

Our Perspectives

“Thoughts From Outside the Box”

VOLUME 3 ISSUE 1

1ST QUARTER 2004

Dear Clients and Friends:

As 2004 begins, I want to wish all of you a happy and healthy new year. With 2003 came a strong stock market rally along with a recovering economy. With an upcoming presidential election, we hope this continues through 2004.

I hope you are enjoying our quarterly newsletter; in fact, I am quite pleased at the positive feedback I receive from many of you. We try to make the articles informative, yet interesting and personal. Any suggestions would be welcome.

Speaking of feedback, if there are any areas in which you feel the firm could improve, I would welcome a dialog with you as we continually strive for the highest level of service.

Very truly yours,
Michael S. Lewis, CPA
Managing Shareholder

WHEN IS IT OKAY TO STRAY?

By Michael S. Lewis, CPA

Budgeting and living within one's means are the key ingredients to a healthy financial future. Paying down debt, routinely investing, and doing without unneeded luxuries are all methods of saving for retirement. This rational, philosophical way of approaching one's finances should be followed on a disciplined basis.

That being said, there are occasions in one's life where emotions should supercede logic, times when we should break - or at least bend - our financial rules. As long as one does not go into debt, it may be healthier to spend than to save as long as it is temporary. A spouse, a friend, or your financial advisor may call such spending "frivolous," but if they are honest with themselves, they will realize they do the

exact same thing, often to satisfy desires which others could consider equally "foolish."

The following are a few examples of this "illogical" spending:

1. You have been working hard or been under personal stress. You have an opportunity to take an exotic vacation. Go ahead and book the suite with an ocean view or the house on the beach. The pleasure you derive from "escaping" your everyday routine will be well worth the additional dollars spent.
2. You plan a birthday party for an aging parent. You know that some relatives or special friends are living on a tight, fixed income. Send them a plane

ticket and secure lodging for them. The extra dollars spent will be more than offset by the additional pleasure your parent will experience in seeing them.

3. You just had a significant weight loss, a project you've been working on for six months. You are invited to a party where many old friends whom you've not seen in a while will be in attendance. You see a budget-breaking outfit. Buy it; wear it; you'll feel good, and you deserve it.

The overall idea? It is okay to occasionally stray from your basic financial path, especially if in that direction lie lifelong memories that overrule what at first seemed senseless extravagance. ■

Inside this issue:

<i>When Is it Okay to Stray?</i>	1
<i>Florida Intangible Tax Update</i>	1
<i>From the Bookshelf</i>	2
<i>Health Notes</i>	2
<i>Reducing Health Care Costs</i>	3
<i>Time To Fire A Customer?</i>	3
<i>A New Year of Investing</i>	4

FLORIDA INTANGIBLE TAX UPDATE

By Franco Fallone, CPA MST

Under legislation adopted by Florida lawmakers in 2002, Floridians who own stocks, bonds, mutual funds, and other assets

subject to intangible tax will be able to exempt more of their savings from the tax in 2004.

Assets subject to intangible tax are taxed according to

their value on Jan. 1 of each year. Starting with the intangible tax returns due between Jan. 1, 2004, and June 30, 2004, individuals will pay

(Continued on page 2)

Florida Intangible Tax

(Continued from page 1)

no tax on the first \$250,000 of assets subject to intangible tax. Couples filing jointly will pay no tax on the first \$500,000 of assets. Businesses will pay no tax on the first \$250,000 of assets. In addition, taxpayers are not required to pay tax if the amount owed is less than \$60. For example, a couple own-

ing less than \$560,000 in stocks, bonds, and mutual funds would pay no tax.

Before the 2002 legislation was adopted, individuals paid no tax on the first \$20,000 in assets subject to the tax, and couples filing jointly were not taxed on the first \$40,000 of assets. Businesses received no exemption. Again, businesses, individuals,

and couples filing jointly paid nothing if the amount of tax owed was less than \$60.

Legislation was recently proposed to repeal the Florida intangible personal property tax in its entirety effective July 1, 2004. ■

From the Bookshelf...

- Getting to Yes by Roger Fischer and William Ury
- Selling to the Top by David Peoples



Peoples

Health Notes...

Hot Cocoa, the Healthy Drink?

The latest research shows hot cocoa contains more antioxidants per cup than a similar serving of red wine or tea and may be a healthier choice. Antioxidants are chemicals believed to help fight cancer, heart disease and aging. Research shows that on a per-serving basis, the antioxidant concentration in cocoa is almost two times stronger than red wine, two to three times stronger than green tea, and four to five times stronger than black tea. The study also says hot cocoa triggers the release of more antioxidants than cold cocoa.

CPA EXAM - NEW FORMAT

The Uniform CPA examination is changing its format from a pencil and paper examination to a computerized test. The last paper and pencil exam was administered on November 5 and 6 of 2003. The new exam will cover much of the same content as the paper and pencil test; however, the Law section will now become the Business Environment & Concept section. Whereas the old examination was offered only twice a

year (May and November), the new computerized version will be offered to candidates at least five days a week during two of every three months throughout the year. For more information, log onto www.cpa-exam.org



POP-UPS GOT YOU DOWN?

Everyone knows how annoying it is to be surfing the net when a pesky pop-up disrupts your search. Have no fear, a solution is in sight! To put the "kibosh" on pop-ups, simply download a pop-up ad blocker. Where can you find one of these programs? Don't fret; visit one of these

websites for more information:

www.stopzilla.com

www.toolbar.google.com

Don't worry about shelling out the cash either; these sites offer this service for free!!



REDUCING HEALTH CARE COSTS

By David Capodanno, CPA

Health care costs are always a topic of discussion among business owners. This year premiums are expected to increase at double digit rates. The reasons for these higher rates can be attributed to new medical procedures, a rise in the costs of prescription drugs, and all the possible savings squeezed from managed care. How can business owners reduce or even maintain their health care costs?

First, the company's insurance coverage should be evaluated and if possible reworked to fit its employee profile. Changes could include eliminating some coverage, increasing employee contributions, raising deductibles, or changing insurer. If a prescription plan is offered, consider raising its copay while keeping the office visit copay the same. If your employees pay a portion of their group insurance premiums, there's a

way to increase their take-home pay and reduce your payroll taxes at the same time. This is made possible by Section 125 of the IRS Code, allowing businesses to save Social Security as well as federal unemployment taxes and, generally, state unemployment taxes, on the money employees contribute to their premiums. Three types of Section 125 Plans exist: Premium Only, Flexible Spending Accounts, and Full Cafeteria Plan. Money allocated to a Section 125 Plan is subtracted from the employee's taxable income. It is also free from employer-paid Social Security and Unemployment taxes. Keep in mind, there is a third party cost to administer the plan. The cost to the company should be weighed against the savings. It should be noted that any unused employee monies left in the plan at the end of the year revert to the company. As employees become more aware of how they spend money on benefit items, they will

tend to be more watchful of the cost, resulting in a saving on escalating health care costs.

Every business owner wanting to lower his or her insurance premiums should now take a careful look at its insurance coverage to find the possible savings. ■



WHEN IS IT TIME TO FIRE A CUSTOMER?

By Michael Napolitano, CPA

Is the customer always right? The better question should be is the customer the right fit? Too often, companies focus on revenue growth but fail to determine if this growth is profitable. When a company experiences a slow down, or even worse, a loss of growth, the unprofitable customers become an economic burden to the company. Unfortunately, instinct tells the business owner that losing any customer is taking a step backwards.

The Italian economist Vilfredo Pareto developed the 80/20 rule which states that the first 20 percent of the effort contributes 80 percent of the benefit.

Focusing on the 20 percent of your best customers will often lead to 80 percent of the profits. The simple lesson is that the quality of customers is much more important than their quantity.

There are several questions that should be answered to determine a good customer from a bad one. The obvious question is, is the customer profitable? Customer profitability data should be reviewed at least annually to determine if relationships should continue. Secondly, is there strategic importance for a particular customer? There are instances when a customer may allow entry into a

particular market, therefore producing future growth. Finally, what is the volume of a particular customer? It may be time to remove the small volume customers who produce no profits.

It is time to review those eighty percent customers and determine which ones you can do without. They're the ones who drain your resources while wasting your time and energy. Even worse, they become a distraction from the profitable customers. ■

A HAPPY NEW YEAR OF INVESTING

By Bradley E. Mancely, CPA

I hope to find everyone enjoying the first month of 2004. For those of you who have visited warmer climates, I must say that I am jealous. While hiding indoors to escape the winter weather, I have spent some of my extra time thinking about how this New Year is going to treat our clients and friends on the investment front. Last year was one of great success in the markets, but at the same time I am sure that we are all hoping that 2004 is a little less scandalous than the last two years. If you are anything like me, you are probably shaking your head and wondering, whom can I trust?

One thing we should all learn from these scandals is the necessity to watch out for ourselves. When you invest your money, remember it is just that, yours! We all need to make a concerted effort to educate ourselves about the current market conditions and current financial products and use this knowledge to invest our money for the long haul. We have been blessed for the last year with an economy that has truly been improving. The markets are reaching new highs, interest rates have continued to be low, and the govern-

ment's tax breaks of the last year haven't even been fully recognized. With all this said, however, let's remember how quickly things can change.

Now is a great time to review your individual situation, evaluate your portfolio and your current tax status, and ask yourself the following questions: Are you allocated the way you want to be? Do you understand what you are invested in? Do you have a long term goal? Does your advisor know it? Does your advisor know your risk tolerance? Are you positioned to succeed if the economy continues to grow? If the economy cools off, will you lose the money you have made?

As you ponder these different issues, you need to fix any deficiencies that you come across. The beginning of the New Year is a great time to sit down with your advisors and set up a plan for this year as well as the years ahead. With all the turmoil of the last few years, we have no one to blame but ourselves if we continue to work with sub-standard advisors or people

we don't trust. If you do not feel comfortable with your advisor, or feel he or she does not have your best interests in mind, it is time to find a new one. Do not be afraid to ask your advisors the tough question, what have you done for me lately? Evaluate your results with that of the average markets. How do you stack up?

Let's make this a Happy New Year and take control of our finances! Our goal is to make all of our clients successful, and we are committed to assisting where necessary. We are proactive in our approach and can act as a financial liaison between you and your advisors. If you need any assistance with your portfolio evaluation or reviewing any other aspect of your financial plan, please feel free to call Michael Lewis or me. We would be happy to assist you in these areas. ■

Meisel, Tuteur & Lewis, P.C. was founded in 1946. The accounting professionals at our firm approach each client with a single goal: to build a solid financial foundation with that client...and then add to it with every subsequent contact. We believe in the value of relationships. We view every client relationship like a partnership and truly believe that our success is a result of yours.

Accounting and Auditing • Tax Planning and Compliance • Real Estate • Business Valuations • Personal Financial Planning • Consultants to Closely Held Businesses • Estate Planning • Litigation Support • Fraud Investigation • Economic Loss • Multi-State and Multi-National Tax Consulting • Mergers and Acquisitions • and many other valuable services

"Today it takes more brains and effort to make out the income-tax form than it does to make the income."

Alfred E. Neuman

**Meisel,
Tuteur
& Lewis**
CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS P.C.

Phone: (973) 228-4600
Fax: (973) 228-6551
Email: Mail_us@mtlcpa.com
www.mtlcpa.com