

FROM THE DESK OF BRIAN MARUM



Summer Is Here!

I hope you have a safe and enjoyable summer.

Trivia

1. Who was mayor of Buffalo and governor of NY before becoming president?
2. Which states were admitted into the union with passage of the Missouri Compromise?
3. What law did the Kans-Neb Act repeal, thus opening slavery into the western territories once again?
4. What court case (Supreme Court) ruled Congress did not have the authority to prohibit slavery in the territories?
5. What act admitted California into the Union?
6. Who was the only speaker of the house to become president?
7. Who signed the law authorizing the Interstate Highway System?
8. Who came to prominence nationally by squelching the 1919 Boston police officers strike as governor of Massachusetts?

Please contact me if you would like to attend a presentation. Topics are in the following areas:

1. **QuickBooks**
2. **Taxes**
3. **Accounting**
4. **General Business**

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FOURTH EDITION

This edition comes to you as the summer is well underway. With vacations and other activities on the minds of most people, one should take a moment to reflect on what has transpired in the last 6–8 months and what will be ahead in the up-coming months:

- National Health Care has been signed into law, marking a major transformation of America's health care system with most provision starting in 2014

Tax Increases Coming

The 2001 & 2003 Tax were enacted with a 'Sunset Provision' which means they had an expiration date. This date is 12/31/10. For the past 10 years, Congress had made modifications to the law, but they never extended it or made it permanent.

Since the law is very likely to expire, it is important to be aware of the impact this will have on families:

- Personal income tax rates will rise: the current 10% rate will expand to 15%; the 25% rate will become 28%. The other rates will rise by 3 percentage points. The maximum rate will become 39.6%.
- Higher taxes on families—the marriage penalty will return. The standard deduction will no longer be double for married couples versus 2 singles. The child tax credit will be cut in half from \$1000 to \$500 per child.
- Return of the Death Tax—after 12/31/10, the top estate tax rate will rise 55% on estates over \$1 million.
- Higher tax rates on savers and investors—the capital gain tax will rise from 15% this year to 20% in 2011. The dividend tax will rise from 15% this year to 39.6 percent in 2011. These rates will rise another 3.8% in 2013. Continue on P. 3

- The country continues to be mired in a recession. Business continues to be worried about the direction of the economy. Billions of dollars have been spent on stimulus projects with no results.

Despite this news, there are things that can be done to minimize the impact. Contact Liberty Financial Consulting for more information.

Thank you for your continued support of my business. Brian

HISTORY LESSON

The current economic recession we are experiencing in the country is nothing new. America has had recessions and depressions in the past. What is different is the response by our government. Consider these facts:

- \$787 billion stimulus
- Imposition of national health care plan

- Potential cap & trade legislation
- Restrictions on energy production

None of these responses have done anything to get us out of the recession.

Now, consider the response by the Harding Administration to the severe recession of 1920-21. The government took a hands

off approach and within a short period of time we were back to recovery. The 1920s went on to have unprecedented prosperity.

It is 'do something' disease that prompts people to action when the best course is to do nothing and let things take care of themselves. It appears we will never learn this lesson.

QUICKBOOKS

Although QuickBooks software is one of the most cost-effective and efficient ways small businesses can maintain their accounting process, there are many mistakes that I see that could be avoided if proper training was provided before the business began using the software.

Some of the pitfall include:

- Items set up incorrectly. Items populate the forms (invoices, sales receipts, bills etc). This creates

problems with the financial statements since transactions are funneled to the wrong account on the chart of accounts

- Incorrectly processing credit card transactions. Typically when these transactions are coded to the wrong accounts, it is difficult to reconcile the credit card statements. Also, the financial statement reflects an incorrect credit card balance.
- Coding transactions to

the wrong accounts. This is usually due to a lack of understanding of basic accounting concepts of assets, liabilities, and capital.

- Failure to reconcile bank statements. This results in the failure to capture all expenses and possibly some income.

The best way to avoid mistakes with the software is to have it set up properly to begin with and use a QuickBooks Advisor for ongoing training & support.

ECONOMY & JOBS

The current economic situation has posed considerable problems for the long-term economic health of our country. Not only is the economy still suffering from the mortgage crisis of 2008, but also the tremendous amount of deficit spending that has taken place over the past 18 months which has not produced any results. As the private-sector continues to struggle and businesses shed 1000's of jobs, there seems to be no signs of a recovery in the near future.

One area of our economy that appears to be immune to our economic difficulties is the

federal government. Specifically, federal government employees.

According to the Heritage Foundation, the average federal employee earns an annual salary of 60% higher than the average private sector employee. This translates into about 22% more per hour.

These employees also have tremendous benefit programs. 401(k)-type plan, pension, and a 'Cadillac' health care plan. They also have numerous paid days off.

The total compensation packet amounts to 30% to 40% higher than their private-sector counter-

parts.

Perhaps more importantly, it is job security that is their greatest perk. While the unemployment rate in the private-sector is nearly 10%, it is 2.9% in the federal government.

It cost taxpayers \$47 Billion annually for this federal compensation program. This is unsustainable during tough economic times. As the economy continues to struggle and the prospects of higher taxes in 2011 along with a Government Health Plan coming in 2014, this system must be modified soon before it collapses.

Published book author and professional freelance writer & editor Amy Farrar has penned this new book, available on Amazon.com for only \$10.99!. Learn how to break into the exciting world of freelance writing & run a successful freelance business. Farrar has been in business for herself since 1999 and worked for a wide range of clients. To find out how she can help you, see her web site, at:

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Someone You Can Trust

Trivia Answers

1. Grover Cleveland
2. Missouri & Maine
3. Missouri Compromise
4. Dred Scott
5. Compromise of 1850
6. James Polk
7. Dwight Eisenhower
8. Calvin Coolidge

Who pays Federal Income Taxes?

(Source: IRS- 2004 tax yr)

1. The top 1% of filers paid 36.9% of all income taxes (AGI: \$328K and above)
2. The top 5% paid 57% of total income tax (AGI: \$137K or more)
3. Top 10% of all filers paid 68% (AGI: \$99K or more)

Tax Increases coming, from p.1:

- Charitable contributions from IRAs will no longer be allowed. Currently, a retired person can contribute up to \$100k to a charity from their IRAs.
- Tax Benefits for Education & Teaching will be reduced - the deduction for tuition and fees will not be available. Tax credits for education will be limited. Teachers will no longer be able to deduct classroom expenses. Coverdell Education Savings Accounts will be cut. Student loan interest deduction will be disallowed for many families.

Health care Reform will impose massive new taxes on Americans:

- The law will require individuals not eligible for Medicare or Medicaid to obtain minimum coverage after 2013. Penalties will be assessed if no coverage purchased:

2014 - \$95 or 1% of income (if greater)
2015 - \$325 or 2% of income (if greater)
2016 - \$695 or 2.5% of income (if greater)
- Will no longer be able to use Health Savings Account (HAS), Flexible Spending Account (FSA), or Health Reimburse Accounts (HRA) to purchase non-prescription, over-the-counter medicines (except insulin)
- HSA Withdrawal Tax hike—increases the additional tax on non-medical early withdrawal from an HSA from 10% to 20%.
- An additional .9% tax on earned income in excess of \$200k for individuals and \$250k for married couples.
- A 3.8% Medicare tax on unearned income for individuals with income above \$200k and \$250k for those that are married.
- The Medicare tax on unearned income (3.8%) will apply to gains on the sale of a home. If there is a taxable gain (above the \$500k exclusion for married couples; \$250k for individuals), this tax will be assessed as well as capital gains taxes on the sale of the home.

Reflections

Looking back over the last 18 months, one has to wonder what the future will be for American business. Consider these items:

- Federal budget deficits of \$1 Trillion (5 times more than the deficits of the 1980s)
- Additional Federal debt of \$2 Trillion
- Federal spending out of control
- Federal payroll expanding
- Potential expiration of 2001 & 2003 tax

cuts

- National Health Care fully implemented in 2014
- Federal government with an animus toward business (nothing we have seen since FDR)

The items above show a bleak future. However, America has always been up to the challenge. Here is my suggested prescription to revitalize the American economy:

- Dramatic reduction in government spending (at all levels)

- Implementation of the a National sales tax or Fair tax (scrap current code)
- Encouragement and fostering business formation and risk-taking
- Tort reform
- Free-market solutions to health care

