



Michael Riskin

Director of Taxation

CPA/PFS, CFP®, MST

1509 S. Florida Avenue

Lakeland, FL 33803

Telephone (863) 688-1725

Fax (888) 972-5548

[www.cpsinvestmentadvisors.com](http://www.cpsinvestmentadvisors.com)

## *CPS in the News*

### Events this month

Florida Southern College

Hollis Room/Buckner  
Bldg

Located off of Johnson  
Avenue

Date: August 7, 2014

Featured Topic: How To  
Plan Your Own Funeral

11:30 am—1:30 pm  
Lunch Provided

Contact us for more information

Below is an excerpt of an article by Anne Tergesen concerning 401(k) plans which I wanted to share with you:

## Your 401(k) plan's secret weapon

When it comes to building retirement wealth, growing numbers of 401(k) participants are seeking help from online advice programs and professional money managers. But is that advice worth paying for?

According to a study released May 19, 2014, the answer is an emphatic yes. Between 2006 and 2012, participants in 401(k) plans who paid extra for advice earned an average of 3.32 percentage points more per year, after fees, than those taking do-it-yourself approach. If continued over 20 years, that annual performance edge would boost retirement wealth by 79%, according to the report, [Help in Defined Contribution Plans: 2006 through 2012](#).

The takeaway: "If your employer makes professional investment help available to you, you should use it," says co-author Wei-Yin Hu, vice president of investment research at Financial Engines, a Sunnyvale, Calif., company. Financial Engines specializes in managed accounts, which allow 401(k) participants to hire professionals to advise them on how to invest their assets. "You will end up doing better, on average, than a do-it-yourselfer," Hu said.

Of course, Financial Engines has a vested interest in having people pay for advice. Clients with its managed accounts typically pay from 0.15% to 0.7% a year, in addition to the fees of the mutual funds they invest in. The study's co-sponsor is Aon Hewitt, a record keeper for 401(k) plans.

The study, which looked at 14 defined contribution plans with a total of more than 723,000 participants, found that those using help now account for 34.4% of all 401(k) participants, up from 30% in 2011. Within 401(k) plans, investment advice typically takes three forms. The first, and most popular, is the target-date fund, which allows investors to pick a fund with a target date that matches their projected retirement year.

Those who opt for a target-date fund should be careful to use it correctly. While the appeal of target-date funds is their simplicity—they offer exposure to a well-diversified portfolio that becomes more conservative over time—many 401(k) participants don't understand that these funds are the equivalent of one-stop shopping. As a result, they often put money into other funds as well, which can inadvertently leave them overexposed to some types of investments.

For those using target-date funds in conjunction with other mutual fund, performance lagged by 2.44 percentage points, when compared to the returns earned by investors using help correctly, according to the study. This group barely outperformed people who got no advice at all.

"Target-date funds are meant to be turnkey solutions, says Austin. Given the lessons learned from Enron's demise, "investors have learned not to put all their eggs into one basket," he says. "They don't understand," he adds, "that target-date funds are one of the few investment vehicles where you can and should use a one-fund solution."

## **Sales and Use Tax Exemption for Purchases of Industrial Machinery and Equipment**

Effective April 30, 2014, an exemption from sales and use tax is available for purchases of industrial machinery and equipment used at a fixed location in Florida by an eligible manufacturing business that will manufacture, process, compound, or produce for sale items of tangible personal property. The exemption also includes parts and accessories for the industrial machinery and equipment if they are purchased before the date the machinery and equipment are placed in service.

An "eligible manufacturing business" means any business whose primary business activity at the location where the industrial machinery and equipment are located is within the industries classified under manufacturing NAICS (North American Industry Classification System) codes 31, 32, and 33 published in 2007 by the Office of Management and Budget, Executive Office of the President. The primary business activity of an eligible business is that activity which represents more than 50 percent of the activities conducted at the location where the industrial machinery and equipment are located.

Examples of types of manufacturing establishments represented by the applicable NAICS codes include, but are not limited to, food, apparel, wood, paper, printing, chemical, pharmaceutical, plastic, rubber, metal, transportation, and furniture. A search of qualifying establishments by keyword or NAICS code can be conducted via the internet at <http://www.census.gov/cgi-bin/sssd/naics/naicsrch>.

The selling dealer (vendor) should obtain a signed certificate from the purchaser certifying the purchaser's entitlement to tax exemption under the exemption statute. The signed certificate will relieve the selling dealer of any potential tax liability on non-qualifying purchases. On the website is a suggested certificate the selling dealer can have the purchaser complete to document the exempt nature of the sales transaction.

Qualifying purchases made after the effective date of the exemption are eligible for refund of any tax paid under the refund provisions provided by section 215.26, Florida Statutes (F.S.), *Repayment of Funds Paid into State Treasury Through Error*, and Rule 12A-1.014, Florida Administrative Code (F.A.C.), *Refunds and Credits for Sales Tax Erroneously Paid*.

The exemption is scheduled for repeal effective April 30, 2017.

This exemption does not replace the exemption provided for qualifying purchases by a new or expanding business under section 212.08(5)(b) and (d), F.S. Each of these exemptions remains in effect under current statute without change. See also Rule 12A-1.096, F.A.C.

**References: Section 6, Chapter 2013-39, Laws of Florida; and Section 212.08(7)(kkk), Florida Statutes**

If you have any questions or concerns regarding the information in this newsletter, please give us a call and we can meet with you to discuss.