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Client Information Bulletin

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10 Ways to Be a Better Leader

Practical ideas for improvement

Although you may own or manage a small business, are you a true leader? Not everyone can rightfully claim that title. After you take a closer look, you may want to consider these 10 practical suggestions to improve yourself.

1. Get organized. Disorganization often leads to chaos in the office. If you find yourself running amok, the business will not be able to operate smoothly. When you are organized, you can expect more productivity from everyone else.

2. Lead by example. It might be what you do, rather than what you say, that really counts. For instance, you will have less impact if you are hardly ever around the office or you always work behind closed doors. Get out front and show the staff what you can do. Do not hesitate to roll up your sleeves and take on some of the work yourself.

3. Show passion. How can you expect employees to be excited about coming to work if you are not? Inspire others to perform better through your own enthusiasm. That does not necessarily mean you always have to be a cheerleader, but you should demonstrate that you believe in the company's mission and objectives.

4. Put it in writing. Don't expect your staffers to remember all the instructions you shout out during the

workday. When the situation calls for it, provide written guidelines they can refer to easily.

5. Delegate. You cannot do everything at your company at all times. Concentrate on what is most important to the business, and assign other tasks and responsibilities. Let employees take ownership of certain projects that are suited for them, and let them run with it.

6. Practice what you preach. If you tell others not to do something and then you do it yourself, you are sending the wrong message to your staff. Stick to your own principles.

7. Communicate. Of course, every manager knows the importance of communicating, but many forget to do it—or they only pay it lip service. Remember that employees are not mind readers.

8. Listen. Part of being a good communicator is being a great listener. A leader should not do all the talking. Keeping people motivated means listening to them, asking them questions and understanding the issues.

9. Be upfront. Sometimes you have to be the bearer of bad news. Do not shirk your responsibilities. Tackle problems head-on, and do your best to resolve them. You might have to weather some hard looks or eye rolls for a short time, but in the end the

Inside

IRS Allows Self-certified Rollover Waivers

Teach Your Children About Roth IRAs

Should You Join in Crowdfunding?

Adding a Prenup to Your Estate Plan

Facts and Figures

staff will respect you more for it. Don't try to hide from confrontations. Eventually, they will find you anyway.

10. Get to know the staff. Find out what makes your employees tick. What are their lives like outside of work? Keep track of events such as birthdays, marriages, births

and graduations, and mention them to workers. This will help you strengthen your relationships.

Make a conscious effort to provide the leadership that is needed in the workplace. The start of the new year is a good time to increase your efforts.

IRS Allows Self-certified Rollover Waivers

New waiver procedure approved

The penalty for failing to complete an IRA or a plan rollover in time can be severe. Unless you obtain a waiver from the IRS, the transfer is treated as a taxable distribution even if the failure is inadvertent. However, a new ruling provides some taxpayers with relief.

Background: If you take a withdrawal from an IRA or a qualified plan, you are generally taxed on the amount withdrawn unless you roll over the distribution to another IRA or qualified plan within 60 days. In addition, a 10% penalty may apply to the taxable portion for withdrawals made prior to age 59½, unless a special exception applies. The 60-day period begins on the date the funds are received or electronically transferred to your bank account.

If you use a direct "trustee-to-trustee transfer," you do not have to worry about 60 days elapsing, and the



transfer is not subject to income tax withholding. This is the simplest approach, but you may have immediate needs for the funds.

The next best thing to do is ensure that you complete the rollover within the allotted 60 days. But that is not always possible, or it just might slip your mind. At other times, a delay might be caused by an extenuating circumstance. In certain situations, you may request a waiver, but in the past the waiver had to be approved by the IRS in a private letter ruling.

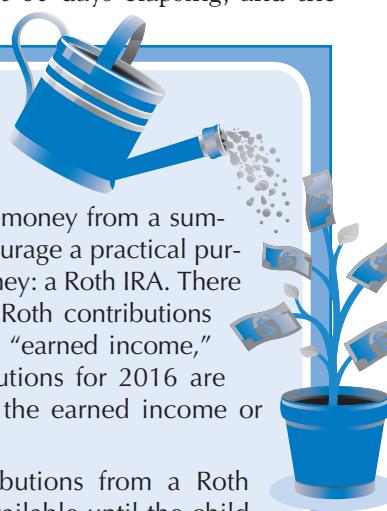
In 2003, the IRS established specific rules for obtaining such waivers and indicated the factors to be considered in its determination. It also approved an automatic waiver procedure for occasions when the failure to complete a timely rollover was attributable to an error by a financial institution.

Now the IRS says in the new ruling that you may be able to self-certify a waiver by sending a written letter to a plan administrator or an IRA trustee, custodian or issuer. For this purpose, the IRS has created a "model letter" that taxpayers may utilize. Alternatively, you can adapt a letter with similar language.

To qualify for the self-certification, the following three conditions must be met:

1. The IRS cannot have previously denied a waiver request with respect to a rollover of all or part of the distribution.
2. The failure to complete the rollover must be due to one or more of the factors specified by the IRS, including a death, disability, hospitalization, incarceration, restriction by a foreign country, postal error or error by a financial institution.

Teach Your Children About Roth IRAs



If your teenager earned money from a summer job, you might encourage a practical purpose for some of the money: a Roth IRA. There is no age restriction on Roth contributions as long as the child has "earned income," such as wages. Contributions for 2016 are limited to the lesser of the earned income or \$5,500.

Although tax-free distributions from a Roth IRA generally are not available until the child turns age 59½, these amounts may grow into a sizable nest egg. Also, tax-free withdrawals may be allowed due to disability or for a first-time home purchase (up to \$10,000). Finally, your child will learn a valuable lesson about retirement saving.

3. The rollover must be completed as soon as possible. Once the reason for missing the deadline no longer exists, you have 30 days to meet the obligation.

This can be the ace up your sleeve if you miss the deadline for a rollover and you qualify under the rules stated above. Nevertheless, it is best to avoid complications, when possible.

Should You Join in Crowdfunding?

Modern means for startups

Do you need an influx of cash to launch a business venture devoted to your personal passion? You can do things the old-fashioned way and issue an initial public offering (IPO) for review by prospective investors. Although IPOs remain viable for some types of businesses, especially larger ones, they can cost time and money, not to mention the hassles. Alternatively, you might do things the “modern way” by raising the cash you need through crowdfunding.

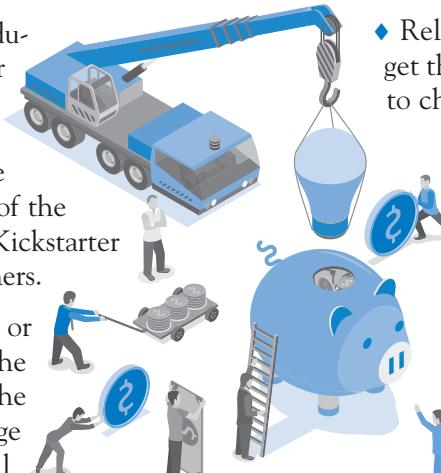
How it works: You try to entice individuals to contribute small amounts to your cause. In other words, you solicit funds from a large crowd. Typically, the venture is initiated through one of the online portals available on the Internet. Some of the most popular Web sites are GoFundMe, Kickstarter and Indiegogo, but there are dozens of others.

The contributions may be as small as \$5 or \$10, or as large as \$100 or even more. The trick is to focus on the quantity, not the quality. For instance, if you can encourage thousands of donors to contribute, you’ll likely have a tidy sum to help your business get up and running. Sometimes entrepreneurs offer perks or trinkets in return.

There are other variations on this basic theme. For instance, in some cases, loans or “royalty financing” may be arranged. The idea behind royalty financing sites is to link your business with investors who lend money for a guaranteed percentage of revenue from sales of goods or services.

For many entrepreneurs, the best-case scenario is to have investors actually acquire shares or an ownership stake in the company. In essence, this is like having a mini-IPO, but without the usual obstacles.

Previously, a company using the crowdfunding method was required to meet strict reporting requirements if it attracted more than 500 shareholders. But the Jumpstart Our Business Startups (JOBS) Act of 2012 increased the limit to 2,000 shareholders. In addition, new startups can



offer securities worth up to \$1 million under the JOBS Act. These and other modifications have increased the popularity of crowdfunding.

The Securities and Exchange Commission (SEC) oversees these types of investment activities. In 2015, the SEC released the latest regulations pertaining to crowdfunding.

Before you get started, consider the following suggestions to enhance a crowdfunding effort:

- ◆ Rely on friends and family members to help get the ball rolling by urging others they know to chip in.
- ◆ If you are giving out swag in exchange for contributions, try to make it something desirable to a large number of people.
- ◆ Create a business plan to show you are a serious entrepreneur.
- ◆ Use technology (e.g., a video) to make your points.
- ◆ Demonstrate that you are committed by putting up some of your own money.
- ◆ Finish your presentation with a call to action.

The tax rules for crowdfunding are still evolving. In a new information letter, the IRS says that crowdfunding revenue is generally taxable income if it is not a loan that must be repaid, a capital contribution made in exchange for an equity interest or a gift made out of detached generosity. See your professional tax adviser for more details.

Give Us A Call!

*Do you have any questions or comments about **Client Information Bulletin** or your individual situation? Please do not hesitate to contact our office. We would be glad to serve you in any way we can.*



Adding a Prenup to Your Estate Plan

Key component for wealth protection

Are nuptials on the way? Suppose that you are going to be married soon. Perhaps it's a second or even third marriage. Or maybe another family member—for example, a son or daughter, or a grandchild—will be the one walking down the aisle. In any event, it should be a blissful occasion.

But you cannot ignore reality. With so many marriages in this country ending up in divorce, it is worthwhile to consider the use of a prenuptial agreement ("prenup" for short) for protection, especially when one of your long-term objectives is to preserve assets for the descendants of a prior marriage. This is increasingly becoming commonplace in estate planning.

Background: Essentially, a prenuptial agreement is a legally binding contract between an intended bride and groom. The contract lists each person's personal and real property and outlines a plan for distribution of that property in the event that the marriage does not work out.

It may seem unromantic or miserly for an engaged person or couple to take steps that will provide for an orderly divorce. But it is a fact that close to half of all marriages entered into today end in divorce. A prenuptial agreement actually may lessen the pain and suffering in the long haul. It can also offer financial protection to



children of a prior marriage. For these reasons, prenups no longer have the same stigma that was attached to them in the past.

Usually, a prenuptial agreement can be prepared in about the same time it takes to prepare a will. As with a will, the agreement ensures that your property will be distributed in the manner you desire. In effect, this is a form of "marriage insurance."

The foundation of a successful prenuptial agreement is full disclosure of all assets. Both parties must be meticulous in listing everything of value that they own or in which they have an interest. Once that is done, the parties must agree on a fair distribution of these items after divorce. In many cases, particularly second and third marriages, the prevailing philosophy is "what's mine is mine and what's yours is yours."

However, where the respective wealth of the parties is substantially unequal, some compromise may be necessary. **Reason:** In some states, the assets of both parties are put into the same "pot" upon divorce. The couple then splits the assets equally. Thus, one spouse could walk away with substantially more than he or she had when the marriage began.

Reminder: For most people, this is not a do-it-yourself proposition. Consult an experienced legal adviser to create a document that reflects your personal needs and desires.

Facts and Figures

Timely points of particular interest

→ **Tax Return Reminders**—The due date for filing partnership tax returns has moved to March 15, while the deadline for C corporations has changed to April 15. (Deadlines are pushed out to the next business day for holidays and weekends.) The changes take effect for 2016 returns.

→ **Resigning Times**—Can you require an employee who is resigning to stay with your company? It depends. If there is a contract, the employee may be legally bound to fulfill it. However, there is no restriction for at-will employees. If it makes sense, you might try to convince the employee to stay voluntarily.

Happy Holidays

Our firm would like to wish you and your family a happy holiday season and a healthy and prosperous New Year.