricky to track this KPI properly. This is where seeking the advice of an accounting professional can help.

Conversion rate

This common metric measures the number of prospects who actually convert to customers. There are many ways to measure conversion rate, depending on your business model. Here are a few examples:

- **Online store**— Measure conversion rate by identifying all customers who made a purchase in the last 30 days compared to the number of visitors to your online store. If you had 400 purchases and 10,000 unique visitors in a month, your conversion rate would be 4 percent.

- **Agency**— If the business pitches to 10 prospects within 30 days and converts three to clients, the conversion rate is 30 percent.

Tracking this metric over time helps uncover potential issues in your sales and marketing efforts that could be hindering client conversions.

These are just a few examples of KPIs, which can be adjusted by your specific business needs or by industry. When you master the metrics that matter, you set your business up to grow and thrive. To learn more about the KPIs important to your organization, contact our firm today. ■

Stop the pain of payroll

Is your company struggling to streamline your payroll operations? Have you been assessed penalties by regulatory authorities for payroll tax or compliance mistakes? If so, never fear. Help is here! The tips below will help you identify the most common pain points of payroll and rectify them before you (or your employees) experience negative consequences as a result.

■ Avoid missing tax form submissions

As an employer, you're responsible for taking out the appropriate payroll tax amount for each employee. However, this is one of the most common areas where businesses falter as they miss deadlines or forget to submit tax paperwork. You must complete Form 940, Form 941, W-2s and 1099s for each employee and third-party contractor. The IRS can slap your business with hefty fines and/or penalties for missing deadlines or failing to submit your payroll forms.

Another common pain point when filing these payroll tax returns is the timing. As a business owner, you must remember which forms to file and when. For example, you must file Form 941 on a quarterly basis, while Form 940 and W-2s require once-a-year submission.

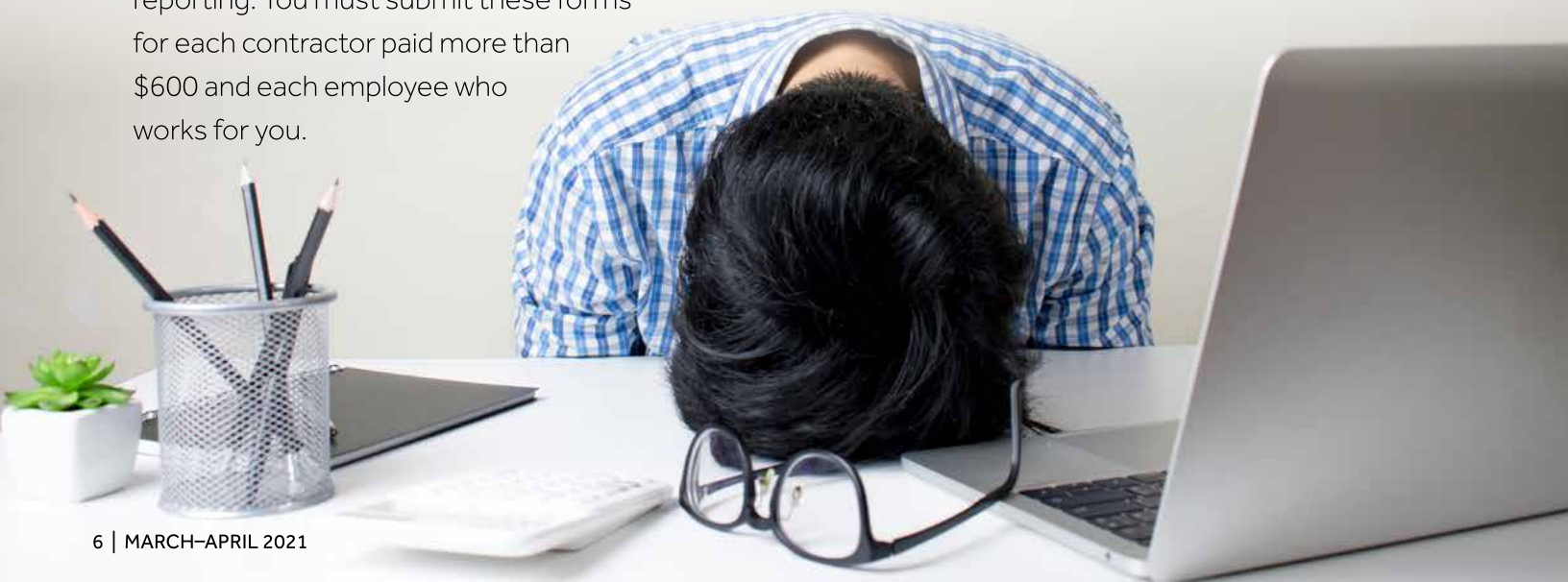
W-2s and 1099 forms are for year-end tax reporting. You must submit these forms for each contractor paid more than \$600 and each employee who works for you.

■ Don't misclassify employees

If your company hires a mix of temporary, permanent, consultant and contracted employees, you must determine the correct classification for every single person working in your company. This will help you report the right payroll information and tax documents for each employee.

For example, the Fair Labor Standards Act (FLSA) offers protections and benefits such as minimum wages and overtime pay for most employees. These are considered non-exempt employees. Independently contracted employees don't have access to these benefits, so they're known as exempt employees.

You must classify each of your employees as exempt or non-exempt. Misclassification can deprive them of the benefits and wages they deserve. Most importantly, you may be



penalized by the government for overpayment or underpayment due to this payroll error.

■ **Be careful not to miscalculate overtime**

While you may know that overtime pay is 1.5 times an employee's regular rate, don't make the classic mistake of forgetting to include other forms of benefits, compensations, bonuses and commissions when calculating overtime rates. Overtime pay errors can result in fines and back pay. Moreover, you may find your business facing legal actions for underpaying your staff.

■ **Don't miss tax deposit deadlines**

This is as important as filing your tax return: Don't forget to make your payroll tax deposits, such as Federal Insurance Contributions Act (FICA) taxes, FUTA (Federal Unemployment Tax Act) taxes, or any other income taxes. Remember, you must deposit income tax and FICA taxes on a semi-weekly or monthly basis. In order to avoid this error, you can set up an online payment schedule on the Electronic Federal Tax Payment System (EFTPS).

■ **Make sure you tax employee benefits correctly**

Certain benefits are taxable; these are known as fringe benefits. Your business is responsible for withholding appropriate taxes from each paycheck of every eligible employee. To get this right, you must familiarize yourself with every employee benefit your business offers and apply the right taxation code. This is where consulting with a payroll tax professional can really be beneficial, to avoid employee and taxation issues down the road.

■ **Ensure that you report new hires and related paperwork**

Whenever you hire a new employee, it's your responsibility as an employer to complete the

W-4 and I-9 forms. The former is for compliance with the taxation code, and the latter determines the employment classification eligibility of the job applicant. Ask each new hire to complete both forms and update your payroll system once you have all the information you need.

You'll be surprised that many employers forget to follow this procedure partially or completely. If you're found to have not abided by this requirement, you may be subject to serious payroll compliance issues, which could mean legal problems, fines and penalties.

■ **Maintain accurate and complete payroll records**

Did you know your responsibility as an employer for payroll doesn't end when you submit payroll tax information? Failing to maintain adequate payroll and taxation records can create major issues for your organization. For example, if your state tax department or the IRS requests your payroll records and you fail to produce them, you may be subject to fines or even an audit. Therefore, it's a must to maintain full payroll records for all current employees. The IRS recommends retaining all payroll records and summaries for seven years. They also recommend a seven-year retention period for personnel files for terminated employees.

■ **Key payroll takeaways**

Payroll is one of the most critical operations of any business—and frequently one of the largest expenses. It can also define the relationship you have with your workforce. That's why it's imperative to avoid the mistakes and adhere to the requirements outlined above to mitigate the risk of potential penalties and fines. After all, you have so many better things to do with your time than deal with the pain of payroll. ■



Smart purchases for the pandemic and beyond

The pandemic has changed the way we shop and think about our purchasing habits. Here are some smart purchasing strategies you may want to follow even when COVID-19 is no longer a driving force in our daily lives.

Foods rich with antioxidants

Maintaining your health is key during the COVID era. While there are plenty of items you can consume to remain healthy, eating an antioxidant-rich diet should be high on your list. Foods like beans, whole grains, oatmeal, blueberries, sweet potatoes and nuts contain loads of antioxidants and are incredibly shelf

stable. They taste great too, so you can remain healthy without compromising on taste.

Foods available in bulk

Supermarkets offer a wide range of bulk foods that are especially helpful if you're operating on a smaller budget. Items like boxed pasta, dried lentils, beans, canned

sauces and rice have long shelf lives and are relatively inexpensive. Most importantly, these items are healthy if consumed in moderation.

Important kitchen appliances

As you would expect, most people are preparing their meals at home—a cost-effective and convenient option, considering the current situation. Opt for adding functional, durable kitchen appliances so you don't have to worry about being able to prepare meals. Get a new coffee maker, microwave or toaster if your current one isn't working. A simple frying pan, rice cooker, air fryer or cooking pot can also come in handy.

Foods with high vitamin C content

Foods containing vitamin C can significantly boost your immunity. Oranges, pineapples, peaches, lemons and other citrusy fruits contain a fair amount of vitamin C. You can also buy many of these foods in frozen form and store them for several months.

Prescription and over-the-counter medicines

Do you take prescription medications, or do you rely on over-the-counter medications? In either case, be sure you have them handy in your cabinet or drawer. Make sure you stock up—and don't forget to check the medicine's expiration date before you buy. This will help you stay on top of your health conditions, ensuring you don't have to rush to the pharmacy or your local clinic.

Tea, coffee, soup, crackers

Having standard pantry items available at your house is a must. Consider stocking up on boxed/canned soups, cans/bottles of juice, crackers, coffee, tea, etc. They're not only soothing and

easy-to-digest, you can also alternate the items in place of your regular meals if the pandemic has impacted your monthly income.

A water purifier

Sure, bottled water can be convenient and easy to carry, but it also means that you'll need to make frequent trips to your closest supermarket. Why not avoid the hassle and get a water purifier (i.e., a Brita-type pitcher and a stock of filters) instead? You'll save money, have all the pure water you want and won't have to leave your house as often.

Gym equipment

Many gyms are closed these days, but even if the one you go to is open, it may be safer to work out at home. Consider investing in gym equipment if you have the budget—barbells, dumbbells, even a treadmill or exercise bike—to avoid leaving the house while keeping fit at home.

Ergonomic furniture

Furniture may not be at the top of your "Things to buy" list, but it's worth considering if you have the budget. Ergonomically designed chairs and desks can offer you a lot of comfort while relaxing or working at home. They're an excellent long-term investment and will provide value for your money even after the pandemic.

Final thoughts

Among the many things we've learned over the past year is that it pays to be prepared. Whether the pandemic lockdown rules become stricter, another unforeseen circumstance rears its head or you'd just like to live your life with fewer inconveniences, it may be worthwhile to consider some of the smart purchases we've mentioned above. ■

Tips for a better tax year



Have you filed your 2020 taxes yet? If not, use this list to make the most of the new tax advantages for this filing year. Our firm can also help you maximize potential tax savings, but don't delay if you need help or an extension on your tax filing:

① Simplified charitable deductions

The CARES Act provided an incentive to help those in greater need by making it easier to get a tax break for charitable donations made during 2020. For the 2020 tax year, the IRS allows a write-off of up to \$300 in cash contributions to a qualified charity, even if you take the standard deduction.

② Additional Economic Impact Payment funds

If you did not receive the full amount of the stimulus payments for which you're eligible,

you could potentially receive the funds you qualify for by completing a separate worksheet on your tax return with instructions for calculating any outstanding amount owed. The IRS advises filers to only fill out this portion of their return if they received less than the maximum payment amount.

As a reminder, for the first stimulus check single filers and heads of household could have received up to \$1,200, plus \$500 for each qualifying child (a person under age 17 who is claimed as a dependent). Married joint filers could have received up to

\$2,400, plus \$500 for each qualifying child. The amounts were halved for the second stimulus check, with single filers and heads of household getting up to \$600 and married joint filers receiving up to \$1,200. The qualifying child payment increased to \$600.

Anyone who received the first or second payment should also receive a letter in the mail—Notice 1444 for the first payment and Notice 1444-B for the second—stating the exact amount.

If your family had a baby in 2020, you may be able to claim the additional \$500 for a qualifying child (or \$600 for the second round of stimulus), even if you received the maximum payment as an individual or couple. Additionally, the second round of stimulus allows mixed-status families—where only one spouse has a work-eligible Social Security number—to be eligible for single and qualifying child payments. The rule is retroactive to the first round of stimulus as well.

3 Tax rates haven't gone up for the 2020 tax year

However, income tax brackets typically rise every year due to inflation. The brackets below have been raised slightly, so you could find yourself paying more taxes this year even if your income didn't change.

- The first \$9,875 of income (or less) is taxed at 10%.
- Income amounts greater than \$9,875 but not more than \$40,125 are taxed at 12%.
- Income amounts greater than \$40,125 but not more than \$85,525 are taxed at 22%.
- Income amounts greater than \$85,525 but not more than \$163,300 are taxed at 24%.
- Income amounts greater than \$163,300 but not more than \$207,350 are taxed at 32%.

- Income amounts greater than \$207,350 but not more than \$518,400 are taxed at 35%.
- Any income over \$518,400 is taxed at 37%.

4 Higher standard deductions

You can either take the standard deduction to reduce your tax bill or itemize your deductions if they'll add up to more savings than the standard deduction. For most taxpayers, the standard deduction is the better deal. These are the standard deduction amounts applicable this year:

- Single: \$12,400, up \$200 from 2019.
- Married filing jointly: \$24,800, up \$400 from 2019.
- Married filing separately: \$12,400, up \$200 from 2019.
- Head of household: \$18,650, up \$300 from 2019.

5 Higher income limits for the saver's credit

The saver's credit helps low- and medium-income taxpayers save for retirement by providing a tidy tax credit when you contribute to retirement accounts including 401(k)s and IRAs. As in previous years, the IRS increased the income limit for 2020, making the tax credit available to even more people. The new limits are:

- Married filing jointly: \$65,000, up \$1,000.
- Head of household: \$48,750, up \$750.
- All other tax-filing statuses: \$32,500, up \$500.

These are some of the key tax savings for which you may be eligible. If you're just getting ready to file your 2020 taxes now, be sure to consider each situation, and be sure to contact our firm for assistance if needed. ■



Breaking bread: Recipes to try

Do you have stale bread? Too much bread? Or maybe you just really love a good loaf of bread, but you'd like to try something new. Here are three bread-based recipes to try:

Avocado Panzanella

Ingredients

- ¾ lb. mix of ripe tomatoes
- 1 garlic clove, crushed
- 1½ tbsp. capers, drained and rinsed
- 1 ripe avocado, stoned, peeled and chopped
- 1 small red onion, very thinly sliced
- 6 oz. ciabatta or crusty loaf of bread
- 4 tbsp. extra virgin olive oil
- 2 tbsp. red wine vinegar
- Small handful basil leaves



To prepare

STEP 1

Halve or roughly chop the tomatoes (depending on size) and put them in a bowl. Season well and add the garlic, capers, avocado and onion, and mix well. Set aside for 10 minutes.

STEP 2

Meanwhile, tear or slice the ciabatta into a little more than 1-inch chunks and place in a large serving bowl or on a platter. Drizzle with half the olive oil, half the vinegar and add some seasoning. When ready to serve, pour over the tomatoes and any juices. Scatter with the basil leaves and drizzle over the remaining oil and vinegar. Give it a final stir and serve immediately.

Tomato and Cheese Bread Bake

Ingredients

- 1 tbsp. butter, plus extra for greasing
- 8 oz. crusty white bread, torn into chunks (all the better if it's a few days old)
- 2 leeks, thinly sliced
- 2 garlic cloves, finely chopped
- 4 oz. cherry tomatoes, halved
- 4 eggs
- 1/3 c. milk
- 1/3 c. sharp cheddar, grated
- Ketchup, for serving (optional)



To prepare

STEP 1

Heat oven to 350°F. Grease a baking dish and fill with the torn bread. Heat the butter in a large pan until it starts to foam. Add the leeks and garlic, and cook over a medium heat for 5 minutes, stirring as you go. Spoon softened leek mixture over the bread and top with cherry tomatoes.

STEP 2

Beat together the eggs, milk and cheddar. Season, then pour over the bread and bake for 15-20 minutes until golden and puffy. Serve with ketchup if desired.

Fruity Bread Pudding

Ingredients

- 8 oz. white or brown bread
- 1lb., 2 oz. mixed dried fruit
- 2 oz. mixed peel (aka candied fruit peel)
- 1½ tbsp. allspice
- 2 c. milk
- 2 large eggs, beaten
- 1 c. light brown sugar
- Zest of 1 lemon (optional)
- 3 tbsp. butter, melted
- 2 tbsp. brown sugar



To prepare

STEP 1

Tear bread into a large mixing bowl and add mixed dried fruit, mixed peel and 1½ tbsp. allspice.

STEP 2

Pour in milk, then stir or scrunch through your fingers to mix everything well and completely break up the bread.

STEP 3

Add 2 beaten large eggs, sugar and zest of 1 lemon, if using. Stir well, then set aside for 15 minutes to soak.

STEP 4

Heat oven to 350°F. Butter and line the base of a 9-inch non-stick square cake pan (do not use a springform pan with a removable base).

STEP 5

Stir the melted butter into the pudding mixture, tip into the pan, then scatter with brown sugar.

STEP 6

Bake for 1½ hours until firm and golden, covering with foil if it starts to brown too much. Turn out of the pan. Cut into squares and serve warm.



Most outrageous purchases ever

Are you working on your household budget and feeling like you should reduce your expenses? Put it all in perspective... by considering these most expensive purchases ever!

Q: How much did the most expensive toilet seat cover sell for?

A: A toilet seat cover that belonged to Bill Wyman, original bassist of the Rolling Stones, sold at auction for \$1,152 in September 2020. It's thought to be the record for such an item. The bright yellow cover, which features the band's infamous tongue and lips logo, was sold by Wyman himself as part of an auction of more than 1,000 pieces of memorabilia from his days in the band.

Q: The most expensive burger is?

A: \$5,000 for the Fleur Burger 5000. This Wagyu beef burger, topped with seared foie gras and truffle shavings, is served at Las Vegas' Fleur restaurant, which is located inside the Mandalay Bay Casino. The burger comes served with a bottle of 1995 Chateau Petrus wine from Bordeaux, which is among the most expensive wines in the world. Now that's quite a mouthful!

Q: Most expensive bottle of wine purchased recently?

A: A \$558,000 bottle of 1945 Romanée-Conti sold at a Sotheby's auction in 2018. Selling for more than 17 times its original estimate, the sale reflects an increasing demand for vintage French wines, especially Burgundy. Only 600 bottles of the 1945 vintage wine were produced.

Q: What is the priciest jewel purchased to date?

A: The spectacular 59.6-carat Pink Star diamond went to the highest bidder for \$71 million in April 2017 at Sotheby's Hong Kong, breaking the record for the most expensive diamond sold at auction. The previous record holder, the famed Oppenheimer Blue, sold for \$50.6 million in 2016.

Q: What is the world's most expensive car worth?

A: A 1963 Ferrari 250 GTO racer made it into the record books in May 2018 when it was purchased at a private sale for a whopping \$70 million by an avid collector. Widely regarded as the ultimate vehicle for the Ferrari connoisseur, the 4153 GT model won the famous Tour de France in 1964 and is one of only 39 built by the Italian auto firm.

Q: What is the most expensive artwork produced by a living artist?

A: Setting the record for the most expensive piece of artwork sold at auction by a living artist, Jeff Koons' Rabbit sculpture sold for \$91.1 million in May 2019. The stainless-steel structure, inspired by a child's inflatable toy, was created by the artist in 1986.

Q: How much is the world's most expensive island?

A: The \$300 million Lanai Island in Hawaii is a \$90,000-per-acre paradise, purchased by Oracle founder Larry Ellison in 2012. Ellison now owns 98% of Lanai, while the remaining 2% is owned by the state.

Q: What is the world's most expensive boat?

A: Roman Abramovich's Eclipse, a 533-foot mega yacht that he bought for \$472 million in 2011. The yacht, which is believed to be worth \$1.5 billion today, boasts 25 luxurious cabins, an onboard nightclub and two swimming pools.

If you're inspired by these buys, there's never a bad time to start socking away more savings to make your own high-ticket purchase in the future! ■

A man in a dark suit and goggles is driving a red go-kart. The go-kart has a black and white checkered stripe on its side and two wheels that are clock faces. The background is a large, faint clock face with numbers and hands, suggesting a sense of urgency and time passing.

Now is the time

The tax deadline is approaching fast—
have you filed yet? Take advantage of
our convenient, paperless process.

But hurry—time is short!