

# ON POINT

SCHNEIDER DOWNS

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## KEY TAX DATES

### 4.15.14

**INDIVIDUALS.** Last day to make a contribution to traditional IRA, Roth IRA, Health Savings Account, SEP-IRA or solo 401(k) for the 2013 tax year, unless an individual extension is filed.

**PARTNERSHIPS AND INDIVIDUALS.** Last day to file tax returns and self-employment tax returns of individuals for calendar year 2013.

**ESTIMATED TAX.** Payment of first installment of 2014 estimated income taxes by calendar-year individuals.

**TRUSTS AND ESTATES.** Last day for calendar-year estates and trusts to file application (Form 7004) for automatic five-month extension of time to file 2013 income tax return.

### 4.30.14

**EMPLOYERS' TAXES.** Employers of nonagricultural and nonhousehold employees must file return on Form 941 to report income tax withholding and FICA taxes for the first quarter of 2014.

*Continued on Page 7*

## MANUFACTURING SURVEY

The results of our 2013 Manufacturers' Economic Survey are in, and manufacturers are cautiously optimistic heading into 2014. Manufacturers across the United States, representing a variety of industries, with a distribution ranging from small to medium and large organizations received the survey.

A few key findings:

Increasing health care and energy costs and government regulations were identified as the primary concerns of manufacturers.

Many manufacturers anticipate customer demand and sales to slightly increase in 2014, largely due to the identification of new market opportunities, including doing business internationally.

Along with the anticipated increase in customer demand and sales, manufacturers saw an increase in jobs in 2013, a trend that may well carry into 2014.

We invite you to download the results of this year's survey by visiting [www.schneiderdowns.com/manufacturing](http://www.schneiderdowns.com/manufacturing).

## E-DISCOVERY: IT'S NOT JUST FOR EMAIL ANYMORE

In the past, typical electronic discovery or e-discovery for litigation purposes consisted of email and files from within a company's own servers. My, how things have changed! With today's advances in communication technology, the e-discovery requirements have expanded to include not only emails and files, but also social media, such as Facebook, LinkedIn and Instagram. The discovery process also includes instant messaging applications, such as Microsoft Lync, AIM, GoogleTalk and text messaging.



BY  
JACK A. WOLFORD  
CHIEF INFORMATION OFFICER

It is also important to remember that social media sites don't just contain news feeds for an individual's travel adventures or photographs of recent dinners out; these items are just window dressing. Beyond that exterior lie person-to-person and group messaging features, holding a rich trove of potentially relevant content. In the United States, the majority of businesses issue devices to their employees to be used during the course of their employment. The information security policies of these businesses (and, to oversimplify it, the data privacy laws of the United States) favor the company's right to the property over the individual's right to privacy.

If you're using the company's device or network to access a social media site or instant messaging service, you've waived your right to privacy, and the company has the right to collect any information from that device/network.

What does this mean to you? Starting today, you should think about any message you send through a company network, including a company internet connection or mobile device utilizing the company infrastructure. All of these messages could be required to be retrieved for e-discovery litigation.

So if you would not want to see a certain message exposed in litigation, it is important to keep in mind where, when, and what you send over social media or other related communications. Contact any member of Schneider Downs Technology Advisors if you'd like to learn more. ■



# TOP STORY

## INTRODUCING SCHNEIDER DOWNS MEDALLION SERVICES

by Maria D. Stromple



BY  
MARIA D. STROMPLE,  
DIRECTOR OF PRIVATE CLIENT  
TAX SERVICES

In January 2014, Schneider Downs introduced SD Medallion Services, an integrated suite of financial services for high-net-worth individuals, executives and their families. We believe this progressive new business model offers a fresh alternative in personal finance consulting.

The concept of SD Medallion Services is to integrate essential personal financial services into a single-focused approach that has the best interest of each individual client at its core. While it's a cliché to say "no two clients are the same," it's a reality that each client has unique needs in the areas of tax consulting, estate planning and wealth management.

Schneider Downs has a rich history serving our clients in these areas. Through SD Medallion Services, each of these disciplines can be integrated to benefit the individual client.

Individual Tax advisory services include individual federal and state tax compliance, family business advisory services, comprehensive strategic tax planning, philanthropic tax planning, individual state residency planning, retirement tax planning, education tax benefit planning, and executive compensation tax consulting.

Estate, Gift and Trust consulting services\* include estate, gift, trust tax planning and compliance, wealth transfer tax planning, state inheritance tax planning and compliance, federal estate tax planning and compliance, asset protection planning, estate review and comprehensive modeling for legacy planning.


Schneider Downs Wealth Management Advisors, LP's services include investment management, major goals planning, asset accumulation planning, family wealth stewardship, retirement planning and long-term care planning and life insurance reviews.

Here are a few opportunities that SD Medallion has identified for OnPoint readers:

- **Revisit charitable gifting alternatives.** Consider a gift of appreciated securities rather than making cash donations.

By making such a contribution, you may be able to deduct the full market value of the security as a gift for both regular and alternative minimum purposes.

- **Minimize the 3.8% Medicare surtax.** Spreading investment income to your children who are under the net investment income threshold may potentially save or reduce your Medicare surtax tax liability. Irrevocable trusts are also impacted by the new surtax, and distribution planning is more important than ever, as is analyzing possible rebalancing of the trust portfolio with growth or tax-exempt securities.
- **Plan for the Alternative Minimum Tax.** Large state and local income tax deductions, exercise of ISOs, tax-exempt income from private activity bonds, generating percentage depletion and intangible drilling costs are more prone to be subject to alternative minimum tax. Plan carefully the timing of these deductions to ensure that you are not trading the tax deduction for alternative minimum tax consequences.
- **Maximize your retirement contributions.** Review your current payroll deductions into your 401(k) and your IRA contributions and see if you can increase the contribution amount toward this year's contribution limits.
- **Review and update your beneficiary statements.** Review beneficiary statements for 401k plans, IRAs and life insurance policies. Retirement account assets and life insurance policies pass by beneficiary and not by will. This is particularly important if you have gone through a divorce or your previously named beneficiaries have died.
- **Organize your legal documents.** This includes wills, a living will, trusts, power of attorney and medical power of attorney. Also assemble information on key contacts in your life: your attorney, accountant, financial professional and physicians. Compile a list of account numbers and inform your trusted family member or advisor where to find this information, including account passwords.

For more information on these ideas, or other examples of the benefits of integrated services, contact [info@schneiderdowns.com](mailto:info@schneiderdowns.com). 

\* Does not include legal services.

# FEATURE



BY  
*TROY J. FINE*  
*INTERNAL AUDIT AND RISK ADVISORY*

Is your organization's network and critical data protected from intruders? In light of recent events concerning Target, Neiman Marcus, Barclays and Kickstarter, it seems that most organizations and security professionals might be feeling a bit paranoid when it comes to protecting their network and critical data. The good news is that cyber defense frameworks are taking a front-row seat at audit committee and board of directors meetings. The bad news is that many organizations might not have an appropriate cyber defense framework in place to satisfy their organizations' risk appetite.

The goal of any cyber defense framework is to prevent intruders from breaking in; however, as intruders become more sophisticated and attacks become more prevalent, organizations are realizing that early detection is the key to mitigating financial and reputational damages. Therefore, to employ an efficient cyber defense framework, organizations must adhere to the following guiding principle: Prevention is ideal but detection is a must.

Without an efficient cyber defense framework, organizations might be exposing critical system vulnerabilities. As a result, organizations' key systems are at risk of being compromised. To mitigate this risk, critical cyber defense controls relevant to the prevention and detection of attacks should be implemented. Some of the controls that are characteristic of an efficient cyber defense framework.

# CYBER DEFENSE: PROTECTING YOUR ORGANIZATION FROM INTRUDERS

by Troy J. Fine

- Risk Assessments – Routine risk assessments should consist of analyzing the operational environment to discern the likelihood of cyber security events and the impacts that such events could have on the organization. A risk rating should be applied to all events based on likelihood and impact. All risks deemed critical should have appropriate preventive and detective controls in place. Remediation plans should be implemented for all risks that do not have appropriate controls in place.
- Inventory of Authorized and Unauthorized Software – Implement application white-listing technology that enables systems to run only software that is authorized and denies all other software. Continually monitor systems for attempts to install unauthorized software and ensure that appropriate personnel are alerted immediately if such an attempt occurs.
- System Hardening – Implement a process for ensuring that standardized images representing hardened versions of underlying operating systems are deployed in a timely manner. Automated patching tools should be in place to ensure that critical security patches are installed within 48 hours.
- Passwords – Minimum password requirements should be in place for all key systems and applications to ensure that users employ strong passwords. Passwords should also be set to expire on a regular basis, and users should not be able to re-use previous passwords for a significant period of time. Based on best practices, we suggest that the following minimum password requirements should be in place:
  - » Passwords should be at least 8 characters.
  - » Password should contain 3 of the 4 following character groups: Uppercase letters, lowercase letters, digits and symbols.
  - » Password should expire every 70 days.
  - » Users should not be able to reuse their last 24 passwords.
  - » Passwords should have to be used for at least 2 days. The 2-day requirement makes it unweildy and time-consuming for users to keep changing their passwords in an effort to revert back to a previously used password.
- Vulnerability Assessments – Perform automated vulnerability scans on all systems on a weekly basis. Ensure that a process is in place for security personnel to review results and to investigate any issues that were identified. Additionally, issues should be tracked until they are resolved.
- Malware Defenses – Ensure that all workstations and servers have antivirus and malware detection software installed. Signature and definition updates should be installed automatically. All emails should be scanned prior to the email



entering the user's inbox. Additionally, end user devices should not be configured to auto-run content from USB devices, CDs, DVDs, etc.

- Web Application Security – Protect web applications by deploying web application firewalls to inspect all traffic flowing to and from the application for common web application attacks. To avoid denial of service attacks, explicit error-checking techniques should be implemented to ensure that inputs from users are verified and do not exceed the size or data type of the memory location in which they are stored.
- Wireless Device Security – Employ scanning tools that scan for rogue wireless access points. Any unauthorized access points should be disabled immediately upon discovery.
- Employee Security Awareness – Implement a training program that requires all employees to learn about common attack vectors and how these attacks can be avoided. Training materials should be updated on an annual basis to reflect current attack vectors that intruders are using to expose organizations.
- Network Device Configurations – Current firewall, router and switch configurations should be compared against authorized configurations to ensure that device configurations are in compliance with company standards. Any deviations from the authorized configuration should be appropriately approved by security personnel.
- Administrative Privileges – Personnel with administrative privileges to servers, network devices and applications should be limited to the personnel who require access as part of their daily job responsibilities. Failed logon attempts to administrative accounts should be logged and reviewed on a weekly basis. Additionally, administrative accounts should be disabled after three consecutive failed logon attempts.
- Audit Logs – Configure all systems, applications and network devices to log unusual or suspicious activity. Implement

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# NEWS YOU NEED

## CYBER DEFENSE *(continued from page 5)*

procedures for reviewing audit logs on a regular basis. Ensure that logs are retained for an appropriate period of time.

- Encryption – Ensure that appropriate encryption techniques are in place to protect sensitive data while in motion and at rest. Passwords should not be stored in plain text.
- Account Monitoring – Perform reviews of all system accounts to ensure that all accounts on the system are legitimate and necessary. Ensure that all accounts associated with third parties have an expiration date. Additionally, any accounts that are inactive for a significant period of time should be automatically disabled.
- Incident Response – Incident response procedures should be in place to ensure that security personnel understand the procedures that they are to follow when an incident is discovered. Incident response procedures should be tested on an annual basis and updated based on the results of testing.
- Penetration Testing – Internal and external penetration testing should be performed on a regular basis. If feasible, penetration testing should be performed by a qualified security vendor. Accounts used to perform penetration testing should be carefully monitored to ensure that the accounts are being used only for penetration tests.

For more information about Schneider Downs' Technology Consulting services, please contact Troy Fine at [tfine@schneiderdowns.com](mailto:tfine@schneiderdowns.com). ■

## SCHNEIDER DOWNS WEALTH MANAGEMENT ADVISORS, LP QUARTERLY COLUMN

### PLANNING FOR RETIREMENT - WHAT IS THE MAGIC NUMBER?

I am often asked, "Is (you fill in the number) enough to retire on?" I hate to tell you this, but it is the answer I always give: There is no "magic number." Stay with me for a few more paragraphs. I will explain why and provide some insight into determining how much you may need to save for retirement.

Retirement is a unique experience for each individual, couple or family. Do you expect that your retirement will resemble that of your parents, neighbors, or co-workers? I have had the privilege to be part of numerous retirement plans; each is laced with individual needs, wants and dreams. Saving (you fill in the number) may be enough, but wouldn't it be nice to know that for you, that number is too high? More importantly, wouldn't it be nice to know, long before you close your office door for the last time, that saving a little bit more for the next several years will ensure you the flexibility and comfort that your unique retirement lifestyle requires?

Although I am not going to hand you a fictitious number to shoot for, I will share with you that when it comes to funding one's retirement, the starting point (unless you just won the Mega-millions Jackpot), is usually the same.

**Step 1:** Define what you want your retirement to look like, and then convert that lifestyle into dollars. You should



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start this exercise as early as you can. The longer you wait, the more likely it is that the dollars you accumulate will define how you live in retirement instead of the other way round. No doubt; your retirement lifestyle will change many times approaching and during retirement, but that is okay. Just for starters, ask yourself:

1. What age do I want to retire?
2. Where do I want to live?
3. How do I want to live (downsize, second home, travel)?

Each of your answers carries a price tag.

**Step 2:** Review and project your expected income streams in retirement (do not include investments). In today's workplace, pensions are far less common, but some individuals still receive a benefit. Additionally, most U.S. workers are entitled to Social Security benefits. You may also have other income streams that should be considered, so do not overlook these.

To the extent that you have income streams from sources other than your investments, the dollar amount you need to stash away may be much less than another person.

Completing these two steps will put you well on the way to identifying gaps and

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## Good Neighbor Award

Schneider Downs was chosen by the United Way of Allegheny County as one of a few local Pittsburgh companies to receive the Fred Rogers Good Neighbor Award. The award celebrates the contributions of volunteers in the community. To celebrate, employees in the Pittsburgh office donned cardigans and sneakers.



**ADDITIONAL TAX DATES**

*CONTINUED FROM PAGE 2*

**BENEFIT PLAN DUE DATES**

Forms 5500, Annual Return/Report of Employee Benefit Plan.

Year-End	Due Date	With 5558 Extension
8/31	3/31/14	6/17/14
9/30	4/30/14	7/15/14
10/31	6/2/14	8/15/14

Processing of corrective distributions relative to failed 401(k) ADP/401(m) ACP discrimination testing, so as to avoid a 10% employer-imposed excise tax.

Year-End	Due Date
12/31	3/17/14
1/31	4/15/14
2/28	5/15/14

**RETIREMENT PLANNING**

*CONTINUED FROM PAGE 6*

opportunities in the quest to retirement and to putting perspective around what level of investment assets are really needed. By the way, you should repeat this process often. We all know how rapidly life throws curve balls, and as you age, your assumptions about life in retirement will probably change because so have you!

A one-size-fits-all magic number is fantasy and can lead to a false sense of security. Sorry, only old-fashioned common sense and planning will lead you to your number. There are many tools on the internet to help you do preliminary planning (or seek out the expertise of a financial planner). When running these projections, the best advice that I can give to you is to start planning early, be honest about your expenses and be conservative about investment rates of return. Happy planning! 📌

# AROUND SCHNEIDER DOWNS



Congratulations to our Internal Computer Support Junior Network Administrator, Jeff Smercani, for completing the Dopey Challenge at Walt Disney World in Orlando, FL. In four consecutive days, Jeff completed a 5K, 10K, half-marathon and full marathon! Makes us tired just thinking about it!

On December 5, 2013, Schneider Downs' Pittsburgh office hosted a full-day CPE for our clients and friends at the Westin Hotel and Convention Center. A hot topic this year was ethics, and we welcomed Dr. James Weber from Duquesne University as our guest speaker on the topic. Pictured with Jim is Eric Wright, Technology Advisors Shareholder.



On December 3, 2013, Schneider Downs' Columbus office hosted a half-day CPE event for clients and friends. This year's event was held at the Hilton at Easton. Many thanks to everyone who attended!



There are many benefits to going paperless, and for the Columbus office, the main benefit was that we were able to transform the old file room into a modern, comfortable breakroom for our employees to take a few minutes to relax!



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## PROFESSIONAL NEWS

**EDWARD R. FRIEL**, Audit Shareholder, was elected to the Board of Directors for Catholic Charities Free Health Care Center.

**NANCY BROMALL BARRY**, Retired Audit Shareholder, was recently appointed to the Board of WQED Multimedia, and will chair the Finance Committee. Nancy was also elected to the Board of The Frick Pittsburgh.

**MARK E. COBETTO**, Tax Shareholder, presented the Federal Tax Update for the PrimeGlobal Annual Tax Conference in the Bahamas in January.

**THEODORE M. PETTKO**, Audit Shareholder, **GEORGE E. ADAMS**, Tax Shareholder, and **EDWARD R. FRIEL**, Audit Shareholder, attended the AICPA Oil and Gas Conference in November.

**JAY R. MEGLICH**, Audit Shareholder, and **TREVOR P. WARREN**, Audit Senior Manager, presented an A&A Update to the Construction Finance Management Association (CFMA) in Columbus in January.

**MARY D. RICHTER**, Tax Shareholder, presented a Federal Tax Update at the Western Pennsylvania Tax Conference in January. Mary was also named to the United Way Selection Committee for "People with Disabilities."

**RAYMOND W. BUEHLER, JR.**, President and CEO, and **STEVEN D. THOMPSON**, Audit Shareholder, attended the AICPA Major Firms Group meeting in Naples, FL in January.

**DENNIS R. MOWREY**, Business Advisors Director, was appointed Vice Chairman of the Board for the Great Lakes Region of the Arthritis Foundation. Dennis was also re-elected to the Berlin Township Audit Committee Board.

**JAMES B. YARD**, Internal Audit and Risk Advisory Services Shareholder, attended the PrimeGlobal Business Assurance Conference.

**CYNTHIA J. HOFFMAN**, Director - International Tax Advisory Services, **MARY D. RICHTER**, Tax Shareholder, and **KARL W. KUNKLE**, Schneider Downs Wealth Management Advisors, LP Shareholder, presented "Current Topics in Tax Reform" at the February meeting of Pittsburgh Tax Executives Institute.

**THEODORE M. PETTKO**, Audit Shareholder, presented at the Tri-State Alternative Fueling Expo and Conference in February.

**ANGELA M. GILLIS**, Internal Audit and Risk Advisory Services Manager, recently passed the Certified Internal Auditor exam. Angela also spoke at the Cincinnati OSCP Accounting Show.

**MELANIE D. LASOTA**, Director of Estate and Trust Tax Services, and **MICHAEL W. DARPINO**, Tax Senior, attended the Heckerling Estate Planning Conference held by the University of Miami in January in Orlando, FL. Melanie also attended the Pennsylvania Estate Planning Institute conference in Philadelphia in November.

**DEBRA A. RIES**, Tax Senior Manager, and **KURT D. HERDMAN**, Audit Senior Manager, presented "Nonprofit Accounting" at the National Business Institute's Nonprofit and Tax-Exempt Organization Guide event in Pittsburgh in December.