

White Rose Newsletter

News to Help You Build Your Business

January 2014

No Email, No Problem

A jobless man applied for the position of office boy at a large company. He performed well and was offered the job. The interviewer said, "Now, I just need your email address to send you some documents to sign and verify, and then you can start." The man replied, "I don't have a computer or an email account." "Oh, I'm sorry," said the interviewer. "Without an email address, we can't hire you."



The man left feeling frustrated. He had only \$10 in his pocket, so he went to the market, bought a large crate of tomatoes and began selling them door to door. In two hours, he succeeded in doubling his money. He repeated the operation three times and made \$60. He realized that he could survive by this way, and started to go earlier and return later. Thus, his money doubled or tripled every day. Eventually he had earned enough to buy a cart, then a truck, and then a fleet of delivery vehicles.

Five years later, the man's company was one of the biggest food retailers in the area. He started to plan his family's future, and was purchasing life insurance. He called an insurance broker and when the conversation was concluded, the broker asked him for his email address. The man replied: "I don't have an email address." The broker said, "You don't have email, and yet you have built a small empire. Imagine what you could have become if you had email!" The man thought for a moment and said, "I would have been an office boy!"

Sometimes missing an opportunity is the best thing that can happen to us.

5 Tax and Financial Planning Actions for the New Year

By Barbara Weltman

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With 2013 almost over, it's time to focus on 2014 and get the year started off right. Here are some actions to take now or in early January that will help you optimize your tax and financial results for the coming year.

1. Revisit your recordkeeping practices

Records are vital for both business and tax purposes. They help know whether or not you're profitable and provide key information to help you take business actions, such as adjusting prices, cutting expenses, or raising money.

What's more, in order to take all the deductions and credits to which your business is entitled in 2014, you'll need good books and records. Often business owners fail to pay attention to this detail until it's too late and the IRS is questioning write-offs claimed on a return.

Set up a recordkeeping system that satisfies tax law requirements, and make sure that employees know what to do. Check [IRS Publication 583](#) for details on recordkeeping rules for tax purposes. Consider using apps that can help with recordkeeping, such as those for capturing receipts for travel and entertainment expenses. Some may be available for use with, or provided by, your current bookkeeping software or cloud solution.

2. Note your odometer on January 1

If you use your personal vehicle for business, you can deduct the cost of business driving only if you have the records to back this up. This means noting your odometer at the start of the year and then tracking your business trips regularly. Again, consider using an app for tracking mileage. Some are free; others entail a modest fee.

3. Review your business plan

Your business plan should include projections for sales and expenses in the coming year. The projections aren't carved in stone, but they serve as a very useful benchmark against which to measure your results.

It's a good idea to check projections monthly so you can make adjustments as needed in a timely manner. For example, if you've been expecting gasoline prices to remain low but they suddenly spike, you may need to reduce another expense, such as advertising, to keep your budget in check.

4. Fix your withholding/estimated taxes

If you work for your corporation, make sure that withholding for 2014 will cover your projected tax obligations. Be sure to take into account the .9 percent additional Medicare tax on taxable compensation over a threshold amount that depends on your filing status (e.g., \$200,000 for singles; \$250,000 for joint filers) as well as the 3.8 percent additional Medicare tax on net investment income.

If you're self-employed, your estimated taxes will have to cover roughly what you expect to owe for the year. These taxes should include not only the additional Medicare taxes if you're a high-income taxpayer, but also self-employment taxes (to cover your Social Security and basic Medicare tax obligations). The IRS offers guidance on withholding and estimated taxes in [Publication 505](#); the 2014 version should be available early in 2014.



5. Plan to work closely with your tax and financial advisors

Make it a New Year's resolution to stay in touch regularly with these professionals. While there are fees for these services, likely they will save you money and trouble in the long run.

The economy and taxes are continually changing. Make it your top resolution to stay informed about new developments that can affect your business and impact your actions throughout the year



New Year's Fun Facts

- The most common New Year's Resolution is to lose weight. Next is exercise, eating better, and spending quality time with a loved one. Following those are money and vacation commitments.
- New Year is the oldest of all holidays, as it was first observed in ancient Babylon as many as 4000 years ago.
- The Time Square ball is made from Waterford Crystal. This beautiful ball weighs over one thousand pounds.
- In Britain and the U.S., when the clock strikes midnight, everyone gathers around to sing 'Auld Lang Syne', a Scottish song. It was written by Robert Burns in the 1700's, literally meaning "old long ago," or simply, "the good old days," to remember old and new friends.
- It was once believed that the first visitor on New Year's Day would bring good luck or bad luck for the rest of the year, depending on who he/she was.
- Noisemaking and fireworks on New Year's Eve is believed to have originated in ancient times, when noise and fire were thought to dispel evil spirits and bring good luck.

Looser Credit Could Make 2014 a Very Good Year By Joe Adler

We are hearing that 2014 could be a breakout year for the U.S. economy. The jobs market is expected to strengthen next year along with economic growth, which should produce some improvement in wages and company earnings. But the housing and mortgage markets are going to be in a tug of war. The refinancing wave is over and lenders will be chasing the homebuyers.

Rising mortgage rates should make banks more willing to lend, but higher rates and rising prices will cut into affordability, which can price some buyers out of the market. Many expect home price appreciation will slow next year, but that will depend on the

January Quiz Question

Q: What is the most commonly spoken language in the world?

Everyone who texts, emails or calls in the correct answer to Paul by the last day of this month will be entered into a drawing for a \$50 gift certificate to the restaurant of your choice. 717.269.4957 or Paul@wrsettlements.com

December Quiz Question:

Q: What is the coldest inhabited place on earth?

A: Oymyakon a village in northeastern Russia. The lowest temperature ever recorded was -67.7 °C or -90 °F.

Congratulations to Carrie Becker, York Traditions Bank



supply of homes for sale when the spring selling season starts. For some builders, spring starts shortly after the Super Bowl. The homebuilders are expecting 2014 to be a super year.

Tight credit will continue to be a drag on sales despite pent-up demand to buy new and existing homes for at least the first half of the year, but there is some hope that could change in some areas of the market during the second half. In terms of the credit outlook, it appears the Federal Housing Administration will not be much of a help in boosting the availability of purchase mortgages. The agency continued to raise its mortgage insurance premiums in 2013 and instituted a policy of charging an annual premium for the life of the loan. Even if the loan-to-value ratio falls below 78%, the borrower has to pay the 1.35% annual premium.

In May, FHA received 101,000 purchase mortgage applications just before the premium-for-life policy went into effect June 3. In August, FHA received 64,000 purchase mortgage applications. FHA purchase mortgage volume has failed to pick up since then, and the FHA officials seem to be handcuffed when it comes to reducing premiums and making FHA financing more affordable for first-time homebuyers.

“If you want to fly, you have to get rid of the things that are weighing you down.” - Anonymous

The best hope for credit easing in 2014 could come from Fannie Mae and Freddie Mac. Rep. Mel Watt, D-N.C., will be sworn-in as the new GSE regulator on Jan. 6. Watt has already announced his intention to delay loan fee hikes proposed by the current Federal Housing Finance Agency acting director Edward DeMarco. Under DeMarco’s rule, the FHFA has gradually increased Fannie and Freddie loan fees to shrink the GSEs’ share of the mortgage market.

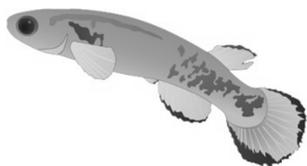
Watt will be free to set his own course and he is expected to favor wider access to mortgage credit. Watt is expected to take his time in adjusting to his new responsibilities. He has served in Congress for over 20 years and is likely to proceed very cautiously at first. If there is any loosening in credit from the GSE side, it will occur well into the second half of the year.

A Fishy Story

One fish found mostly in swamplands ranging from Florida to Brazil can survive on land for as long as two months, according to a Yahoo News story. The tropical fish, known as the mangrove rivulus, is only three inches long, and is hermaphroditic—it can reproduce through self-fertilization.

The secret to the tiny fish’s survival is its ability to alter its gills so it can breathe through the skin, as well as a talent for flipping itself with its tail to travel across the ground. This allows the rivulus to escape aquatic environments with low oxygen or toxic chemicals. Its talent for jumping also helps it hunt for food (crickets, for example) and flee predators.

So don’t assume that a fish out of water is helpless.



How High Will New Home Sales Go in 2014? Very High By Brian Collins

Economists are looking for stronger economic growth and acceleration in job creation next year to drive demand for new homes and construction higher. New home sales could jump more than 50% next year, according to Moody's Analytics managing director Celia Chen. The supply of new and existing homes is tight, she says, which will prompt construction of new homes to satisfy demand.

New home sales will jump to 680,000 in 2014, from 430,000 this year, according to Moody's Analytics' forecast. And this will increase demand for purchase mortgages, which will be good news for lenders. Moody's economists estimate purchase originations will rise 25% from 2013 to \$858 billion next year. "Home sales will be strengthened and only prices will be softer next year," Chen says. She expects the housing rebound will fuel stronger economic growth.

The chief economist for the National Association of Home Builders, David Crowe, is forecasting that new home sales will hit 607,000 in 2014, up 40% from this year. "We are operating under an enormous amount of pent-up demand," Crowe says. That will force buyers into the new home market.

While these forecasts may appear wildly optimistic, it should be understood that new home sales would normally be around 800,000 based on demographics. However, tight credit conditions have made it difficult for buyers and builders to get financing. In addition, the infrastructure of the homebuilding industry fell apart following the housing bust.

Construction activity is still constrained by shortages of building supplies, developed building lots and skilled labor. "There has been terrible disruption in this industry and it takes time to put the band back together," Crowe says. Yet he remains upbeat and expects to see some easing in credit underwriting next year. But a 40% to 50% increase in new home sales is on the far side of most forecasts.

Economists at Wells Fargo Securities are not as optimistic. They expect to see 20% increases in new home sales and single-family starts in 2014 while existing home sales slow to a single-digit pace. WFS' forecast calls for new home sales to be around 530,000 units in 2014, up 23% from this year. At the same time, builders will break ground on 760,000 single-family homes in 2014, compared to 620,000 this year. These sales and starts numbers are still low compared to historical levels. This reflects the "aftershocks of the housing bust, which have reduced buyer power and led to restrictive lending criteria," say the WFS economists in their most recent monthly housing report. They expect builders will "discount newer homes to entice buyers into the market."

Affordability is another hurdle for homebuyers due to the run-up in home prices this year and higher mortgage rates, which are expected to move higher in 2014. "A lot of people don't have the cash for a downpayment," according to Rick Sharga, executive vice president at Auction.com. And Federal Housing Administration-insured loans are not a viable alternative for some buyers because the premiums have become so expensive. "Affordability is a



real issue for a lot of buyers today and that translates into a shortage of customers for mortgage companies,” Sharga told NMN.

The NAHB chief economist is counting on strong job creation of around 190,000 a month and rising consumer confidence to propel sales in 2014. “But we are not serving the first-time buyer like we used to,” Crowe acknowledged.

Meanwhile, several economists expect home price appreciation will slow in 2014. The S&P Case-Shiller home price index is up 13% this year. But Scott Anderson, the chief economist at Bank of the West, expects a 2.8% increase in 2014.

A lot of potential sellers have been watching the run-up in prices and are waiting for the right time to sell their homes. “If they see that softening in home prices, I think you will see more potential sellers jump into the market,” says Anderson. “That would make for a more balanced market.”

He noted that institutional and individual investors will still be in the market in 2014. But the “bargains are gone and the inventory of foreclosed homes is very limited.” So they won’t be as aggressive in bidding up prices.

The housing recovery still has momentum despite the headwinds of affordability and tight credit. “We have been digesting the home price and interest rate increases fairly well,” the former Wells Fargo economist said in an interview. Anderson’s 2014 forecast calls for a 12% increase in new homes sales.

“The headwind of higher home prices and rising interest rates has rapidly eroded housing affordability. It will force marginal buyers out of the market and could make others settle for smaller homes or condos,” Anderson says.

To Get What You Want...

Whenever you want someone else to do something or approve something on your behalf, remember to present it to them in terms of their own motivations.

For instance, take Michael Faraday, a 19th-century British scientist whose experiments led to the development of electricity as a practical source of energy.

According to one story, he went to William Gladstone, the prime minister of England at the time, hoping for financial support for his research into electricity and magnetism. Gladstone’s initial response after seeing one of Faraday’s devices was negative. “Of what possible good is this?” he asked.

Instead of going on and on about the practical uses of an electric motor, Faraday caught Gladstone’s attention by saying, “This will be a great benefit to our country, because someday you will be able to tax it!”



Powerhouse Advice To Consider This New Year

The 2013 commencement season is long over, but some of the advice that this year's crop of commencement speakers gave new graduates will surely live on. Here's a small sample of the words of wisdom imparted this year to students and their families:

- Fight the conventional wisdom. "Attackers are the people with bold, innovative ideas, who are trying to disrupt the status quo, and usher in a better way." (Steve Case, former CEO of AOL, at the University of North Carolina)
- Embrace your inner Trekkie. "Being a Kirk, rather than a Spock, is the most important and hardest lesson I have learned in my life. As most, I had to practically lose everything I ever loved before I paid attention to this side of life." (Alex Kipman, inventor of Kinect for Xbox, at Golisano College)
- Focus on the now. "Not only can you not plan the impact that you're going to have, you often won't recognize it even while you're having it. The impact is what others frame for you and the world after it happens. The present is only what you're experiencing and focused on right now." (Dick Costolo, CEO of Twitter, at the University of Michigan)
- Meet people. "Humanity in the abstract will never inspire you the way meeting another human being will. Poverty is not going to inspire you to do something, but meeting people—that will inspire you." (Melinda Gates, co-chair of the Bill and Melinda Gates Foundation, at Duke University)
- Welcome uncertainty. "Uncertainty means that the future is yours to shape—with the force of your will, the force of your intellect and the force of your compassion. Uncertainty is freedom. Take that freedom and run with it." (Jim Yong King, president of World Bank, at Northeastern University)

Somewhere, something incredible is waiting to be known. ~Carl Sagan



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