


## Mar"key"t place

We have enjoyed our review on networking. We wrap up our series with these final words:

- Commitment, commitment, commitment. Do not start a networking opportunity until you have firmly decided financially and time wise to commit to the process. You cannot attend one meeting here and there and expect results. We recommend at least 6 months of faithful attendance. If the networking even meets weekly, you go weekly for six months.



If they meet monthly, you go for a year (that is only 12 meetings). People must continually see your face and product/service being represented.

- Do not expect a return on your investment in less than 3 months. Sometimes it will take even 6 months to get that first lead. Again, commitment, and also perseverance. Do not get discouraged; it really does work.

- Be consistent with your product or service. If you are networking your plumbing services, don't mention that you do embroidery on the side. It sends mixed messages. (We witnessed a networker who had changed her business direction three times in one year; very confusing).

Lastly, enjoy the process. You are not there just to sell your business, but to engage with fellow entrepreneurs.

## Quote

**And who knows but that you have come to royal position for such a time as this.**

---Esther 4:14

## Q&A

**Client:** Can an employee change his/her W4 status routinely?

**BKC:** No. The W4 status, whether Married 1, Single3, etc. is a status that should not change often. What the employee is really doing is managing his/her take-home pay by manipulating the taxes withheld. Do not be the employee's "net" gatekeeper. Create a policy that they can only change once a year, or when there is a real, major change to their



# KEEPING LEDGER

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## BUSINESS-KEEPERS CONSULTING

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## ACCOUNT-ABLE

Our trek through payroll and its detailed process continues this month. Last month we outlined the three IRS obligatory taxes: Social Security (SS) Tax, Medicare Tax, and Federal Withholding Tax. This month's issue we want to delve into what each tax represents:

- **Social Security Tax:** at 6.2% of \$102,800 (for 2008). This tax was implemented because the government decided many decades ago that people were not inclined to set aside money for their own retirement. So, the government *requires* each employee to set aside 6.2% of their gross earnings *through* this obligatory tax deduction. The burden to collect such tax is placed on the employee's employer.

- **Medicare tax:** at 1.45% of gross (with no limit). This tax is required by the government to be taxed on the gross earnings and set aside for the employees' future health needs when they retire. Again, the burden to collect such tax is placed on the employer. Back in the late 1990s, this Medicare tax (1.45%) coupled with the SS tax (6.2%) used to be *combined* to total 7.65% and was called FICA.

Here's the big kick: FICA, at 7.65% combined, also had a limit of whatever it was for SS back in the 90s. But the IRS decided to split SS and Medicare apart (keeping the per-



Account-able continued on back page...

## Calendar

Saturday, June 21st  
Summer Solstice

## The Sound of Business... (Account-able continued)



centages the same), *and* removed the Medicare cap. This split, in some cases, caused the tax collected to quadruple. Let's do the math. Let us say that you made \$1,000,000. Back then the cap for FICA (SS & Medicare) was \$60,000. You would have paid \$4,590 for the whole year in FICA tax (\$60,000 x 7.65%). Remember, you only pay FICA (SS/Medi) up to the limit, not on the whole amount. The very next year, the IRS splits the taxes and you made \$1,000,000 again. This time you pay 6.2% on \$60,000, which is \$3,720 for SS, *PLUS* you have to pay 1.45% of your *total* gross for Medicare, which is \$14,500. So before the split you paid \$4,590 and after the split you paid \$18,200; all that for the same \$1,000,000 salary! That is a 400% increase in taxes simply because the IRS split the taxes and removed Medicare's limit. Ouch! Incidentally, watch for the cap on SS to be removed. There are rumblings about this coming down the pike.



- Federal Withholding tax: We call this a "lifestyle tax." This is the reason you complete a W4. The Fed W/H tax is based on whether you are married or single, have children or not, own a home, an RV, and other sundry items that the IRS gives you "credit" for on your tax return. The more you have invested in America (kids, home, etc), the more credit you receive on your income,



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### Important Websites:

[www.irs.gov](http://www.irs.gov)

[www.edd.cahwnet.gov](http://www.edd.cahwnet.gov)

[www.boe.ca.gov](http://www.boe.ca.gov)

[www.ftc.gov](http://www.ftc.gov)

[www.katchtheday.com](http://www.katchtheday.com)

[www.business-keepers.com](http://www.business-keepers.com)

[www.foapom.com](http://www.foapom.com)

**(Festival of Arts and Pageant of the Masters)**

### Katch the Day

Summer rings in a tradition in Orange County-Festival of Arts in Laguna Beach. We plan on katching the day during the months of July and August at this annual art experience. The Festival is open daily from 10am to 11:30pm and hosts over 140 local artists and their exhibits. The art on display and for sale are: paintings, sculptures, pastels, photographs, ceramics, and jewelry.



The Festival hosts daily tours, activities for children, and special events. The most special being Pageant of the Masters. The Pageant is an annual show where the art comes to life through models and actors portraying famous paintings. The show runs July 9th through August 30th and seating is in high demand so make your reservations now.

For those big fans of the Festival, you can become a member and be invited to a Backstage Tour Day on July 19th, and Membership Day on August 9th.

There are several series offered on Sunday during the Festival: Art of Cooking is from 1-2pm, Blues Fest is from 2-4pm, and Beatles Sunday is from 6-8pm.

Of course there is nightly, musical entertainment from 6-8pm for those who have suffered the day's heat and need to relax in the cool of dusk.

The Festival's art exhibit is located on six acres at 650 Laguna Canyon Road in Laguna Beach. Adults are \$7 and seniors/students are \$4. Make plans now to see the Pageant and start your Christmas gift list early.

**KATCH THE FESTIVAL OF ARTS DAY AND LEAVE THE BUSINESS-KEEPING TO US!**