

January 2014

Advisor

BALTIMORE - WASHINGTON FINANCIAL ADVISORS



BWFA

President's Address

Registered Investment Advisors and Brokers: What's the Difference?

Fiduciary vs. Suitability

There are two primary groups that offer investment advice and services to clients – investment advisors, such as BWFA, and investment brokers who generally work for broker-dealers. The key distinction between these two groups is one that is often not understood by the investing public. Registered Investment Advisors such as BWFA are required to adhere to a fiduciary standard, while brokers must only meet a suitability standard.

Black's Law Dictionary describes a fiduciary relationship as "one founded on trust or confidence reposed by one person in the integrity and fidelity of another." Law.com defines a fiduciary as "a person who has the power and obligation to act for another under circumstances which require total trust, good faith and honesty."

In short, as your fiduciary it is our ethical AND legal responsibility to act in your best interest at all times. Our loyalty must be exclusively to you, our clients, and we must act only in ways that will best help you achieve your financial goals. We must put your interests above our own and declare any conflicts of interest that may arise.

This is a very different standard than the suitability standard under which brokers operate. A broker's loyalty is to the broker-dealer for whom he works, and not necessarily to his client. His investment recommendations must be suitable, but don't necessarily have to be best for the client or consistent with the investor's objectives.

BY ROBERT G. CARPENTER | CEO

The suitability standard allows a broker to put his interest, or the interest of his employer, above yours when making investment recommendations.

You can be assured the portfolios that BWFA's advisors construct to meet your goals put your interests above all else. Our only thought when selecting investments for your portfolio is how those investments are going to help you achieve your financial objectives.

Advice vs. Transactions

Since brokers are paid by commissions on products sold, they face pressure to execute transactions. For brokerage firms that market their own investment products, that pressure can be intense, because brokers are the prime distribution channel for selling those products.

On the other hand, Fee-Only advisors such as BWFA receive compensation only from their clients for the advice and service they provide. Advisors have no incentive to push one product over another or to do unnecessary trading in client accounts. Being paid only by our clients reduces or eliminates the conflicts of interest inherent in a relationship with a broker, whose compensation is tied to commissions from the products he sells.

Transparency vs. Disclosure

Though brokers often provide lengthy disclosure documents, it's difficult to determine how they receive their compensation.

As a Fee-Only advisor, BWFA adheres to a high standard of transparency.



ROBERT CARPENTER

President and CEO

We receive no other compensation. In addition, the custodian holding client assets issues an independent report of client investment holdings and transactions, including fees, in monthly account statements. Clients can easily compare their BWFA statements with the custodian's statements.

Advisors earn client trust through sound advice and an open, fiduciary relationship. BWFA is committed to always serving our clients' best interests and helping them reach their financial goals.

Advisor

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who could use guidance with
their investments?*

**SOMEONE WHO IS NEARING OR IN
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FROM OUR SERVICES?**

***WE ASK YOU, OUR EXISTING CLIENTS,
TO RECOMMEND OUR SERVICES TO
FRIENDS OR FAMILY MEMBERS THAT
COULD BENEFIT FROM OUR SUPPORT.***

**BY HELPING US GROW OUR “FAMILY
OF CLIENTS” WE GET TO SHARE OUR
PASSION WITH MORE PEOPLE JUST
LIKE YOU.**

President's Address

Robert Carpenter

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What's Happening at BWFA | Employee Spotlight

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FINANCIAL PLANNING

Pushing The Limits of Simplicity

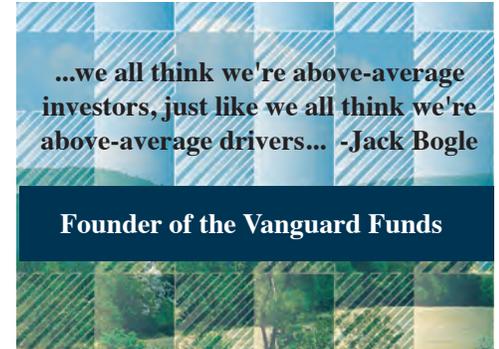
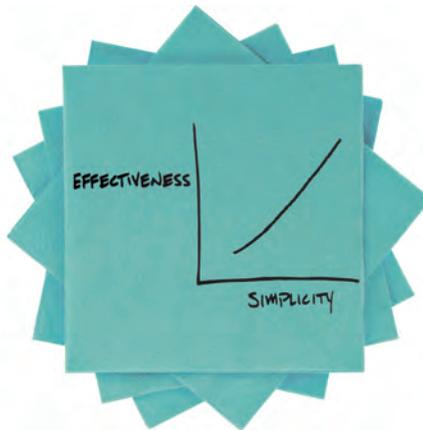
BY MARK STINSON | CPA | MBA | CFP®

Author and financial advisor Carl Richards spoke at the National Association of Personal Financial Advisors (NAPFA) East Conference in Philadelphia in October 2013. I was excited to attend his presentation because I had read his book, *The Behavior Gap*, and found it to be enlightening about investing and financial planning.

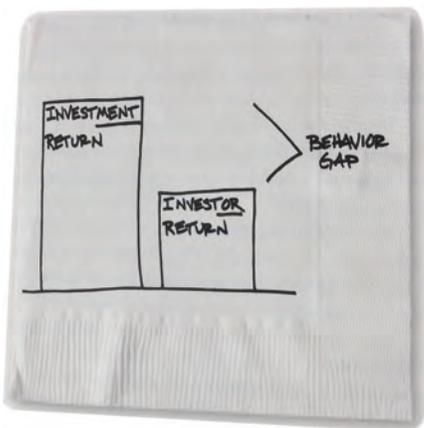
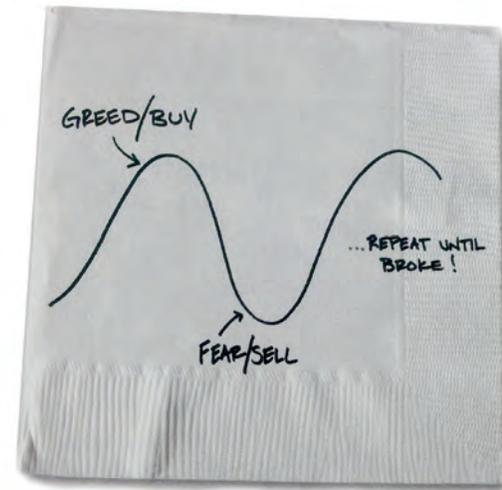
The book is enlightening, not because it unveils new theories or is stuffed with number-crunching. Quite the opposite—it’s enlightening because it’s simple. Richards had taken a well-known industry study, and using nothing more than a Sharpie marker and a napkin (and his impressive creativity), turned it into a book.

Several studies have shown that investors consistently under-perform the market. Richards labels this “The Behavior Gap.”

My two favorite values in the BWFA Credo are “Be friendly, clear, concise, and complete,” and “Life gets complicated; simplify it.” Richards does these things in spades. His simple graphs are a visual embodiment of these values. In his keynote speech, he said, “I push the limits of simplicity.”



His visual on the buy-high, sell-low mistake:




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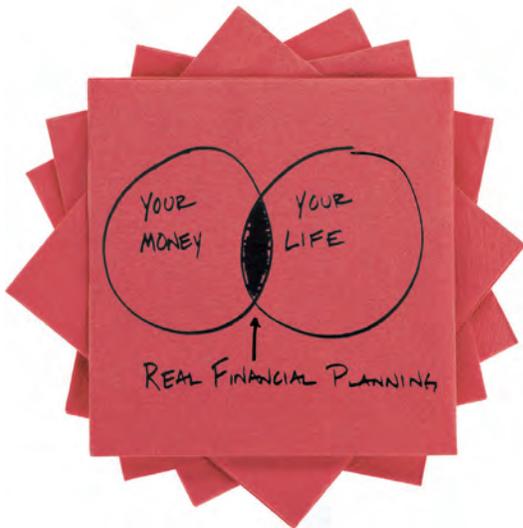
“ Life gets complicated; simplify it.”

(continued)

WHAT IS FINANCIAL PLANNING?

At the conference, Richards emphasized the role of financial planning in helping clients overcome The Behavior Gap. He asked us to ask our clients, "If you missed the [investment] benchmark and achieved your financial planning goals, or if you beat the benchmark and did not meet your financial planning goals—which would you prefer?"

When potential clients come into the office, they often ask us about performance. We tell them one of our jobs is to participate intelligently in the market. I tell them we like to hit singles and doubles, and we don't try to hit home runs. If you can achieve your goals, why take more risk than you need?



Richards noted that when we ask clients what matters to them, they list items such as achieving goals, enjoying retirement, spending without worrying about every dollar, and providing for their families. Notice that beating the stock market is not on the list.

If you would like a copy of Carl Richards' book, or if you would like to find out more about simplifying your life and achieving your financial goals, contact me at 410-461-3900 or mstinson@bwfa.com.



FINANCIAL PLANNING

Financial Resolutions for 2014

BY THAD J. ISMART | CFP®

At the beginning of every year, many of us make resolutions to become healthier and to have a more active lifestyle. However, often very little time is given to address our financial lives. Financial goals can be best achieved if they are written down on paper, are specific, and include a time frame in which they should be completed. The following are five of the top financial resolutions you should make for 2014.

PROTECT YOUR CREDIT SCORE

Your credit score can come into play in many important stages of your life such as renting an apartment, applying for a loan, and even applying for a job. You can improve your credit score by keeping your debt balances low and paying them off every month.

You should review your credit report at least annually for errors and be exceptionally careful when sharing confidential information online. Lastly, take precautionary measures to secure your hardcopies of sensitive materials in your home and shred any sensitive material that is not needed.

CREATE AN EMERGENCY FUND

Many people do not have enough cash in reserve to get by for two months, in case of unemployment or an emergency. They rely on retirement accounts, friends or relatives, credit cards, and other forms of debt to pay for expenses and bills. Depending on your situation, you should have on hand the equivalent of between three and six months of expenses in a savings or money market account.

ELIMINATE DEBT

Create a plan to eliminate your credit card debt and other high-interest debt. You should delay any major purchases until you can pay for them with cash. If you have discretionary income, it should be directed to pay off debts with the highest interest rates first.

INCREASE YOUR RETIREMENT SAVINGS

Many people are not saving enough for retirement. You should be saving at least 10%-15% of your gross annual income for retirement each year. As your income increases, the amount you contribute to your retirement plan should increase as well. For example, if you receive a 3% raise, then increase your retirement contribution by 1%. In addition, you should at least contribute enough to receive the full employer matching contributions in 401(k) or other retirement plans.

ESTATE DOCUMENTS

Many people do not have their legal documents up-to-date or even get them completed in the first place. Make a resolution to complete (or review) your estate documents in 2014 to make sure your assets pass as you intend and that they support your wishes. In addition, review your beneficiary designations on your retirement accounts and insurance policies to make sure they match your wishes for your family and estate, as beneficiary designations will override your will.

CONTACT US

Achieving your resolutions can be difficult. A financial plan will help you prioritize your resolutions and achieve your financial goals. If you would like to discuss financial planning, please call us at 410-461-3900 or email me at tismart@bwfa.com.



INVESTMENT RESEARCH

The Importance of Dividends

BY PHILIP WEISS | CFA | CPA

It's well-known that dividend-paying stocks can be an important part of retiree portfolios. These stocks can provide cash flow for income needs while giving retirees the opportunity to hold investments that will grow in value.

But dividends can play an important role in the portfolios of other types of clients, too. First, they often are an important component of any portfolio's overall investment return, especially at a time when stocks are not appreciating strongly. In addition, for those who are still working, the cash provided by dividends can be reinvested to buy more shares of the same security or applied toward the purchase of other securities. This means they can compound the growth of a portfolio.

Dividend-paying stocks can provide advantages relative to bonds. Bonds provide a fixed return over their lives. For example, holding a 10-year, \$1,000 bond paying a 5% coupon to maturity entitles the holder to \$50 per year while holding the bond. At the end of 10 years, the principal is repaid, too (unless the bond issuer is in financial trouble).

On the other hand, buying a stock yielding 3% that is forecast to grow by 7% annually could translate to a dividend yield of about 6% by the end of the same period, based on the amount you originally invested in the stock. If the dividend increases by 10% per year, the dividend in year 10 will represent roughly 7.8% of the original investment.

Hopefully, the share price will increase as well, meaning the total return during the holding period will be even greater. Here's more good news. Studies have shown that dividend-paying stocks can lessen the effects of portfolio losses during bear markets, as the income they provide can offset some of the losses that result from a lower share price. In addition, stocks paying a secure dividend are typically less volatile because the dividend can provide a "floor" value for the stock, especially in times of uncertainty. Reinvestment of dividends can also significantly reduce the amount of time it takes to recoup losses suffered during market declines.

Dividends can also play a meaningful role in retirement planning, particularly over time because they may grow at a greater rate than inflation (unlike fixed-income investments or annuities).

Your dividend-paying portfolio can serve as a passive source of income to supplement (or, perhaps, for some even replace) your pension or retirement savings and may even allow you to retire earlier than would otherwise have been possible.

While it has been shown that reinvesting dividends can have a major impact on portfolio value, once your portfolio has generated significant gains, you may decide to not reinvest your dividends. Instead you can use them as a source of current income.

Another interesting use of dividends is to give retirees flexibility when they are withdrawing money from their portfolios. To the extent a portfolio does not generate enough cash to fund any withdrawals, BWFA will have to sell securities.

Selling shares has tax implications, and BWFA might have to sell securities at an inopportune time. Instead, cash generated by income-producing stocks can help fund those distributions, minimize the need to recognize gain or loss on stock sales, and enable the advisor to sell securities based on market factors rather than individual needs.

A final thought. There's an old investing adage, "Profits are a matter of opinion; dividends are a matter of fact."

In other words, dividends are paid from real earnings and in "hard" dollars – they cannot be manipulated by creative accounting. A dollar paid out to an investor as a dividend is a dollar that is no longer under company control.

Companies that are able to pay a steadily increasing dividend tend to be disciplined and efficient in their capital allocation and cash flow management—just the types of companies we look for on behalf of BWFA clients.

Dividend-Paying Stocks Are Strong Performers

Many studies have shown that higher-yielding stocks outperform the overall market. Wharton's Jeremy Siegel showed that over a five-decade period from 1959-2011, a large basket of dividend stocks outperformed the market by roughly 2.6% annually.

While this figure may not sound that meaningful, over a long period, that difference adds up to a huge amount. Siegel's study showed the highest-yielding dividend stocks turned a \$1,000 investment into \$609,000, when those dividends were reinvested annually; a similar investment in the S&P 500 would have appreciated to only \$173,000.



The above chart illustrates the Total Return of the S&P 500 with dividends reinvested (orange dotted line) and Total Return of the index without dividends reinvested (white solid line). The bar chart at the bottom illustrates the number of S&P points that were added to the index through dividends in each month of the 10-year sample. As it happens, the Total Return with Dividends Reinvested was 99.2% vs. 62.4% if they were not reinvested during the period.

(Source: Bloomberg)



INVESTMENT MANAGEMENT

Three Reasons Individual Investors Are Coming to BWFA

BY CHRIS KELLY CPA | CFP®

With the seemingly infinite amount of information available at the fingertips of individual investors – from financial websites, to mobile investment apps, to investment do-it-yourself media personalities (and the list goes on and on) – some investors may begin to question why professional advisors are necessary.

Our answer to those investors is simple: You can't be a successful steward of your own money by simply coming home from work, reading the Wall Street Journal, and catching up on evening episodes of Jim Cramer's Mad Money. It's just not that easy. The stakes are too high, and the odds against your long-term success are too great for you to gamble away what you've worked so hard to accrue.

BWFA'S ADVISORS COMMONLY FIND THAT INDIVIDUALS SEEK OUR INVESTMENT MANAGEMENT EXPERTISE, AND, ULTIMATELY, DECIDE TO WORK WITH US, FOR ONE OR MORE OF THE FOLLOWING THREE REASONS:

OUR DEFINED PROCESS FOR MANAGING MONEY

INVESTMENT CONSISTENCY

REALIZATION THAT IT DOES NOT PAY TO GO IT ALONE.

Defined Process

We believe that if you are unable to describe your investment process, then chances are that you don't know what you are doing.

Our approach for managing the assets of our valued clients consists of a defined investment process. We live by two guiding principles: maintain diversification throughout our client portfolios, and avoid buying overvalued assets. To achieve our goals, we perform in-depth reviews of a company's valuation metrics, look at outside technical analysis, and consider a wide range of additional quantitative and qualitative attributes about every potential investment.

Investment Consistency

Our approach is all about consistency. We strive to maintain realistic expectations, while acknowledging that asset returns are earned over various market conditions and cycles.

We consider past performance as a guide – not a predictor of future returns, and we don't invest in a specific asset or strategy just because "everyone else is doing it." Additionally, we believe that attempting to forecast an asset's success or failure in the short term is a losing proposition.

Don't Go It Alone

Similar to a cynic, who knows the price of everything and the value of nothing, most individual investors who decide to go it alone eventually come to realize the costly price of their decision.

Behavioral studies have shown universally that individual investors let their emotions override their logic. Legendary investor Warren Buffett once said investors should "Be fearful when others are greedy and be greedy when others are fearful." Although this seems to be fairly straightforward advice, it is rarely followed by individuals investing on their own. Quite often, otherwise rational individuals get caught up in the whirlwind of headline news, causing them to make irrational and detrimental decisions.

Global financial markets are filled with all sorts of obscure and difficult to understand risks. We've seen unusual events occur over and over again. These risks make the need for objective advice paramount, so that investors can have strategies in place to reduce the impact of unexpected events.

A Team Approach

At BWFA we have a team of professionals, including CPAs, CFPs, and a CFA, who deliver comprehensive and objective investment advice for our clients. Please contact a BWFA professional or stop by our office if you'd like to discuss your investment portfolio in further detail.



MERGERS AND ACQUISITIONS

Mergers and Acquisitions: The BWFA Advantage

BY BRIAN MACMILLAN

Selling a business is not done in a vacuum. Developing a full financial plan that includes the sale of the business, but also other contingencies, is crucial. Remember that only 20% to 35% of all small businesses are actually sold, but yet small business owners frequently have as much as 90% of their net worth tied up in their business.

That's why working with BWFA's Business Services team and its Financial Planning team helps clients come to good decisions. Together, our business advisors and financial advisors will create a comprehensive retirement and estate plan that looks at both your current savings and investments, and the expected proceeds from the sale of your business.

The process will likely begin with a business valuation by our team. Our CPAs will provide a Fair Market Valuation of your business by utilizing professional judgment and applying standardized analytics and valuation methods. The valuation will be used by our financial planning team as a crucial first look at whether the expected proceeds from the sale would enable you to reach your financial goals.

Next, BWFA's mergers and acquisitions professionals will help you determine the best methodology to use when selling your business. Are there family members or a current manager to whom you would like to sell your business?

Once the most appropriate type of sale is determined, our mergers and acquisitions team will take you through the process of selling your business from start to finish.

Taxes are an underlying theme whenever you are considering your financial future, and that's where BWFA's tax team will get into the mix. They can offer advice about the best way to structure the sale in order to minimize taxes, and they will work with our portfolio managers to invest the proceeds in a tax-advantageous way.



If you ask a business owner how much he'd like to get for the sale of his business, the answer inevitably is, "As much as possible!"

While this might seem to be the obvious answer, getting as much as possible is only one factor that comes into play when developing a plan to sell your business.

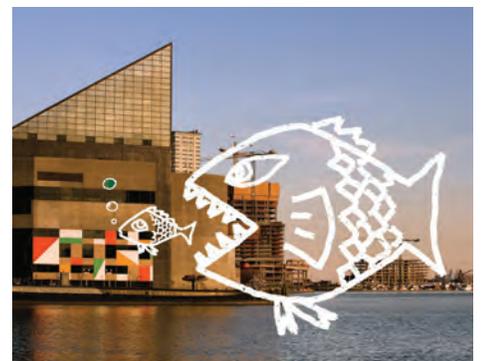
Other factors also need to be considered by the business owner: Can you afford to sell now and fund your retirement plans at the price you may receive from the sale? What tax implications will you face when selling your business? Which transfer of ownership method is best for you? How will you find a suitable buyer? What should you do with the proceeds from the sale of your business?



With You Every Step of the Way

BWFA's experts are with you through the entire process. From start to finish, our guidance can help you through the many complicated decisions that arise when contemplating the sale of your business.

You have worked hard, building your business into a successful enterprise. You deserve the same level of effort from the team working to sell your business and manage your investments.





TAXATION WITH REPRESENTATION

Tax Law Changes in 2013 from the Affordable Healthcare Act

BY SHAROLYN HOCKEY | TAX MANAGER

The Patient Privacy and Affordable Care Act (also known as the “ACA” or “Obamacare”) dominated the headlines before and after its rollout. What many Americans still don’t realize is that the ACA included way more in its 2,407 pages than just healthcare mandates. The 2010 law included three key tax law changes that will impact taxpayers in 2013.

MEDICAL DEDUCTION FLOOR

Only one of these key changes could affect taxpayers regardless of their income level: the change to deductible medical expenses for those who itemize deductions. For taxpayers under the age of 65, only medical expenses that exceed 10% of adjusted gross income will be allowed as a deduction, up from 7.5% in previous years. Taxpayers at least 65 years of age in 2013 still have a medical deduction floor of 7.5%.

ADDITIONAL MEDICARE TAX ON EARNED INCOME OF HIGH-INCOME TAXPAYERS

The new tax rules require that taxpayers with earned income greater than \$200,000 for Single, Head of Household or Qualifying Widower/Widow, and \$250,000 for Married Filing Jointly (or \$125,000 for Married Filing Separately), pay an additional 0.9% Medicare tax on wages in excess of the applicable threshold. This includes both wages and self-employment income.

The additional taxes should have been withheld from your pay during the year if your wages were in excess of \$200,000, regardless of your filing status. If the additional tax is withheld in error, taxpayers must wait to file their return to receive a refund of any excess tax withheld. The excess taxes paid will be treated as a refundable credit on the return.

ADDITIONAL MEDICARE TAX ON NET INVESTMENT INCOME OF HIGH-INCOME TAXPAYERS

The new 3.8% Medicare tax on Net Investment Income (NII) is perhaps the most confusing tax change for high-income taxpayers.

The good news for the vast majority of taxpayers is that the 2013 tax law changes will have very little impact.

Taxpayers with an income greater than \$200,000 for Single, Head of Household or Qualifying Widower/Widow, and \$250,000 for Married Filing Jointly (or \$125,000 for Married Filing Separately) may owe additional tax on investment income, which includes interest, dividends, capital gains, passive income and rental or royalty income. The tax is assessed on the smaller of the total NII or the excess income greater than the income thresholds.

GOOD NEWS FOR MOST, BAD NEWS FOR SOME.

The good news for the vast majority of taxpayers is that the 2013 tax law changes will have very little impact. The bad news is that if you are impacted, you will pay more tax. Additionally, the American Taxpayer Relief Act of 2012 introduced a higher tax bracket and capital gains tax rate for 2013. The new highest tax bracket is 39.6% for very high income earners, and a new 20% tax rate for long-term capital gains (LTCG) and qualified dividends applies to the same very high-income taxpayers. Those taxpayers could be facing a hefty tax balance due on April 15th if they’ve failed to plan for the potential quadruple whammy: higher marginal income tax rate combined with higher LTCG and qualified dividends tax rate combined with additional tax on earned and unearned income combined with reduced itemized deduction for medical expenses.



TAXATION WITH REPRESENTATION

DOES UNDERPAYMENT NECESSARILY MEAN PENALTY?

The IRS expects you to pay taxes on income as it is earned throughout the course of the year, and underpayment penalties can be imposed for failure to do so. There are ways to mitigate penalties, if you find yourself underpaid at year-end.

If you've paid in at least 100% (or 110%, depending on your income level) of your prior year's tax liability, then you've met the "safe harbor" threshold, and no penalty for underpayment will be imposed, as long as you pay the tax due by the April 15th deadline. Some taxpayers may be able to reduce penalties by annualizing their income, matching their income for tax purposes to the period in which it was actually received. Your tax advisor can provide guidance for your specific tax situation.

TAX PLANNING STRATEGIES STILL AVAILABLE TO TAXPAYERS

While the end of the 2013 tax year has passed, there's still time for some taxpayers to take advantage of tax planning strategies. Taxpayers can make 2013 contributions to a Health Savings Account, a Medical Savings Account, or to a traditional or Roth IRA through April 15, 2014. Self-employed taxpayers could make SEP IRA or SIMPLE IRA contributions not just through the April 15th deadline, but until the date their extended return is filed, potentially as late as October 15, 2014.

Taxpayers should bear in mind that such contributions are subject to restrictions and limitations, and they should consult their tax advisor to confirm deductibility before making any contributions.

COUNTDOWN TO APRIL 15TH

Regardless of any delays in the start of tax season (see article on page 12), the filing deadline is set by statute. Taxpayers need to file their federal return (or a request for an extension of time to file) no later than Tuesday, April 15, 2014. The deadline for most tax documents to be post-marked is January 31st (i.e. W-2s, Forms 1099-INT, etc.).

We've included a quick reference tax checklist [see pages 13 and 14] to help get taxpayers thinking about the tax documents they should be receiving and what to look for in the coming weeks. Our checklist includes other information taxpayers may need to gather, depending on the past year and their tax situation. BWFA tax clients should have already received their personalized 2013 tax organizers -- those who haven't should contact their BWFA tax team to let us know.

EMPLOYEE SPOTLIGHT:

SUSAN KELLEY: TAX EXECUTIVE ASSISTANT

SUE KELLEY IS ALREADY SCHEDULING APPOINTMENTS FOR THE 2013 FILING SEASON. IF YOU HAVEN'T SCHEDULED YOUR ANNUAL MEETING WITH YOUR BWFA TAX ADVISOR, OR IF YOU'RE NEW TO BWFA'S TAX SERVICES, SHE'D LOVE TO HEAR FROM YOU TO SET UP AN APPOINTMENT!

WHAT DID YOU DO BEFORE COMING TO BWFA?

Before coming to BWFA, I spent 26 years in the US Army. I was a member of the US Army Field Band, which is the official touring representative for the Department of the Army and the unit works directly for the Secretary of the Army.

I play the clarinet, and playing in a professional organization the caliber of the Field Band (and getting paid!) is something that was an exceptional opportunity. I feel very fortunate to have had a career as a musician.

WHAT HAS BEEN THE MOST EXCITING AND MEMORABLE EVENT WORKING AT BWFA?

Undoubtedly the most exciting event since working at BWFA has been this past few months as the office space has been expanded and redecorated. We have a remarkable facility, and it's truly a pleasure coming to work everyday to such beautiful surroundings and a great team of people.

TO SCHEDULE AN APPOINTMENT WITH YOUR TAX PREPARER PLEASE CONTACT SUE KELLEY : Call 410.461.3900.





TAXATION WITH REPRESENTATION

BY SHAROLYN HOCKEY | TAX MANAGER

Delayed Start to the 2014 Tax Season Blamed on October's Government Closure

It's déjà vu all over again! Last year it was the late-hitting American Taxpayer Relief Act of 2012 tax law changes, and this time it's the shutdown, but once again the Internal Revenue Service won't be ready on time. Back on October 22, the IRS had already announced a delay of approximately one to two weeks to the start of the 2013 filing season to allow adequate time to program and test its tax processing systems following the 16-day federal government closure.

As this newsletter is going to press, the IRS is exploring options to shorten the expected delay and plans to announce a final decision on the start of the 2014 filing season in December. The original start date of the 2014 filing season was set for Jan. 21, and with a one- to two-week delay, the IRS would start accepting and processing 2013 individual tax returns sometime between Jan. 28 and Feb. 4th.

The government closure came during the peak period for preparing IRS systems for the 2014 filing season. IRS processes, applications, and databases must be updated annually to reflect tax law updates, business process changes, and programming updates in time for the start of the filing season.

Programming, testing, and deployment of more than 50 IRS systems is needed before they can process nearly 150 million tax returns.

Updating these core systems is a complex, year-round process, and the majority of the work begins in the fall of each year. Over 90% of IRS operations were closed during the shutdown, with some major work streams closed entirely during this period, putting the IRS behind its tight timetable for being ready to start the 2014 filing season.

The IRS will not process paper tax returns before the start date, scheduled to be announced in December. There is no advantage to filing on paper before the opening date, and taxpayers will receive their tax refunds much faster by using e-file with direct deposit.

The April 15th tax deadline is inexorable, but taxpayers can request an automatic six-month extension to file their tax returns. The request is easily done with Form 4868, which can be filed electronically or on paper. Taxpayers should remember that the extension is for the filing deadline only and does not extend the time to pay any tax due.



EMPLOYEE SPOTLIGHT:

SUSAN KELLEY: TAX EXECUTIVE ASSISTANT

WHAT DOES A TYPICAL DAY LOOK LIKE FOR YOU?

No two days are the same. Originally, I was hired to work as an administrative assistant in the Tax Department. My role and responsibilities have expanded over the last few years, so I have a variety of tasks to keep me busy.

WHAT DO YOU DO FOR FUN OUTSIDE OF WORK?

Outside of working, my husband and I enjoy spending time with our family – we have eight grandchildren. I also enjoy gardening, bike riding and still playing clarinet.

WHEN SHOULD A CLIENT CALL YOU?

Any time is a good time to phone. Clients phone me to schedule an appointment with their tax preparer.

Additionally, when clients have questions regarding their return or other tax-related issues and they do not know who their preparer is or have forgotten who that individual is, I am a good person to start with.

TO SCHEDULE AN APPOINTMENT WITH YOUR TAX PREPARER PLEASE CONTACT SUE KELLEY : Call 410.461.3900.



TAX PREPARATION CHECKLIST FOR 2014

Personal Information

PERSONAL DATA

- Social security numbers and birthdates for you, your spouse and children (include only those for whom you provide > 50% of their support)

YOUR HOUSEHOLD

- Name, date of birth, social security number, and gross income of any adult who lived with you all year
- Name, date of birth, social security number, and gross income of any parent not living with you

You and Your Income

EMPLOYMENT

- Forms W-2 for you and your spouse

SELF-EMPLOYMENT

- Forms 1099-Misc, if applicable

Your Business Records:

- Income Statement (include revenue and expense detail)
- Detail of taxes paid
- Home office expenses
- Vehicle expenses or mileage log (records MUST be written)

PENSION/ANNUITIES

- Forms 1099-R or RRB-1099 for distributions from IRAs or retirement plans
- Forms 8606 for nondeductible IRA contributions or distributions thereof

SOCIAL SECURITY INCOME

- Forms 1099-SA

RENTAL INCOME

- Forms 1099-Misc
- Income Statement (include revenue and expense detail and taxes paid)

INVESTMENT INCOME

- Forms 1099-DIV, 1099-INT: statements of dividends and interest
- Forms 1099-B: proceeds from broker transactions (include cost basis information for all non-covered stock sold)
- Schedules K-1: partnership, trust and S Corporation income

MISCELLANEOUS INCOME

- Form 1099-G for state/local tax refunds or unemployment income
- Form 1099-S for income on sale of property
- Form 1099-C from cancellation of indebtedness income
- Alimony paid
- Scholarships, fellowships
- Other:
 - Medical Savings Account
 - Jury duty
 - Gambling/lottery winnings
 - Prizes/awards, etc.

TAX PREPARATION CHECKLIST FOR 2014

Adjustments, Deductions, and Credits Information

CHILD CARE EXPENSES

-  Name, address, tax ID or social security number, and amount paid
NOTE: include day camp expenses but not the cost of summer school

EDUCATION

-  Form 1098-E or Form 1098-T for student loan interest or tuition paid

EDUCATORS (GRADES K-12)

-  Expenses paid for classroom supplies (receipts, cancelled checks)

RETIREMENT CONTRIBUTIONS ALIMONY PAID

-  Records of contributions made for current year by 4/15
(identify employer and employee contributions)
-  Amount paid, former spouse's name and social security number

MOVING EXPENSES

-  Include if move due to change in job locations or starting a new job

MORTGAGE INTEREST

-  Forms 1098
Settlement sheets for any sale, purchase, or refinance of residence

CHARITABLE DONATIONS

-  Cash amounts, official charity receipts, canceled checks
Value of donated property
Miles driven and out-of-pocket expenses

CASUALTY/THEFT LOSSES

-  Provide details of loss or damages incurred and insurance reimbursements

OTHER EXPENSES/ DEDUCTIONS

-  Medical and dental expense records
-  Investment interest expense
-  Tax preparation and investment management fees paid
-  Job hunting expenses
-  Job-related education expenses
-  Health Savings or Medical Savings Account contributions
-  Adoption expenses
-  Unreimbursed employee business expenses
-  Travel expenses
-  Seminars and continuing education
-  Union dues
-  Uniforms (must be required and not suitable for everyday wear)
-  Subscriptions
-  Early withdrawal penalties on CDs and other time deposits

Other Information

TAXES YOU PAID

-  Federal and state estimated tax payments (include date & amount of each)
Real estate taxes paid
Personal property taxes paid

FOREIGN BANK ACCOUNT INFORMATION

-  Bank information - location (foreign country address), name of institution
Account information (account numbers and peak values during the year)



INFORMATION TECHNOLOGY

BWFA and Social Media

BY JOE CAPUTO

Our world is now almost entirely a digital reality. Facebook has led the way with its 1.1 billion users.

Over the past few years, we have seen a tremendous increase in the use of social media services worldwide.

YouTube has over a billion users. LinkedIn and Twitter each have well over 200 million users and are still growing.

It has become a part of our daily lives. We are sharing and posting an unprecedented amount of photos, videos, and information—and doing it instantaneously, with a click of a button.

Not only are individuals using social media as a means of communication, but businesses are active users as well. If a business has not established a Facebook, LinkedIn, or Twitter account, it may be missing out on an entire generation or two of customers.

The age of information has transformed into an age of instant information.

BWFA has begun to participate in the social media revolution. We look forward to using it to share information on our events and even search for interested candidates to join our team.

We have created company sites on Facebook, LinkedIn, Twitter, YouTube, and Google+. These landing pages provide ways for people to discover and connect with those who are associated with BWFA. Look to see BWFA become even more active in social media in 2014.



WHAT'S HAPPENING AT BWFA?

Community Involvement

BY MEGHAN MANAS



THE GREEN SPRING TENNIS & EDUCATIONAL FOUNDATION

The Green Spring Tennis & Educational Foundation helps promote the development and growth of tennis for adults and youth in the local community. BWFA was a premier sponsor for their TennisFest Week Fundraiser in November. Rob Carpenter and Eric Manas (husband of BWFA staff member Meghan Manas) represented BWFA on the courts that night!
www.gstef.org



HOWARD TECH COUNCIL

HTC is the premier forum for networking and collaboration for technology companies in Howard County and the surrounding regions. It works with the Howard County Economic Development Authority to help our area attract high-tech companies.



LIVING CLASSROOMS OF HOWARD COUNTY

The Living Classrooms of Howard County works to strengthen communities and inspires young people to achieve their potential through hands-on education and job training, using urban, natural, and maritime resources as “living classrooms.”
www.livingclassrooms.org



HOWARD COUNTY CHAMBER OF COMMERCE

The Howard County Chamber of Commerce works to advance the growth and success of the business community by serving as the voice of business, providing information and resources, and facilitating connections.
www.howarchamber.com



WINGS OF HOPE

The Wings of Hope Memorial Golf Tournament is held yearly to support nonprofits that unite families impacted by cancer. BWFA staff member Sue Kelley participated in the event.
www.wingsofhopemd.com



MARYLAND CONSUMER RIGHTS COALITION

The Maryland Consumer Rights Coalition advances and protects fairness and justice for Maryland Consumers through research, education and advocacy.
www.marylandconsumer.org

BALTIMORE WASHINGTON CORRIDOR CHAMBER

The Baltimore Washington Corridor Chamber is dedicated to providing networking, information and growth resources to all sizes and kinds of businesses, agencies and organizations.



WHAT'S HAPPENING AT BWFA?

Employee Announcements

BY MEGHAN MANAS

At BWFA we strive to provide the best possible customer service for our clients. With that goal in mind, and to keep up with the needs of our growing client base, BWFA is pleased to welcome our two newest staff members:

JIM EDWARDS, CFP®

Financial Advisor & Portfolio Manager

Jim joined BWFA in October 2013. He began his career in financial services as a Financial Advisor at Morgan Stanley in 1999. He subsequently worked at Smith Barney and most recently at Charles Schwab.

From 1990 until 1999, Jim worked as a psychology researcher and clinician, beginning at Johns Hopkins Institute for Drug and Alcohol Studies. He has earned multiple degrees in the field of psychology including a Master's and Doctorate in Clinical Psychology from the University of Memphis.

KAVITA VERMA, ESQ

Director of Business Development

Managing Director M&A and Strategic Alliances

Kavita joined BWFA in November 2013. Kavita has over 15 years of business and legal experience and an extensive network of CEOs, venture capitalists, private equity firms and investors in the US and abroad. Kavita started her career as a lawyer with two major international law firms in New York City, Jones Day and Morrison Foerster. Kavita received her law degree at University of Victoria and her LLM in Banking and Securities Regulation through a joint program with Boston University and Harvard University.

A Note from Bob Cassel

To my valued clients, I've decided to retire from my position as Director of Tax Services at BWFA, effective December 31st. I very much enjoyed working with BWFA's tax clients and know that they will be in excellent hands with my replacements Joe Hill and Sharolyn Hockey. BWFA's tax clients should feel confident that their tax needs will be met by our seasoned professionals.

Robert W. Cassel



Baltimore-Washington

FINANCIAL ADVISORS





The BWFA Holiday Gala





B | W | F | A

Baltimore-Washington

FINANCIAL ADVISORS



RETIREMENT & ESTATE PLANNING

INVESTMENT MANAGEMENT

TAX SERVICES

BUSINESS SERVICES

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