

# Advantage

Your personal finance edge

September–October | 2022



## Business valuations: When and how to get one

How kids impact your tax picture | Taste the touchdown  
7 year-end tax planning moves to make now  
8 scary snacks masquerading as healthy | Get schooled

# Keep a healthy perspective

These days, we find ourselves in an ever-changing and advancing environment—from new apps for improved multitasking and instant messaging, to scanning groceries and paying for them simultaneously as we shop, to getting same-day delivery on almost anything.

The world around us moves faster and faster, and we're constantly urged to keep pace. While instant gratification sounds nice, we'd like to encourage you to take the long view when it comes to developing your business and living your life. That's going to take patience, faith and understanding to know you'll get to where you want to go—it won't happen overnight, and it will take some effort. But it will be worth it!

Join us as we share some tips in this issue. Start with a business valuation to see where the health of your business stands and where it could go. And work now to make a solid tax plan for next year, so you're not scrambling to get things done—take intentional time to really plan for your future. Concerned about your finances if you add children to your family? We also talk about tax credits that can help ease some financial hesitation if or when you decide to expand your family tree.

And don't forget to take care of yourself, too. The foods you eat can affect both your physical and mental health. Review our list of scary snacks masquerading as healthy and ditch the extra sugary and artificially flavored culprits. You may be surprised by the foods that claim health benefits.

As fall's favorite sport gets started, we've cooked up the ultimate football tailgating menu to impress your friends and family. And while you're at it, during pregame festivities, take a trip down memory lane for a much-needed laugh to see how well you know your high school TV trivia.

Here's to taking the long view,

*Your trusted advisors*

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# Business valuations: When and how to get one

There comes a time in every business owner's career when the need for a business valuation is necessary. It could be because you want to sell your business, you're applying for a loan or line of credit, or you need values for tax-planning purposes. In fact, regularly valuing your business helps you track your progress over time. Whatever the reason may be, read on to learn when to get one and—most important—how to get one.

## Business valuation basics

In simple terms, a business valuation is the process that accurately determines the present value of your business. Analysts use many factors in determining this value: the current market value of your assets, future earnings and even company leadership.

When establishing value, a business valuation professional uses industry standards and can apply three methods of valuation:

### 1 Asset approach

The asset approach uses a mathematical calculation that starts with the current fair market value of your business's assets and subtracts the fair market value of liabilities.

### 2 Income approach

When the income approach method is used, a business's value is determined based on its potential future cash flow. It relies on using many assumptions about your existing business and future cash flow potential.

### 3 Market approach

The market approach determines your company's value based on the sales of similar companies. This approach can be challenging due to the wide breadth of variables within any market.

Not only is valuation important when thinking about selling your business, but when done consistently, it paints a picture of how your business is progressing, both positively and negatively. It provides insight into your business's risks and financial performance compared to similar companies, sees what aspects are creating value, and allows you to enhance overall business performance.

## When to get a business valuation

There are several scenarios in which your business will either require or benefit from obtaining a business valuation. While this list isn't all-encompassing, these are the most common reasons:

### Litigation

If you find yourself going through a lawsuit due to domestic relations (i.e., divorce) or disputes over taxes and estate planning, you need to know the value of your business so assets are properly split.

### Exit strategy planning

Knowing the value of your business now—and the areas where you can improve—will set you up for a financially successful exit in the future.

## Selling or merging

There may come a time when it makes financial sense to sell your company or merge with another, and a valuation ensures that you're not devaluing your business by underselling or hitting the market too high.

## Buying out or adding owners

When a business owner leaves or a new one comes on board, a business valuation establishes transparency when determining fair and equal buyout or purchase amounts.

## Applying for a loan or line of credit

If you're looking to grow your business, expand your facilities, open a new location or even launch a new product, lenders need to know the current value of your business to make an objective decision on supplying funds.

## Better business insights

While you may not have a pressing reason for a valuation, proactively obtaining one on a consistent basis (i.e., annually), helps you make better and more informed decisions as a business owner.

In any scenario, it's best to work with an accredited professional.

## How to get a business valuation

There are several ways to get a business valuation: online calculators, looking for comparable sales, adding your assets and subtracting your liabilities, or bringing in a professional (and accredited!) appraiser.

Our advice is to always go with an accredited professional, and here's why:

- They're objective and realistic.
- They're experienced and have a specialized skill set.
- They know which valuation methods apply best to your business.
- They know the dynamics of the market.
- They're knowledgeable about their appraisal if needed to defend their valuation in litigation.

When hiring a professional appraiser, look for one who's part of the American Society of Appraisers or a business valuation expert, such as a bank, lender or accountant. The valuation process can be complex, and you'll want a professional to help guide you.

Once you've determined how you're going to value your business, here are a few steps you can take to prepare for the valuation.

### 1 Gather all financial documents

This includes your business tax returns (the previous three to five years) and financial statements, like your balance sheet, income statement and cash flow statements.

### 2 Collect essential documents

Depending on your valuation reason, include copies of your business licenses, deeds, permits, and any contracts with insurers, vendors, creditors or clients.

### 3 Compile list of intangible assets

Confirm that your balance sheet includes all intangible assets, like cash, property, equipment, copyrights or patents. Other items, such as actively engaged social media profiles, positive online reviews and extensive email lists can help improve your business valuation.

Being prepared for your valuation can help ensure a quick and thorough process to help determine the worth of your small business.

## It's time for a business valuation

Whether you need a business valuation or just want one to gather deeper insights into your business, knowing the value of your business at all times will prevent surprises later down the road. Make a plan now to get ahead of the game and determine the value of your business, even if it's just to create a baseline. ■





# How kids impact your **tax picture**

## **Kids are expensive. There, we said it.**

How expensive? According to a U.S. Department of Agriculture report, the average cost to raise one child until the age of 17 is \$233,610<sup>1</sup>. If that number doesn't jump out at you, think of it this way: It's almost a quarter of a million dollars. Divide that over 17 years, and you're looking at \$13,741 per year—for one child.

It's enough to give you pause on having kids. But fear not—one of many silver linings is that having children can help reduce the amount you owe when it comes to taxes. In some cases, you may even get a refund! (Spoiler alert: No, not in exchange for returning your kid.)

Whether you're a new, seasoned or soon-to-be parent, this one's for you. Let's dive into some tax benefits and see how children affect your general tax picture.

## Filing fundamentals

If you'll be filing taxes with a child for the first time, there are two dependency requirements they'll need to meet:

1. They need a social security number (SSN).
2. They must live with you for more than half the year.

Suppose you're single and just had a baby. In that case, your filing status can change to Head of Household (HH), which can give you a larger standard deduction and more favorable tax brackets (i.e., you could pay less federal tax than you would if you were filing single for the same income).

Sorry, married folks—if you're filing jointly, having children doesn't change your filing status. If you're married and file separately, you won't be able to claim some child-related tax credits.

When filing taxes, parents may be able to take advantage of multiple tax credits and deductions. Tax credits are different from deductions in that deductions lower your taxes by reducing the amount of taxable income.

## 6 possible child-related tax credits

If you can claim your child as a dependent, you'll most likely be eligible for tax credits, and that's a good thing. Credits reduce your taxes dollar for dollar and can be refundable. The good news here is that even if you owe zero dollars, a tax credit can result in a refund.

Here are the six possible child-related tax credits available to parents filing taxes:

### 1 Child tax credit

This credit is a tax benefit to help families raise children. For 2022, parents can file a credit for \$2,000 per qualifying dependent under age 17.

### 2 Child and dependent care credit

This credit applies to childcare expenses for dependents under the age of 13. Based on your tax bracket, parents can claim 35% of up to \$3,000 in costs per child, and up to \$2,100 for two or more children.

### 3 Earned income tax credit

For those earning a low or moderate income, the credit can range from \$560 to \$6,935, depending on your filing status and number of children.

### 4 Adoption tax credit

For families adopting children, this credit of up to \$14,890 can offset the expenses of adopting a child, excluding adopting a stepchild.

### 5 American opportunity tax credit

This credit applies to children over 18 who are pursuing higher education. It covers 100% of eligible tuition and required fees up to \$2,000, and 25% of the next \$2,000. The credit is limited to filers whose modified adjusted gross income is \$80,000 or less, or \$160,000 for those married and filing jointly.

### 6 Lifetime learning tax credit

For parents earning less than \$59,000 as a single filer or less than \$118,000 for those married and filing jointly, this applies to college-aged students and offers up to a 20% credit on eligible expenses up to \$10,000.

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Remember these child-related tax credits if or when the conversation turns to creating or expanding your family. And if you're currently a parent, we hope we've opened your eyes to additional credits you can claim. As always, it's best to consult with a qualified tax professional when claiming these credits on your taxes. ■



# 7 year-end tax planning moves to make now

It happens each year like clockwork: You tell yourself that this year you won't procrastinate, and you'll get a head start on tax planning for next year. Then, somehow, it's three months later, and you're scrambling to get it together at tax time.

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This is the year that stops. You're going to get a head start (for real, this time), so you know exactly what you need to do when the end of the year rolls around. And you're going to get it done with our year-end tax planning checklist so that you can enjoy end-of-year festivities and, hopefully, some well-earned time off!

## **Mark your calendar now**

The end of the year fills up quickly with tasks and meetings. So go to your calendar *now* to schedule some dedicated year-end tax planning time for each week in December. Doing it now prevents you from trying to squeeze it in later (or forgetting about it altogether). Remember, the earlier you start, the better prepared you'll be.



## ✔ **Make sensible large-scale purchases**

Only if it makes sense, look at making investments for your business, including purchasing equipment, office supplies, company vehicles or technology that will be used in the coming year. Doing this now will help reduce taxable profits (i.e., reducing taxes owed), especially if you expect this tax year to be more profitable than the next tax year. Remember, don't just buy something to buy it—it needs to make financial sense.

## ✔ **Review financials and make projections**

Now's the time to start preparing your financial statements so you can find out how well your business is doing. Gather the following statements together:

- Balance sheet
- Cash flow statement
- Income statement
- Profit and loss statement
- Statement of retained earnings

Use these reports to see gains and losses throughout the year, and spend time digging into the causes of gains or losses to help set financial goals for the next year.

## ✔ **Defer or accelerate income**

Based on your findings from your financial reports, determine whether to defer income to the following year or accelerate income for the current year. Deferring income (if you don't have an immediate need for the cash) to the next year is helpful if you expect to be in a lower tax bracket. If business is going well and you expect to move to a higher tax bracket next year, collecting payments this year will be taxed at your current rate.

## ✔ **Establish or contribute to retirement accounts**

If your business has a retirement plan, you're already a step ahead. If not, now's the time to establish and start contributing to a retirement account. Contributing to retirement plans, such as a 401(k) or IRA, can help reduce taxable income. If you're not quite there yet, that's okay, too. Only set up a retirement account if it makes financial sense. Otherwise, leave it on the list to consider next year.

## ✔ **Deduct obsolete inventory and uncollectable debts**

In any business, you'll run across customers who don't pay their bills or have inventory that just doesn't sell. While neither scenario is great, there is good news—obsolete inventory and uncollectable debts are deductible, depending on your business model. Be sure to keep stellar records of any expenses you deduct.

## ✔ **Set up a tax planning appointment**

To make sure your business is prepared for tax time, set up a time to talk with your accountant or tax preparer before the end of the year. They'll be able to walk you through everything you need to prepare for tax season, give you advice on decreasing liabilities and increasing your tax refund, and most importantly, make sure your tax return is free of errors.

## ✔ **Start planning now**

It may seem silly to start thinking about next year's tax planning in September, but the more you plan now, the less frazzled you'll feel at the end of the year. (Bonus: Your accountant will thank you!) Get started now and make this your most prepared tax season yet. ■

# Taste the touchdown: *The ultimate tailgating menu*

The leaves are turning beautiful shades of red, orange and yellow, there's a hint of winter chill on the horizon and the smell of freshly painted yard lines waft through the air. That can only mean one thing—it's football season!

Whether college or professional football tickles your fancy, we've covered the spread (see what we did there?) to ensure a winning tailgating experience for your friends and family.

## Caprese skewers

Whet the appetites of your tailgate attendees with this simple yet satisfying start to the tailgate experience. Cleanup is virtually non-existent by serving on a skewer.

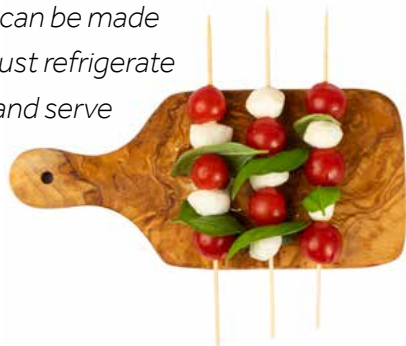
### Ingredients

- Grape tomatoes
- Mini mozzarella balls
- Basil leaves
- Balsamic vinegar

### Directions

1. Thread a tomato, mozzarella ball and a basil leaf on a small skewer or toothpick.
2. Drizzle with balsamic vinegar.

*These skewers can be made ahead of time; just refrigerate before serving and serve on a bed of ice.*



## Chopped veggie dip

Break the mold of chips and salsa by serving a delightful and refreshing veggie dip. Not limited to tortilla chips, this dip can be enjoyed with crackers or vegetables.

### Ingredients

- 1 cup Greek yogurt
- 16 ounces hummus
- 4 tablespoons diced chives, divided
- 1/2 cup scallions
- 2 orange bell peppers, diced
- 2 yellow bell peppers, diced
- 2 red bell peppers, diced
- 1 cup cucumber, diced
- 1 cup tomatoes, diced
- Salt and pepper, to taste

### Directions

1. Spread hummus on bottom of dish.
2. Mix Greek yogurt and two tablespoons of chives, then spoon over hummus and spread evenly.
3. Combine all vegetables in a large bowl; season to taste with salt and pepper.
4. Pour vegetables over hummus and yogurt later to cover completely. Top with remaining chives.
5. Refrigerate until ready to serve with chips, crackers or veggies.

## Chocolate chip cookie dough dip

Savor your team's sweet victory by treating your guests to a version of chocolate chip cookie dough that's safe to eat.

### Ingredients

- 8 ounces cream cheese, softened
- 1/2 cup butter, softened
- 1/4 cup brown sugar
- 1 teaspoon vanilla extract
- 1 cup powdered sugar
- 1/2 cup chocolate chips

### Directions

1. Combine ingredients into a large bowl, beating until smooth.
2. Serve with cookies, crackers or brownie bites.

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## Mulled cider

Keep tailgaters warm in cooler temperatures with this slow-cooker mulled cider.

### Ingredients

- 1 gallon unfiltered apple juice
- 1 medium orange, sliced into 1/4-inch rounds
- 1 piece fresh ginger, 1 1/2 inches, sliced 1/4-inch thick
- 5 cinnamon sticks
- 1 tablespoon whole cloves
- Orange slices, for serving (optional)



### Directions

1. Pour apple juice into slow cooker, and add orange rounds, fresh ginger and cinnamon sticks.
2. Place cloves in a tea ball (optional to make serving easier) and add to the cider.
3. Slow cook for four hours on low.
4. Pour cider into a thermos to keep warm.
5. Serve with orange garnish if desired.

## Juicy Lucy burgers

While many Juicy Lucy traditionalists only stick with American cheese in the middle of their hamburgers, feel free to shake it up by adding your own twist.

### Ingredients

- 1 1/2 pounds ground beef, 80% lean
- 1 tablespoon Worcestershire sauce
- 3/4 teaspoon garlic salt
- Black pepper to taste
- 4 slices American cheese
- 4 hamburger buns, split



### Directions

1. Combine ground beef, Worcestershire sauce, garlic salt and pepper in a large bowl.
2. Form eight thin patties.
3. Lay each slice of cheese on top of each other, then cut into four equal squares.
4. Take a quartered stack of cheese and place it in the middle of one patty.
5. Cover the freshly cheesed patty with another patty and tightly pinch the edges together to seal the cheese inside.
6. Repeat with the remaining cheese stacks and patties.
7. Grill burgers until they are well browned and no longer pink on the inside. Steam from the cheese will cause the burger to puff up; prick the top of the burger to release steam.
8. Place on buns and serve with traditional accoutrements (e.g., lettuce, onions, tomatoes, ketchup, mustard).

*Caution: The cheese will be hot, so let the burgers sit for a few minutes!*

### Non-traditional middles

- Pepper jack cheese instead of American
- Chopped bacon or mushrooms and provolone cheese
- Freshly chopped jalapenos and cheddar cheese

# 8

## SCARY SNACKS MASQUERADING AS HEALTHY

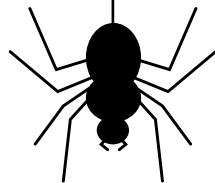
In our fast-paced society, we grab our “healthy” snacks as we run out the door and pat ourselves on the back for putting our health first when we’re on the go.

But believe it or not, some of your favorite healthy snacks are just presenting themselves as healthy when they’re actually not that good for you. You know the ones we’re talking about: the low-fat, fat-free, made-with-vegetables and packed-with-protein snacks we all love. More often than not, these snacks are full of sugar, pumped with soy, high in sodium and made with artificial colors.

Here’s a list of eight unhealthy snacks posing as “healthy” that you might find in your own fridge or pantry.

### **Granola**

Surprise! Granola is typically full of sugar, unhealthy fats and corn syrup. Nothing about those ingredients scream “healthy.” When buying granola (or granola bars, which are even worse), check that ingredient list. Or better yet—make your own.



## Veggie chips

These have the word “veggie” in them, so they must be healthy, right? Not so fast. While veggie chips (or sticks) appear healthy, the nutritional value of the vegetables is destroyed during chip processing. Not to mention, sometimes they’re fried—and there’s nothing healthy about that.

## Applesauce

This delicious fiber-filled snack has been enjoyed throughout the ages as a standalone, with pork chops and even as a substitute in baking. Unfortunately, processed applesauce can also be full of sugar. It’s best to look for sugar-free versions whenever possible.

## Protein bars

Protein bars are marketed to be chock full of protein to give you a much-needed burst of energy, but they’re actually a lot like candy bars when it comes to their ingredient structure. Many protein bars contain high levels of sugar, high fructose corn syrup, unhealthy fats, chemical additives, questionable preservatives and artificial flavors.

## Yogurt

Because it’s a food that’s naturally high in probiotics, yogurt is a go-to for many households, especially those with kids. Unfortunately, not all yogurt is good for you—especially the frozen kind. And those yogurt-covered snacks, like raisins or peanuts? Not healthy either. Yogurt tends to run high in sugar content, so enjoy sparingly.

## Sports drinks

Nothing is better for you after a long workout than a sports drink, right? Well, not exactly. For athletes in training, sports drinks are a good source of

electrolytes. For those who aren’t as active? Not so much. Sports drinks do contain electrolytes, but they also have sugar, sodium, carbohydrates and artificial coloring. Seems like the opposite of a healthy drink, doesn’t it? While water is always the best choice to rehydrate, coconut water is a good backup option since it’s rich in potassium.

## Fruit snacks

Fruit snacks are a favorite of many school lunches and as a quick bite, but they’re not as healthy as you might think. Corn syrup and sugar are listed as the top ingredients, and they’re made with artificial colors and flavorings—nothing healthy about that. It’s best to go for the real thing, full of nutritional vitamins and antioxidants.

## Tomato juice

While tomato juice is a great source of folate, potassium, vitamin C and vitamin K, it can also be high in sodium, which can contribute to high blood pressure. Some pre-packed tomato juice brands can also contain other fruit juices. You know what that means: added sugar. You can make your own tomato juice or look for 100% tomato juice options without added salt or sugar.

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## Making changes

It’s okay if your pantry is stocked full of these items...after all, they’re typically marketed as healthy items, so you feel safe buying them for your family. In a pinch, they’re easy to grab and go. Just remember there are always alternatives! Double-check that ingredient list before you add items to your grocery cart—you never know what the “healthy” advertisement may be hiding, and that’s just plain scary. ■





# *Get* schooled

High school can be quite a ride for teenagers. They're coming of age, considering their next steps after graduation, falling in and out of love, and dealing with cliques—all while attending class and keeping up with homework. Add to that the whole digital and social media aspect, and well, it's a far cry from many of the high schools portrayed on television through the years.

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From feel-good comedies and love triangle dramas to breaking out in song and trying to win the big game, television high schoolers have shown us the best and the worst (and maybe the most far-fetched) of these formidable high school years.

**Now, clear your desks and pull out your No. 2 pencils—it's pop quiz time!**

Let's see how well you know your favorite high school-inspired TV shows.

**1** In “Saved by the Bell,” this place was a favorite hangout spot for students at Bayside High School.

- A. Casey’s Cookout
  - B. Bob’s Burgers
  - C. The Max
  - D. McDonald’s
- 

**2** What was the name of the housemother who took care of the students at an all-girls boarding school on “The Facts of Life?”

- A. Mrs. Garrett
  - B. Mrs. Drummond
  - C. Mrs. Warner
  - D. Mrs. Ramsey
- 

**3** This series, focused on four remedial students and their teacher, skyrocketed John Travolta’s career.

- A. “Diff’rent Strokes”
  - B. “Teen Wolf”
  - C. “Welcome Back, Kotter”
  - D. “Head of the Class”
- 

**4** This series tackled problems and celebrated the wins of a diverse group of students—and did it through song and dance.

- A. “High School Musical”
  - B. “Glee”
  - C. “Veronica Mars”
  - D. “Beverly Hills 90210”
- 

**5** Which show depicted actor Will Smith as a transplant from West Philadelphia sent to live with his aunt and uncle?

- A. “A Different World”
- B. “Boy Meets World”
- C. “The Fresh Prince of Bel-Air”
- D. “Freaks and Geeks”

**6** What show is based on the “Archie” comics featuring Betty, Archie, Veronica and Jughead, but with darker plotlines involving death and betrayal?

- A. “Riverdale”
  - B. “My So-Called Life”
  - C. “Pretty Little Liars”
  - D. “Degrassi”
- 

**7** Set in the 1960s, this coming-of-age sitcom was narrated by Daniel Stern and followed the lives of the stereotypical American suburban middle-class family, as the main character carried a torch for the girl across the street.

- A. “Boy Meets World”
  - B. “The Wonder Years”
  - C. “The O.C.”
  - D. “Happy Days”
- 

**8** This sports drama about football in the small town of Dillon, Texas, was adapted from H.G. Bissinger’s book and a 2004 movie of the same name.

- A. “Friday Night Lights”
  - B. “Coach”
  - C. “Tipton High”
  - D. “All American”
- 

**9** This family-friendly sitcom spurred a handful of spinoffs including “Mork & Mindy,” “Laverne & Shirley” and “Joanie Loves Chachi.”

- A. “The Facts of Life”
  - B. “That ‘70s Show”
  - C. “Happy Days”
  - D. “Head of the Class”
- 

**Answers**

1-C, 2-A, 3-C, 4-B, 5-C, 6-A, 7-B, 8-A, 9-C



LEIF E. PETERSON, CPA



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