

Advantage

Your personal finance edge

January–February | 2023

Tax season *readiness*

Know your numbers | Income tax in the age of inflation
New challenges, new choices | Roses are red, violets are blue
Gear to get you going

Building a solid financial foundation

As the clock strikes midnight and we're thrust into a new year, hope for a successful year is renewed. We can start the new year with a clean slate and start building a strong foundation for ourselves and for our businesses.

This year, we're starting our Financial Foundations series, which is devoted to the cornerstones of a solid financial strategy for your business. In this issue, we'll talk about the financial indicators you should track to keep a pulse on how your business is doing at all times.

Make sure you're ready for tax season—it'll be here before you know it. With our five proactive tips (hint: one is to get started early), this upcoming season will be your most stress-free yet.

Inflation is at a 40-year high, and we're all feeling it. But fear not—we cover the tax changes you need to know for 2023 and how your personal and business taxes will change due to inflation.

Feeling like a change of pace may be on the horizon? We share the top six signs that you're ready for a new career... or even a new business venture.

You may not be a morning person now, but you could be. Read about the latest gadgets to help you get out of bed and the methods that can keep you energized all day long. And with that extra energy, extend the season of love throughout the year with our fun and quirky vintage-inspired valentines.

Happy New Year!

Your trusted advisors

With our five proactive tips, this upcoming season will be your most stress-free yet.

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Show your loved ones how much you care during the season of love—and beyond—with our cute vintage-inspired valentines.





Tax season readiness

Tax season is right around the corner. Are you ready? It can be a hectic time of year, but don't worry—you'll be well on your way to a stress-free tax season if you follow our five tips.

① Start planning now

It's important to get started early. Don't wait until April 14 to rush to make a tax appointment or file your tax return. Rushing leads to mistakes—like leaving money on the table because you forgot to claim a particular deduction.

If your accountant hasn't provided one already, reach out and request a checklist to ensure you're gathering all required information, including important tax documents and business expenses. Also, don't forget to make your tax planning appointment with your accountant—the earlier, the better.

② Organize and digitize your documents

During the month of January, companies will begin sending out and receiving essential tax documents. Use this time to find the documentation you'll need and start scanning and organizing it. Not only will you be able to recycle the paperwork, but you'll make it easier to organize and submit your documents for tax preparation. Accountants love clients that go digital!

While this list isn't all-inclusive (check with your accountant for exactly what you need), below are the general documents you'll want to prepare for your accountant:

- Income items may include gross receipts from sales or services, interest or dividends from business checking or savings accounts, and other income such as that from rentals, grants, etc.
- Cost of goods sold such as beginning and ending inventory dollar amounts, inventory purchases, and materials and supplies.
- Expenses like advertising, transportation and travel, computer and internet, contract labor, commissions and fees, insurance, interest expenses, and depreciation.
- Other items such as advance payment notices, estimated tax payments, charitable contributions and financial statements (e.g., balance sheet, profit/loss statement, cash flow statement).

3 Know important deadlines

While your tax preparer will provide important tax deadlines, it's also important for you to keep track of them, too. Be sure to check the IRS website for the most accurate and up-to-date information.

General tax deadlines

- January 2023: IRS begins accepting returns
- January 17, 2023: 2022 fourth quarter estimated tax payments due
- April 18, 2023: Tax Day
- October 16, 2023: Late tax filing deadline

Small business tax deadlines

Business structure	Filing deadline	Extension deadline
Sole proprietor	April 18, 2023	October 16, 2023
Partnership	March 15, 2023	September 15, 2023
Multimember LLC	March 15, 2023	September 15, 2023
S corporation	March 15, 2023	September 15, 2023
C corporation	April 18, 2023	October 16, 2023

4 Familiarize yourself with tax credits

Tax laws are constantly changing, which means tax credits are, too. Your accountant will help you navigate through possible credits, but you want to make sure you're aware of those that will help you and your business.

The first place you want to look is the IRS website¹—as it lists a large number of possible business credits you may qualify for to reduce your total tax bill. They can include credits for small business health insurance premiums (Form 8941), employer credit for paid family and medical leave (Form 8994), work opportunity credits (Form 5884), or credit for employer-provided childcare facilities and services (Form 8882), among others.

5 Use your accountant's client portal

Keeping up with paper documents makes tax preparation a bit clunky and unorganized. Be sure to use your accountant's online portal to store and organize your financial documents securely. Doing this will help save you (and your accountant) valuable time during tax prep.

Using a portal streamlines the tax preparation process and gives your accountant easy access to your essential tax information at any time and from anywhere. And many firms use portals that offer you access via a smart device, such as a phone or tablet. Quickly and easily review your tax return and provide an e-signature—all in one place.

The time is now

Before you know it, tax season will be here. Stay as stress-free as can be with these five tips. Our best advice? Get started now and reach out to your accountant with any questions. Here's to a successful tax season in 2023! ■

¹"Business Tax Credits," IRS, November 10, 2022. <https://www.irs.gov/businesses/small-businesses-self-employed/business-tax-credits>



Know your numbers

As a business owner, it's important to know your company's financial health at all times. But it can be overwhelming to decipher financial documents. In our first article of the Financial Foundations series, we've gathered seven financial indicators to track to help you gauge your business progress, guide operational decisions and set goals for long-term success.

The basics of metrics and KPIs

Before we dive into the top financial indicators you should track, let's do a quick review of metrics and KPIs (key performance indicators). Metrics are any quantifiable data that companies monitor to track performance and improvements. They create a baseline so you can compare future numbers to see how performance has changed over time.

KPIs are the key metrics that are important to your business and impact whether your company thrives or struggles. They typically have predetermined goals, which differentiates them from metrics. While metrics and KPIs can be tracked for almost anything, we're going to focus on financials.

1 Operating cash flow

One of the best financial KPIs to track is your operating cash flow. It's the amount of cash your business generates from core operational activities, like providing services, selling and purchasing inventory, and paying staff. Operating cash flow shows whether your business is earning enough to keep operating.

There are two ways to calculate your operating cash flow: direct and indirect. The direct method is simpler but gives you a good idea of your business's profitability, while the indirect method considers factors such as depreciation, accounts receivable and accounts payable.

Direct formula

Operating cash flow = total revenue - operating expenses

Indirect formula

Operating cash flow = net income + noncash expenses ± changes in working capital

2 Cash flow to debt

Keep an eye on your cash flow to ensure you can repay debts with the cash flow-to-debt ratio. This helpful metric will tell you whether you can cover your bills without having to secure additional funds. Be aware that a cash flow-to-debt ratio of less than one is a sign that you won't be able to pay your debts.

Cash flow-to-debt ratio =
(net income + depreciation) ÷ total debt

3 Earnings before interests and taxes (EBIT)

EBIT is used as a profitability measurement of your core business operations by calculating earnings before interest and taxes. It allows you to compare your business to other similar businesses in your industry and see where you're making money.

EBIT = revenue - cost of goods sold -
operating expenses

4 Working capital

The amount of money your business has available to pay for daily functions and short-term debts is your working capital. Assets (e.g., cash, accounts receivable, inventory) and liabilities (e.g., accounts payable, taxes, lines of credit) are considered within this equation.

Working capital = current assets -
current liabilities

5 Accounts receivable turnover

Accounts receivable turnover measures how timely your company is being paid once a sale has been made. If the turnover is high, you want to focus on your accounts receivable process so you can get paid on time and keep your cash flow consistent.

Accounts receivable turnover =
(total outstanding accounts receivable ÷
total sales) × number of days

6 Accounts payable turnover

Do you know how long it takes for your business to pay its bills and invoices? Use the accounts payable metric to see how quickly you're paying your bills. The higher the ratio, the shorter amount of time it takes for you to pay invoices. It's also a good sign for creditors and investors as it's an indicator your business has less debt on its books.

Accounts payable turnover ratio =
average number of days ÷ 365

If you want to convert the turnover to days, use the formula below:

Accounts payable turnover in days =
365 ÷ payable turnover ratio

7 Average customer acquisition cost

Use the average customer acquisition cost to uncover how much your business spends (on average) to add new customers during a certain period of time. This metric accounts for expenses in marketing, payroll, technology and more, and can help you determine whether your business model is sustainable.

Average customer acquisition cost =
(cost of sales + cost of marketing) ÷
new customers acquired

Keep it simple

Before you concern yourself with keeping up with multiple calculations in a spreadsheet, know that there are several financial and accounting applications that will automatically track these numbers for you. Knowing your numbers using metrics and defining KPIs will help your business stay on track toward success. ■

Income tax in the age of inflation



It's no secret that inflation has grown significantly over the last two years. From consumers' pockets to small businesses, its impact has left very few unscathed.

The Inflation Reduction Act recently signed into law includes new and extended tax credits to incentivize businesses and individuals to boost renewable energy usage. Not only that, but due to the rise of inflation, the IRS has shifted income tax brackets, meaning individuals (and businesses) may see savings on federal income tax bills.

Let's review the new tax changes for 2023 and how they—and inflation—could impact your personal and business taxes.

Inflation adjustments

Each year, the government adjusts many elements of its complex tax code to reflect inflation, and this includes standard deductions

and tax brackets. This prevents inflation from causing your income to move into a higher bracket—known as bracket creep. But that's not all. Keep reading to see what adjustments have been made due to inflation.

■ **Tax brackets**

The tax rates for 2023 aren't changing, but the brackets have been adjusted by an increase of about 7% for each type of tax filer to account for inflation.

■ **Standard deductions**

For 2023, standard deductions have increased to \$13,850 for those who file as single or married filing separately (up from \$12,950), \$27,700 for married filing jointly (up from \$25,900), and \$20,800 for head of household

(up from \$19,400). Taxpayers who are at least 65 years old or blind can claim an additional \$1,500 (\$1,850 if claiming single or head of household filing status).

■ **Retirement accounts**

Individuals can contribute an estimated \$6,500 to an individual retirement account, up from \$6,000. If you're over 50, the catch-up contribution of \$1,000 is allowed, but it isn't adjusted for inflation.

■ **Flexible health spending accounts**

For the 2022 tax year, contributions to flexible health spending accounts increased to \$2,850. For the 2023 tax year, contributions will increase to \$3,050.

■ **Health savings accounts**

Contributions for health savings accounts increase to \$3,850 for individuals (up from \$3,650) and \$7,750 (up from \$7,300) for family coverage.

■ **Earned income tax credit (EITC)**

For qualifying taxpayers with three or more children, the EITC has increased from \$6,935 to \$7,430.

■ **Tax-free public transit and parking costs**

For commuters, benefits will rise to a maximum of \$300 a month, up from \$280.

■ **Federal Insurance Contributions Act (FICA)**

The maximum amount of earnings will increase to \$160,200, up from \$147,000, with both employers and employees contributing 6.2% of wages up to that salary threshold.

Healthcare provisions

The Inflation Reduction Act extends the Affordable Care Act premium subsidies (up to \$800) through 2025 and expands program eligibility, which will help save money on health-care costs for employees of small businesses or self-employed individuals.

Research and development (R&D)

The Inflation Reduction Act includes a significant increase in the amount of research and development (R&D) tax credits a small business can use against payroll taxes. Starting after December 31, 2022, the payroll tax credit increases from \$250,000 to \$500,000.

This change incentivizes eligible small businesses (i.e., a business with less than \$5 million in gross receipts in the current tax year and a less than five-year history earning gross receipts) to claim the R&D tax credit, if they aren't already doing so.

Renewable energy and electric vehicles

Clean energy incentives created in the Inflation Reduction Act can impact both individuals and small business owners in several ways.

■ **Energy-efficient buildings**

Building owners and lessees that bring commercial buildings up to a specific energy-efficient standard, including new construction or retrofitting older buildings, can qualify for a tax deduction of \$5 per square foot.

■ **Electric vehicles**

New qualifying electric vehicles in service starting after December 31, 2022, through 2032, qualify for a \$7,500 tax credit. A 30% federal tax credit (up to \$1,000) extends to charging equipment for individual or residential use through 2032. The tax credit for qualifying commercial electric vehicles is up to \$7,500 for those weighing less than 14,000 pounds and \$40,000 for those weighing 14,000 pounds or more.

The cost of inflation is felt across the board, from consumers to businesses. With new legislation, deciphering changing tax codes can be overwhelming. Consult with your tax expert to make sure you're taking advantage of any significant tax savings. ■



New challenges, new choices

Have the last few years presented challenges to you or your business? Maybe you're feeling bored or restless with your current job or maybe your business isn't going in the direction you'd hoped, and your stress level is at an all-time high.

You're not alone in feeling this way. According to a poll conducted for the American Psychological Association,¹ around 34% of adults reported that stress is completely overwhelming most days.

Stress can cause you to either make rash decisions or be afraid to make a significant change. How do you decide if you're ready for a new job or to start a new business? We have the top six signs you're ready to make the leap.

1 You're not learning anything new

There comes a time when you've just stopped learning anything new in your job. For some people, this is OK. They enjoy routine work and thrive on the sameness. But for others who want to be consistently challenged in what

they do, the absence of learning new things can be a death sentence for interest and productivity.

2 There's no clear career development path

Many companies take the initiative to design a career path for employees to ensure upward growth in the company and their individual careers. If promotions are few and far between, or you see no clear development path, that could mean career growth with your current company isn't a possibility.

3 You avoid new challenges or responsibilities

Chances are, if you try to blend into the background or don't raise your hand to take on a

new assignment, you've probably checked out and it's time to move on. If you're not excited about new challenges or taking on more responsibilities—even when compensated—it's time to start looking for a job that reignites your passion.

4 You're constantly stressed or unhappy

If you dread going into the office (or sitting down at your desk) or carry your work stress home with you, it can seriously cost you—both mentally and physically. And that's something that can negatively affect you and those around you.

5 There's no work-life balance

Long workdays with no time for breaks or family time will lead to burnout. If your personal and work lives are suffering with no end in sight, unless there's a large culture shift in your current company, it's probably time to find a company that prioritizes work-life balance.

6 You can't stop thinking about a career change

Maybe you've gotten as far as you can in your current career. Or perhaps your brain is constantly focused on your side hustle or on starting that new business you've always dreamed about. If you have a dream job you just can't stop thinking about, it may be time for a change.

Tips to get started

If any of these signs sound familiar, you may be ready to take that leap and apply for a new job or finally start a new business. Whatever the case may be, make sure you're prepared to make a major change.

Ready for a new job? The best time to get a new job is when you already have one. Want to start a new business? That will take planning and preparation. We have a few tips to help you get ready for such a change.

■ Know you'll never be 100% ready

Change is hard, especially when it comes to a career change or starting a new business. You could always be more experienced, more prepared or have a bigger network. But if you wait until you're 100% ready, you may never start.

■ Do your research and create a plan

Start scouring job descriptions of the positions that interest you. See what skills are required and try to fill any missing gaps in your skill set, and don't forget to update that resume! If you're starting a business, make sure you've created your business plan. You need to have a sound business idea, know your product and understand your competition. Don't go into it blindly.

■ Have your expenses covered for at least six months

If you decide you can't take your job anymore and want to quit before finding new employment, make sure you have enough money saved to cover at least six months of expenses. This rule of thumb is also good for starting your own business, especially if you're going at it full-force and not as a side gig to start.

■ Be ready to work hard

Starting a new job and learning new skills can almost feel like drinking from a firehose. It's the same with starting a new business. Know that mistakes and failures will happen, but also know that with hard work you can move forward and be successful. Don't let the fear of starting something new keep you from trying.

Getting started is almost always the hardest part of trying something new. But nothing will change if you don't try. Here's to new challenges and new changes. You've got this! ■

¹"Stress in America 2022: Concerned for the future, beset by inflation." *American Psychological Association*, October 2022. <https://www.apa.org/news/press/releases/stress/2022/concerned-future-inflation>



**Gear
to get
you
going**

W

Would you consider yourself a morning person? Or do you find yourself struggling to roll out of bed most mornings. Either way, we've rounded up the latest and greatest gadgets and methods to keep you energized all day long.

Sound the alarm...or don't

If you're an adrenaline junkie, the **Clocky** alarm clock may be right up your alley. It's like any other



alarm clock—it blasts a loud noise and you have the option to snooze it—but it's on wheels. That means it'll take off (yes, off your nightstand) and race

around your room until you can catch it and turn it off. And at that point, you're already out of bed, so it just makes sense to get the day started.



If you're not a fan of blaring noise waking you out of a deep sleep, then consider a more pleasant awakening with a wake-up light alarm clock.

The **Wake-Up** alarm clock simulates the rising sun until it glows bright enough for your brain to wake up for the day. There's also an option to play ambient noises to start the morning more peacefully.

Set the scent scene

Wake up to the smell of freshly brewed coffee with a programmable coffee maker. Prepare your coffee before you go to bed and set the machine

to start your coffee a few minutes before your alarm goes off so you can enjoy fresh coffee without the wait.

Not a coffee person? Try an essential oil diffuser instead. Simply fill the diffuser with distilled water and a few drops of your favorite energizing oils, like peppermint, orange, lemon, spearmint or bergamot. These will help energize your body and mind without the caffeine jolt.

Feel your best

Do you wake up with a kink in your neck or a knot in your back? Work through the pain and get your blood flowing with a body massager or a massage gun. In just a few minutes, you'll ease away the pain and be ready to take on the day.

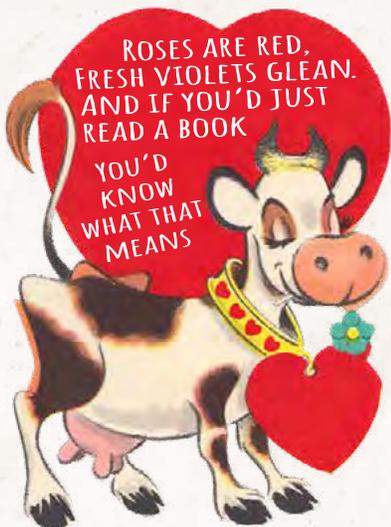
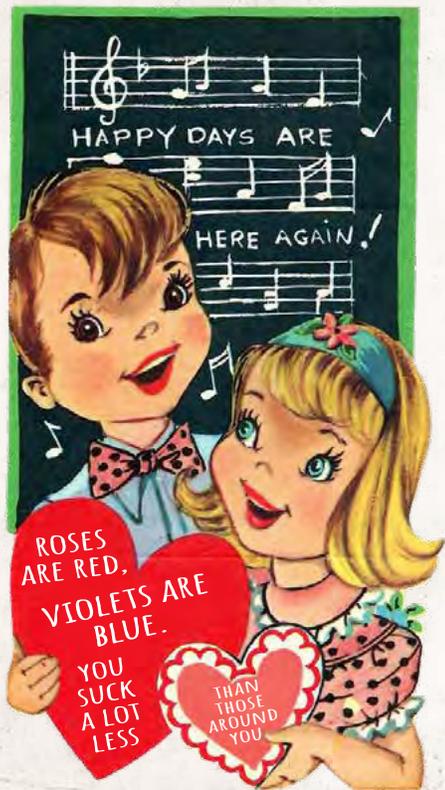
If a body massager isn't your thing, spend five to 10 minutes slowly stretching your body to relieve any tension or pain that popped up during the night. Work from the ground up, starting with your lower body until you make your way to your neck and head. Gently stretch your muscles and joints to limber up for the day ahead.

Get up and at 'em

The best thing you can do in the morning is not hit that snooze button. We know it's tempting to catch a few extra minutes of sleep, but it can make you even groggier. Give these gadgets and methods a try—you may just be a morning person in disguise. ■



In the spirit of the holiday that celebrates love—Valentine's Day—don't forget that letting people know you care about them is a year-round activity. Send our fun, quirky (and sometimes snarky) vintage-inspired cards to your loved ones any time of year.





We take your **data security** seriously

Protecting your personal data from today's breed of cybercriminal is a main focus in our firm. We continue to implement best-of-breed technologies and enhance our internal processes to keep your sensitive data safe and secure.



LEIF E. PETERSON, CPA