

# dollars&SENSE

## NEWSLETTER

### Grand Wishes for a Grandchild



It's with great delight that Linda and I welcomed another grandchild into the fold. Like most families,

we contemplated pink or blue, planned for special milestones, and anticipated how best to help the new parents. All the planning in the world never quite prepares you for the first time you look into the eyes of a newborn. Whether as a new parent, or a seasoned grandparent—there's something about babies that make each of us contemplate the past and embrace the future with renewed vigor and eager anticipation.

As a grandfather, I have grand wishes for our newest family member. I want more for him than I wanted for myself, or even than I wanted for my own children. Time and experience have helped to sharpen my sense of priorities, and dare I say...along with the grey hair has come a bit of wisdom.



This issue of *Dollars & Sense* is full of smart future-planning advice for you and your loved ones. As always, please feel free to call our office with any questions. We wish you a terrific summer season.

### BUSINESS ADVISORY

by Russell Hopkins

One of my favorite questions came from a business-owner client during an annual financial planning session. We were discussing life insurance that would provide security for his wife in the event of his demise. He turned to me and said, "That sounds fine for her, but what if I want to be there, too?"

The fact is it takes a significant amount of money to retire, and although we take time to plan for our loved ones' financial security in our absence, many of us aren't adequately planning for our own "golden years".

Here are a few simple retirement plan options that can make a significant difference for you.

#### 401(k)–Traditional vs. Safe-Harbor

The most prevalent plan for small businesses today is the 401(k) which offers owners and employees the opportunity to put away as much as \$44,500 (plus an additional \$5,000 if you are age 50 or over) for retirement. The traditional 401(k) plan bears the burden of complex rules which require year-end testing that can result in last minute reductions in the amounts that you, as owner, are allowed to contribute. The corrections have to be made by March 15 of the following year. Still, it is better than putting only \$5,000 into an IRA.

A more easily administered version of the 401(k) is called a Safe-Harbor 401(k) or "Safety (k)". This plan is not subject to many of the complex tax rules associated with a traditional 401(k). It is perhaps the most attractive small business retirement plan ever devised due to its simplicity and allowing for significant contributions. The Safe-Harbor plan requires the employer to make minimum, fully-vested contributions on behalf of employees and in return allows the employer and highly-compensated employees to

*(Business Advisory continued on page 2)*



### IN THIS ISSUE...

<b>Proud Moments</b> .....	2	<b>Grandparent's Advice</b> .....	4
<b>Notes from Uncle Sam</b> .....	3	<b>Take A Break</b> .....	4
<b>Milestones to Recognize</b> .....	3	<b>Shrimp Salsa Recipe</b> .....	4
<b>From Our Family to Yours</b> .....	4		

## PROUD MOMENTS

### Congratulations to...

- + Kingsley Barrett Peebles and the United Community Bank team for finishing in first place at this year's Greater Hall Chamber of Commerce's Annual Hackers Holiday Gold Tournament.



- + Martha Cartee, Melissa Gramling and Randy Jessup for completing the Dale Carnegie course, Effective Communications & Human Relations.

- + Duane Schlereth for his recent re-election as Treasurer of the Lake Lanier Rowing Club for 2007.



### Making a difference in children's lives –

#### Bates, Carter team members reach out

- + As a result of the May 5 benefit concert, local band Midlife Crisis (with Bates, Carter Vice President, Ron Bracewell on lead guitar), helped raise \$35,000 for Challenged Child and Friends, bringing total performance proceeds to more than \$350,000 in five years.



- + Staff accountants Rachel Taylor and Derrick Keith spent two weeks volunteer teaching seventh graders at North Hall Middle School the value of a free enterprise system and business and economics to improve the quality of their lives. The initiative was a collaborative partnership between the Georgia Society of CPAs and Junior Achievement's program, Economics for Success.

- + Five North Hall Schools each received \$3,000 from the North Hall Community Education Foundation (NHCEF) to help fund unique program needs. Formed in 2005, the Foundation provides financial support and other benefits to the five schools of the North Hall community. Bates, Carter Vice President, Ron Bracewell serves as Foundation president.

(Business Advisory continued from page 1)

contribute the maximum amounts to their own retirement accounts.

#### Starting Late?

But what if you are getting a late start and need to contribute even more towards your retirement? Business-owners who are older than their employees and looking to make substantial "catch-up" contributions for their retirement should consider combining a new-comparability defined-contribution plan with their 401(k) plan. The new comparability plan uses cross-testing to determine a hypothetical benefit at retirement age. Since younger employees have more time to accumulate benefits, their share of the Company's retirement contribution is less than the amounts allocated to older employees. In other words, the older you are, the more that gets allocated to your account. Of course, the cost to administer this plan is higher. This is no free lunch.

Maybe one of these variations of the 401(k) suits you. If not, there are other 401(k) variations or entirely different plans to choose from. The biggest mistake you can make is choosing to do nothing.

You can find a wide selection of retirement and financial calculators in the Tools section of our website.

Visit [www.batescarter.com](http://www.batescarter.com).



## NOTES FROM UNCLE SAM

### Planning for next year's filing season starts now

For most of us, April was the end of the filing season but it's not the end of tax planning. Now, more than ever, you need to take a careful look at your tax situation. Your just-finished 2006 returns can be a great roadmap to future planning.

First, it's very important to keep in mind that there is not one tax plan that fits everyone. Maybe you want to retire early or maybe you're planning to start a second career after retirement. School or travel could be in your future. Maybe you want to start that business you've always dreamed about. That's why tax planning typically requires customization and consideration of your personal as well as financial goals. We can help you develop a tax plan as part of your road map to success.

### Alternative Minimum Tax (AMT) problems

In 2006, the AMT exemption amounts were \$42,500 for single individuals and \$62,550 for married couples filing jointly. The news isn't so good for 2007...so far. The exemption amounts are much less. Congress may extend the higher 2006 amounts into 2007; but at this point, nothing is a shoo-in, and certain credits are no longer allowed against AMT, including child and dependent care expenses, the elderly or disabled and some residential energy credits, among others.

### Your retirement savings

We know that you've heard time and time again to start planning for retirement early. Last year's pension overhaul law, the Pension Protection Act of 2006, includes many provisions that help you save more for retirement.

How healthy is your 401(k), IRA or other retirement arrangement(s)? You can contribute up to \$4,000 to an IRA in 2007. After 2008, this amount is indexed for inflation in \$500 increments. Individuals who are age 50 and older can make even larger contributions thanks again to the catch-up rule. They can contribute an additional \$1,000 to an IRA. A spousal IRA and an IRA for a child who has a weekend or summer job are other great tools to help reduce your tax bill.

The pension law also increased the benefit and contribution limits for elective deferrals to 401(k) and some other plans to \$15,000 in 2006 and after, subject to a cost-of-living adjustment. If you work for a state or local government, the pension law also enhanced your elective deferrals if you have a 457 plan. And don't forget that Individuals age 50 and older can make "catch-up" contributions of up to \$5,000 for 401(k)s and some other plans.

### More to plan for in '07

There's a lot more to plan for:

- + **Education tax breaks...**These are among the most complex in the tax law but can give you some generous tax savings if you plan ahead.
- + **Charitable giving...**Last year, Congress cracked down on abuses in charitable giving. Don't let the IRS deny your deductions.
- + **Estate planning...**Tax planning is an important part of your estate plan. Not only should large estates plan for the federal estate tax, many family businesses and family farms should too. State tax considerations add to the complexity.

Give us a call and we'll sit down when it's convenient for you and go over your 2006 return. There's a lot of information we can use to start planning for your 2007 return while there's time for you to do something about the bottom-line tax you'll be paying.

## MILESTONES TO RECOGNIZE

### Thank you



**Linda Cobb**



**Sandy Whiten**

Thank you to Linda Cobb (20-years-of-service) and Sandy Whiten (21-years-of-service) for your dedication and loyalty. With two decades of service, you are the cornerstones upon which our foundation and professional family have been built.

### New team member



**Kristy L.J. Walker**  
*Staff Accountant*  
Tax Department

### The home-front

#### Announcing...



**Landon Robert Gilbert**  
April 30, 2007  
8 lbs., 5 oz., 20.5 inches  
**Proud parents:**  
Caroline & Kyle Gilbert  
**Ecstatic grandparents:**  
Barbara & Paul Gilbert



**John Lawson Willis**  
May 14, 2007  
8 lbs., 5 oz., 21 inches  
**Proud parents:**  
Kasey & Reese Willis  
**Ecstatic grandparents:**  
John & Linda Nix

## FROM OUR FAMILY TO YOURS



As the tax deadline came and went, you were bombarded with reminders to contribute to your IRA - but have you thought about establishing an IRA for your child?

### IRAs for Children

To qualify for an IRA, a person simply needs to have earned income—think about the ways your child may already be earning money...mowing Mr. Smith's lawn, babysitting for the neighbor's children, walking Fido...all of

these activities are work and if your children are compensated for their work, they have earned income. This is an excellent way to help your children to begin securing their future and understand the value of long-term planning.

### Putting money into a Roth IRA could provide even greater rewards.

If your child or grandchild is working and you or they are planning to invest in an IRA, there are a few rules you must follow. Here is a check list:

- + keep accurate and detailed records.
- + if the child works odd jobs for neighbors, he or she should keep records of the dates, employer, and amounts paid for each job.
- + if the child works for your family business, you should treat this as you would any other employee.
- + if the child is self-employed, he or she should make sure they file the proper tax returns.
- + be sure the child has earned income to match the contribution. (Sally can't contribute \$2000 if she didn't actually earn \$2000, for example).

Talk with a tax professional to explore how an IRA can be an excellent way to help your children prepare for their future, and to explore the different types of IRAs available.

## Grandparents advice - re-think gift giving

Giving a new toy for every birthday and Christmas only provides temporary enjoyment. Contributing the same money to a college savings account will provide long-term rewards.

Do you spend \$200 annually on birthday and holiday gifts for your grandchild? Instead of heading to the toy store... head to your accountant's office. You can easily turn \$200 a year into \$10,000 in 18 years (assuming an annual yield of 8%).

## Take a Break...

A patient was at her doctor's office after undergoing a complete physical exam. The doctor said, "I have some very grave news for you. You only have six months to live." The patient asked, "Oh doctor, what should I do?" The doctor replied, "Marry an accountant." "Will that make me live longer?" asked the patient. "No," said the doctor, "but it will SEEM longer."

## Shrimp Salsa *from the kitchen of Nora Roe*

- Fresh sweet tomatoes - (I use 10 very small tomatoes, enough for 8 servings)  
Remove seeds and dice. Drain off some of the liquid since you will be adding lime juice and don't want it to be too watery.
- Small amount of tomato puree (probably 1/4 cup)
- 1-2 jalapenos (depending on how spicy you like it, I used 1 - 1/2)  
- Seed, de-vein and finely chop.
- 1/4 -1/2 red onion - finely diced
- 2 TB cilantro - Finely chop the leaves w/top stems. Break off bottom stems.

- 12-16 shrimp (depending on size and how much you like) - Diced
- Mix together and add:**
- The juice of 1-2 limes (try one lime first and see how liquid the salsa is)
  - You can also add 1 clove of finely chopped garlic if you like.

**Bon Appetite!**



**bates, carter + CO.**

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