STOCKHAM FINANCIAL

EYE ON MONEY

JAN FEB 2020

How to Declutter and Organize Your Finances

Tips to Help You Get and Stay Organized

plus

OPTIONS FOR YOUR 401(K) WHEN YOU LEAVE A JOB

NANNY TAXES: DO YOU HAVE TO PAY THEM?

FINANCIAL DOCUMENTS TO REVIEW ANNUALLY

HOW TO GET STARTED ON YOUR FINANCIAL GOALS

EDUCATION

THREE WAYS TO REDUCE THE COST OF ATTENDING COLLEGE

1. **Choose an accelerated degree program.** If the student plans to pursue an undergraduate degree and a graduate degree, choosing an accelerated program that allows the student to earn both degrees in five years may reduce the time spent in college and the tuition you pay.

2. **Choose federal student loans before private loans.** Federal loans typically offer lower fixed interest rates and more favorable terms.

3. **Take advantage of education tax breaks.** The American Opportunity Tax Credit has the potential to put the most money (up to $2,500 per eligible student) back in your pocket for college expenses you pay. To claim the full credit, your modified adjusted gross income must be $80,000 or less ($160,000 or less if you are married and file a joint tax return).

Please consult your tax advisor for information about tax breaks for education.

inside

UP FRONT

FEATURES

FYI

5 Financial Things to Review Annually

A lot can change in one year. To help ensure that your financial documents and plans stay in sync with what's going on in your life, it's a good idea to review the following documents at least once a year.

1 Estate Planning Documents

To help ensure that your wealth ends up where you want it, look over your will, trusts, and other estate planning documents at least once a year to see if there is anything you'd like changed.

For example, you may want to make a change if you recently married or divorced, added a new child to the family, received an inheritance, or experienced any number of other major life events. Or you may simply want to make a change because you've changed your mind about some aspect of your estate plan.

When looking over the documents, be sure to review the people you selected to manage your finances and health care if you ever become incapacitated. Are you still satisfied with your choices? Are those people still willing and able to carry out their duties?

Your estate planning attorney can update your documents for you, as well as review them to see if adjustments are needed due to any changes in the tax laws.

2 Beneficiary Designations

Reviewing your beneficiary designations annually and when major life events (marriages, births, deaths, etc.) occur is just as important as reviewing your will and other estate planning documents. That's because the individuals you named as the beneficiaries on your various financial accounts and life insurance policies will generally inherit those assets regardless of any instructions to the contrary in your will.

Assets that you may have named a beneficiary for include checking and savings accounts, investment accounts, retirement accounts, annuities, medical and health savings accounts, life insurance policies, real estate deeds, and vehicle registrations.

3 Credit Reports

Not checking your credit report regularly may cost you. Errors that creep into your report and that are not caught may result in you being denied credit or paying higher interest rates than necessary on new credit cards or loans. They may also put the kibosh on a new job offer if a prospective employer checks your credit history before making a hiring decision.

To help avoid scenarios like these, it is important to check your credit reports for errors at least once a year and before applying for a new loan or job. And while you are looking for errors, also look for signs of potential fraud, such as accounts you did not open.

You are entitled to a free credit report once every twelve months from each of the three major credit reporting agencies. You can order your free reports online at www.AnnualCreditReport.com or by calling 1-877-322-8228.

4 Social Security Statement

Even if you are decades away from retirement, it is important to review your Social Security Statement annually to make certain that your earnings for the prior year have been accurately recorded. And why is that important? Your earnings record determines the amount of your monthly Social Security benefit in retirement. If there are any earnings missing from your record, you may receive lower benefits in retirement than you deserve.

You can review your statement online at www.ssa.gov/myaccount.

5 Life Insurance Policies

Things can change quickly in life, and the life insurance coverage that was sufficient to protect your family five or ten years ago may not be enough in your current financial situation. To help ensure that your life insurance coverage keeps pace with changes in your life (marriages, new children, new home, new business, pay increases, etc.), it's a good idea to review your coverage at least once a year. ■

PLEASE CONSULT YOUR FINANCIAL ADVISOR FOR SPECIFIC ADVICE.

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Money Market Accounts and Money Market Funds: What Are the Differences?

Despite very similar names, money market accounts and money market funds are very different financial tools. Here are a few things you should know about each of them.

MONEY MARKET ACCOUNTS

A money market account is a type of interest-bearing account that typically pays a higher rate of interest than a savings account. They are offered by banks and credit unions and are insured by the FDIC or NCUA up to the maximum amount allowed by law. Unlike regular savings accounts, money market accounts generally provide you with a debit card and checks to access the money in your account[1].

Money market accounts can be an attractive option if you are looking to earn a potentially higher return on your money than offered by savings accounts and you want to be able to access your money at any time without the early withdrawal penalties generally associated with certificates of deposit (CDs).

MONEY MARKET FUNDS

Unlike money market accounts, money market funds are not accounts and they are not insured by the FDIC or NCUA.

A money market fund is a type of mutual fund that invests in high-quality, short-term debt securities, such as U.S. Treasury bills. The objective of this type of fund is generally to provide current income while preserving capital. In fact, money market funds typically strive to maintain the value of your investment at $1 per share, although there are no guarantees that they will be successful and it is possible to lose money.

Money market funds may be a suitable option for investors who are seeking current income, capital preservation, and liquidity. This group may include investors looking for a low-risk investment that pays dividends, as well as investors who may need their money soon or who simply need a place to store cash for a short period of time before investing in other types of investments. ■

PLEASE NOTE: An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Before investing in mutual funds, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing.

[1] Certain types of withdrawals and transfers are limited to six per statement cycle.

Please consult your financial advisor for help developing and implementing an investment plan.

How to Get Started on Your Financial Goals

The start of a new year is a natural time to set new goals. Here are a few tips to help you define your financial goals and begin your journey toward them. Please consult your financial advisor for personalized advice.

1 BE SPECIFIC

Once you've identified your goals—new home, college for your kids, retirement, whatever—get specific about each of them. How much money will you need and when will you need it? Without a number and time frame to shoot for, you may end up missing your goal by a mile.

2 BE REALISTIC

After you identify a dollar figure and a time frame for each goal, do a reality check by estimating how much you may need to save each month to have a good chance of reaching your goals in time. (A compound interest calculator or, better yet, your financial advisor can help with this.) Can you afford to sock away that amount each month?

3 MAKE A PLAN

As the saying goes, a goal without a plan is just a wish. So once you determine where you are now financially and where you want to be at a certain time in the future, your next step is to create a plan for moving from Point A to Point B in the allotted time.

4 MONITOR YOUR PROGRESS

Checking your progress at least annually gives you an opportunity to adjust your plan if necessary. ■

With a plan in place, time on your side, and dedication on your part, you are in a great position to attain your goals!

How to Declutter and Organize Your Finances

A little time spent organizing your financial records and streamlining your financial tasks now may save you considerable time later on. These easy tips can help you pare down and organize your finances so that the next time you need a specific receipt for a warranty claim, numbers for your tax return, or other financial records, you'll know right where they are and can grab them quickly.

Toss what you can.
The fewer financial documents you have, the easier it will be to stay organized. So what can you toss now without regretting it later?

You can generally shred your sales receipts as soon as you reconcile your checking or credit card statement, as long as you do not need the receipts for tax, warranty, insurance, or return purposes.

You can also generally shred bills, such as your utility, cable, and phone bills, after you receive the next bill verifying that your prior payment was processed properly, unless you need the bills to support a deduction on your tax return.

Organize the rest.
Start by sorting your financial records into categories and subcategories to make it easier for you to find specific records in the future. Choose categories that make sense to you, and then stick with them. For instance, you might first divide your records into broad categories, such as tax, insurance, investments, and so on. You might then break those broad categories into subcategories, such as 2019 tax returns, to help you locate the specific document you need even faster.

Create a landing zone for new records.
As bills, statements, and other paper records flow into your home, it's a good idea to deposit them in one location until you have an opportunity to review them. Having a dedicated landing zone can help you avoid misplacing a bill or statement—and may help keep the other surfaces in your home uncluttered.

Choose a permanent home for your records.
Whether you decide to keep your records in paper or digital form, having a specific home for them can help you stay organized.

If you prefer to hang on to paper records, a file cabinet or file box in your home can be a good spot for most of your records. However, not every document should go into a file cabinet. Important documents that would be difficult to replace, such as your birth certificate, marriage certificate, property deeds, and vehicle titles, may be better off in a waterproof and fireproof safe at your home or in a safe deposit box at a bank. Documents that may be needed in an emergency, such as your estate planning documents, may be better off in your home safe rather than in a bank where there could be delays in accessing them.

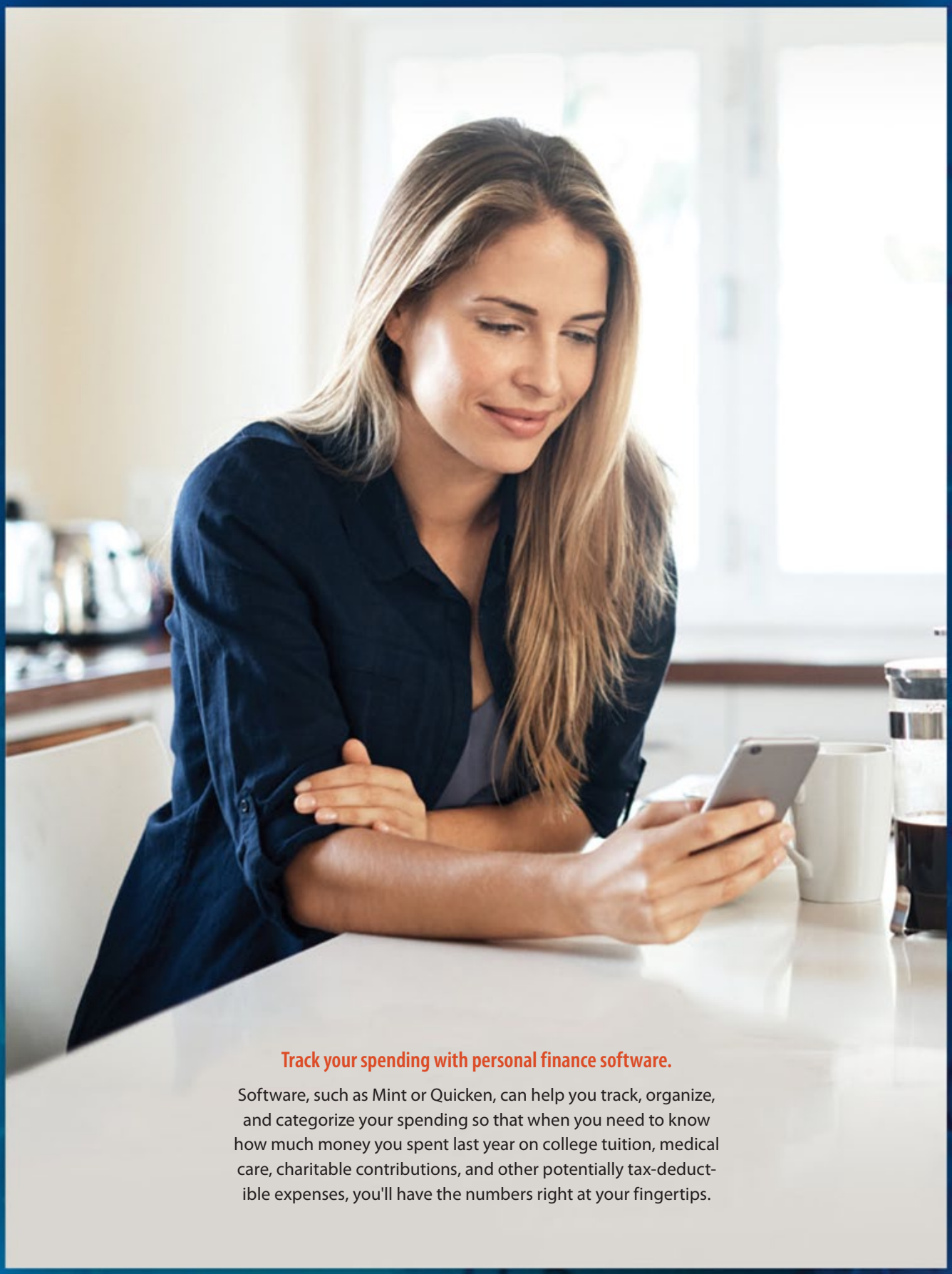
If you prefer to go paperless, an organized group of files on your computer can do the trick. Just be sure to regularly back up your files to a portable hard drive or the cloud.

And in case you are wondering, the IRS does allow you to use digital records to support the income, deductions, and credits you claim on your tax return.

Going paperless (or nearly paperless) is easier now than it used to be. Financial institutions typically let you download digital copies of your statements, as well as the Forms 1099 you may need to complete your tax returns. Copies of your tax returns can generally be provided to you in digital form. Some employers provide online access to pay stubs for those employees who use direct deposit. Some retail establishments will email a receipt to you, limiting the amount of paper receipts you'll need to scan. And there are apps and software that will help you turn your paper receipts into digital receipts.

Stay on top of it.
After you review your statements, pay your bills, or deal with other financial tasks, immediately file the records you want to keep so a mountain of unsorted records does not build up over time. With a file structure already established, dropping your records into the proper locations should be a snap.

As you add new documents to a file, consider whether you can purge any old documents from the file. For example, when you file your new homeowner's insurance policy, you may want to shred last year's policy. Or if you just replaced your refrigerator, you may want to toss the warranty, receipt, and instruction manual for the old refrigerator if you are getting rid of it.



Track your spending with personal finance software.

Software, such as Mint or Quicken, can help you track, organize, and categorize your spending so that when you need to know how much money you spent last year on college tuition, medical care, charitable contributions, and other potentially tax-deductible expenses, you'll have the numbers right at your fingertips.

Receipts to keep for federal tax purposes.

To claim a tax deduction or credit for expenses you pay, you need to keep proof of payment and certain other records that prove that the amounts shown on your tax return are accurate. Here are some examples of the receipts to keep.

Business use of your car.
If you use your car for business and use the actual expense method to figure your tax deduction, be sure to hang on to the receipts related to operating your car, such as the receipts for gas, oil, repairs, tires, insurance, and registration fees.

Business use of your home.
If you use part of your home exclusively for business and use the actual expense method to figure the home office deduction, be sure to keep receipts for the mortgage interest, insurance, utilities, and repair expenses you pay.

Casualty losses.
If your home is damaged or destroyed in a presidentially-declared disaster, you may be able to deduct part of your loss. To support the deduction, hang on to records and receipts that show what you paid for the home originally, as well as appraisals, receipts for improvements made to your home before the disaster, and receipts for repairs made to it after the disaster.

Charitable contributions.
Keep receipts for your charitable contributions if you plan to itemize deductions and claim a charitable tax deduction. For cash contributions under $250, a canceled check or a credit card statement will generally suffice. But for larger cash contributions or contributions of other types of property, you'll generally need a written acknowledgement from the charity. See IRS Publication 526 for more information.

Child care expenses.
If you have a child under age 13 and pay for child care so that you can work or look for work, keep your child care receipts to support the Child and Dependent Care Credit.

Education expenses.
If you are eligible for an education-related tax benefit, hang on to your receipts for tuition, books, supplies, and other qualified education expenses.

Homeowner expenses.
If you own a home, save your home improvement receipts. They may help you avoid or reduce the tax on any profit you make when you sell your home. If you itemize your deductions, also keep the receipts for the property taxes, mortgage interest, and home equity loan interest you pay.

Medical and dental expenses.
If you itemize your deductions, you may be able to deduct part of the medical and dental expenses you pay out of your own pocket. To support the deduction, hang on to the receipts for the health insurance premiums, doctors' fees, prescription drugs, and other types of medical and dental expenses you pay. See IRS Publication 502 for a more complete list. If you are self-employed, you can generally deduct the health insurance premiums you pay even if you do not itemize your deductions.

State and local income or sales taxes.
If you itemize deductions, keep the receipts for the state and local income or sales taxes you pay. (You can't deduct both.)

You also need to keep records, such as Forms W-2, 1099, and K-1, that prove the amount of income you report on your tax return.

Know how long to keep records for tax purposes.
If the IRS decides to challenge your income tax return, you are going to need records to support the income, deductions, and credits you claimed. This does not mean that you need to keep all of your documents forever, but you should hang on to them until the IRS's period of limitations (the period of time the IRS has to assess additional tax) for the tax return runs out.

In most situations, the IRS has three years after you file an income tax return to assess additional tax. However, in certain situations, such as if your income was underreported by more than 25%, the IRS can assess additional tax up to six years after the return was filed. Keeping your tax-related records for up to seven years should cover you in most situations.

Records relating to property, such as your home, should be kept until after the end of the IRS's period of limitations for the year in which you sell or otherwise dispose of the property.

If you file a fraudulent return or do not file a return, the IRS recommends that you hold onto your records indefinitely because there is no limit on the number of years they can assess additional tax in those situations.

Reduce your inbound paperwork.
Consolidating your financial accounts can help stem the tide of statements flowing into your home. For example, each credit card in your wallet equates to twelve statements per year. Have five cards? That's sixty statements per year to review. Consider reducing your number of credit cards to one or two, perhaps hanging on to the ones with the lowest fees or best perks.

You can also reduce the number of statements you receive by consolidating your old retirement accounts into an IRA or possibly your current employer's retirement plan. If you have multiple savings and brokerage accounts, combining them into one savings account and one brokerage account can help trim the number of statements you receive.

Of course, there is more to consider than simply reducing financial clutter when deciding whether to close or consolidate accounts. With credit cards, keep in mind that closing a credit card may have a negative impact on your credit score. With retirement accounts, it's a good idea to consult your financial advisor, who can help you explore the merits of moving your money to an IRA, moving it to your current employer's retirement plan, or leaving it where it is. With savings accounts, be sure to consider whether consolidating your accounts at one bank will cause your balance to exceed the FDIC insurance limit, which is currently $250,000 per depositor, per bank, per ownership category.

Simplify your cash flow.
Managing the flow of money in and out of your life can be time-consuming, but there may be things you can do to streamline the process.

- Use direct deposit to have your income automatically deposited into the account(s) you designate.
- Set up automatic transfers from your checking account to your savings and brokerage accounts so that your income gets to work for you quickly and without you lifting a finger.
- Take advantage of automatic bill payment services from your billers or bank for your recurring bills.
- Use online bill payment services from your billers or bank if you prefer to authorize payment for each bill separately as it comes due. ■

Please consult your tax advisor for tax planning advice and tax return preparation.

Please consult your financial advisor for help designing and implementing a financial plan for your future.

Four Options for Your 401(k) When You Leave a Job

Deciding what to do with the money in your old 401(k) account is an important decision, and it begins with understanding your options.

WHEN YOU CHANGE EMPLOYERS OR retire, it is important to understand your options regarding the retirement savings you have in your former employer's 401(k) plan. You'll typically have four options: 1) Roll over your money to an IRA, 2) roll it over to your current employer's 401(k) plan, 3) leave it where it is, or 4) cash out your account.

The first three options preserve the tax benefits associated with your savings and avoid current taxes and early distribution penalties. But there are differences among all of the options, and those differences can have a big impact in certain situations. Here are a few differences to consider.

Roll over your savings to an IRA

You may gain access to a wider range of investments. If you want to expand your investment choices beyond the ones offered by your former or current 401(k) plan, an IRA may be the way to go. IRAs typically offer thousands of investment options, including mutual funds, exchange-traded funds (ETFs), stocks, bonds, certificates of deposits (CDs), and more.

Your savings may be easier to manage. If you have retirement accounts with a few former employers, consolidating them in an IRA may make it easier for you to manage your retirement savings. Instead of several statements to review each month, there may just be one, making it easier for you to assess the overall performance of your investments.

You can avoid RMDs with a Roth IRA. Beginning at age 70½, you generally must start taking annual withdrawals, known as required minimum distributions (RMDs), from all of your retirement accounts, with the exception of Roth IRAs. Roth IRAs do not require account owners to take RMDs at any age. So if you have Roth savings in a 401(k) plan, where they are subject to RMDs, transferring them to a Roth IRA gives you the freedom to make withdrawals at your own pace—or to not make any withdrawals at all.

You can make penalty-free withdrawals for a first-time home purchase or college expenses. When you withdraw money from an IRA or a 401(k) plan before age 59½, a 10% early distribution tax penalty will apply to the taxable portion of the distribution, unless an exception to the penalty applies. There are several exceptions, some which apply to both IRAs and 401(k) plans and some which apply only to IRAs or only to 401(k) plans.

One exception that applies only to IRAs lets you withdraw up to $10,000 penalty-free to buy, build, or rebuild a main home for a first-time homebuyer. Another exception that applies only to IRAs lets you withdraw money penalty-free for qualified higher education expenses that you pay for yourself, your spouse, or the children or grandchildren of you or your spouse.

Roll over your savings to your current employer's 401(k) plan

Your current employer's 401(k) plan may allow you to transfer your retirement savings to it, although it is not required to do so. If your plan allows it, be sure to consider it. It can be a smart choice in some cases. Here are a few things to consider.

A 401(k) plan may offer investments not available elsewhere. For example, a 401(k) plan may offer low-cost, institutional-class funds that are not available to you elsewhere. So when deciding what to do with your savings, it's a good idea to review the investments offered by the retirement plans and IRAs you are considering.

You may be able to postpone the start of RMDs past age 70½ if you are still working for the employer that sponsors the 401(k) plan, you are not a 5% owner of the company, and the plan allows you to wait until the year you retire to begin taking RMDs.

There are three ways to shelter your savings from immediate taxes so that your tax-deferred savings can continue to grow tax-deferred and your Roth savings can continue to grow tax-free.

1. Roll over your savings to an IRA.
2. Roll over your savings to your current employer's 401(k) plan.
3. Leave your savings in your former employer's 401(k) plan.

No tax is due on a direct rollover to an IRA or a new 401(k) plan. Tax is deferred until money is withdrawn from the IRA or 401(k) plan. The taxable portion of a withdrawal will be subject to income tax and, if made before age 59½, generally a 10% early distribution tax penalty.

TIP: Arrange for a direct rollover.

If you decide to move your savings to an IRA or your current employer's 401(k) plan, arrange for a direct rollover so that you avoid any tax consequences on the transfer. If the check is made payable to you (instead of to the trustee or custodian of your new account), your old retirement plan is required to withhold 20% of the distribution for federal tax purposes.

Loans may be an option. Most 401(k) plans let you borrow from your savings, an option not offered by IRAs.

Your 401(k) assets are protected from creditors under federal law. Federal law also provides IRAs with some protection from creditors, but only in bankruptcy situations. In other situations, creditor protection for IRAs falls under state law, and state laws can vary. To learn about protecting your retirement assets from creditors, please consult your financial and legal advisors.

Leave your savings in your former employer's 401(k) plan

Many 401(k) plans will let you keep your money in the plan after you leave the company. This may be an attractive option if you are satisfied with the plan's investment choices, fees, and features, or you simply need a place to park your savings while you decide what to do with them.

Whether you keep your money in your old 401(k) or move it to your current 401(k), either way your assets will be protected from creditors under federal law and your investment choices may include institutional-class funds. But if you keep your money in your old 401(k) rather than moving it, you may be able to withdraw your money without penalty sooner.

You may be able to make penalty-free withdrawals before age 59½. As long as you are at least age 55 (age 50 if you are a public safety employee) when you leave your job with the employer sponsoring the plan, you can withdraw money before age 59½ without incurring the 10% early distribution tax penalty. This exception to the penalty only applies to 401(k) plans (not to IRAs) and may come in handy if you decide to retire early.

Please note that there is another exception that applies to both 401(k) plans and IRAs that will let you withdraw money penalty-free before age 59½. It involves withdrawing your money in substantially equal periodic payments. Your tax and financial advisors can tell you more about it.

You keep your options open. Leaving your money in your former employer's plan does not lock you into keeping it there forever. So if you decide later on to move your money to an IRA or your current employer's 401(k) plan, you generally can.

Cash out your savings

Taking a lump sum distribution can help you fill an immediate need for cash. Keep in mind, however, that the taxable portion of your withdrawal (which may be all of it) will be taxed as income in the year you receive the distribution and may also be subject to the 10% early distribution tax penalty if you are under age 59½ and an exception to the penalty does not apply.

Depending on your income tax bracket and whether or not an exception to the penalty applies, as much as 47% of your withdrawal may go to federal taxes alone in the year you receive the distribution, leaving you with only a portion of your savings to reinvest.

Due to the immediate tax consequences, this option is rarely the best one, particularly for younger individuals who are giving up what may be decades of future tax-deferred or tax-free growth potential by cashing out their 401(k) savings.

Other considerations

Transferring highly appreciated company stock to a taxable account may save you a bundle in taxes. When company stock is transferred to a taxable account, its cost basis (the price originally paid for the stock) will immediately be taxed as ordinary income, but the increase in the stock's value (known as its net unrealized appreciation, or NUA) will not be taxed until you sell the stock. And when it is sold, the NUA will be taxed as a long-term capital gain rather than ordinary income, which means you will pay tax on it at a lower rate.

To use this strategy, your former employer's 401(k) plan must permit the actual securities to be transferred and your entire balance must be distributed in a single year. Your entire balance does not need to go to the same account, however. You can transfer all or part of your company stock to a taxable account and the rest of your 401(k) account to an IRA or a new 401(k) plan so that it maintains its tax-deferred status.

Review your options. There's a lot to consider when deciding how to handle the savings you have in an old 401(k) plan, and we've only looked at a few general considerations here. Before you move your retirement savings, be sure to review the specific options available to you, including their investment choices, fees, services offered, creditor protection, and tax implications, so that you are able to make an informed decision about what to do with your old 401(k). ■

Whether you are retiring or simply changing employers, deciding what to do with the money in your former employer's 401(k) plan is an important decision. Please seek advice from your financial advisor.

PLEASE NOTE: Before investing in mutual funds or ETFs, investors should consider a fund's investment objectives, risks, charges, and expenses. Contact your financial advisor for a prospectus containing this information. Please read it carefully before investing. Bonds are subject to interest rate risk. When interest rates rise, bond prices usually fall. The effect is usually more pronounced for longer-term securities. Fixed-income securities also carry inflation risk and credit and default risks for both issuers and counterparties.

Nanny Taxes: Do You Have to Pay Them?

When you pay someone to watch your children, manage your household, or cook for you and your family, you may have to pay employment taxes, sometimes referred to as "nanny taxes". Here are some answers to common questions about employment taxes for household employees. Your tax advisor can tell you more.

What are employment taxes? You may be responsible for paying three types of federal employment taxes for your household employees. They are Social Security tax, Medicare tax, and federal unemployment tax. You may also be responsible for paying state employment taxes.

Who is a household employee? A household employee is someone who works at your residence, such as a housekeeper, maid, gardener, or nanny. According to the IRS, a worker is your employee if you control not only the work they do, but also how they do it.

Who is not a household employee? Independent contractors, such as repairmen, plumbers, building contractors, and lawn care businesses, are not your employees, and you are not required to pay employment taxes for them.

Do you need to pay Social Security and Medicare taxes? If you paid a household employee $2,100 or more in cash wages in 2019, you are required to pay Social Security and Medicare taxes.

How much are those taxes? Social Security and Medicare taxes are split evenly between the employer and the employee, with each party paying 7.65% of cash wages, for a total of 15.3%. You pay your share of the taxes from your own pocket and withhold the employee's share from their wages.

What about the Additional Medicare Tax? If an employee's wages exceed $200,000 during the year, you must begin withholding the 0.9% Additional Medicare Tax on wages paid in excess of $200,000. This tax is only imposed on the employee.

Are any employees excluded? You do not have to pay or withhold Social Security and Medicare taxes for wages you pay to your spouse, your child who is under age 21, or your parent in certain situations. You also do not need to pay or withhold tax for an employee who is under age 18, unless the work is their main occupation.

Do you need to pay federal unemployment tax? If you paid more than $1,000 in cash wages during any calendar quarter this year or last year, you need to pay federal unemployment tax. Do not count wages you paid to your spouse, your child who is under age 21, or your parent. This tax is paid solely from your own funds.

Please check your state's requirements regarding state unemployment tax. You may need to pay it even if you are not required to pay federal unemployment tax.

How much is the federal unemployment tax? The tax is 6% of the first $7,000 of an employee's cash wages. However, you can generally take a credit that reduces that percentage to as low as 0.6% if you pay your state unemployment tax on time.

Do you need to withhold federal income tax? You are not required to withhold federal income tax from your household employee's wages, although you can if an employee asks you to do it.

When do you pay the taxes? When you prepare your federal income tax return, you will complete Schedule H to calculate your total federal household employment taxes. Your employment taxes will be added to your income tax, and you need to pay any amount due by April 15.

However, if you wait until you file your tax return to pay your taxes, you may have to pay a penalty for not paying enough taxes throughout the year. To avoid a possible penalty, consider increasing the amount of taxes you pay throughout the year to cover the employment taxes you will owe. You can do this by increasing the amount of federal income tax withheld from your own paycheck or by making quarterly estimated tax payments to the IRS.

State unemployment taxes may be due on a quarterly basis. ■

Please consult your tax advisor for advice on household employment taxes.

IMPORTANT FEDERAL DEADLINES FOR INDIVIDUALS WHO PAY HOUSEHOLD EMPLOYMENT TAXES

By January 31, 2020

Prepare and distribute Form W-2, Wage and Tax Statement, to your household employees. Also send Forms W-2 and W-3 to the Social Security Administration.

By April 15, 2020

Prepare and file Schedule H with your 2019 federal income tax return. Pay any tax due.

ISLANDS IN BLUE AND WHITE | Cyclades, Greece

BY BRIAN JOHNSTON

Tourists long ago discovered this group of nearly forty islands lying in the Aegean Sea, especially destinations such as Mykonos and Santorini. Yet many of the other islands are far less touristy and let you enjoy more authentic local life.

THE LANDSCAPE OF THE CYCLADES was born at the dawn of time in a striking assembly of basic elements. Blue sea, rusty rock, golden cliffs, hot skies. These scattered, weather-beaten Greek islands are parched brown yet, amid the silvery olive groves of the interiors, streams bubble and wildflowers bloom. Over thousands of years, islanders have added blue-domed chapels and whitewashed windmills, castles and fishing ports. Almost every view is worthy of a postcard or calendar scene.

And the world knows it. The main Cycladic islands that run down the center of the Aegean Sea, such as Santorini, Mykonos, Ios, and Paros, are engulfed with package holidaymakers, honeymooners, and cruise passengers. For good reason, of course. By all means visit Mykonos for its unabashed hedonism and Santorini for its eye-popping volcanic landscapes and cliff-clinging towns. Take time to explore further afield, though, for a different kind of experience. Many of the Cycladic islands fly under the international radar, offering a more tranquil, traditional flavor of Greece beyond the madding crowds.

A good place to start is Tinos, the most northerly yet one of the least internationally known Cycladic islands, though an important destination for Greek Orthodox pilgrims. They come to venerate a miraculous icon encased in gold and jewels at the Church of Our Lady of Tinos, sometimes shuffling from the ferry terminal on their hands and knees. The ornate yellow façade and richness of the chandelier- and candle-filled interior contrasts with the black skirts of widows and black Merlin-like robes of priests, whose headdresses resemble squashed top hats.

The island is scattered with hundreds of tiny family chapels crammed with icons of sad-eyed saints. Whitewashed houses swathed in bougainvillea are fronted by sandy beaches and turquoise waters that elsewhere would be jostling with tourist hordes. An interior of rocky hills conceals valleys of lemon and olive trees framed in a maze of drystone walls and still crosshatched with old donkey trails.

The island of Milos is rimmed with stunning rock formations (left) and beautiful beaches. On the island of Sifnos, a monastery (below) perches on a rock outcropping that juts into the sea.

A day's hiking—as elsewhere in the Cyclades—takes you from village to village, past dovecotes and windmills, and might finally lead you to a ruined Venetian-era fortress, where you're rewarded with exhilarating views.

West of Tinos and closer to the mainland, Kea has a similarly tranquil interior and beaches frequented mostly by weekending Athenians. Its delightful small towns are a confusing labyrinth of whitewashed alleys and steps, designed to confuse the raiding pirates that plagued the Cyclades in the nineteenth century. Beyond, hillsides are scattered with monasteries and windmills. Valleys are planted with almond and apricot trees that are a wonder of blossoms in springtime. Hoof up to rocky vantage points and the astonishing peacock colors of Kea's bay-trapped waters are revealed.

Kea is probably the greenest island in this brown, sun-beaten archipelago. To the south, Serifos is quite the contrast for its barren rockiness. Only the occasional hidden valley erupts in wildflowers and willow trees, and the hillsides otherwise support just a few hardy vines and straggling tomato farms. If you really want to retire from the tourist fray, this is the place. Serifos is one of the least-visited Cycladic islands, and yet it has a dramatic, mountainous landscape and gorgeous bays.

Serifos town, perched higgledy-piggledy high above the sea on a precarious hillside, is striking for its dazzling cubic houses crowned by a fifteenth-century Venetian fortress. The town pops with the domes of churches painted in blue, red or yellow. Old-fashioned Greek hospitality still lingers here; you might be offered coffee as you're bombarded with personal questions that would be considered intrusive elsewhere. If you're over 30 and still unmarried, be prepared to provide an explanation.

Greek coffee is strong as death, thick as oil and might choke the unwary with the sludge of coffee grounds that lurks at the bottom of the cup. It's best tempered with a pastry, which might run from an orange-flavored custard or rich nougat to various concoctions of fresh pears and apricots. Island favorites are *finikia* and

diples (varieties of nut cookies dipped in honey syrup) and the sugared almond cookies called *kurabiédhes*.

Other local snacks include sheep's milk cheese (*xynomitsithra*) and baked chickpeas (*revithia*). You won't find a hugely varied menu in restaurants, but the food is hearty and very fresh, especially seafood such as grilled swordfish, lemon-dribbled octopus, or stuffed squid. Skewered lamb and *keftedes* (spicy meatballs) are other traditional dishes.

The island of Sifnos is particularly renowned for producing good chefs, so haunt the restaurants in the pretty east-coast town of Kastro. The chef might invite you into the kitchen to see what's cooking. You can sit on a terrace and enjoy stuffed tomatoes overflowing with spiced rice and ground meat, and watch the sun fizzle out in the purple evening sea. Swallows flit in the dusk, and the lights of small boats out at sea glitter like stray diamonds on a bed of deep velvet.

Sifnos purportedly has more churches than there are days of the year. The Monastery of Moni Chrysopigis, squatting on a rock finger between two electric-blue bays, houses a statue of the Virgin Mary hauled from the sea by fishermen.

The Cyclades most famous statue, though, is the armless classical Venus de Milo, now housed in the Louvre in Paris. It was discovered among the ruins of ancient Milos, the Cyclades' most westerly island, in 1820. The local archaeological museum has a plaster version and some very real bull figurines and clay goddesses that are over 3,000 years old. The whole island is littered with Greek and Roman ruins, catacombs, and a tumbledown amphitheater that attest to the Aegean Sea's long and influential history.

Milos has abundant and beautiful beaches. Cliff-backed Paleohori might be the best, but Plathiena is also lovely, framed in the limestone outcrops for which Milos is renowned. Milos is one of only two volcanic Cycladic islands (the other is far more famous and utterly overcrowded Santorini) whose main bay is actually a giant flooded caldera formed after an ancient eruption. Curious rock formations, blindingly white cliffs banded in colored rock, and a dramatic coastline make this one of the most scenically striking islands.

Life here has not yet been overwhelmed by the jetsetters and Instagrammers who play and party on Santorini and Mykonos. You can enjoy the sunset here without being jostled, as the blue-and-white colors of the Cyclades morph into orange and red. As evening falls, there are no thumping nightclubs and raucous parties. Just the mutter of retirees who have dragged their chairs out into the street to talk to passers-by, the chirp of cicadas, and the distant burble of a boat's engine, chugging towards the harbor as the stars come out. ■

FYI

5 Things to Do When It's Cold Outside

These exhibitions and concerts can help brighten up even the coldest and dreariest of winter days.

BENTONVILLE, AR

Wander through *North Forest Lights*

Crystal Bridges Museum of American Art • October 26, 2019–February 16, 2020

Five installations by the multimedia entertainment studio Moment Factory bring the woods surrounding the Museum to life with light, sound, and special effects on evenings through mid-February.

DALLAS

Explore *Origins: Fossils from the Cradle of Humankind*

Perot Museum of Nature and Science • October 19, 2019–March 22, 2020

This exhibition features the fossils of two recently discovered ancient human relatives, *Australopithecus sediba* and *Homo naledi*, in South Africa and tells the stories of these amazing discoveries.

DENVER • NEW YORK • SEATTLE

Celebrate Beethoven's 250th birthday

Musicians around the world are tuning up to celebrate Beethoven's 250th birthday in 2020. In Denver, the Colorado Symphony will present Beethoven's monumental Missa Solemnis on February 21, 22, and 23. In New York, Carnegie Hall has more than 35 events planned, including two complete symphony cycles, that explore Beethoven's transformative impact on music history. In Seattle, the Ehnes Quartet will perform half of Beethoven's string quartets during the first weekend (January 17–19, 2020) of the Seattle Chamber Music Society's Winter Festival. Check your local listings for a Beethoven celebration near you!

DENVER

Immerse yourself in *Claude Monet: The Truth of Nature*

Denver Art Museum • October 21, 2019–February 2, 2020

With more than 120 paintings spanning Monet's entire career, this exhibition is the most comprehensive U.S. exhibition of Monet paintings in more than two decades. The exhibition focuses on the artist's enduring relationship with nature and his response to the varied places where he worked.

PHILADELPHIA

Test your survival skills at *The Worst Case Scenario Survival Experience*

The Franklin Institute • October 19, 2019–April 19, 2020

Based on the popular *Worst-Case Scenario Survival Handbook* series, this exhibition provides instructions for surviving unexpected but possible real-life situations. A few of the skills you can learn are how to jump from a moving train, escape from quicksand, and survive an avalanche. ■

QUIZ

OUT OF THIS WORLD

1. Launched nearly 30 years ago, this telescope continues to orbit Earth and record images of planets, stars, and distant galaxies:

A. James Webb Space Telescope
B. Hubble Space Telescope

2. Peaking in mid-August each year, this meteor shower is considered the best one of the year:

A. Perseids
B. Leonids

3. The number of planets in our solar system is:

A. Eight
B. Nine

4. Our solar system is part of a large group of stars called:

A. The Andromeda Galaxy
B. The Milky Way Galaxy

5. NASA's first manned spaceflight program was called:

A. The Gemini Program
B. Project Mercury

6. Not only was this astronaut the first American in space, he also walked on the moon several years later:

A. Alan Shepard
B. Scott Kelly

7. The first person to set foot on the moon was:

A. Edwin "Buzz" Aldrin
B. Neil Armstrong

8. The last time someone visited the lunar surface was in:

A. 1972
B. 1992

9. The International Space Station orbits Earth every:

A. 90 minutes
B. 90 hours

10. This heavenly body was reclassified in 2006 from a planet to a dwarf planet:

A. Pluto
B. Venus

11. This spacecraft ended its mission in 2017 after 20 years in space, traveling 4.9 billion miles, orbiting Saturn 294 times, and transmitting 453,048 images back to Earth:

A. Galileo
B. Cassini

12. This planet is sometimes called the Red Planet:

A. Mars
B. Venus

ANSWERS: 1-B, 2-A, 3-A, 4-B, 5-B, 6-A, 7-B, 8-A, 9-A, 10-A, 11-B, 12-A

Source of information: nasa.gov