



# THE ELLS OUTLOOK

March-April 2011

## During Economic Recovery, Focus on the Fundamentals

Political pundits and economic experts appear to agree that economic recovery is on it's way to your doorstep, if it hasn't already arrived. Predictions are that businesses can look forward to increased prosperity in 2011. It would be only natural to feel a little light-headed after almost three years of constant belt tightening. In actuality though, now is the time to remain calm and focus on what makes your business profitable and how you can continue to improve your potential for profitability.

In previous newsletters, we've discussed the significant impact of focusing on top line sales. Increased sales, not bottom-line reduced costs, are what drive your business upward. We're talking about developing a strong customer retention program as well as bringing in new customers. It is infinitely less expensive to increase the value of the customers you have than it is to get new customers. Review your customer service policies and make sure every employee is aware of how you want your customers treated and give them the authority to treat your customers that way. Empowered employees are both more efficient and more productive. Consider every employee your welcome mat to increasing customer retention.

Another place you want to look is at your employees. This has been a tough three years for them just as it has been for you. Chances are everyone is working longer and harder and "burnout" is creeping in. As jobs open up in your competitor's companies, it's very possible your burned-out employees may be out searching for greener pastures. It's your responsibility to make sure nothing looks better or "greener" than where they are with you. Identify your valuable employees (as you probably already have done by virtue of their continued employment) and meet with them individually. Discuss their goals and objectives and share your plans for their future growth with your company. Ask them what concerns they have and address those concerns in a forthright manner. Training a new employee to replace an experienced employee in a key position is an expense you want to avoid if at all possible.

Your ELLS advisor can discuss other strategies you might want to consider to make your "transition to prosperity" a profitable one!

## ELLS Meets With Fresh Produce & Floral Council Members

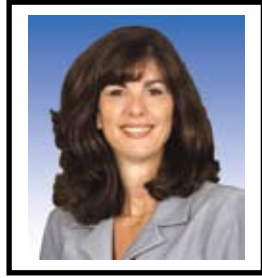


Shareholders **Ed Lieber** and **Maria Arriola** attended the Fresh Produce and Floral Council meeting on February 23rd at the Cerritos Sheraton. They are pictured above with (from left to right) Erik Dickerson of American Business Bank, Maurie Thomas of Caldwell Fresh Foods, and Silvia Marjoram of American Business Bank.

Since 1965, the Fresh Produce & Floral Council ("FPFC") has provided unique networking and business growth opportunities for professionals in the produce and floral industries in California. Their members include growers, shippers, wholesalers, brokers, distributors and retailers of produce and/or floral items.

The FPFC supports several worthy causes outside the industry, specifically the Orange County Food Bank, the Navy-Marine Corps Relief Society, and the City of Hope.

## Maria Arriola Introduces the Concept of the “New Normal” for Retirement



It's time to shed some of those preconceptions we all have about retirement planning. The bottom line is, people are living longer, and this creates some interesting challenges. The “new normal” for most people is there will be no one day when work stops and retirement begins. It will look more like a gradual continuum of less work and more leisure.

Gone are the gold watch and pension plan. Most of us will have to rely on a combination of Social Security and retirement savings. The responsibility for managing a variety of unknowns ... from how long you'll live to what the markets and your portfolio will do, falls squarely on your shoulders.

To achieve this gradual transition successfully, it's critical to imagine your future life as realistically as possible. Do you want to travel, or move closer to your grand children? Perhaps you dream of a second career. This is your chance to take control of your dreams for life's next chapter. Having a plan will help you benchmark where you stand financially as you move through retirement. Your plan will tell you where your accounts should be when you hit 70, 80, and 90 so you know if you're on target. It's an emotional necessity to help you cope.

As you near retirement, it's time to make an appointment with your ELLS advisor to develop a strategy to generate the lifetime income you will require. During the meeting, you will review your projected monthly expenses against your expected sources of retirement income to see if you have an income gap to cover from your retirement savings.

Your ELLS advisor can then help you make the transition from saving your retirement nest egg to spending it, by reviewing your current portfolio, creating an income plan, and developing an income strategy that suits your needs. For your future peace of mind, this is one call you'll want to make!

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and Other Information,  
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## Are You In the IRS Gun Sights For An Audit?

The formula that the IRS uses to flag returns for random audit, known as the discriminant function, is a highly classified secret known only to a few. There are, however, several types of returns that the IRS tends to focus on in general and if you fall into one of these categories, there is a higher probability that you will be audited than there is with other taxpayers. Categories of tax returns that the IRS tends to scrutinize more closely include the following list.

**Returns that itemize deductions.** Taxpayers who include a Schedule A to report itemized deductions (which includes almost all of our clients). This is because additional calculations invite a greater possibility of error or misinterpretations of the tax code.

**Self-Employed taxpayers.** Taxpayers who report income on Schedule C or E are prime targets because of the number of expenses that can be claimed as deductions and the validity of these deductions.

**Small businesses.** The IRS has found even honest business owners don't understand the rules for correctly reporting their income and expenses. This is particularly true of those who are filing a business return for the first time.

**Complicated tax transactions.** For example, real estate transactions involving 1031 exchanges, interests in oil or gas leases, or income from investment property are just some red flags that pique the interest of the IRS. The best defense is to always keep good records.

The IRS is looking for what it hopes will just be an “honest mistake” in calculating what you owe them. Having your tax return prepared by a professional, such as an ELLS CPA, will minimize (but not necessarily eliminate) their interest in your return. And remember, if the IRS does call you, refer them to your ELLS advisor *before* answering any questions.



### “So long, it's been good to know you! ... “

A chapter closes in the ELLS history book as we say good-bye to Georgia Messemer, the creator and editor of the ELLS Outlook since 1996.

“I'm celebrating my 75th birthday by retiring from my Newsletter business so I can devote my full attention to my volunteer activities, which have become my passion.” We at ELLS would like to thank Georgia for her hard work, her wonderful product, and her dedication to ELLS. We wish her the best in her well-deserved retirement from the Outlook.

## You'll Be Working Until April 12th To Pay Your 2011 Taxes

You may have suspected you've been working for the government all this time, and in fact, you have been! Americans will have to work until at least April 12th (102 days) before they have earned enough money to pay this year's tax obligations at the federal, state, and local levels, according to the Tax Foundation, a nonpartisan tax research group based in Washington, D.C. According to their statistics, Americans will pay more in taxes in 2011 than they will spend on groceries, clothing and shelter combined. And this does not take into account the current year's federal budget deficit of about \$1.47 trillion. Maybe it's time we paid a little more attention to how Congress is spending our hard-earned money?

## New IRS Guidance on Health Plan Coverage Reporting Requirements

The IRS has issued interim guidance to employers on information reporting to employees of the cost of their employer-sponsored group health plan coverage. The Affordable Care Act of 2010 provides that employers are required to report the cost of employer-provided health care. However, by way of a notice issued late in 2010, this requirement made it optional for all employers for 2011. In this new guidance, the IRS has provided further relief for smaller employers who file fewer than 250 information forms by making this requirement optional at least until 2012. Your ELLS advisor has further details concerning how to report, what coverage to include, and how to determine the cost of coverage for your group health plan.

## ELLS Speaks To Citizens Business Bank



Shareholders **Maria Arriola** and **Greg Lewis** are joined by Jim Dowd and Bill Emhold to the left and Tony Ellis, all from the credit team of Citizens Business Bank in Ontario, at the completion of their presentation on how to work with CPAs to better serve their clients.



## Cost Segregation Is The Topic of the Day

ELLS had a booth at the Orange County Apartment Association tradeshow on March 10th at the OC Fairgrounds. We talked to real estate owners about Cost Segregation and real estate tax strategies. ELLS was represented by **Ronald Stumpf, Maria Arriola, Mary Anne Turner, Jeff Boxx** and **Lindsay Conderman**. Lindsay and Mary Anne are in picture above.

## — Around The Calculator —

"Busy season" anniversary congratulations are extended to **Doris Zhu**, CPA, who celebrated her 7th year with us March 1st. Admin Department File Clerk **Gaby Cervantes** rang up #4 on March 5th, and Shareholder **Maria Arriola** reached an impressive 27 years with ELLS as of April 9th.

There are more wedding bells ahead for the ELLS team! We are very happy to announce that **Kelley Bendt**, Tax Secretary, is getting married this summer in Orange County and **Joanne Tang**, CPA, will be getting married in July in a wedding in Taiwan. Our very best wishes to both Kelley and Joanne!

## It Must Be St Patrick's Day!



It wouldn't be St Patrick's day without the annual party at ELLS client Shamrock Supply in Anaheim. In photo above, **Greg Lewis, Sherry Radmore, John O'Connor, Lindsay Conderman** and Patrick O'Connor take a break while enjoying great food and great music during the festivities.

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CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

1611 E. FOURTH STREET, SUITE 200  
SANTA ANA, CALIFORNIA 92701  
T: 714.569.1000  
F: 714.542.1040  
WWW.ELLSCPAS.COM  
EMAIL: INFO@ELLSCPAS.COM

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Santa Ana, CA  
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## The ELLS Tax Department Isn't Just Another Pretty Face

The faces are pretty much the same as last year, but the tax law keeps changing. The team from our tax department is dedicated to providing our clients with every tax break possible to save you money at every twist and turn. Our thanks to them for the extra effort and long hours they put in during tax season. We couldn't get along without them!



**Sherry Radmore**



**Jeff Boxx**



**Carol Painter**



**Yana Weaver**



**Ed Lieber**



**Suzanne Lieber**



**Roslyn Baron**



**Suresh  
Narayanamoorthy**



**Nancy Chung**



**Azi Farooquee**