

## Fall 2010



In  
the  
Spotlight

New Company  
Pitfalls

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Credits

### Common Pitfalls Of Starting A Company

**Starting a new business can be exhilarating. However, building a sustainable business on an idea is harder than expected. It's a good idea to avoid these common pitfalls that plague a new start-ups:**

Doing it solo.

*Handling all the business affairs sometimes means you spread yourself too thin. Building up your business becomes increasingly difficult if you have no one to share burdens that can easily be delegated or outsourced to others.*

Concentrating away from sales.

*Spending too much time on product development diverts energy and resources away from garnering new sales. Providing a great product or service is important, however a strong sales organization is the foundation of a successful company.*

Targeting and Overpaying for the wrong size or wrong kind of market.

*When setting up your marketing strategies, it's important to remember not to pigeonhole your blossoming company. Spending large amounts of advertising money may be tempting, but making more money than you spend trying to get new clients is an important adage of entrepreneurship.*

Too little or too much capital.

*Many new business owners underestimate all the costs that play a part in a start-up company. It is integral to remember that the capital you raise will need to sustain your company until you generate a positive cash flow. However, too much capital can lead to wasting money and resources on superfluous expenses; leading to inevitable wash out of the company.*

Over-thinking or Ignoring a business plan

*While a business plan can never prepare you completely for the future of your new company, it is important to think through important logistics, such as cash-flow projections, realistic estimates of how much time and money it will take to make a profit, and setting goals for growth & development.*

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### Decline in Personal Savings Rate

Even before the economic turmoil of the recent years, the savings rate of the United States has been steadily declining. In as recently as the 1980s, the country saved around 5-7%. In the last decades, that rate has slid down to the 1 to 3 percent range and is now among the lowest of any modern nation.

### Reminders

Sales Tax is due on the 20th!

Minimum wage is now \$7.25.

Quarterly Reports are due 10/31!



### Job Loss & Tax Issues

In the current economic climate, it is sometimes easy to forget the tax impacts of losing a job, withdrawing from a retirement account, and receiving debt forgiveness. Some things to keep in mind:

Severance pay and unemployment compensation are taxable. However, public assistance and food stamps are not.

Withdrawals from your pension plan are taxable. Additional taxes may apply if you are under the eligible age.

Some expenses related to a job search may be deductible, as well as moving costs from changing job locations.

If you owe taxes and are unable to pay them, contact the IRS and request a payment plan to avoid unnecessary fees and penalties.

You may be eligible for the Earned Income Credit this year.

### Tax Credits for Healthcare

Included in Obama's Affordable Care Act, the Small Business Healthcare Tax Credit encourages employers to offer health insurance coverage for the first time or maintain coverage already implemented. To receive the maximum credit, businesses must employ ten or fewer full-time moderate or lower income employees and pay for at least half the cost of single coverage.