Take Time to Review Your Business Operations

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The beginning of the year is a great time to review your business operations to ensure that it is running as cost-effectively and efficiently as possible. Here are some tips for your New Year check-up.

Tax planning is a great way for businesses to decrease their 2013 tax expense and increase after-tax income in the upcoming year. One of the most effective ways to decrease taxable income is through the utilization of capital losses and long term capital gains. In the purchase and sale of assets, timing is one of the most important features that businesses should consider. Oftentimes, businesses have investments, which they want to sell; however, waiting until the investment qualifies for long-term capital gain rates can save the company substantial amounts of money. Investments that have large built in gains should also be held for as long as possible to help minimize realized gains, unless the sale and reinvestment in another asset would lead to substantially higher returns of capital. If a sale is likely to result in a realized gain, companies can time their transactions by selling positions with built-in capital losses to help offset the gain and decrease taxable income.

Businesses can also defer taxes by placing money into tax-deferred accounts such as IRAs, Roth IRAs, 401(k)s and other forms of retirement accounts. Retirement plans such as 401(k)s and other defined contribution plans have low contribution rates, which also means that the amount of taxes that a company can defer is also limited. For 2013, 401(k) and 403(b) deferrals are capped at $17,500 per participant and defined contribution retirement plans are limited to $51,000. However, cash balance plans allow for a maximum contribution of around $200,000. Employers can deduct the contributions, which is a great way to defer taxes and save money in 2013.

The beginning of a new year is also a great time to look into the company's current insurance plans. A good insurance plan is necessary to protect a company's assets. Insurance rates are extremely competitive, so now is a good time to get quotes from several insurance companies for coverage such as automotive, business, health, homeowners, life and personal property.

Budgeting is critical to success. It's imperative that businesses create a budget at the beginning of the year, which allows managers to set goals and then track the progress and measure performance throughout the year. Businesses can create budgets that deal strictly with financial figures, or they can choose to budget and set goals according to units of output or other measurable units.

Budgeting is a great way to measure performance by analyzing variance. Variance is defined as the difference between budgeted figures and actual figures. Through the use of variance, managers can determine areas in which the company needs to cut costs or increase sales and efficiency to reach the initial budgeted figures. A budget with tangible numbers also helps motivate employees to strive to achieve the company's pre-set goals. Three steps to budgeting are to create the budget at the beginning of the year which includes estimates for revenue, sales and expenses; track the budget throughout the year to determine variance; and lastly, take action if changes are necessary.

The beginning of the year is also a great time for business owners to review estate plans, including wills, or create one if none exist. It is important to be prepared for unexpected events that might occur. Estate planning for a business outlines in writing the wishes of the owner as to how the property, the assets and the company should be dealt with if the owner dies. It is especially important if there are other partners involved in the business, so that everyone is prepared.

With New Year's resolutions in the rearview mirror, now is the time to focus on important tasks that can save you money and improve your business' efficiency.

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