

FINANCIAL IDEAS FOR TODAY AND TOMORROW

Footnotes

Deductibility of Business Meals Provided by Restaurants in 2021 and 2022

The recent stimulus legislation included a provision that removes the 50% limit on deducting business meals provided by restaurants in 2021 and 2022 and makes those meals fully deductible.

In general, the ordinary and necessary food and beverage expenses of operating your business are deductible. However, the deduction is limited to 50% of the otherwise allowable expense.

The new legislation adds an exception to the 50% limit for expenses for food or beverages provided by a restaurant. This rule applies to expenses paid or incurred in calendar years 2021 and 2022.

The use of the word by, rather than in, a restaurant makes it clear that the new rule is not limited to meals eaten on the restaurant's premises. Takeout and delivery meals provided by a restaurant are also fully deductible.

It is important to note that, other than lifting the 50% limit for restaurant meals, the legislation doesn't change the rules for deducting business meals. All the other existing requirements continue to apply. Thus, to be deductible:

- **The food and beverages can't be lavish or extravagant under the circumstances.**
- **You or one of your employees must be present when the food or beverages are served.**
- **The food or beverages must be provided to you or to a business associate.** This is defined as a current or prospective customer, client, supplier, employee, agent, partner or professional adviser with whom you could reasonably expect to engage or deal in your business.

If food or beverages are provided at an entertainment activity, either they must be purchased separately from the entertainment or their cost must be stated on a separate bill, invoice or receipt. This is required because the entertainment, unlike the food and beverages, is not deductible.

Please contact one of our professionals if you would like more information about deducting business meals or any other aspects of the new legislation.

Jennifer Decker is the partner in charge of our Cedar Rapids office.



Your 2021 SOCIAL SECURITY BENEFITS

Find out
how your
benefits
have
changed

Estimated **average** Social Security retirement benefits starting January 2021

All retired workers in 2020

\$1,523/mo



All retired workers in 2021

\$1,543/mo

Did you know?

You can increase your Social Security retirement benefits by 5-8% when you delay applying until you're age 70.

A 1.3% cost of living adjustment for Social Security retirement benefits and SSI payments begins with December 2020 benefits (payable in January 2021).

The 2021 maximum Social Security retirement benefits a worker retiring at full retirement age is ...

\$3,148/mo

Did you know ...

97%
of U.S. citizens
over age 60
either receive
Social Security or
will receive it.



1 in 4
seniors
expect it to be
their primary
source of income.

Social Security pays benefits to more than
70 million people
including retirees, children and surviving spouses.



2021 Social Security and Medicare tax rates

If you work
for someone else ...



If you're
self-employed ...



Note: The above tax rates are a combination of 6.2% for Social Security and 1.45% for Medicare. There is also 0.9% Medicare wages surtax for those with wages above \$200,000 single (\$250,000 joint filers) that is not reflected in these figures.

maximum amount you can pay
in Social Security taxes

2020
\$8,537⁴⁰

2021
\$8,853⁶⁰

165+

million people work and
pay Social Security taxes.



maximum earnings amount
Social Security will tax at 6.2%

2020
\$137,700

2021
\$142,800

Social Security has provided
financial protection for
Americans since 1935.



How does Social Security work?



Social Security payments explained

SS Social Security retirement benefits are for people who have "paid into" the Social Security system through taxable income.

SSD or SSDI Social Security Disability (SSD or SSDI) benefits are for people who have disabilities but have "paid into" the Social Security system through taxable income.

SSI Supplemental Security Income benefits are for adults and children who have disabilities, plus limited income and resources.



Maximum SSI payments	2020	2021
Individual	\$783/mo	\$794/mo
Couple	\$1,175/mo	\$1,191/mo

Here's how you qualify for retirement benefits

When you work and pay Social Security taxes, you earn "credits" toward benefits. The number of credits you need to get retirement benefits depends on when you were born.



If you were born in 1929 or later, you need 40 credits (10 years of work) to receive retirement benefits



The earnings needed for a credit in 2021 is \$1,470



4 credits maximum per year

Did you know you can check your benefits status before you retire?



You can check online by creating a *my* Social Security account on the SSA website. If you don't have an account, you'll be mailed a paper Social Security statement 3 months before your 61st birthday.

It shows your year-by-year earnings, and estimates of retirement, survivors and disability benefits you and your family may be able to receive now and in the future.



If it doesn't show earnings from a state or local government employer, contact them. The work may not have been covered either by a Section 218 agreement or by federal law.

Sources: SSA.gov

Switching Jobs? Here's What To Do With Your 401(k)



Suppose you're switching jobs if you were furloughed because of the pandemic or you're simply searching for greener pastures. If you have a 401(k) from your soon-to-be former employer, you must decide what to do with your retirement account when you leave. Here are your four options:

- **Leave the money in your previous employer's pension plan.**
- **Roll over the money to your new employer's pension plan.**
- **Roll over the money into an IRA.**
- **Take the money and run.**

So which of these options should you choose? Here are some things to consider as you think about what to do with your 401(k) account:

Keep the borrowing option open. If you want to borrow money from your employer-sponsored 401(k) account in the future, consider rolling

the money into your new employer's 401(k) plan. While you can borrow money out of your 401(k), that option is not allowed with an IRA. And if you leave your 401(k) at a former employer, they often will not let you borrow funds if you are not currently employed.

Take the money. When you make an early withdrawal from a retirement account, you owe income taxes on the amount of the distribution plus a 10% early withdrawal penalty. So this option should be considered very carefully.

Invest the money. While it might be tempting to borrow or take an early distribution from your retirement account, you'll also be depleting future earnings intended for your retirement years. So consider whether you truly need the money now to pay for an emergency or if you're ok leaving it in your 401(k).

Whatever you decide, it is always best to transfer the funds directly from one retirement account to another. This direct transfer eliminates the possibility of your fund movement being characterized as a distribution subject to income tax. Our wealth management professionals can help. Give us a call if you are faced with these decisions.

How to Walk the Tightrope When Raising Prices

Raising prices can be fraught with risk during good economic times. So what happens if you try to raise prices during bad economic times?

As Hamlet would say, "Ah, there's the rub." If you raise prices, you risk losing clients to competitors. If you don't, decreasing revenue or rising costs can capsize your company. So what's a small business supposed to do?

The Art of Pricing

Raising (and, sometimes, even lowering) prices can be a balancing act. As with any major business decision, pricing should take into account various factors. Here are several to consider:

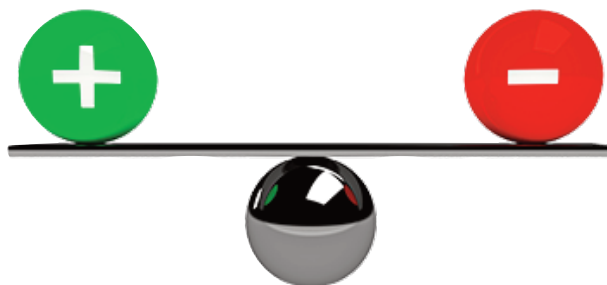
Analyze costs. First, you need to carefully analyze the costs needed to bring your products or services to market. Such expenses might include raw materials, payroll, employee benefits, advertising, delivery, rent, equipment, taxes and insurance. Failure to cover all these costs in your price will inevitably lead to shrinking profits.

Establish profit margin. Next, it's important to establish an acceptable profit margin. This is where the art of pricing begins. To find your company's sweet spot with regard to pricing, consider researching competitors in your region to determine their pricing for comparable products, raising your finger to the wind to discern the business climate and asking your customers about their preferences.

Listen to your customers. Your customers will tell you if you raised prices too high. They'll either continue to buy your product or seek out a competitor.

Consider incremental price increases. Small, incremental price increases tend to be more palatable to customers than a few large changes. We see this every day in the rising cost of gasoline, utilities and taxes. Many customers can handle incremental inflation... just don't shock them with a huge increase all at once.

When considering pricing, it's important to take a long, hard look at both your costs and the quality of your products and services. Customers will generally pay a premium for goods and services that provide greater value. Successful business owners endeavor to increase both the actual quality of their products and services and the perception of that quality in the minds of customers. Do both well, and a price increase may be in order.



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do because of clients
like you. Wishing
you a Happy
Valentine's
Day.

Everyday Tips For Easier Living!

Too often you find yourself in a situation and aren't sure what to do. Here are some everyday tips that could come in handy!

1. Chew the aspirin. Taking an aspirin at the outset of a heart attack could save a life. But for an aspirin to save your life during a heart attack, you need to chew it. Aspirin, which inhibits platelets that speed blood clots, works fastest if chewed.

2. Celsius to Fahrenheit conversion:
Degrees in Celsius x 1.8 plus 32.

Only 5 countries measure temperature using Fahrenheit, so it is good to know how to convert from one to another.

C to F: Take the temperature times 1.8 and add 32.

F to C: Reverse the math.

Subtract 32, then divide by 1.8.

3. Cats like milk, but it often does not like them. It's not healthy



for your cat to eat or drink anything that contains dairy. Cats have a degree of lactose intolerance and can get sick from large quantities of milk.

4. Miles to kilometers? Use the 3-5 method for an approximation.

• **Kilometers to Miles: Divide by 5, multiply times 3**

• **Miles to Kilometers: Divide by 3, multiply times 5**

5. Easily restore browser tabs.

Control+Shift+T restores most closed browser tabs. Control+Alt+Shift+T restores entire closed browser windows.

6. Never fear calls from the IRS. Don't be afraid of a phone call from the IRS – because they will never call without mailing you first. If you owe money to Uncle Sam, the IRS will always initiate communication via mail.

This newsletter is issued quarterly to provide you with an informative summary of current business, financial and tax planning news and opportunities. Do not apply this general information to your specific situation without additional details and/or professional assistance.

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