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# The NOHRE REPORT

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## *WHAT ARE EMPLOYERS LOOKING FOR?*

**Great Communicators Wanted** – A recent survey conducted by the National Association of Colleges and Employers (NACE) indicates that good communication skills are most important to employers when considering the overall qualifications of a job candidate.

Although adequate written and oral skills are important, the survey also shows that a candidate's work experience is a significant concern for employers. The ability to underscore relevant work experience ties back to good communication skills; successful candidates know how to showcase their work experience both on the résumé and in the interview to help distance themselves from their competition.

**Do They Make the Grade?** – Oftentimes, candidates in today's job market may seem to possess the communication skills you desire.

1. *Review the résumé carefully.* A prospective employee's résumé represents his best effort to communicate in a business format. Look for brief, effective statements that get the point across without pointless anecdotes, long-winded summaries and detailed accounts of a summer job held 15 years ago. If the résumé is not clear and concise, the candidate might have missed the main objective of the résumé, to obtain a job interview.
2. *Observe the candidate's communication style during the phone screen and first interview.* Does the candidate get right to the point or is he more socially focused? Ask current employees to chat with the candidate later in the hiring process to confirm a good fit.
3. *Have the candidate provide references that can confirm his communication style.* According to a recent study by the Society for Human Resource Management, 73 percent of respondents acknowledge the effectiveness of checking references. Confirm the candidate's best communication methods with those who have observed him in action.

## BENEFICIARY DESIGNATIONS

At your death, if properly designated, your interests in life insurance policies, annuities, trusts and retirement plans flow to the designated beneficiary.



**When was the last time you checked your beneficiary designations?** Now would be a good time! In the future, “life events” are always a good reminder to review your designations. A new family, divorce, retirement, or loss of a loved one—any of these could mean that your beneficiaries are no longer current.

**Why is this important?** Funds could go to someone you no longer intended them to go to, or by order of precedence, which again may not be what you had intended. If you are divorced and your ex-spouse is the named beneficiary, they will inherit the asset. Often people believe that if their Will states who they desire the assets to go to, this is what will happen. But, beneficiary designation forms override your Will. Without a designation, funds are distributed according to the order of precedence, or to your estate. Also of importance is the effect on the beneficiary named. Consider if there are also tax consequences with the designation decision.

### **What should you consider in naming a beneficiary?**

There are a variety of options, each with advantages and disadvantages. A few of the options are: spouse, children, charity, estate, trust, another individual, or no designation. If the children are minors, some accounts will not allow the designation without a guardian. If there's no designation, as is often the case on retirement accounts, the spouse is the default; if there's no spouse, then it defaults to the individual's estate.

**What should you do?** Review all your assets that have beneficiary designations. Change those that are outdated, incorrect or missing.

You have control over where your assets will go. You lose this if you neglect to properly designate a beneficiary. Your loved ones are the ones that must then deal with this. Take charge!

Please call your Account Manager if you would like to learn more about the effects of your beneficiary designation choices.

## PAYING INDIVIDUAL ESTIMATED TAXES

The federal and state income tax systems are “pay as you go” systems. In general, you're required to pay tax over the course of the year rather than waiting until April 15th.

Most people meet the requirement by withholding tax from their wages or retirement accounts. If you have significant amounts of investment income or other types of income that aren't subject to withholding, you may incur a penalty if you don't make quarterly payments of estimated tax or adjust your withholding allowances.

To avoid underpayment penalties the general rule is you must make estimated tax payments if your withholding doesn't cover 90% of your 2004 tax liability, with the following exceptions:

- 1) No estimates are required if the amount due after subtracting withholding and credits will be less than \$1,000 for federal, \$500 for Minnesota, and \$200 for Wisconsin; or
- 2) No estimates are required if your withholding and credits are equal to your prior year's tax.

However, if your adjusted gross income (AGI) for 2004 was more than \$150,000 (\$75,000, if married filing separately), then your withholding and credits must be equal to 110% of your 2004 federal and state tax liability.

Estimated tax payments are to be made in four equal payments. If the total tax paid through withholding and estimated tax payments does not meet one of the exceptions, underpayment penalties will apply.

The current penalty rate is 6% for federal, 4% for Minnesota and 12% for Wisconsin, and is calculated only on the amount that should have been paid to meet one of the exceptions.

Estimated payment due dates for 2005 taxes: April 15, 2005, June 15, 2005, September 15, 2005 and January 17, 2006.

If you have any questions about the estimated tax payment rules, please call your Account Manager.

## FREE CREDIT REPORTS

As of March 1, 2005, consumers in the Midwestern states of Minnesota, North Dakota, South Dakota, Iowa and Wisconsin can request a free copy of their credit report. An amendment to the Federal Fair Credit and Reporting Act requires each of the three national consumer reporting agencies (Equifax, TransUnion & Experian) to provide consumers with a free copy of their credit report once every 12 months.



A credit report contains information on where you live, how you pay bills and whether you've been sued, arrested, or filed for bankruptcy. Credit bureaus sell the information in the reports to creditors, insurers, employers, and other businesses which use it to evaluate applications for credit, insurance, employment or renting a home.

Many credit reports contain errors and inaccuracies which may affect the cost and availability of credit. By reviewing your credit report, you may be able to determine if there are errors and get them corrected. Therefore, it is a good idea to review your credit report periodically.

Free credit reports can be requested one of three ways:

- Log on to: [www.AnnualCreditReport.com](http://www.AnnualCreditReport.com)
- Call: 1-877-322-8228
- Write to:  
Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281

You will need to provide the following information to get your free reports: full name, current address, social security number, date of birth, and past address if you've moved in the past two years. For added security, each of the three major credit bureaus may also request additional information that only you would know – for example, the amount of your monthly mortgage payment.

Note that a credit report is not the same as a credit score. A credit score is a rating that determines your credit worthiness and the likelihood and timeliness of loan repayment. Your credit score is not included in the free report, but is available for a fee.

## The Wonderful English Language

A few samples of why the English language is so hard to learn:

1. The bandage was wound around the wound.
2. The farm was used to produce produce.
3. The dump was so full it had to refuse more refuse.
4. We must polish the Polish furniture.
5. He could lead if he got the lead out.
6. The soldier decided to desert his dessert in the desert.
7. Since there is no time like the present, he thought it was time to present the present.
8. A bass was painted on the head of the bass drum.
9. When shot at, the dove dove into the bushes.
10. I did not object to the object.
11. The insurance was invalid for the invalid.
12. There was a row among the oarsmen about how to row.
13. They were too close to the door to close it.
14. The buck does funny things when the does are present.
15. A seamstress and a sewer fell down into a sewer line.
16. The wind was too strong to wind the sail.
17. After a number of injections my jaw got number.
18. I had to subject the subject to a series of tests.



There is no egg in eggplant nor ham in hamburger; neither apple nor pine in pineapple. English muffins weren't invented in England, nor French fries in France. Sweetmeats are candies, while sweetbreads, which aren't sweet, are meat.

Quicksand works slowly; boxing rings are square; and a guinea pig is neither from Guinea nor is it a pig. And why is it that writers write but fingers don't fing, grocers don't groce and hammers don't ham?

If the plural of tooth is teeth, why isn't the plural of booth beeth? One goose, 2 geese. So one moose, 2 meese? Doesn't it seem crazy that you can make amends but not one amend. If you have a bunch of odds and ends and get rid of all but one of them, what do you call it--an odd or an end?

If teachers taught, why don't preacher's praught? If a vegetarian eats vegetables, what does a humanitarian eat? In what language do people recite at a play and play at a recital? Ship by truck and send cargo by ship?

How can a slim chance and a fat chance be the same, while a wise man and a wise guy are opposites? You have to marvel at the unique lunacy of a language in which your house can burn up and down at the same time!

## TAX PLANNING FOR COLLEGE



**Planning for college expenses.** In many cases, transferring ownership of assets to children can save taxes. You and your spouse can transfer up to \$22,000 a year (for 2005) in cash or assets to each child with no gift tax consequences.

For children over 13, the income from the assets is taxed entirely to them at their lower tax rates (as low as 10% in 2005). For children under 14, however, income above \$1,600 (in 2005) is taxed (under the “kiddie tax” rules) at your rates.

A variety of trusts or custodial arrangements can be used to place assets in your children’s names. Note, it’s not enough just to transfer the income to them, e.g., dividend checks. The income would still be taxed to you. You must transfer the asset that generates the income into their names.

**Tax-exempt bonds.** Another way to achieve economic growth while avoiding tax is simply to invest in tax-exempt bonds or bond funds. Interest rates and degree of risk vary on these, so care must be taken in selecting your particular investment. Some tax-exempts are sold at a deep discount from face and don’t carry interest coupons. Many are marketed as college savings bonds. A small investment in these so-called zero coupon bonds can grow into a fairly sizable fund by the time your child reaches college age. “Stripped” munis carry similar advantages.

**Series EE U.S. Savings Bonds.** Series EE U.S. Savings Bonds offer two tax-savings opportunities when used to finance your child’s college expenses:

- First, you don’t have to report the interest on the bonds for federal tax purposes until the bonds are actually cashed in; and
- Second, interest on “qualified” Series EE (and Series I) bonds may be exempt from federal tax if the bond proceeds are used for qualified college expenses.

To qualify for the tax exemption for college use, you must purchase the bonds in your own name (not the child’s) or jointly with your spouse. The proceeds must be used for tuition, fees, etc. (not room and board). If only part of the proceeds is used for qualified expenses, then only that part of the interest is exempt. But if your adjusted gross income (AGI) exceeds certain amounts, the exemption is phased out. For bonds cashed in during 2005, the exemption starts to “disappear” when your (joint) AGI hits \$91,850 for joint return filers (\$61,200 for singles) and is gone entirely if your AGI is at \$121,850 (\$76,200 for singles). These figures are adjusted annually for inflation.

**Qualified tuition programs.** A qualified tuition program (known as a 529 plan) allows you to buy tuition credits for a child or to make contributions to an account set up to meet a child’s future higher education expenses. Qualified tuition programs can be established by state governments or by private education institutions. Contributions to these programs aren’t deductible, and the contributions are treated as taxable gifts to the child but they are eligible for the annual \$11,000 (for 2005) gift tax exclusion, and a donor who contributes more than the annual exclusion limit for the year can elect to treat the gifts as if they were spread out over a 5-year period. The earnings on the contributions accumulate tax-free until the college costs are paid from the funds, and distributions from qualified tuition programs are tax-free to the extent the funds are used to pay qualified higher education expenses. Distributions of earnings that aren’t used for qualified higher education expenses will be subject to income tax plus a 10% penalty tax.

**Coverdell education savings accounts.** You can establish Coverdell ESAs (formerly called Education IRAs) and make contributions of up to \$2,000 for each child under age 18. (This age limitation doesn’t apply to a beneficiary with special needs, defined as an individual who because of a physical, mental or emotional condition, including learning disability, requires additional time to complete his or her education.)

## **TAX PLANNING FOR COLLEGE** *(continued)*

The right to make these contributions begins to phase out once your AGI is over \$190,000 on a joint return (\$95,000 for singles). If the income limitation is a problem, the child can make a contribution to his or her own account. Although the contributions aren't deductible, funds in the account aren't taxed, and distributions are tax-free if spent on qualified education expenses. If the child doesn't attend college, the money must be withdrawn when the child turns 30, and any earnings will be subject to tax and penalty, but unused funds can be transferred tax-free to a Coverdell ESA of another member of the child's family who hasn't reached age 30. (These requirements that the child or member of the child's family not have reached 30 do not apply to an individual with special needs.)

The above are just some of the tax-favored ways to build up a college fund for your children. If you wish to discuss any of them, or other alternatives, please contact your Account Manager.

*Please note that the suggestions are strictly related to tax benefits. You may have non-tax-related concerns that make the suggestions inappropriate.*



Access this secure Web site  
<https://sa.www4.irs.gov/irfof/lang/en/irfofgetstatus.jsp> to find out if the IRS received your return and whether your refund was processed and sent to you.

## *Meet the Nohre Staff*



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Debbie's prior experience includes 26 years in banking management and customer service, with four years in interior design, administrative management, and substitution in accounting with the Eau Claire School District. Debbie specializes in administrative management, tax department coordination, and customer service. After completing her third tax season, Debbie is glad to return to the front desk ready to meet client needs.

#### Areas of Expertise

Customer Service  
Administration  
Tax

#### Organizations

Memorial Band Booster Club  
Eau Claire Chamber of Commerce

#### Hobbies

Fishing, Golf, Cooking, Theatre, and Travel

## *The* NOHRE REPORT

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### NEWSLETTER POLICY

This newsletter is designed to present information on business and tax matters in general terms and is not intended to be used as a basis for specific action without obtaining further advice.

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