

Newsletter

**RIOLO
ROBERTS
& FREDDI, LLP**
CERTIFIED PUBLIC
ACCOUNTANTS

FEBRUARY 2010

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

IMPORTANT DEADLINES TO NOTE

- ◆ February 1 – Employers must furnish 2009 W-2 statements to employees. Payers must furnish payees with Form 1099s for various payments made. The deadline for providing Form 1099-B and consolidated statements to customers is February 16.
- ◆ February 1 – Employers must generally file annual federal unemployment tax returns.
- ◆ March 1 – Employers must send Form W-2 copies to the Social Security Administration. This deadline is extended to March 31 for electronic filing. Payers must file information returns, such as Form 1099s, with the IRS. This deadline is extended to March 31 for electronic filing.
- ◆ March 15 – 2009 calendar-year corporation income tax returns are due. Deadline for calendar-year corporations to contribute to certain retirement accounts and still receive a tax deduction for 2009. Deadline for calendar-year corporations to elect S corporation status for 2010.

DO YOU OWE SELF-EMPLOYMENT TAX?

If you earned more than \$400 during 2009 from work as a sole proprietor or independent contractor, you may owe self-employment tax. That's true no matter what your age – even if you're receiving social security benefits.

The tax is assessed on your earnings from self-employment, which can include income from qualified joint ventures and partnerships, as well as fees you earn working as a director for a corporation. In this context, "earnings" generally means your income after deducting expenses incurred while operating your business. If you have multiple businesses, you combine the net income and losses.

For your 2009 return, the self-employment tax rate is 15.3% of the first \$106,800 that you earned. Income above the base is still subject to Medicare tax at a 2.9% rate.

What happens when you earn social security wages or tips from an employer and also have a side business? Your wages count toward the taxable base. Depending on how much you earn as an employee, your self-employment income may be subject to part or all of the tax.

You can pay self-employment tax on a quarterly basis as part of your estimated tax payments. One half of the total self-employment tax that you pay during the year is deductible on your income tax return, and you don't have to itemize to claim the deduction.

Are you new to self-employment? Give us a call for details and any assistance you may need.

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GIVE YOUR CHILDREN THE FINANCIAL EDUCATION THEY NEED

Are your children learning about personal finances from the mass media? If so, they might think credit is a limitless resource and savings something you only find on a clearance rack. To fill in the gaps in their financial education, parents should teach their children the fundamentals of handling money. But where do you start? Perhaps begin with the following benchmarks of financial literacy.

Time value of money. One of the most essential of all financial concepts is the time value of money. Children should be shown the benefits of saving money, watching it grow, and patiently deferring purchases until a future time. When children grow a little older, they can learn the reverse lesson: how debt today results in accumulated interest costs down the road. To illustrate the point, show them a loan amortization schedule for a typical car or home loan. That will get their attention.

Transactional skills. In today's cashless society, your children will someday need to know how to write a check, use a debit or credit card, and how to bank online. When they are ready, consider setting aside a morning to take them to the bank, introduce them to a representative, and set up their first checking account and bank card. Children will appreciate this rite of passage to adulthood, and they will learn how to navigate an ATM or bank website the right way.

Keeping good records. You might feel a little hypocritical when pointing out your children's recordkeeping shortcomings, but they probably need your help more than you think. Knowing how to reconcile a checkbook and track where they spend their money is a valuable life skill. Developing a system for safely storing receipts, warranties, and other valuable papers is also important. When they begin driving, point out the location and importance of the vehicle proof of insurance and registration.

Reflecting your values. Like any other area of life, you will naturally want to pass down truisms that have guided you financially. Succinct phrases often suit this purpose quite effectively, such as, "keep a little gas in the tank, a little money in the bank." Or, "don't place all your eggs in one basket." Sound corny? Perhaps. But such sayings today might just remind your children of something important tomorrow.

If you value philanthropy, consider including your children in the charity selection process. Teach them why certain causes are important to you, and how you decide how much to give. Consider giving your children gifting discretion over a small portion of the family's charitable dollars.

Investments 101. The day will eventually come when your children will be ready to talk investments, retirement, and taxes. Feeling intimidated yet? There is no need to fear. Our firm can assist you and your children with these advanced topics. Being financially literate is not child's play. But then again, neither is being a parent.

This newsletter provides business, financial, and tax information to clients and friends of our firm. This general information should not be acted upon without first determining its application to your specific situation.

For further details on any article, please contact us.

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