

KRD Client News

WINTER 2015/2016

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KRD PROFILE:

Two Sisters Step Up to Build a Successful Business



Bales Metal Surface Solutions — founded in 1978 as Bales Mold Service by Steve and Mike Bales — has been a respected fixture of the Chicago area's robust manufacturing industry, headquartered in suburban Downers Grove. The company provides innovative and dependable surface coating, polishing, and related services for a diverse array of businesses throughout the United States. In 2009 the company went through a significant and unexpected transition due to the sudden passing of Steve Bales, with the ownership transferring to his daughters Stacey Bales and Sara Mortensen, who assumed the roles of President and Vice President, respectively. Despite having grown up in and around the family business, both women say that taking on leadership roles hadn't initially been part of their long-term plans.

"It was the right thing to do," Mortensen says. "It was important that we stepped up to make sure things stayed running... that the employees still had work to go to." Bales agrees, noting that the timing of the transition was within the grim early days of the global economic downturn. "We had to right the ship. We needed advisors who could provide more guidance. We changed over to new accountants, new attorneys, and a new bank."

Although their tenure as owners began as crisis management, Bales and Mortensen have made great strides in moving the company forward in the past six years. They give a great deal of credit to their father's business principles, which they have worked to maintain and expand upon. "We stand behind our work and honesty, and let the quality speak for itself," Bales says. "We try to do what's right by the customer." Mortensen adds that their father had "a great knack" for anticipating customers' future needs, and this fueled the company's drive towards developing new products and services such as their patented nickel-based coatings.

Their own innovations have included a vigorous campaign to make the company more environmentally friendly. Among the improvements were the addition of solar tracking skylights, gas meters to monitor and reduce consumption, and the adoption of a "closed loop" model that reduces their waste output into the community system to zero. For their efforts, in 2013 the company was awarded Downers Grove's first-ever Green Business Award. "For a chemical-based company such as ours," Mortensen observes, "that's pretty extraordinary."

Bales and Mortensen continue to develop and implement new strategies designed to both honor the legacy of the company and give it their own personal imprint. In 2015 they spearheaded a campaign to update the company's brand and marketing, which involved renaming the company and overhauling the website to give it more user-friendliness. They are taking steps to continue diversifying the industries they serve. "We're going to keep growing sales, expanding into the medical industry, and working with customers to figure out the next coating they need," Bales says. "We're also looking into getting our aerospace certifications, to go after those contracts."

Both women offer the highest praise for the work that Allen Kutchins and Jonathan Gozdal have done to help them through both the 2009 transition and beyond. "Having them in the room helped immensely while we were changing our bank," Mortensen recalls. Bales adds that they had been considering six different accounting firms at the time, but that KRD stood out for their willingness to help them understand their new concerns as business owners. "Al has been great to work with," she says. "We sit down once a quarter and go through our finances, talk about where we're going. We didn't even have that during our dad's time."

KRD is proud of the work we've done to help Bales Metal Surface Solutions weather a difficult period and emerge stronger than ever under the leadership of Bales and Mortensen. We look forward to providing more such service in the future. ■



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Tax Planning is Important to Start at the Beginning of Each Year



Despite tax law uncertainties from year to year keeping tabs on your taxable income is important given today's high top tax rates and additional taxes on net investment income.

Effective tax planning requires consideration of more than one year. These are some highlights for tax savings ideas. As always, you can call on us to help you sort through the options and implement strategies that make sense for you.

- Maximize the Benefit of the Standard Deduction.
- Make Charitable Gifts of Appreciated Stock.
- Don't Lose a Charitable Deduction for Lack of Paperwork.
- Maximize Contributions to 401(k) Plans.
- Adjust Your Federal Income Tax Withholding.
- Harvest Capital Losses.
- Secure a Deduction for Nearly Worthless Securities.
- Evaluate Inventory for Damaged or Obsolete Items.
- Research & Development Tax Credit Permanently Extended.
- Set up Tax-favored Retirement Plan.
- Check Your Partnership and S Corp Stock Basis.
- Employ Your Child.
- Assure Adequate Health Insurance Coverage.
- Take Advantage of Flexible Spending Accounts.
- Consider a Health Savings Account (HSA).
- Take Required Retirement Distributions.
- Evaluate End of Year Distributions.
- Be Careful of Alternative Minimum Tax.
- Estate Tax Planning.
- Additional Child Tax Credit.

For more details on these tax savings and the tax extensions, read **2015 Year End Tax Planning Strategies**; visit www.krdcpas.com
TIPS/NEWS/EVENTS ■

Are You a Great Manager? Compare Yourself to this Checklist

Becoming a great manager requires honest self-analysis and periodic reassessments. The following checklist was designed to guide you in that analysis. Use it to take stock of your people skills. Be honest with yourself.



- 1. Guide, don't control.** Don't take a completely hands-off approach, but don't micromanage either. Explain what needs to be done, but don't dictate exactly how you want it done.
- 2. Utilize employees' strengths.** All of your employees have something to offer. Identify, recognize and cultivate their specific skills.
- 3. Empower employees.** Give them the tools they need to succeed and the opportunities to learn new skills.
- 4. Trust.** Don't second-guess your employees' abilities. Believe that you hired good personnel.
- 5. Take an active interest in employees as individuals.** Inquire about their families and hobbies. Remember their birthdays. Offer condolences when necessary.
- 6. Offer praise.** Be quick to give a compliment for a job well done.
- 7. Respect employees.** Your position of authority doesn't excuse belittling, abusing or humiliating workers, no matter how unintentional. Check that your tone isn't condescending or parental, especially when giving instructions or critiques.
- 8. Admit shortcomings and ask for help.** There is no shame in admitting to an employee that they are more skilled in a particular area than you. Asking for help shows that you respect the employee's knowledge.
- 9. Have integrity.** Avoid a "do as I say and not as I do" attitude. Hold yourself to the same standards to which you hold employees. Give credit where credit is due. For instance, if you use an idea from an employee in a proposal you submit to your boss, give the employee credit.
- 10. Learn from your mistakes.** It's not enough to admit when you make mistakes. Learn not to repeat them. Otherwise, employees are going to consider your admissions of error and accompanying apologies as nothing more than lip service.

Test yourself on the balance of the list in our next newsletter...

The Manager's Handbook:

Solutions to the 8 Main Management Headaches ■

KRD Volunteers at Feed My Starving Children – CPA Day of Service

Feed My Starving Children (FMSC) is a non-profit organization empowering volunteers to pack meals for the malnourished in nearly 70 countries. Our team helped pack 289 cartons which feeds 170 children for an entire year. It was a fun and rewarding day for everyone!



Social Security Opportunities



Two key filing strategies to maximize Social Security benefits – “**file and suspend**” and “**restricted application**” – will expire on April 29, 2016. However, for those who are at least 66 or who will turn 66 by April 30, 2016, the opportunity is still available. Hurry, it may take at least a month to get an appointment with the Social Security Administration.

File and Suspend – By using the file-and-suspend strategy, you can allow another family member to claim a benefit based on your earnings record, while at the same time allowing your own benefit to continue to compound and grow.

Example: Read about Allen and Genie Kutchins’ “file and suspend” experience, visit www.krdcpas.com – and click the tab: TIPS/NEWS/EVENTS

Restricted Application – This is another popular strategy for couples. Restricted application takes place when someone who is full retirement age applies for spousal benefits only and delays his or her own benefits allowing them to grow 8 percent a year. Couples who want to maximize the higher earner’s benefits might use this strategy to receive some income while they wait for the higher payout to grow. You can do this while implementing file and suspend for your own benefits - or on its own.

Example: Jack and Shelley are both full retirement age of 66. She’s eligible for a \$700 monthly payment; Jack is eligible for \$1,500. Jack can apply for a restricted application and receive \$350 a month in spousal benefits immediately while waiting until 70 to apply for his own benefit. Together they’ll receive \$1,050 in monthly income while they wait for Jack’s higher payout, which will total \$1,980 when he reaches 70.

If you are eligible, investigate both strategies. Talk to your financial professional or call us to look at how Social Security fits into your overall retirement plan and how to maximize your benefits.

If you are already utilizing either strategy, you will be grandfathered when it expires. ■

There’s Still Time for your Roth IRA Contribution for 2015

Contribution Limits

Tax Year	Maximum Contribution (if under 50)	Maximum Contribution (if over age 50)
2015	\$5,500	\$6,500

Contribution Deadline for 2015 is 4/15/2016



- Earned income is required to make **Roth IRA contributions**. An individual can contribute 100% of their earned income up to the contribution limit. Earned income is generally defined as income from wages, salaries, tips, or other taxable employee pay. It does not include interest or dividend income, retirement income, social security, unemployment, child support or alimony.
- The AGI phase-out range for taxpayers making **contributions** to a **Roth IRA** in 2015 is \$183,000 to \$193,000 for married couples filing jointly. For singles and heads of household, the income phase-out range in 2015 is \$116,000 to \$131,000.
- For a married individual filing a separate return, the phase-out range is not subject to an annual cost-of-living adjustment and remains \$0 to \$10,000.
- Contributions to a **Roth IRA** are not tax deductible.
- Contribute to a **Roth IRA** at any age.
- The IRA contribution limit does not apply to rollovers, transfers, and qualified reservist repayments.

The 2016 **Roth IRA Contribution Limits** will remain the same as 2015. However, the AGI limit will be slightly higher in 2016: Single \$117,000 - \$132,000; and Married Filing Jointly \$184,000 - \$194,000. ■

International Corner

The **2015 GGI World Conference**, once again, created a warm energy amongst delegates reconnecting from all over the world. Correspondingly, it provided valuable shared information within the practice group meetings, member run workshops and specialized sessions. The featured topic: “**How to Build an Accountable Society**” was a popular worldwide topic.

GGI is a worldwide alliance of well-established and experienced accounting, consulting and law firms that provide clients with solutions for international business requirements. KRD utilizes our membership to benefit our international clients and those considering international trade.

Let us know if we can be assistance to your organization.

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Tax Extenders Continue to Provide Tax Advantages



Congress recently passed the tax extenders for the 2015 year (yes, 2015). Sound familiar on the timing – we experienced this in 2014 and 2012.

This extender package proves to be no ordinary package; rather it added some much needed permanency to the Code. As a taxpayer you can proceed with some certainty regarding these tax benefits, rather than debating whether they will be extended another year.

The extenders:

The American Opportunity Tax Credit (AOTC). This allows a credit of up to \$2,500 for four years of post-secondary education. The new law makes the AOTC permanent.

State and local general sales taxes. This provision allows an itemized deduction for state and local general sales taxes instead of state and local income taxes. The new law makes the provision permanent.

Qualified leasehold improvements, restaurant buildings and improvements, and retail buildings and improvements. Recovery periods for qualified leasehold improvements, restaurant buildings and improvements, and retail buildings and improvements were temporarily set at 15 years under extender legislation instead of requiring longer recovery periods. The 15-year recovery period for these assets was made permanent.

Enhanced Section 179 expense. A temporary Section 179 expense limit of \$500,000 and investment limit of \$2 million before phase-out was made permanent. Note: Beginning in 2016, the \$250,000 cap on the Section 179 expense for qualified real property was eliminated. The provision allowing a Section 179 expense for off-the-shelf computer software was also made permanent.

Special depreciation allowance. This provision extends the special depreciation allowance for new property acquired and placed in service during 2015 through 2019. The special depreciation percentage is 50% for property placed in service during 2015, 2016, and 2017, and phases down to 40% in 2018, and 30% in 2019.

Discharge of principal residence indebtedness. This provision which allows exclusion from income for discharge of qualified principal residence indebtedness was extended through 2016.

Itemized deduction for mortgage insurance premiums. This provision which allows mortgage insurance premiums to be deducted as an itemized deduction was extended through 2016.

Tuition and fees deduction. This provision which allows an above-the-line deduction for tuition and fees paid for the taxpayer, spouse, or dependents and claimed as an adjustment to income, was extended through 2016.

Nonbusiness energy property. The credit for purchases of nonbusiness energy property was extended through 2016. ■



From All of Us at KRd



Congratulations!

Bruce Robbins

KRD Partner

*On his transition from less working hours
to more time with his family and friends!*