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NEWSLETTER

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Curacao Seminar The Week Of January 31 - February 4, 2011 Is Sold Out. We Are Reserving Additional Rooms: We have reserved rooms for an additional fifteen families at our upcoming Aggressive Business, Tax and Practice Management seminar at the Hyatt Regency Curacao Golf Resort, Spa and Marina. If interested in this Caribbean destination, contact our office or visit www.csanews.com for information on registering and our group discount on hotel accommodations.

We Are All Overpaying For Credit Card Processing Fees - Probably Thousands Of Dollars Per Year: We have been researching some of the tactics used by the merchant service companies, and the more we learn the more we're convinced this business gives used car salesmen a good name. Most doctors pay little attention to how much they're paying for credit card processing - probably figuring that their bank is giving them a good rate. However, if they read their statements, they'll discover that possibly thousands of dollars per month are being quietly withdrawn from their practice's checking account.

How The Typical Processing Arrangement Works: There are two parts to the credit card rate, interchange and the merchant account markup. Interchange is the amount that gets paid to Visa and MasterCard. The processor markup goes to your processor to cover their costs and profit. There are hundreds of different interchange fees, and they are based on factors like the type of card being used, the type of merchant involved and how secure the transaction is considered to be. The credit card companies charge the processors these fees, and they are entirely passed along to the merchant. Depending on the nature of the transaction, the processor will then assign the transaction to one of three tiers - qualified, mid-qualified or non-qualified. Qualified transactions have the lowest rates. The processor usually quotes the merchant the low qualified rate, implying that this is what the merchant should expect. In many cases, a distinct minority of transactions are even eligible for the qualified rate. For example, if a rewards card is used, the transaction will be downgraded to mid-qualified. If the card is processed without sufficient verification, the transaction will be non-qualified. The average credit card fee for small merchants is about 2.6%. However, if there are a significant amount of non-qualified transactions, this can easily exceed 4%.

Marking Up The Downgrades: This is a common but nefarious practice. When a transaction is downgraded to mid or non-qualified, the

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interchange fee goes up. This is passed on to the merchant, along with a massive additional processing fee. For example, if a rewards card like the popular Visa Signature Rewards is used, it may cost the processor an extra 0.40% in interchange. However, the amount passed on to the merchant can be between 1% and 2%.

Achieving Substantial Credit Card Savings For Your Practice: We are currently working with a new company that is helping us negotiate much reduced processing rates. This company acts like a broker or finder. It bring small businesses to one of several card processors with which it has negotiated reduced rates usually reserved for big companies with huge credit card volume, not the typical professional practice.

The new plan is called "cost plus" which means that we will pay just the interchange fees, dues and assessments, and a small mark-up of approximately 0.2% to 0.4% and ten cents per transaction. This is not a tiered plan where transactions are skewed towards the costly mid and non-qualified pricing. Whatever the processor is charged gets passed on to the merchant, plus a modest markup. This is a more transparent and understandable rate structure. We have been shown some feasibility studies showing doctors saving $2,000 to $10,000 per year just by switching from a tiered plan to a cost plus plan. We have had our own study run, and we're told that we would save approximately $15,000 per year. This is because all of our transactions are handled over the phone or online, making the transactions mid or non-qualified.

We will report back within the next month or so with this company's name and contact information, if we see that the new plan is working out as we hope. In the meantime, start collecting your card processing statements to get an understanding of how much you are currently paying.

New Tax Related Numbers For 2011: Here are some numbers that tend to change every year or every few years. Most of these numbers will not change in 2011 because of the absence of inflation in the economy:

	2011	2010
Annual Retirement Plan Participant Compensation Limit	$245,000	$245,000
Annual Defined Contrib. Plan Participant Dollar Limit	49,000	49,000
Annual Defined Contrib. Plan %-Of-Individual Pay Limit	100%	100%
Annual Prof. Sharing %-Of-Total-Participant-Pay Limit	25%	25%
Annual Defined Benefit Pension Plan Benefit Limit	195,000	195,000
401(k) Employee Elective Deferral Limit	16,500	16,500
401(k) Catch-Up Contrib. For Those Age 50 & Over	5,500	5,500
SIMPLE Plan Employee Elective Deferral Limit	11,500	11,500
SIMPLE Plan Catch-Up Contrib. For Those Age 50 & Over	2,500	2,500
IRA (Roth & Traditional) Contribution Limit	5,000	5,000
IRA (Both Types) Catch-Up Contrib. (Age 50 & Over)	1,000	1,000
HSA Annual Contrib. Limit (Individual/Family)	3,050/6,150	3,050/6,150
HSA Catch-Up Contrib. For Those Age 55 & Over	1,000	1,000
Federal Lifetime Estate Tax Exclusion	??	Unlimited
Federal Lifetime Gift Tax Exclusion	1.0M	1.0M
Maximum Federal Estate & Gift Tax Rate	??	0%E./35% G.

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Annual Gift Tax Exclusion for Per-Person Gifts	13,000	13,000
Section 179 First-Year Depreciation Limit	500,000	500,000
Social Security Taxable Wage Base	106,800	106,800
Standard Deduction	5,800/11,600	5,700/11,400

MetLife Will Stop Selling Long Term Care (LTC) Insurance Effective December 30, 2010 For Individuals (Nov. 30 For Group Policies), But Will Continue To Service Existing Policies: Our LTC insurance is with MetLife, and at our seminars we have listed MetLife as one of the top companies selling LTC insurance. The company has had to pay more in benefits than anticipated, and the low interest rate environment has made it hard to invest the premiums to keep pace. This is nerve-wracking, but MetLife remains a large and safe carrier, so anyone who has bought the LTC insurance need not fret about the safety and security of their benefits. But, this is an important sign that LTC insurance is a mature industry, and carriers looking to build market share by under-pricing the competition won't fare well. If you decide that LTC insurance is for you (and you may not if you feel that this is a self-insurable risk), buy only from the top carriers, including Northwestern, New York Life, John Hancock and Mass Mutual, and do not be deterred by the higher premiums. Northwestern and New York Life remain the only top carriers that have priced the insurance correctly (i.e., high enough) that they have never needed to raise their premiums. If you already have a MetLife policy, our advice is to keep it.

The Municipal Bond Market Is Going Through One Of Its Periodic Selloffs, Which Could Make This A Good Time To Buy The Right Kinds Of Bonds: The municipal bond market has traditionally been steady. However, since the financial crisis, it has been a mess. During just this month, municipal bond indexes are down roughly 4%. Given the prospect of higher interest rates, uncertainty over taxes and the tenuous financial position of some of the issuers, we suspect the volatility will continue. What to do:

1. Stick with quality. The safest bonds these days are likely essential service revenue bonds. These have a separate dedicated cash flow tied to a necessary service like bridges, water, or sewers - that are independent of tax collections and government spending. The issuers tend to have a monopoly and strong pricing power. General obligation (GO) bonds have traditionally been considered the safest type of municipal bond, because the issuer could always raise taxes to pay the bondholders. But with 10% unemployment and shrinking tax revenues, GO bonds from cities or municipalities with shaky credit are looking riskier. We still believe that no state general obligation (GO) bond will default, if only because the federal government will step in and bail it out, but we would avoid GO bonds of shakier cities and municipalities. Avoid GO bonds of shakier local governments as well as hospital, housing, and tobacco settlement bonds.

2. Diversify geographically. Do not limit yourself to bonds of your own state, especially if it is struggling economically. Out-of-state bonds will still be exempt from federal tax, though probably subject to

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your much lower state income tax. This is a small price to pay for the added security of owning bonds from stronger issuers.

3. Keep your maturities in the short and intermediate range. Do not reach for higher yield by buying longer term bonds. In this low interest rate environment, long-term bond prices will be hammered when interest rates rise. We would not be buying bonds with maturities longer than 10-12 years. We still prefer owning individual bonds rather than funds, but for fund investors, consider these broadly diversified and low-cost funds: Fidelity Intermediate Municipal Income (Ticker: FLTMX), Vanguard Intermediate Term Tax-Exempt (Ticker: VWITX), and T. Rowe Price Summit Municipal Intermediate (Ticker: PRSMX).

"Personal" Expenses In Group Practices: We still see group practices where the doctors have a difficult time with their end-of-the-year accounting for practice paid quasi-personal expenses. These might include auto expenses, retirement plan contributions, seminars at resort locations, entertainment, etc. These doctors either exchange money or do not allow themselves to run these expenses through the practice - a frightful waste of deductions.

Here is a simple solution. Whatever system is used for allocating profits between doctors, just include all of the quasi-personal expenses as part of the "profits" being allocated. Let's say two partners split everything equally, but they have unequal personal expenses. Assume there is $400,000 of profitability to be divided for the year after subtracting $100,000 of practice paid personal expenses - $70,000 for Dr. A and $30,000 for Dr. B. They should consider $500,000 the true "profitability" to be divided for the year with each doctor being entitled to one half, or a total of $250,000 of compensation and quasi-personal expenses. Since A's practice paid personal expenses ($70,000) were higher than B's ($30,000), A's take-home pay ($180,000) would be lower than B's ($220,000).

This simple technique means that neither doctor has to be concerned about the level of quasi-personal expenses his partner runs through the practice.

Oil Changes Every 3,000 Miles? The auto website, Edmunds.com, reported that car manufacturers are recommending an average 7,800 miles between oil changes for 2010 vehicles. Oil chemistry and engine technology have advanced to the point where the old rule of every 3,000 miles means we are probably wasting money on unnecessary oil changes. Best advice - check your owner's manual for the recommended mileage between oil changes, not the local mechanic.

Tip For Parents Of College Students -- Rent, Don't Buy, Textbooks: You will save 10%-60% by renting versus buying. Some useful websites are Chegg.com, CollegeBookRenter.com, and BookRenter.com. Generally, writing and highlighting in the rented books are permitted (within reason).

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