

- ▶ Welcome to the second issue of Craft, Noble and Company's e-news update. Our clients have told us they appreciate receiving tax updates, notification of filing deadlines and other informative business and tax news. So we've designed a convenient and timelier way of keeping you informed. If you would prefer to receive a print copy of each quarterly e-newsletter, please call our office to place that request.

Likewise, if you know a friend or colleague who might be interested in receiving this e-newsletter, just click the "Forward to a Friend" button. Privacy and confidentiality is a hallmark of our business, so you can be assured your name or address will not be shared with anyone.

FIVE THINGS EVERY BUSINESS OWNER SHOULD DO THIS YEAR

If you own or manage your own business, you're probably busy monitoring operations and dealing with everyday problems. But there are a few things that you should make time to do every year. These are important for your longer-term business and personal success.

REVIEW YOUR BUSINESS INSURANCE COVERAGE

Don't just automatically write a check to renew your insurance policies when they come due. Instead, you should sit down with your insurance agent every year. Review your business operations, focusing on any changes. Discuss types of risk that could arise. Ask about new developments in business insurance. Use your agent's expertise to identify risk areas and suggest suitable coverage.

REVIEW YOUR BUSINESS TAX STRATEGY

A month or so after you've filed your tax return, make an appointment with your tax advisor. Go over your return together and identify opportunities for tax savings. Question everything, starting with whether you're using the right form of business entity. Ask about recent changes in the tax code and how they might benefit your business. Craft, Noble & Company offers solid business tax strategy planning.

UPDATE SUCCESSION PLANNING FOR YOUR BUSINESS

Craft, Noble & Company can help you review your succession planning annually. You should have a specific plan for each key manager position, including yourself. Be prepared for a short-term absence or a permanent vacancy. Your plan might mean promoting from within or recruiting externally. An up-to-date plan can be invaluable if you have an unexpected vacancy.

REVIEW YOUR BUSINESS BANKING RELATIONSHIPS

Annually, you should go over your cash balances and banking relationships with your controller or CFO. Then both of you should meet with your banker. Ask about new products or services that could help your company. Address any service concerns or problems you might have had. Look for ways to reduce idle cash, boost interest earned, and improve cash flows.

REVIEW AND UPDATE YOUR PERSONAL ESTATE PLANNING

If you're a business owner, your company is likely to be a significant part of your estate. A good estate plan is essential if you hope to pass your business on to your heirs. But your company, your personal circumstances, and the tax laws are continually changing. You should take time each year to make sure your plans are current.

Craft, Noble & Company can assist you with the reviews and planning necessary to ensure your business's long-term success. Give our office a call.

NEW SURVEY GIVES WAGE AND BENEFIT COSTS

As you review your company's outlay for employee wages and benefits, you may find it useful to compare your spending with national averages.

According to a recent government survey, employer costs for wages and benefits average \$26.86 per hour. Wages make up 70% of that amount averaging \$18.80 an hour, with benefits making up 30% or \$8.06 an hour. Included in benefits were social security, Medicare, unemployment insurance, workers' compensation, health and other kinds of insurance, vacation and sick leave, and retirement plan benefits.

For details on the survey, go to www.bls.gov/ect and search for Employer Costs for Employee Compensation.

TAX BREAKS EXTEND INTO 2007 AND BEYOND

Just before adjourning for 2006, Congress passed the Tax Relief and Health Care Act. President Bush signed the bill into law on December 20, 2006. The law retroactively reinstates a number of tax breaks that had expired at the end of 2005, making them effective for 2007. Here's a brief overview of what was extended.

* **The itemized deduction for state and local sales tax was reinstated for 2007.** This is a boon for taxpayers in states without a state income tax, but taxpayers who pay both state sales and income taxes can deduct whichever is higher.

* **Middle-income taxpayers can claim a deduction for up to \$4,000 of qualifying higher education expenses for 2007.** This is an above-the-line deduction so you don't need to itemize to claim it. However, income limits apply.

* **Teachers can claim a deduction for classroom supplies that they pay for out of their own pocket.** This is also an above-the-line deduction, with a limit of \$250.

* **The law also extends a number of business tax credits and deductions,** including the research credit, the work opportunity and welfare-to-work credits, and the 15-year recovery period for certain leasehold and restaurant improvements.

* **The Energy Tax Incentives Act** of 2005 provided several tax credits and deductions intended to promote energy conservation. Though these tax breaks generally were not scheduled to expire until the end of 2007, the new law further extended certain ones through 2008.

The new law makes other miscellaneous changes to the tax code. For additional information and guidance in your tax planning, give Craft, Noble & Company a call.

SMART STRATEGIES FOR YOUR TAX REFUND

Are you eagerly awaiting a 2006 tax refund? Hopefully you've given some thought to how you can put the money to good use. While "good use" may be in the eye of the beholder, you should really consider the following:

Pay down debt. If you have high interest credit card balances, consider using your refund to pay them down. By doing so, you are essentially investing the funds at a significant guaranteed rate of return. Put another way, paying off a credit card with an 18% interest rate is equivalent to earning 18% on your money.

Invest in an IRA. If you're debt-free, you can use the refund to invest in either a traditional IRA or a Roth IRA. Not all taxpayers will qualify for either type of IRA, but if you do, making such an investment might save you tax dollars currently and build a nest egg for your future.

Invest in an education account. It's never too early to plan for your children's education. Why not use your refund to start a "529 Plan" education savings account? It is a tax-saver in the long run.

Here's the real issue with refunds: Why receive a big refund at all? Why give the government an interest-free loan? Instead, consider adjusting your payroll withholding to put more money in your pocket on a monthly basis. You can then use those funds to begin an automatic investment plan, such as an IRA or other savings plan, paying interest to yourself instead of to the government. For assistance in adjusting your withholding, give Craft, Noble & Company a call.

RECENT SCAMS TARGET DEBIT CARDS

According to the Federal Reserve, debit card use has now surpassed credit card use. Unfortunately, debit card fraud has also grown, reaching \$662 million in 2005, a 21% increase from the previous year.

Though debit cards are convenient to use, they put consumers at greater financial risk for two reasons: (1) the cards directly access an individual's bank account, so your money can be withdrawn by scam artists, and (2) debit cards don't provide the same legal protection against fraud that comes with credit cards.

To help protect yourself when using a debit card, heed the following tips:

- * Check the ATM or card-reader for signs of tampering (tape, loose connections, etc.).
- * Check for hidden cameras before entering your PIN, and shield your fingers on the keypad.
- * Check your bank and credit statements carefully.
- * If you suspect fraud, close the account immediately.
- * Don't let your card out of your sight, especially at gas stations, restaurants, or convenience stores where your card's data could be copied and used by scam artists.
- * Report errors, no matter how small, to the financial institution that issued the card.

CAN A BUSINESS GROW TOO FAST?

In most industries, a 12% to 15% annual growth rate is probably manageable. Some new businesses may double their sales each year for the first five years before reaching the level where a 15% annual rate is healthy.

Rapid growth may require more inventory and more space. Who or what will fund the growth? A 15% annual growth can probably be funded by retained earnings. A more rapid growth may require an injection of cash.

Contact Craft, Noble & Company for assistance identifying business projections that can help you reach your goals for growth while developing a plan to sustain it into the future.

SHARING THE WEALTH

Remember reading about Warren Buffett's \$43.5 billion donation to charity? In 2006, the rich followed Buffett's lead and donated a record amount to charitable causes.

According to The Chronicle of Philanthropy, there were 21 donations of \$100,000,000 or more made by individuals in 2006. The 60 most generous givers (excluding Buffett) donated \$7,000,000,000 (yes, seven billion) in 2006.