

Trendlines

New Directions in Business and Personal Planning



Stop, Identity Thief!

Tactics for fighting this growing problem

Employee productivity down?

These affordable incentives can help

Donation dilemma: stock vs. cash

Plus!

Moneylines: News Briefs for Businesses and Individuals

OSHA toughens up, the IRS solicits criticism, and more ...



FEELEY & DRISCOLL, P.C.
Certified Public Accountants / Business Consultants

200 Portland Street, Boston, MA 02114-1709 • (617) 742-7788
154 Broad Street, P.O. Box 3158, Nashua, NH 03063-3158 • (603) 889-0444

www.fdepa.com



Not Feeling Like Yourself Lately?

Watch Out for Identity Theft — It's Worse Than Ever

Identity theft is now the fastest growing nonviolent crime in America, according to the Federal Trade Commission. And those afflicted spend an average of 175 to 200 hours trying to repair its damage, estimates the Federal Deposit Insurance Corporation. Read on to learn where this crime commonly occurs, how you can guard against it and what to do if an identity thief gets your number.

The Danger Zones

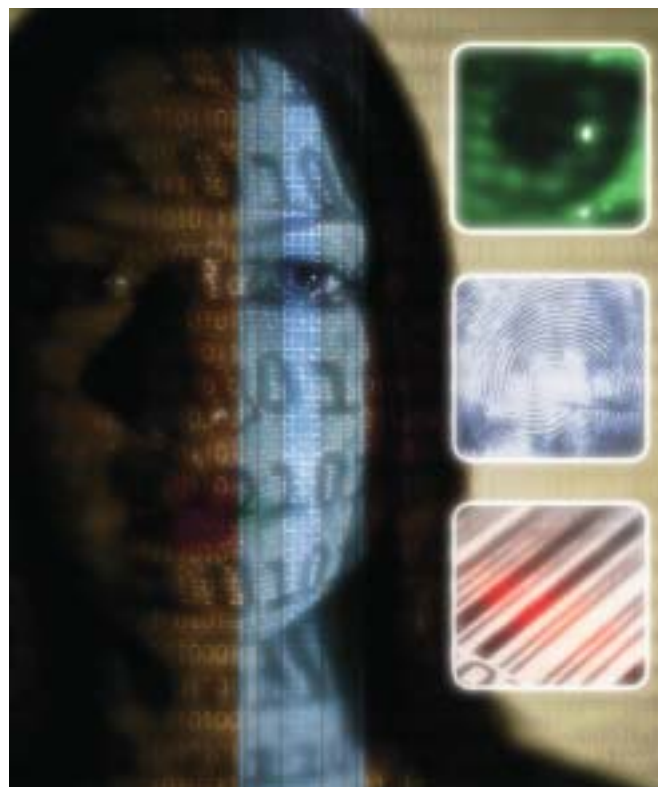
Identity theft is the criminal misuse of your personal information (such as name, address and Social Security number) for financial gain. Although it's probably existed for decades, this wrongdoing's recent rise to prominence is largely attributable to the Internet. Hackers can illegally access sensitive data stored on various Web sites and, with as little as a name and city of residence, they can also run online background checks on you. From there, a cybercreep may be able to acquire a credit card in your name or, if rejected, still set up a fraud scheme using your Social Security number.

But the Internet isn't the only danger zone. Identity theft can also originate from positions of (abused) authority — such as landlords, bosses and lending officers. Even potential employers may not be all they seem. Online career sites, such as Monster.com and HotJobs.com, have recently warned users of fake job listings posted to deceitfully gather personal information. Perpetrators also may run such a ruse with a conventional classified ad.

Other thieves just stick to old-fashioned methods. They may “shoulder surf,” standing nearby as you enter your personal identification number (PIN) into an ATM, type your password into a computer or disclose your credit card number over the phone. So-called “dumpster divers” stoop even lower, retrieving credit card slips and other documents from your trash and using them to divert your statement and run up massive charges.

Some Best Defenses

As the doorway to one's financial house, a Social Security number is a good place to start securing your identity. Guard these nine digits carefully — make sure they're not printed on anything someone could find or steal (even your driver's license), keep them off your checks, and don't give them to



anyone unless you initiated the transaction. If a merchant refuses to complete a sale without your Social Security number, walk away.

Also, photocopy your passport and every item in your wallet, front and back. Doing so will serve as proof of their existence (not to mention yours) and provide you with the phone numbers you'll need to call if victimized. Change your check-book, too. Put only your first and middle initials, along with your last name, on your checks.

That way, a thief won't know how you sign them — but your bank will. In addition, show your work phone number, instead of your home one, and a PO Box, if available.

Getting back to the Internet, don't share your last name or specific location with chat or e-mail partners. And look for Web sites with certification seals — icons denoting that the site has been affirmed secure by a qualified, objective certification entity. Last, choose passwords and PINs that thieves can't easily hack. That means no pet names or birth dates; use a combination of letters (which don't form a word) and numerals, and change them regularly.

4 Response Steps

Even if you employ the measures just mentioned and others, an identity thief may get to you. In that case, being prepared and responding quickly will keep a bad situation from getting worse. Here's what to do:

1. Call the cops. Many people are so concerned with canceling a credit card or stopping a check that they forget identity theft is, well, theft! Immediately file a report with your local police

Insuring Your Identity

It's a telling fact. Identity theft has become such a high-profile crime that insurers now offer policies specifically for it. Typically, they cover:

- ☞ Lost wages because of time you miss work to deal with identity theft, with some policies offering up to \$500 per week for four weeks,
- ☞ Notary and certified mailing costs for completing and delivering fraud affidavits,
- ☞ Fees for reapplying for loans that were declined because of erroneous credit information,
- ☞ Phone charges for calling merchants, financial institutions and law enforcement agents to discuss the incident, and
- ☞ Some attorney fees.

The insurance may function as a rider on your homeowner's policy (typically costing \$10 to \$60 a year) or as a standalone policy (generally \$50 to \$195 annually). Identity theft insurance may be a good idea as long as it's reasonably priced.

department, keeping a copy yourself. You'll need it for your records and for purposes we're about to explain.

2. Contact the credit bureaus. Call the three major credit bureaus and the Social Security Administration: Equifax (1.800.525.6285), Experian (1.888.397.3742), Trans Union (1.800.680.7289) and the Social Security Administration's fraud line (1.800.269.0271). Ask them to mark your file with a "fraud alert" to keep identity thieves from doing further harm. Follow up your call with a formal letter and a copy of the police report — certified, return receipt requested. Doing so will protect you legally should the credit agencies fail to expunge the crime from your record.

3. Tell your creditors. Inform your creditors that you've been the victim of identity theft. Follow up these phone calls with written statements — this is especially important with credit card companies, because the Fair Credit Billing Act specifies that you must state billing statement errors in writing. Also, close the affected accounts or at least change their passwords or PINs.

4. Document everything. Keep photocopies of correspondence and a log of phone conversations relating to the incident permanently — not just until the matter is resolved. Credit problems may come back to haunt you decades later. Also, remember that if a credit-reporting agency fails to satisfactorily resolve the problem within 45 days, refuses to investigate or has been negligent, the Fair Credit Reporting Act allows you to sue that agency.

A Societal Side Effect

Ultimately, identity theft is an unfortunate side effect of being an information-driven society. But you're far from helpless against this crime. For more prevention tips, visit the Federal Trade Commission's Web site at www.consumer.gov/idtheft. And for a more personal approach to protecting your finances, please call us. □



Lighting a Fire Without Burning Up the Budget

5 Employee Incentives To Consider

You can hardly blame your employees for being a little anxious this year. War, terror alerts and an economy that just can't seem to find its legs have left all of us somewhat uncertain. The problem is uncertainty leads to distraction — and distraction to sluggish productivity. How do you light a fire under your employees without burning up the budget? Well, doing so isn't as hard as you might think. Here are five ideas to consider.

1. Flextime (and Place)

Although not the most original idea, flextime remains among the most popular incentives. Moreover, companies are seeing as many as one-third of flextime employees promoted, allaying fears that it may hinder career advancement. Along with more flexible schedules, also consider off-site work arrangements (which include, but aren't limited to, telecommuting). These, too, are growing in popularity: More than 80% of employees already work off site or with

colleagues in different locations, according to WFD Consulting, a work-environment improvement and research firm.

Of course, flextime and off-site arrangements come with drawbacks. Many employees have found that flextime tends to increase their total work hours. Why? Because its lack of structure often leads workers to emphasize “putting in their time” rather than achieving results. And managers typically receive little to no training in handling off-site employees. So bear such potential negatives in mind when contemplating these incentives.

2. Mass-Transit Perks

The government allows employers to offer parking and mass-transit perks — in the latter case, either transit vouchers or transportation itself (such as a shared carpool van). Most employees may exclude from their gross incomes a maximum of \$190 a month — \$2,280 annually — for these benefits in

Companies are seeing as many as one-third of flextime employees promoted, allaying fears that it may hinder career advancement.

the aggregate. But if you can't directly distribute vouchers or similar items that employees can exchange for transit passes, workers may exclude from their incomes cash reimbursement for the mass transit. You may deduct (as a business expense) the value of qualified transportation benefits you provide.

For parking to qualify, it must be located on or near your business premises. This includes parking on or near the location from which your employees commute to work using mass transit, commuter highway vehicles or carpools. But parking at or near your employees' homes doesn't qualify.

3. Elder Care Benefits

To most employees, comprehensive benefits are no longer an incentive — they're an employment essential. But a timely, thoughtful addition to your package, which can serve as an incentive to more and more workers, is elder care benefits. About 20 million Baby Boomers (people born from



Moneylines: News Briefs for Businesses and Individuals

Survey says retirement-savings confidence wanes. Fewer people are sure they're ready for retirement, says the 2003 Retirement Confidence Survey. Conducted annually by the American Savings Education Council and market research firm Mathew Greenwald &

Associates Inc., the study reports that only 21% of workers are "very confident" they'll possess adequate retirement funds. That's a two percentage point drop from 2002, and the rating hasn't been lower since it hit 19% in 1996. Even more notably, nearly one-third of employees 45 and older predicted they'll have to retire at an older age than they previously had anticipated. □

OSHA steps up inspections, levies bigger fines. Increasing its efforts in recent years, the Occupational Safety and Health Administration (OSHA) conducted 1,093 more inspections in 2002 than it did in 2001. And its average penalty increased \$47 from 2001 to \$977 last year. Moreover, this year the Bush administration announced policy changes that bolster OSHA's ability to deal with problem businesses, allowing it to conduct more follow-up inspections and even use contempt of court orders to force noncompliant companies to act immediately. □

IRS now offers easier systemic advocacy program access. Got a problem with the IRS? Let it know! The Taxpayer Advocate Service Office of Systemic Advocacy has existed since May 2002 to provide "oversight and direction for identifying and analyzing systemic, procedural and operational problems," according to the agency. And the IRS recently announced that taxpayers can submit gripes and suggestions to its systemic advocacy program via the Web (www.irs.gov), e-mail (systemic.advocacy@irs.gov) or fax (202.622.3125). □

Employers may allow vacation-time 401(k) contributions. Many of your employees may lose their unused vacation time at year end — and are none the happier for it. Yet important business reasons exist for not allowing them to carry over substantial vacation time. What to do? In a private letter ruling, the IRS has offered a solution, allowing workers to place the cash equivalent of their time off into a 401(k) account. The contributions would not be subject to income, FICA or Medicare taxes. But if a disproportionate number of your highly paid employees follow this route, you may encounter difficulties with nondiscrimination rules. □

1946 through 1964) already face the challenge of caring for aging parents. And younger generations are quickly heading toward the same quandary.

Consider offering a leave policy that pays employees for time they take off to care for elderly parents or other relatives. Also look into short-term disability, supplemental insurance and flextime arrangements to this end. You might even be able to expand employees' medical coverage to include parents. Options such as these can mean the difference between a valued worker walking out the door or staying at his or her position. Admittedly, you may find the costs prohibitive, but you won't know for sure unless you conduct a thorough feasibility study.

4. Financial Advice

Not all incentives need to be as potentially complex as tracking flextime schedules or offering elder care benefits. One example: Hire a financial advisor to visit your office for your staff's benefit. He or she could set up a temporary workstation and meet individually with employees to confidentially discuss their financial planning needs.

Offering such a perk impresses workers on a couple of levels. First, it saves them time and relieves stress — and that promotes job focus.



Second, offering financial advice shows them that you care about their well-being, which encourages loyalty. And it's not that expensive; one small business reports spending only about \$3,000 on this incentive. Just be sure you cover yourself legally, clarifying with employees that you are not liable for any shortcomings or misfortunes that occur as a result of the advice.

5. Performance Awards

Don't forget to make some incentives just plain fun. Handing out quarterly or annual performance awards in a relaxed, social setting can recognize go-getters and give other employees something to strive for. Consider putting a creative spin on the event, too, by personalizing each award to the person receiving it. For example, someone who endures many challenges and still does a great job could receive the "Survivor Award."

Again, an incentive of this nature can have long-term productivity benefits at a minimal cost. Engraved plaques typically run less than \$100 each. Throw in a \$50 gift certificate to a local restaurant and you've got an affordable perk that employees will proudly display on their office or cubicle walls and share with loved ones. The danger? Well, workers' competitive instincts may sometimes get the better of them. So make sure you're not inadvertently reducing teamwork, rewarding the wrong employees or ignoring some staffers' accomplishments in favor of others.

Good Times, Bad Times

Incentives never go out of style. During good times, you can use them to celebrate your successes and keep your company rolling. And during bad times, they serve as morale boosters and reassurance that you value your work force and intend to soldier through whatever hardships you face. Need to inspire your staff but aren't sure how to do so affordably? Please give us a call; we can find some cost-effective solutions for you. ■

Know Your Circumstances When Donating Stock to Charity

Twin sisters Thelma and Velma recently got into a heated discussion about charitable contributions. Thelma insisted that donating stock to charity was more trouble than it was worth, and one was better off just donating cash or at least selling the stock and giving away the proceeds. But Velma argued that donating securities directly was always the better option. The sisters took the dispute to their financial professional, who clarified the matter considerably.

Their advisor tactfully informed the sisters that they were both right, depending on the circumstances. Velma's argument is correct when donating *appreciated* stock. Doing so allows the giver to increase his or her tax delights while doing a good deed. How so? By contributing stock rather than cash (or the cash proceeds of a stock sale), you still receive a tax deduction equal to the securities' fair market value, just as if you had sold them and contributed the cash. But neither you nor the charity has to pay capital gains tax on the appreciation. So you not only get the deduction, but also dodge a capital gains hit. Bear in mind, though, that you may deduct appreciated stock contributions only up to 30% of your adjusted gross income. And if you already have more capital losses than you can currently use, you may not benefit until future years when you can use your losses.

Here's an example: Thelma and Velma both bought \$5,000 in shares of Wonder Widget Inc. in 1998. Each sister's investment has now grown to \$20,000. Sticking to her guns, Thelma sells her stock and realizes a \$15,000 gain. After paying \$2,250 in federal taxes at the 15% new long-term capital gains rate, she donates the remaining \$17,750 to charity and, being in the 28% tax bracket, saves \$4,970 in taxes.

Meanwhile, Velma donates her \$20,000 shares directly to charity, pays no capital gains tax and may fully deduct the contribution. She, too, is in the 28% tax bracket, but realizes a greater savings of \$5,600. Ultimately, Velma donated \$2,250 more to charity (doing greater good) and saved \$630

more in taxes than her sister. Alternatively, Velma could have donated the same amount (\$17,750) as her sister and kept (or sold) the remaining \$2,250 worth of stock.

Treat Declines Differently

Of course, the preceding example (as well as most discussions about donating securities) assumes that the stock has appreciated. Does Velma's argument still hold up if her securities have declined in value?

Not so much. Again assuming the sisters each bought \$5,000 in Wonder Widget stock, let's say it's now worth only \$3,000. In this case, their respective charitable deductions would be limited to \$3,000. And they wouldn't earn a capital loss by giving the stock to charity. So here Thelma's argument carries the day. Each sister should sell her depreciated stock, deduct the resulting \$2,000 capital loss or offset other capital gains and give the deductible proceeds to charity. Each one would save at least \$300 in taxes, while benefiting the charity just as much as if she had donated the stock.



Give Freely, Within Reason

Remember, you must have owned the security for at least one year to qualify for the full charitable deduction. Otherwise, your deduction is limited to the stock's original price. Also, make sure your charity of choice is a 501(c)(3) organization or the IRS will disqualify your deduction. Despite these

challenges, giving freely is both admirable and a great way to lower your tax bill. But do so within reason — remember Thelma and Velma's arguments and know how to best donate before you seal the deal. Please call us; we can help you with all your charitable giving and tax planning needs. □

Get online with the one CPA/Consulting Firm that thinks outside the lines to find the right business solutions to improve your bottom line.



www.fdcpa.com



FEELEY & DRISCOLL, P.C.
Certified Public Accountants/Business Consultants

200 Portland Street
Boston, MA 02114-1709

PRSR STD
U.S. Postage
PAID
Permit No. 56243
Boston, MA

ADDRESS SERVICE REQUESTED