

Primary Home or Second Home Sales

Prices are crazy! Trucks cost as much as homes and home prices are higher than ever before. I guess that's because the demand outweighs the supply, a classic rule of thumb. Because of this axiom, everyone seems to want to sell their first or second home this year. Some do so without considering that their next house is going to be as overpriced as the one they want to sell. But now the new place is (property) taxed at the higher sale price making living in the new house more expensive. But that's a story for a different article.

Lets talk about **Income Tax** vs. your home sale. As if the process of selling a house wasn't complicated enough, lo and behold Uncle Sam decides to play a mean numerical trick on you when that dreaded tax season rolls around.

You may qualify to exclude from your income all or part of any gain from the sale of your main home. Your main home is the one in which you live most of the time. What is primary residence exclusion? You can sell your primary residence and be exempt from capital gains taxes on the first \$250,000 if you are single and \$500,000 if married filing jointly. This exemption is only allowable once every two years.

Here's the most important thing you need to know: To qualify for the \$250,000/\$500,000 home sale exclusion, you must own and occupy the home as your principal residence for at least two years before you sell it. Your home can be a house, apartment, condominium, stock-cooperative, or mobile home fixed to land.

The home sale 'gain' exclusion doesn't apply to second homes (in most cases). Typically, capital gains tax is assessed when you sell an asset for a net profit, but the IRS has one big exception for the sale of real estate. Second homes typically do not qualify for this exclusion.

At the most basic level, your capital gain is calculated by figuring out your cost basis and subtracting any profit made from the sale.

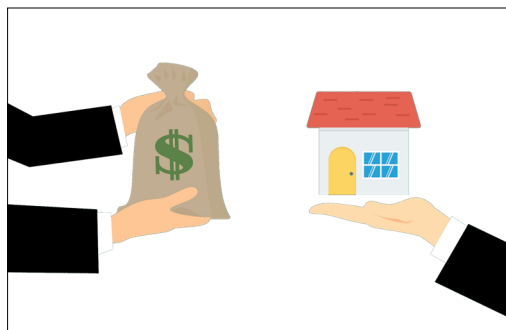
In general, you're going to be on the hook for the capital gains tax of your second home; however, some exclusions apply. You must prove that the second home is your primary residence. You also can't get the exclusion if you have already sold a different house within 2 years of using the exclusion. There is the 2 out of 5 year rule, the 2-out-of-five-year rule is a rule that states that you must have lived in your home for a minimum of two out of the last five years before the date of sale. However, these two years don't have to be consecutive and you don't have to live there on the date of the sale.

If you purchase or have a second home, and you start using it as your primary residence, you'll need to meet the residency rule still to qualify for the exemption. So, if your second home meets the 2 out of 5-year rule, then the amount of

capital gains tax exclusion changes.

If you sell the house and use the profits to buy another house immediately, without the money ever landing in your possession, the event is generally not taxable. To take advantage of this tax loophole, you'll need to reinvest the proceeds from your home's sale into the purchase of another "qualifying" property. This reinvestment must be made quickly: If you wait longer than 45 days before purchasing a new property, you won't qualify for the tax break.

By the way you cannot deduct a loss from the sale of your main home. No one said the tax system is fair! How does the IRS know if you sold your house? In some cases when you sell real estate you will receive an IRS Form 1099-S. The IRS also requires settlement agents and other professionals involved in real estate transactions to send 1099-S forms to them, meaning they might know of your property sale. Know the rules, after all, the last thing you want after popping the bubbly in celebration of your big home sale is a surprise letter from the Internal Revenue Service.



7 Questions to Ask Yourself Before Pursuing Your Next New Venture

Most aspiring entrepreneurs I know are just waiting for that unique idea to strike them that will kickstart their new venture, put them in control of their lifestyle, allow them to achieve financial independence, and maybe even change the world. Unfortunately, these goals are often mutually exclusive, and focusing on the wrong ones won't bring you that business success and satisfaction you crave.

Thus, in my role as mentor to young entrepreneurs, I always recommend that you first take a hard look at your own values and priorities before jumping into any new startup, as the founder or even as a side hustle.



Here is **MARTIN ZWILLING, FOUNDER AND CEO, [STARTUP PROFESSIONALS@STARTUPPRO](mailto:STARTUP_PROFESSIONALS@STARTUPPRO)** list of key questions to ask yourself to best route your passions to a business that will bring you more visibility and respect than pain.

1. When is the best time to embark on this journey?

Timing is critical for every startup. I know too many who have failed because of pending family commitments, lack of preparation, or health failure. Of course, if you wait for the perfect time, you may never start. I do first recommend getting some business experience, building relationships, and managing risk.

Some advisers recommend that the best time for a startup is immediately after academic studies, or even earlier, but I find that real business experience, perhaps many years in business, is the best education on the realities of business, current tools, and processes.

2. Should I start out alone, or assemble a team first?

For me, the acid test of a leader and an idea is whether you can persuade other people, and perhaps a co-founder, to join you in your quest. A business is never a solo operation. You need complementary skills for marketing, financials, and operations. If you find no takers, you may not have a future.

3. Is monetary return or helping others your priority?

Only you know whether you can find passion in creating the next Amazon or bringing joy to people who are suffering. I often hear that the people who have made a lot of money are still not happy and wish they had taken a different path. Think twice before committing to a business that is work.

A winning strategy today is to combine these objectives, by committing a portion of your profits for a higher cause. For example, Toms shoes agreed to donate a pair of shoes to the needy for every pair sold. The return was far greater than the cost of donated shoes.

4. Do I rely on my own resources or seek investors?

Bootstrapping is always a great alternative, because you can retain full ownership and make all your own decisions. Yet I find that most of us don't have the financials for that option, so we must share the equity, control, and reward, and rely on funding from family, friends, and professional investors.

5. How do I assign responsibilities and compensation?

Usually, people who are capable and willing to join a startup, especially for a key role, expect to be given a big title and real equity, if not top cash compensation. It takes real work and skill on your part to recruit the right people to the right roles. Friends and family should not be your solution.

6. Would I prefer a local business or global enterprise?

If your comfort level is local, and you don't like too much complexity, then a small successful business will serve you well. If your goal is to compete with Jeff Bezos, then be prepared to manage thousands of locations and employees around the world, with all the issues to get exponential growth.

7. What do you see as your legacy and exit strategy?

Some people like the challenges of building a product and starting a company, and then doing it again, while others look forward to scaling the business and driving a worldwide public enterprise. Your legacy may be that of a serial entrepreneur, or an industry giant and a worldwide leader.

For example, Richard Branson relishes the satisfaction of initiating innovative startups and rewarding strong team members with the opportunity to run a joint spinoff. His Virgin Group now encompasses over 400 companies, and his legacy as a leader is assured.

Not recognizing these dilemmas early has cost many an entrepreneur their sanity, as well as their businesses. We all have strengths and weaknesses and are driven by different values and expectations.

Only you can turn these questions and related decisions into your competitive edge, as well as satisfying results. It's easier to set your direction early than to change it later.

Canine Anxiety

My daughter Rose has moved back from Florida and opened a dog grooming business. She and I have been involved in the process of getting her new business started and it has gotten me all wacky about dogs again, they are so great.

She has a kind gentle way with dogs. We had a good discussion on how she can tell if a dog is overly anxious and how she calms the dogs down as anxiety is serious and dangerous for the groomer and the dog. So, I went googling on the subject.

If your dog is showing any of these - Accidents, Diarrhea or vomiting, Excessive barking, Destructive behavior, Hiding, Aggression or Excessive shedding; chain store Petco says it may be experiencing social or separation anxiety.

After spending more time than usual at home, your pet may struggle with social anxiety, which can lead to aggression around new people, pets and environments. Does your dog become anxious around new people or pets? You may think they're just a lone wolf who likes to stick to their social circle — and while this could certainly be the case — it could also be a sign that they struggle with social anxiety.

Compounding this issue is the fact that, for over a year, your dog has had limited face time with other people or animals. They're not used to it anymore, so this can cause a dog who was once well socialized to now be anxious and withdrawn.

What Are Some of the Triggers of Social Anxiety in Dogs?

If you find yourself asking, “What is causing this stress?” it could be:

- A major change in their social circle, such as the loss of a companion or family member
- A lack of socialization as a puppy
- A bad experience from their past, such as being mistreated by a human or attacked by another animal
- Sickness, illness or injury requiring vet attention

And while a poor experience can trigger social anxiety, some dogs may also be naturally predisposed to social anxiety. This could be due to their breed or it could be a unique personality trait. And just as it's difficult for you to face situations that cause you anxiety, it can take a toll on your dog when they feel anxious. Helping your dog overcome social anxiety can reduce their discomfort when they meet new people and animals, which, in turn, can possibly translate to a confident, happy pup.

As a pet parent, once you determine that your dog may have social anxiety, try to resolve the issue. While there is no one-size-fits-all method for combatting social anxiety, there are a few techniques you can test out. Consult your vet, evaluate your home space or consider professional training. P.S. Here is Rose's info.



9 Signs You Are Not Financially OK to Retire (Reprise)

Investopedia says, being ready to retire means more than being ready to stop waking up at 6:00 a.m. to put in long hours at a job you're not thrilled about. If it were that simple, most of us would retire at 25. What it really takes to retire is a solid grasp of your budget, a carefully considered investment and spending plan for your life savings, debt that's under control, and a plan you're excited about for how you'll spend your days.

The Bottom Line - “The primary sign that you aren't OK to retire is when you can't answer the simple question, ‘Am I OK to retire?’”

Smith says. “Retirement is a major life transition that requires ample preparation and planning.” Sitting down with a fee-only fiduciary financial planner can help you answer the financial aspects of the retirement question,

rebalance your portfolio, and, if needed, create a plan to pay down debt and reevaluate your expenses. It may even help you answer some emotional aspects of the question. Experienced retirement planners can offer insights based on their experience working with dozens of clients who faced the same decision.

Remember — Ultimately, the decision is yours.

KEY POINTS TO CONSIDER

- Your financial situation should be stable before you decide to retire.
- A detailed projection of your retirement income and expenses is key.
- Understand how taxes, inflation, and healthcare will affect your nest egg.
- If you're still happily working, don't let an arbitrary age determine when to retire.



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JGL Management Consulting was established in 1980 as a small business bookkeeping and tax preparation firm. Over the years we have built and developed skills that have expanded our firm into a full service company specializing in small business start-up, project and management consultation, tax preparation and project development; all with an emphasis on taxation and finance.

Our clients range from individuals to multi-million dollar service companies, single store retail to multi-store chains, food service, manufacturers and media distribution. We have given seminars on many business subjects including QuickBooks, cash flow, business start-up and planning, "values, goals & dreams motivation."



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