Welcome to Craft, Noble and Company's e-news update. Now that three quarters of the fiscal year is over, here's the most current news. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

**Dependents can be a complicated tax issue**

Most taxpayers believe that a "dependent" is a minor child that lives with them. While that is essentially correct, dependents can include children and parents, other relatives and nonrelatives, and even children who don't live with you. There is really much more to the dependent deduction than you might at first imagine.

* **Exemptions and your taxable income.** For 2013, each dependent deduction is worth $3,900, reducing your taxable income by this amount, though the deduction is phased out for high income taxpayers.
* **Dependents defined.** It's impossible to present all of the rules relative to dependents here, since they are so complicated. Generally speaking, if somebody lives with you and you provide more than half of that individual's support for the entire year, there is a good chance that person is a dependent. There are many exceptions. For example, parents don't have to live with you if they otherwise qualify, but some other relatives do. A child of divorced parents doesn't necessarily have to live with the noncustodial spouse for the dependent deduction to apply.
* **People who can't be claimed.** Generally, you may not claim a married person as a dependent if that person files a joint return with a spouse. Also, a dependent must be a U.S. citizen, resident alien, national, or a resident of Canada or Mexico for part of the year.
* **One dependent deduction per individual.** If you claim yourself as your own dependent, anybody else who can truly meet the tests and claim you as a dependent will lose out. This is common for college students who file their own tax returns for their part-time jobs, while mom and dad really meet all of the qualifications to claim the dependent exemption.

While the dependent deduction might seem relatively minor, it can lead to other deductions on the tax return. In order to claim the child tax credit, the education credits, the dependent care credit, for example, you must claim the dependent deduction for the child that qualifies for the deduction or credit.

Finally, dependent deductions can be negotiated, which is especially important for divorced taxpayers. In the past, the IRS would accept the language of the divorce decree to allow the noncustodial parent the dependent deduction. However, under the current rules, the IRS will no longer accept a divorce decree in lieu of IRS Form 8332 (Release of Exemption).

If you have any questions regarding dependents please call Craft, Noble & Company today.

**Plan for the growth of your business**

Most businesses view growth as a sign of success. Yet uncontrolled expansion could jeopardize your company's future. Consider these key points as you map out a plan for growth.

* **Keep more of what you make.** A thorough business and tax review may reveal tax-cutting opportunities and other steps you can take to operate your business more profitably.
* **Review insurance needs.** Keep your insurance agent apprised of what you are doing in your business. Changes in your business equipment, the amount of inventory, the number of employees, and your real estate holdings are all causes for a review of your insurance.
* **Manage your cash wisely.** Lack of liquidity is a key factor in most business failures. Some effective cash management techniques include reducing receivables, speeding collections with early payment discounts, making payment on bills no sooner than the due date, lowering excess inventory, and investing excess cash.
* **Learn the rules for employees.** Hiring your first employee is usually a learning experience. Unfortunately, the rules and paperwork don't get any easier as your business grows. In fact, different rules silently kick in as your employee head count reaches certain thresholds. Before you hire an employee, make sure you understand the total cost and obligation you are undertaking.
* **Outshine the competition.** Business competition gets more intense every year. One way to stay competitive is to limit your product or service line and become more of a specialist. Stick to what you do best. This will give your customers the confidence that you can fill their needs more readily than another company.

For assistance with the challenges of growing your business, contact our office. We're here to help you succeed.

**What's New: After you move: A financial checklist**

Many people move during the summer months when children are out of school. If you have recently moved, take the following steps to bring your financial situation up to date:

* **Notify all current year employers** for all members of the family so that W-2 statements and other forms arrive on time at your new location.
* **Review your insurance policies** to make sure you still have the coverage you need. Your premiums may change on some insurance due to your new location. Find out when various policies expire so that you can get insurance in your new location without a lapse of coverage.
* **Check on pension benefits** at both your old job and your new one. If you are entitled to money from your old company's pension plan, get advice on the tax consequences of the various options relating to the funds.
* **Make an appointment for a tax planning session** in your new location. You may be required to file tax returns in more than one state, and state tax laws vary. Schedule this session early to give yourself ample time to do tax planning.
* **Review your investment portfolio.** Moving may require some adjustments. For example, if you own municipal bonds issued by your old state of residence, earnings on them will probably be taxable in your new state.
* **If you've moved to a new state,** find out the laws governing property rights. Some states are community property states and, in general, consider husbands and wives to be joint owners of property acquired during their marriage. Other states are common law states and property ownership depends on title and the source of acquisition funds. Get the facts so you can arrange your affairs accordingly.
* **Have your will reviewed** to see if changes are necessary. State laws vary; be sure your will still does what you want it to do. Contact your attorney for assistance.

If you'd like more information or assistance with financial matters related to making a move, contact our office. We're here to help.

**Should you transfer your 401(k) to an IRA when you retire?**

If you're approaching retirement, you may be wondering where to park the money that's sitting in your employer's 401(k) plan. Should you transfer the balance to an Individual Retirement Account (IRA) as soon as you retire? Should you take a lump-sum payment and reinvest the money elsewhere? Should you leave the entire balance in your employer's plan? As with most financial decisions, this one is not one-size-fits-all. Before taking action, it's wise to take a close look at your particular needs and circumstances, as well as the advantages and disadvantages of each investment option. Consider the following:

* **Investment options in a 401(k) plan may be limited.** Cafeteria-style 401(k) plans generally offer fewer investment options than IRAs and this, in turn, may impact long-term planning. For example, an IRA may provide the option of purchasing individual bonds instead of bond funds. With an individual bond, you may be able to get a fixed interest rate for more predictable income. On the other hand, if you don't have the time or inclination to research investment options, you may want to leave your nest egg in a solid 401(k) plan. Employers often reduce the number of mutual funds in a 401(k) plan to a few high-quality, well-managed funds with low fees. In addition, limited funds mean less recordkeeping. For some folks, that's a real advantage.
* **Some investment options may not be available in an IRA.** In general, IRAs provide more investment alternatives than company retirement plans. But some options — stock ownership plans, for example — may not be available outside your employer's plan.
* **IRA fees may be higher.** Large companies are often able to negotiate discounted fees for their 401(k) participants. Leaving your money in an employer's plan may cut down on investment costs and put more of your money to work.
* **Consider your retirement age.** With an IRA, you'll incur a 10% penalty if you make withdrawals before turning age 59½. Qualified retirees can begin taking penalty-free withdrawals from a 401(k) plan at age 55. So if you're planning to retire between those ages, you might want to leave your money in the employer plan.
* **Beware the transfer.** If you decide to move your money to an IRA, it's generally best to have the money transferred directly to a new tax-deferred account. Unless the funds are quickly reinvested in a qualified retirement account, you could face significant tax consequences.

For guidance in making your retirement financial decisions, give Craft, Noble & Company a call.