



Paul Rafanello, CPA, PLLC Newsletter ISSN #1556-9497 News  
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**Dear Paul,**

Seems like the summer is just flying by! Lot's of news this month - read below!

### This month:

- Eliminate Alternative Minimum Tax!
- SIMPLE IRA's
- Quickbooks Seminars
- Words To Live By
- Re-examining the Role of Life Insurance as Part of a Sound Financial Strategy
- Write an article for my E-Zine

### SIMPLE IRA's



An employee may defer up to \$10,000 for 2005. Employees age 50 or over can make a catch-up contribution of up to \$2,000 for

2005. The salary reduction contributions under a SIMPLE IRA plan are "elective deferrals" that count toward the overall annual limit on elective deferrals an employee may make to this and other plans that permitting elective deferrals.

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### Quickbooks Seminars

September/October - I am in the processing of setting up classes for QuickBooks® in both Orange and Rockland counties. Check back at this space for when more information becomes available. The first classes will be held in Rockland. I'm in the process of setting up two QuickBooks® classes to be held in Orangeburg, NY, just off Exit 6 from the Palisades Parkway. The first course will be for beginners, while the second will be for intermediate uses. I'm also thinking about holding an advanced course aimed at CPA's.



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### Words To Live By

When you want to find out more about a professional such

## Eliminate Alternative Minimum Tax!



Alternative Minimum Tax (AMT) was placed into law back in 1969 when an estimated 200 wealthy taxpayers paid no income tax. Congress responded by putting AMT into law. Congress wanted to make sure that wealthy taxpayers' pay some tax. When individual taxpayers' calculate their annual tax, a separate AMT calculation must be made, and then the taxpayer pays the higher of the two. Bush's tax cuts of 2002 have had the unintended effect of putting more ordinary folks into AMT. For AMT purposes, deductions for dependents, state & local taxes, and other itemized deductions.

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as Certified Financial Planner or Lawyer, what should you do? Malcolm Gladwell offers these two tips: spend 1 hour talking to them and spend 5 minutes talking to one of their clients. Malcolm calls these two methods "thick slicing" and "thin slicing."

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## Re-examining the Role of Life Insurance as Part of a Sound Financial Strategy

While the 1990s were for many a time of economic prosperity, with a buildup of wealth, the 2000s are for many a time of diversification, with a call for protection. Certainly, economic and world events have caused many of us to refocus on a larger and more challenging financial picture. In fact, a series of studies conducted by Northwestern Mutual reveal that one in three people feel an increased need for guidance from financial professionals who see the need for diversification as a means of better managing all risk factors. However, how many financial professionals are suggesting that their clients take a second look at an old reliable tool – life insurance – as an essential element for a sound financial plan? Indeed, the biggest issue with life insurance is the tendency to oversimplify the whole process of buying life insurance. Some experts suggest term or life, followed by advising them to go term. While this is neither right nor wrong, it does shortchange buying life insurance. As a commodity, life insurance is not simply one way or another; it's not like buying a book online or ordering French fries at a drive-thru window. Instead, life insurance needs to individualize per the needs of clients. There are issues of how much insurance clients need, how long they need it for, how to format the actual contract (types and combination of types that best fit needs), how needs will change, and to what extent clients are prepared to pay for premiums over time. Re-examining the Role of Life Insurance It follows that a client's life insurance policy should reflect a client's individual needs. There are no one-size-fits-all solutions when planning for financial security. For some this could mean term life insurance; for others, this could mean permanent life insurance. For others, still, this could mean a blended policy of both term and permanent insurance, or a combination of several types. Whenever clients get into issues of term or permanent, it's important to understand the fundamentals. With permanent insurance, at the time of a client's death insurance proceeds go to the beneficiaries, as long as the premiums continue to be paid. Permanent insurance has level premiums and a cash value that grows on a tax-deferred basis. Term insurance, on the other hand, provides a payout only if a client death occurs within a certain time. The premiums typically increase each time the policy is renewed and there are no cash values with term. Point in fact, while premiums start out low for term insurance, when comparing with a permanent policy, the net cost may be eventually lower with the permanent plan. Human nature also plays a big factor in the issue of whether it's better to buy a term or permanent policy. Many financial "experts" recommend to people in the market for life insurance that they buy term and invest the rest. Unfortunately, while people have good intentions

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about investing many will buy term and not invest the rest. Statistics show that only 14 percent of those owning term insurance actually invest all the money they save in premiums every year. Considering life insurance as the foundation of a most conservative element to a financial plan is important; that the money is safe, no matter what may be of either the economic cycle or climate. Life insurance as a conservative element to a financial plan needs also to decide on the right amount. How much is enough life insurance swings back to individual needs. As soon as they reach a decided amount and type of plan, after factoring timetable and budget, they will have a workable insurance plan. Re-examining the Role of Life Insurance Good financial representatives will show clients how to consider life insurance as part of their planning strategy. They will help clients understand their insurance needs and help them identify what products offer the best and most innovative solutions to their particular situation. Rather than push a product, good financial representatives will take these important steps:

- Ask questions about client goals and objectives as well as long and short-term needs.
- Analyze the information to determine the feasibility of these goals, objectives and needs.
- Prepare a plan.
- Make a recommendation.
- Provide good service year after year by showing how the plan is performing relative to objectives.

Obtaining a sound financial insurance plan means having a long-term relationship. PULLOUT: Indeed, the biggest issue with life insurance is the tendency to oversimplify the whole process of buying life insurance.

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### Write an article for my E-Zine

This month, I have an article from Robert Sherwood Theodore. Would you like to write an article for my e-zine? Feel free to contact me.

### Quickbooks Training



Need help with QuickBooks®? Not sure which version to purchase for your business? Let me show you the way. I am a QuickBooks® Pro Advisor, and have trained clients since 1992 when it was a DOS program. Most of my new engagements occur when I am brought in to clean up a client's QuickBooks® file that has been improperly set up. Having problems with yours? I will come to your office for a free consultation. Feel free to contact me if you need further information. First hour free!

### Quickbooks Training - First Hour Free



Not sure about Quickbooks? I will come to your office, and give you a demonstration on my laptop free of charge! In addition, if you are a member of BNI, Rockland Business Association, or the Orange County Chamber of Commerce, I will give the first hour of training free.

[Learn More](#)

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