

## USING SOCIAL MEDIA AS A MARKETING TOOL

Your first questions probably are – “what is social media marketing?” and “should I use it in my business?”. And, the accountant’s standard answer is “well, it depends. What do you hope to accomplish?”

Any marketing consultant will tell you that probably half of your advertising dollars are wasted. The old question is – which half? You may have used newspaper, direct mail, even radio or TV in the past. And now something called “social media marketing” comes along. As Bob Dylan used to sing, “the times they are a’changing”.

Just what is social media marketing? Think of it as a new set of online tools for talking with your current and prospective customers. Those tools might include a website for your company, as well as presence on sites like Facebook, LinkedIn, Twitter, or blogs and podcasts.

Before anything else, you need a marketing strategy. What do you hope to accomplish? Will social media marketing help you achieve your goals? Some of your goals might be

- to be found by prospective customers
- to be accessible to your customers
- to offer proactive customer service
- to establish yourself as an expert in your field
- to create brand awareness and maintain brand image

When considering social media marketing, the first rule is – don’t let the technology overwhelm you. But don’t bury your head in the sand. Many of us are computer

challenged, but there are individuals and companies out there who, for a very reasonable fee, will handle the mechanics of setting up and maintaining websites, and we can help you locate them.

If you decide to take the plunge, the first step usually is to set up a website. It can be as simple as an expanded business card. Who are you? What do you do? Where are you located? How can we assist you?

You can build on your website so that your users can initiate conversations with you, ask questions, make comments. You can respond. For example, you are going to Raleigh and would like to eat in an Italian restaurant. You do a Google search and find several that look interesting. Do you read the customer reviews and comments to help you make a decision? That’s an example of social media marketing.



Traditional forms of marketing, direct mail for example, are a one-way street, from you to your prospective customer. There is no immediate feedback. With social media marketing you have a new set of online tools for seller and customer to share and interact. It’s about shared experiences and developing a relationship with your customers. A dialogue. Immediate.

What is it that makes it effective? You might say that your message becomes a conversation, an honest dialogue. Personal interaction. Meet your customers. Let them interact with other customers. People would rather buy from people they know and like.

But, does it work? Recently, a client of our firm posted an upcoming workshop on their Facebook page, with no other publicity. The owner Using Social Media as

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expected maybe 10 or 15 participants. On that Saturday morning, over 80 people showed up, and many of them stayed on after the workshop to shop. It's powerful.

Should you consider using social media marketing? If so, how do you go about setting up an account? How do you maintain it? Who responds to questions and comments? Which social networking sites do you use? Facebook? LinkedIn? You Tube? Twitter?

We at McFadyen & Sumner have been social media marketing for a couple of years, and you may be familiar with our web page ([www.msccpas.com](http://www.msccpas.com)). For an example of Facebook communication, clicking on the Facebook logo in the lower right hand corner of our web page will take you directly to our Facebook page. As you will see, it includes pictures of our staff and events, information on tax changes as they occur during the year, and comments posted by clients.

Strategic planning services we offer for your business include helping you develop and implement your marketing plan, including social media marketing. Give us a call to discuss.

## EMPLOYEE OR INDEPENDENT CONTRACTOR?

The IRS is again stepping up efforts to detect employees misclassified as independent contractors. The financial penalties for this misclassification can be substantial. For unintentionally not withholding federal income taxes, the penalty is 1.5% of wages. This doubles to 3% if no 1099 was issued to the worker. For not withholding social security and medicare taxes, the penalty is 20% of the employee's share of the tax. Again this doubles to 40% if no 1099 was issued.

If the IRS determines the employer intentionally misclassified the worker, the employer becomes liable for 100% of federal income tax that should have been withheld and 100% of the employer and employee share of social security and medicare taxes. You may also have to retroactively pay employment benefits, such as retirement plan contributions.

How does the IRS select workers to test? If someone only receives one 1099 misc from one company and perhaps the same company for multiple years, there's a good chance this is actually an employee. We recommend you review your independent contractors to be certain they are not actually employees. We are here to help, so call us if you need assistance in resolving this issue.



### AROUND THE OFFICE

We would like to welcome the newest member of our staff, Kathy Koenig, (pronounced "Kaynig" in Wisconsin). Kathy has joined us as the administrator of the payroll and bookkeeping department (Small Business Services). She has 16 years prior experience

as an administrator for the City of Sheboygan, Wisconsin. She and her family moved to Hope Mills in June 2011, when her husband was transferred here by his employer. They have 2 boys ages 11 and 12 who love soccer, so Kathy can usually be found on the soccer field when she is not at work. We are very pleased to have her here and expect many of you will speak with her soon as she facilitates the workflow in the Small Business Services department.

As you can see from the photo above, David Maxwell's latest trip to visit his in-laws in Pennsylvania was an exciting one. He swears this is not a staged picture at a roadside stand, but a real fish he caught at Raystown Lake. This is a 36" 23 lb. striped bass. Looks like his father-in-law knows all the hot spots to fish.



## LET YOUR CHILD WORK FOR YOU

The average cost of raising a child from birth to age 18 these days is over \$225,000, not including the cost of a car or higher education.

Business owners have an opportunity, perfectly legitimate and legal, to mitigate some of those costs. The objective is to shift income from the parent to the child, so that it is taxed at the child's lower tax rate. How do we do this? By having the child work in the parent's business, which can also include residential or commercial rental properties.

For example, suppose a child starts at age 9 and works for 10 hours per week earning \$7 per hour, with the hours and wage rate gradually increasing each year. For the next 10 years, to age 18, there is the opportunity to shift maybe \$50,000 of income, which would be taxed at the parent's highest rate, to the child. Based on these assumptions, that's a potential tax savings of over \$17,000.

In addition, suppose the child begins at age 9 to contribute \$2,000 of his earnings each year to an IRA. Also suppose that he contributes for 10 years, after which he makes no more contributions. If investments in the

account earn an average of 5% annually, tax free, that generates a nest egg of over \$260,000 for the child at age 65. Compound interest is a wonderful law of finance.

Another option is to invest some of this tax savings in an education saving account for the eventual cost of higher education for the child.

You probably are aware that there are tax credits for higher education expenses. Those credits are phased out if the parent's income exceeds certain limits, in which case the credit is lost. For 2011 the upper limit (married filing joint) was \$122,000 for the Lifetime Learning credit and \$180,000 for the American Opportunity credit. In some cases where the child does have a tax liability, it may be beneficial for the parent not to claim the child as a dependent, but to let the child use the education credit to offset his tax liability. We can help you make that determination.

So what do the parents do with all this money saved over the years? Pay for college? Pay for a car? Pay for a wedding? Perhaps take a cruise to celebrate the fact that the kids are grown!

In all instances where children are working, you want to be sure you are following DOL child labor laws, so don't try to do this yourself. Call us and we can talk about these and other ideas concerning your children working for you.

Double congratulations are in store for Ashley Kitchen. She has passed all sections of the CPA exam (Go Ashley!) and now will be eligible to get her license as soon as she completes her master's degree next year. In addition to that, she is newly engaged to marry Matt Barrett. They plan a summer wedding next year.

We have completed the work for the September and October extended returns and are now finishing audits, attending CPE and gearing up for tax projections and our annual Holly Day Fair outing. We have selected our "Secret Santa" names and are ready to shop.

Our most recent lunch seminar was on Cash Flow Management for your business. Participants shared their experiences and successful strategies for

managing their cash. The session was informative and entertaining. Watch for notice of our year-end tax planning seminars. Hope to see you there!

**FYI** – In case you missed it, the City of Fayetteville has voted not to collect back privilege license fees from landlords. However, going forward, landlords and property managers will be required to pay a \$50 annual privilege license fee. This includes landlords who rent out only one property.

Active duty military are exempt from this fee. People who sell cosmetics and other catalogue items from their homes are also exempt from the privilege license fee.



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



## NEW LIMITS FOR 2012:

Defined contribution plan limit - \$50,000

Considered compensation  
for retirement plans - \$250,000

401(k) deferral limit - \$17,000 (catch-up \$5,500)

SIMPLE contribution limit - \$11,500 (catch-up \$2,500)

IRA contribution limit - \$5,000 (catch-up \$1,000)