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6 Ways To Improve Your Credibility In Business

“The truth is the truth is the truth,” says Doug Carter. “And yet there are times when the believability of the truth is determined by factors other than the content of the message.” In other words, simply telling the truth may not be sufficient if a listener doesn’t trust you or knows from experience that you’re not always reliable.



Carter is the founder and owner of Carter International Training Company, a firm specializing in business training and development. He believes that for executives and business owners, establishing and maintaining credibility is crucial for success, and he has zeroed in on six ways to convince people that you’ll always be as good as your word.

1. Tell the truth. The fastest way to be believed is to be trustworthy, and that means telling the truth, the whole truth, and nothing but the truth. Carter suggests agreeing only to things you know you’re absolutely going to do. For instance, if you realize you’ll be late to an appointment, say so, rather than making up an excuse after the fact. Act as if your word means exactly what you say.

2. Avoid overstatement; use understatement. Carter sees no virtue in embellishing the facts. “You only have to exaggerate once before people begin questioning the accuracy of your statements,” he says. “Even if you’re saying something half in jest you may create doubt with a statement such as, ‘I’ve told you a million times.’ Everyone knows it hasn’t been a

million times and likely understands you’re just trying to make your point. But the fact of the matter is, you lied!” People may ask themselves what else

you might exaggerate about that wouldn’t be as noticeable, and they could end up wondering when they can actually believe what you say.

On the other hand, understatement—

saying that something is less than it really is—can create a foundation for credibility. To generate an understatement, first say what your product, service, or idea won’t do. Then state what it will do.

3. Be specific. Specificity can make the truth more believable. For example, “61.93%” may carry more weight than “about 60%,” and “there are seven steps to take” is better than “there are several things we can do.” If you know the exact number right down to the second decimal place, you’ll likely be looked upon as a credible source of information.

4. Present evidence. This can come in many forms, and it’s important to remember that different people may value some types of evidence more than they do others. Among the possibilities are:

- Statistics: A quantitative fact or number.
- Facts: Anything that can be verified as being true.
- Truisms: Something likely to be accepted as true. For example, “I was just sitting here thinking about you”

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Teens And Credit: Five Important Lessons

One of the greatest gifts parents can give their teen-age children is how to create and use credit. Used properly, credit can be the great financial equalizer: you don’t have to be rich to get the most out of your money.

Getting this information to your children can be simple if you start early enough and teach it to them in a manner they can understand. The best place to start is at home before they get jobs.

Here are five things you can teach your children about creating a good credit history. Tell them:

First, pay off all credit cards at the end of the month so you don’t have to pay interest, which can double or even triple the cost of your purchases.

Second, know the difference between good credit and bad credit. Paying all bills on time is vital in creating good credit. Also, good credit will get you lower interest-payment rates and can even help you land a job.

Third, use rewards credit cards, such as those that give cash back on purchases of gasoline, airlines tickets, certain restaurants, etc.

Fourth, tell your children about any bad credit decisions you have made so they, too, can learn from your mistakes.

And fifth, give them access to a credit card so they can learn by actual usage.

Colleen & Rob

Start Harvesting Gains In 2012

If you're in the same tax boat as most other investors, you should start thinking about harvesting capital gains from securities sales in 2012.

That's right—harvesting gains, not losses. The normal advice is to look for valuable tax losses, especially at the end of the year, that you can use to offset capital gains as well as up to \$3,000 of ordinary income. (You can carry over excess losses to the following year.)

But this year is different. The current maximum tax rate of 15% on long-term capital gains—realized on the sale of securities you've held longer than a year—is scheduled to increase to 20% in 2013. Furthermore, the tax rate for short-term gains (from the sale of assets held one year or less) will also rise, especially for high-income investors. Short-term gains are taxed at ordinary income rates that currently reach no higher than 35%. Beginning in 2013, however, the top rate for ordinary income is set to rise to 39.6%. Next year you may also be subject to a 3.8% Medicare surtax that will apply to net

investment income if you exceed a specified threshold.

Congress could still act to preserve some or all of the lower tax rates, but even if that happens, it probably won't be until after the November elections. Therefore, the optimal approach, at least for now, is to focus on the current tax benefits of selling stocks that have appreciated significantly during the time you've owned them. If you believe those shares are likely to continue to increase in value, it probably makes sense to hold on to them and not to worry about future tax consequences. But if the outlook for future gains is uncertain, you might want to take advantage of today's favorable tax

treatment of long-term capital gains.

Let's suppose, hypothetically, that you're holding a stock position you bought 10 years ago for \$10,000 that is now worth \$25,000. If you sell the stock in 2012 and have no other capital gains or losses during the year, you'll pay tax of \$2,250 (15% of your \$15,000 profit). But if you wait until next year to sell at the same \$25,000 price, you'll owe tax of \$3,000 (20% of the \$15,000 profit). That's an extra \$750 in tax you could avoid.

Tax planning that involves investing decisions can quickly become complicated, and it's always important not to let the “tax tail wag the investment dog”—

that is, to put tax considerations before sound investment strategies. That's why this year, in particular, it's wise to start considering the possibilities long before year-end deadlines and to consult with your tax and investment advisors. We can help you stay on top of possible changes to the tax laws and work with you to make choices that are right for your situation. ●



Getting A Life Insurance Check-Up

Do you need to update your life insurance protection? You may be surprised to learn that your existing policies are no longer sufficient to meet your needs.

If you're like many people, you probably took care of your life insurance years ago. You bought as much coverage as you felt you needed, and then you stashed the contract in a drawer or safe somewhere and pretty much forgot about it. But it would be unusual if your family financial situation hadn't changed significantly since then. For example, you might now have too little insurance if you've added another child or two to your

brood. But it could also work the other way. If your children have left the family nest or you've retired, you may be able to cut the amount of your coverage.

Now is as good a time as any to dust off that old policy and review it. You may find it doesn't reflect one or several major life events you've experienced since you acquired the coverage. Those might include:

- You have married, divorced, or separated;
- There has been a birth, death, disability, marriage, or divorce involving someone else in your family;
- One or more of your children has

completed college or graduate school;

- You bought or sold your principal residence, a vacation home, or investment real estate;
- You switched jobs, started your own business, or retired; or
- There has been a big shift in your financial or business circumstances.

Other family changes could also have an impact. For instance, you may have taken on the care of an elderly or disabled relative, thus adding to your financial commitments and increasing the amount of replacement income that would be needed if you died. Meanwhile, if you've paid off your mortgage, you may be able to reduce

Avoid The Tax Traps For Intra-Family Loans

Suppose your adult child comes to you with an intriguing idea for a new business—and needs some seed money to get the venture off the ground. Or maybe one of your children could use some help in buying a home or financing a college or graduate degree.

You've probably taught your children the value of standing on their own two feet, and you may not be inclined just to hand them the cash they need—although you could make substantial gifts without paying federal tax on the transfer. The annual gift tax exclusion of \$13,000 per recipient is doubled to \$26,000 on joint gifts by a married couple, and you could provide literally millions tax-free if you used part of your lifetime exemption.

An attractive alternative might be to lend your kids the money. Of course, they could try to borrow from a bank, but credit is tight these days, and you may not want them to be at the mercy of outside lenders. A direct loan from you would keep everything in the family, and it could potentially provide more flexibility for the borrowers. However, simply calling a transaction a loan isn't enough. You'll need to follow IRS guidelines for intra-family loans to avoid adverse tax consequences.

Let's start with this basic premise. Usually, you can set up an intra-family

loan for \$10,000 or less without any strings attached—and no questions asked by the IRS. You don't even have to charge any interest. However, if the borrowed amount exceeds \$10,000 and you don't charge the prevailing rate of interest, the IRS will impute interest for you. Essentially, it treats the transaction as if you had:

- Charged interest to the child;
- Made the child a cash gift of the interest element; and
- Actually received interest in return.

You'll end up owing tax on that "phantom income" without actually getting any cash back. Obviously, that's a situation you should try to avoid, particularly given that you can make a gift of substantial amounts without being taxed.

There is one exception here that could ease the tax liability on interest income. If the loan is for \$100,000 or less, the amount of interest you're considered to have received annually for tax purposes is limited to your child's net investment income for the year. And if that income doesn't exceed \$1,000, you won't have to realize taxable interest income on the family loan. But this special exception doesn't apply if you charge a below-market interest rate. Whether or not a rate is considered legitimate, in turn, depends

on the type of loan, its length, and interest rates in your area.

What happens if the loan isn't repaid? Assuming you truly expect to get the money back—in other words, the loan isn't designed to be a gift to your child—it's best to have a formal loan document drafted by an attorney. The agreement should include the usual terms that would be found in a bank loan—for instance, it should state the amount of the loan; the term for repayment; the interest rate; and the collateral securing the loan. Finally, you should have the loan document witnessed and notarized. That's the best proof you can have if the IRS ever challenges the transaction. But you'll also need to keep records showing repayments to demonstrate that the arrangement is a bona fide loan.

Suppose that you follow through with all the formalities of a loan, but at the end of the day your child can't pay you back? Are you completely out of luck? In such a case, you may be able to turn the tax rules to your advantage, depending on the type of loan. If it's a personal loan, you can treat it as a short-term capital loss when it becomes totally worthless—that is, the point at which you conclude there's no reasonable prospect of repayment. If the loan came from your business, you may deduct the amount you lost as an ordinary loss, which you can use to offset ordinary income, such as your highly taxed salary. But in either case, the IRS may decide to put the entire transaction under the microscope. So again, you'll need to be able to produce records that are airtight.

Keep in mind that the IRS is especially tough on business loans. For instance, if you don't have "clear and convincing" evidence that you've treated the loan as a business transaction, it may be deemed a gift. So don't leave the tax consequences to chance. If you want to help your children and you don't qualify for the special exception for loans above \$10,000, make sure you observe all the technicalities. ●

your coverage.

When you review your policy, examine it as if you were buying life insurance for the first time. It's your projections for the future that are the crucial factors—not the way things were a few years earlier. And don't forget to review all of your life insurance policies, including any group coverage you get through your employer (or your spouse's employer), taking into account recent estate tax law changes.

The amount of coverage you need is likely to drop as you get older, and

you may eventually decide you can do without life insurance, though it could

also play a role in your estate plan. Also, consider the return you may receive on cash value, especially with whole life policies. What's certain is that your financial situation will continue to evolve, so it makes sense to make an

insurance review a regular event—if you mark it on your calendar each year, you won't forget to conduct this important checkup. ●



Tips On Long-Term Care Insurance

The cost of an extended nursing home stay can be frightening. In some parts of the country, annual expenses may run to \$100,000 or even more. At that rate, it doesn't take long for a lifetime's savings to be depleted. That's why most long-term care ends up on the tab of Medicaid, the joint federal-state health plan for the poor. But your family will qualify for help only after you've exhausted most of your assets.

Advance planning can help you avoid dire financial consequences. For instance, you could purchase a long-term care insurance (LTCI) policy for yourself or a relative to defray some or all of the nursing home costs. That can help preserve family funds and put off panic sales of investments. Still, premiums for LTCI are based on several factors, including the health of the person who's being insured, and can be pricey. And the older you are when you get this insurance, the more you'll pay.

What do you know about long-term care insurance? This brief quiz can test your knowledge.

1) Benefits under an LTCI policy will

begin to be paid:

- Once the insured becomes ill or disabled.
- Once the insured applies for benefits.
- When the policy's lifetime amount is fully paid up.
- After a waiting period has been satisfied.

2) Which of the following does NOT affect premium cost?

- The age of the insured
- The value of the insured's retirement assets
- The length of the benefit period
- The amount of the daily benefit

3) To qualify to receive LTCI benefits:

- The insured must sell any primary residence.
- The insured must need assistance with basic daily activities.
- The family must elect to begin coverage.
- The family must obtain permission from a nursing home.

4) What is the tax treatment of LTCI policies?

- Premiums are fully tax-

deductible.

- Premiums are tax-deductible only by retirees.
- Premiums may be partly tax-deductible.
- Premiums are never tax-deductible.

5) The amount that can be used to defray nursing home costs:

- Depends on the daily benefit.
- Depends on the insured's age.
- Depends on the retirement assets owned by the insured.
- Is limited by state law.

6) A policy that is "guaranteed renewable" for life means that:

- It can't be voided if the insured's health changes.
- It can't be voided whether or not the premiums are paid.
- It will still pay benefits after the lifetime limit has been exceeded.
- Premiums can never increase.

7) LTCI policies are generally offered by:

- Banks.
- Estate planning attorneys.
- Medical practitioners.
- Financial services firms.

Answers: 1-d; 2-b; 3-b; 4-c; 5-a; 6-a; 7-d

Your Credibility In Business

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isn't something the other person can prove but it probably won't be questioned, either.

- Testimonials: A statement of support from a third party.
- Demonstrations: Actually showing how something works.

5. Be concise. Carter's research and personal experience suggest that the person who feels least in control or authority will use the most "filler words"—words and phrases such as "and," "so," "but," "you know," and "ah." He cites the example of a physician who isn't likely to use filler words when giving a diagnosis but who might hem and haw if pulled over for speeding. Carter says that people who

are not certain tend to explain and then re-explain their opinions and answers, and that can sow doubts in the minds of listeners. It's better to say what you need to say as clearly and concisely as you can.

6. Pace existence. This is the process of describing things in such a way that others will clearly understand that you understand them. You can "pace existence" by mentally putting yourself in the other person's place and answering the question, "What would I be thinking and feeling if I were in this situation?" Begin by

simply observing your audience. Are your listeners excited or do they look bored? Are they nodding and involved in your presentation or are they uninvolved? If you were sitting the way they're sitting, observing what they're observing, and doing what they're doing, how would you be feeling?

Doug Carter

uses these six instructions to help his clients make the truth more believable. Adopting these ideas may not always make everyone trust you, but using these effectively could indeed help you become more credible. ●

