THE ALLIED PERSPECTIVE

SUMMER 2018
YOUR PARTNER FOR CPA, FINANCIAL & PAYROLL SERVICES

FROM THE PARTNERS
Updates & News to Share

At Allied Financial Partners, one of our core values is community service. As a locally-owned and operated firm, it's important for us to sow back into the community some of our good fortune with our time and financial support. On April 19, 2018, a small but mighty group of volunteers from AFP participated in the United Way of Ontario County's Day of Caring sprucing up the Wood Library in Canandaigua. Some of our team members also laced up their sneakers and participated in the JP Morgan Corporate Challenge this May.

Over the summer, we will be sponsoring the Genesee Land Trust's Backyard Habitat Tour, Family Promise of Ontario County's Bed Race on Canandaigua Lake, Bridges for Brain Injury, Fingerlakes Wildlife Expo & Fair, Small Business Council Backpack Give Back and the Pit Run in Oneonta, NY. We are also a Hometown Partner of YMCA Camp Arrowhead.

At Allied Financial Partners, we know that an informed client is our best client. While we publish this newsletter bi-annually, you can stay up-to-date with AFP on our website where we post articles, valuable information and insights throughout the year. You can also visit **alliedfp.com** to read our monthly eblast or join our mailing list.

From all of us at Allied Financial Partners, have a happy and enjoyable summer.

Thomas Tette, CPA
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GUIDELINES FOR 1099 CONTRACTORS

by James W. Swiech, CPA, Tax Manager

For employers, differentiating the relationship between a 1099 Independent Contractor and an employee can be challenging. This is most commonly due to employers misunderstanding the difference between the two. Whether the relationship is one of employer-employee or employer-independent contractor will depend on several factors, including how much supervision, direction and control you have over the services.

When trying to properly identify an Independent Contractor things to consider include: *Who determines when and where work services are performed? Does the employer directly supervise work and have the right to hire/fire the individual? Does the employer provide facilities, equipment, tools, supplies, etc.? Does the individual carry their own insurance and cover their own risk for profit or loss?*

It is vital that you understand the distinction between an independent contractor and an employee. This affects you and your business as improperly treating an employee as a 1099 Contractor can subject you to not only civil penalties but also criminal penalties governed by the New York State Department of Labor plus fines, penalties and interest accrued by the IRS for any underpaid Federal employment taxes.

For more information on how to classify an independent contractor versus an employee, visit the New York State Department of Labor website to preview the guidelines or contact our office to speak with your accountant.

MARK YOUR CALENDAR

2018 Seminars & Training

Making the Most of Medicare

- Wed., July 25, 2018 @ The Woodcliff Hotel & Spa

Long Term Care Planning

- November 2018: TBD

Dates, times and more information about these programs can be found on our website, www.alliedfp.com, and through our e-newsletter. You can also contact Andrea True at atrue@alliedfp.com or 585.410.6733 x103.

LATEST TRENDS IN PAYROLL & EMPLOYMENT LAW

The rules are changing for payroll deductions. Effective November 6, 2018, the terms and conditions are only allowing for specified deductions for:

- Insurance premium
- Pension or health and welfare benefits
- Contributions to charitable organizations
- United States bonds
- Union dues

Payroll deductions that will no longer be permitted after November 6, 2018 include items such as:

- Employee meals
- Day care expenses
- Discounted parking passes or travel vouchers
- Fitness center, health club or gym membership dues

Additionally, NYS is proposing new call-in pay requirements. While these are not yet law, the proposal includes:

- Employees must be paid at least 4 hours if called in on day off (this rule already exists)
- Shift hours must be scheduled at least 14 days in advance
- If employee is scheduled to work an unscheduled shift, they must be paid an additional 2 hours
- If employee's shift is cancelled within 72 hours from the start of a shift, employee must be paid 4 hours pay
- If employee is required to be on-call, employee shall be paid 4 hours call-in pay

Exemptions include:

- When a CBA provides for call-in pay
- Employees who are paid 40x the applicable basic hourly minimum wage
- Unscheduled shift pay does not apply to the first 2 weeks of employment
- Cancelled shift pay does not apply when operations at the workplace cannot begin or continue due to an act of God or state of emergency

Allied Financial Partners will continue to provide updates regarding regulations changes in our monthly eblast and on our website. If you have any questions please contact your payroll specialist directly.

EMPLOYEE SPOTLIGHT: ACCOLADES & PROMOTIONS

Allied Financial Partners is proud to announce that **Daniel J. Esford** has successfully completed his CFP® certification. Esford graduated from RIT in 2013 with a Bachelor of Science in Economics. He joined Allied Financial Partners in 2014 as part of the payroll team before transitioning to financial services in 2015. While Esford has been a fully licensed registered representative working in support of the Director of Financial Services, he will now be taking on more substantial responsibilities in developing and deploying comprehensive, customized financial planning.

"Dan's skill set will be of great service in expanding our department's capacity and will help us to meet the growing demand of our busy clients." says David Younis, CFP®, Director of Financial Services.

Allied Financial Partners is excited to welcome Adrianna White back to the Administrative team. After working for AFP for three years, Adrianna took some time off to raise her children before returning to AFP for the 2018 tax season. She will be staying on to assist clients visiting our Victor office.

Originally raised in Mexico, Adrianna has lived in Texas, Florida, Connecticut, and Arizona before settling in Victor, NY with her family. Adrianna enjoys going for walks and spending time with her husband, two children and their two dogs.

Allied Financial Partners is pleased to announce the promotion of **Chelsea Hewitt** to On-Boarding Specialist. Chelsea joined our team in early 2017 to provide administration support and has grown her responsibilities over the past year. Her variety of skills and desire to learn and grow are a great asset to our team. Congratulations, Chelsea!

We are proud of our team of talented professionals. Allied Financial Partners strives to create a premier experience to help businesses and financially engaged individuals realize their vision of success through an integrated suite of accounting, tax, financial planning, benefits, HR and payroll services delivered with the highest integrity and efficiency throughout the firm.

THUMBS UP
The Client Corner

Taking the time to recognize the awards and accomplishments of our clients is important to us.

- Kudos to Care Net Pregnancy for receiving the Canandaigua Chamber of Commerce Business Award for Service.
- Hats off to Hopper Hills Floral & Gifts for receiving the Retailer of the Year, Victor Business Award.
- Michelle L. Wescott, MED-ID, CPLP, Chief Development Officer, Gillespie Associates, has been named a "Woman to Watch" by the *Democrat & Chronicle*. Congrats!

If you or your business would like to be featured in our next newsletter, please contact Andrea True at atrue@alliedfp.com or 585.410.6733 x 103.

SAVE EARLY, SAVE OFTEN TO “COMPOUND” SUCCESS

by David A. Younis, CFP®, Director of Financial Services

David A. Younis, CFP

You’ve heard the saying “save early, save often.” Sure, it’s a cliché, but like many clichés it is borne of real world experiences. In this article, I’d like to explore WHY saving early and often is so important to long-term financial success. The concept in question here is focused on the calculation of interest and is applicable whether you are applying for a new loan, paying off a credit card, contributing to a retirement plan or anything else where you need to focus on the impact of interest or returns on your future economic success. It’s also important to remember that whether you’re just starting out on the road to financial independence or standing on retirement’s doorstep this concept is something everyone should understand.

Understanding interest has to do with understanding the two main ways it can be calculated and applied to an account. There are two flavors: simple and compound interest. We’ll start with simple interest. If you were to make an investment of $1,000 and were expected to earn 5% simple interest annually; then after 1 year you would expect to have a balance of $1,050. Mathematically: $1,000 + ($1,000 x .05) = $1,050. So what would your balance be after two years? To answer the question you would need to know that when calculating simple interest the interest portion remains the same (assuming you have left the original $1,000 invested). So after two years, you would expect a balance of $1,100—you would have received $50 of interest for the first year and again $50 of interest for the second year. Note, this is NOT how interest is credited or applied in most financial applications.

Compound interest calculations assume that interest is paid not only on the original deposit but ALSO on the accrued interest. So drawing on the prior example: the first year calculation would be identical, leaving you with a balance of $1,050 as before. However, rather than only receiving $50 of interest during the second year you would expect to earn $52.50. Mathematically: $1,050 x .05 = $52.50 where the $1,050 is the accumulated sum of the original deposit plus the first year’s interest. This would leave you with an ending balance after two years of $1,102.50. The compounding of interest in this simplified example leaves you with an additional $2.50 versus the simple interest example. Note, you can compound interest according to different schedules, i.e. daily, weekly, monthly, annually, etc.

If you’ve ever made your minimum credit card payment and watched the balance increase despite the payment, then you’re familiar with the ill effects of compound interest. However, we can also harness the power of compounding returns and this is one of the most important concepts to investing successfully and brings us full circle to where we began, that you should save early and save often. To illustrate, I’d like to introduce you to Jane and John.

Jane is a 23 year old recent college graduate employed in her preferred field while John is 55, has put two kids through college and is now turning his attention to “catching up” on his retirement preparedness. Let’s suppose each of them have the same goal—accumulate $1,000,000 by age 66 (John’s retirement age). For the sake of over-simplification, we’ll further assume that they are each starting with $0 balance and we’ll ignore the impact of taxes.

If you have more time, you can accept lower rates of return in order to meet your long-term objective. Let’s assume that Jane can earn 5% annually in her investments and she expects that return to be very stable as a result of maintaining a relatively conservative investment portfolio. She has 43 years to reach her goal. I’ll save you the math here. She would be required to save $552.13 every month until age 66. John on the other hand only has 11 years to accomplish that goal. If John also wants to maintain a reasonably conservative portfolio that produces a stable 5% return then he would be required to save $5,697.82 per month to meet his goal. Keep in mind that John would also have to plan on continuing to pay all of the other expenses that would be anticipated as part of his normal lifestyle.

So naturally, this example points out a conundrum that many face: lacking the time to accumulate sufficient resources to meet financial independence goals. Instead he is forced to seek out greater returns; which, in turn, equates to amplified risk. With increased risk comes increased volatility and expected drawdowns during negative market environments that could come at inopportune moments—perhaps right before retirement.

While these examples are simplified, they are indicative of the real world decisions that people are forced to make when they do not begin saving early enough. As financial planners, we plan for different time horizons and each individual has many; the planning period may be to a certain age, a certain life event or full life expectancy. In any case; no matter your planning horizon; in order to create a more robust financial future for yourself, there’s no time like yesterday to begin!