

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Cyber Security

Cyber security has become a huge concern for almost every company and individual with a computer connected to the internet. We have all come to rely on the ability to connect with other businesses, family and friends using email, file exchange and other methods over the internet. Unfortunately, there is always a criminal element looking for vulnerabilities in our systems in order to profit from stealing our data, holding the data hostage or simply from the thrill of knowing their actions harmed someone else.

Every business must ensure that its firewall configuration is as robust as possible to prevent unauthorized access to its computer servers. One of the most important things to do is have a password for the firewall that cannot be easily broken. The best password is one that is a long string of random characters, letters and numbers. A weak password would include such things as the company name, initials of the company, the company street address, etc.

Never connect to a public WI-FI that is not secured by a password. Scammers use software that can easily capture the websites you visit and the keystrokes you made at those sites. Once they have that, they can replicate exactly what you just did at that website or know exactly the contents of the email message you typed. We recently attended a conference where a presenter demonstrated that by leaving instructions on the table on how to connect to the high-speed internet, he ended up getting over 25 people in the room to connect to his Wi-Fi hotspot. He then showed us his computer gathering the data from those 25 devices connected to his WI-FI hotspot.

Password requirements for individuals who connect to your servers should also be strong. Some best practices for individual passwords are that they should be ten characters in length, the password should use a mix of upper and lower case letters, numbers, symbols and even a space between the characters.

Passwords should avoid a person's name, places or dictionary words. Again, a mix of randomness within a password is going to be much more effective than using your name, address or some other publicly available information that can be identified back to you – for example, your spouse's name, children's names or schools you have attended.

One of the biggest threats is your staff. They must continually be reminded to not click any links or open any documents unless they know the sender, they were expecting a link or expecting attachments and they have hovered their cursor over all links and looked at all attachments to make sure that the addresses look appropriate. **When there is even the slightest doubt, it is better to call the sender and verify the email message than to risk infecting the network with ransomware.**

Setting high standards for your passwords and being careful before you click on any link or attachment will go a long way in preventing your computer files from being infected or your data stolen.



Steve Duggan, CPA is the firm's managing partner and is in our Waterloo office.

FROM THE PEN OF A PARTNER

Defray College Costs with Education Tax Breaks

The cost of a college education is staggering. Fortunately, various education tax credits and deductions are available that can save you thousands on your tax bill. Determining which is right for your situation can be complicated, but knowing your options can be helpful. Here are the most common education tax breaks.

American Opportunity Tax Credit

This is a \$2,500 credit per student each year. It is computed using 100% of the first \$2,000 of eligible expenses and 25% of the next \$2,000 of eligible expenses for a maximum credit of \$2,500 per student each year.

The student must be enrolled in a program that results in a degree or certification. He or she cannot have been convicted of a felony for possession or distribution of a controlled substance. The credit is only for the first four years of education and can only be taken for four years. The credit can be refundable if not used to offset income tax.

Income phase-out: The credit begins to phase out at \$160,000 for married filers and at \$80,000 for single, head of household or qualifying widows. There is no credit available for those that are married filing separately.

Lifetime Learning Credit

This credit offers a maximum of \$2,000 per tax return, rather than per student. It offsets 20% of the first \$10,000 of qualified tuition and fees paid during the year. It is available to both undergraduate and graduate students and has no requirement for the number of courses taken. There is no limit on how many years it can be taken for each student and the credit is not refundable.

Income phase-out: The credit begins to phase out at \$111,000 for married filers and at \$55,000 for single, head of household or qualifying widows. This credit is not available to married taxpayers filing separately.

Student Loan Interest

Up to \$2,500 of interest paid on a qualified student loan can be deducted in arriving at modified adjusted gross income. There are phase-out ranges based upon income and filing status.



Tuition and Fees Deduction

Up to \$4,000 of tuition and fees can be deducted from gross income. The deduction is limited based on the modified adjusted gross income of the taxpayer. No deduction can be taken by a married filing separately filer. The costs can be incurred by the taxpayer, spouse or a dependent.

Savings Bond Interest Exclusion

Subject to phase-outs based upon filing status and your modified adjusted gross income, all or part of the interest on Series EE bonds, issued after December 31, 1989, or on Series I bonds is excluded from income if the bonds are used for qualified educational expenses.

As mentioned, all these credits and deductions are subject to income phase-outs. Because you may not use the same expense for more than one tax benefit, it is important to carefully plan your educational tax benefits.

How Long Should You Keep Business Records?

It's difficult to know how long to keep documents and when it's safe to get rid of them. To keep up with your recordkeeping, it's important to build a system that is convenient. While your recordkeeping system will be unique to your business, certain areas are universal. Since incomplete or sloppy recordkeeping can cause major troubles and expense, getting things under control is a good place to start. Please contact one of our professionals to help you set up a recordkeeping system that best suits your needs.

Document Description	Retention Period
Accounts payable ledgers and schedules	5 years
Accounts receivable ledgers and schedules	5 years
Audit reports of accountants	Permanently
Bank reconciliations	5 years
Capital stock and bond records: ledgers, transfer registers, stubs showing issues, record of interest coupons, options, etc.	Permanently
Checks (canceled)	5 years
Contracts and leases (expired)	4 years
Contracts and leases still in effect	Permanently
Correspondence (legal and important matters only)	Permanently
Deeds, mortgages and bills of sale	Permanently
Depreciation schedules	Permanently
Duplicate deposit slips	3 years
Employee personnel records (after termination)	7 years
Employment applications	4 years
Financial statements (end-of-year, other months optional)	Permanently
General and private ledgers (and end-of-year balances)	Permanently
Insurance policies (expired)	3 years
Insurance records, current accident reports, claims, policies, etc.	Permanently
Inventories of products, materials and supplies	5 years
Invoices to customers	5 years
Invoices from vendors	5 years
Minute books of directors and stockholders, including by-laws and charter	Permanently
Notes receivable ledgers and schedules	5 years
Payroll records	5 years
Petty cash vouchers	5 years
Property appraisals by outside appraisers	Permanently
Property records – including costs, depreciation reserves, depreciation schedules, blueprints and plans	Permanently
Sales records	5 years
Sales tax returns	5 years
Subsidiary ledgers	5 years
Tax returns and worksheets, revenue agents' reports and other documents relating to determination of income tax liability	5 years
Trade mark registrations	Permanently

The above are suggested record retention periods. There is no absolute statute of limitations. The retention period for each statute varies by the type of law and the state involved.

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**I no doubt deserved my enemies, but I
don't believe I deserved my friends.**

- WALT WHITMAN

A child who is allowed to be
disrespectful to his parents will not
have true respect for anyone.

- BILLY GRAHAM

**Just remember
that you
are absolutely
unique.
Just like
everyone else.**

- MARGARET MEAD

NOTABLE QUOTES

**I have never
been hurt by
what I have
not said.**

- CALVIN COOLIDGE

Never lose sight of the fact that the most
important yardstick of your success will be
how you treat other people – your family,
friends and coworkers, and even strangers
you meet along the way.

- BARBARA BUSH

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.

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