

PERSPECTIVES



Dear Clients and Friends,

Another year has come and gone, and this one certainly has had its challenges.

Our market has been continuously volatile, the international climate is growing more precarious by the day, and even our weather has brought home and business owners to their knees (more than once this year). Like many of you, our very own offices were crippled for four days during our "Halloween" storm.

Despite it all, we have seen growth and hope. In our own firm, we finished our renovation and upgraded our technology systems so that we could continue to provide the highest quality service in the most efficient manner possible. We forged valuable new business relationships, added new clients, and continued to provide meaningful service to our existing clients. And to support it all, we've added talented and experienced professionals to our team.

I am tremendously proud of this firm and the capable team within, and appreciate the close relationships we all have. As always, you can count on us to stand by your side as we enter a new year of challenges and opportunities.

On behalf of the entire firm, we wish you a happy, healthy, and prosperous holiday season and New Year.

*Very truly yours,
Michael S. Lewis, CPA
Managing Partner*

What's Your Magic Number?

Katie Bewalder

Have you heard about the "magic number"? That's the amount of money that, once accumulated, will signal that you can retire comfortably for the rest of your life. Unfortunately, that number is dependent on a variety of factors that are hard to predict, including the rate of return before and after your retirement date, how long you will live, and at exactly what age you will retire. These variables, plus individual cash flow needs and preferences, mean that everyone's number is different. So to determine your magic number, consider the answers to the questions below.

What is your spending style?

Look at your current expenses and analyze each one to determine which costs will increase, which will decline, and which will be eliminated entirely. In some ways, life after retirement becomes less expensive because the costs associated with working, raising a family, and perhaps maintaining a large home may decrease. Other expenses will rise, however, as this may be a time when you wish to travel more or have increased health care expenses. Financial experts say that at a minimum, a person will need 70 to 80 percent of their current income to cover expenses in their retirement years. However, for some people that number may be as high as 100 to 135 percent of their

current income. So, what would you do with your time if you never had to work again? Would you travel, spend more time at home with your family, or buy a boat? These decisions will greatly impact your magic number.

How old will you be when you retire?

Currently, 62 is the minimum age at which you can retire and receive social security income. As a general rule though, the longer you wait to retire, the more social security you'll collect. Upon reaching your full retirement age, you will receive your full social security benefit. Most other retirement funds, such as 401(k) plans, IRAs, and Roth IRAs, allow you to withdraw funds at the age of 59½; earlier if you would like, but often subject to a 10 percent penalty. So ask yourself at what age you wish to retire, and whether or not you will need to draw from your retirement funds. Both of these answers will again impact your magic number.

Where will money come from during retirement?

For most of us, many different sources will fund our retirement, including personal savings and investments, retirement funds like IRAs, 401(k)s,

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Identity and Online Theft: Common Traps and How to Avoid Them

David Kerner

Nearly every day we hear about a company that has been hacked or a person whose identity was stolen. It is impacting individuals of all ages and companies of all sizes. Unfortunately, even once the theft has been detected and corrected, victims may suffer for years, trying to recoup monetary losses and suffering the consequences of damaged credit scores.



While the intent of this article is not to scare you away from using technology, we do think it's important to outline many of the ways that you can fall victim to identity and online theft. Staying informed is the first step in taking proper precautions at home and at work. The fact is that once a thief has your information, they can obtain a credit card, establish utility accounts, rent an apartment, and even buy a house in your name, making you liable for the purchase and eventual non-payment. If you are lucky, you'll detect the theft quickly when reviewing a credit card statement or by requesting a credit report. If you are unlucky, you will discover it when a debt collector begins pursuing you for purchases you never made.

Identity theft is frighteningly easy to accomplish and thieves are getting more creative each day. "Dumpster diving" is when someone literally sifts through the contents of your garbage for usable information. You can easily counter this by shredding all paperwork that contains personal and account information. You would be amazed at what one

could accomplish with your name, address, and only the last four digits of your social security number or credit card.

"Skimming" is when a thief steals your credit card number during a regular transaction, either by simply copying down the number or by processing your card through a special machine. Whenever possible, keep your credit card in sight during a purchase and check your statements and online accounts regularly so you can detect suspicious activity quickly.

Online theft is often accomplished through a tactic known as "phishing," where an email is sent from a seemingly legitimate source, such as a financial institution, the IRS, or PayPal, warning you that your account has been locked due to suspicious activity. The email asks you to click on a link and reset or confirm all of your passwords and personal information. This is a widely used scam and you should delete these emails immediately. You can be confident that no legitimate institution would ever ask you to reveal sensitive identifying information via an email. Should this happen and you are uncertain about the legitimacy of the email, we highly recommend that you call the institution directly. Another quick test is to open a fresh browser window, go to the site in question as you normally would, and try to log in. If you are able to access your accounts, all is well and you have outsmarted the scammer. Remember: Do NOT use the link inside the suspicious email when doing a test like this.

Another technique employed by online thieves is the installation of malware programs on your computer. Some are capable of logging key strokes, essentially recording your login credentials, while others allow thieves to hack into your computer so that they can break weak passwords and security questions. You can protect yourself from these attacks by only opening email from people you recognize and trust, and by ensuring that you keep your virus protection software up to date and activated at all times. We also recommend that you change your passwords occasionally and use words that cannot be easily guessed. Birthdays and the names of pets, schools, and family members should never be used as they are easily thwarted. A strong password is at least eight characters long and should contain a combination of upper and lowercase letters, at least one number, and one special character.

Businesses are of course a popular target for cybercriminals, with entire networks being compromised due to a lack of security protocols. For starters, the convenience of mobile devices represents an often overlooked security hole.

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*We Wish You a Joyful Holiday Season
and a Prosperous, Happy New Year!*



Is Your Business Adequately Insured?

Sean Higgins

Few of us expected to see a Category 3 hurricane barrel through our state this past summer. While the storm changed course and spared many, for some it was devastating. According to the Insurance Information Institute, Hurricane Irene qualified among the top 10 costliest catastrophes in American history. Given its unexpected path, it caught many home and business owners by surprise—and grossly underinsured.

It is common for people to shop around for the best premium when it comes to buying insurance. It makes us happy to find a good deal, but this approach may prove to be “penny wise and dollar foolish.” While it is safe to assume that the majority of individuals and business owners have purchased some form of property and business insurance, do you truly understand what exactly you have purchased? What is covered—and not covered—in your plan? For example, many basic plans do not cover natural disasters—something people in this area are learning the hard way. This coverage often has

to be purchased separately and is not inexpensive. And if you are like most in our state and don't live in a flood zone, you probably think “*what are the chances of a flood, a hurricane, or a tornado?*” and then opt to save the money on the additional premium.

Here's another thing to note: Even if you have flood or hurricane insurance, it does not guarantee that you are 100 percent covered. For example, it may just cover the interior of your home or business. So what happens if key elements are located outside?

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Identity and Online Theft: Common Traps and How to Avoid Them

Laptops, iPads, and even iPhones may store sensitive data or provide unprotected gateways to main servers. Should these devices be stolen or accessed, an entire network could be at risk. It is important to utilize passwords on all of these devices.

Online bank fraud is another danger, especially for small businesses. In fact, last year \$1 billion was stolen from commercial accounts at banks. There have even been cases where a theft from a commercial bank account was not covered by fraud insurance because the company in question

had not made proper attempts to secure their networks and devices. The judgment was that the theft would not have occurred had their internal security measures been adequate.

Of course, identity and online theft are not completely preventable, but there are many steps you can take to minimize your risk. Don't wait until it's too late. Make it part of your year-end planning to assess your online and daily practices and take the necessary precautions to ensure the safety of your family and your business. To learn more about identity and online theft, visit the Federal Trade Commission's website at www.ftc.gov and click on “identity theft.” As always, please contact your MT&L advisor for further guidance. ■

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What's Your Magic Number?

or pensions if you're fortunate enough to have one, and social security. All of these sources combined will need to equal enough to pay for what you want and need for as long as you live. A danger for some is that they might outlive their money. Financial experts generally recommend that individuals take out no more than 4 to 5 percent of their nest egg each year during retirement. Therefore, to determine how large your nest egg should be, consider how much you will spend in a retirement year and multiply that number by 20. Of course, as our government attempts to solve the national debt crisis, another unknown variable is whether or not social security benefits and payout amounts will change over time.

Is my retirement on track?

Now that you have an idea of how much money you will need during retirement to cover your expenses, the age at which you plan to retire, and how large your nest egg needs to be, you can get a general sense of whether or not you are on track for retirement. If it appears that you are not on track, take solace in the fact that you can take steps now to close the gap by contributing more to a retirement plan or making investment changes.

We highly recommend that every individual have a retirement plan in place. Should you need some guidance, please do not hesitate to contact your MT&L advisor. ■

An Inside Look

Employee News

Michael Weber participated in the Juvenile Diabetes Research Foundation International's Walk to Cure Diabetes on October 2 at Raritan Valley Community College. An avid bowler, Michael also recently bowled a 300 in the mixed league at Woodbridge Lanes.

Lorraine Halpern participated in the 5k Run/Walk to benefit the Denville PAL Hurricane Relief Fund on October 16 in Denville.

Tammy Circkirillo took part in the American Cancer Society's Making Strides Against Breast Cancer Walk on October 16 in Point Pleasant, marking her 15th year of participation in this event.

Firm News

MT&L is excited to announce the expansion of its professional staff. Please welcome:

Daniel Grant, CPA – Daniel joins the firm's audit department with six years of audit experience at a regional accounting firm. A graduate of Montclair State University,

he resides in Dover where he serves as President of the Board of Directors for the Head Start Community Program of Morris County, Inc.

Matthew Jagers – Matthew brings three years of regional firm experience and is a graduate of Montclair State University. He is a resident of Rockaway Township.

Matthew Kennedy – Matthew joins the firm's audit department after three years of regional firm experience, with a concentration in auditing. He is a graduate of the University of Vermont and resides in Montclair.

David Diamond – David's background includes experience in real estate and health care billing and operations. He holds an MBA from the University of Vermont and resides in Morristown with his wife, Devon.

Thomas Fresolone – Thomas brings three years of financial and business consulting experience to the firm. He is the founding member and an active participant in an investment club and a graduate of Montclair State University. Thomas resides in Basking Ridge.

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Is Your Business Adequately Insured?

How much insurance is enough is a hard question to answer, but being underinsured can be financially crippling. We strongly advise you to talk with your insurance broker to gain a better understanding about what you are truly protected against, and where your risks lie.

Once you determine you are adequately insured, you should also consider business interruption insurance, which is designed to help you offset lost income and necessary operating expenses even when your business activities have been temporarily halted. So rather than only recouping the "value" of the property destroyed, you could be protected against actual loss for as long as 12 months.

In closing, there is another crucial element about disaster planning for your business: It is imperative that your electronic data, such as client files and your business intelligence, are backed up and protected. Off-site servers that back up nightly are ideal so that if your facilities were completely destroyed, you would still be able to reclaim your

"Your time is limited, so don't waste it living someone else's life. Don't be trapped by dogma—which is living with the results of other people's thinking. Don't let the noise of others' opinions drown out your own inner voice. And most important, have the courage to follow your heart and intuition."

- Steve Jobs

critical files. For businesses of all sizes, the cost of off-site backup is very affordable, and well worth the investment.

To learn more about how you can prepare for a disaster, visit www.preparemybusiness.org, a website sponsored by the U.S. Small Business Administration. Also, please do not hesitate to contact your MT&L advisor for additional advice on this matter. ■

New Jersey Explains New Business Deduction for 2012

William Schwarz, CPA, MST

The New Jersey Division of Taxation, ahead of pending draft regulations, has issued a notice to provide preliminary guidance regarding a new law that establishes an alternative business calculation deduction which will provide income tax relief to taxpayers with business losses. The deduction, effective for tax years beginning on or after January 1, 2012, uses a calculation that consolidates business income and/or loss and allows taxpayers to carry forward unused losses. Until the enactment of this law, New Jersey taxpayers were not able to carry forward any losses.



The alternative business calculation deduction is a limited deduction that will not affect the overall reporting of business income. In other words, a net loss in one category of gross income still cannot be used to offset income in another category. Rather, a computation is made to determine the amount of business loss allowed in any one category for the current year and any excess losses are carried forward and used in the next year's computation.

The four categories of business income included in the alternative business calculation deduction are: (1) net profits from business; (2) net gains or net income derived from or in the form of rents, royalties, patents, and copyrights; (3) distributive share of partnership income; and (4) net pro rata share of S corporation income. To calculate the alternative

business calculation deduction, taxpayers who generate income from any of the four types of business categories will offset income with losses from those same four categories to determine "alternative business income or loss." Alternative business income is then subtracted from regular business income to determine the "business increment" on a schedule and/or worksheet which is to be provided with the income tax return. A deduction is then allowed against a taxpayer's New Jersey gross income in an amount equal to 50 percent of the business increment, subject to a five year phase-in starting with 10 percent in 2012.

Taxpayers who qualify for the deduction are full and part-year residents, full and part-year nonresidents, and estates and trusts with income or loss derived from one or more of the four categories of business income specified under the Act. If you have any questions regarding this deduction, please contact your MT&L advisor. ■

Tax Corner



- New Jersey Governor Chris Christie recently announced that a reduction will be made to New Jersey employees' payroll taxes that will result in a savings of up to \$87 for 2012.
- The U.S. Supreme Court has agreed to review a decision of the 4th U.S. Circuit Court of Appeals which concluded that an overstatement of basis is not an omission of gross income for purposes of the six year statute of limitations period. You may remember that we previously reported that various jurisdictions are currently at odds regarding this issue.
- The IRS has announced a new program that allows eligible employers to voluntarily reclassify workers as employees rather than independent contractors for future tax periods. In exchange, the employer must pay 10 percent of the liability for past payroll tax obligations and will not be subject to any interest and penalties on the liability.
- Reminder: Taxpayers who are over the age of 70½ are mandated to take their required minimum distribution by December 31, 2011.