GERSHON BIEGELEISEN & CO.
CERTIFIED PUBLIC ACCOUNTANTS
111 Madison Ave ● Lakewood, NJ 08701
Phone (732) 886-6311 ● (732 577-8844
Fax (732) 886-9711 ● 732-577-8456

Newsletter

SEPTEMBER 2012

Tax filing reminders

- **September 17** – Third quarter installment of 2012 individual estimated income tax is due.
- **September 17** – Filing deadline for 2011 tax returns for calendar-year corporations that received an automatic extension of the March 15 filing deadline.
- **September 17** – Filing deadline for 2011 partnership tax returns that received an extension of the April 17 filing deadline.
- **October 1** – Generally, the deadline for businesses to adopt a SIMPLE retirement plan for 2012.
- **October 15** – Deadline for filing 2011 individual tax returns on extension.

Develop an early-warning system for problem accounts

If you extend credit to your customers, some losses are inevitable. So unless you are willing to forgo the credit part of your sales, you have to figure out ways to control your bad debt losses.

Once you have extended credit to a customer, you have a stake in continuing the relationship even if you suspect there might be trouble a-brewing. You don't want to crack down on a good customer too hard too soon; yet you don't want to be "taken" by a debtor who has become unable or unwilling to pay. The problem is distinguishing between slow pay (which is bad enough) and no pay.

What you need is an early-warning system to detect a credit problem in the making, so you can stop additional sales to that customer and begin collection procedures in earnest. Here are some of the tell-tale signs that point to an account that is turning sour.

- The debtor has begun paying erratically, settling up on smaller invoices while larger ones just get older, at the same time disputing specifications or terms.
- The debtor fails to return your phone calls or shows unusual annoyance at your inquiries.
- Your requests for information, such as updated financial statements, are ignored.
- The debtor places jumbo orders and presses you for a higher credit limit.
- Despite the problems you are having, the debtor tries to coax you into providing a good credit report to another supplier.

- You get word that the debtor’s credit rating has been downgraded.
- Any one of these hints of trouble can be the handwriting on the wall. Two or more and it’s time to crack down. Take a firm stand; turn up the heat on your collection efforts with this debtor, and make no more sales unless they’re cash on delivery.

Tips on planning for college financial aid

Scholarships, grants, student loans. Learning about the options available to help you pay for your child’s college expenses requires a lot of homework. Here’s one more thing to study: how to coordinate those sources of funds with your overall financial plan.

As you probably know, your income and assets, as well as those of your child, affect eligibility for federal student aid. What may not be so obvious is the role early financial planning can play.

Expected family contribution. For instance, say your tax plan includes shifting assets to your child as part of a family-wide savings strategy. When you intend to apply for federal educational assistance, you’ll also want to consider the way money and property owned by your child affects the amount of aid you may be eligible to receive.

In general, assets owned by your child equate to less potential student aid. That’s because a larger percentage of those assets counts toward the amount of college expenses you’re expected to pay out of pocket, also known as your “expected family contribution.”

Currently 20% of student-owned assets are included in the expected family contribution, versus a maximum of 5.64% of certain assets owned by you and your spouse.

Tip: Depending on the scheduled enrollment date, you may want to use some of your child’s assets for upcoming expenses, such as school supplies or dorm furnishings.

529 college savings plan. What about putting money in a 529 college savings plan? In addition to being a good estate and income tax planning move, 529 savings plans are treated favorably under financial aid rules, too.

For one thing, the value of the 529 account is considered an asset of the parent in financial aid calculations. That’s true whether you own the account or your dependent child does.

For another, qualified distributions from 529 plans you own are not counted as income on the federal aid application.

Income management. Managing your income is another tax planning move that requires consideration of student aid rules. An example: Deciding to recognize capital gains to take advantage of lower rates can add to your “available income” and reduce potential financial assistance.

Increasing your tax-exempt interest can have the same result, as can hiring your child in your family business. Up to 50% of your child’s income (after certain adjustments) may be counted in the financial aid calculation.

Maximizing contributions to your qualified retirement plans also affects the financial aid formula. The balance in your 401(k) or similar account is not included as part of the assets you have available for paying your child’s college costs.

Thanks! We appreciate you

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.