LET'S TALK FINANCIAL WELLNESS®

March/April 2024

Tips for Sole Proprietors

As sole proprietor of your small business, you're responsible for everything from filing taxes to setting up your retirement plan. Your financial and tax professionals can help you take advantage of retirement plan and business deductions to help reduce your income tax bill.

First Up: A Retirement Plan
A solo 401(k) plan is a popular choice for sole proprietors. The business owner contributes to the plan as both employer and employee, up to the annual contribution limit for 401(k) plans. A SEP (Simplified Employee Pension) IRA is another option for sole proprietors or small businesses with only a few employees. Only the employer is allowed to make contributions to the plan. The same percentage of compensation must be contributed to employee accounts as the employer contributes to his or her own account.

Line Up Your Deductions
With a sole proprietorship, all business income and tax deductions are reported on your individual income tax return. Your tax professional can help you make the most of deductions that can lower your tax bill, including:

Health Insurance. You generally can take an above-the-line deduction for the cost of health insurance for yourself, your spouse and your dependents. The deduction is limited by the amount of your taxable income, so it isn't available if your business has a loss.

Business Expenses. Deductible expenses include utilities, subscription services, travel and capital assets., You may be able to take the home office deduction for a portion of rent and utilities if an area of your home is dedicated exclusively to your business.

Self-employment Tax. Sole proprietors must pay both the employee and employer portion of self-employment tax (Social Security and Medicare.) You are allowed to deduct half the tax on your return.

A Different Business Structure
As your business grows, you may want to consider a different business structure that offers liability protection. An LLC (limited liability company) is the simplest way to structure a business and protect your assets. An S-corporation eliminates your liability and allows you to save on unemployment taxes. However, your Social Security benefits could be reduced. Your financial and tax professionals can help you structure your business appropriately.

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I am committed to helping my clients achieve their financial goals for themselves, their families and their businesses by providing them with strategies for asset accumulation, preservation and transfer.
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Small Business Version

Prudential

Have the Money Talk

Are you and your significant other on the same page when it comes to your finances? Disagreements about money are a leading cause of friction between couples. Talking about your individual feelings regarding money can help you understand the other person's point of view and help you reach a compromise.

Savers and Spenders
Your feelings about money may have their roots in how your family dealt with their finances. If your family was conscientious about saving and didn't spend money without having a plan, you may have adopted those same traits. But, if your partner's family spent money without thinking about their future needs, your partner may follow in their footsteps. Discussing each family's relationship to money is a good place to start the conversation.

Compromise Is Key
When one of you is a saver and the other is a spender, compromising is essential for the health of your relationship. Come up with a plan that includes saving a certain percentage of your income. Having money deposited directly into a savings or retirement account can automate the process and remove any temptation to spend. Then, set aside a modest amount of money from each paycheck to spend on yourselves. That way, the spender is less likely to feel deprived.

A Budget Is Non-negotiable
Whether you're the spender or the saver, creating a budget that both partners buy into is the cornerstone of a successful strategy. Tally fixed and variable monthly expenses to find out how much of your income remains. One of your first priorities should be saving three to six months' expenses in an emergency fund. Communication and compromise can put partners on the same financial page.

Work with a financial professional who can provide a fresh perspective and offer suggestions as to how to organize your financial life.

A Financial Checklist for Couples

Working together to create a healthy financial picture should be a priority for couples. Here are a few ways to get started.

Tackle your debt. Getting debt under control can improve your finances. Eliminate credit card balances and pay off high-interest loans to have money to save toward your goals. But not all debt is bad. Debt that you take on to improve your life, such as a mortgage, education loan or business loan, is typically considered good debt.

Define your goals. You may have short-term goals, such as saving for a car or vacation, mid-term goals like college savings, and long-term goals like retirement.

Assess insurance needs. If you have a family or plan to, life insurance should be on your list. Consider adding health and long-term care insurance to your list as well.

You *Can* Organize Your Financial Life

Piles of receipts on the dining room table. Bank statements on the desk in the spare room. You didn't plan on your financial and personal records ending up in a free-for-all, but that's what's happened. How you wish someone would organize your stuff!

Good news! There is someone who can get your financial records in order. And that someone is you! Because you might need some help in the organizing department, here are some tips for simplifying your financial life.

Decide on a system. You can organize your information by topic or by year, whichever method is easier for you. Use colored folders to hold similar information, including tax documents, investment reports, bank statements, etc. Label everything so you can find it easily. Keep all your records in one place, such as a fireproof safe or a filing cabinet.

Create a back-up system. Scan critical financial documents before filing them. Keep them in a password-protected computer file or on a removable drive or store them in the cloud. Shred any documents with sensitive information that you no longer need.

Put your financial life online. Paperless billing and electronic delivery of bank and investment statements reduce clutter and prevents you from misplacing important bills and documents. Establish online bank, credit card, phone, cable and utility accounts to make payments. Setting up automatic bill pay can further simplify your finances. Make sure you have sufficient money in your bank account when payments are deducted.

Consider a safe deposit box. You can store many critical documents that you don't often need and keep them safe from fire and theft. Keep copies of stored documents in case you need to refer to them quickly.

Share your information. Tell someone you trust where your information is located and how to access it. Share a list of your accounts with password information so that a person can retrieve them in an emergency.

Safe Deposit Box Do's and Don'ts

Some items should be stored in a safe deposit box, while others should be stored in a fireproof safe where you can access them quickly.

Do keep:

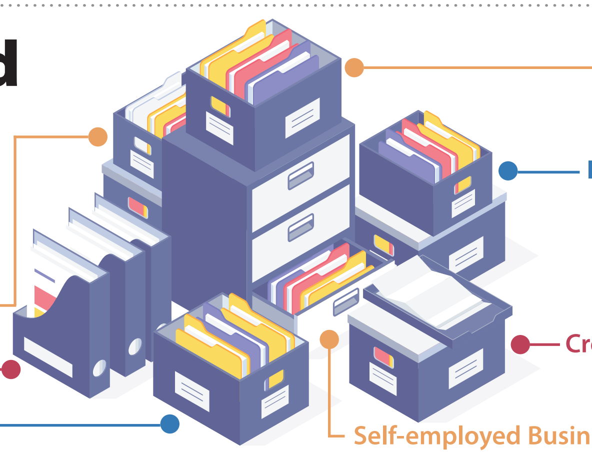
- Birth certificates, adoption papers, marriage license, divorce decrees, citizenship papers
- Copies of wills and powers of attorney
- Deeds to property and car titles
- Paper stock or bond certificates
- Business records/contracts
- Valuable jewelry
- Home inventory

Don't keep:

- Passports
- Living wills and medical directives
- Cash
- Uninsured valuables
- Illegal items
- Any documents or items you might need to access quickly when the repository is closed.

How Long Should You Keep Them?

Follow these general guidelines for retaining important documents.



Create a Financial Strategy for Your Business

When you own a small business, separating personal financial goals from business goals may be hard. The task can seem even more daunting for sole proprietors since all your business's income is reported on your income tax return. Creating a separate financial strategy for your business offers several benefits and protections for your personal wealth.

Goals to Consider

You want your business to grow and thrive, so consider goals that can move your business in that direction. Developing a strategy for increasing sales and attracting more customers may help improve your bottom line. In addition, establishing a rate of growth you want your business to achieve offers a goal to strive toward.

Growth Opportunities

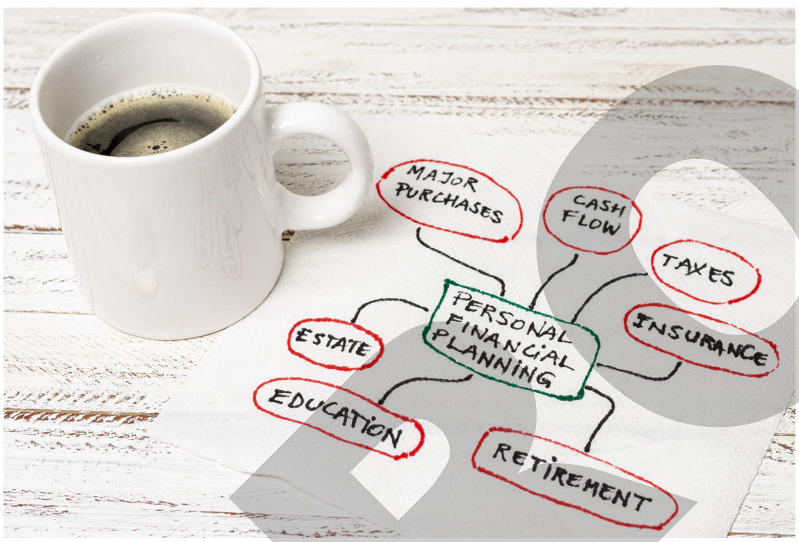
If one of your goals is to grow your business, your strategy might include finding sources of funding. The Small Business Administration (SBA) can be a helpful resource and a good source for low-interest loans. You might also investigate incubator opportunities, which provide space and promote business development, learning and cost savings as small businesses grow.

Be Budget Conscious

Manage your business's budget by closely monitoring income, expenses, inventory, credit and cash on hand. Be diligent about maintaining a cash cushion for both your business and personal needs. Your personal investments should be in companies outside of your industry to offset any downturn your business might experience.

Retirement: An Overlapping Goal

Retirement from your business may seem like a personal goal, but you'll still need a strategy for funding your lifestyle. Business owners shouldn't count on the sale of their business to fund their retirement. Owners often overestimate the future value of their business, and it is impossible to predict what the economy will be like when you're ready to retire. Instead, consider establishing a retirement plan, such as a solo 401(k) or SEP IRA, that's designed for small business owners. Finally, create a succession plan that taps someone with the skills and interest to take over your business.



Add Insurance

A business owner policy (BOP) combines protections for all major property and liability risks in one policy. Your financial professional can provide guidance on all these strategies.

FINRA

ADVERTISING REGULATION DEPARTMENT REVIEW LETTER

December 12, 2023

Reference: **FR2023-1127-0075/E**

Org Id: 23568

1. LTM 2024 Mar-April Business
   Rule: FIN 2210

Our review is based on your representation that the final version of this communication will prominently disclose the name of the member, pursuant to FINRA Rule 2210(d)(3)(A).

The communication submitted appears consistent with applicable standards.

Reviewed by,

Jeffrey R. Salisbury
Principal Analyst

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