

Financial Nuggets



Joan M. Gagnon, CPA

A newsletter for clients and friends

The Secret to a Great Vacation

So, you just got back from vacation and chances are you spent way too much money and probably used a little plastic to smooth the way. Vacations are necessary in today's hectic world, but budgeting for them way ahead of time is even more necessary.

With the family, decide today before the summer is over what you would like to do next year for vacation. Then determine what you can realistically afford. Once you have determined the amount of money you will need to have a good



ly goals towards stashing away in a safe place. e involved, be sure they volved with the budgeting saving for "next" year's ation. Have them think of ways they can actually save for their spending money. Buy a piggy bank that can't be broken into until you need the money.

This will lessen the temptation to use the money for something other than vacation.

Budgeting isn't always easy, but it will make your vacation more enjoyable knowing that it is paid for. And, if you

Secret to a Great Vacation.....1

Business/ Pleasure Travel Expenses.....1

Investment Recordkeeping.....2

What's Happening.....2

Book Review....2

Tax Tip.....2

Mapping Your Business Travel Expenses Can Put You on the Road to a Tax Deduction

What are the rules for deducting the cost of trips that combine business and pleasure?

If you decide to tack a few days of vacation onto a business trip, you may still be eligible to deduct 100 percent of your travel fare, provided that you can prove that business was the principal purpose of the trip.

An important factor in determining if the trip is primarily business or pleasure is the amount of time spent on each. Keep a log or diary to substantiate all of your business activities. (Special rules apply when you combine business and pleasure on trips outside the United States.)

In any case, the cost of lodging and meals is deductible only for the portion of your stay that is business-related. On the other hand, if you take a vacation or other trip primarily for personal reasons, you may not deduct your travel fare, even if you do some business once you arrive at your destination. You may, however, write off any expenses that are related to business activities once you arrive at your destination. If, for example, while you and your family are vacationing in Florida, you take a customer out to lunch to discuss business, you may deduct your transportation to and from the customer's office and you could also write off 50 percent of the meal cost.

Tax tip

Each year, millions of dollars of deductions go unclaimed by taxpayers simply because they don't take the time to keep track of receipts and other records of potential tax-saving expenses.

Set up a file system where you can place receipts during the year so that you can substantiate your deductions.

Effective tax planning involves far more than a last-minute effort to defer income and boost deductions.

If you're committed to lowering your tax bill, it is important to consider the tax implications of the financial decisions you make throughout the year.

Good Recordkeeping of Your Investments Will Make Your Life and Your CPA's Job Easier

Today, more and more individuals of all income brackets are investing. And, many do not understand the tax consequences associated with the "sale" (redemption) of these investments.

It is very important to maintain all statements received from your investments from the first statement received until you liquidate all your shares. Many of the statements are already three hole punched. **So, I recommend you purchase three ring binders to hold your statements.**

The reason is that your CPA must be able to determine your "basis" (what you paid for the shares or reinvested) to determine your taxable capital gains. The IRS allows different ways to compute basis when selling your invest-

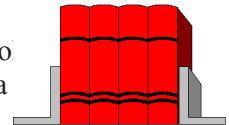
ments. The choice of method can have an affect on the tax ultimately paid. The Average Cost Method is the most popular and many companies provide that average cost information with your year-end statements, but that may not be the most advantageous method to utilize. In times of rising prices the Average Cost Method may lessen the tax burden. The Average Cost Method smooths out the effects of the up and down price of shares you purchased or received via reinvestment by averaging these costs. I suggest that if you intend on selling some investments, check with your CPA to determine what method will produce the best results "before" you sell the shares. *And, have your records handy.*



Book Review

The E-Myth (Revisited)

by Michael E. Gerber



No, this is not another boo on E-Commerce. This is a must read book for anyone running a small business or anyone thinking of running a small business. Mr. Gerber dispels the myths surrounding starting your own business and shows how commonplace assumptions can get in the way of running a business. He starts with entrepreneurial infancy all the way to the mature entrepreneurial perspective.

Many business owners know after three years that it is not necessarily true that the more they work and the harder they work, the more money they will earn.

His main theme is that business owners need to work "on" their business, not "in" their business. And, this book shows them how.

This book gives entrepreneurs the steps to gain new control over their businesses. ❖

What's happening...

❖ Business has been great. I thank you for all your referrals.

❖ Two tax professionals have joined my team, Barbara Kitlinkski and Danielle Burke. This will continue the high quality of tax return work as the practice grows.

❖ As many of you know my practice has been expanding into personal financial planning and business consulting. These are exciting changes. Our goal is to serve as many of our clients' needs as possible for a more cohesive financial picture.

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