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From Data Breaches to Ransomware: How to Avoid Becoming the Victim of a Cybercrime



Each time you connect to the Internet, you risk becoming the victim of a cybercrime. It's the price we pay for living in a digital world — whether it's at home, at work, or on your smartphone.

According to the Identity Theft Resource Institute, the number of U.S. data breaches in 2016 increased by 40%. And as recently as May 2017, a widespread "ransomware" attack targeted personal computers across the globe. While software companies are continually developing strategies to combat the latest cybercrimes, there are some steps you can take to help protect yourself online.

The stronger, the better

It's a scary thought — most of us have a large amount of financial and personal information that's readily accessible through the Internet, in most cases protected by nothing more than a username and password.

Create a strong password by using a combination of lower- and upper-case letters, numbers, and symbols or by using a random phrase. Avoid using a password with your personal information such as your name and address. In addition, have a separate and unique password for each account or website that you use.

If you have trouble keeping track of all your password information or you want an extra level of password protection, consider using password management software. Password manager programs generate strong, unique passwords that you control through a single master password.

Follow the 3-2-1 rule

Backing up your online data is critical to avoid losing valuable information due to a cyber attack. If you have digital assets that you don't want to risk losing forever, you should back

them up regularly. This pertains to data stored on both personal computers and mobile devices.

When backing up data, a good rule to follow is the 3-2-1 rule. This rule helps reduce the risk that any one event — such as a computer hacker gaining access to your computer — will compromise your primary data and backups. In order to follow the 3-2-1 rule:

- Have at least three copies of your data (this means a minimum of the original plus two backups)
- Use at least two different formats (e.g., hard drive and cloud-based service)
- Ensure that at least one backup copy is stored in a separate location (e.g., safe-deposit box)

Stay one step ahead

Finally, the best way to avoid becoming the victim of a cybercrime is to stay one step ahead of the cybercriminals. Here are some extra precautions you can take before you go online:

Consider using two-step authentication. Two-step authentication, which involves using a text or email code along with your password, provides another layer of protection for your sensitive data.

Keep an eye on your accounts. Notify your financial institution immediately if you see suspicious activity. Early notification not only can stop the cyber thief but may limit your financial liability.

Think twice before clicking. Beware of emails containing links or asking for personal information. Never click on a link in an email or text unless you know the sender and have a clear idea where the link will take you.

Be careful when you shop. When shopping online, look for the secure lock symbol in the address bar and the letters *https*: (as opposed to *http*:) in the URL. Avoid using public Wi-Fi networks for shopping, as they lack secure connections.

Does Your Business Need a Buy-Sell Agreement?



The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. In addition, if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

An individual disability income policy could help replace a percentage of your income (up to the policy limits) if you're unable to work as a result of an illness or injury. The policy will stay in force, regardless of your employment situation, as long as you pay the premiums.

When you're mired deep in the day-to-day challenges of the management of your business, it's often hard to step out of the trees and take a good hard look at the forest. But at various points in the business cycle, it's important to do just that. For example, one of the key decisions you'll need to consider is what would happen to your business if you decide to step away, or you die or become permanently disabled. A buy-sell agreement can be a useful tool in helping you plan for these circumstances.

What is a buy-sell agreement?

A buy-sell agreement is a legally binding agreement that establishes when, to whom, and at what price you can sell your interest in a business. Buy-sell agreements are also known as business continuation agreements and buyout agreements.

You can create a buy-sell as a separate agreement or you can include certain provisions addressing the buy-sell issues in a business's operating agreement. Regardless, the agreement or provisions must clearly identify the potential buyer, any restrictions and limitations, and the conditions under which a sale will occur. Under the terms of the agreement, you and the buyer enter into a contract for the transfer of your business interest by you (or your estate) at the time of a specified triggering event. Typical triggering events include death, long-term disability, retirement, divorce, personal insolvency or bankruptcy, criminal conviction, loss of professional license, and resignation or termination of employment.

A well-crafted buy-sell agreement creates a market for your business interest, establishes its price, and provides cash to complete the business purchase. The ability to fix the purchase price as the taxable value of your business makes a buy-sell agreement especially useful in estate planning. That's because if death is the triggering event, it can help reduce the estate tax burden on your heirs. Additionally, because funding for a buy-sell agreement is typically arranged when the agreement is executed, you're able to ensure that funds will be available when needed, providing your estate with liquidity that may be needed for expenses and taxes.

Pricing the company and funding a buy-sell agreement

A buy-sell should establish a formula for determining the purchase price or state the price outright. Without establishing this price in advance, lengthy disputes and lawsuits can

arise at the time the ownership interest must be bought back. When the buy-sell involves family members, it must also be proven that the transaction is comparable to an arms-length sale between unrelated people and was entered into for a bona fide business purpose.

After determining the value of the business, you, your advisors, and other parties to the agreement will determine the best way to fund the transaction and the triggers appropriate for your business situation. There are many different ways to fund a buy-sell agreement, including a sinking fund, cash, borrowed funds, installment sale, self-canceling installment note, private annuity, life insurance, and disability insurance. Depending on the situation, one or more of the possible methods may be used.

Types of structures

Buy-sell agreements can be structured to meet the needs of both the business and its owner(s), taking into consideration tax consequences and individual goals. Following are three types of buy-sell agreements, along with brief descriptions of each:

- An **entity purchase (or redemption) buy-sell** obligates the business to buy the interests of the departing owner(s).
- With a **cross-purchase buy-sell**, each owner agrees to buy a share of the departing owner's interest. The business is not a party to the transaction.
- A **wait-and-see buy-sell** is used when the parties are unsure whether the business or the owners will buy the business interest. Typically, the business is given the first option, and if it is not exercised, the remaining owners are given the opportunity. If the remaining owners do not wish to buy, the business must purchase the interest.

Other considerations

Keep in mind that there are costs and possible disadvantages involved in establishing a buy-sell agreement. One such disadvantage is that the agreement typically limits your freedom to sell the business to outside parties.

If you think that a buy-sell agreement might benefit you and your business, consult your attorney, accountant, and financial professional.



Net price calculators

Net price calculators, available on all college websites, provide families with an advance estimate of what their "net" price will be at a particular college based on their income, assets, and personal family information. The net price is the price after grants and scholarships are factored in. This figure gives families a much better idea of the real cost of a particular college so they can make well-informed financial decisions.

Five Common Financial Aid Myths

With some private colleges now crossing the once unthinkable \$70,000-per-year mark in the 2017/2018 school year, and higher costs at public colleges, too, financial aid is essential for many families. How much do you know about this important piece of the college financing puzzle? Consider these financial aid myths.

1. My child won't qualify for aid because we make too much money

Not necessarily. While it's true that family income is the main factor in determining aid eligibility, it's not the only factor. The number of children you'll have in college at the same time is a significant factor — for example, having two children in college will cut your expected family contribution (EFC) in half. Your assets, overall family size, and age of the older parent also play into the equation.

Side note: Even if you think your child won't qualify for aid, you should still consider filing the government's Free Application for Federal Student Aid (FAFSA) for two reasons. First, all students — regardless of income — who attend school at least half-time are eligible for unsubsidized federal Direct Loans, and the FAFSA is a prerequisite for these loans. ("Unsubsidized" means the student pays the interest during college, the grace period, and any loan deferment periods.) So if you want your child to have some "skin in the game" by taking on a small student loan, you'll need to file the FAFSA. Second, the FAFSA is *always* a prerequisite for college need-based aid and is *sometimes* a prerequisite for college merit-based aid. Bottom line? It's usually a good idea to file this form.

2. The form is too hard to fill out

Not really. Years ago, the FAFSA was cumbersome to fill out. But now that it's online at fafsa.ed.gov, it is much easier to complete. The online version has detailed instructions and guides you step by step. There is also a toll-free number you can call with questions: 1-800-4-FED-AID. All advice is free. In addition, a recent change has made the FAFSA even easier to fill out: The FAFSA now relies on your tax information from two years prior rather than one year prior (referred to as the "prior-prior year" or the "base year"). For example, the 2017/2018 FAFSA relies on your 2015 tax information, the 2018/2019 FAFSA relies on your 2016 tax information, and so on. This means that your necessary tax numbers will be handy as you answer questions on the FAFSA. The first time you file the FAFSA, you and your child will need to create an FSA ID, which consists of a username and password.

Side note: The CSS/Financial Aid PROFILE, an additional aid form required by most private colleges, is more detailed than the FAFSA and thus harder to fill out. It essentially takes a financial snapshot of your family's past year, current year, and upcoming year (it asks for estimates for the latter).

3. If my child applies to a more expensive school, we'll get more aid

Not necessarily. Colleges determine your EFC based on the income and asset information you provide on the FAFSA and, where applicable, the CSS PROFILE. Your EFC stays the same no matter what college your child applies to. The difference between the cost of a particular college and your EFC equals your child's financial need (sometimes referred to as "demonstrated need"). The more expensive a college is, the greater your child's financial need. But a greater financial need doesn't automatically translate into a bigger financial aid package — colleges aren't obligated to meet 100% of your child's financial need.

Side note: When making a college list, your child can research a particular college's generosity, including whether it meets 100% of demonstrated need and if it replaces federal loan awards with college grants in its aid packages.

4. We own our home, so my child won't qualify for aid

The FAFSA does not take home equity into account when determining a family's expected family contribution (it also does not consider the value of retirement accounts, cash value life insurance, and annuities).

Side note: The CSS PROFILE does collect home equity and vacation home information, and some colleges may use it when distributing their own institutional aid.

5. I lost my job after I submitted aid forms, but there's nothing I can do now

Not true. If your financial circumstances change after you file the FAFSA — and you can support this with documentation — you can politely ask the financial aid officer at your child's school to revisit your aid package; the officer has the authority to make adjustments if there have been material changes to your family's income or assets.

Side note: A blanket statement of "I can't afford my family contribution" is unlikely to be successful unless it is accompanied by a significant changed circumstance that affects your ability to pay.

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How do economists measure inflation, and why does it matter to investors?

The Federal Open Market Committee (FOMC) adjusts interest rates to help keep inflation near a 2% target. The FOMC's preferred measure of inflation is the Price Index for Personal Consumption Expenditures (PCE), primarily because it covers a broad range of prices and picks up shifts in consumer behavior. The Fed also focuses on core inflation measures, which strip out volatile food and energy categories that are less likely to respond to monetary policy.

The typical American might be more familiar with the Consumer Price Index (CPI), which was the Fed's favorite inflation gauge until 2012. The Consumer Price Index for All Urban Consumers (CPI-U) is used to determine cost-of-living adjustments for federal income taxes and Social Security.

The CPI only measures the prices that consumers actually pay for a fixed basket of goods, whereas the PCE tracks the prices of everything that is consumed, regardless of who pays. For example, the CPI includes a patient's out-of-pocket costs for a doctor's visit, while the PCE considers the total charge billed to

insurance companies, the government, and the patient.

The PCE methodology uses current and past expenditures to adjust category weights, capturing consumers' tendency to substitute less expensive goods for more expensive items. The weighting of CPI categories is only adjusted every two years, so the index does not respond quickly to changes in consumer spending habits, but it provides a good comparison of prices over time.

According to the CPI, inflation rose 2.1% in 2016 — right in line with the 20-year average of 2.13%.¹ This level of inflation may not be a big strain on the family budget, but even moderate inflation can have a negative impact on the purchasing power of fixed-income investments. For example, a hypothetical investment earning 5% annually would have a "real return" of only 3% during a period of 2% annual inflation.

Of course, if inflation picks up speed, it could become a more pressing concern for consumers and investors.

¹ U.S. Bureau of Labor Statistics, 2017 (data through December 2016)



If I donate used property to charity, what documentation is needed?

The documentation needed to obtain a federal income tax deduction for donating used property to a charity typically

depends on the value of the property. In general, do not attach the documentation to your income tax return. Keep the records so that you can provide them to the IRS if requested to do so.

If you claim a deduction of less than \$250, you must have a receipt from the charitable organization (a letter acknowledging your contribution will suffice) that shows the name of the organization, the date and location of your contribution, and a reasonably detailed description of the property. You must also have a record of the fair market value (FMV) of the property (and how you determined it) at the time of the contribution.

If you claim a charitable deduction for \$250 or more, you must substantiate the contribution with a contemporaneous written acknowledgment of the contribution from the charity. The acknowledgment must contain the name of the charity and a reasonably detailed description of the property. The

acknowledgment must also include either (1) a statement that no goods and services were provided by the charity in return for the contribution, (2) a good-faith estimate of the value of such goods and services (these reduce the amount of the charitable deduction), or (3) a statement that the goods and services were token benefits or consisted entirely of insubstantial membership benefits or intangible religious benefits.

If the value of the contribution is over \$500, your records must also include how you acquired the property (e.g., purchase, gift, inheritance, or exchange), when you obtained the property, and the cost or other basis of the property (including any adjustments).

If you claim a deduction of over \$5,000 for a noncash charitable contribution of one item or a group of similar items, you must also obtain a qualified written appraisal of the donated property from a qualified appraiser.

If the amount of your deduction for all noncash contributions is more than \$500, you must file IRS Form 8283 with your federal income tax return.

