

■ SENIOR FRAUD: INVESTORS BEWARE

Recently, Ponzi schemes such as the one perpetrated by Bernie Madoff became national news. Unfortunately, our senior citizens are often the target of investment and other scams. Self-directed Individual Retirement Accounts (IRAs) have become an area of interest for the SEC, and rightfully so.

Self-directed IRAs are held by a custodian or trustee. This type of investment vehicle permits the owner to invest in a broader range of assets including real estate, promissory notes, tax lien certificates and private placement securities. Investors should know that though the custodian (typically an IRA management firm) is responsible for making the investment purchases and performing administrative work, they are not investment advisors and have no regulatory responsibility to verify the integrity of investments.

We are often asked about factors to consider before making an investment. Here are some tips we hope will help you to make sound selections:

IF IT SOUNDS TOO GOOD TO BE TRUE, IT PROBABLY IS. Many times Ponzi scheme perpetrators promise returns of 20% or more. High returns generally involve high risk. Be very skeptical if someone promises no risk and a “guaranteed” high profit.

CONSIDER THE SOURCE. Beware of unsolicited investment offers which promote the use of a self-directed IRA. Ask yourself why you would be approached about a particular investment opportunity.

IT IS OK TO HANG UP. We know that you have been raised to be polite to others. If someone calls asking you for personal or financial information, it is perfectly acceptable to say “no thank you” and hang up the phone.

VERIFY IT. Legitimate investment advisors are more than happy to provide you with information about their licenses and they can provide information about whether the investment you are considering is registered.

NO RUSH. Your investment choices deserve careful consideration. Be wary if someone is pressuring you to make an immediate decision or advises you not to speak to anyone including family, your lawyer, accountant or regulatory agencies about the opportunity.

The SEC has published an Investor Alert which provides an overview of Self Directed IRAs and the Risk of Fraud. Visit <http://www.sec.gov/investor/alerts/sdira.pdf> to view the full report. An additional helpful resource from the FBI entitled “Fraud Target: Senior Citizens” can be found at <http://www.fbi.gov/scams-safety/fraud/seniors>.

Please contact us if you would like assistance with this or other financial planning matters. Visit <http://www.bayliscpas.com/services/financial.php> to learn about our estate and trust and financial planning services.



■ CAN I TAKE A HOME OFFICE DEDUCTION?

Working from home has become more and more commonplace in today's age of budget cuts and technological advances. Just when is it permissible to take a home office tax deduction?



The IRS says that generally to claim the home office deduction you must use part of your home **exclusively and regularly** as your principal place of business; as a place to meet and deal with patients, clients or customers in the normal course of business; or in any connection with your trade or business where the business portion of your home is a separate structure, unattached to your home.

If you use part of your home to store inventory or product samples, or as a day care facility, you are required to use the property regularly but not exclusively.

The allowable deduction will depend upon the percentage of your home used for the business. In addition, the deduction allowed for certain expenses will be limited if the gross income from your business is less than your total business expenses.

Also, employees must use their home office for their employer's convenience. If you are not required to work from home and you are provided with an office or workspace elsewhere, your home office would be for your own convenience and expenses would therefore not qualify as a deduction.

IRS Publication 587: Business Use of Your Home (<http://www.irs.gov/pub/irs-pdf/p587.pdf>) provides comprehensive information about this deduction. Our tax professionals welcome the opportunity to assist you with your tax service needs. To learn about our tax reporting and planning services, please visit <http://www.bayliscpas.com/services/taxfinancialdetails.php#federal>.

This article contains information of a general nature. We encourage you to contact your tax advisor if you have questions about your particular situation.

■ NEW TOOL TO VERIFY QUALIFIED CHARITIES

The IRS recently launched a new online search tool, Exempt Organizations Select Check, to help users find information about tax-exempt organizations. Visit <http://apps.irs.gov/app/eos/> to search the IRS database for organizations eligible to receive tax-deductible contributions, organizations whose federal tax exemption was automatically revoked for not filing a Form 990-series return or notice for three consecutive years or Form 990-N (e-Postcard) filers and filings.

CLOSING THOUGHTS



Unless you live on a desert island, you know by now that personal taxes are due on April 17th. Though we don't usually recommend taking tax advice from a humorist, we felt that this advice was funny, wise and worth sharing:

And to you taxpayers out there, let me say this: Make sure you file your tax return on time! And remember that, even though income taxes can be a "pain in the neck," the folks at the IRS are regular people just like you, except that they can destroy your life.

~Dave Barry

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