



Volume 4 Issue 2

Summer 2023 Newsletter

Six Ways to Prepare for an Economic Downturn

The Federal Reserve has been raising interest rates at a deliberate pace in 2023, hoping to curb inflation without putting the country into a recession. However, many economists believe a recession is imminent. In case a recession does happen, here are six ways you can prepare—in order of importance. Take them one step at a time for the best results.

1. Pay overdue bills.

Your first priority is to pay existing bills. If you run a business, pay down your accounts payable—even if you need to use your line of credit. This advice may seem counterintuitive, but using a line of credit is often cheaper than paying high interest rates and finance charges on overdue payments.

2. Pay down your line of credit.

Once bills are current, work on paying off your line of credit. Keeping a low or zero balance on your line of credit gives you quick access to extra cash if things get tight.

3. Create an emergency fund.

Next, grow an emergency or rainy-day fund while times are good. Create a separate account and deposit money regularly into that account. Experts suggest keeping three to six months' worth of living or operating expenses in your emergency fund.

4. Decrease your debt.

After completing steps 1 through 3, you are ready to work on long-term debt. The best strategy is to focus on paying off loans that will reduce your total monthly payments in the shortest amount of time. For example, if you have a two-year and five-year loan with monthly payments of \$1,000 each, you should pay off the two-year loan first to supply the quickest boost to your cash flow.

5. Use liquid investments.

If you need to invest extra cash, choose a liquid investment. A liquid investment can be quickly converted to cash if you need money during an eco-

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nomic downturn. Liquid investments include stocks and bonds, money market accounts, and high-yield savings accounts.

6. Find alternative ways to make money.

This last tip could mean many things to different people. Brainstorm opportunities within your grasp. For individuals, this could mean getting a part-time job, having a yard sale, or turning your hobbies into a business. For a business owner, it could mean using existing resources for a new product or service. Sometimes the best way to "make" money is to cut expenses. Take a hard look at your discretionary expenses, trim the non-essentials, and then stick to your budget.

Whether you are an individual or a business owner, you can apply these six principles to your financial situation. Apply them wisely and be ready for tough times if they come.

Form 4029 Exemption Q&A

1. What is the purpose?

• Form 4029 allows members of recognized religious groups to be exempt from Social Security and Medicare taxes.

2. Who qualifies?

- You must be a member of a recognized religious group, such as the Old Order Amish, which has been in existence since 1950.
- Your religious group must be opposed to accepting private or public insurance benefits (including Social Security and Medicare) because of the group's established tenets or teachings.
- Your religious group must support members who need financial support in the event of death, disability, old age, retirement, or medical care.

3. What types of insurance and investments are prohibited?

- Insurance that covers the body
- Life insurance in case of death
- Disability insurance in case of disability
- Social Security applicable to old age

- Guaranteed annuities that use life insurance to provide fixed retirement benefits
- Medical/health insurance
- Workers' Compensation in case of disability

4. What types of insurance are allowed?

- You may have liability insurance for injuries or property damage to others.
- Insurance covering the property of an exempt individual is allowed by the IRS tax code.
 However, your religious group's teachings may differ from the tax code.

5. How does the exemption affect my finances?

- If you are self-employed, you do not need to pay the 15.3% self-employment tax (a combination of Social Security and Medicare taxes).
- If you work for someone with an approved 4029, your wages are exempt from Social Security and Medicare taxes.
- If you live in Pennsylvania or several other qualified states, you can and should elect out of Workers' Compensation.

6. In what other ways does it affect me and my family?

- You will not receive any Social Security or Medicare benefits.
- Your spouse and children under the age of 17 will not qualify for Social Security survivor benefits.
- You and your family will not qualify for disability payments from Social Security in case of a long-term disability.
- Your spouse will not be eligible to receive benefits based on your earning history.

7. Is a retirement plan allowed if I have a 4029 exemption?

The IRS tax code allows you to have the following retirement plans under one condition—the plans cannot be invested in any insurance policy or product:

- IRA Individual Retirement Account
- SEP Simplified Employee Plan
- SIMPLE Savings Investment Match Plan for Employees

8. How does the exemption work for employers and employees?

The answer to this question depends on the type of business entity and the exemption status of each business owner and partner. Here are the key facts to know:

- For a sole proprietorship, partnership, or SMLLC not taxed as a corporation: Each owner and each member, including minority partners, must have an approved 4029 exemption before any employee can be exempt. This rule applies even if an employee has a valid 4029 exemption.
- For corporations: The exemption does not apply. Social Security and Medicare taxes must be paid even if the owner and employees have valid 4029 exemptions.

Team Member Spotlight

Colleen Eby

Career. A friend

recommended Gehman

Accounting when I was ready to re-enter the workforce after being a stay-at-home mom. I had four years of prior experience doing tax data entry. I have now worked at Gehman for 2 ½ years in both the bookkeeping and tax departments.

Family. I have three children, two boys and a girl. We enjoy hiking and traveling together.

Goals. I'm working on my BS in Accounting and hoping to complete it in the next several years. **Places Lived.** I grew up in South Central Pennsylvania. I moved to Myerstown to work in 2006, then to Schaefferstown after marriage. I now live in Shippensburg.

Abigail Siegrist



Career. Growing up, I was always curious about how to keep track of my finances, and

my dream was to work for my dad someday. I am happy to finally be working at my dream job! I have worked on the bookkeeping team for almost a year.

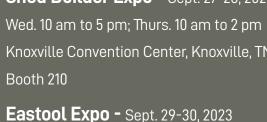
Family. I live with my parents and six siblings in a quiet development. We enjoy spending time together whether it's playing sports, board games, or just sitting around.

Books. I love to read many kinds of books. My favorite genres are historical fiction and nonfiction. **Podcasts.** Listening to podcasts is one of my favorite things to do. Focus on the Family is my go-to. Even though I feel a little old, I still love Adventures in Odyssey, Radio Theatre, and Chronicles of Narnia.

Upcoming Events

Shed Builder Expo - Sept. 27-28, 2023

Knoxville Convention Center, Knoxville, TN



Fri. 10 am to 7 pm; Sat. 7:30 am to 2 pm

Solanco Fair Grounds, Quarryville, PA

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Building 8, Booths 807-809

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- For exempt employees: If you work for a company that is not exempt, you will need to pay Social Security and Medicare taxes. The only exception would be if the company uses a qualified leasing company to pay you.
- For exempt employers: If you hire employees who are not exempt, you will need to withhold Social Security and Medicare taxes from their pay and contribute your employer portion, which is currently 7.65% of gross wages. 🎤

