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*Newsletter*

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## **Homebuyer tax credit is extended**

If you signed a contract before May 1 to buy a home, but have been unable to close the deal, you still have time to apply for the homebuyer tax credit. The deadline for finalizing the paperwork on your new home has been extended through September 30, 2010.

Here's what you need to know:

- The extension applies only if you already had a contract in place by April 30, 2010. The new deadline is available for first-time homebuyers and long-time residents.
- The maximum credit remains unchanged (\$8,000 for first-time homebuyers and \$6,500 for long-time residents), as do other rules for qualifying.
- You can claim the credit on your 2009 or 2010 federal income tax return. You'll have to complete Form 5405, First-Time Homebuyer Credit and Repayment of the Credit, and attach proof that you meet the requirements.

Not sure if you qualify? We can help. Please call for more information.

## **Working after retirement affects your benefits and taxes**

People often work beyond the "normal" retirement age. Here's how extending your work life can affect your taxes and retirement benefits.

"Normal" retirement age is not a fixed number. For social security purposes, the "full" retirement age threshold ranges from 65 to 67, depending on your birth date. However, you can elect to start receiving lower payments as early as age 62, or you can maximize your benefits by forgoing them until you're 70. Once you reach age 70, there's no incentive to postpone your benefits further, since you'll already have reached your maximum.

- **Earnings limit.** If you're working, you probably should forgo the early payment option. Benefits received before full retirement age will be reduced by \$1 for every \$2 earned over an annual limit (currently \$14,160). However, you will receive a compensating increase when you do reach full retirement age, and your payments will not be reduced thereafter no matter how much you earn.
- **Taxable benefits.** Whether or not you draw benefits, you'll continue to pay social security and Medicare taxes on any income you earn from wages or self-employment. Up to 85% of your benefits may become subject to income tax, depending on the amount of your other income.
- **Medicare.** Medicare eligibility begins the year you reach age 65. The program encompasses four types of coverage: hospital insurance, general medical insurance, Medicare Advantage, and prescription drug coverage.

Working beyond retirement age can require several complex decisions. Call us for help with planning the outcome that's best for you.

## **Give your business a competitive edge**

It's a fact. When competition is based on price alone, smaller companies often find themselves squeezed by high-volume, low-priced competitors. How do you, as a small or mid-size business owner, survive in such an environment? You survive by differentiating yourself from the competition, creating a niche or identity that isn't based on cut-rate pricing. In other words, you offer something that your competitors don't offer, something that's different.

To truly differentiate your business, you need to identify your target customers and their needs. Let's say your firm sells stereo speakers. You might decide to focus on serious audiophiles only. Such customers will likely pay a premium for higher performance, technological innovation, or customization. Perhaps you've dined at expensive restaurants that offer an unusual menu, a remarkable atmosphere, or superior service. Such eating establishments are often packed at the dinner hour. Why? Because customers perceive value in the products and services that these businesses offer, a value they're willing to pay for.

The key is to identify the qualities that make your company different. How do you discover such qualities? One way is to study your competition. Clip their ads, examine their websites, buy their products and services. Determine what makes your product or service different and more valuable than that of your competitors.

Once you've identified the qualities that could set your company apart, it's time to prioritize them. Decide which would be easiest to develop, which would address your customers' most important buying criteria, and which would be hardest for your competitors to emulate.

Finally, seek to convey that value to your target customers. The goal is to "brand" your product, being clear about what you want to be in your customers' minds.

If you need help identifying the qualities that could set your business apart, give us a call.

## **Everyone needs a cash reserve**

Many of us are living close to our financial limit these days. We pay our bills on time, but there's not a lot left over. That could be a dangerous situation. If things go wrong, your financial situation can change very quickly from adequate to critical. Without a cash reserve, you could find yourself in serious trouble. It's important to have a cash reserve of at least three months' living expenses.

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