

Word to the Wise



A Newsletter for Clients and Friends of Wouch, Maloney & Co., LLP



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Are You Keeping an Eye on Your Company's Cash?

Do you regularly monitor your company's cash accounts? You should. Even if you leave the job to your bookkeeper or accountant, you should stay aware of where the cash is going and how the spending is approved. Along with inventory "shrinkage," theft or improper expenditures of cash are among the chief sources of loss for small companies.

Periodically, you hear about a huge loss caused by an employee who's been quietly embezzling cash for years. But many smaller cases are never noticed. And it's not always employees at fault. In fact, the vast majority of employees are scrupulously honest and loyal. Outsiders can be stealing your cash too, by submitting false or inflated invoices that are paid without proper review.

What can you do to reduce the risk of losses? The textbook answer is "internal controls." This refers to things such as standard procedures for approving and paying bills. It includes segregation of duties - having more than one person involved in preparing, signing, and reconciling checks. Unfortunately, many small companies don't implement proper controls - either because there's not enough staff or because they think it's too much trouble.

Regardless of the size of your business, here are some steps you can take.

- * Maintain a strict rule that all invoices must have an approval signature before being paid. Nothing focuses a person's mind like having to sign his or her name on something.
- * Have a policy that all employee expense reports must be signed off by a higher-level employee.
- * Make it a rule that the person who prepares a company check can't sign that check.
- * Ask your bookkeeper or accountant to give you a signed note each month affirming that the bank statement has been reviewed and balanced.
- * Follow up personally to make sure that these procedures are being followed.
- * On occasion ask to see the bank statement and canceled checks for the prior month. Review them in detail. Not only will this increase your chances of spotting fraud, but it will also remind you just what the company's cash is being spent on.

Please contact our office for details or for assistance in improving controls over your company's cash.

Introducing our Summer Intern!

Wouch, Maloney & Co. welcomes a new intern for the summer, Dayna Snyder. Dayna recently graduated from Temple University this May with a Bachelors of Business Administration degree with a concentration in Accounting. Starting in August, Dayna is continuing her education when she pursues her Masters of Accountancy at Temple University. Dayna says "I'm really enjoying my experience at Wouch, Maloney. I've learned a great deal in a matter of months that school cannot teach me."

Did You Know?

New York City has the highest corporate income tax in the world, surpassing even Japan, China, Germany, France, and Greece.

What to do With Your 401k Savings When You Change Jobs

If you change jobs you may have an important decision to make - what to do with your 401(k) plan. You'll have several choices. Unfortunately, the easiest choice is the worst choice: that is, to take a distribution from the old plan and put it in the bank. It may be tempting, because who couldn't use some extra cash. But if you do, you'll owe taxes on the balance and usually a 10% penalty as well. You'll lose the benefits of future tax-deferred growth on your savings. And if you spend the money, you'll have to start from scratch in saving for retirement. Instead, consider three options.

* Ask your new employer whether you can roll your balance into the new company's plan. If you can, arrange a direct transfer between plans. You may have to complete a probationary period before you can join your new company's plan.

* Explore whether you can leave your balance in the old plan, at least for a while. That removes the pressure for an immediate decision.

* Roll over your balance into an individual retirement account (IRA). This avoids immediate taxes and lets your savings continue to grow tax-deferred. It also gives you maximum flexibility for future investments. You even

have the flexibility to later convert into a Roth IRA. Be sure to ask for a "trustee-to-trustee" transfer to avoid any short-term tax risk.

A word of caution: If part of your account is invested in company stock, get details on the tax issues before you withdraw or roll over funds.

The bottom line: Do all you can to keep your savings in a tax-favored account. You'll be glad you did when you reach retirement age.

Please call our office if you're facing this situation. We'll be happy to advise you on your options.

Take Time to Check Your Withholding for 2011

Have you taken the time to check your income tax withholding for 2011? It's true that there were no major changes in tax rates or deductions for this year. However, there are still several reasons why you might want to adjust your withholding.

For example, if you've bought a house for the first time, the deductible mortgage interest could cut your taxable income. That means you might need less tax withheld from your paycheck every month. Or if you refinanced last year, your interest deduction could be lower and you might want more dollars withheld.

Even if your financial situation hasn't changed, your withholding could be higher than it needs to be. Many people like to have extra withheld so they receive a large tax refund each year. That's fine if you're worried about being surprised by a big tax bill, but it means you're making an interest-free loan to the government. If you've consistently received a large refund for several years, consider reducing your withholding. Don't just fritter away the extra take-home pay. Use the money wisely by paying down credit card debt or boosting your retirement contributions.

You can adjust your withholding by asking your employer for a Form W-4 and filling out the simple worksheet. If you need help figuring out the right withholding level, contact our office.

Going Green?

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