

McFADYEN & SUMNER'S

# ON THE MONEY

FALL 2008

## Message from the Partners

### Is Your Business in Need of Some Direction?

It's often been said if you don't know where your business is going, any road will get you there. In today's technologically advanced world where satellites can track our every movement and most people will not leave home without their GPS navigational systems, wouldn't it be great if such a device existed for our businesses? We would simply type in the destination for our business and our "business GPS" would tell us the best way to get there.

Did you know that such a "business GPS" does exist and our firm can set up and program the system specifically for your business? This business navigational system is better known as **strategic business planning** and it is a business development service offered by McFadyen & Sumner, CPAs PA.

When our firm is engaged to perform this consulting service, it's not a "one-time, we're done, here's your report" type of engagement. In the beginning, we take the time to talk with you regarding where your business started and where it currently stands financially as well as to identify and target where you want your business to go in the future. We then help you focus on how best to get your business to its final destination.

Periodically, using all the resources at our disposal, we will conduct an in-depth analysis of your business to help identify any bumps in the road that may be preventing you from reaching your long-term business goals. Afterwards, we will sit down with you to discuss our findings and together, we will develop a roadmap of short-term goals to keep your business on track.

In the daily course of business, most of us get so busy getting our product or service out the door that we fail to take time to focus on achieving the long-term vision we once held for our businesses. Let us help you navigate the roadblocks and detours that may pop up in your business. Call our office and we can discuss our **strategic business planning** services in greater detail. We can become your "business GPS" system.

*Lisa B. Sessoms  
Partner*

### Yes! You can avoid tax on your IRA

"Go Team!" Perhaps you intend to leave your favorite college a little something in your Will. Or maybe it's your church that you intend to remember in your Will. Either way, a good idea just might be to designate your IRA to go to your choice of charity.

Let's say you have an IRA worth  
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### Who owns Goodwill? (And why it should matter)...

If you are selling your C-corporation, it is likely that a significant part of the sales price will be attributed to "goodwill". Goodwill is the value assigned to the business relationship you have built with your customers. If the goodwill that is being sold belongs to the corporation it will be taxed at the corporate level and again at the individual level when the cash is distributed to the shareholders.

It has been argued successfully in tax  
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## Who owns Goodwill? (And why it should matter)...

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court that for many small corporations, the goodwill actually belongs to the owner(s) of the corporation and not to the corporation itself. The efforts of the owners and the services they provided are what built the client base and the business' reputation. There was no employment contract between the owner and the corporation. In this case, the goodwill belongs to the owner/shareholder and the sale of the goodwill is taxed at the individual level only, not the corporate level.

Here is what the transactions would look like:

	Goodwill owned by corporation	Goodwill owned by shareholder
Sale price attributed to Goodwill	\$1,000,000	\$1,000,000
Tax paid by Corporation	333,000	
Tax paid by Shareholder	223,000	333,000
Net proceeds to owner	\$ 445,000	\$ 667,000

The tax savings if the goodwill does not belong to the corporation is \$222,000.

How can you determine if the goodwill you sell belongs to the corporation or to the owners? One good test is to ask whether the customers would follow the owners if they opened a new business or if they would remain with the corporation that was sold. There are other issues to look at, so if you are considering selling your corporation, please consult with us during the process.

## Around the Office

We are excited to announce the birth of Ashley and Jimmy Kitchen's son, Jayce Randon who was born on July 13th. Mom and baby are doing fine and Ashley is now back at work.

As many of you have discovered, we no longer have an "Upstairs" staff. Sheila, Heather and Linda have moved into the back suites of our building to accommodate the growth of our Small Business Services and Payroll Department. Stop by and visit them in their new location.

If you happened to drive by the other

afternoon, yes, that was the Ice Cream Man in our driveway. As a surprise during the Dog Days of August, the bosses had the ice cream man come by and we each selected our favorite treat.

We also had our First Annual Bowling Tournament on August 23rd. It was not a pretty sight. But everyone enjoyed the game and the dinner at Samurai that followed. We are still wondering why none of the league representatives have contacted Brent yet to sign him up. We had no idea he was so competitive. Of course, we played without benefit of

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## Yes! You can avoid tax on your IRA

\$100,000. You are taking your annual distributions from it and paying income taxes on the distribution each year. When you die, the beneficiary of that IRA must do the same, paying income tax on all distributions received. But if you intend to leave a sum to your church or an educational institution, income taxes on that IRA might be avoided. The trick to it is that the charity must be the sole beneficiary of a separate IRA account.



A qualified non-profit organization does not pay income taxes, so they would receive the IRA monies tax-free and your other beneficiaries would receive their inheritance from other assets. Here's how it might look:

	IRA TO HEIRS	IRA TO CHARITY
ESTATE	\$1,000,000	\$1,000,000
LESS AMOUNT TO CHARITY	( 100,000)	( 100,000)
BALANCE TO HEIRS	\$ 900,000	\$ 900,000
INCOME TAX COST TO HEIRS*	\$ 30,000	0

\* \$100,000 IRA distribution assuming 30% tax rate

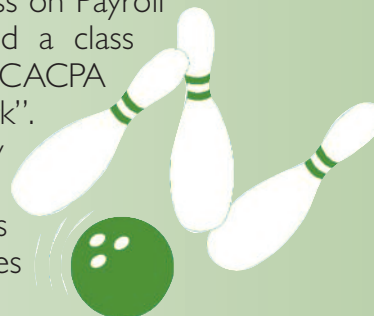
The charity gets the same amount and the heirs get more since they pay no tax on the IRA left to charity! And if you live a nice long life and your IRA value is depleted by the time you die, you can always designate a certain amount or percentage from your estate to the charity, so that your wishes will be fulfilled.

If you need help setting up your IRA, call Mary Vizer and she will be glad to assist you.

*Mary Vizer, Financial Advisor  
Securities offered through 1st Global Capital Corp. Member FINRA/SIPC  
Investment Advisory Services offered through 1st Global Advisors, Inc.*

handicaps, so that gave the “boys” a distinct advantage.

We have been busy catching up on our Continuing Professional Education. The accounting staff participated in a Webinar about 1031 Exchanges and Linda attended a class on Payroll Law last week. Lisa and David attended a class offered by our local chapter of the NCACPA entitled “Why People Are Crazy at Work”. We are not sure why they thought they needed that one. They went to find out more about themselves, but insist it was more about how different personality types interact.



# McFADYEN & SUMNER, CPAs PA

CERTIFIED PUBLIC ACCOUNTANTS

572 EXECUTIVE PLACE

FAYETTEVILLE, NC 28305

**We're on the Web!**  
**[www.mscpas.com](http://www.mscpas.com)**

Check out our website for financial calculators and archived newsletter articles.

On the Money is a publication of McFadyen and Sumner, CPAs PA, a full service firm. In this newsletter, you'll find tips and information designed to keep you in the money. McFadyen and Sumner, CPAs PA has 25 years of experience helping businesses and individuals improve their financial situation. If you would like to discuss the many ways our firm can help you or your business, please call. We would also like to hear from you if you have any comments or suggestions for On the Money.

PHONE: (910) 323-3100

FAX: (910) 485-6177

## Portal Services

Haven't tried the 1040 Portal yet? Shawn Olds offers the following comments on his experience with the 1040 Portal.

"Having moved overseas with continuous international travel, slow postal mail and uncertain locations can make securing my tax documents difficult. This portal provides me an ease of mind and virtual ability to secure my documents and information anytime I need them."

If you are interested in using the portal to access your tax documents, please let us know and we will make it happen.