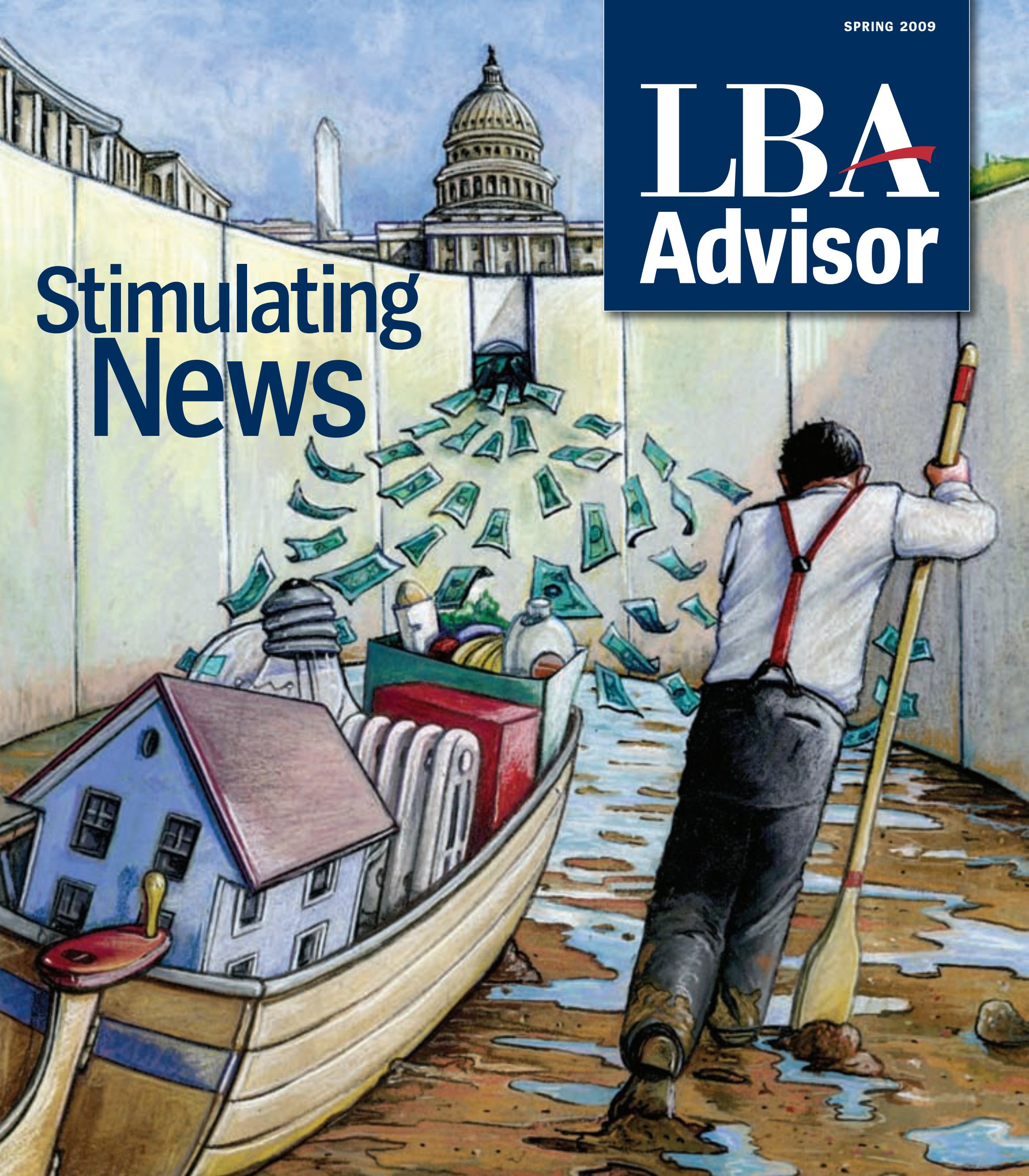


SPRING 2009

LBA Advisor

Stimulating News





Richard D. Brock, CPA
Chairman of the Board

Well, well, well. 2009 has certainly brought its fair share of changes. Not only do we have a new administration, they have already passed the American Recovery and Reinvestment Act of 2009, or the “Stimulus Plan” to which it is more commonly referred. We have already spoken with several of our clients discussing how this plan can and/or will directly affect your personal financial and tax situation. Those of you who own businesses have your own questions related to how you may benefit from the plan’s many pieces and parts.

In both the Personal Planning and Business Planning sections of this issue of the *LBA Advisor* we have provided an overview of the plan. Please keep in mind this plan is extremely long and complicated and while we have made every attempt to focus on the key points, everyone’s situation is different and we strongly encourage you to contact your LBA professional to determine how this plan will directly affect you.



Neal J. Von Stein, CPA
Managing Partner

The changes for us as a CPA firm have already begun in 2009 as well. LBA, as a tax advisor and tax return preparer, is subject to strict rules regarding confidentiality with respect to client tax information. We adhere to a professional Code of Ethics and the tax law imposes significant penalties on a tax return preparer that violates disclosure rules. New IRS regulations now greatly restrict (1) how we respond to tax clients’ requests to send their tax return information to others, and (2) how we are permitted to communicate with our clients.

As of January 1, we may no longer send client tax returns or data to a lender or other third party based on verbal or email instruction. Rather, taxpayers may authorize such a disclosure or use of tax return data only by signing a consent form that meets strict requirements and contains specific IRS-mandated language. Also, release of client tax return information to an entity affiliated with our practice requires written consent in the specified form. We even need client consent to send this magazine to a certain classification of clients, since we may have obtained your name and address

from your tax return. Yes, you read that correctly – your name and address are, under these new regulations and restrictions, considered “tax return information.”

These new regulations, which we believe border on the absurd, dramatically impact our ability to act on tax clients’ instructions to provide tax return information to third parties and/or to continue to provide our clients with pertinent and timely financial advisory information. As an anticipatory step, we are in the process of providing additional information about the new IRS regulations to all of our tax clients, along with common consents we expect they will want to sign in advance. Some taxpayers may need to sign several consents, as each consent must narrowly authorize only a specific disclosure or use of their tax information.

As we look forward to the remainder of 2009, and wonder what additional changes may be in store for us, we ask that you maintain your trust in us and be assured that we are fiercely committed to the important responsibility we have to maintain confidentiality with respect to client tax return information. We will continue to adhere to the highest professional standards.

Best wishes,



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On the Cover: President Obama's Stimulus Plan affects business and individuals. The highlights of the Plan are covered on pages 2 and 7 of this issue of the *LBA Advisor*.

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Will the Stimulus Act Benefit You and Your Family?

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009.



John Reynolds, CPA
Principal
Tax & Business Services Team

In addition to government spending initiatives intended to revive the economy, the nearly \$800 billion American Recovery and Reinvestment Act (the Act) provides hundreds of millions of dollars of tax cuts expected to benefit 95% of taxpayers.

New relief for most workers, retirees and other Social Security recipients. For 2009 and 2010, the Act creates the Making Work Pay credit of up to \$800 for joint filers and \$400 for other filers. The credit generally is phased out for joint filers with Adjusted Gross Incomes (AGIs) exceeding \$150,000 and for other filers with AGIs exceeding \$75,000. Unlike last year's "recovery rebate," which was distributed via checks mailed to taxpayers, the new credit will generally be "paid" through a reduction in income tax withholding.

The Act also provides a one-time payment of \$250 to:

- Retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration
- Railroad Retirement beneficiaries
- Disabled veterans receiving benefits from the U.S. Department of Veterans Affairs

Similarly, it provides a one-time refundable tax credit of \$250 to certain government retirees who aren't eligible for Social Security benefits. Both the \$250 payment and the \$250 credit reduce any allowable Making Work Pay credit.

New sales tax deduction for vehicle purchases. To both help individual taxpayers and to spur sales for the beleaguered auto industry, the Act creates a new above-the-line deduction for state and local sales and excise taxes paid on the purchase of new cars, light trucks, motorcycles and recreational vehicles. This means that taxpayers can benefit from the deduction even if they don't itemize.

The deduction is available for vehicles purchased from February 17, 2009, through December 31, 2009. The deduction is not, however, available for tax attributable to vehicle values in excess of \$49,500. It is also not available

for sales tax paid on leased vehicles.

Note that if the itemized deduction for state and local sales tax is extended, you won't be able to deduct the sales tax on a vehicle purchase both above the line and as an itemized deduction — if you're eligible for both, you'll have to choose which one to take.

Credit for first-time homebuyers. Last year, a refundable credit equal to 10% of the purchase price of a principal residence was made available to qualified first-time homebuyers. These are buyers who have not owned a principal residence in the prior three years. This credit was set to expire July 1, 2009, but the Act extends its availability to purchases made before December 1, 2009. For qualifying purchases made after December 31, 2008, the Act also increases the maximum credit from \$7,500 to \$8,000. It also allows taxpayers to claim the credit for a 2009 home purchase on their 2008 individual income tax returns. The credit phases out for joint filers with AGIs exceeding \$150,000 and for other filers with AGIs exceeding \$75,000.

Perhaps most significantly, the Act eliminates the repayment obligation for taxpayers whose qualifying purchase occurs after December 31, 2008 — except in situations where a home is sold within three years of purchase. For purchases before 2009 that qualified for the credit, the taxpayer must repay the credit received, generally over a 15-year period but with no interest.

American opportunity education credit (previously called the Hope credit). For 2009 and 2010, the Act expands this credit to cover 100% of the first \$2,000 of tuition and related expenses (including books) and 25% of the next \$2,000 of such expenses. The maximum credit is \$2,500 per year for the first four years of post-secondary education. (The maximum Hope credit was \$1,800 and applied to only the first two years of post-secondary education.) The credit phases out for joint filers with AGIs exceeding \$160,000 and for other filers with AGIs exceeding \$80,000.

Section 529 tuition savings plans. Taxpayers can use these tax-advantaged savings plans to fund college expenses. For federal purposes, contributions aren't deductible, but 529 plan distributions used to pay qualified education expenses — tuition, room, board, mandatory fees and books — are tax free. For expenses paid in 2009 and 2010, the Act expands the definition of qualified

education expenses to include computers and computer technology.

529 plan owners with students who are in college this year, or will be next year, may find it wise to use plan funds to purchase computers as soon as they are eligible, in case the expanded definition isn't extended beyond 2010.

Qualified small business stock gain exclusion. Generally, taxpayers selling qualified small business (QSB) stock are allowed to exclude 50% of their gain as long as they've held the stock for at least five years. (To be a QSB, a business must be engaged in an active trade or business and must not have assets exceeding \$50 million.) The Act increases the exclusion to 75% if the stock is issued after February 17, 2009, and before January 1, 2011.

Keep in mind that the taxable portion of the gain will be subject to the lesser of your ordinary marginal rate or 28%, rather than the regular long-term gains rate (currently 15% but scheduled to increase to 20% after 2010). Thus, if the 28% rate applies, the effective rate on the QSB gain would be 7% (28% x 25%).

Investing in QSB stock provides other advantages as well. For example, if you sell QSB stock at a loss and are a joint filer, you may be able to treat up to \$100,000 (\$50,000 for other filers) as an ordinary, rather than capital loss — regardless of your holding period. This means you can use it to offset ordinary income, such as salary and interest, reducing your taxes by as much as 35% of the loss.

Or, if within 60 days of selling QSB stock at a gain you buy other QSB stock with the proceeds, you may be able to defer the tax on the gain until you dispose of the new stock. The rolled-over gain reduces your basis in the new stock, but for determining long-term gains treatment, the new stock's holding period includes the holding period of the stock you sold.

AMT relief granted early this year

One tax provision affecting individuals that many thought wouldn't be enacted until later in the year is the extension of alternative minimum tax (AMT) relief. The AMT is a separate tax system that limits some deductions and doesn't permit others — you must pay the AMT if your AMT liability exceeds your regular tax liability. Unlike the regular tax system, the AMT system isn't regularly adjusted for inflation. So without an extension of relief, many middle class taxpayers would have to pay AMT for 2009.



The Act provides a one-year "patch" that increases the AMT exemption. For married couples filing jointly, the 2009 exemption is \$70,950. For singles and heads of households, it's \$46,700, and for married filing separately, it's \$35,475. These amounts are up slightly from 2008 but are significantly higher than what they would have been for 2009 without the patch — \$45,000, \$33,750 and \$22,500, respectively.

The patch also expands the AMT income ranges over which the exemptions phase out and only partial exemptions are available. The 2009 phase out ranges are now \$150,000 to \$433,800 for married filing jointly, \$112,500 to \$299,300 for singles and heads of households, and \$75,000 to \$216,900 for married filing separately. The exemption is completely phased out if AMT income exceeds the top of the applicable range.

Additionally, the Act extends a provision through 2009 that allows certain nonrefundable personal tax credits to provide a benefit against the AMT. These include the dependent care credit, the American Opportunity credit and the Lifetime Learning credit. (The child credit and the adoption credit were already allowed for AMT purposes.)

The Act also excludes from the AMT any income from tax-exempt bonds issued in 2009 and 2010, along with 2009 and 2010 refundings of bonds issued after December 31, 2002, and before January 1, 2009. Previously, tax-exempt interest from certain private activity municipal bonds could trigger AMT liability.

Despite these provisions, many taxpayers will continue to be subject to the AMT until more substantial changes are made. So projecting whether you could be subject to the AMT this

year or next is very important. With proper planning, you may be able to time income and deductions to avoid the AMT, or at least reduce its impact.

Energy-related breaks expanded

The Act creates or expands several energy-related breaks for individuals, such as:

- Transit benefits
- Residential energy property credit
- Plug-in electric vehicles credit

Help given to laid-off workers

Although much of the Act focuses on working Americans, it also provides some relief for laid-off workers:

Unemployment benefits. For 2009, the Act:

- Extends emergency unemployment compensation, which provides up to 33 additional weeks of benefits to workers who've exhausted their regular benefits
- Increases unemployment compensation by \$25 per week
- Suspends federal income tax on the first \$2,400 of unemployment benefits per recipient — without this provision, 100% of benefits would be included in a recipient's taxable income

COBRA premium assistance. The Act provides a 65% subsidy for health coverage continuation under COBRA for up to nine months. To be eligible, a worker must be involuntarily terminated between September 1, 2008, and December 31, 2009. Eligible workers who were terminated after September 1, 2008 but before February 17, 2009, and failed to elect COBRA coverage because it was too expensive have an additional 60 days, until April 18, 2009, to elect coverage and receive the subsidy. Workers who are married filing jointly must attest that their income won't exceed \$250,000 (\$125,000 for other filers).

Make the most of this complex new law

The Act is a huge piece of legislation, and we've only touched the surface of the most important provisions affecting individuals. Many of the rules are complex, and the Act also contains numerous tax breaks and other provisions affecting businesses. So please contact your LBA professional directly to learn which provisions you may benefit from, and how you can make the most of them.



Top Ten List: How to Improve Your Office Efficiency and Profitability

With the rising overhead costs and ever-decreasing payor reimbursements that seem to be plaguing the U.S. healthcare system, it is essential that your medical practice run as efficiently as possible.



LeeAnn Brust
RN, MBA, CCP, CPC, CMPE
 Partner and Executive Director
 LBA Healthcare Consulting
 Services, LLC

With that in mind, we have developed a Top Ten List that outlines simple ways to make a big difference in your practice's efficiency and profitability.

We guarantee if you focus on these 10 tips your practice will be more profitable and more efficient by year-end!

10. Put Your Best People at the Front – First impressions are the most important, whether face-to-face or over the phone. Good front desk people will impress patients and keep the workflow running smoothly. In addition, information retrieved correctly up-front will save time, energy and stress, especially in the billing area.

9. Standardize Your Forms and Update Your Providers Regularly – One of the biggest problems we see when we are performing a chart audit is the misuse of practice forms. Many practices have great forms (i.e., patient history, exam, and fee slips) in place, but they do not fully utilize them.

8. Good Practice Management Software Pays for Itself – In order to adequately assess your practice billing, as well as to analyze data for managed care negotiations, it is important to have a competent system. A good billing system provides user friendly processes, reliable support, great A/R financial reports and reliable electronic claims functions. The better the system the more efficient the billing operation can be and the more successful your staff can be in diagnosing A/R problems and addressing them timely. Great financial reports will allow you to get a “snapshot” of your practice's overall financial health on a day-to-day, monthly and annual basis.

7. Practice Policies and Procedures and Job Descriptions – Just as you have to set expectations with your patients, you must also set expectations with your

staff. Establishing policies and procedures (P & P) will help the practice to run smoothly and reduce conflict amongst your staff. If you don't have P & P in place, look to a canned template to get you started. Maintaining P & P is an ongoing process in our ever dynamic environment. Establishing job descriptions is an important part of reviewing not only duties, but efficiency of the process and appropriate staffing levels as well.

6. Set Limits with and Educate Your Patients –

From the time your patients walk in the door of your practice, you and your staff begin to set the expectations for their visit that day, and all future visits. Help them become familiar with your hours of operation, no-show policy, call coverage, turnaround time for labs and prescriptions, and especially your payment policies. If done correctly, your staff will be able to provide consistent care for your patients, and your patients will always know what to expect from each encounter with your practice, which they will appreciate.

5. Prepare an Annual Budget for 2009 and Stick to It –

An annual budget will provide a roadmap for the practice's finances. It effectively sets revenue targets and limits on practice spending, especially in areas where there is some variability (medical and office supplies, health insurance, etc.). Comparing your actual numbers to your budget on a monthly basis provides ongoing information to make changes if necessary while you can still affect year-end totals.

4. Add Walk-in Hours – Adding an hour or two to your morning or evening schedule will not only increase patient satisfaction, but should also increase practice revenue. This idea works great in a group practice setting where each physician can take turns coming in early or staying late. This can also de-stress the day since there will be more hours to fit in same-day appointments. You could use these times specifically for those patients – schedule all “same-dayers” for the end of the day and, when that is full, start scheduling them for the next morning.

3. Do not Close for Lunch! – This might be our least popular suggestion but hear us out. Your patients like to be able to call in on their lunch breaks, so when they call your



office and get an answering service or hear a recording it can be very frustrating, especially when the office is closed for 1.5-2 hours in the middle of the day. Closing phones can also cause calls to back up for the rest of the day. Try staggering your staff's lunch break (or catch-up work break) and keep the workflow going at a much smoother pace.

2. Stay Focused on Billing and Collections –

Practices must be proactive with their billing and collections at all times. Do not let billing get out of control! It is not unusual for practices to try and save dollars in the billing area when things get tight. This is an area where proper resources can make or break the practice finances. Set timelines for your staff or billing company for dealing with claim denials and appeals. Also, actively collect patient payments, previously unpaid balances, co-pays, deductibles, etc. at each visit.

Make sure your staff is posting charges and payments as well as submitting claims DAILY, and submit electronic claims daily as well.

Make sure you have strong internal controls in place (i.e., daily reconciliation, charge capture, double checking bank deposits, mail payments, etc.). Put protocols in place to quickly investigate and resolve credit balances. Sending

out regular (at least monthly) patient statements is a must. Make sure you have a collection agency in place, that accounts are handled promptly, and are either written off if necessary or sent to collections if appropriate, in a timely manner.

1. Cross Train Your Staff – Train each of your employees for multiple duties (i.e., front desk staff should train for billing, medical assistants can be trained at the front desk, etc.). Every task in the office should have at least two people trained to perform that duty. This not only provides great professional development for your staff, but it also provides added coverage and oversight at each position, promotes empathy among your staff, and most importantly reduces the need for expensive, untrained temps for staff on vacation and out sick.

Implementing or fine-tuning this simple Top Ten List can make a huge difference in the productivity, efficiency, and profitability of your practice. Even if you have most of these tips already in place, it is always a good idea to go back and check a few times a year to make sure you are still operating at peak performance. Please do not hesitate to call us if you have questions about your current systems or how to implement any of our suggestions.



International Financial Reporting Standards are on the Horizon



Craig Phillips, CPA
Principal
Audit Services Team

Standards are expected to be required for privately held businesses by 2014.

International Financial Reporting Standards (IFRS) are being used worldwide by nearly 100 countries that either require or allow its use for the preparation of financial statements for publicly held companies. Convergence of accounting principles generally accepted in the United States (U.S. GAAP) with IFRS is expected to be approved. If approved, there is a possibility that the Securities and Exchange Commission (SEC) will give U.S. companies an option to follow IFRS rather than U.S. GAAP, or require them to switch to IFRS, before convergence is achieved.

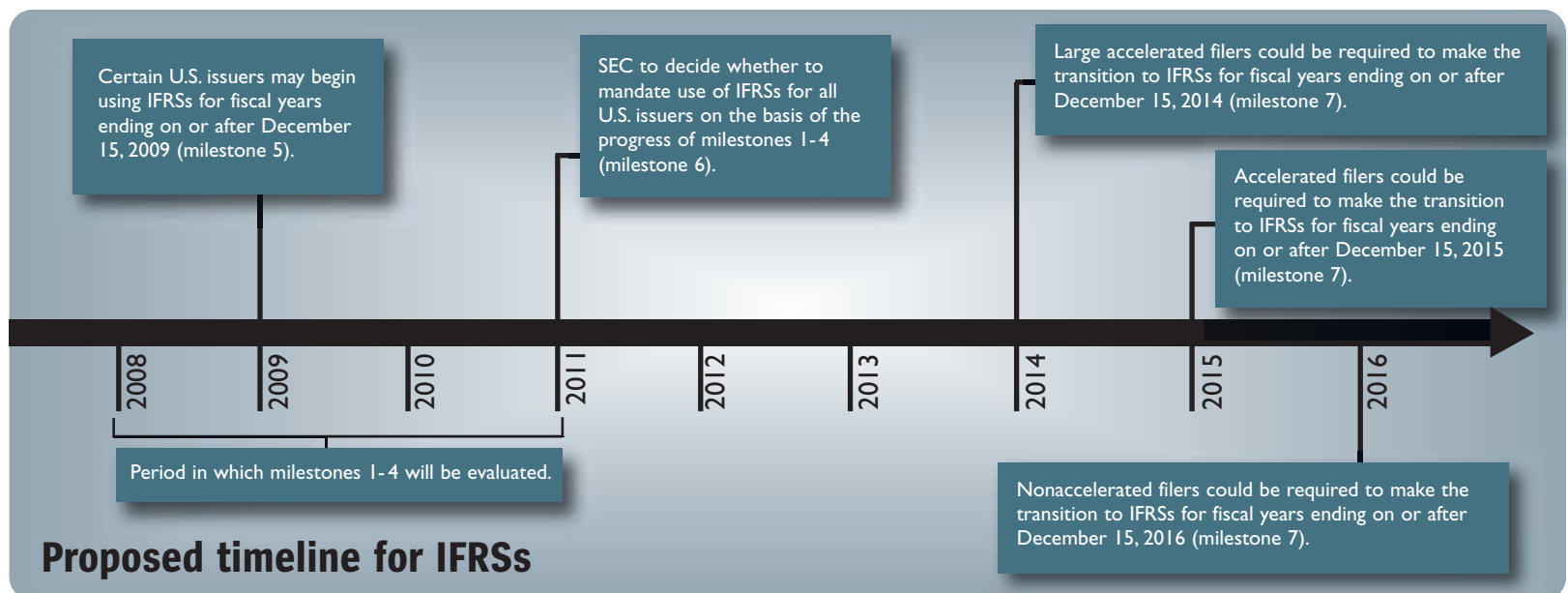
Two significant milestones towards U.S. adoption of IFRS have occurred over the last two years:

November 2007 – the SEC eliminated the long standing requirement to reconcile financial statements to U.S. GAAP for those foreign private issuers that use IFRS.

August 2008 – the SEC issued a proposed IFRS “roadmap” that would permit the use of IFRS for certain U.S. issuers. The proposed roadmap sets seven milestones that, if achieved, could lead to an SEC decision for mandatory use starting for fiscal years ending on or after December 15, 2014.

With the SEC’s proposed change in reporting requirements for U.S. public companies from U.S. GAAP to IFRS, it is time to examine what this conversion means for the millions of private companies in the U.S. Though public companies have a more definitive proposed time frame for adoption and can plan the conversion process, the impact on private companies moving to IFRS is a bit more uncertain. Private companies do not fall under the jurisdiction of the SEC, yet most currently report using U.S. GAAP in order to facilitate transactions and for consistency with their public counterparts. The question that exists at the moment is how private companies in the U.S. will report in an IFRS environment.

Will private companies follow the same IFRS standards as public companies? This question has not been specifically answered but there are three obvious possibilities. One option is that private companies will continue to report using U.S. GAAP. This option presents a difficult situation from a comparability standpoint. Having two sets of standards would make comparison between private and public companies more onerous and could possibly impede many business transactions, particularly those on a global setting. As U.S. public companies move toward IFRS, and the majority of all other countries already require reporting under IFRS, global knowledge, and possibly acceptance of U.S. GAAP will decline. A second



option is that private companies will adopt IFRS in the same manner as public companies. This is a definite possibility but would result in a similar situation to what is currently in place where many private companies have to implement standards that are not applicable or pertinent to a non-public company. In addition, for smaller private companies, the cost of implementing complex standards can be significant. A third option is that a simplified version of IFRS, such as the one proposed currently by the International Accounting Standards Board (IASB) called IFRS for Private Entities, will be utilized as an acceptable reporting mechanism for private companies. The IASB's final standards for private companies are expected in the first half of 2009 and are expected to remove or simplify some of

the more complex reporting requirements.

Furthermore, in May 2008, the governing Council of the American Institute of Certified Public Accountants (AICPA) voted to designate IASB as a recognized accounting standard setter (in addition to the Financial Accounting Standards Board), thereby providing the AICPA's members with the option to use IFRS without any need to reconcile to U.S. GAAP amounts. This designation applies to all IFRS, including the planned IFRS for Private Entities. Thus, an auditor could give a "fair presentation" opinion on financial statements prepared using the IFRS for Private Entities.

Regardless of which option comes to fruition, private companies should begin to consider the impact adoption of IFRS might have on their business.

Highlights of President Obama's Stimulus Plan and its Benefits to Businesses

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 ("the Act"). Although there was much debate in Congress over this stimulus legislation, there's no doubt that the nearly \$800 billion Act's government spending initiatives and tax incentives for private spending will benefit many companies. Additionally, the Act provides businesses a multitude of tax-saving opportunities. This is a summary of those opportunities.

Extension of First Year 50% Bonus Depreciation Amounts

- 2008 provision to write off 50% of the cost of new property is extended into 2009, retroactive to January 1, 2009.
- 50% bonus depreciation is claimed on top of regular depreciation reported for the year the new property is placed in service.
- Original use of the property must commence with the taxpayer.
- Qualified property is generally property with a depreciable life or "recovery period" of less than 20 years.

Extension of Increased Current Year Expensing Amounts

- 2008 expensing limit of \$250,000, with an investment phase out of \$800,000, is extended retroactively into all of 2009.
- Prior to 2008, current year expensing limit had been \$125,000.

5 Year NOL Carryback Period for Small Businesses

- Normal net operating loss (NOL) carryback period is two years. Any NOL's not carried back can then be carried forward 20 years.
- New law provides a temporary five year carryback

of NOL's, but only for "small businesses."

- Small businesses are defined as having average annual gross receipts of \$15 million (including businesses in a common controlled group) in the three year period preceding the loss year in question.
- The five year carryback can only be elected for one tax year, either beginning or ending in 2008.
- Qualifying small businesses with 2008 losses may want to file their 2008 tax returns as quickly as possible to accelerate the receipt of cash from the enhanced NOL carryback period.
- Both the preliminary House and Senate versions of the stimulus legislation had granted a five year NOL carryback election to all businesses, not just small businesses. Not having this survive may have been the biggest disappointment in the final legislation.

Expanded Jobs Credits

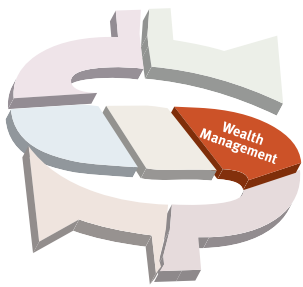
- Under the current Work Opportunity Tax Credit, businesses may claim a "new jobs" credit of up to \$2,400 for each new employee from a "targeted group."
- Previous targeted groups had included ex-felons, welfare recipients, food stamp recipients, disabled veterans and vocational rehab referrals.
- Credit is expanded to include hiring of "disconnected" youth or recently discharged veterans in 2009 or 2010.
- "Disconnected" youth are between ages of 16 and 25, were not regularly employed or in school in the six months preceding being hired, and are not readily employable because they lack basic skills.
- Qualified veterans include those discharged in the five year period before hiring and who received unemployment compensation for more than four weeks during the year before hiring.
- A remaining challenge in claiming this relatively lucrative jobs credit is that employees must be

certified as being in a target group before they commence working. In certain instances, employment laws may restrict an employer's ability to ask the employee if they are in a target group. This may require the assistance of a state employment agency or other confidential third party.

Other Business Tax Provisions

- Shortens the Built-In Gain ("BIG") recognition period from ten years to seven years for C corporations electing S corporation status in either 2009 or 2010. Certain tax planning strategies can often be employed to either avoid or minimize the BIG tax.
- Extends from 2008 to 2009 the ability for certain businesses to "monetize" (or make refundable) unused AMT and R&D credits in lieu of claiming the first year 50% bonus depreciation in either 2008 or 2009.
- Allows certain businesses that repurchase their own debt at a discount (between January 1, 2009 and December 31, 2010) to elect to recognize cancellation of debt ("COD") income over five years beginning in 2014.
- For 2009 only, decreases the estimated tax requirements for individuals whose gross income is at least 50% comprised of small business income – if adjusted gross income (AGI) is less than \$500,000, they need only make safe harbor payments of 90% of their 2008 tax liability, not 100%. Small businesses are defined as having fewer than 500 employees.
- Delays the 3% withholding on government contractors for one year to December 31, 2011.

Please contact your LBA professional to discuss how these opportunities may or may not affect your particular business.



Road to Retirement

Life expectancy, inflation, Social Security...
lions and tigers and bears, Oh My!



Dave Albanese, CFA
Chief Investment Strategist
LBA Wealth Management, LLC

Retirement planning has become a trip down the yellow brick road, including all the twists and turns that Dorothy and her friends experienced.

When previous generations retired, there was minimal planning involved. The company they worked for most of their lives told them when to retire. They relied on Social Security, a company pension and employer provided health coverage. Today, deciding when to retire is but one of the hurdles. The age for full Social Security benefits is creeping upwards – if the funds are available for us at all. Companies rarely offer traditional pension plans anymore and paid retiree health insurance is all but non-existent. Our retirement dreams now fall squarely on our own shoulders.

Determine your retirement expenses

It's common to talk about your desired annual retirement income as a percentage of your current income. Depending on who you are talking to, that percentage could be anywhere from 60 to 90%, or more. It's a simple approach but doesn't account for your specific situation. Instead, look at what you want to do in your retirement years.

Use your current expenses as a starting point but realize that your outflow may change dramatically by the time you retire. Do you expect to have your mortgage paid off? Will you move closer to family? Will you travel or start an expensive hobby? And don't forget about the affects of inflation. Ten years ago, a loaf of bread and a gallon of milk cost \$3.73. Today, you'd spend more than \$5.00! Averaging 3% per year, price increases can take a bite out of your nest egg but planning for them can reduce the pain.

Surviving Retirement

Once you get to the golden years, enjoying your retirement is all about flexibility - flexibility of time, location, activities, and opportunities. The key to a financially stable retirement is having a "Plan B" – building flexibility into your income. Adjust your withdrawals as your investments fluctuate. Make travel plans when the markets are good and stay at home when the markets are down. Having flexible expectations is important to enjoying yourself and helping you sleep at night.

Calculate your nest egg

Next, take stock of your expected future income from Social Security, a retirement plan at work, a military pension, a part-time job, and other sources. If estimates show that your income will fall short of what you need, the rest will have to come from additional personal retirement savings. By the time you retire, you'll need a nest egg that will provide you with enough income to fill the gap left by your other income sources. But exactly how much is enough? Research suggests that your nest egg should equal 25 times your estimated annual gap (assuming 30 years in retirement and a moderate asset allocation). Again, that doesn't account for your specific situation.

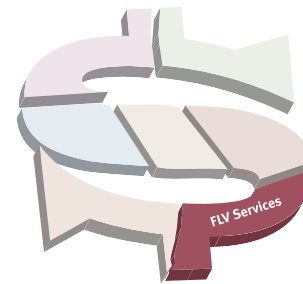
To calculate your personal nest egg, you'll need to assess the following:

- When do you want to retire? You may see yourself retiring at 55 to get the most out of your retirement years. Maybe your work is your passion and you want to enjoy it well into your 70s. It's important to remember that retiring earlier means fewer years to save and more years to spend.
- What is your life expectancy? We all hope to live to a ripe old age but a long life means that you'll have more years of retirement to fund.
- Do you want to leave your principal to your heirs? Keeping principal intact requires living off your investment earnings alone.

Finally...

Retirement planning is a moving target that takes brains, courage and heart to accomplish. Update your plan annually to keep up with any changes in your goals or finances. At LBA Wealth Management, we have experienced professionals who understand the intricacies of planning for

your retirement. We can help you create your retirement plan, implement your savings and investment roadmap, and monitor your progress. For more information or to setup an appointment, please contact your LBA professional or LBA Wealth Management 904.396.4015.



Valuing Family Businesses in Divorce

Valuing a family business can become a contentious and pivotal issue in a divorce case, so beware.



Scott A. Steadman, ASA, CFC
Director
Forensic, Litigation and Valuation
Services Team

Understanding the basic methods used to value a business, as well as the special considerations and nuances related to family-owned businesses, could expedite settlement processes.

Going concern values

So-called going concern valuation methods are applied to functioning businesses expected to continue operations. Three variations are used.

Comparable transactions: Under this method, the valuation professional looks for similar businesses that were recently purchased, ideally in the same industry, area, size and year. The valuator's judgment plays a role because extrapolation is usually necessary, as it may be difficult to find truly comparable transactions.

Present value of future cash flows: The valuator looks at the business' historical performance and other factors to extrapolate future net income, which is then discounted to present value. Judgment again becomes significant, from predicting future performance to selecting the appropriate discount rate.

Net asset value: The net asset value method is usually used only after the previous two methods have been rejected. It comes into play when a business technically remains a going concern, yet its value is really only its assets less its debts.

Liquidation methods are used far less often than going concern methods in divorce cases. The methods are limited to businesses that have discontinued operations or are expected to do so in the near future.

There are two types of liquidation methods, and both consider the remaining value after the business' assets are sold and its debts are paid. While the proceeds are rapidly realized, liquidation values tend to come in very low.

Significant discounts may be applied to liquidation values to reflect the cut-rate prices required to sell the assets quickly. Buyers at these sales often buy most or all of the assets available, sometimes at discounts that can exceed 50%. The orderly sale method requires less dramatic discounts, assuming some steps will be taken to market the assets.



Special influences

Family businesses are susceptible to certain factors that can influence a valuation. For example, an owner/manager might be paid less than the rate or salary needed to hire a manager from the outside. A prospective buyer would incur greater expenses because he or she would need to pay a manager at the market rate.

In turn, if an owner takes or pays family members excessive compensation, net income is reduced. This can result in an artificially low value if not properly accounted for by the valuator.

Compensation also can influence alimony and child support calculations. Although a husband who runs a family business may not consider his country club membership or company as income, the court might disagree. Additional adjustments may be necessary if business and personal expenses have been intermingled.

Which method?

Valuators in divorce cases often use multiple methods to arrive at an accurate valuation of the family business, and the court may further consider the spouses' respective circumstances, such as the husband's income or the wife's employability outside of the business.

Understanding the particular business involved, the family members' situations and the valuation methods available should help reduce uncertainty and facilitate planning and settlement.



Help Your Employees Weather the Storm



Catherine M. Beaver
Director
LBA Retirement Plan
Services, LLC

Hardship Withdrawals and Loans from Retirement Plans



Like many people these days, some of your employees may be experiencing financial hardships and need access to the money in their retirement plans. Under certain circumstances, employees might be eligible for a loan or a hardship withdrawal from their retirement plan accounts. Below are questions you may have in helping your employees:

Can my employees get a loan or withdraw money from their retirement plan?

Although not required to do so, many retirement plans offer loans and hardship withdrawals. Check your retirement plan documents, such as a copy of the plan or the summary plan description, to see if your plan provides loans and/or hardship withdrawals. Remember, the law does not permit loans from IRA-based plans, such as SEPs and SIMPLE IRA plans.

What is the difference between a loan and a hardship withdrawal?

A loan is an amount employees can borrow from their retirement plan accounts and then pay back with interest. As long as the employee repays the borrowed amount, it is not taxed and the employee's retirement plan account balance is restored by the amount borrowed. Employees are not required to prove financial hardship to get a loan.

A hardship withdrawal is an amount that employees can receive from their retirement plan accounts and do not have to pay back. The amount withdrawn permanently reduces their account balance. To be eligible for a hardship withdrawal, employees must meet the requirements of a hardship withdrawal as stated in your plan. Usually, this means the employees must prove they have an unforeseeable financial hardship they cannot meet through any other available means, including a loan, if available,

from the plan. Employees will have to pay taxes on the withdrawn amount.

How can employees get a loan from the retirement plan?

If the plan allows loans, it will outline the procedures employees need to follow to get the loan. Typically, employees will need to fill out loan forms and sign a repayment agreement outlining the number, the amount, and the due dates of repayment. The employees must pay interest on the amount borrowed and, depending upon the terms for loans as stated in your plan, may have to agree to repay the loan using automatic deductions from their future wages. The plan may limit the amount of money employees can borrow, but the maximum amount the plan can loan is: (1) the greater of \$10,000 or 50% of the balance of the employee's retirement plan account; or (2) \$50,000, whichever is less. All of an employee's outstanding loans must be taken into account when determining the maximum amount he or she can borrow.

When are employees eligible for hardship withdrawals from their retirement plan accounts?

Your plan documents should state whether employees can make hardship withdrawals and under what circumstances. Typically, hardship withdrawals are only for unforeseeable emergency expenses employees and/or their spouses, dependents, or beneficiaries are facing and are unable to pay using any other available resources,

including loans, if available, from the plan. Depending upon the type of plan, these emergency expenses may include having to pay for:

- Medical expenses;
- Funeral expenses;
- Repairs to their primary home after a fire or other damage;
- Prevention of eviction or mortgage foreclosure;
- Tuition expenses; or
- The purchase of their primary home.

What are the tax consequences of failing to repay a loan or making a hardship withdrawal?

The law does not consider a loan taxable income as long as the employee repays the loan. If they fail to repay the loan, the unpaid amount is taxable income in the year they fail to repay it and is subject to an additional 10% early withdrawal tax unless some exception to this early withdrawal tax applies.

The law considers the amount of a hardship withdrawal to be taxable income in the year the employee makes that withdrawal and it is subject to a 10% early withdrawal tax unless, again, some exception to this early withdrawal tax applies. The plan administrator needs to withhold taxes from the amount of the withdrawal. Remind your employee to consider the taxes that will be withheld and that he or she will owe on the withdrawal when determining the amount to withdraw.

Tips for Managing Your Personal 401(k) Plan

Establish your risk tolerance.

A good litmus test is if you can't sleep at night because you're too worried about your investments, then you're probably in too many stocks. It's a clear signal that your allocation is too risky and you'll need to make adjustments.

Determine a proper mix.

Once you've established your risk tolerance level, set your allocation targets to reflect your goals. A moderate risk plan might have 60% allocated to stocks, 35% to bonds and 5% to cash equivalents such as stable value or money market funds.

Set a schedule.

Decide how frequently you want to check your account. Many advisors say once a year is enough. Others say every six months is good. Just make sure you're following a plan and not reacting emotionally to market changes.

Know your limits.

Decide how much variation you want to allow before you rebalance. Many advisors recommend 5%. If any of your target amounts for a particular asset class stray more than 5%, rebalance by buying more shares of the asset class that has fallen below its target, or by taking money from the highest-returning asset class and putting it into the one that's lagging. If you're making continuous contributions, adjust the weightings so that you're adding more to the class that has recently underperformed.

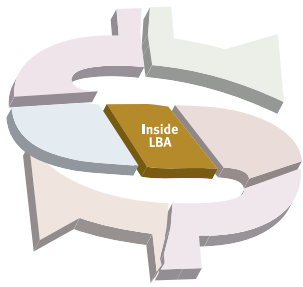
Get help.

Consider an auto-rebalancing feature if your plan offers it or explore investing in life cycle or target-date funds, which automatically rebalance and adjust the allocations toward less risk as you get closer to retirement.

*Source: The Associated Press

Suspension of Minimum Distribution Requirements

The Worker, Retiree, and Employer Recovery Act of 2008 (the "Act") was signed by former President Bush on December 23, 2008. The Act suspends the minimum distribution requirements for 2009, so individuals age 70½ and older will not be required to take a minimum distribution from their 401(k), 403(b) or 457(b) plans or individual retirement arrangements this year. Distributions made in 2009 that would otherwise be minimum distributions, but are not required to be made due to the relief, may generally be rolled over subject to the usual rules for eligible rollover distributions. However, plans will not be required to offer direct rollovers, provide the written notice, or apply the 20% withholding to these amounts. This provision does not apply to minimum distributions required to be taken in 2008 (or minimum distributions required to be taken with respect to 2008 in the case of an individual who turns 70½ in 2008), and the Internal Revenue Service and Treasury have indicated that they do not intend to provide any relief for 2008.



Congratulations!

Joey Cummings and Scott Lanigan Named Partners



Joey Cummings, CPA



Scott Lanigan, CPA, Cr.FA, CFC, DABFA

Joseph F. Cummings, CPA and **Scott W. Lanigan, CPA, Cr.FA, CFC, DABFA** have been named Partners of the firm, effective January 1, 2009.

Joey joined LBA in 1999 and has provided accounting, tax and consulting services to Jacksonville area clients for over 14 years. As one of the leaders of the firm's Tax and Business Services Team, Joey provides individuals and business owners proactive, strategic tax and management consulting services. His industry focus includes construction, real estate development, services, manufacturing and retail. Joey earned his Bachelor's and Master's degrees in Accounting at the University of Florida. He is a member of the Rotary Club of Orange Park Sunrise as well as numerous professional organizations.

Scott joined LBA in 2004 after working for 15 years with two of the Big 4 accounting firms and five years as a consultant. He has more than 20 years of experience in public accounting. Scott is a partner in the firm's audit practice, where his focus includes providing LBA's clients with audit assurance services, forensic accounting investigations, fraud examinations and litigation support services. Scott earned his Bachelor's degree in Accounting from Long Island University and his Master's degree in Accounting from the University of North Florida. He is a member of the American Institute of CPAs, the Florida Institute of CPAs, the Association of Certified Fraud Examiners, the American College of Forensic Examiners International and the Forensic Accounting Committee of BKR International. Scott was recently appointed to the Executive Committee of the Duval Unit and to the State of Florida Stewardship Committee for the American Cancer Society.

Congratulations to Joey and Scott!

LBA Expands Service Offerings

LBA Launches Wealth Management

As most of you know, LBA announced the addition of a wealth management company to our family of companies. The independent, fee-based firm is managed by David Albanese, CFA, a recognizable and long-time investment strategist and wealth planner.

LBA is the first such firm of its kind in Jacksonville to add wealth management to its group of companies, although the trend is present across the nation. Currently, the firm is managing more than \$150 million in investment assets. The LBA Group now offers CPA services, retirement plan design and administration, healthcare consulting and independent wealth management all under one roof.

LBA Wealth Management services include:

- Establishing investment goals
- Analyzing current investments
- Creating investment strategies
- Implementing portfolio changes
- Constantly monitoring investments

Meet the Wealth Management Team:



David T. Albanese, CFA
Chief Investment Strategist



Carrie Beasley Jones
Wealth Manager



Everette M. Seay, IV
Wealth Manager



Heather E. Howard
Client Service Specialist

New Team Members

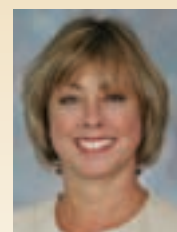
LBA continues to grow and it is with great appreciation that we thank our clients and friends for your continued trust in our team. Please join us as we welcome our newest team members.



Donovan Clements
Senior Accountant
Tax and Business Services Team



Stephen Clements, CPA
Senior Auditor
Audit Services Team



Heidi Davenport
Healthcare Associate
Healthcare Services Team



Tyson Eavenson, CPA, CIA
Senior Accountant
Tax and Business Services Team

National Recognition



Jamie Trayner
Director of Marketing

Jamie was recognized in *Accounting Today Magazine's* 2008 List of the Top 100 Most Influential People in the Accounting Profession. Others on that list include: CEO's of PricewaterhouseCoopers, KPMG, Deloitte and Ernst & Young; Chairmen of the American Institute of CPAs (AICPA); the Securities and Exchange Commission (SEC); the Senate Finance Committee; the Financial Accounting Standards Board (FASB) and the U.S. Secretary of the Treasury.

Published



Scott Steadman, ASA, CFC
Director, Forensic, Litigation and Valuation Services
Scott was honored in the Florida Institute of CPAs (FICPA) Valuation, Forensic Accounting, and Litigation Services (VFALS) Section Newsletter in December as a featured member.



Jamie Trayner
Director of Marketing
Jamie was published in the December issue of *Practical Accountant*. She was invited to write an article for "The Last Word" section of the magazine.

Welcome



LBA is pleased to announce that **John E. Reynolds, CPA** has joined the firm as a Principal on our Tax and Business Services Team. Prior to joining LBA, John was a Tax Partner with PricewaterhouseCoopers where he worked for 25 years. He has extensive experience with international tax planning, mergers and acquisitions and Federal Research Credits.

John received his Bachelor's degree from the University of Notre Dame. He is a member of the American Institute of CPAs and the New York State Society of CPAs.

Leadership

Several of our team members have risen to leadership positions within a variety of organizations. LBA encourages its staff to strive for these external leadership positions and we are proud of their accomplishments. Please join us as we congratulate them.



Scott Lanigan, CPA, Cr.FA, CFC, DABFA
Partner, LBA Audit Services Team
Appointed to the Duval County Unit Executive Committee and the State of Florida Stewardship Committee of the American Cancer Society

The American Cancer Society is the nationwide, community-based, voluntary health organization dedicated to eliminating cancer as a major health problem by preventing cancer, saving lives, and diminishing suffering from cancer, through research, education, advocacy, and service.



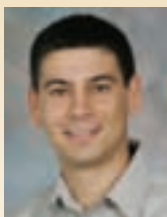
Everette Seay
Wealth Manager, LBA Wealth Management
Appointed to the Board of Trustees, Jacksonville Country Day School

JCDS is a diverse, multi-cultural school that practices "whole child" education and embraces the gifts and talents of all students. Classroom instructional strategies incorporate brain friendly, research-based methods that focus on students' cognitive, social, emotional and physical growth.



Heather Miller
Senior Accountant, LBA Tax and Business Services Team
Appointed to the Board of Directors Jacksonville Beach Exchange Club

The Jacksonville Beach Exchange Club is an all-volunteer, national service organization for men and women who want to serve their community and develop leadership skills. The club's mission is to help local area children and senior citizens in need.



Chris Kolnicky
Staff Accountant
Tax and Business Services Team



Brooke Miller, CISA
Senior Auditor
Audit Services Team



Erik Schieren, CPA
Senior Auditor
Audit Services Team



Will Lomax, CPA
Senior Auditor
Audit Services Team



Kristin Scibilia
Marketing/Partner Assistant
Marketing and Administrative Teams

LBA Advisor

LBA

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