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## 18 Year-End Financial Must-Dos

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You need to make some financial moves before the end of the year if you want to maximize their impact on your 2011 financial statements and taxes. Some can affect your ability to raise money, secure vendor credit or sell your business next year or the year after. With 2012 fast approaching, the time to act is now.

### **Make a bad year look better**

1. Collect delinquencies. Make a last-ditch effort to collect from delinquent accounts, even if you have to negotiate on the amount. If you can't collect, you'll probably want to write them off as bad debt. Not doing so will hurt your accounts-receivable turnover ratio—a red flag for lenders and investors.
2. Encourage all customers to pay. You want your other customers to pay before the end of the year, too. But before you offer an early-payment discount, be sure it won't take too big a bite out of your overall gross profit margin. That's another financing red flag if it declines from prior years or is below industry standards.
3. Ask for progress payments. Collect payments on projects already underway and see if you can secure deposits for any projects that will begin this year.
4. Delay paying bills. If the bills can wait until 2012, wait to pay them until after the first of the year.
5. Offer year-end specials.. Specials on slow-moving inventory will improve your inventory-turnover ratio. And that will please your banker.
6. Sell under-performing property and equipment. Consider selling any equipment or property that's not performing up to snuff if it's fully depreciated.

### **Make a good year better**

7. Wait to deposit new checks. Deposit checks that are just coming in after the first of the year.
8. Purchase qualifying property or equipment: Now is the time to buy any property or equipment that qualifies for Section 179 or 100 percent-bonus depreciation, as these benefits are likely to be scaled down in 2012. Note that qualifying equipment has to be in service before the end of the year.

9. Make charitable contributions.

10. Pay employee bonuses.

### **Must-dos for any year**

11. Download copies of year-end statements. Year-end bank and credit card account statements are often available for a limited period of time. Don't forget those PayPal, investment and Google Checkout accounts. You'll need proof of balances as of 12/31, and they're sometimes hard to come by after the fact.

12. Try to pay down any lines of credit. Lenders like to see that you're using lines of credit as intended—for temporary or seasonal needs, so pay them down to zero if possible. If you maintain a balance year-round, it suggests to lenders that the accounts are being used for long-term financing.

13. Examine inventory. You can reduce your taxable income and improve your inventory-turnover ratio by writing off any obsolete items.

14. Look at contractors vs. employees. Think about whether the IRS or other government agency might consider people you treat as contractors as employees. Desperate for revenue, governments are hot on the trail of misclassifications. If you think you may have misclassified workers in prior years, you'll be glad to know that the IRS recently announced a program that can reduce the penalties for admitted transgressions. In order to qualify, you had to have filed 1099s for those contractors in each of the last three years. A word of caution if you plan to fess up—the IRS isn't the only agency that can make your life miserable if you've misclassified workers. Be sure to get advice from a competent attorney or accountant before you proceed.

15. Hurry up and sell something. If you incurred costs to start a business in 2011, but haven't yet made a sale, sell something. Anything! You can't deduct any of those expenses in 2011 unless you do.

16. Get funds into 401K by year's end. If you're planning to squirrel money away in a 401K, keep in mind that while it can be funded in 2012, the account has to be in place by December 31, 2011.

17. Consider converting to a Roth IRA. If your personal income will be relatively low this year, it might be wise to convert your traditional IRA to a Roth IRA. Fidelity has a handy calculator to help you figure out if this is a good move.

18. Decide if it's time to cash out. Take a look at your investments to determine whether it's time to cash out. The special treatment of capital gains at a maximum tax rate of 15 percent is set to disappear at the end of 2012. After that, these gains are likely be taxed at ordinary income rates. If your capital losses exceed your gains, you can carry them forward to offset future capital gains.

Most experts agree that tax rates will increase after 2012 and tax breaks will be harder to find. Be sure to consult a qualified professional about whether these strategies are right for you.

A good place to get expert advice is from those who contributed their year-end tips for this article: Brian Price, founding partner of PriceKubecka in Dallas; Rick Dlugasch, CPA with Waldron Rand in Boston; Robert Mahoney, president of Belmont Savings Bank in Belmont, Massachusetts; and Gail Rosen, a CPA in New Jersey.