

InThe Loop

Your magazine of personal finance

November–December | 2021



Resolve to make this the year of the **emergency fund**

Frugal, festive and fun family activities | Gifts and incentives
22 tax breaks for your small business | Fireplace finds and safety features
Top family games for 2021 and beyond

Make a plan, then take a break this holiday season

With the hubbub of the holidays almost here, November and early December may be the only time you have available to do your end-of-year financial planning. Whether your focus is personal finances or business interests, you can always contact us for help with tax planning.

Perhaps more than any event in recent memory, the pandemic has driven home the value of establishing or strengthening a personal or business emergency fund. If building an emergency fund is one of your New Year's resolutions, we have some tips to make the process as pain-free as possible. We also have guidelines so you can be sure the financial gifts and incentives you give this holiday pass muster with the IRS. And make sure you check out our list of 22 tax breaks you may be able to use for your small business.

Especially when it comes to your business interests, being proactive now in your tax plans and strategic goal setting can pay off significantly in 2022. That's why we encourage you to act as soon as possible so you can relax and enjoy time with family and friends during your holiday celebrations. Let us know if you need any assistance.

When you're ready to focus on fun this holiday season, you'll find plenty of inspiration in this issue. Check out our ideas for frugal ways to spend time with family and friends. And if gathering around a crackling fire sounds inviting, check out our "Life and living" article for accessories that make the experience even better, as well as tips for keeping it safe.

Once you're all warmed up, it's time for your family to get their game faces on for some fun and popular games that can bring everyone together during the holidays and beyond.

As we all look ahead to the coming year, we wish you much happiness, good health and success in all you do.

Your Trusted Advisors

Whether your focus is personal finances or business interests, you can always contact us for help with tax planning.

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Resolve to make this the year of the **emergency fund**

Google “Why you need an emergency fund,” and you’ll get a whopping 6.6 billion results.

That figure may not surprise you since we’ve been going through a pandemic for the last 20 months or so—a pandemic that caused a shut-down that closed businesses and shed more jobs than the Great Recession of 2007–2009.

While the federal government put a number of pandemic assistance programs into place, many families found themselves having to dig into their emergency funds, as these results from a December 2020 MagnifyMoney survey show:

- Forty-three percent of consumers with an emergency fund tapped those funds during the pandemic.
- The number jumped to 64 percent for those who were laid off or furloughed.
- Even among those who didn’t lose income during the pandemic, 26 percent still needed to access their emergency funds.

While the traditional ideal cited by financial experts is to have three to six months’ worth of expenses in an emergency fund, the lessons of the pandemic have some experts calling for a 12-month cushion. But according to a Bankrate

July 2021 survey, 51 percent of Americans have fewer than three months’ worth of expenses in their emergency fund, with 25 percent of that number having no emergency fund at all.

New year, new start

Since a new year is the time for beginnings, why not make your number one resolution for 2022 to build or strengthen an emergency fund? Don’t worry about how many months’ expenses to save yet. Just get started. And to help, we have 10 tips to make that as easy and painless as possible.

① Review your budget

What’s the minimum you need to cover your essential living expenses during an emergency? That’s your first ultimate goal. Don’t include “nice-to-haves” in this figure to start; once you’ve saved for the essentials, you can decide if you want to keep adding to the account or start a higher-yield account.

② Set your guidelines

Not every unforeseen expense is an emergency. Take time now to decide what constitutes an emergency for you. As an example, if you can manage an unexpected car repair without touching those funds, then don’t. You’ll have that much more available when a true emergency happens.

③ Separate your savings

Don't mix your emergency savings with your regular checking or savings account; open a separate account. And to help reinforce its purpose, name the account something that will remind you of its goal. Sure, *Emergency Fund* may not be a catchy name, but it gets the point across.

④ Make it automatic

You won't miss what you don't see. Most employers provide direct deposit of paychecks, and many will let you deposit to more than one account. And if they don't, most credit unions and banks have ways to move money over automatically. The important thing is to set up that automatic deposit.

⑤ Start out small

Don't stress your day-to-day cash flow too much. Whether it's \$5 or \$50, commit to have a set amount per week, per paycheck or per month directly deposited to your designated account. The amount isn't as important at this stage as focusing on developing the saving habit. As it becomes a habit (and it will!), increase the amount and/or the frequency as you can afford it. Even an extra \$2 per week adds up.

⑥ Keep goals manageable

Don't get obsessed with saving three months' expenses RIGHT NOW. Start with an achievable short-term goal of saving for two weeks in a row, or for one full month. Once you hit your first goal, increase your second goal a bit. And keep increasing as you hit each goal. Trust us: There's something very motivating about seeing a growing balance in your savings account.

⑦ Deposit found money

When you come home each night, empty your pockets of change (some savers even do it with dollar bills) and deposit it into your account

every so often. Same with returnable bottles and cans—ask the cashier to give you the cash instead of applying it to your grocery bill. If you receive a rebate check, a birthday gift of money or a refund, deposit all or part of those checks to your emergency savings.

⑧ Keep it liquid

Your emergency fund should be an account that you can access quickly—so even though the interest rate might be low, don't make your emergency savings account a higher-interest but restricted one like a Certificate of Deposit.

⑨ Trim where possible

This is a good time to take a hard look at what you're spending, too. How much would you save if you switched from cable to streaming? What if you cut your number of takeout dinners per week by one or two? You'll be surprised at how much you can save with a couple of judicious changes.

⑩ Keep enjoying life

Building an emergency fund doesn't mean you have to live like a hermit. You can still have a life, as long as you allow for it in your savings plan. As you reach each of your short- and long-term goals, find ways to treat yourself as a reward. Sometimes, a celebratory ice cream sundae can feel almost as rewarding as something more expensive.

With so much competing for your financial attention, it can be a challenge to save for something that may or may not ever happen—especially if you need to start small. The key is to start somewhere. Whether you're just starting to save or you're increasing your current emergency savings, remember that we're always here if you'd like to discuss your future financial goals. ■



Frugal, festive and fun family activities

Holidays mean different things to different people, but one thing that seems to ring true for most of us is the opportunity to make memories with family and friends.

It can be a great time to try new things, but especially at this time of year, it's important to respect your budget. Start with these free family activities and mix them up to keep things fresh all season long.

Indoor activities

No matter what your weather is like during the holidays, indoor fun can be the best kind of fun, especially with activities like these:

① Enjoy movie night...done right

Make some snacks, snuggle up together, and have a family movie or game night. Watch a few old classics or check out a movie you haven't seen before.

② Bond with board games

Board games are a great way to kick up some family-friendly competition over the holidays. Depending on your family's interests, you can find inexpensive board games, a deck of cards or dice at your local thrift or dollar stores.

BONUS activities for snowy weather

Do you live in a place that gets a lot of snow? If so, then bundle up and...

- ❄ Build a snow cave
- ❄ Make snow candy
- ❄ Go sledding
- ❄ Have a snowball fight
- ❄ Build a snow sculpture
- ❄ Make ice cream using (clean!) snow

③ Bake something special and enjoy homemade cocoa

Baking something warm and yummy together in the kitchen can be very therapeutic—and it's a perfect reason to pull out those old family recipes. Take a couple of minutes to make hot chocolate, too, and enjoy sipping it next to a warm cozy fire.

④ Get crafty with paper snowflakes and sock snowpeople

Cutting paper snowflakes and hanging them around your home is not only easy, it can brighten the dreariest day. It's also fun and easy to make sock snowpeople; you just need some old or orphaned socks, buttons, and scraps of material to create your snowmen and women. Search YouTube video tutorials for all the different ways to make snowflakes and snowpeople.

⑤ Make a fort and have an indoor picnic

Bring back memories from your childhood and create new ones by building a blanket fort. Play games and read stories in your fort, then dine in with an indoor picnic.

Outdoor activities

Getting outside in any (safe) weather is great for the mind and body. Check out these ideas to check in with your community and nature:

① Enjoy a walk and scavenger hunt

Add some extra fun to a family stroll by turning it into a scavenger hunt. Put together a list of different items to find while on the walk. Here are some ideas, depending on the weather in your location: pinecones, a certain kind of bird, icicles, boot tracks, animal tracks, certain types of holiday decorations, things you'd find in store windows at this time of year...the possibilities are truly endless.

② Attend a local community fall or winter festival

Many towns are known for their delightful local festivals. In many cases, you won't even need to spend any money beyond the entry fee (if applicable). With the holiday decorations, ice sculptures, entertainment and people-watching, you'll have all the eye candy you can handle!

Heartfelt holiday activities

While the holidays are filled with love and laughter for some, others find this time of year difficult. Following are some great opportunities for you and your family to reach out to those in need—and they'll make you feel good, too:

① Serve a meal at a homeless shelter

There's nothing more empowering for a child than to learn how to care for others. Pick a day as a family to help serve a meal at the local homeless shelter.

② Donate to a thrift store

The holidays are the perfect time to go through all your gently used toys, clutter and household items, and fill a box to donate to a thrift store. It feels good to start the new year fresh and clutter-free, while allowing others the opportunity to enjoy things that are no longer a good fit for your family.

③ Visit a neighbor

Do you have an elderly neighbor who might enjoy a visit? Or maybe someone new to the neighborhood? With their permission, get to know someone new by paying them a visit to brighten their day—and yours!

No one needs to be cooped up with nothing to do during the holidays, whatever the weather. So shake off those winter blues and go start making memories now! ■



Gifts and incentives: Know the rules and write-offs

Whether personal or business-related, the holidays are a popular time to give and receive financial gifts. It's important to keep the tax rules in mind since they can affect both giver and recipient. We have some information to help you navigate the naughty and nice list for cash and investment gifts (and remember to visit **irs.gov** for the most current information).

As defined by the IRS, gifts include cash or property given to another person or organization without the donor receiving compensation equal in value to the gift.

Giving someone the use of property or income from a property may also be considered a gift—as can a loan to someone else with little or no interest required.

According to the IRS, “the general rule is that any gift is a taxable gift.” However, there are exceptions to this rule, such as:

- Gifts that are less than the current annual exclusion (\$15,000 per gift to each individual in 2021).

- Money or property given to a spouse.
- College tuition paid directly to a school on behalf of another person.
- Medical expenses paid directly to a medical facility for someone's care.
- Gifts to a political organization.
- Charitable contributions.

Know the tax implications of the gifts you give to clients and employees.

For small business owners, these gifts can be important for building rapport, but they also come with possible tax implications. For example, if a gift is considered taxable income

to the employee, you're required to withhold all applicable federal and state income and payroll taxes. You must also pay other employment taxes, such as federal and state unemployment tax, on these amounts.

Gifts of property are not considered taxable income to employees as long as they fall under the definition of a "de minimis fringe benefit." The IRS considers a de minimis fringe benefit to be a gift "for which, considering its value and the frequency with which it is provided, is so small as to make accounting for it unreasonable and impractical."

This might include the occasional snacks, coffee and doughnuts, or holiday and birthday gifts with a low fair market value, such as flowers, fruit, books, etc.

The IRS does not specify a maximum dollar amount for excluding de minimis fringe benefits from an employee's taxable income; however, a business cannot deduct more than \$25 of a gift to any one person each year, including employees. So even if you purchase a \$100 ticket to a sporting event for your client, only \$25 can be deducted.

However, even though gift cards and gift certificates are considered taxable income to employees because they can essentially be used like cash, you can deduct the full cost of the gift card—but you must withhold taxes from an employee's pay for it.

Be sure to record gift activity and keep all receipts.

As far as reporting, the IRS states: "If the benefits qualify for exclusion, no reporting is necessary. If they are taxable, they should be included in wages on Form W-2 and subject to income tax withholding. If the employees are covered for Social Security and Medicare, the value of the benefits are also subject to withholding for these

taxes. You may optionally report any information in box 14 of Form W-2."

The IRS has specific rules on awards you might give your team for safety or service, too, so be sure to check [irs.gov](https://www.irs.gov) for the latest rulings on these popular recognition programs. Also, keep in mind that The Tax Cuts and Jobs Act of 2017 stated that "Awards of tangible personal property cannot include cash, cash equivalents or gift cards, vacation, meals, lodging, theater tickets, sports tickets, stocks, bonds, or similar investments."

Make it a habit to record all gifts to employees in detail—and keep all receipts in order to deduct them *and* in case the IRS questions their validity.

The guidelines on deductions for charitable gifts will vary depending on your itemization status in 2021.

Charitable contributions made to a qualified, tax-exempt organization are deductible *if* you file an itemized tax return. (You'll need to determine if this is more advantageous than taking the standard deduction. Also, there is a limited deduction available to individuals who don't itemize; check with your tax professional for details.) For any donation larger than \$250, you must provide records of the gifts in the form of receipts or cancelled checks. Cash contributions can be deducted up to 50 percent of your adjusted gross income (AGI), property gifts up to 30 percent and capital gains assets up to 20 percent of your AGI.

A small gift of appreciation can leave a lasting impression on its recipient and serve as a valuable tax deduction. The important thing is to make sure you record all the gifts you give, keep the receipts and comply with the annual IRS gift limit amounts. And always be sure to check with our team if you're unsure about the tax implications of your generosity. ■



22 tax breaks **to take for your** **small business**

As we get ready to ring in 2022, we've rounded up **22 tax deductions** you'll want to have on your radar as you gather receipts and documents and consider end-of-year tax write-offs.

■ **Tax deductible business expenses**

- 1.** Advertising and promotion
- 2.** Business meals (100 percent deductible in 2021!)
- 3.** Business insurance
- 4.** Bank fees
- 5.** Business use of your car
- 6.** Contract labor
- 7.** Depreciation
- 8.** Education (related to your business; includes books tailored to your industry and transportation expenses to and from classes, seminars, and workshops)
- 9.** Home office expenses
- 10.** Interest on business debts
- 11.** Legal and professional fees
- 12.** Moving expenses
- 13.** Rent expenses
- 14.** Salaries and benefits
- 15.** Taxes (e.g., state, payroll, personal property, real estate, sales, excise and fuel)
- 16.** Business licenses
- 17.** Telephone and internet expenses
- 18.** Travel expenses

■ **Personal tax deductions for business owners**

- 19.** Charitable contributions
- 20.** Child and dependent care expenses
- 21.** Retirement contributions
- 22.** Health care expenses

These expenses are tax deductible, but don't assume all of them apply to your business.

Check the rules for each one at [irs.gov](https://www.irs.gov) or contact our firm for assistance so you can start planning ahead for next year, too.

Fireplace finds and safety features

A fireplace can create the right ambience for a social gathering or offer a quiet place to relax, get comfy and warm up. To make your experience a respite for the spirit and the eyes, cozy up to these décor and maintenance tips:



If your fireplace doesn't already have a mantel, consider adding one

It adds architectural interest and provides a place to display favorite artwork and pottery.

Fireplace spaces can be refreshed with small, subtle changes

A fresh coat of paint and a new picture on the wall above the mantel or new candles and picture frames on the mantle itself can make a big difference.

Stop at that unique store or boutique you've been curious to explore

You may be able to find a mix of distinctive accessories for your mantel or to set on the hearth in front of the fireplace.

Replace your fire screen

It's a great way to freshen up a fireplace and pull together new décor.

Paint the brick to give your fireplace a fresh look

Sometimes older fireplaces need a little more love. If the fireplace needs a little more investment, consider new brickwork or a touch up to the tiles or stones on the hearth.

Surround your fireplace with bookshelves

This project can be done within a range of budgets and styles, from basic built-ins to custom design.

Wrap the fireplace surround in stone veneer

A stone facade can add character to a room and become the focal point.

In addition to making your fireplace aesthetically pleasing, it's critically important to follow these essential guidelines for safety:

- All chimneys should be inspected and cleaned by a reputable chimney cleaning professional at least once a year, or about once every 80 fires.
- Check the firebricks inside the fireplace for cracks and loose joints, and check the exterior for damage. If you find that repairs need to be made, always hire a professional. It's never wise to attempt a fireplace repair yourself.
- Make sure the fireplace damper is working properly and that no debris prevents it from opening and closing. Confirm that the chimney cap has protective screening to keep birds, squirrels, bats and other pests from entering the chimney.
- Prune tree limbs that hang over the chimney. Not only are they a fire hazard, but they can also restrict the proper draft of the chimney and damage the cap.
- Best practice is to clean out the firebox once a week, or whenever ash is more than an inch deep. Make sure everything is completely cold as coals can remain hot for up to three days.
- If you have a gas fireplace, check to make sure the pilot light is on and the vents are all clear and working properly.
- If you have an electric fireplace, check all the wires to make sure none are frayed or broken.
- For gas and electric fireplaces, make sure that all connectors are securely fastened, and be sure to vacuum and dust the fireplace on a regular basis.

With a newly decorated and properly maintained fireplace, you're set to enjoy your fireplace all winter long. ■



Top family games

for 2021 and beyond

Cold or inclement weather provides the perfect opportunity for families to get together online or in person to enjoy some fun gaming. Here's a roundup from **TheSpruce.com** of the best family games for 2021:

■ **BEST overall game**

The Original Rummikub
(Pressman Toy)

This tile-based game is popular with all age groups, making it the perfect warmup for a serious game-a-thon.



■ **BEST board game**

Qwirkle (MindWare)

Easy to understand for young players, this board game will also provide a challenge for adults who like to apply strategic thinking.



■ **BEST for teams**

Codenames (Czech Games)

Heavy on creative word play, this game encourages a lot of strategic thinking—which makes it both challenging and fun.



■ **BEST card game**

Exploding Kittens

As the ExplodingKittens.com website says, "It's hilarious, cutthroat, and infinitely replayable." It's also one of the year's most popular games.



■ **BEST video game**

Mario Kart 8 Deluxe (Nintendo)

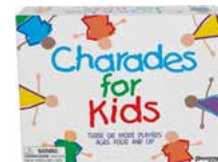
Up to four people can play this classic racing game together—or, if you can't be in the same physical space, expand the fun with an online group of up to 12 players.



■ **BEST for young children**

Charades for Kids (Pressman)

A fun way to introduce the game of charades to children four years of age and older. You don't have to be able to read to enjoy this one.



■ **BEST outdoor game**

Six-Player Croquet Set (Ropoda)

On nice days, bond with family and friends by playing this classic lawn game. You can use traditional rules or make them up yourself.



■ **BEST for teenagers**

What Do You Meme? Family Edition

Tickle everyone's sense of humor by trying to make the rotating "judge" laugh at your caption and image combinations.



Make the 2021 holiday season extra special with a regular game night. You'll have fun, learn about each other and never forget the festive spirit that playing games together can create. And who knows? You may find a new favorite! ■

We take your **data** **security** seriously

Protecting your personal data from today's breed of cybercriminal is a main focus in our firm. We continue to implement best-of-breed technologies and enhance our internal processes to keep your sensitive data safe and secure.

***Thank you for making us
your trusted advisor***

