



▶ 2008 TAX PLANNING ..... 1



▶ POWER OF ATTORNEY ..... 2



▶ KEEPING YOUR DATA SAFE ..... 3

▶ NEWS AND UPDATES ..... 4

# Absolutes

## *Planning for death and taxes*

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### Our Mission Statement

*To Provide Tax and Business Consulting Services  
that Drive Innovative Wealth Building Solutions*

## Now Is the Time to Save on Your 2008 Taxes

Taxes are all too often a great source of anxiety. A common misconception is the idea that the amount of taxes owed at the end of the year are beyond your control. A well planned tax strategy makes preparing and filing your tax return a formality and eliminates any unwelcome surprises. Here is our approach to planning for 2008 taxes:

### **Know Where You Stand**

Before you can estimate and plan for your tax liability, it is important to understand your current financial situation. We suggest you schedule a meeting with us to review financial documents. This should be done as soon as possible. We recommend scheduling this meeting well before the end of the year.

We typically ask our clients to provide various types of documents to assist in the review process. We start with current earnings information. This includes items like check stubs and business profit and loss statements.

Based on this information we provide an estimate of the activity for the rest of the year. In order to provide a realistic estimate, it is essential that these records, especially any business profit and loss statements, are as current and accurate as possible.

The next step is to estimate expenses like mortgage interest, property taxes, etc. Barring any significant change, a good way to gauge these expenses is to review what you already know. Tax returns from previous years are a useful resource for estimating these types of expenses.

Finally we will determine if there were any significant

changes in your tax situation as compared to last year. We then estimate the tax effect of those changes. At this point, based on all the information mentioned above, we can calculate what the estimated tax liability will look like.

### **Take Action**

For some clients, this is the end of the story. If the estimated tax liability meets their expectations then the process is essentially complete. They leave armed with the knowledge that they will be prepared for the coming year.

Unfortunately, there is not always an ideal ending. In some instances, the estimated tax liability is much higher than the client expected. However, there is some good news. For many taxpayers, especially business owners, there are a number of actions that can be taken to reduce the tax liability.

We advise on a variety of tax saving strategies. We also outline the practicality and tax savings potential for each option. The typical result of a planning session will be a list of actions to be accomplished before the end of the year. These actions will provide a plan to maximize your tax savings potential.

### **Time Is Money**

The phrase 'time is money' is as true for taxes as it is for business. The timing of a planning session is critical. Most, if not all, good tax saving ideas will expire before the end of the year. Having a meeting early in the year allows us enough time to develop a plan and gives clients enough time to carry it out. Be sure to contact us right away to schedule a tax planning meeting.

Having the appropriate power of attorney in place is an important part of lifetime planning. A power of attorney grants legal permission for another adult to act on your behalf. The permission can be granted for a specific limited purpose and period of time, or for general purposes and have no specific time limitation.

## General Power of Attorney

A general power of attorney gives broad powers to a person or organization (known as an agent or attorney of fact) to act on your behalf. These powers include: handling financial and business transactions; buying life insurance; settling claims; operating business interests; making gifts; and employing professional help. A general power of attorney can be an effective tool if you are travelling abroad and need someone to handle certain matters, or when you are physically or mentally incapable of managing your affairs. A general power of attorney is often included in an estate plan to ensure someone can handle financial matters.

## Special Power of Attorney

You can specify exactly what powers an agent may exercise by signing a special power of attorney. This is often used when you cannot handle certain affairs due to other commitments or for health reasons. Selling property (personal and real), managing real estate, collecting debts, and handling business transactions are some of the common matters specified in a special power of attorney document.

## Health Care Power of Attorney

A health care power of attorney grants your agent authority to make medical decisions for you if you are unconscious, mentally incompetent, or otherwise unable to make decisions on your own. While not the same thing as a living will, many states allow you to include your preference about being kept on life support. Some states will allow you to combine parts of the health care POA and living will into an Advanced Health Care Directive.

## Durable Power of Attorney

Suppose you become mentally incompetent due to illness or accident while you have a power of attorney in effect. Will the document remain valid? To safeguard against any problems, you can sign a durable power of attorney. This is simply a general, special, or health care POA that has a durability provision to keep the current power of attorney in effect.

You might also sign a durable power of attorney to prepare for the possibility that you may become mentally incompetent due to illness or injury. Specify in the power of attorney that it

cannot go into effect until a doctor certifies you as mentally incompetent. You may name a specific doctor whom you wish to determine your competency, or require that two licensed physicians agree on your mental state.

## Looking for Mr. Good Agent

Trust is a key factor when choosing an agent for your power of attorney. Whether the Agent selected is a friend, relative, business, or attorney, you need someone who will look out for your best interests, respect your wishes, and won't abuse the powers granted to him or her.

It is important for an agent to keep accurate records of all transactions done on your behalf and to provide you with periodic updates to keep you informed. If you are unable to review updates yourself, direct your agent to give an account to a third party.

As for legal liability, an agent is held responsible only for intentional misconduct, not for unknowingly doing something wrong. This protection is included in power of attorney documents to encourage people and businesses to accept agent responsibilities. Agents are not customarily compensated; most do it for free.

Should you, a friend, or relative suspect wrongdoing on the part of your agent, report the suspected abuse of power of attorney to a law enforcement agency and consult a lawyer.

## Can Too Many Agents Spoil the Broth?

If you appoint multiple agents, decide whether these agents must act jointly or separately in making decisions. Multiple agents can ensure more sound decisions, acting as checks and balances against one another. The downside is that multiple agents can disagree and one person's schedule can potentially delay important transactions or signings of legal documents.

If you appoint only one agent, have a backup. Agents can fall ill, be injured, or somehow be unable to serve when the time comes. A successor agent takes over power of attorney duties from the original agent, if needed.

## Being of Sound Mind. . .

A power of attorney is only valid if you are mentally competent when you sign it. In some cases, it can be designed to go into effect only in the event that you become mentally incompetent. If you think your mental capability may be questioned, have a doctor verify it in writing. If your power of attorney doesn't specify requirements for determining mental competency, your agent will still need a written doctor's confirmation

*(Continued on page 3)*

*(Continued from page 2)*

of your incompetence in order to do business on your behalf. A court may even be required to decide the competency issue in some circumstances.

## **Signing, Sealing, and Delivering a Power of Attorney**

You must sign and notarize the original power of attorney document, and certify several copies. Banks and other businesses will not allow your agent to act on your behalf unless they receive a certified copy of the power of attorney.

Attorneys are unnecessary to execute a power of attorney. However, it may be wise to consult one to provide advice

about the powers being granted, to provide counsel on your candidate agent, and to make sure your document meets all legal requirements.

Remember, you can revoke a power of attorney at any time. Simply notify your agent in writing and retrieve all copies of your power of attorney. Notify any financial institutions and the County Clerk's office, if applicable, that your agent's power of attorney has been revoked.

Needing a power of attorney is almost as certain as death and taxes in everyone's life. Illness, injury, old age, or daily life commitments happen to everyone. It is important to understand what a power of attorney is and how it can assist in taking care of business, even when you can't.

# Keeping Data Secure

Lots of companies collect data from customers, without necessarily giving much thought to what happens to the data after a job ends or an order is filled. Many companies do not fully understand the on-going obligations and liability issues with regards to such data.

At a minimum, to ensure consumer confidence and trust, your company should take steps to ensure that this information does not fall into the wrong hands. Additionally, there are laws that require your company to take reasonable steps to protect the security of information it collects. Another consideration is the potential liability issues that may arise from individual customers if sensitive data is exposed or used to commit identity fraud.

Businesses of all sizes, not just the big corporations, are held responsible for complying with federal and state customer data security and privacy laws.

Your company should take steps to secure personal information that you collect from customers. At a minimum, these steps should adhere to the following guidelines.

## **Obtain only what is necessary**

When you collect information from clients, obtain only what is absolutely necessary. If you don't need a social security number, then don't ask for it. The less sensitive information you have, the less responsibility you have to secure it.

## **Know what you have and where it is**

Your company can collect sensitive information from many different places. Do customers call in and give information? Do you have a website that collects information? It would be a good idea to take an inventory of all the places that sensitive information comes in from and where it is stored. It is difficult to protect sensitive data especially if you don't even know what you have and where it is.

## **Know how to protect and dispose of data**

Your company should have a security policy for all information, whether it be electronic or traditional paper files. There should be guidelines for how long you keep information and how to dispose of it. If there is no business need to retain credit card information, immediately dispose of it after it has been used. The more information you hang on to, the harder it is to keep track of it and protect it.

## **Know what to do if something goes wrong**

If your employees have laptops containing sensitive data, what will your company do if any of those laptops are stolen? In Texas, businesses are required to notify consumers when their personal information has been breached. Your business could be liable for civil penalties of up to \$50,000 for each violation. You should probably explore some of these scenarios and ensure that you have a reasonable response plan in place.

*(Continued on page 4)*

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## Live up to your company's privacy policy

In February 2008, the online retailer *Life is Good, Inc.* settled with the Federal Trade Commission (FTC) on charges that its security claims were deceptive and violated federal law. On its website, *Life is Good* asserted a privacy policy stating its commitment to keeping the sensitive information it collected secure.

The FTC's charges alleged the company failed to provide reasonable security for sensitive information, despite its stated privacy policy.

If your company makes the assertion that it protects customer information, make sure it is living up to the claim.

Companies that do not take data security seriously may face fines, lawsuits, and a loss in consumer confidence.

For more information, the Federal Trade Commission offers a guide to business on how to protect personal information. The link to the website is referenced below.

<http://www.ftc.gov/infosecurity/>

## IRS Disaster Relief for Texas Victims of Ike

WASHINGTON — Texas taxpayers who were adversely affected by Hurricane Ike qualify for tax relief from the Internal Revenue Service, including the postponement of tax filing and payment deadlines until Jan. 5, 2009.

Following the hurricane's landfall on Saturday, Sept. 13, the federal government declared the following Texas counties a presidential disaster area qualifying for individual assistance: Angelina, Austin, Brazoria, Chambers, Cherokee, Fort Bend, Galveston, Gregg, Grimes, Hardin, Harris, Harrison, Houston, Jasper, Jefferson, Liberty, Madison, Matagorda, Montgomery,

Nacogdoches, Newton, Orange, Polk, Rusk, Sabine, San Augustine, San Jacinto, Shelby, Smith, Trinity, Tyler, Walker, Waller, and Washington.

Specifically, the relief postpones until Jan. 5, 2009, certain deadlines for taxpayers who reside or have a business in the disaster area. The postponement applies to return filing, tax payment and certain other time-sensitive acts due on or after Sept. 7, 2008, and before Jan. 5, 2009 — including individual estimated tax returns and corporate tax returns that were due Sept. 15, and extended individual returns due Oct. 15.

## Important Dates

### Oct 2008 through Dec 2008:

Schedule a tax planning meeting before the end of the year to take advantage of tax savings for 2008.

Now is the time to update your Annual Meeting minutes and resolutions if you have business entities. This must be done to keep your entities in good standing. We can help.

Please call us and schedule your appointment today.

## SSA Taxable Wages for 2009

The maximum amount of earnings subject to Social Security tax will increase to \$106,800 in 2009, up from \$102,000 in 2008, the Social Security Administration announced Oct. 16.

Please contact us if you have any questions how these changes will affect you. It is never too soon to start planning for next year's taxes.

**LET US HELP MAKE YOUR DECISIONS WORK FOR YOU! OUR SERVICES INCLUDE PLANNING, MAINTAINING AND IMPLEMENTING THE FOLLOWING:**

Asset Protection  
Wealth Preservation  
Buy-Sell Agreements  
Business Sales  
Residential Mortgages

Probate  
Wills & Powers of Attorney  
Business Succession Planning  
Family Limited Partnerships  
Commercial Mortgages

Tax & Estate Planning  
Business Control  
Business Organizations  
Charitable Remainder Trusts  
Asset/Debt Restructuring