

FINANCIAL MUSINGS

Gerri Harrison
Financial Services

Change is Happening!!

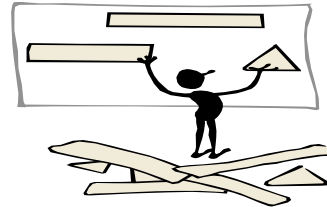
For those of you that have never been in our offices and for those of you that have not been in during the last few months—be prepared for a major change. We took over and broken through to the other half of the building. We installed new floors, have a new copy room and classroom, and we added three new tax preparer offices. If I do say so myself, it looks great. I want to thank my husband Lynn and all those who worked hard during the transition into a bigger and better office. If you get a chance, stop in on January 15th during our Open House to check it out!!

You will also discover as you come into the office several new staff members. We have added four tax preparers to our staff. Please welcome Jennifer Diles, Laura Le, Shirley Lutsic and Gary Snyder to the Gerri Harrison Financial Services tax staff.

I am pleased to announce the promotion of Kathleen Neiss to office manager.

With the addition of new receptionists and assistants you will see many new faces when you come into the office.

Be sure to welcome Merri Hayes to our financial planning team as she transitions from Faith's assistant to a licensed agent.



All the change—the renovations, the additional staff and the growth we are experiencing could not have happened without the support of you, our clients. Thank you for the confidence you have shown in doing business with us. Thank you for the friends, family and referrals you have sent to us to have their taxes prepared, receive assistance with financial planning and attend our educational classes.

We look forward to helping you, your family and your friends with all your tax and financial needs in the future.

February 2011

My business works because of you and people like you. If you are happy with the service that I provide for you please consider referring me to your family, friends, co-workers and others. I am looking to expand all areas of my practice.

GerriHarrison.com

FinancesForEveryday.com



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Information about filing your tax return

With the addition of many new clients, it seems like a good time to remind you of what can help us to get your taxes done timely and accurately.

First—if we have not prepared your tax return in the past or if you have a new dependent on your tax return, please bring Social Security card(s) to your tax appointment. We need to make sure names and SSNs match for electronic filing purposes.

Check out the GerriHarrison.com website and look at the “What to Bring to your Tax Appointment” tab. This can help make sure that you bring all the documents we need and that no deductions or tax credits are left out.

All tax returns will be filed electronically, as now required by IRS and NYS. We do not charge any extra fees for this service.

If you would like a refund to be direct deposited into a bank account, be sure to bring the account information to your tax appointment. There is no charge for this service.

We do offer drop off service. You can drop off your tax information for us to prepare your return. We do have a informational sheet that you must complete—a copy can be found on our website if you want to bring in with you or you can complete it when you get to the office.

You can also mail us your tax information if you will not be in the

area during tax season.

We attempt to process these returns within 48 hours of receipt. We process drop offs and mailed-in returns in the order received.

Most tax returns will be completed during your tax appointment. Payment is required prior to the return being electronically filed. We accept cash, check, VISA, MasterCard and Discover. Checks cannot be post-dated.

We do offer a service to be able to have your tax preparation fees taken out of your refund for a additional charge of \$15. You must not owe the government any money—current or back taxes, child support or student loans to take advantage of this service.

When it comes to financial planning, there are no absolutes!

With the financial roller coaster that many are on right now, it seems appropriate to discuss financial planning in general terms and answer some of the questions repeatedly asked.

First—the most basic, what should I invest in? The answer—it depends. You have CDs, bonds, stocks, mutual funds, ETFs, variable annuities, life insurance, real estate and many more alternative type investments.

To choose the right one, you first need to decide what it is you are trying to accomplish. What are your financial needs, goals and dreams? Is retirement most on your mind? Are you saving for a first house? Is it money you will need in the short term or is it longer term money? Is it money that you are wanting to leave as a legacy? Are you willing to take risk or do you want guarantees? Are you concerned about running out of money?

The answer to that question can lead you in different directions. Ask yourself these questions before choosing your investment. Your

financial planner should be asking you these questions before deciding on an investment. You probably need multiple investments to achieve different needs and goals.

What about fees and costs? Yes, without a doubt you need to be concerned about them. The question to ask is, are the fees worth what I am getting? For example, variable annuities have a bad reputation for high fees. However, if you choose the right one you can have a guarantee when the stock market drops that the value of your account does not go down. Is that piece of mind worth the extra cost? For some the answer will be yes, for others the answer will be no.

Should I use a financial planner or try it on my own? Again, it depends. How comfortable am I with knowing which investment types are the best option for me? Do I understand how to evaluate and research investment choices? Do I think that I will panic when the market starts to drop and will need some hand holding?

For some, ongoing management of investments through a wrap account is appropriate—with a wrap account you should expect quarterly meetings and discussions about all areas



Everyone is Different!

of your finances. For others, paying a one-time commission to have assistance in making the original investment and someone to watch

over the investments is more appropriate. For others, paying a fee-based planner for a few hours of advice can be all they need.

The key is to make sure you understand why you and/or a financial planner are making the decisions you are making. It should not be based on what a friend, family member or anyone else is doing. What is good for your mother, brother, co-worker may not be appropriate in your situation.

What if you get an IRS or NYS letter?

With both the federal and state governments having trouble making ends meet, we are starting to see a rash of notices indicating balance dues for both old and new tax bills.

What should you do if you receive a notice from IRS or NYS?

Do not pay the bill!! Bring the notice to our office for us to review. Some of these notices are correct. But more important some are incorrect.

Many times we see where information was reported differently than where IRS or NYS is looking for it. The income is there and the tax has been paid; we just need to point them in the right direction.

Sometimes a payment has been posted incorrectly. When we provide them with a copy of the cancelled check and it gets corrected, the balance due goes away.

Income may be being reported that does not actually belong to you—it was filed with an incorrect Social Security number and we get it corrected.

Occasionally we see a case where there is a

return that is missing in the system and we simply need to re-file it.

The point to be made is it is not a good idea to automatically just pay the bill. If the notice is brought into our office we will review it. We can then determine the course of action. This is part of our service and if we prepared the original return there will be no charge to do this.

If the notice is correct, you will need to pay the balance due. Even if correct, we may want to look into abating penalties if there are any.

If the notice is incorrect, we will provide the documentation to IRS, NYS or whomever to prove that the amount is not due. We will let you know if you need to get anything or if we already have the required information.

A question we are often asked is “This bill is ten years old, do I still have to pay it?” The answer is yes.

There is a statute of limitations for the government to issue a refund. If you have not requested your refund within three years of the filing date, the refund is gone.

There is no statute of limitations if you owe the

government. They can come collecting after seven years, ten years, twenty years or more. We recently have been seeing the executors of estates getting bills reminding them that if there is any money in the estate of a deceased person that the amount due the government needs to be paid.

Sometimes an amount due may be put into uncollectible status and you will stop receiving correspondence about it. That does not mean the amount due has gone away. It simply means that they have stopped pursuing it for now. It will “rear its ugly head” at some time in the future.

The worst that you can do is to ignore a letter from the government. If you or we contact IRS or NYS they will work to be able to get the issue resolved—whether that is correcting an error, setting up a payment plan, placing it in uncollectible status for a period of time or what we need to be done.

Failing to respond may mean frozen bank accounts and bank levies. It may mean garnisheeing of wages. It may mean tax liens being filed. We need to take action when you receive a notice.



Some Tax Law Changes for Individuals

For the 2010 tax year there have been some changes that may effect your taxes. Tax planning has been extremely difficult this year without Congress determining if the Bush' tax cuts were going to remain in effect or not until such a late date. But we will go with what we know.

On your 2009 tax return you were able to take a deduction for contributions made to the Haiti relief fund even if they were made in January or February of 2010. If you took that deduction last year, make sure that you do not reflect this amount in your 2010 charitable contributions.

If you did a Roth conversion during 2010 you will have to make the decision of whether to pay all the tax on your 2010 tax return or split it and pay 1/2 the tax on

the 2011 and the remaining on the 2012. For most individuals it will make sense to split the tax into two years. In certain cases however it might be more beneficial to pay all the tax on the 2010 tax return. As we prepare your income tax returns we will be looking at those situations to determine which is more beneficial to you.

For NYS residents, the STAR exemption on your school taxes is now gone for those with an adjusted gross income in excess of \$500,000.

Starting April 1, 2011 there will be the return of a limited clothing exemption. Clothing with a cost of less than \$55 will be exempt from sales tax.

Starting with the first payroll of 2011, employees will now have Social Security taxes withheld at a rate of 4.2% rather than the 6.2%. The anticipation is Social Security benefits in the future will not change because of this.

All tax preparers that prepare more than 100 federal income tax returns or more than 10 NYS income tax returns are now

required to file their clients' tax returns electronically. Individuals will no longer have an opt-out choice as they have in the past.

Note, an individual preparing their own tax return can still elect to file a paper tax return.



Finally, the new Laws!

Tax Law Changes for Businesses & Rental Property Owners

The changes noted below for businesses went into effect beginning January 1, 2011.

Rental Property Owners Beware:

You will need to provide Form 1099Misc in early 2012 not only for contractors you used that you gave \$600 but also for anyone provided goods or services over \$600. So –if you purchased materials at Home Depot or Lowes, if you bought supplies at Walmart or Target, if you paid NYSEG or your town for water you will need to provide these businesses with a 1099 also. There is no longer an exclusion for corporations, everyone must get one. There is no longer an exclusion for goods or products.

How do you avoid having to do many 1099Misc? The new law states that if you pay by credit card, you are not required to provide a 1099 to that company. If you pay by check or cash, you will need to.

So consider as you begin incurring expenses for 2011 how you want to pay for those items, it can make a difference

in your filing requirements later on. And if you are going to be required to file a 1099Misc, do yourself a favor and get the federal ID or SSN up front so that you do not have to go chasing these individuals later to get the required information. The easiest way to make sure you have all required information is to have the businesses complete Form W9.

And business owners—be aware that these new rules for 1099Misc go into effect for you beginning January 2012!!

This is of real concern when you consider the number of 1099s this will require the average rental property and business owner to file.

Sole Proprietors Beware:



Need to Keep More!

Starting in 2011 you are now required to maintain a set of books. No longer can you just keep handfuls of receipts and add them up at the end of the year. Failure to maintain a set up books may result in any business losses being disallowed and/or tax credits being disal-

This is of real concern when you consider the number of 1099s

lowed.

You now need to maintain a ledger, journal or software program containing income information and expense information. You need to deposit all business income in a separate account and should pay most expenses out of that account. A paper trail is becoming more important than ever.

All Business Owners Beware:

Banks are no longer existing federal deposit coupons, the Form 8109. You must now make any federal tax deposits— income taxes, payroll taxes and others by using the EFTPS. This is an online bill paying system. You must sign up and get a user name and password to use this system (it takes about 2 weeks so do not wait until the last minute).

If you go to irs.gov you can follow the link through to the EFTPS to sign up and register.

Are you prepared for an emergency?

It seems like there is often a major natural disaster in the news these days—from floods to earthquakes, from hurricanes to tornados and more.

What would happen if you had 5 or 10 minutes to leave your house with the possibility that it would not be there to come back to? Do you know what you would grab and take? In the midst of that adrenaline rush would you remember?

Or not, even a natural disaster. If your spouse, your parents or your children were to suddenly pass away, would you know where all the “important papers” are?

Some thoughts in that area:

Consider having two fire-proof boxes. A larger one that contains the originals of all documents. And a smaller one that you can pick up to take with you in case of that need to evacuate for whatever reason. The larger box should contain the originals and the smaller box, copies of those originals.

Include birth, marriage and if a spouse has passed on, a death certificate. Divorce papers if applicable should be in here. The original or copy of applicable licenses— driver, marriage, educational, etc. should be in the boxes. Your Social Security cards and veteran’s papers belong here. You should also have birth and

death certificates and Social Security cards for any children still at home.

Information about the professionals in your life—your attorney, your accountant or tax preparer, your financial planner and your insurance agent(s). This should include name, address, telephone number, email address and basic contact information. Also—the information applicable for each of those professionals.

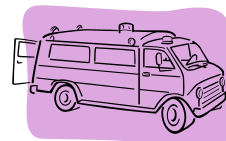
Your attorney probably prepared a will, power of attorney, and health care proxy. You may have trust documents or other estate planning documents that should be included. Include the name and contact information of the executor of your estate.

Documents regarding your finances should be included. At least two years of tax returns should be in the boxes. Information regarding any financial accounts—location of account, type of account, account numbers, a recent statement for each account, life insurance and annuity policies should be included.

If you have actual stock certificates or savings bonds, the originals should be in the larger box with copies in the smaller box.

Information regarding all insurance—life, homeowner’s, automobile, disability, long term care and others. You should have policy

numbers, benefits available, terms and all pertinent information.



It can Happen Anytime!

If you own a home or homes, the statement of sale from the purchase and deed should be here. Your abstract should be in the box. Any warranty information for items found in the house

should be here.

Consider video taping the contents of your house and having a copy in each of the boxes. This can provide the necessary information to file an insurance claim.

Place blank paper, envelopes and Forever stamps in the smaller box, as a just in case.

The key here is to think—what could I or someone looking at my stuff need to know if all I have in my possession is one or both of these boxes?

Your attorney or financial planner may be able to provide you with a checklist. There are several that are available on-line. As part of NY Life, Faith and I have access to “LifeFolio” which gives you a list of what should be in your boxes. If you would like a copy of the NY LifeFolio, please let us know and we will make one available to you.

Financial Information Online

Is it safe to shop online or to pay your bills online? Is it safe to file your tax returns electronically? Is it safe to have direct deposit?

Studies in the past few years have shown that is actually safer for this information to transfer online than the more traditional ways. More credit card information is being stolen at physical locations than from the Internet. More mail is being stolen from mail boxes that results in identity theft than online.

You need to be safe when putting information online. You should have a good anti-virus software program that updates regularly, Microsoft has one in their Windows 7 programming that is free that works as well as any called Microsoft Security Essentials.



So much out there!

That means the company is maintaining security on their site.

You need to be dealing with companies that you know. Do not click on links from unsolicited emails. Do not respond to email requests regarding the need for personal information through the email sent to you. Type in the url or call the company separately. You want to make sure it is the true company looking for your information not some look-alike site.

Handing over your credit card and letting it out of your site is more dangerous than entering the information on a secure website. With hand-held card readers readily available that waiter/waitress can hijack your credit card number on the way to paying your restaurant bill.

You need to make sure that the url you are using contains the “https” at the beginning.

If your mail is delivered to your house, how long does it sit in the mailbox before you get

it? What prevents a theft from coming along and digging through that mailbox to take what he wants before you get home for the evening? If you are receiving a check in the mail that check can be taken. If you receive your credit card bill in the mail, the bill can be taken and the credit card number is now known (this is why some companies now only show the last four digits on your statement). If you receive your bank statements in the mail, a theft can now have your account numbers.

By filing your tax return electronically it means that you no longer have to worry about it getting there through the mail. It means that you no longer have to be concerned about a key stroke error when the government employee at the other end is inputting the information. It does mean being able to get your refund faster and you can still wait until April 15th to pay any balance due.

Need or want?

With the economy continuing to remain sour, with the stock market not going much of anywhere, with savings interest rates so low and with the cost of living rising—there is more and more of a reason to determine where your money is going.

Is it going to meet needs? Or are you stretching it to get those wants? It seems like more and more conversations are turning to the sense of entitlement and instant gratification that Americans desperately are trying to retain.

What is a need? You need food. You need shelter. You need clothing.

It is not a need to go out to eat or to order in pizza once a week. It is a need to have the basic food staples in your house. It is a want to have a steak dinner at a local restaurant.

It is not a need that you live in a \$200,000 house. It is a need to have a functional place to live.

While you need the basics—pants, shirts, undergarments, etc you do not need 20 pairs of shoes. You do not need two, three or four closets full of clothes.

You may think it is impossible to live without a car or for some, two cars. You may feel you cannot live without your cell phone. You may

think it is not feasible to have no cable or Internet service.

If you find yourself without income, if you find yourself not having enough income to support your life style, if you find yourself on a fixed income that is losing ground or if you simply find yourself unable to get ahead, you may need to consider going into survival mode.

It may be time to cut off the cell phone, the cable, or the Internet. It may be time to consider public transportation or car pooling. It may be time to downsize to a smaller house or even to renting an apartment.

If you are finding yourself unable to get ahead, it may be time for drastic measures to provide that opportunity. For some, small cuts here and there may be enough. For others, more extreme measures may be required.

Nothing should be sacred. Start the new year looking at where your money is going. Is there a way to get it cheaper? Can you do without it all together? Is there a way to share the cost with someone else? Is there a way to shift the cost to someone else? Is there a way to trade services for services so that it does not

cost you dollars? Can you spend time rather than dollars? Can you change the service company to a less expensive one? Can you do it yourself rather than paying someone else to do it?

Spend some time in the next few weeks and really concentrate on trying to reduce your cost of living. Have your children do the same.



Which is it?

The benefits can be long term and huge for some. Think of it as a game. What percentage can I drop? Once you reached that goal, set another one to make it lower.

If you need ideas, go to GerriHarrison.com and sign up to receive our weekly email on “Improving your Finances with one Hour a Week”. You can also review old newsletters where I have given several suggestions on how to reduce expenses and also check out my blog for some money saving ideas.

If you goggle money savings tips or reducing expenses on the Net you will find all kinds of suggestions. Watch and listen to what others around you are doing to reduce expenses.

There is plenty of opportunity for most to reduce expenses, you need to be open to it.

Did you make a New Year’s Resolution related to finances?

With it being the first of the year, did you make a New Year’s Resolution to pay down your debt, to stop spending on some useless item, to begin a savings accounts or to get your finances organized?

And have you broken your resolution yet?

There are several key elements to achieving a New Year’s Resolution or any goal for that matter.

First—you need to write it down. People in general see a reason to follow through with something more if they see it in black and white. Write down the goal and start looking at the steps that you need to achieve it. Is it so many dollars per week or per paycheck. Is it changing a pattern? Break the end result into smaller goals that make the large goal not seem to be so overwhelming.

For example, noting that you will pay an extra

\$25 per week on your credit card bill does not seem as daunting as having to come up with \$1300 at the end of the year.

Second—it takes six months of regular exposure to make something a habit. During that time you need to continually remind yourself of what it is you are trying to do.

Put post-its around to remind yourself of what you are trying to do.

Make it the screen saver on your computer so that you see it on a regular basis.

Tape it to your bathroom mirror.

Write about it – record on a daily basis if it was a successful day or not. What went right today regarding what you are trying to accomplish? Where did you struggle? Come up with a list of things to do when it gets tough.

Have someone that you are accountable to.

Someone to tell when you achieved a milestone. Someone to tell when you are faltering and can ask for help.

The buddy system can work well if you are both trying to accomplish the same or similar goals.

Another key element is to not try and do too much. You cannot fix all of your bad habits at once. You need to concentrate on one change at a time. You need to make sure that you are not just getting rid of a bad habit; you have to be replacing it with a good habit.

And lastly, if you falter do not give up altogether. Review what happened. Remind yourself that you are trying to make a major change and that just because you temporarily took a step backwards does not mean that you cannot do it at all.

Then as they say “pick yourself up, dust yourself off and climb back on the horse”.



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Relax, Gerri is here to help

I hope you are enjoying Financial Musings. Please feel free to pass it onto a family member or friend. Or if you want give me a call with their names and addresses and I will add them to my mailing list to receive their own copy.

Gerri Harrison Financial Services provides financial and tax preparation services to individuals and small businesses. "I want to be part of the family. There for the good and the bad. Everyone has a job and purpose in the family. My job is to assist you in achieving your financial dreams and aspirations as well as meeting your financial obligations and concerns. I want to be there to pack your child off to college or pack you off to retirement. I want to be there through the christenings, weddings, illnesses and deaths. Whenever there is a financial matter you have a question about I want the first thing you think of to be "Gerri will know how to handle it.".

Having conversations with those around you

It seems with several clients, staff members and others I have been having conversations about what individuals do not know about the basics of finances. So much of what some of us think is common knowledge, I am repeatedly discovering is not to those around me.

For example, those who do not know how to create a budget or spending plan. Those that do not understand what paying the minimum payment on their credit card bills costs them. Those that do not understand anything about the need for savings or how to save. Those that do not understand the terminology.

Do you see this too?

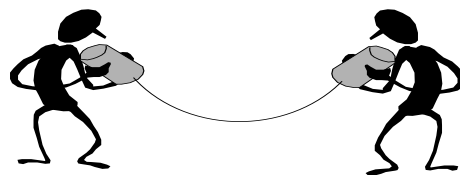
If you see people around you committing "sins of finance" or if you are one that is committing the "sin of finance" what should you do?

In most cases, confronting them directly will do you no good. Anyone who has teenaged kids can attest to that.

Consider finding a non-confrontational way to help them gain the knowledge. Examples might be:

1—Telling them about a situation that hap-

pened to you and how you resolved. How did you figure out how to do it better, different or more effective. Tell a story that provides them with that lesson.



2—Ask them to help you solve something in the area of finances to get a conversation going. For example, do they have a cheaper means of you getting a service or product that you need? You can offer them a better alternative to something that you think they should know about.

3—Suggest a website that you have found interesting and informative. Ask them to take a look and let you know what they think.

4—Ask them to review a book, magazine article or software program for you to see what they think of it.

5—Asking them to attend a class with you so

that you both can learn how to more effectively manage something. This could be a short course at BCC, BOCES, or Binghamton University, one of the classes that I teach, or any number of opportunities around that you can take advantage of.

The most effective way however is going to be through them watching your actions and hearing your reasons and explanations. If they see you using coupons, they are more likely to use them. If your kids watch how you spend your money and hear your explanations, they are more likely to absorb it. If co-worker see you bringing your lunch, they may bring theirs too. The key is to make the good financial decision seem normal, not something that has to be done for financial reasons but more because it just makes sense.

We have all heard the expression "keeping up with the Jones" - consider what you are showing the people around you. You be the new "Jones" to keep up with.

And if you feel you are the one without the knowledge, figure out a way to get it. Immerse yourself in the learning.