GREATER NEW YORK DENTAL MEETING

95th ANNUAL SESSION

NOVEMBER 29 - DECEMBER 4, 2019

Creating a Financially Successful Dental Practice

John J. Vento
Welcome to the Greater New York Dental Meeting

**Greater New York Dental Meeting™**
Executive Headquarters
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www.gnydm.com
Sponsored by New York County & Second District Dental Societies

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**COURSE REGISTRATION**
Pre-registration is required for all continuing education courses with the exception of the “Live” Dentistry and Affiliated Groups. Your seat will be held for 15 minutes after the start of the course; after that, those without tickets will be seated according to space availability. When the room is filled, no additional people will be admitted due to fire department regulations. If you have not pre-registered, please be prepared to select an alternate session to attend.

**Tickets**
Tickets are required for all courses excluding Live Dentistry. Tickets for all functions can be purchased at all general registration booths located in the Registration Area on the Upper Level in the Crystal Palace and online.

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**General Registration Hours**
Friday, November 29
12:00 Noon - 4:30 P.M.
Saturday, November 30
8:00 A.M. - 4:30 P.M.
Sunday, December 1 - Tuesday, December 3
8:00 A.M. - 5:30 P.M.
Wednesday, December 4
8:00 A.M. - 4:30 P.M.

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**Exhibit Hall Hours**
Sunday, December 1 - Tuesday, December 3
9:30 A.M. - 5:30 P.M.
Wednesday, December 4 - 9:30 A.M. - 5:00 P.M.

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**6 Days of Education Seminars, Hands-on Workshops & Essays**
Friday - Wednesday
4 Days of Exhibits
Sunday - Wednesday

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**FREE “Live” Dentistry**
Hi-Tech 450 Seat Arena

**SUNDAY**
9:45 - 11:45
VOCO America, Inc.
Drs. Ron Kaminer & Marc Geissberger Restorative

9:45 - 11:45
Shofu
Dr. Ron Kaminer Restorative

12:00 - 2:00
Philips Sonicare
Dr. Gerard Kugel Whitening

12:00 - 2:00
First Fit
Drs. Frederick E. Solomon
Cyrus Tahmasebi Digital

1:30 - 2:45
Align I Invisalign
Ihero
Dr. Sundeep Rawal
Digital

1:30 - 2:45
Benco / Vatech
Dr. Aeklavya Panjali Implant

3:30 - 5:15
3Shape
Dr. Sunil D. Thanik
Digital

3:30 - 5:15
Drs. Michael Apa
Apa / CareCredit
Aesthetic

**MONDAY**

**TUESDAY**

**WEDNESDAY**

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**Celebrity Luncheon Speaker**
John Quiñones
Monday, December 2nd
12:00 - 2:00
Ticket 4010
$125.00

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**3D Printing & Digital Dentistry Conference**
Dental Laboratory
Technicians Programs

**Sleep Apnea Symposium**
**Oral Cancer Symposium**

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**WORLD IMPLANT EXPO**
Innovation Starts Here

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**5th Annual Global Orthodontic Conference**

**3rd Annual Pediatric Dentistry Summit**

**12th Annual INVISALIGN® - GNYDM EXPO**
4 Days of Programming:
Sunday - Wednesday

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- **$595.00** enters an individual to take unlimited* seminars and essays
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*Excludes Workshops, Botox & Fillers, Sleep Symposium and Invisalign

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Registration for all courses is required.

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**5th Annual Global Orthodontic Conference**

**3rd Annual Pediatric Dentistry Summit**

**12th Annual INVISALIGN® - GNYDM EXPO**
4 Days of Programming:
Sunday - Wednesday

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**Botox and Facial Fillers**
Seminar & Workshop

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**Over 1,700 Exhibit Booths**
John J. Vento, CPA, MBA, CFP®

Creating a Financially Successful Dental Practice

Sunday, December 1, 2019

1:00pm – 5:00pm
It's a new world on both sides of the wealth management desk since the Tax Cuts and Jobs Act of 2017 ushered in the most significant tax reform in more than thirty years. Dentists need a clear understanding on which popular wealth management strategies are now obsolete and the new tax-saving opportunities to pursue. Experienced industry professional and educator John Vento engineered the solution by updating and expanding his authoritative system to reaching financial goals in *Financial Independence (Getting to Point X), Second Edition*.

The groundbreaking first edition introduced the Ten Key Wealth Management Issues and how to bring them together in harmony at Point X to discover financial independence. Now, this completely revised *Second Edition* reveals the new treasure map to Point X, including the latest thinking, best practices, and loopholes.

No matter where you are in your life—starting your first job, having a child, building your dream dental practice, or entering retirement—you need realistic ways to help save, budget, manage debt, minimize taxes, and live within your means. This brilliantly simple approach generates powerful returns by providing an easy-to-follow strategy of tangible actions you can take to achieve your personal goals in the new realities of the federal income tax code.

The American Dream is not dead—the old ways of achieving it are—and this hands-on guide shows you how to realize your own aspirations by enabling you to:

- Gain valuable insight through up-to-date case studies clarifying how the new tax reform functions in the real world
- Broaden your perspective by hearing from a diverse selection of financial professionals sharing their first-hand advice for navigating the new regulations
- Turn to a dependable resource for answers every step of the way to financial independence, including how to maximize the time value of money, choose the best advisor, save $20 or more a week, and many more

The rules have changed, but your goals haven't, so use *Financial Independence (Getting to Point X), Second Edition* to discover the best ways to finance your dreams.

Order now: www.wiley.com
Among the busiest of professionals, doctors have little time to learn about the latest tax law. Tax planning is often neglected in the crush of other obligations. Yet making hasty year-end decisions in an attempt to reduce taxes is a very poor substitute for year-round tax planning.

Review these tax tips; then contact us for assistance in identifying and implementing the best tax-cutting strategies for you.

1. **Choose your form of business wisely.** The basic forms of operation from which to choose include sole proprietorship, partnership, corporation, or limited liability company (available in some, but not all states).

   The form that you choose will have a direct bearing on the amount of tax you pay. As you might expect, each form has advantages and disadvantages. Don’t make your decision based on the recommendations of colleagues. Get professional assistance so that you make the right choice for you. Then review your chosen form periodically to see if it’s still appropriate.

2. **If you are already in operation as a personal service corporation (PSC),** review your situation. Using a fiscal year rather than a calendar year to defer income is generally not allowed. PSCs pay a flat 35% on taxable income, so you may want to consider other options.

3. **If you operate in corporate form,** keep good corporate minutes. The IRS is less likely to give you problems about excess compensation, deferred compensation, pension contributions, and other tax issues if minutes are accurate, detailed, and up to date.

4. **Don’t aggravate your tax bill with penalty charges.** If you are required to make estimated tax payments, be certain that you are paying the minimum required.

5. **Hire your children.** The wages you pay will be deductible by your practice and taxable to your children in their own, presumably lower, tax brackets. Wages paid to your children under 18 are not subject to payroll taxes if you’re a proprietorship or family partnership.

6. **Keep adequate records for travel, meal, and entertainment expenses.** Travel related to the operation of your practice is fully deductible. Commuting expenses (that is, travel to and from your work) are generally not deductible. Most business meal and entertainment expenses are only partially deductible.

   Keep an account book, diary, log, or expense record noting the amount spent, the date, time, and place of the expenditure, and the business purpose served by the activity.

7. **Continuing education expenses are deductible.** Keep track of them.

8. **You can deduct membership dues** in professional and public service organizations. Dues for such organizations as country clubs, golf and athletic clubs, airline clubs, and hotel clubs are not deductible.

9. **You can elect to expense a certain amount of equipment costs** in the year of purchase. Any amount you expense reduces your tax basis for depreciation.
10 Consider leasing rather than buying medical equipment. Equipment leasing may result in financing and tax benefits that equipment purchasing does not offer.

11 Consider some form of deferred compensation if you believe that income you receive in the future (for example, at retirement) could be taxed at lower rates than the present.

12 Don’t be too quick to buy investments for tax reasons. The passive loss rules, at-risk rules, interest deduction limitations, and other frequent changes in the tax law make analysis of any proposed investment essential.

13 Shelter income with a retirement plan. There are many kinds of plans to choose from. The kind of plan you should have will depend on the legal form in which you practice, the number of employees you have, and the amount of retirement income the plan must provide.

14 Don’t look for unbelievably high-yield investments; they may be disappointing. Consider more tried-and-true investments, such as municipal bonds or a sale-leaseback on your medical office building.

15 Consider the tax shelter aspects of owning a home. You get a deduction for real estate taxes and for interest on your home mortgage or your home-equity loan (within limits).

When you sell your personal residence, you can exclude from taxation up to $500,000 of profit if you’re married and up to $250,000 if you’re single.

16 Consider taxes in building a college fund for your children. Check the tax breaks available for financing your children’s college educations. Section 529 plans may be a good choice since they are not subject to income limitations.

17 Conduct a second occupation as a business in order to maximize tax benefits. If you engage in a second “occupation,” such as farming, breeding horses, conducting seminars, or writing, the activity will be considered a hobby (and the deductibility of expenses connected with it very limited) if you cannot show that you are engaged in the activity to produce a profit. Take the necessary steps to demonstrate that the activity is a business.

18 Consider a tax-deferred exchange when you want to dispose of one piece of business or investment property and acquire another. With a tax deferred exchange, you can postpone taxes until you dispose of the newly acquired property. Careful planning and professional assistance are necessary.

19 Always take a sensible approach when it comes to tax planning. Structuring transactions strictly on the tax consequences is seldom a good idea. Your investments, family financial planning, and business activities should have economic merit without the tax considerations.

However, taxes are a fact of life. The truth of the matter is that a little planning can often save a lot of money.

20 Do some planning to put your estate in order. Since doctors typically earn good incomes, they are likely to have sizable estates.

If you do not have a will and an estate plan, make an appointment soon to discuss estate planning options that fit your situation. If you have an estate plan, have it reviewed following any tax legislation or change in your personal situation (marriage, divorce, births, deaths, retirement, etc.).

The information in this brochure is of a general nature and should not be acted upon without further details and/or professional assistance. To identify and implement the tax strategies best suited to your situation, please contact us.

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Certified Public Accountant
Comprehensive Wealth Management Ltd.
Certified Financial Planner™

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Dear clients and friends,

For many people, 2019 is a year of reaction — especially after experiencing how major tax law changes factored into 2018 tax returns. Fortunately, you can take a proactive approach to the balance of 2019 and 2020 by combining your newfound awareness with careful tax planning.

In this Tax Planning Insights newsletter you'll find a list of time-tested tax strategies to help ensure your 2019 tax filing is efficient as possible. There are also a handful of valuable capital gains tax-cutting moves, and alternative gift-giving ideas to consider as you head into the holidays.

Call today to schedule an appointment to discuss any last-minute tax moves to minimize your taxes for 2019. Then let's connect when you're ready to have your tax return prepared.

As always, feel free to share this newsletter with friends and associates who are interested in making effective tax moves.

Sincerely,

John J. Vento, CPA, MBA, CFP®

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(718) 980-9000 • www.ventocpa.com
Despite past, present and future changes to the tax rules, some year-end tax-planning advice remains unwavering. Here are a few time-tested strategies to consider:

- **Maximize retirement plan contributions.** You’ve heard this advice many times, because it’s one of the best strategies for saving tax dollars, especially when wages are your primary source of income.

  The maximum contribution to a 401(k) for 2019 is $19,000. You can increase that by an additional $6,000 if you’re 50 or older. For SIMPLE plans, the maximum 2019 contribution is $13,000, and the catch-up amount is $3,000.

  Can’t manage the entire amount? Try to contribute enough to take full advantage of any matching contributions offered by your employer.

- **Time itemized deductions.** Amounts you pay for medical fees, property taxes and mortgage interest are deductible in the year you pay them. However, some expenses must exceed a percentage of your adjusted gross income (AGI) before you receive any tax benefit. For example, out-of-pocket medical costs have to be greater than 10 percent of your AGI for 2019.

  Have less than you need to itemize? Consider accelerating or postponing expenses when possible to shift the deductions into the current or future year, depending on which year gives you the bigger tax break.

- **Make the most of charitable donations.** Payroll contribution programs and checks written and mailed to your chosen charity before year-end can get you a tax deduction, as can credit card charges made by Dec. 31.

  Donating appreciated stock owned for more than one year is a charitable tax-saver that gives you an itemized deduction for the fair market value of the stock while letting you avoid the capital gains tax generated by a sale.

  Keep in mind that you have to itemize to claim charitable contributions, and you must have written documentation of your donation.

- **If you’re required to take distributions from your retirement plan, do so by Dec. 31.**

- **Take your required minimum distribution.** If you’re required to take distributions from your retirement plan, do so by Dec. 31 or you face a 50 percent penalty. If you just turned 70½ this year, you could wait until April 1, 2020, to take a first distribution.

  Give us a call to discuss these tax tips and other ways you can save.
Tame your capital gains tax bite

A cornerstone of smart tax planning is managing your purchases and sales of property year-round. And a key component of this activity is knowing that the resulting sale of a home, stock or collectible creates a taxable gain or loss with varying tax implications. The savvy taxpayer understands that the correct capital gain approach can save plenty of money. Here are six capital gain tax-cutting opportunities to consider throughout the year:

1. **Take advantage of lower long-term capital gains rates.** Assets sold that were held for more than one year benefit from advantaged tax rates. Instead of paying ordinary tax rates as high as 37 percent, you get at lower rate of zero to 20 percent, depending on your income. When selling an asset, first check when it was purchased to see if waiting a little will push it over the one-year mark.

2. **Wisely harvest short-term losses.** Since capital gains are taxed at different rates, the IRS requires that capital losses are first applied to any losses from the same category. For instance, long-term losses are initially netted against long-term gains. Any excess losses can then be applied to short-term gains and up to $3,000 of ordinary income. Take advantage of this rule by trying to match any losses against short-term gains and ordinary income whenever possible.

3. **Watch out for the special collectibles tax rate.** Selling certain items worth collecting can get taxed at an even higher rate of 28 percent. Some examples include valuable paintings, trading cards or rare coins. If you plan to sell a collectible item, first track your basis (original price plus fees you paid for the item) to ensure an accurate gain amount can be calculated. Next, check your marginal tax rate. If it’s lower than 28 percent, selling an unwanted collectible before you’ve owned it for one year can result in a smaller tax bite.

4. **Treat cryptocurrency as an investment.** The IRS does. Every exchange of cryptocurrency like Bitcoin has a component of gain or loss that must be tracked. This includes using the cryptocurrency to buy something or just the act of trading the currency on an exchange. All these transactions need to be reported on your tax return and recorded as a capital gain or loss.

5. **Know the primary residence capital gain exclusion.** One of the best tax breaks going is the $250,000 ($500,000 if married) primary residence gain exclusion. But misunderstanding the rules can cost you. It is especially important to understand the length of time you have owned the property and when your property can be treated as your primary residence. Other situations that can cause trouble are going from two homes to one (often experienced by newlyweds) or selling a home after a divorce.

6. **Leverage gains with charitable giving.** Finally, consider donating property with a long-term capital gain to a qualified charity. If the donation meets certain rules, not only will you avoid paying capital gain taxes, you will receive a tax deduction equal to the higher fair market value of the property donated.

With so many rules and constantly moving pieces, it’s important to consider the tax consequences with every investment or property transaction. This is an exercise the savvy taxpayer is conducting throughout the year. Please feel free to call with any questions regarding your situation.
Rethink holiday gift-giving

Finding the right gift for someone you love isn’t the easiest task. This season, help your loved ones find true joy with a different kind of gift-giving strategy that doesn’t rely on gift cards or sweaters destined for the back of the closet. The following ideas never go out of style and will likely mean a lot more to friends and loved ones in the long run:

› Give time. Sometimes the most valuable gift you can give someone is a break from a hectic life. This might mean offering a weekly or monthly housekeeping service, or making some home-cooked meals and delivering them. The gift of a shoveled driveway for those living in snowy places is more than appreciated, while couples with children will relish a reliable babysitter.

› Encourage hobbies. Help your loved ones celebrate activities they enjoy. Maybe your friend has always wanted to learn to play the piano, but never took the plunge. Your gift of lessons may provide just the incentive they need. Perhaps your brother has a dream of learning woodworking skills. Pay for him to audit a class at the local community college. If you’re skilled in an area — playing an instrument, growing a garden, making pottery — offer to teach that skill to a family member or friend. Gifts like these keep on giving.

› Spark the spirit of adventure. Some of the best gifts can’t be wrapped. What have you heard your kids or grandkids talking about lately? Maybe someone just read about woolly mammoths. What about a road trip to The Mammoth Site in South Dakota? Depending on ages and interests, you might offer a behind-the-scenes tour of a museum, television studio or local manufacturing facility. Chances are your loved ones will want to share their adventure with you, too!

› Make learning possible. Setting up a 529 plan for your grandchildren can be a meaningful way to invest in their futures. And with recent tax law changes, you can use 529 funds toward K-12 tuition, trade schools and graduate classes. Of course, money placed in a 529 plan also provides substantial tax benefits.

› Offer a look into the past. Many people find their curiosity piqued by family history. Offer your loved ones a chance to connect with the past by researching and collating old newspaper and magazine articles from the places where your ancestors grew up. If you’re fortunate enough to possess diaries or journals written by parents or grandparents, consider using speech recognition software to convert them to searchable documents. You might not be the family historian, but most families have one or more relatives who enjoy history. Enlist their help to create a family tree, then give framed copies to your loved ones.

› Inspire giving. Consider giving monetary donations as a gift to a loved one for them to give to charities they’ve researched and want to support. You could also go shopping with them to pick out and buy items to give to disadvantaged people in the community and around the world. When you go shopping for the holidays, ask a loved one to come and choose food items for a holiday meal to be dropped off at the local food pantry.

Gift-giving strategies like these can transform attitudes and help reinforce the gift of giving beyond simply purchasing more stuff.
The business entity that you choose for your company can make a difference in the taxes you pay, the costs of doing business, and the amount of paperwork and red tape you’ll have. Here is a quick look at the main entities that businesses can choose for their operations.

**Sole Proprietorship**

A sole proprietorship is owned and operated by one individual. It is the least complicated and usually the least expensive way to set up and run a business.

The business income is taxed to the owner on Schedule C of his or her personal tax return. Payroll taxes apply to any employees of the business. The sole proprietor pays self-employment tax rather than social security tax (and gets a tax deduction for 50% of the tax paid).

One of the major disadvantages to a sole proprietorship is unlimited liability, not only for debts of the business, but for lawsuits brought against the business. Liability extends to the proprietor’s personal as well as business assets.

The ability to raise capital for the business is limited to the amount the individual can secure personally. Since under-capitalization is a major cause of business failure, this factor can be significant.

The deductibility of fringe benefits is very limited in a sole proprietorship.

**Partnership**

A partnership can have any number of partners. Partners bring to a business more creativity, skills, capital base, and experience than any one person is likely to have.

A partnership files an information tax return (Form 1065), but pays no income tax itself. The income or losses are passed through to the partners who report them on their individual tax returns in shares agreed upon by the partners – not necessarily equally. Partners, like sole proprietors, pay self-employment tax on net income.

The major disadvantage to a partnership is that liability is unlimited. In fact, partners can be held liable for the actions of fellow partners.

Partners have similar options in the area of fringe benefits and retirement plans as those available to sole proprietors.

**Regular Corporation**

A corporation, the most complex of the business structures, is a distinct legal entity apart from the shareholders who own it. Formed under the requirements of the state in which it will do business, a corporation limits its owners’ liability to their investment in the company; personal assets are generally not at risk. The corporate form does not provide complete protection where personal services are involved.

If you set up a corporation and are employed by it, the corporation must withhold and pay payroll taxes on your wages.

A corporation files its own tax return (Form 1120) and pays its own income tax. Therein lies the major drawback to the corporate form: business profits may be taxed twice – once at the corporate level and again at the shareholder level when paid out as dividends or a liquidating distribution.

The corporate form allows for more fringe benefits, deductible by the corporation and tax-free to employees (including shareholder-employees).

Another drawback to the corporate form is the complexity of rules and regulations governing corporate operations (including the tax laws).

**S Corporation**

A corporation is allowed to elect S status only if it meets certain qualifications. An S corporation generally does not pay its own income tax. It files Form 1120S and distributes K-1s to shareholders. Shareholders then report their pro rata share of income, losses, and credits on their individual tax returns. The double taxation that regular corporations face is thereby avoided with an S corporation.

The big advantage of S status is that it combines the limited liability of a regular corporation with tax treatment similar to that of a partnership. A disadvantage is that S corporations have some fringe benefit restrictions for owner-employees.

**Limited Liability Company**

The limited liability company (LLC) combines the general flexibility and income tax treatment of a partnership with the limited liability of a corporation.
### Comparing the major business forms

<table>
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<tr>
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<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
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<td></td>
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<td>Unlimited</td>
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<tr>
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<td>Readily accomplished through stock transfer</td>
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<tr>
<td>Acquisition of Capital</td>
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<td>Taxed directly to shareholders (no double taxation)</td>
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<tr>
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<td>Highest</td>
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<tr>
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<td>Depends on tax status</td>
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<tr>
<td>Recommended Pension Plans</td>
<td>IRA, Keogh, SEP, SIMPLE</td>
<td>IRA, Keogh, SEP, SIMPLE</td>
<td>Qualified plans</td>
<td>Qualified plans</td>
<td>Depends on tax status</td>
</tr>
<tr>
<td>Major Advantage(s)</td>
<td>Independence, flexibility, minimum red tape</td>
<td>Chance of business success enhanced if right combination of partners</td>
<td>Limited liability</td>
<td>Limited liability without double taxation of regular corporation</td>
<td>Limited liability with partnership tax treatment; fewer ownership restrictions than S corporation</td>
</tr>
<tr>
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<td>Unlimited liability; frequent changes in partners can be difficult</td>
<td>Greater cost, government regulations, and red tape; double taxation of income</td>
<td>Not every corporation qualifies for S status; more limits on fringe benefits</td>
<td>Inconsistent state tax treatment</td>
</tr>
</tbody>
</table>

There are other factors not mentioned in this quick review that should be considered in choosing your business entity. For more information, contact our office and your attorney.

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Deductible Business Expenses

Before purchasing any item by check, credit card, or otherwise, always ask yourself the following question first: “Is this payment somehow related to my trade or business?” If the answer is yes, and you believe it is an ordinary and necessary expense in operating your business, which facilitates your ability to provide goods or services to customers, then you should always give yourself the benefit of the doubt and pay for it through a business account. By doing so, you will be allowed to capture all possible tax-deductible business expenses. If you mistakenly pay for these items personally, you will lose out on a business tax deduction. All business expenses should be included in your business records to be provided to your business’s accountant. Your accountant can then help you determine whether each item is tax-deductible or not and will assist you in preparing the necessary accounting records. We will talk more about recordkeeping for small businesses later in this chapter. Keep in mind that what might be tax-deductible in one trade or business may not be tax-deductible in another. This is another reason why it is important to work with an accountant that specializes in your particular trade or business. The following is a list of some of the most common tax deductible business expenses:

- Account receivable write-offs (accrual basis only)
- Accounting fees
- Advertising
- Automobile expenses
- Bank service charges
- Cable TV
- Casualty theft and losses
- Charitable contributions
- Consulting fees
- Continuing education expenses
- Contract labor
- Credit card processing fees
- Depreciation (on fixed assets)
- Employee salary and wages
- Employer portion of Social Security, FICA, FUTA, and SUTA tax
- Equipment (under Section 179)
- Equipment rental or leases
- Fees for your trade or business
- Foreign taxes paid
- Freight and delivery charges
- Furniture (under Section 179)
- Gifts – capped at $25 per person
- Health insurance
- Home office costs
- Insurance – Business liability
- Insurance – Business overhead
- Insurance – Business property
- Insurance – Errors and omissions
- Insurance – Group term life
- Insurance – Malpractice
- Insurance – Short-term disability
- Insurance – Workers’ compensation
- Interest (business debt)
- Internet and email services
- Janitorial fees
- Legal fees (with limitations)
- Magazines, newspapers, newsletters, or books
• Marketing
• Meals (50% deductible)
• Office expenses
• Office supplies
• Parking (non-commuting related)
• Payroll processing fees
• Phone – cellular and landline
• Postage
• Professional and business dues
• Public relations fees
• Relocation costs (business)
• Rent
• Retirement plan contributions

• Shipping fees
• Stationery
• Tax preparation fees
• Taxes – property (on business assets)
• Taxes – state and local
• Trade show, convention, or seminar fees
• Travel
• Uniforms
• Utilities - water, gas, electric
• Waste removal

The above list of expenses must be directly related to your trade or business and should be considered “ordinary and necessary” in order to be deductible by your business. This list of course is not all-inclusive.

- An excerpt from John J. Vento’s Financial Independence (Getting to Point X), Second Edition, pages 342-344
Choose a plan that meets the needs of your employees and your organization.
Retirement plan features

Terms in purple are defined in glossary

<table>
<thead>
<tr>
<th>Small businesses</th>
<th>SIMPLE IRA</th>
<th>403(b)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Plan setup and operation</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Who can establish this plan type</strong></td>
<td>Any employer</td>
<td>Any small-business employer (100 or fewer employees)</td>
</tr>
<tr>
<td><strong>Eligibility requirements</strong></td>
<td>Any employee who has been employed in three of the last five years, is at least age 21 and has earned at least $600</td>
<td>Any employee who has earned at least $5,000 in any of the prior two years and is expected to earn at least $5,000 in the current year</td>
</tr>
<tr>
<td><strong>Deadline to establish</strong></td>
<td>Tax-filing deadline of employer; plan year is typically calendar year</td>
<td>Between January 1 and October 1; plan year is always calendar year</td>
</tr>
<tr>
<td><strong>Plan setup</strong></td>
<td>IRAs must be established for all eligible employees</td>
<td>SIMPLE IRAs must be established for all eligible and/or participating employees</td>
</tr>
<tr>
<td><strong>Investment decisions</strong></td>
<td>Participant</td>
<td>Participant</td>
</tr>
<tr>
<td><strong>Ongoing maintenance</strong></td>
<td>No annual filings or annual required disclosures from employer</td>
<td>Annual notice to eligible employees</td>
</tr>
<tr>
<td><strong>Nondiscrimination testing</strong></td>
<td>Coverage and top-heavy benefit tests apply</td>
<td>Plan is deemed to meet all nondiscrimination tests</td>
</tr>
<tr>
<td><strong>Contributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Participant pretax contributions</strong></td>
<td>None, except for grandfathered SAR-SEPs (see IRS Publication 560)</td>
<td>$13,000 $3,000 catch-up if age 50 or older</td>
</tr>
<tr>
<td><strong>Participant after-tax contributions</strong></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Employer contributions⁴</strong></td>
<td>Discretionary</td>
<td>Dollar-for-dollar match of up to 3% of compensation or 1% or 2% in no more than two of every five years; or 2% of compensation for all eligible employees</td>
</tr>
<tr>
<td><strong>Maximum contributions (employer and employee)⁴</strong></td>
<td>Lesser of 25% of compensation or $56,000</td>
<td>$26,000 (combined employee and employer contributions) or $32,000 (including age-based catch-up), subject to 3% employer match limit⁵</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Participant loans</strong></td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td><strong>Access to contributions</strong></td>
<td>• Distributions: immediate access • Vesting: 100% immediate</td>
<td>• Distributions: immediate access • Vesting: 100% immediate</td>
</tr>
<tr>
<td><strong>Benefit at retirement</strong></td>
<td>Account balance</td>
<td>Account balance</td>
</tr>
</tbody>
</table>

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

¹ May be established after October 1 for a new business formed after October 1 of the year in which the SIMPLE IRA plan is established.

² Filings required for not-for-profits subject to ERISA only; not applicable to churches or governmental employers.

³ Discrimination testing not applicable to most churches or governmental employers.

⁴ The 2019 compensation limit is $280,000 when determining maximum contributions for all purposes, except when determining SIMPLE IRA matching contributions.

⁵ To receive the maximum contribution, participants must have at least $433,333 in annual earnings.
### Retirement plan features (continued)

<table>
<thead>
<tr>
<th>401(k)</th>
<th>Profit-sharing/Money purchase</th>
<th>Defined benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Any employer except government entities</td>
<td>Any employer</td>
<td>Any employer</td>
</tr>
<tr>
<td>Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply</td>
<td>Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply</td>
<td>Generally, any employee who is at least age 21 and has completed a year of service, although statutory exclusions can apply</td>
</tr>
<tr>
<td>Before the last day of the fiscal (plan) year. However, participant deferrals cannot be made prior to the adoption date.*</td>
<td>The last day of the fiscal (plan) year</td>
<td>Tax-filing deadline of employer; plan year can be calendar or fiscal year</td>
</tr>
<tr>
<td><strong>Qualified trust</strong> must be established (can be self-trusted)</td>
<td>Qualified trust must be established (can be self-trusted)</td>
<td>Qualified trust must be established (can be self-trusted)</td>
</tr>
<tr>
<td>Participant</td>
<td>Participant and/or plan sponsor</td>
<td>Plan sponsor only</td>
</tr>
<tr>
<td>Annual Form 5500 filings, annual notices for safe harbor contributions, QDIAs, automatic enrollment, as applicable</td>
<td>Annual Form 5500 filings, annual notices for QDIAs, as applicable</td>
<td>Annual Form 5500 filings</td>
</tr>
<tr>
<td>Coverage and benefit tests apply; if safe harbor requirements are met, plan is deemed to satisfy the ADP and ACP tests and may qualify for top-heavy exemption.</td>
<td>Coverage and benefit tests apply</td>
<td>Coverage and benefit tests apply</td>
</tr>
<tr>
<td><strong>$19,000</strong> $6,000 catch-up if age 50 or older</td>
<td>No</td>
<td>Not available</td>
</tr>
<tr>
<td>Available as Roth option</td>
<td>No</td>
<td>Available</td>
</tr>
<tr>
<td>Discretionary, unless safe harbor applies (see table on page 4)</td>
<td>Discretionary if profit-sharing plan; required if money purchase plan</td>
<td>Determined by actuarial formula</td>
</tr>
<tr>
<td>Lesser of 100% of compensation or $56,000 ($62,000 with age-based catch-up contribution)</td>
<td>Lesser of 100% of compensation or $56,000 (up to 25% of compensation is deductible)</td>
<td>Determined by actuarial formula</td>
</tr>
<tr>
<td>Available</td>
<td>Available</td>
<td>Available</td>
</tr>
<tr>
<td>• Distributions: restricted, subject to plan’s terms</td>
<td>• Distributions: restricted, subject to plan’s terms</td>
<td>• Distributions: restricted, subject to plan’s terms</td>
</tr>
<tr>
<td>• Vesting: 100% immediate for participant contributions; employer contributions subject to schedule, except as noted in the table on page 4</td>
<td>• Vesting: subject to schedule</td>
<td>• Vesting: subject to schedule</td>
</tr>
<tr>
<td>Account balance</td>
<td>Account balance (annuity purchased by account balance if money purchase plan)</td>
<td>Annuity defined by plan’s terms</td>
</tr>
</tbody>
</table>

* Safe harbor 401(k) plans require an initial plan year of at least three months, making October 1 the effective deadline for a plan with a calendar fiscal year.

Choosing the right plan is important, so please consult your financial professional to discuss your options.
Safe harbor options and glossary

### Safe harbor contribution options

<table>
<thead>
<tr>
<th>Plan</th>
<th>Matching contribution</th>
<th>Nonelective contribution</th>
<th>Vesting</th>
<th>Notice requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIMPLE IRA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Safe harbor contribution is required</td>
<td>• Dollar-for-dollar match of up to 3% of compensation; 3% match may be reduced to 1% or 2% in no more than two out of every five years</td>
<td>2% for all eligible employees</td>
<td>100% immediate</td>
<td>Before the 60-day election period begins (before the start of the next plan year)</td>
</tr>
<tr>
<td>401(k) or 403(b)</td>
<td>• Dollar-for-dollar match of up to 3% of compensation and a 50 cents-on-the-dollar match between 3% and 5% of compensation; or • Dollar-for-dollar match of up to 4% of compensation; or • Other comparable formula</td>
<td>3% for all eligible employees</td>
<td>100% immediate</td>
<td>No earlier than 90 days and no later than 30 days before the beginning of each plan year</td>
</tr>
<tr>
<td>401(k) or 403(b) With qualified automatic contribution arrangement (QACA), safe harbor contribution is required</td>
<td>• Dollar-for-dollar match of up to 1% of compensation and a 50 cents-on-the-dollar match between 1% and 6% of compensation; or • Dollar-for-dollar match of up to 3.5% of compensation; or • Other comparable formula</td>
<td>3% for all eligible employees</td>
<td>May be subject to two-year schedule</td>
<td>No earlier than 90 days and no later than 30 days before the beginning of each plan year</td>
</tr>
</tbody>
</table>

1 A safe harbor 401(k) plan that meets the safe harbor contribution requirements above is deemed to satisfy the ADP and ACP tests and may qualify for a top-heavy exemption. For a SIMPLE IRA and for a 401(k) or 403(b) plan that also adopts the qualified automatic enrollment feature, either the match or nonelective contribution must be made (as described in the first and third rows above). For a SIMPLE IRA, no additional contributions can be made.

2 The 2019 compensation limit is $280,000 when determining maximum contributions for all purposes, except when determining SIMPLE IRA matching contributions.

### Glossary

**Automatic enrollment:** An optional feature a plan may adopt that accepts employee contributions. Employees are automatically enrolled in the plan instead of having to sign up to participate. Auto-enroll plans typically involve selection (by the employer) of a default investment (in which all contributions are automatically invested; see QDIA) and a default deferral rate, which could increase gradually over time. The “qualified” automatic enrollment feature requires a 3% minimum that is automatically increased by an additional percentage point each year, until the automatic deferral rate is 6%. Employees can opt out or increase or reduce their savings rate or change their investment mix at any time.

**Form 5500:** An annual report that ERISA plans must file with the Department of Labor to show plan coverage and financial information. Large plans (generally 100 or more participants) must engage an independent auditor each year to prepare a financial statement as part of the Form 5500 filing.

**Nondiscrimination testing:** The following are brief definitions of several key annual nondiscrimination tests that may apply to a plan and be deemed to be met if a 401(k) or 403(b) plan adopts a safe harbor contribution feature (see table above). Other tests (not described here) include coverage and maximum limits, which generally apply to all defined contribution (even those with a safe harbor feature) and defined benefit plans.

- **ACP (actual contribution percentage):** This test applies to 401(k) and 403(b) plans and uses an average of the matching contributions made to nonhighly compensated employees to limit the matching contributions to highly compensated employees, on average.

- **ADP (actual deferral percentage):** This test applies to 401(k) and SAR-SEP plans and uses an average percentage of the non-highly compensated employees’ deferral to limit the amount that highly compensated employees may defer on average.

- **Top-heavy:** This test applies to SEP, profit-sharing, money-purchase, 401(k) and defined benefit plans. A plan is considered top-heavy if the total value of all key employees’ accounts is greater than 60% of the total value of all employees’ accounts. In this case, the employer must make to the plan a minimum contribution equal to 3% (or the highest allocation made to key employees, if less).

**QDIA (qualified default investment alternative):** QDIAs provide a safe harbor for plan fiduciaries with automatic enrollment provisions and in situations in which plan participants fail to provide investment instructions. By selecting a default investment that qualifies as a QDIA, employers have no liability for market fluctuations when investing on behalf of employees who do not choose their own investments. To qualify as a QDIA, the default investment must be: a managed account, a life-cycle or target date fund, or a balanced fund.

**Qualified trust:** Qualified plan assets must be held in trust. Plan sponsors may choose to act as trustee for the plan or hire a corporate trustee to handle contributions, plan investments and distributions. Use of a corporate trustee by a large plan (generally 100 or more participants) may allow the independent auditor to do a limited-scope audit (lower cost).

**Roth option:** A Roth option may be offered within 401(k) and 403(b) plans. It enables plan participants to make after-tax contributions to their plan and then, assuming certain requirements are met, withdraw the earnings tax-free.

**Vesting:** The process by which a participant in a retirement plan becomes entitled to ownership of the benefit. Depending on the plan’s vesting schedule, participants can become fully vested (own) the benefit immediately or over time (incrementally over no more than six years, or at once after no more than three years).
## Annual contribution limits at a glance

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Employer Contributions</th>
<th>Total Contributions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SEP IRA³ (Simplified Employee Pension)</strong></td>
<td>Maximum employer contributions (employee contributions not permitted): lesser of 25% of participant’s compensation or $56,000</td>
<td>$56,000</td>
</tr>
<tr>
<td><strong>SIMPLE IRA (Savings Incentive Match Plan for Employees)</strong></td>
<td>Total contributions Maximum total participant contributions and employer match: $26,000 ($32,000 with age-based catch-up contributions and employer match), subject to 3% employer-match limit⁴</td>
<td>$26,000 / $32,000</td>
</tr>
<tr>
<td></td>
<td>• Participant contributions Maximum participant contributions</td>
<td>$13,000</td>
</tr>
<tr>
<td></td>
<td>• Participant age-based catch-up contributions Additional contributions for participants age 50 or older</td>
<td>$3,000</td>
</tr>
<tr>
<td><strong>401(k) and 403(b) plans</strong></td>
<td>Total contributions Maximum total participant and employer contributions (combined): lesser of 100% of participant’s compensation or $56,000 ($62,000 with age-based catch-up contributions)</td>
<td>$56,000 / $62,000</td>
</tr>
<tr>
<td></td>
<td>• Participant contributions Maximum participant contributions</td>
<td>$19,000</td>
</tr>
<tr>
<td></td>
<td>• Participant age-based catch-up contributions Additional contributions for participants age 50 or older; certain 403(b) plan participants may contribute more if they meet length-of-service requirements</td>
<td>$6,000</td>
</tr>
<tr>
<td><strong>Profit-sharing and money purchase plans</strong></td>
<td>Employer contributions Maximum employer contributions (employee contributions not permitted): lesser of 100% of participant’s compensation or $56,000 (up to 25% of compensation is deductible)</td>
<td>$56,000</td>
</tr>
</tbody>
</table>

¹ When participants withdraw before-tax contributions from their plan, that money is subject to ordinary income tax and, if withdrawn before age 59½, may be subject to an additional 10% federal tax penalty (25% penalty if withdrawn from a SIMPLE IRA within the first two years).

² Generally, defined contribution plans have a deductible limit of 25% of eligible payroll. Check with your tax advisor for specifics.

³ The 2019 compensation limit is $280,000 when determining maximum contributions for all purposes, except when determining SIMPLE IRA matching contributions.

⁴ To receive the maximum contribution, participants must have at least $433,333 in annual earnings.

Investors should carefully consider investment objectives, risks, charges and expenses. This and other important information is contained in the fund prospectuses and summary prospectuses, which can be obtained from a financial professional and should be read carefully before investing. Tax issues involving IRAs can be complex. Please consult your tax or legal advisor before making any decisions.

American Funds Distributors, Inc.
Our shared commitment

As a retirement plan sponsor, you’ve made a commitment to helping your employees plan and invest for their financial future. In turn, Capital Group, home of American Funds, and your plan’s financial professional are dedicated to helping you deliver on that commitment while making your role as a plan sponsor easier.

With Capital Group, you get a unique combination of strengths:

<table>
<thead>
<tr>
<th>Focus</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>We are wholly dedicated to the analysis, management and servicing of investments that make up a broad spectrum of options for retirement plan participants.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Experience</th>
<th>85+ years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>A recognized leader for more than 85 years, we are one of the leading mutual fund managers of defined contribution assets (Pensions &amp; Investments, 2018). Also, more than 57,000 businesses have selected our retirement plan solutions for their plans.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Trust</th>
<th>$1.5 trillion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>With more than $1.5 trillion in assets under management (as of 12/31/2018), we have earned the trust and loyalty of millions of investors saving for retirement. More than half of our 60+ million investor accounts are retirement accounts.</td>
</tr>
</tbody>
</table>