John A. Braden & Company, P.C.'s *Fall 2009*

RESOURCES

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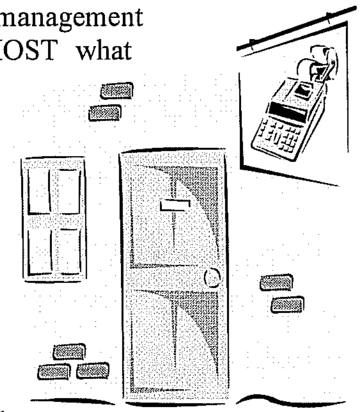
What Do We Do?

We often get questions about what services our firm provides. Sometimes that question is in the form of a question about "Can you help me with (fill in the blank)?

While some CPA firms concentrate their practices in certain areas, such as governmental or construction, as a general rule it is not allowed for a firm to claim to be a specialist or expert. In some ways we might be best described to be "General practitioners". We offer a full range of services...accounting, tax, audit, management consulting, financial services, and ALMOST what ever else you might need. That does not mean we are so desperate for business that we will do anything for anyone who walks in the door. We have structured our practice this way because we believe we can best assist our clients by maintaining a certain level of competence in the broad areas of accounting that apply closely to businesses and high net worth individuals in order to better serve those clients. Kind of like being a physician in family practice who serves a gateway for her patients. For example if we focused on one particular area of tax we might mistakenly advise a client to structure a transaction in a way that helps with current income tax which might have disastrous effects on their estate plan or cause a problem with financial reporting which reduces their chance to obtain financing. Because we work with both private and small public companies, we are able to give our clients perspective on whether going public is a realistic possibility in their plans for growth or expansion. Because we work with individuals, companies, estates, and trusts, we are able to advise our clients about how to structure transactions in a way that achieves the best overall tax consequences. Income tax and financial reporting can sometimes resemble one of those complex art mobiles where if you touch one part the entire structure moves. If you thought a Rubik's cube could be complex, think about the thousands of pages of tax law and interpretations and the almost equally thick volumes of Generally Accepted Accounting Principles and International Financial Reporting Standards.



We bring to this complexity, the reality of decades of experience (ok we are mature, some might even say old). We bring to this complexity a vast network of other practitioners both local and international, that we have met through our involvement at leadership levels in local and state CPA societies and international firm associations. We also bring our staff of professionals who have experience locally and internationally.

Can you get the same service from a national or larger firm? Maybe. Surely within the structure of a big 4 CPA firm there are people who are individually knowledgeable about all of the various aspects of tax and accounting. In fact, we concede that there are undoubtedly folks in those firms who have much deeper knowledge of almost any particular area. However, because big firms are very structured into groups such as energy audit, corporate tax, banking, etc. we believe that specialization often results in a lack of perspective because the "big picture" is not seen. Additionally anyone at a larger firm, who has accumulated the years of experience of our senior partners, has been retired for several years. We don't mean to say bad things about spending some time on the golf course or on the lake. Or demean the 4 years of audit experience the tax expert had 20 years ago at the start of her career. However because there are so many changes in tax law and financial reporting that occur almost every year, if you don't spend a lot of time and effort keeping up in all areas, your advice might very well be obsolete.

Let me make sure there no doubt that we are always welcoming new business. We appreciate your business and your referrals.

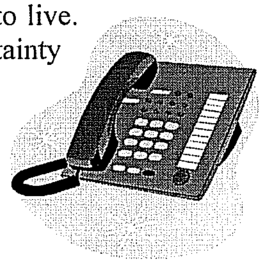
When should I start taking Social Security?

The designation as a baby boomer is most often used to refer to someone born from 1946 to about 1964. One of the decisions being made on an individual basis by those of us who are in this group is when to start collecting our social security benefits.

This can be a tough decision because there lots of factors that will need to be considered. Most people know that generally the longer you wait to start collecting, the higher your benefit. Added to this is the fact that under some circumstances your benefits can be reduced by your earned income. That is, of course impacted by the definition of earned income. Add to that that social security benefits can be partially subject to income tax depending on your income and of course that happens at different levels depending on whether you are married or single. In addition, if your spouse outlives you, how much he or she gets will be effected by you timing depending also on whether your spouse collects more from their own social security wages or more by just being your spouse. Got that?

All of this applies to us old folks. We appreciate the cynicism of some of our younger staff members, kids and grandkids who are convinced the system will go broke before they can collect, but for now lets assume that those of us old enough to be worried about when to start collecting do not have to be worried about the financial soundness of the entire system.

Deciding the best time to start collecting because of all these factors would be just a complex mathematical formula if you could know in advance exactly how long you and your spouse were going to live. Except perhaps for a few people on death row, none of us knows with any degree of certainty when we will depart this sphere.



We have recently purchased some brochures (written by "experts" in Social Security) that provide useful information that may help you with this complex decision. If you would like to get one of these just give Meredith or Toni a call and they will be glad to send you one.

Feed the Pig

A few years ago, the AICPA launched a national campaign designed to increase the financial literacy of the general public. Part of that campaign includes a "feed the pig" campaign encouraging people to save money. Included in this newsletter is a reprint of one of their articles about talking to your children about money.

There is some great information from the AICPA available for free through the internet that relates to saving money and encouraging financial responsibility. Our website and my feedback page are linked to that website.

If you come by the office, be sure to pick up a starter piggy bank for your children, grandchildren, nieces, nephews or neighborhood children. The ones we have are not very big, but the point is to get them started.

Quote of the Quarter

"Touch is the most fundamental sense. A baby experiences it all over, before he is born and long before he learns to use sight, hearing, or taste, and no human ever ceases to need it. Keep your children short on pocket money ~ but long on hugs." – Robert A. Heinlein

How to talk to your children about money

HOW OLD SHOULD THEY BE?
There's no right or wrong age to start talking to your children about money. By age five or six, your children might be mature enough to understand basic financial concepts. As soon as they become interested in money, start teaching them to handle it wisely. There are several important lessons you can teach your children to give them a solid foundation for a lifetime of sound financial decisions.

LESSON 1: LEARNING TO HANDLE AN ALLOWANCE
Many parents choose to offer their children an allowance. This is a child's first experience with financial independence, and you need to ensure that your child knows what an allowance is and why you are giving it to him. Establish whether the allowance is tied to household chores or whether it is simply a weekly amount. Some families establish a base allowance and then give their child extra money for additional chores.

HOW MUCH?
Experts recommend giving a child 50 cents to a dollar for each year of age.

Discuss with your child how he will be using this money. Will he put it into savings, or will he plan on spending it on parent-approved items? Now is a good time to teach your child a valuable life lesson by introducing him to the benefits of saving.

LESSON 2: OPENING A BANK ACCOUNT
Taking your child to the bank to open an account is a good way to introduce her to the concept of saving money. Many banks have programs that provide activities and incentives to help children learn financial basics. Your child can learn how a savings account works and will enjoy trips to the bank to make deposits (allowance money, birthday gifts, etc.). If your child is working toward a long-term financial goal, you could offer to match whatever your child saves.

LESSON 3: SETTING FINANCIAL GOALS
Let your child set her own goals, so she has an incentive to save. Encourage your child to divide up her money: some to put toward her goal, some for charity, and some to spend right away. Try taping a picture of the item your child wants to a bank or jar, to help her make the connection towards setting a goal and saving for it.

LESSON 4: BECOMING A SMART CONSUMER
Here are some ideas to help your child identify smart consumer activities: set aside one day a month to take your child shopping. This will encourage your child to save up for something he really wants rather than buying something on impulse. Explain that you will not purchase something for your child every time you go shopping. Have your child put an item he wants on a birthday or holiday wish list, or make it into a long-term goal. Show your child how you purchase items based on price and quality. Take him with you when you go grocery shopping so he can see you make smart shopping decisions.

Visit **www.360financialliteracy.org** for more information about raising financially responsible children.

FEEDTHEPIG.ORG

John A. Braden & Company, P.C
And ABBM Group Ltd, LLP

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Family Farm

By: John A. Braden

I was in the first grade when my Grandfather Wilson died. He was 83 and I was 6. I always liked going to their farm. My grandfather had cows and my grandmother had chickens. We would gather eggs and chicken and dumplings was the special meal. The farm had electricity, but the closest thing to running water was a cistern that collected rain water. In the winter, the fireplace and wood burning kitchen stove were the only source of heat.

There was a ceiling fan on the front porch (I don't understand why ceiling fans generally disappeared from 1950 until the mid 70's.) My brother and I went swimming in the stock tank, pulled mussels from the mud with our toes and didn't seem to care that there were water moccasins on the far bank.

Plumbing actually really consisted of a two hole outhouse and the Sears Roebucks catalogue served as toilet paper. I know this is a stereotypical vision that most of our kids don't believe; however my brother and my cousins can attest that I am not exaggerating. Go to my Facebook page if you want to check it out.

My memory of my grandfather may be a little sketchy because 58 years have passed. He rolled his cigarettes (Bull Durham, I think). I do know that at 83 he had cut back his work load. The geese and pigs and horses my older cousins remember were no longer there. The back acreage was rented out to some neighbor; we couldn't pick any of the watermelons or sweet potatoes. My parents retired to that same farm. Our girls visited them and apparently have good memories of it. They did not go swimming in the stock tank, probably for the same reason that we make our grandsons wear helmets while riding their bikes. Times have changed.

I don't have a farm for my grandchildren to come visit. I do have plumbing, air conditioning, toilet paper and even a swimming pool. None of us know how many years we have to create memories for them. So I'm going to avail myself of the opportunity now in the hope that when they talk to their grandchildren they can bore them with stories about me. If you call while I am gone with them to Yellowstone, I'll be back in a few days. In the meantime, go do something with your grandchildren or if you are younger, take your kids to spend some time with your parents.

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