

Auditing and Accounting
Business Management
Consulting

Business Strategies for
Taxes and Succession
Planning

Business Valuations

Cafeteria Plan Design
and Administration

Employee Benefit Plan
Services

Financial Planning

Payroll Management

QuickBooks Support

Tax Preparation

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

What is a Real ID?

In 2005, Congress passed the REAL ID Act establishing minimum security standards for state issued driver's licenses and identification cards. The standards are intended to curb the use of fake identification by terrorists as well as fraud protection.

The REAL ID is necessary to enter certain federal facilities as well as nuclear power plants. Beginning on October 1, 2020, you will need to show a REAL ID compliant license or identification card to board a commercial aircraft.

Passports will still be acceptable as well but a noncompliant license or ID card will prevent you from boarding.



The Iowa Department of Transportation (DOT) began issuing compliant ID cards and licenses in 2013. The cards look the same as any other card issued by the DOT except for the addition of a star verification mark in the upper right-hand corner. To obtain a REAL ID, you need to go to an Iowa driver's license service center and present documents proving identity, date of birth, Social Security number and proof of your Iowa address. The DOT has a list of acceptable documents as well as additional information about REAL ID on their website, <https://iowadot.gov/mvd/realid/real-id-home>.

Kevin Ballard, CPA, is the partner-in-charge of our firm's Cedar Rapids office.

Jumpstart Your Savings Account With These Three Rules

If you ask yourself whether you are saving enough, can you honestly answer yes? While U.S. savings habits are improving, there are still about a quarter of Americans polled who have no emergency funds, according to a Bankrate.com financial security study.

If you want to ramp up your savings, every little bit helps. Start by cutting back on things like restaurant meals. Use these funds to build your savings. If you're committed to building wealth, it's also essential to focus on the ideas that will make the biggest difference in the long run. For many Americans, that means attacking household debt with a vengeance.

Make household debt your enemy

If your credit card payment is big, your car payment bigger and your mortgage payment even bigger, your savings accounts may be starved. And without enough cash to cover emergencies, many people resort to credit cards and lines of credit to cover unforeseen expenses. So the debt cycle continues.



Here's how to get ahead of the curve

1 Build an emergency fund. The general rule is to set aside enough to cover three to six months of living expenses. As a first step, track your expenses for a month. Discover how much you really spend on groceries, utilities, etc. Then project those expenses out three to six months. That is how much you need to reserve for your emergency fund.

2 Review your income. Consider your job stability, alternate sources of income and how long it would take to find another job in your field. If you figure that your income is more or less vulnerable, use that to adjust how much you save in your emergency account.

3 Figure out where to stash your savings. You want funds to be available when you need them, and without withdrawal penalties or tax consequences. With that in mind, a money market or interest-paying savings account is often the best place to park an emergency fund. Avoid savings vehicles that have hefty withdrawal penalties or that expose you to the ups and downs of the stock market.

Here's how you can stay on track

Once you have an emergency fund, treat your savings as your most important monthly bill. Write a check to savings first, or have your savings automatically deducted from your checking account or paycheck.

Tax-deferred retirement accounts offer a smart way to save money for retirement. If your employer offers a 401(k) or SIMPLE retirement plan, contribute as much as you can. If your employer offers no plan, contribute to an individual retirement account (IRA). The money you contribute to a retirement account can reduce your taxable income and grows tax-free until withdrawn.

When it comes to saving, think "control." For example, control the use of your credit cards. The amount you pay each month in finance charges could go to savings instead. Also, control the use of your ATM card. Get in the habit of giving yourself a regular cash allowance, and try to live with it.

Have You Reviewed your Social Security Statement Lately?

Reviewing your Social Security Statement is an excellent starting point for personal financial and retirement planning because it allows you to determine what other pension, savings and insurance you'll need for the kind of retirement you envision.

If you do not already have one, you can open a free my Social Security account. This secure account allows you to have convenient online access to information on your record and manage your benefits once you start receiving them. You do not have to wait until you receive benefits to sign up. To set up or use your account, go to <https://www.ssa.gov/myaccount>.

An online Social Security account will enable you to view estimates of your future retirement, disability and survivors benefits. You can also view your yearly earnings to verify the amounts that were posted are correct and check the estimated Social Security and Medicare taxes you've paid.

If you would like to receive your Social Security Statement by mail, complete a Request for Social Security Statement (Form SSA-7004) and mail it to the address provided on the form. You should receive your paper Social Security Statement in the mail in four to six weeks. The form is available at <https://www.ssa.gov/myaccount/materials/pdfs/SSA-7004.pdf>.

Business Loan Basics: How to Prepare

How can you improve the chances of obtaining a bank loan for your small business? Take a lesson from the Boy Scouts: Be prepared.

DOCUMENTS YOU'LL NEED

The list may vary slightly from bank to bank, but typically you'll be required to produce these five items:

Business plan. Draw up a blueprint for your business for at least one year. Demonstrate how you expect to use the loan.

Cash flow projections. This may be a component of the business plan, but the lender will also expect a detailed analysis of what you expect to earn and the manner in which it will be used, to make sure you can repay the loan.

Prior tax returns. For an ongoing business, provide past returns for a minimum of three years. Owners of start-ups may substitute individual returns.

Personal net worth. The lender may ask you to list your personal assets (e.g., home and cars) and outstanding debts.

Credit rating report. A good credit history enhances your viability as a borrower. Obtain a credit report from one of the major reporting agencies – Equifax, Experian or TransUnion.

QUESTIONS TO ASK

The next step is to convince the lender that you deserve the loan. The more you can show them alternative ways to repay the loan, the easier it will be to obtain the loan. Be prepared to give answers to some basic questions, such as:

- How much money do you need?
- How much do you intend to finance personally?
- How will you spend the money?
- How do you intend to repay the loan?
- What type of expertise do you have in your business?

When responding to these questions, you'll want to show the lender you have the leadership qualities that can sustain a business through both good times and bad. The interview is as much about you, the business owner, as it is about the business.



HOGAN ♦ HANSEN

A Professional Corporation
Certified Public Accountants and Consultants

RETURN SERVICE REQUESTED

PRSR STD
U.S. POSTAGE
PAID
Belmond, IA
PERMIT NO. 54

120 East State Street
Algona, IA 50511

1601 Golden Aspen Drive, Suite 107
Ames, IA 50010

303 East Main Street
Belmond, IA 50421

209 Franklin Street
Cedar Falls, IA 50613

2750 First Avenue, NE, Suite 150
Cedar Rapids, IA 52402

605 East J Street, Suite 300
Forest City, IA 50436

200 North Adams Avenue
Mason City, IA 50401

3128 Brockway Road
Waterloo, IA 50701

www.hoganhansen.com

*I can't go back
to yesterday -
because I was
a different
person then.*

- LEWIS CARROLL

On Earth Day, we celebrate all the gifts the world and nature make available to us. We recognize our complete dependence on its bounty. And we acknowledge the need for good stewardship to preserve its fruits for future generations.

- JOHN HOEVEN

NOTABLE QUOTES

God has given us two hands - one to receive with and the other to give with. We are not cisterns made for hoarding; we are channels made for sharing.

- BILLY GRAHAM

*Your talent is God's gift to you.
What you do with it is your
gift back to God.*

- LEO BUSCAGLIA

*The glow of
one warm
thought is to
me worth
more than
money.*

- THOMAS JEFFERSON

Kevin Ballard
Principal

Steve Duggan
Principal

Damian Hurmence
Principal

Dennis Muyskens
Principal

Kristi Wick
Principal

Algona

Ames

Belmond

Cedar Falls

Cedar Rapids

Forest City

Mason City

Waterloo

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.