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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

April 21, 2014

WEEKLY QUOTE

"The worst days of those who enjoy what they do are better than the best days of those who don't."

- Jim Rohn

WEEKLY TIP

Moving to a new state? Double-check your estate planning documents to see if any changes need to be made.

WEEKLY RIDDLE

I have a horn and am almost as large as a car, but I will never honk my horn or outrun a car or truck. What might I be?

Last week's riddle:

I can certainly run, but I will never be able to walk by myself. Wherever I go, thoughts are close behind me. What am I?

Last week's answer:
A nose.

CONSUMER PRICES ADVANCE 0.2%

In reviewing March's mild increase in household inflation, two statistics stand out. The Consumer Price Index measured a 2.7% year-over-year rise in shelter costs (the largest annual gain in six years). Americans also paid 0.4% for food last month. Annualized consumer inflation reached 1.5% in March, up from 1.1% for February.¹

MARCH PUTS HOUSEHOLDS IN A BUYING MOOD

Retail sales rose 1.1% last month, bettering the (revised) 0.7% advance in February. Census Bureau data showed core retail sales (minus auto buying) up 0.7% for March; they increased 0.3% a month earlier.²

FACTORIES & BUILDERS GROW BUSIER

According to Federal Reserve data, March was another solid month for industrial output - production rose 0.7%, and the Fed revised the February advance to 1.2%. Groundbreaking by builders increased 2.8% in March, though the Census Bureau also measured a 2.4% decline in building permits.^{2,3}

BULLS RUN AGAIN

Stocks got a lift last week as the pace of China's economic growth topped forecasts and Fed chair Janet Yellen stated that the central bank has a "continuing commitment" to supporting the economy. The weekly gains: NASDAQ, 2.39% to 4,095.52; Dow, 2.37% to 16,408.54; S&P 500, 2.71% to 1,864.85.^{4,5,6}

THIS WEEK: On Monday, earnings roll in from Kimberly-Clark, Netflix and Hasbro and the Conference Board's March LEI also appears. Tuesday brings March existing home sales figures, the April FHFA home price index and earnings from Bank of NY Mellon, Amgen, Harley-Davidson, Comcast, McDonald's, Travelers, Xerox, AT&T, Discover Financial, Yum Brands, Lockheed Martin and Lexmark. March new home sales numbers are out Wednesday, plus quarterly results from Dow Chemical, Owens Corning, Boeing, Procter & Gamble, Facebook, Ericsson, Northrop Grumman, TD Ameritrade, Ingersoll-Rand, E*Trade, Zynga, Texas Instruments, Snapple, Delta Airlines, Raymond James, Safeway and Qualcomm. Thursday, earnings from Broadcom, Under Armour, Starbucks, Jet Blue, Altria, General Motors, Starwood, Microsoft, Amazon.com, Caterpillar, Verizon, 3M, UPS, T. Rowe Price, Novartis, PulteGroup, Raytheon, AstraZeneca, Occidental Petroleum, Eli Lilly, Dunkin Brands, DR Horton and Pandora arrive plus data on March hard goods orders and a new initial claims report. Friday, the University of Michigan's final April consumer sentiment index comes out, plus earnings from State Street, Colgate-Palmolive, Ford, Goodyear, Honda, Weyerhaeuser and Tyco.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	-1.01	+12.24	+20.36	+5.70
NASDAQ	-1.94	+27.80	+28.96	+10.52
S&P 500	+0.89	+20.16	+22.89	+6.44

REAL YIELD	4/17 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.52%	-0.64%	1.70%	1.87%

Sources: USATODAY.com, bigcharts.com, treasury.gov - 4/17/14^{6,7,8,9}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

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Tax Scams & Schemes

The "dirty dozen" that criminals & cheats try to get away with year-round.

Provided by Thomas Cymer CFP® CRPC®

Year after year, criminals try to scam certain taxpayers. Year after year, certain taxpayers resort to schemes in an effort to put one over on the IRS. These cons occur year-round, not just during tax season. In response to their frequency, the IRS has listed the 12 biggest offenses - scams that you should recognize, schemes that warrant penalties and/or punishment.

Identity theft. Theft of federal tax refunds climbed 400% from 2011 to 2013. Cyberspace isn't always the scene of the crime: thieves can steal your mail or rifle through your trash. If you are a victim, the IRS isn't even obligated to tell you if the crook has been caught.¹

Phishing. If you get an unsolicited email claiming to be from the IRS or the Electronic Federal Tax Payment System (EFTPS), it is a scam. Neither agency emails taxpayers out of the blue seeking information. If such an email lands in your inbox, forward it to phishing@irs.gov.²

Phone shakedowns. Each year, criminals call up taxpayers and allege that they owe the IRS money, which must be paid quickly via wire transfer or a pre-loaded debit card. Visual and aural tricks can lend authenticity to the ruse: the caller ID may show a toll-free number and background noise may suggest a call center. The caller may know the last four digits of your Social Security Number, or mention a phony IRS employee badge number. After the initial call, there may be a follow-up call or email from "the DMV" or "the police". Such behavior can be reported to the Treasury Inspector General for Tax Administration at (800) 366-4484.²

Sham tax preparation services. While there are many good, legitimate small businesses providing tax preparation, there are also some con artists out there who aim to rip off SSNs and personal information and grab phantom refunds. Worth noting, as always: you are legally responsible for what's on your 1040 form, even if a third party prepares it.²

Tax preparers exaggerating/swiping refunds. In this scenario, the scammers do prepare and file 1040s, but they charge big fees up front, claim refunds that are way out of line, and deposit some or all of the undeserved refund in a bank account. They also avoid giving the taxpayer a copy of the filed return.²

Bogus charities. An old wisecrack says that you can make a lot of money running a non-profit organization. Some taxpayers try to, claiming that they are gathering funds for hurricane victims, an overseas relief effort, an outreach ministry, and so on. You can always ask them for visual proof of their charity's tax-exempt status, and if you are near a computer or smartphone, you can visit irs.gov and use their Exempt Organizations Select Check search box. A specious charity may ask you for cash donations and/or your SSN and banking information.²

Phony income, expenses & exemptions. Some taxpayers exaggerate or falsify incomes in pursuit of the Earned Income Tax Credit, the fuel tax credit and other big federal tax perks. A fraudulent claim for the fuel tax credit can backfire into a penalty of as much as \$5,000. Once caught, taxpayers may be on the hook for repaying the credit and refund amounts with interest and penalties, and may face criminal prosecution.²

Lying on Forms 4852 or 1099. Some individuals send the IRS "corrected" 1099s or 4852s that are lies, claiming they earned nothing last year despite what their employers reported.²

Concealed offshore income. Not all taxpayers adequately report offshore income, and if you don't, you are a lawbreaker to the IRS. You could be prosecuted, or at least contend with fines and penalties. The IRS restarted its Offshore Voluntary Disclosure Program (OVDP) in 2012 to give taxpayers who were negligent or guilty a chance to come clean.²

Deceits using LLCs, LLPs & offshore credit/debit cards. While the entities and credit/debit cards may be legitimate, some taxpayers use them in multi-layered, flow-through schemes to hide taxable income or true ownership of assets.²

Incredible trusts. Properly structured trusts can help taxpayers defer or reduce taxes, and in some cases legally avoid them. Specious trusts - created with or without the "help" of unprincipled tax and estate consultants - can result in an IRS crackdown.²

Frivolous arguments. There are seminar speakers and books claiming that federal taxes are illegal and unconstitutional, and that Americans only have an implied obligation to pay them. These and other arguments crop up occasionally when people owe back taxes, and at present they carry little weight in the courts and before the IRS. Section 1 of the Internal Revenue Code imposes income tax on all Americans, specifically 26 U.S.C. § 1 and 26 U.S.C. § 1(a). IRC Section 6072 establishes April 15 as the annual federal tax deadline.^{2,3}

Watch out for these ploys - and watch so you don't run afoul of tax law.

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Citations.

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Week of September 30th, 2013

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