



Your Taxes and Financial Matters

By: **Richard P. Król**

1 800 cpa-krol richard@cpakrol.com

Retirement Options for Small Business Owners

For those of you who are small business owners, one trick to making your business successful is keeping good employees. Fringe benefits provide incentive to employees to continue to work for you. Retirement plans are just one of many fringe benefits that can be offered.

There are a variety of retirement plans available. It is important to first determine your goal with regard to retirement plans. Your goal may be to provide yourself with the largest retirement benefit available. On the other hand, your goal might be to offer retirement as an incentive to your employees yet minimizing the cost to you. Each type of retirement plan has special features that may help you decide what fits your needs. One key to remember is that discrimination rules apply to pension plans. For retirement plan purposes, it is helpful to know that a sole proprietor is his or her own employee. Here are highlights of some retirement plans.

SEP

A Simplified Employee Pension Plan (SEP) is a plan that is funded solely by employer contributions. Since the revision of pension law in 2002, the contribution limit to this plan has increased to twenty-five percent of compensation (previously fifteen percent). There is an overall limitation of the lesser of twenty-five percent of compensation or \$46,000. This plan is especially beneficial for those of you who are sole owners, whether incorporated or not, who want to contribute a larger amount for yourself. The minimum coverage rules for 2008 require an owner cover all employees who are twenty-one years of age, have been employed for three years, and have compensation of \$500 or more. The plan may be structured to be more generous in coverage but not less generous. The disadvantage to the plan is that if the business has employees besides yourself, you must contribute to your employees' accounts at the same rate as your own account. If the business is a sole proprietorship, the contribution percentage for you is determined by a formula and does not appear to be as generous as the rate for the employees.

For example, John is a self-employed dentist. He employs a hygienist and a receptionist. He pays \$35,000 in wages and his profit is \$150,000. John wants to maximize his contribution. Because the maximum rate is twenty-five percent, he must contribute \$8,750 for his employees assuming they meet the age, years of service, and compensation requirements. Another advantage of the SEP is that administrative costs of the qualified plans, such as the 401(k), are not applicable to the SEP. No Form 5500 (Annual Return/Report of Employee Benefit Plan) is required for this plan. It is a very easy plan to implement. Each employee establishes a SEP IRA. You, as the employer, can choose one financial institution or allow each employee to choose the institution he or she likes. Your employee's contribution is fully vested as soon as it is contributed. If the employee terminates employment, the entire contribution belongs to the employee. This plan is the only type that can be set up and contributed to after the close of the tax year and be deductible for that tax year. The contribution must be made by the due date of the return plus extensions.

SIMPLE

A Savings Incentive Match Plan for Employees (SIMPLE) is the pension plan answer for those of you who want to offer a plan for your employees but do not want to spend a lot of money. The SIMPLE has two parts the deferral contribution made by the employee and the matching contribution made by you, the employer. The deferral contribution is made at the election of the

Taxes to page 13

Music News

By: **Marek Żebrowski and Krysta Close**

Polish Music resonates throughout California!

October is traditionally celebrated in the United States as Polish-American Heritage Month, and this Fall Season is no exception. Several exciting musical events are on the calendar for October and November this year.

On Sunday, October 12, the doors to Clubhouse Three Auditorium in Laguna Woods Village opened a concert "Tribute to the Life and Music of Ignacy Jan Paderewski." Pianist Lorenzo Sanchez and violinist Nancy Roth presented Paderewski's *Sonata for Violin and Piano*, Op. 13. In addition to this rarely-heard chamber work, Mr. Sanchez performed several of Paderewski's solo piano favorites, including the famous *Menuet* and *Cracovienne fantastique*, as well as selections from Paderewski's *Mazurkas*, *Caprices*, and other delightful miniatures. This afternoon event also featured the screening of a short film, *The Life and Homecoming of Ignacy Jan Paderewski*.

On Monday, November 10, at 7:30 p.m., another important concert is

scheduled at Bovard Auditorium on the campus of the University of Southern California. This festive gala, co-organized by the Consulate General of the Republic of Poland in Los Angeles and the Polish Music Center USC, will commemorate the ninetieth anniversary of Poland's independence. The musical portion of the evening will present a selection of compositions by Wojciech Kilar, the 2008 Paderewski Lecturer, continuing the Polish Music Center's tradition of introducing the most important Polish composers to the local audiences. The program will include selections from Kilar's scores to Roman Polanski's *The Pianist* and *Ninth Gate*, and Jane Campion's *The Portrait of a Lady*, as well as his *Quintet for Winds* and *Orawa* for String Orchestra. The Midnight Winds and USC Strings will perform under the direction of Sharon Lavery. The official part of the evening will include a special award ceremony presided over by Consul General of the Republic of Poland in Los Angeles, the Honorable Paulina Kapuścińska. Other representatives of the diplomatic corps as well as Los Angeles City and County officials will be in attendance.

Celebration of the 90th Anniversary of Poland's Independence & 2008 Paderewski Lecture

Monday, November 10 | 7:30 p.m.

Bovard Auditorium at the University of Southern California

3551 Trousdale Pkwy.

Los Angeles, CA 90089

Parking: \$8, in Structure X

Figueroa St. & McCarthy Way)

More info: call (310) 442-8500,

x109, or visit

www.usc.edu/dept/polish_music

The Annual Paderewski Festival in Paso Robles will be held this year on **November 13-16**. Over the past three years the Festival has grown from a single evening concert to several concerts and other events connected to Paderewski and his legacy. The Opening Night concert on **Thursday, November 13 at 7 p.m.** will be held at the North Country Christian Church in Paso Robles and feature music by Paderewski, Chopin, and Kilar in performance by the Midnight Winds. "An Evening with Paderewski" is the theme for a concert at Cass Winery on **Friday, November 14 at 7 p.m.** Rudolfas Budginas, a well-known Central Coast pianist will present a special program of music and texts about Paderewski. Then, on **Saturday, November 15 at 8 p.m.**, the Festival's signature Gala Concert will be held in the Ballroom of Paso Robles Inn. This year's featured artist, **Russian-born pianist Nikita Mndoyants**, will present a recital of music by Paderewski, Chopin, Beethoven, and Liszt, as well as his own

Music News to page 16



Investments

By: **Joanna Moran**

Financial Advisor
(800) 473-1331 X 259
joanna.brost@
morganstanley.com

Could Municipal Bonds Have a Place in Your Portfolio?

Individuals are the single largest group of owners in today's municipal bond marketplace.(1) Why? Because municipal bonds are unique securities, generally offering investors features such as tax-exempt, predictable income and high credit quality on many issues.

Municipal bonds are tax-exempt(2), fixed income securities that represent the debt obligations of municipal entities (states, cities, counties etc) seeking to raise money to fund projects for the public good, such as building schools, highways and hospitals. The issuer promises to repay principal in full at the bond's maturity, and to pay semi-annual interest income – which is generally exempt from federal income tax, and in most cases, state and local taxes as well.

Is your Federal Income Tax Bracket 25% or Higher?

One of the most compelling reasons to own municipal bonds is that interest income is generally exempt from regular federal income tax. Under most state laws, 'home-state' municipal bonds' interest income is also exempt from state and local taxes. As a result, municipal bonds may generate higher net (after-tax) yields than taxable bonds of similar quality and maturity.

Your federal tax bracket plays an important role in determining whether a taxable or tax-exempt security is the better choice for you. As a general guideline, the higher your tax bracket, the more likely you are to potentially benefit from owning municipal bonds. As illustrated on page 16, an investor in the 33% federal income tax bracket would have to earn a 6.72% yield from a comparable fully taxable bond to match a 4.50% yield from a tax-exempt municipal bond.

Nonetheless, when choosing any fixed-income security, you need to do more than just compare yields to find the bond that's most appropriate for you; an assessment of risk and return is also important:

Consider the Impact of Interest Rates

All fixed income securities are susceptible to interest rates fluctuations; generally, if interest rates fall, bond prices rise and inversely, if interest rates rise, bond prices fall. Because bonds are typically issued with market interest rate level yields, rising market interest rates causes new issues to have higher yields than existing bonds, forcing down their prices. Generally, longer term bonds are more sensitive to interest rate changes, and the more likely their value is to fluctuate. However, longer-term bonds generally have higher yields, thus compensating for the time principal is exposed to interest rate fluctuations. Conversely, bonds with short-term maturities (up to a year) normally experience relatively minimal changes in price as interest rates fluctuate, but also typically provide lower yields. Another point to consider: If you hold your bonds to maturity, your principal will be returned in full, yet, if you sell your bonds prior to maturity, the price you receive may be more or less than your original purchase price.

Credit Risk

You should consider every bond's creditworthiness; if an issuer is unable to

Investments to page 13



Legal

By: **Christopher**

Kerosky, Esq.

CKerosky
@youradwokat.com

Extending a J-1 VISA

Q: Is there any way to get my J-1 visa extended? I still have six months left out of the 18 months but I would like to stay longer if possible.

A: The 18 month J-1 visas cannot be extended, however there are a couple of options which you should seriously consider as soon as possible.

If you hold a Bachelor's degree or its equivalent, you may be eligible to change your status from a J-1 to an H-1B, provided there are H-1B numbers available at the time you apply. H-1Bs are limited to 65,000 new ones each year and this year's annual numbers were used up on the first day of the application period, April 1, 2008.

However, many people who have a Bachelor's degree are unable to get an H-1B as the type of work must require the skills of a professional. For example, someone with a Bachelor's degree in Business Administration will generally not be approved for the position of office manager since a person could become office manager without having obtained a degree.

Whether you have a Bachelor's degree or not, you and your employer should investigate getting you on the road to a green card through the new PERM process. This new labor certification system should allow many people on temporary non-immigrant visas including, but not limited to, the J-1, H-1B, A, F, O and P visas, to get their green cards within a relatively short period of time. Even those who have very little or no time left on their J-1s may apply directly for a green card under PERM as J-1 visa holders are given "duration of status" to stay in the U.S. and without an actual date to have to leave by, they do not accrue unlawful presence under the current memorandum.

However, if more than 180 days passes after the J-1 work authorization ends the penalty is the person must apply for the green card outside the U.S. at the Embassy.

In order to apply under PERM, the employer must show that there is a shortage of qualified American workers in your occupation and that the employer has tried to find a worker to replace you and has been unsuccessful in their attempts. For nonprofessional positions like administrative assistants, assistant bar managers, carpenters, and most other construction positions only two Sunday newspaper advertisements are required along with a 30 day CalJobs posting, a ten day posting (including salary) at the job site, and a prevailing wage determination from the California employment office. The employer is required to keep for five years all the supporting paperwork including the actual newspaper pages, CalJobs printouts, postings, the prevailing wage report, any resumes received, and the employer's statement including a summary of how many people applied for the position(s), how many were hired, and why the others were rejected (i.e., no experience, no degree, no permanent right to work in the U.S.).

The application is submitted either electronically or by mail to the Department of Labor (DOL). Within 60 days it will either be approved, denied, or selected for proof of recruitment documentation.

Even though it is expensive, most people hire an attorney to help them get a green card through work as the process is so complicated and the procedures are rarely publicized. Immigration attorneys know how to apply the constantly hanging laws and regulations in this area to the particular facts in each person's case. This is an important responsibility because many of the requirements for a successful labor certificate application are counter-intuitive to "real world" employment recruitment. Because some rules are not looked at until near the final stage with the CIS, if the forms are done improperly at the beginning, it may be impossible to remedy.

Legal to page 16

Distribution of the News of Polonia in the San Diego area is through the generosity of Joanna Moran Financial Advisor