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Business accounts may offer interest

Since 1980, individuals have been able to receive interest on the money they held in certain types of checking accounts. Businesses may soon be able to do the same. A provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act that went into effect July 21 allows banks to pay interest on demand deposit accounts (DDAs). Also known as transaction accounts, DDAs are commonly used by businesses to manage their cash (a checking account is a prime example).

However, there are a couple of provisions to be aware of. First, the section of Dodd-Frank that permits interest on DDAs does not require banks to offer it. More importantly, if a DDA pays interest, it will no longer qualify for the unlimited FDIC insurance coverage otherwise applicable to non-interest-bearing transaction accounts. That

coverage, initiated during the financial crisis, was expanded under Dodd-Frank to include all banks with transaction accounts.

Any bank that modifies a DDA in order to pay interest must notify customers that the account no longer qualifies for unlimited FDIC coverage. And just because an account pays an interest rate of zero percent doesn't mean that it is legally considered a non-interest-bearing account that qualifies for unlimited protection. Also, low-interest NOW accounts don't qualify for coverage as non-interest-bearing accounts.

With interest rates at historic lows, the question of whether to move to an interest-bearing account may not become critical until after December 31, 2012. That's when the unlimited insurance coverage for non-interest-bearing transaction accounts is scheduled to expire.

IRS Increases Standard Mileage Rates

Because of rising fuel costs, the Internal Revenue Service increased the standard mileage rate for business use of an automobile and for medical and moving expenses.

The new optional standard mileage rates will apply to expenses incurred on or after July 1, 2011. Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates

Mileage Rate Changes:

Purpose	1/1/ through 6/30/11	Rates 7/1 through 12/31/11
Business	51	55.5
Medical/Moving	19	23.5
Charitable	14	14



Look into the benefits of a solo 401(k)



Have you heard about solo 401(k) plans? The traditional type of 401(k) retirement plan is now available for self-employed individuals. And it lets you save more than other types of plans.

In the past, 401(k) plans were typically offered by larger corporations. Employees could make pre-tax contributions by payroll deduction. The company would then usually match a percentage of those contributions. Investments grew tax-free until withdrawn at retirement. One advantage of a 401(k) plan is the relatively large amount you can contribute each year – \$16,500 in 2011 with an extra \$5,500 catch-up if you're 50 years old or older.

Now you can establish the same type of plan if you're self-employed or run an "owner only" business. That's a business with



just you and possibly your spouse, but no employees. You can save more with a solo 401(k) than with the traditional SEP, SIMPLE, or Keogh plans. That's because you are able to make two types of tax-deductible contributions. First you make the usual employer contribution as owner of the business. Then you can make an additional salary deferral as an employee. As a result, you could potentially shelter up to \$49,000 of your 2011 self-employment earnings from tax. If you're eligible for the over-50 catch-up, that rises to \$54,500.

The solo 401(k) plans are flexible and relatively simple to administer. If you think this plan might be right for you, please contact our office. We can tell you more about it and help show you how much you could save.



If you change jobs you may have an important decision to make – what to do with your 401(k) plan. You'll have several choices. Unfortunately, the easiest choice is the worst choice: that is, to take a distribution from the old plan and put it in the bank. It may be tempting, because who couldn't use some extra cash. But if you do, you'll owe taxes on the balance and usually a 10% penalty as well. You'll lose the benefits of future tax-deferred growth on your savings. And if you spend the money, you'll have to start from scratch in saving for retirement. Instead, consider three options.

What to do with your 401(k) savings when you change jobs

- Ask your new employer whether you can roll your balance into the new company's plan. If you can, arrange a direct transfer between plans. You may have to complete a probationary period before you can join your new company's plan.
- Explore whether you can leave your balance in the old plan, at least for a while. That removes the pressure for an immediate decision.
- Roll over your balance into an individual retirement account (IRA). This avoids immediate taxes and lets your savings continue to grow tax-deferred. It also gives you maximum flexibility for future investments. You even have the flexibility to later convert into a Roth IRA. Be sure to ask for a "trustee-to-trustee" transfer to avoid any short-term tax risk.

A word of caution: If part of your account is invested in company stock, get details on the tax issues before you withdraw or roll over funds.

The bottom line: Do all you can to keep your savings in a tax-favored account. You'll be glad you did when you reach retirement age. Please call our office if you're facing this situation. We'll be happy to advise you on your options.



Review your plan beneficiary

Failing to change a plan beneficiary the right way can be costly to your heirs. For example, a 401(k) plan provided that if a participant died, the account would go to the spouse unless the spouse agreed to waive his or her rights as a beneficiary. A plan member designated his three adult children as beneficiaries after his first wife passed away. He eventually remarried, but died six weeks later. Both his kids and his new spouse claimed the balance left in his 401(k) plan, and a district court awarded it to his wife because a spousal waiver was never executed (Cajun Industries v. Kidder, D.C., La).

Are you keeping an eye on your company's cash?



Do you regularly monitor your company's cash accounts? You should. Even if you leave the job to your bookkeeper or accountant, you should stay aware of where the cash is going and how the spending is approved. Along with inventory "shrinkage," theft or improper expenditures of cash are among the chief sources of loss for small companies.

Periodically, you hear about a huge loss caused by an employee who's been quietly embezzling cash for years. But many smaller cases are never noticed. And it's not always employees at fault. In fact, the vast majority of employees are scrupulously honest and loyal. Outsiders can be stealing your cash too, by submitting false or inflated invoices that are paid without proper review.

What can you do to reduce the risk of losses? The textbook answer is "internal controls." This refers to things such as standard procedures for approving and paying bills. It includes segregation of duties – having more than one person involved in preparing, signing, and reconciling checks. Unfortunately, many small companies don't implement proper controls – either because there's not enough staff or because they think it's too much trouble.

Regardless of the size of your business, here are some steps you can take.

- Maintain a strict rule that all invoices must have an approval signature before being paid. Nothing focuses a person's mind like having to sign his or her name on something.
- Have a policy that all employee expense reports must be signed off by a higher-level employee.
- Make it a rule that the person who prepares a company check can't sign that check.
- Ask your bookkeeper or accountant to give you a signed note each month affirming that the bank statement has been reviewed and balanced.
- Follow up personally to make sure that these procedures are being followed.
- On occasion ask to see the bank statement and canceled checks for the prior month. Review them in detail. Not only will this increase your chances of spotting fraud, but it will also remind you just what the company's cash is being spent on.

Please contact our office for details or for assistance in improving controls over your company's cash.

SPOTLIGHT ON INSIGHT



Diane Gallagher

Diane has been with Insight Accounting Group since January 2005 and has fifteen years of administrative experience. Her responsibilities include assisting clients, administrative support to Insight team members, making clients feel welcome and valued, answering phones, processing financial statements and tax returns, and all clerical duties.

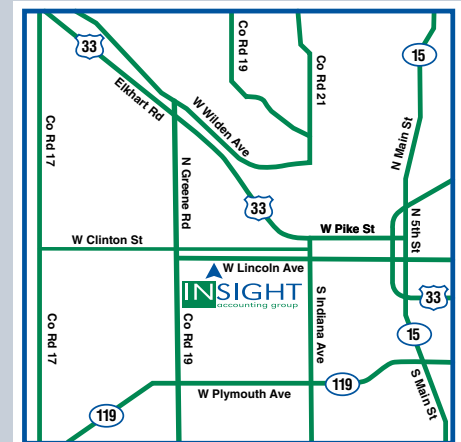
Diane has a strong desire to advocate for clients, provide them with the support they need, and help them feel like they are part of our team. She calls herself the client advocate of the firm and will always put forth her best effort to make sure that all questions and concerns of our clients are taken care of.

Growing up in both the north and south, her family finally settled in Elkhart, Indiana while she was in high school. She now resides in Elkhart with her daughter Kira and granddaughter Gia.

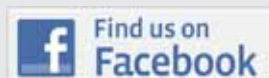
In her spare time you will find her out boating, traveling or spending time with family and friends.

Join us for our 30th anniversary open house tailgate party. September 7, 2011 4pm-7pm. RSVP to 574-534-4040

**FOOD
MUSIC
PRIZES
CASUAL
DRESS**



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