

LOOPHILES



A Newsletter Devoted To The Latest Issues In Taxation, Business Management And Finance

From the Partner's Office A Solemn Remembrance

by Bob Baltes, CPA, CVA Management Director

September 11, 2001 will be forever etched on the minds of my generation and my children's generation. Much the same as December 7, 1941 affected the way our parents and grandparents lived their lives, so too will "9-11" affect ours. Our parents were called upon to rid the world of Hitler and his genocidal intentions. We are called to make the world a safer and more tolerant place to live. I will not soon forget watching televised images of the changing of the guard at Buckingham palace while our national anthem was played in the days following "9-11". We do have friends in this world, thank you Great Britain, we needed that.

It is a tribute to the beliefs and sacrifices of generations of Americans that our democratic way of life is indeed the model for most of the world. Only twenty-five years ago (1976) there were less than fifty democracies in the world. Today there are over 125. But as we have seen, freedom comes with a "price tag".

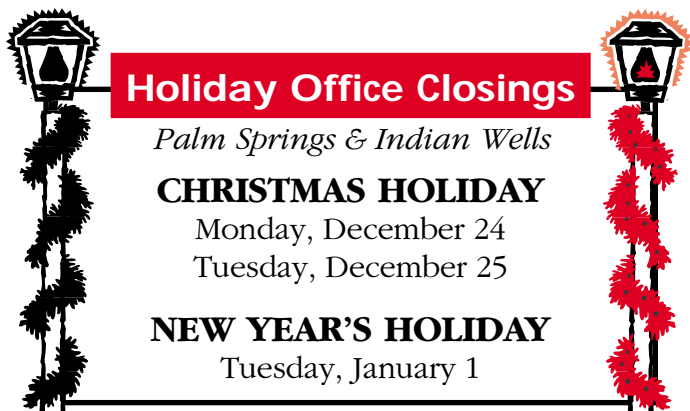
I am proud to see Americans reaffirming their patriotism (always there, just not on display) and putting aside politics to unite with our President, Congress and state governments to address this problem, just as Americans have for the past two hundred and twenty-five years.

All of us at MMGC extend our deepest sympathies to the families of the innocent men, women and children who perished in New York, Washington D.C., and Pennsylvania. We extend our appreciation to all of the volunteers, relief workers and military personnel who have helped us to heal and remain strong.

We are confident that the economic upheaval resulting from the attacks will be short term. The stock markets have recovered from the post "9-11" declines and the "Fed" is responding with interest rate cuts to assist an economy that was arguably in a recessionary phase even prior to the attacks. Overall, we are optimistic about an economic recovery in the year 2002.

As always, we are available to discuss your current financial positioning relative to the events that just occurred and the recovery to come. Tax changes passed earlier this year, as well as those on the horizon, will provide a needed stimulus to the economy. Please call us to discuss the impact of these tax changes and any planning opportunities available to you.

On behalf of everyone at the firm, we wish you a safe and happy holiday season and prosperous New Year. May God Bless America and the American Spirit.



Holiday Office Closings

Palm Springs & Indian Wells

CHRISTMAS HOLIDAY
 Monday, December 24
 Tuesday, December 25

NEW YEAR'S HOLIDAY
 Tuesday, January 1

Save the Date

Coachella Valley Economic Forecast Breakfast
 Friday, January 4, 2002

McCallum Theatre for the Performing Arts.
 Continental breakfast & registration begin at 7:15 a.m.
 with the Forecast presentation from 8:00-10:00 a.m.
 Cost is \$50/person. Call 776-7420 to register.

Mileage Rate to Increase

The standard rate of mileage for business use of a vehicle is set to increase again, effective January 1, 2002.

The mileage rate for medical and moving expenses is also set to increase. The following changes will go into effect on January 1:

- Business mileage rate increases from 34.5 cents/mile to 36.5 cents/mile.
- Deductible mileage rate for moving expenses increases from 12 cents/mile to 13 cents/mile.
- Deductible mileage rate for charitable services remains the same at 14 cents/mile. The rate increases stem from the rise in gasoline costs of the past year.

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Business Plans: Low Cost, High Returns

by David Suss, CPA

Having a business plan is necessary for survival in today's competitive business environment. A good business plan will help you focus on current and potential problems and assist you, your advisors, and employees in improving net profit.

Many owners of small businesses fail to put their plans in writing. It takes time to get your plan reduced to writing, and since there are so many other things to be done, the business plan goes unwritten. You wouldn't consider building a building without written plans to direct those who are assisting you. Likewise, you'll find your business more profitable if employees and advisors have a clear picture of what it is you are trying to accomplish.

The fact that you have reduced your business plan to writing does not mean that it's engraved in stone. Your business plan, like your building plans, is a guideline. Circumstances arise which will require that the plan be altered; that's as it should be.

Involve your employees in the development of the business plan. Your employees have a lot to offer and their involvement will make them more enthusiastic about putting a plan to work. At least once a year you should hold a brainstorming session to review the following questions: (1) Should we increase or decrease the line of products we offer? (2) Is our marketing and advertising approach as effective as it can be? (3) Are there employees whose work assignments should be redefined to make the company more efficient? (4) What is the company's financial condition, past, present, and future? Are there policies which need to be changed to improve the financial condition? (5) Where do we want the company to be a year from now and five years from now?

Please let us know if we can be of help with this process.

Business Valuation FAQs

by Les Kornblatt, CPA, CVA

Question: Is there more than one standard of value used for appraising a business?

Answer: The value of a particular business depends on the purpose of the valuation. An appraiser may reach a different conclusion of value depending on the purpose. The purpose and definition of value, therefore, drive the result.

For estate and gift tax purposes the taxing authorities require use of a "fair market value" definition (i.e., willing buyer and seller, no duress, reasonable knowledge, etc.). Premiums and discounts for lack of control and/or marketability are considered.

Value related to ownership transfers may include elements of duress, business synergies, the value of seller financing, and unequal knowledge between the buyer and seller.

In setting the value for buy-sell agreement purposes, the owners may not consider fair market value to be relevant. In such a case, the precise definition of value should be incorporated into the terms of the agreement. A valuation analyst can often be helpful to the attorney in drafting the technical definition.

For marital dissolution purposes, "investment value", is usually the appropriate standard of value. Family law courts have determined that a business, although not necessarily saleable, can have value to the marital community. The value is represented by the anticipated future income that the business is estimated to generate.

Dissenting shareholder disputes use "fair value" as the standard. This value differs from fair market value in that discounts for lack of control and marketability are often ignored.

In the case of a business' liquidation, the value is represented by the estimated asset sales proceeds, net of liabilities including income taxes. Therefore, one value does not fit all circumstances. I'd be happy to answer any questions you might have. You can reach me at 568-0032.

Financial Mistakes You Should Avoid

by Michele Moore, CTFP, Partner, MMGC Financial Services

Sometimes the worst financial mistakes are not the things we do, but things we don't do. Here are three examples.

Not starting to save early enough. It's never too soon to start saving for your retirement. As soon as you begin to earn a regular paycheck, set aside some percentage, however small, as savings. Even if it's only a small amount, the power of compounding will have longer to work, and you'll be surprised how it grows. The later you start, the tougher it becomes to accumulate a large enough nest egg.

Not taking advantage of a 401(k) plan or an IRA. One of your best investment options is your 401(k) or other retirement plan at work, especially if your company matches your contributions. Invest the maximum you can afford to set

aside, and enjoy tax-deferred savings for your retirement. If you reach the maximum in your 401(k) and can still save more, contribute to an IRA too. Even though the contribution may not be tax-deductible, the earnings will grow sheltered from tax. And if you're not eligible for a 401(k) plan, put all you can into an IRA.

Not having a current will. All your planning can be wiped out if you don't have a will or fail to keep it updated. Estate planning doesn't just minimize estate taxes; it makes sure that your assets are left to the people you choose. This mistake can have a high dollar impact, yet it's relatively easy and inexpensive to avoid.

Please give us a call if we can help with your financial plan.

Inside Information

APPOINTMENTS & ACHIEVEMENTS: Congratulations to **Rhonda Skillern** who is a member of the Desert Chapel Choir in Palm Springs and also a featured soloist on the choir's new Christmas CD! MMGC's team in Eisenhower Medical Center's 7th Annual HOPE Golf Tournament captured 2nd place — congratulations **Bill Healey** and MMGC clients **Dr. Bob Finegan, Rich Prusinowski & Ulli McNulty** on your excellent play! MMGC sponsored two teams in the Big Brothers 5K Race - congratulations **Stephanie Otero** and **Rogelio Bautista** for your 5th place finish and **Diana Silvas, Chris Lindholm** and **David Suss** for placing 2nd! **Kim McNulty** was appointed Vicariate Planning Facilitator for the Diocese of San Bernardino's Vicariate Planning for the Catholic Education of Youth. **Pedro Rincon** and **Bill Kelly** served on the Palm Desert Golf Cart Parade committee — thank you!

APPEARANCES: **Michele Moore** was featured in a financial seminar with **Kevin McGuire** and **Doug Martin** in November. **Les Kornblatt** recently spoke on "Understanding Business Valuation" for PDNB and the Accounting Association at CSUSB. **David Suss** discussed new tax law for the American Friends of Hebrew University, Desert Chapter. **Howard Gordon** was a featured speaker at UCR's Coachella Valley Management Forum.

Up Close and Personal

Stephanie Otero, Staff II Accountant



Stephanie Otero's unique accounting experience has made her a valuable addition to MMGC. Prior to joining our Palm Springs office, Stephanie worked for a publicly held company. She found the required SEC reporting interesting & challenging.

While her husband, Angelo, was in the military, the couple moved several times. After attending University of New Mexico and College of the Mainland in Texas, she earned her

Bachelors of Science degree from San Diego State University.

When Angelo was offered a job in the Coachella Valley, Stephanie was ready to enter the world of public accounting (and we're glad she was!). Since joining MMGC in October of 2000, she has passed two parts of the CPA exam, and has gained experience in audit and financial statement preparation as well as tax return prep and monthly bookkeeping.

In her spare time, Stephanie enjoys crafting, decorating the couple's new home and creating beautiful scrapbooks. She also enjoys reading and writing, and says that she would like to someday write a children's book. Welcome Stephanie!

MMGC Client Spotlight

Mario & Edalyn Lalli

Mario's (Where They Sing While You Dine)

Music and great food are the perfect pair, and nowhere is this more true than at *Mario's (Where They Sing While You Dine)*. Owner, Mario Lalli, worked at *The Asti* ("the Granddaddy of singing restaurants") in New York City as a student in 1947 and loved the experience. He established the Mario's musical dining tradition in Aspen, Colorado in 1952 and brought the restaurant to downtown Palm Springs in 1973, opening where the famous *Chi-Chi* restaurant once stood. Today, *Mario's* is located on El Paseo in Palm Desert. Diners still enjoy excellent Italian cuisine (Osso Bucco, Calves Liver



Veneziana & Seafood Pasta served in a bread bowl are favorites) and Broadway show tunes, opera and Neopolitan favorites performed by Mario, the Mario Singers and pianist, Gale Enger who has been delighting *Mario's* diners for 20 years. Ask Mario what he likes best about his work and he replies, "Singing, meeting people and the music." Mario and his bride, Edalyn, run the restaurant with family members Verna, Mario Jr. and Larry. *Mario's* is open six nights a week from 5 p.m. (closed Mondays)

with 2 shows each evening. Visit them at 73-399 El Paseo, Palm Desert. 760/346-0584.

MARYANOV MADSEN GORDON & CAMPBELL, CPAs

PALM SPRINGS

801 E. Tahquitz Canyon Way, Ste. 200, Palm Springs, CA 92262
760/320-6642 Fax 760/327-6854

Kim McNulty
Editor

INDIAN WELLS

74-774 Hwy 111, Suite A, Indian Wells, CA 92210
760/568-0032 Fax 760/773-3981

Howard Gordon, CPA
Technical Advisor

Marie Salsberry
Contributing Editor

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CONGRATULATIONS: TEAM PROMOTIONS!

Heather Shimp.... Congratulations to Heather Shimp, CPA, PFP on her recent promotion to Manager. Heather has been a part of our MMGC team in the Palm Springs office since 1996. Heather's credentials and experience are outstanding; she holds a bachelors degree in Business Administration from Georgia State University and a Masters in Business Administration from University of Southern California. In 1999, she completed the financial planning program offered by University of California, Riverside, and earned her Personal Financial Planning designation. Heather's extensive practical experience as an Audit Supervisor and tax preparer at MMGC includes financial statement planning, preparation and supervision



as well as many types of tax preparation. In addition to preparation of individual, corporate and trust tax returns, she is particularly knowledgeable regarding payroll and nonprofit organization tax returns and other tax issues. For nine years prior to entering public accounting with MMGC, Heather was a controller for a major golf supply company located in the desert. Heather has been a resident of the desert since November 1991. She and husband Rick make their home in Desert Hot Springs where their two children, Adam, 12 and Emilee, 3 keep them very busy. Heather also volunteers at her son's school and served as the Treasurer for the Variety Children's Charities of the Desert Tent 66 for three years.

Les Kornblatt.... Have you ever wondered what your business is worth? Les Kornblatt, CPA, CVA, can tell you. Under the new title of Principal, Les is responsible for all aspects of valuation and litigation services for the firm. Based in the Indian Wells office, Les' professional focus is on litigation support for attorneys and their clients, and on performing business valuations in connection with litigation, including damage and economic loss assessments. Les' experience as a Certified Valuation Analyst is also useful in estate and gift tax matters, divorce actions, shareholder and partnership agreements, succession planning, purchase or sale of a business, and allocation of purchase price. Les developed his expertise in business valuation



during his 16-year partnership in a West Los Angeles CPA firm that specialized in litigation support and business valuation engagements. Immediately prior to joining MMGC, he was Director of Valuation and Litigation Services for a mid-size CPA firm in the Puget Sound region of Washington State. Les holds a Bachelor of Arts Degree in Business Administration from California State University, San Francisco, and became a Certified Public Accountant in 1973. He is a member of the National Association of Certified Valuation Analysts and of the Institute of Business Appraisers, Inc. He and his wife Robin reside in Sun City, Palm Desert. His hobbies include cooking, traveling, motorcycling and reading.

Bill Kelly.... Since joining our team in 1981, Bill Kelly, PFP has become our resident expert on fiduciary tax matters. Bill, who was recently promoted to Manager, has extensive experience with estate, trust, and gift tax returns, as well as virtually every other type of tax accounting. In addition to a Bachelors of Science in Business Administration from Cal-State L.A., Bill also earned a certificate in Personal Financial Planning from U.C. Riverside. Now, Bill teaches the Estate Planning segment of the program. He also completed the AICPA's Estate Planning Program, and is a member of the National Alliance of Trust and Estate Professionals. For ten years prior to joining our team at MMGC, Bill worked at a well-known bank as a



Tax Officer and Senior Trust Officer. Bill enjoys family activities, skeet shooting and, of course, St. Patrick's Day celebrations. His pride in community is evident in his involvement with the Golf Cart Parade in Palm Desert and the Festival of Lights Parade in Palm Springs. He is also a member of RACES (Radio Amateur Civil Emergency Service). And in his spare time, Bill is President of the Desert Estate Planning Council as well as Treasurer of Parades of Palm Springs, Inc., and Treasurer of the Desert Radio Amateur Transmitting Society. He is also a board member of the Desert Palms Chapter of the American Cancer Society. Bill and his wife, Susan make their home in Palm Desert.

Maryanov Madsen Gordon & Campbell

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A Professional Corporation
Post Office Box 1826
Palm Springs, Calif. 92263-1826



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