

# pathways

NEWS FOR CLIENTS ■ WILLIAMS-KEEPERS LLC

SUMMER 2008



## 4 Your design for greater wealth

ALSO: page 3...**Business incentives in Economic Stimulus Act**  
page 6...**DOL safe harbor** page 7...**Insurance tips and traps**  
page 8...**Community involvement: Bowl For Kids' Sake**

 WILLIAMS  
KEEPERS LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Dear Valued Clients:

When the April 15 tax deadline passes each year, I am often asked if I am relieved that tax season is over. While it is true that spring is the busiest time of year for all public accounting firms, April 15 doesn't represent the finish line at Williams-Keepers LLC. We offer a wide variety of services that keep our audit, tax, accounting and financial service professionals busy year-round.

The topics covered in this issue of *pathways* are examples of the kind of work we do for our clients the other nine months of the year. We discuss the business provisions of the Economic Stimulus Act of 2008, provide insurance tips for not-for-profit organizations and alert you to a change in Department of Labor regulations. In addition, we feature an article on investing for wealth accumulation provided by Raymond James Financial Advisors Lon Brockmeier, CFP® and Cathy Anderson.

Another tax season has passed, but the work we do for you could be just beginning. Contact us to learn more about the superior services and creative solutions WK provides.



Sincerely,

*Russell A. Starr*

Russell A. Starr, CPA  
Managing Member

## WK welcomes new associates

WILLIAMS-KEEPERS LLC is pleased to announce the addition of the following full-time and seasonal associates.

**Steven C. Thompson, CPA** joined WK as an Audit Supervisor. Steven earned a bachelor's of accountancy from the University of Missouri.

**Samantha Crane** joined WK as an Audit Staff I. Samantha earned a bachelor's degree in business administration with an emphasis in accounting and finance from Columbia College in May 2008.

**Lori Bestgen** joined WK as a Tax Staff I. Lori graduated from Missouri State University with a master's of accountancy in May 2008.

**Amanda Holman** joined WK as an Audit Staff I. Amanda earned a master's of accountancy from the University of Missouri in May 2008.

**Rebecca Railton** joined WK as a Tax Staff I. Rebecca, who previously served as a tax intern and administrative assistant at WK, earned a master's of accountancy from the University of Missouri in May 2008.

**Cara Stauffer** joined WK as an Accounting Services Staff I. Cara earned a bachelor's degree in accounting and business

administration from Lincoln University.

**Tory Brondel**, a graduate student at the University of Missouri, joined WK an intern in the firm's tax department.

**Chris Schneider**, a graduate student at the University of Missouri, joined WK as an intern in the firm's audit department.

**Erica Smith**, a student at Southwest Baptist University, joined WK as an intern in the firm's audit department.



### Associates earn CPA licenses

WK members and associates extend congratulations to WK Audit Seniors (from left) Michael Heil, CPA, Kelly Schwarze, CPA and Tax Staff I Megan Toalson, CPA, who recently earned Certified Public Accountant licenses.

# pathways

is published as a service to clients. It is intended to provide general information on the subject matter covered. Before acting on any information contained in this newsletter, please consult Williams-Keepers LLC to determine its applicability to your particular situation.

If you have questions or suggestions regarding this publication, please contact:

Kari Dowell, Editor  
kdowell@williamskeepers.com  
(573) 442-6171



www.williamskeepers.com

Superior Service. Creative Solutions.  
Exceptional Clients.

Williams-Keepers LLC is a member of PKF North American Network (PKF NAN), an association of 88 independently owned public accounting firms that share client service, technical, educational and marketing resources and expertise. For additional information about PKF NAN, please visit [www.pkfnan.org](http://www.pkfnan.org).



## CHANGE OF INFORMATION

Do you have a new phone number, home address, e-mail or fax number?

### Please let us know.

We would like to keep our records as up to date as possible in order to provide you with timely and accurate service. Please take a moment to contact Linda Cox at (573) 442-6171 or Jonna Gilmore at (573) 635-6196 and provide your most current information. Thank you!

# Business incentives

INCLUDED IN

## Economic Stimulus Act of 2008

### Do the math

A company purchases a qualified asset with an adjusted basis of .....	\$70,000
Bonus depreciation.....	35,000
First-year MACRS depreciation.....	7,000
<hr/>	
Total depreciation deduction .....	\$42,000

ON FEBRUARY 13, 2008, President Bush signed a \$152 billion package called the Economic Stimulus Act of 2008. Although much of the bill's attention has

focused on the rebates individual taxpayers will receive this summer, it is also intended to assist businesses during the 2008 calendar year with a \$44.8 billion tax relief package.

The package is meant to stimulate investment with two provisions – increased first-year expensing of fixed-asset purchases and bonus depreciation.

### Internal Revenue Code Section 179 Expensing

For equipment purchased and placed in service during 2008, small businesses may write off up to \$250,000 of expenses incurred for the purchase of qualified, tangible personal property used in a trade or business. This new limit represents an increase of \$122,000 over the previous dollar limitation amount of \$128,000. The new act also increases the total amount of equipment that can be purchased by a company and still qualify for this treatment from \$510,000 to \$800,000. The benefit to small and moderate-sized businesses is the ability to obtain a full deduction for the cost of business machinery and equipment purchased in 2008, whether purchased new or used, therefore reducing their effective costs for these assets.

This incentive applies only after the beginning of the new fiscal year for any taxpayers who have a fiscal year other than December 31. For companies with a calendar year-end, the new limitations

are retroactive to January 1, 2008. Additionally, small businesses that are experiencing losses cannot utilize the deduction in the current year but may carry it forward to years when net income occurs, provided that the maximum investment limitation and taxable income limitations for that year allow that extent of the deduction.

### Bonus Depreciation

A second provision specific to businesses is the return of the concept of bonus depreciation. This is essentially an up-front deduction of 50 percent of the adjusted basis of qualified property placed into service (as original use) after December 31, 2007, and before January 1, 2009.

To qualify for this deduction, the property purchased and placed in service must be new tangible personal property and cannot be part of a binding written contract to acquire such property before January 1, 2008. Additionally, bonus depreciation is permitted for: property to which Modified Accelerated Cost Recovery System (MACRS) applies and has an applicable recovery period of 20 years or less; water utility property; non-custom-made computer software; and qualified leasehold improvement property. Bonus depreciation is allowed for Alternative Minimum Tax purposes as well as regular tax purposes. The amount of the additional first-year depreciation deduction is not affected by a short taxable year.

Bonus depreciation is a required

treatment. A taxpayer can elect out of the additional first-year depreciation for any class of property for the tax year. However, if the taxpayer elects out, that election cannot be revoked later without IRS approval.

The benefit to businesses is the increase in the total depreciation amount on all qualified property. For example, if a company were to purchase a qualifying asset with an adjusted basis of \$70,000 and a depreciable life of five years, it would receive an up-front deduction of \$35,000 (bonus depreciation) plus the first-year MACRS depreciation on the remaining \$35,000 (\$7,000), instead of just receiving the first year MACRS depreciation on the entire \$70,000 (\$14,000). The bonus depreciation resulted in a first year depreciation deduction of \$42,000, which is an increase of \$28,000 over normal depreciation rules.

These two depreciation-related incentives allow businesses to acquire equipment needed to be more efficient and productive at a lower effective cost by expediting the cost-recovery period of these assets for income tax purposes. Because the situations of all taxpayers are unique, the most effective strategy for using these incentives will vary. Be sure to discuss your asset-acquisition strategy with your tax advisor.



Contact John E. Weaver, CPA at (573) 442-6171 for guidance regarding Section 179 expensing and bonus depreciation.

# Your design for greater wealth

As you lay out your design for greater wealth, keep in mind that you might spend nearly a third of your life without a paycheck.

**N**O MATTER WHAT formal phrases have been devised to describe the continuum as you progress toward retirement from young worker through middle-aged employee to veteran manager, you're constantly being

urged to save for your later years. Now, more than ever, Americans are and will continue to be responsible for their quality of life during retirement. Company-paid pension plans are gradually being phased out. Your retirement isn't likely to be a copy of your father's leisure years. Instead, it will be up to you.

Yes, Social Security will help, as will Medicare, but there is no escaping the fact that your retirement will be what you make it. Hence, the constant reminders to save. And save more. Increase your IRA or 401(k) contributions to the max. Invest now. Invest wisely. Diversify. Don't forget to tailor your retirement dreams to what you can realistically achieve.

## Does all this portend a rather grim scenario?

It should not, especially if you take advantage of all the opportunities that present themselves during what financial professionals label your accumulation phase. Loosely defined, this is the long stage of life that follows your earliest working years, when "retirement," if you heard the word at all, was probably something your parents or grandparents talked about. Now, however, say in your mid-30s, you've begun to think at least occasionally about retirement. Those days still lie far in the future – but they're not as far away as they once seemed.

## Retirement? Seriously?

The details of that future are what concern you. The idea of saving seriously for retirement is no longer the option it might have seemed a few years ago. You're ready to crack down on any undisciplined credit card spending or living beyond your means and apply a disciplined strategy to building the kind of portfolio that will fund a fine retirement.

Early on, you'll undoubtedly figure out about how much you believe you'll need in retirement. While that's a task beyond the scope of this article, you undoubtedly assessed your possible longevity, determined what kind of lifestyle you prefer, decided when you'd like to retire and projected a conservative rate of return for your portfolio. You've probably concluded that, as a properly stretched canvas is essential to certain works of art, a substantial financial foundation is required for your secure retirement.

## Other salient facts

Even though we've used 65 as the commonly accepted retirement age for years, from a Social Security standpoint, that is no longer the case. If you were born between 1943 and 1954, full retirement doesn't kick in until you are 66. It then increases in two-month increments until, if you were born in 1960 or later, full retirement benefits begin at 67. You can still file for reduced benefits at age 62, however. Social Security won't come close to funding anyone's dream retirement, and benefits might be changed as funding problems arise in future generations, but, for the foreseeable future, it is a monthly check you can count on. When you're calculating how much you'll need, don't forget to add your likely Social Security payment to any corporate retirement pension plan money.

The rest is up to you.

## Disciplined accumulation

Whether you're just beginning your accumulation phase or well into it – whether you have 30 years to go before retirement or just five or 10 – you'll need a plan if you want to succeed. As an artist imagines the finished work, wealth builders need to focus on the ultimate financial goals. Good intentions are just that – they don't count. Constructing a perfect plan is only one side of the equation. The rest depends on you. Forget the idea of haphazardly tossing money into the retirement barrel. It reflects an undisciplined approach to post-employment, and in most cases, it just doesn't work.

Accumulating the funds that will provide a solid foundation for your ideal

retirement takes determination, dedication and discipline on your part. Consider important choices about your use of money. True discipline might entail making decisions that might not be your first choice. If you're investing at least 15 percent of your paycheck and your retirement horizon lies far into the future, you might be doing well. If you're not, you might want to take a hard look at where your money actually goes and begin redirecting some of it toward a more secure future.

## The big picture

Everyone's picture of retirement is unique. Whether your idea is to spend every lunch hour at the 19th hole, cruise the seven seas or spend your time visiting a scattered family, you need a solid financial backing.

Take advantage of traditional IRA and/or Roth IRA plans, 401(k) plans and whatever other tax-advantaged retirement plans apply in your situation to save the maximum. Contribute to the ceilings every year, and choose your investments carefully enough so that those likely to provide heavy annual capital gains or pay non-qualified dividends (dividends that count as regular income rather than those that trigger a 15 percent tax rate) sit in sheltered retirement plan accounts rather than taxable accounts.

You might also consider annuities, life insurance and other investments that might be appropriate for your situation. While history might never repeat itself precisely, it's worth glancing at historical trends as you invest. It's shown time and again that establishing an equities portfolio and investing for the long term generally is more likely to achieve the desired result than trying to time markets, chasing hot tips or sectors, or putting money into "innovative" investment systems. That said, it doesn't mean you shouldn't take advantage of investment opportunities that present themselves in down markets.

Part of your disciplined approach to wealth accumulation involves paying attention to the markets and the investments you have chosen. Facts and circumstances change, and you might want to upgrade your

original choices from time to time. While you do, pay close attention to the different asset classes of investments so you can diversify properly. While it might be tempting, it's not prudent – or historically successful – to think that you can simply build a portfolio and let it run itself as the years go by. Even the best require periodic attention.

## A varied palette

Financial planners agree on the need for investors to diversify. Just as keeping all your money in one stock could prove disastrous if that stock were to stumble badly, keeping it all in one mutual fund or any other single or series of closely related investments could have equally unfortunate results.

In contrast, a portfolio of various market sectors and classes of assets provides a balance against extremes. You have no doubt noticed that on even the worst market days, some stocks or investments went against the tide and moved up. Similarly, a carefully chosen allocation of assets in various classes and types of investments, including both domestic and foreign equities, bonds, real estate investment trusts (REITs), commodities and money market funds, among others, tends to even out the volatility markets are bound to experience.<sup>1</sup>

## Dealing with risk

This leads to a consideration of risk and how you deal with it, because risk attaches itself to even the safest of investments – savings accounts, certificates of deposit, money market funds and government bonds. Risk is inescapable because there is no way to account for uncertainty. Every investment is risky in the sense that its returns are unpredictable. Even the safest investments carry the risk of underperforming the inflation rate.

For example, a retired, 68-year-old widower having lived comfortably with \$2,500 a month coming from a fixed income portfolio in 1988 would have had a difficult time maintaining that comfort over the years. In 2008, at 88, he would need \$4,556.<sup>2</sup> To do

*continued on page 6*

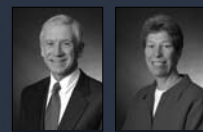
that, he would have to dip into the principal of his investment, which had not grown over the years. Now he has to worry about running out of money.

When you invest in equities, the downside risk is more obvious. Everyone has noticed how volatile the markets have been during the past year, with national, political and economic news sending investors bidding up prices for gains one day and then taking them away the next. Yet equity investing on a long-term basis has been one of the best ways to build wealth.

Being altogether risk averse is to invite the fate of the retiree mentioned above. On the other hand, paying no attention to risk can mean disaster – perhaps sudden disaster if your funds are held largely in one company or investment class.

In the end, the most successful wealth builders rely on balance – the diversification referred to earlier. After careful initial analysis and a continuing assessment of evolving risk as the years go by, the youngest accumulators who begin with a portfolio filled with equities gradually guide their plan's path into some less risky choices for balance. As 21st century investors approach retirement, they're abandoning the earlier practice of switching to a fixed income-only portfolio model.

In order to successfully fund today's 25- or 30-year retirements, successful portfolios are retaining a hefty portion of equities. There is the answer to the questions investors have sometimes asked about wealth-building strategies. When does the accumulation phase end? Never.



Contact Lon J. Brockmeier, CFP® Raymond James Financial Advisor, or Cathy M. Anderson,

Raymond James Financial Advisor, at (573) 499-6811.

Williams-Keepers LLC and the accounting and tax services thereof are independent of Raymond James Financial Services, Inc. Securities and investment advisory services offered through Raymond James Financial Services, Inc. Member FINRA/SIPC.

<sup>1</sup> Diversification does not ensure a profit or protect against a loss.

<sup>2</sup> Economic Research & Data, Federal Reserve Bank of Minneapolis.

# DOL proposes safe harbor for plan contribution deposits

IF YOU SPONSOR retirement and health and welfare plans that include fewer than 100 participants, the Department of Labor (DOL) has recently proposed a much welcome safe harbor deadline for depositing participant contributions. The proposed safe harbor provides more certainty to the long-established, but vague, deadline that requires the employer to deposit amounts withheld from an employee's pay on the earliest date that contributions could reasonably be segregated from the employer's general assets.

**Safe harbor.** For participant contributions withheld from compensation, the DOL will consider deposits made to the plan by the seventh business day following the date of withholding to be in compliance. The DOL proposes to extend the same safe harbor to participant loan payments.

A plan that does not meet the safe harbor deadline does not automatically violate the regulations. However, under audit, the employer would have the burden of demonstrating that contributions were deposited as soon as reasonably possible. Deposits made after the 15th day of the month following withholding are always late under the regulations, regardless of the underlying circumstances.

**Effective date.** The safe harbor will not be effective until DOL publishes the final regulations. However, DOL has indicated that it will not question deposits made within the new guidelines. Therefore, you can take advantage of the new safe harbor now.

**Large plans.** DOL has indicated that it is working on a similar safe harbor for plans with more than 100 participants.



For questions regarding any aspect of your retirement plan, please contact Mariel Liggett, CPA at (573) 442-6171.

## Not-for-profit organizations Insurance tips and traps



ARE WE COVERED FOR THAT?" These are the words that every leader of a not-for-profit entity dreads.

Because the insurance requirements of not-for-profit entities are so different from commercial businesses, public agencies and even your own personal insurance needs, it's critical to learn about the insurance trips and traps your organization faces.

### General liability

The most common not-for-profit liability policy is the commercial general liability (CGL) policy, which covers against claims for bodily injury (someone suffers an injury), property damage (someone's property is damaged) and personal injury (someone is libeled, slandered, defamed or maliciously prosecuted).

**tip** **Get enough coverage.** In today's legal climate, a \$1 million per claim and \$1 million in the aggregate limit is considered the entry-level limit for a CGL policy.

**tip** **Cover your volunteers.** While not-for-profit employees are insured within the definition of "who is an insured," volunteers might not be. Consider telling your broker you want coverage for volunteers as an insured. Without this endorsement, your volunteers must depend on their own resources or their home-owner's insurance for protection.

**trap** **Abuse/molestation.** Some insurers exclude liability from allegations of sexual abuse or molestation. If your agency serves children, the elderly or the infirm, specific abuse coverage might be important.

### Vehicles and autos

If your not-for-profit owns any vehicles, you need a Business Auto Policy (BAP) to cover the vehicles for auto li-

ability and physical damage.

**tip** **Cover non-owned vehicles.** If you have employees and volunteers who use their own vehicles, consider purchasing hired and non-owned auto liability coverage. This protects the organization (not the driver or vehicle owner) when the person is acting on behalf of the organization (such as going to the bank or attending a special event).

### Directors' & Officers' liability (D&O)

A D&O policy protects the organization, its directors, officers, employees and volunteers for their "wrongful acts" in governing and managing the organization (e.g., allegations of breach of duty, errors and omissions, and other acts that cause harm to the organization or its stakeholders).

**tip** **Establish proper limits.** The recommended base limit is \$1 million per claim/\$1 million in the aggregate, unless your organization is very small. Higher limits are appropriate if you believe your exposure is greater than average, or if board members are uncomfortable serving in the absence of higher limits.

**tip** **Cover your publications.** If your not-for-profit publishes a newsletter, magazine or other marketing materials, consider a D&O policy that includes publishers' liability and personal injury. This provides broader coverage than a general liability policy for libel, defamation, copyright or trademark infringement.

### Workers' compensation

If you have full-time or part-time employees, your state law likely requires that your not-for-profit have a workers' compensation policy.

**tip** **Cover employment practices.** If you have employees, make certain that your D&O policy includes employment practices liability (EPLI) coverage — employment-related claims (e.g., wrongful

termination, harassment, etc.) are the most common type of D&O claims filed against not-for-profits.

**trap** **Be wary of covering volunteers.** In some states, volunteers can be added to your not-for-profit's workers' compensation policy. But injuries to covered volunteers could affect your "experience rating," increasing your workers' compensation premium. An accident insurance policy may be a better way to protect volunteers.

### Property insurance

A commercial property policy covers the property (furniture, fixtures, office equipment, stock, etc.) that the not-for-profit owns.

**tip** **Review deductibles.** A low deductible can cost you in higher premiums. Investigate deductibles of \$1,000, \$5,000 or more and simply consider small losses a "cost of business" paid for out of operating funds. Leave the insurance company to handle the debilitating claims.

**trap** **Not covering computers.** If your not-for-profit owns any computers or electronic equipment, consider a computer or electronic data processing policy, which offers broader coverage such as loss due to power surges, hard-drive crashes and possibly viruses.

### Smart steps

Find an insurance agent who has experience working with not-for-profits, and then meet with him or her annually to review your coverage. Schedule the review four months before your policy expires. You should also ask for a summary of coverage and losses. Then, talk about where your organization has been and where you plan to go in the near future.



Contact Heidi A. Chick, CPA at (573) 442-6171 for questions related to not-for-profit organizations.



PHOTO: YOLANDA CIOLLI

## FOCUS ON COMMUNITY INVOLVEMENT: **BOWL FOR KIDS' SAKE**

IN AN AFTERNOON featuring more gutter balls than strikes, Williams-Keepers LLC recently participated in Big Brothers Big Sisters of Central Missouri's annual fundraiser, Bowl for Kids' Sake.

"We had a great time bowling, eating pizza and hanging out together," WK team captain and BBBS of Central Missouri treasurer Amber Snider reported after the event. "Big Brothers Big Sisters is a very worthy cause."

According to Big Brothers Big Sisters, the event raised more than \$50,000 for the program that matches community volunteers, or "Bigs," with at-risk youth known as "Littles." WK's bowlers raised \$950 in donations from WK associates, friends and family members.

The Missouri Valley BBBS chapter based in Jefferson City also recently held a Bowl for Kids' Sake fundraiser. WK sponsored a lane at the event, which netted more than \$37,000 for the program.



CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

2005 West Broadway, Suite 100, COLUMBIA, MO 65203  
3220 West Edgewood Suite E, JEFFERSON CITY, MO 65109

PRESORTED  
FIRST CLASS MAIL  
**U.S. POSTAGE PAID**  
JEFFERSON CITY, MO  
PERMIT NO. 266