

January 2018

**“At our Firm,
Your Estate Plan
is Not Business,
it’s a Personal...”**



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The most difficult thing is the decision to act; the rest is merely tenacity. The fears are paper tigers. You can do anything you decide to do. You can act to change and control your life; and the procedure, the process is its own reward.
- Amelia Earhart

PRINCIPLES OR TECHNIQUES

My long and loyal reader, welcome to 2018! How are you feeling? Were your Holidays as restful as you would have hoped?... Not sure I want to hear the answer to that 😊. Here is to another year together, to staying committed to a life of fulfillment, and just taking your game to another level.

Since you’ve been with me for a while, you hopefully noticed that I provided you with invaluable techniques throughout 2017: only reading your e-mails certain times of the day, turning off your “on-screen time” at least an hour before going to bed, following a sugar-free (or restricted at least) diet, and the list goes on. These are great pointers that you should use on a day-to-day basis. However, when discussing these methods, there is a small component that gets left out. The driving force and stamina in staying the course. This is where this small distinction comes into play. It is small, but it is significant.

Let us dive into a context to help decipher the two. Take, for example, running a business. For someone that sells widgets, a technique would be to deploy a marketing campaign. That would bring in more customers, and sales would start going up. That would be great! However, imagine that the same small business owner starts to neglect the customer service on the back end. Some complaints start to appear, feeling overwhelmed he simply ignores the issues and continues going on sale after sale. Initially, the business may not suffer, but over time, the damages will be felt, his reputation will precede him; and the operation will tumble.

Working off principles, our subject would understand that marketing would just be one component of the equation. So continuing on this analogy, the gentleman would need to work his marketing sales in the bigger context of customer service. Within that ‘bucket,’ he would then ensure the business would have the ability to follow up with any questions or concerns, that the funds be allocated properly to sustain the growth stemming from the sale, but to keep in mind that the goal is to remain a service to his customers. When dealing with our every day life, juggling our personal and professional life, it has simply become too easy to become too narrow minded. As 2018 begins, we want to encourage you to actually take a step back and look at the bigger picture. “Do not major on the minor things,” attaining wealth is a great goal, but what is its purpose? More time with the family, more traveling, less stress? You may surprise yourself in finding out that you can enjoy all these things right now.

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SPECIAL ANNOUNCEMENT

The New Year triggers many feelings for people. For some, it is a new chapter, a chance to start anew. Others, nothing more than just another month and proof that people will not change. The latter might remind you of some of your in-laws 😊. Be it as it may, we fall in the former category, and we are thrilled to get this year started!

While success may cause complacency in some companies, it does nothing but ignite our fire! And we are humbled to have you by our side for the evolution. As you may very well have deciphered by now, we are here to assist you in all your estate planning needs. However, the goal of our monthly newsletter is to keep you focused and energized about your life, work, and relationships. In that endeavor, we spend countless hours of research providing you the best business books, articles on health / wealth / family, and any other information that may prove helpful. In 2018, we will provide more exciting content. In addition, we always enjoy sharing with you some of the latest news among the staff, its partners and families. After all, if you have entrusted us with your family information, why should we not do the same with you?

To kick off the year, we thought we’d get right to business, and provide you the summary of an outstanding book called Profit First. Yes, not the ‘sexiest’ book title, but its content is nothing short of incredible. There is a lot of hyperbole out there, but we mean it about this book. Outside of the basic GAAP (General Accepted Accounting Principles), this book gives you a roadmap to wealth. See if the summary doesn’t convince you of such!

Then, we’ll dive into the reality of life and some who hold a job, as opposed to a... calling. No matter where you may be in life, you can make the best of any situation. How is that to kickstart the new year with this Newsletter?!

Again, we are thrilled to start the year with you by our side. Hang on for the ride. We are going to make it a great year!

NEW LAWS FOR 2018

As of the writing of this article, both the House and the Senate are ironing out the details of the upcoming new tax reforms. It appears there will be significant changes for cutting income tax rates, doubling the standard deduction, but eliminating personal exemptions.

On the surface, it may appear to work well, but the reality is that when you take into consideration the tax bracket you are in, the number of children you have, and, of course, the state in which you reside for tax purposes, these changes may affect you negatively.

The results will affect everyone differently based on all the factors mentioned above. For simplicity purposes, let us focus on two taxes that will likely result irrespective of how the House or Senate rule.

First, let us look at the estate tax exemption. Being an Estate Planning firm, it would behoove us to go over that particular ruling 😊. Current tax law for 2018 will exempt the first \$5.6 million for singles and \$11.2 million for couples. Though most of you may believe it will not affect your particular situation, do not underestimate the power of inflation, as a million today no longer represents what it once was. With the new rule, the House intends to do away with the estate tax and the Generation-Skipping Transfer Tax as of January 2014. In essence, these type of planning concerns would no longer be a topic of discussion for the affluent. Yes, the reality is that this is important to the top 1% of the economic population. Not sure it is a cry for victory for most...

Then, the second major topic of discussion is the Corporate Tax rate, which would go from 35% to 20%. That is a large cut, no matter how you look at it. This is something even small business owners could take advantage of for bottom line returns. The entities that could take advantage of it would be the following, but not limited to: sole proprietorships, partnerships, limited liability companies, and S corporations. Small businesses contribute as much as an estimated 75% to the U.S. economy. As you can imagine, such a large scale change would have a significant impact on our overall economic footprint, thus why the Senate would try to postpone it until 2019.

One last bit of information you may find of interest – businesses would be able to deduct the cost of depreciable assets in one year instead of amortizing them over several years. Such would not apply to structures unfortunately.

These are some of the general concepts floating around, and we will let you know as things become clearer. Be it as it may, the overall change in your tax planning may change for the better, but irrespective, your outlook should not change. At the end of the day, as an outfit, we always promote hard work as a solution to many obstacles. In an age of social media, Facebook and countless other distractions, we stick to simply providing incredible services to our clients. Being with us on this journey, we have no doubt you do the same in your industry.

Though you may not see our 'fabulous' life on Instagram, rest assured, we remain hard at work for you and your family. Welcome to 2018!

Book Review

Mike Michalowicz: Profit First

For anyone that has ever started a business, you know and understand the pain that comes with growing a business. Give it sufficient time, some people are more than happy just settling for covering expenses. The principle of Profit First by Mike Michalowicz is not only intended for businesspeople, but also as a way to look at your financials in all aspects of your life.

This book is for everyone who is struggling to make ends meet.

The author flawlessly outlines his philosophy about finances like a process to save, all the while reducing debt. This is some Dave Ramsey content on steroids! Author Michalowicz uses familiar financial scenarios we can all relate to in his book. He uses simple formulas to explain how to manage your taxes, profit, compensation, expenses, etc. He also provides advice on how to use his processes, allocated accounts and reduce expenses along the way.

Mike Michalowicz uses the familiar formula that we learned from basic accounting. He demonstrates that instead of using:

$Income - Expenses = Profits$

We must learn how to use the following:

$Income - Profit = Expenses$

This simple switch may be a bit simplified and completely irrelevant at first. That would be a big mistake on your part. If you are anything like me, you have been accustomed to deducting all your expenses first from your profit and let the profit or savings crumble from what's left, which by the way is usually small. Michalowicz uses the Parkinson's Law to explain the basic principles on how we typically manage our expenses and time. If you are given 6 weeks to complete a task, you will complete it within the given time. But if you are given the same task to do and give yourself 2 weeks, you will somehow figure out a way to get it done within that smaller parameter.

Well, the same principle applies to your financial practice.

If you deduct expenses first from your income, your profit drops off significantly. This is because you think there is still more money to be had, all the while ignoring profit. But if you deduct the pre-determined profit first, you will do just fine to keep all the expenses within what you have left. This also forces you to be creative in budgeting.

What the author conveys is that you can systematically reduce your expenses, get freed from debt, and increasing your profit at the same time. First, you have to assess your business and determine your target savings, then allocate your money effectively, cut back on debt, and sustain the right practice to save.

This book does not alienate your personal finances. As a matter of fact, the author uses all personal and familiar examples for readers, making it a great book for financial freedom. Do not underestimate the value of this book, we strongly recommend you pick up a copy!

Business / Health / Wealth

How to Keep Sanity in a Less than Ideal Job

A while back, Author & Speaker Dave Ramsey How to Keep Sanity in a Less than Ideal Job

Society would have us believe that some of us were born knowing what we wanted to do. Michael Jordan was destined to be a basketball player, Michelangelo had the 'talent' to be one of the greatest artist of our time. Is this notion really true? If you must know, that is far from the truth. Jordan being cut from the basketball varsity team in his sophomore year has been told no, over and over again. What about the fact that Michelangelo was a very real, struggling architect that could not complete many of his projects? That he would spend countless hours struggling to even come up with a concept. The genius was literally carved out of him through sheer hard work.

The reality is that not all of us land a job we love. If you happen to be in a less than ideal job, you may not be the happiest person on Earth right now. At one point or another, every single person has had to endure such a period in their life. Now even if you don't love your job, you can turn it into one that you can live by, tolerate, and with sufficient time - prosper. What may appear as a rather simplistic approach can bring you endless rewards:

- Learn how to take pride in your workspace. Make organization and cleanliness a top priority for your station, whether you're working behind a cash register or in a nice desk. A clean workspace translates to a clear mind, letting you concentrate and perform better and preventing losing yourself (and your files)!
- Set achievable goals. We must always be realistic in our approach to strive for the next achievement. It saves us the frustration that we'd otherwise suffer from if we keep pressuring ourselves with too high of expectations. So instead of aiming at impressing your boss with a very hard to keep promise, you must do what you need to accomplish – within your control and power. Doing so not only enables you to honor your word, but your skills will grow to a potential that enables your mind to start hungering for greater feats. Therein lies the big secret...
- Take pride in your appearance. Build confidence. Dress to impress and for a smooth workday. Nothing beats a great feeling about oneself, and that starts on how you see yourself in the mirror, whether we admit it or not. Avoid lousy pants, wrinkled shirts and clothing that won't make you feel and look better about how you present yourself.
- While not working, do something you love. Look for your passion if you lost it. A hobby or a sports activity can help too.

These are nothing but incredibly effective work hacks that can lead you to greater productivity, more intense focus, and eventually develop the skill sets necessary to discover what you love. With competence comes confidence, and with confidence comes the courage to undertake what your heart aspires to, even when you don't know what it is...yet!

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The generation of waiting for retirement, getting that pension plan and that gold watch was a concept of the industrial age, but has somehow remained with us today. It is time to break free from that paradigm, and spend quality time thinking and map out the life you truly want to achieve. People endlessly make fun of New Year goals, but quite frankly, working on your life should be an every day thing. So take no shame if you need that extra push to get you motivated. Work on the techniques required and build them on principles! To a great 2018, thank you for staying with us.

PHANCAO & SHAFFER, LLP

Attorneys and Counselors-at-Law



New Year People around the world celebrate the New Year in unique ways. In the U.S., it is not uncommon to have a large gathering at a house or a club, and have a set of new resolutions for the year. The festivities around the world differ.

For example, our friends in New Zealand gather around the Auckland Sky Tower to witness an amazing fireworks display. In New York, people countdown to midnight at Times Square. They also wait for the ball drop, a glowing ball running down the flagpole to hit the New Year.

On the other hand, Canadians used to celebrate it around the Nathan Philips Square on December 31, while folks in Rio de Janeiro gather at the Copacabana beach to watch fireworks!

But apart from that, Brazilians also eat lentils in the first day of the New Year because they believe it represents good fortune for the year ahead. In Thailand, they light a candle underneath a sheet, which creates a balloon like object that they release to the sea. It is quite a beautiful sight! Lastly, in Ecuador, (in Montanita more specifically) the tradition is to catch a wave at midnight, which is an omen for good luck.

No matter how you look at it, where you celebrate; the diversity and beauty of the human race is a beautiful thing, and one that should be embraced. Here is to 2018!