Time for your End of Year Wrap-up: 6 Things to Consider Before 2012

In our last blog post, we talked about what it takes to close the books for the year. There is any number of other considerations you may need to investigate before you close the door on the business year and start planning for 2012. Here are some of the major points that any small business should consider as the year end approaches:

Listed below are some areas you may want to look into when doing your full year end review. In addition to checking the data accuracy and closing the books, you should think about and plan for the up-coming year. Be sure your tax objective is aligned with your business goals. For example, you would make different decisions if you were looking to raise funding or trying to sell your company versus trying to keep profits low to save on taxes.

1. **Planning for taxes**. Do you have too much profit on the books? How does it compare to the prior year? If you had a banner year, it will also mean an increase in taxes. You may be eligible to offset profits with additional asset purchases before year end. Section 179 deduction allows you to expense the full cost of certain equipment or other assets. It may be a good time to purchase the new server or equipment you were planning to acquire next year.

2. **Hold off invoicing / delay the sale to next year**. In some instances it may be a good strategy to defer some billing past December 31st to lower your profits. It depends on how you recognize revenue in your industry, but if there is no real benefit to you invoicing on a job or sale on the 31st, it might be wise to delay when you close that big job. Again, check with your CPA, and compare that tax advantage with how things will look on your books in the future should you decide to borrow money or if you plan to sell. Be smart.

3. **Accelerate expenses**. Sometimes it makes sense to pay additional expense before year end such as January rent or property taxes. Again, think about your plans for the next year. Some of these strategies depend on your current profits, your expected profits and the overall tax objective of the business.

4. **Bad debts**. If you have accounts receivables that you most likely can't collect, it might be a good time to claim them as bad debts. If you are on an accrual system for taxes, then you have paid the taxes on money you may never collect. It may be best to get them off of the books. Review with your CPA the best possible solution.

5. **Add to your 401k or pension**. Check with your benefits administrator to see if you can put more cash into your 401K or pension plan. Try to max out your retirement savings - this will not only help you save for the future, but will reduce your tax obligation. If you don't have a company retirement plan see if you qualify for a Sep IRA or 401ki. Another tip is to convert retirement assets to a Roth

401k or IRA by Dec 31st.

6. **Review your budget**. December also is the time to review your annual budget to see how you did compared to the previous year. Which line items were on target? Ideally you would review this monthly, but ask yourself how you did for the year. Which expenses and profits were greater than expected, or less than expected and why? How do you need to adjust your budget for the coming year?

These are just a few of the steps you can take to make sure you take advantage of year end strategies. There are additional strategies that could apply to your operation, depending on your situation. Your best bet is to contact your CFO or CPA to gain a full understanding of your business's tax liability and other potential financial concerns. Remember that if you use pro-active planning and understand your financial status there will be very little surprises when tax time arrives.