



HOWITT Benefit Services

Phone: (408) 323-1436

E-mail: benefits@howittins.com

Website: www.howittins.com

*Services that exceed
your expectations*

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Borrowing Responsibly and Managing Debt

all business owners prefer to operate in the black. But, taking on debt is sometimes necessary as a company expands or when business slows due to economic volatility. Managing your debt carefully can minimize the cost of carrying debt and make it easier to move back into the black when the market improves.

Before taking out a new loan, make a list of your company's assets that can serve as collateral, including real estate, buildings, and equipment. Then calculate how much financing your business needs, outlining precisely how you plan to spend the money. At the same time, review your current operations, looking for ways to cut unnecessary costs or increase revenues. You may, for example, be able to renegotiate payment plans with suppliers to allow more time to pay off the amounts owed. Similarly, if your company is planning to purchase equipment, consider whether leasing can reduce the amount you need to borrow. Review your invoicing procedures, ensuring that your system for collecting payments is effective.

After you have explored all options for increasing revenue and reducing expenditures, revise your business plan to reflect your current needs. Potential lenders often want to see evidence that your company is run efficiently and that market conditions justify additional outlays. Even if business is down due to the economy, you may, for example, be able to demonstrate that your company is out-performing competitors and is in a position to rebound quickly.

If you wish to borrow money, start by approaching your current bank. While an extension of a line of credit may be sufficient to meet the short-term need for additional cash flow, consider options for locking in a manageable interest rate for any long-term debt. If the amount of money your bank is prepared to lend your company is insufficient, investigate the alternatives. Because lending practices vary, consider applying for loans from a variety of banks, including large institutions, smaller community banks, and credit unions.

For smaller loans, consider approaching a nonprofit lender that provides micro-loans through a program of the Small Business Administration (SBA). These lenders typically extend lines of credit of up to \$35,000 and may require applicants to provide evidence that they have been denied a bank loan. Online peer-to-peer lending may also provide a smaller loan. Individuals or

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Building Better Teams

While many businesses seek to encourage “teamwork” among staff members, employees who perform tasks individually may lose sight of the value of cooperating closely with co-workers. If teamwork is not occurring spontaneously at your company, or if specific projects require more cooperation than is normally required, you may want to consider building teams focused on specific objectives.

For the most part, managers and staff generally understand the concepts of community and collaboration. However, they may find it difficult to translate these abstract ideas into concrete action. Many individuals are educated in an environment that stresses “doing your own work” and “not relying on others for answers.” Consequently, getting people to work together may involve changing attitudes that have developed over many years.

Team-building exercises and retreats that are not directly related to your business operations may be one way to help employees get to know each other better on a social level. However, they may not provide useful guidance on pooling energies and skills to tackle complex tasks. Instead, members of a working team may be encouraged to meet in the office to discuss specific goals, the steps needed to accomplish their goals, and any issues relating to

group dynamics that might hinder their progress.

Depending on the size and needs of your company, you may wish to create several teams for specific purposes. For example, managers may form one team, while rank-and-file employees may form others. Or, individual employees across job functions may be integrated into several groups with specific tasks. Teams may be created on a temporary basis to work on finite projects, or they may be formed between companies, as your business partners with others on larger projects.

While team members are expected to work together, that does not mean that everyone has the same duties and responsibilities. Be sure to appoint a team leader to coordinate and oversee the team’s activities, as well as report progress to management. Whenever possible, encourage other team members to take on roles appropriate to their individual strengths and skills. For example, one member may be good at handling administrative or technical jobs, while another may prefer the role of strategic planning. As teams are formed, consider the mix of skill sets and personalities accordingly.

At the outset, be sure to provide teams with clear objectives and performance targets, and assess the team’s

progress regularly. Frequent reviews may help guide the team away from problems and toward successful techniques. The goals of the team may also be linked to individual performance objectives, and each employee’s effectiveness as a team member may be considered in performance reviews.

In some cases, a lack of leadership or interpersonal conflicts cause the wheels of collaboration to grind to a halt. If, for example, the team leader has not clearly expressed expectations, or if expectations change arbitrarily, frustration can result. In another case, one team member’s failure to complete tasks on time can make it more difficult for the rest of the group, which can lead to resentment, gossiping, or ill will. Speaking about potential issues frankly, but also respectfully and constructively, can help clear the air and point to a productive path forward.

Building better teams takes time. However, a team can often discover different solutions and develop creative ideas. They may also recognize potential problems that an individual working independently may miss. Building teams may help your organization be more innovative, effective, and efficient. ■

Planning for Continuity: Your Business Estate

As a business owner, you have most likely devoted countless amounts of time, energy, and money into building and managing your company. As a result, your business may comprise a significant portion of your estate. Unfortunately, the business that provides for you and your family *now* may not do so at your death. What

will be the legacy of *your* business when you die?

Most owners begin planning by deciding whether to pass the business on to a family member, associate, employee, or someone outside of the company. The heart and soul of a good business **succession plan** is

the **buy/sell agreement**—a contract between owners, or the business itself and owners. It is a legally binding agreement that obligates the estate of the deceased to sell the interest of the business, defined at a predetermined price, to either the business itself (in a **redemption agreement**), to

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Recruiting: Staying One Step Ahead of the Competition

Whether you run a small, family-owned business or a large corporation, attracting and retaining key employees is challenging. In today's economy, businesses often must compete for skilled and talented employees in the same way they compete for a customer's business. So, how can your business set itself apart and attract talented individuals?

Core Benefits

In addition to a competitive salary, most potential employees have a certain level of expectation concerning benefits. When evaluating prospective employers, they may first look at what core benefits are being offered by each. The following benefits may be among their primary considerations:

Qualified Retirement Plan. With the shift away from defined benefit plans toward **defined contribution plans**, personal retirement savings are more important than ever, and the **401(k) plan** has become a sought-after vehicle for retirement savings. Today, prospective employees often expect, at a minimum, that a plan will be available to them. Plans such as the 401(k) can also be enhanced with employer-matching contributions.

Health Insurance. With escalating health care costs, health insurance is one of the most important employee benefits. Although group health insurance is a fairly common benefit, the details and costs associated with each plan vary, and prospective employees will seek the plan that meets their needs most affordably.

Vacation and Personal Time. As employees seek better work-life balance, the amount of vacation and personal time offered by an employer is often an important consideration. In fact, many individuals value the amount of vacation and personal time

available to them, even if they fail to use it all on an annual basis.

Flexibility. Changes in employee demographics have resulted in the need for greater flexibility, and technological advances continue to change the way employees work. Therefore, it is important for businesses to recognize these trends and modify policies for flexible work schedules, as appropriate.

Work Environment. The atmosphere of a place of employment can also be a key factor in employee satisfaction. Prospective employees may consider stress levels, interdepartmental communications, and the appropriation of duties.



Selective Benefits

In some cases, Internal Revenue Service (IRS) anti-discrimination rules limit the benefits received by highly compensated employees. For executive-level employees, there are additional benefits that can be offered. The availability of these selective benefits can distinguish one employer from another.

Executive Bonus Plan. An employer may offer a key employee a compensation bonus to be used by the employee to pay the premium on a **life insurance policy**. If the employee owns the policy, the bonus amount can be a deductible business expense for the employer. The employee must claim the annual bonus on their tax return as ordinary income. Any death benefit paid to the employee's estate or beneficiary is generally income-tax free.

Disability Insurance. For highly compensated employees, a group disability plan may provide only a limited amount of coverage should they sustain an illness or injury that prevents them from working. To supplement this coverage, an employer may offer additional, *individual* disability insurance.

Voluntary Benefit Plan. Through a voluntary benefit plan, an employer can offer a menu of benefit options (e.g., dental insurance, disability insurance, etc.) *in addition* to existing core benefits. Employees choose the benefits that meet their respective needs and pay for them through payroll deductions, as defined by the specific plan. Because voluntary benefit plans are offered in a group setting, costs are generally more affordable than if an employee were to purchase similar benefits individually.

Today's business owners are realizing that a competitive salary is no longer the only factor sought by highly skilled employees. Just as you shop for key employees, they shop for the employer that offers the best combination of salary and benefits for their specific needs. Therefore, employers should consider creating a benefits package that keeps them one step ahead of the competition. ■

planning for continuity: your business estate

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co-partners or shareholders (in a **cross-purchase agreement**), or to both (in a **hybrid agreement**). It creates a market for the business interest of the deceased, sets the price, and governs the transition of the business.

A buy/sell agreement is only as good as the funding available to execute it. For this reason, most agreements stipulate *how* the purchase is to be funded. Since the agreement is triggered at your death, **life insurance**



may be the logical and most cost-effective funding choice.

Selecting a succession plan can be an involved process. Certain tax, estate planning, and control advantages exist with each option, so be sure to discuss it with experienced tax and legal professionals. Keep in mind that long-range planning is subject to change, so your buy/sell agreement should be reviewed periodically to help ensure that it continues to meet your needs. ■

borrowing responsibly and managing debt

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businesses wishing to borrow funds on a peer-to-peer website post a listing for a loan, including information about the amount needed and the rate they believe they can afford. Potential lenders then bid to fund the loan, offering varying amounts and rates.

If you are unable to obtain financing through these channels, investigate other SBA loan programs. Distributed through commercial lenders, loans can be guaranteed by the SBA with favorable terms to qualified borrowers. The 7(a) program makes loans up to \$2 million for a variety of purposes, including larger capital purchases or short-term working capital needs. While the loan itself is

made by the bank, the SBA limits the interest rates and fees the lender can charge. The SBA's 504 loan program provides growing businesses with long-term, fixed-rate loans of up to \$2 million for the purchase of major fixed assets, such as land and buildings. However, the SBA may require personal guarantees from borrowers owning 20% or more of the business.

With the economy in flux, your company may be in a very different position than the last time you sought financing. If an analysis of your current situation reveals a high debt-to-equity ratio, taking out additional loans or credit could expose you to too much risk. To avoid becoming

too leveraged, consider looking for new investors. Depending on your needs, your capital requirements may be met through small investments from friends, relatives, business associates, angel investors, or employees. These deals should always be governed by a legal contract defining the terms of the arrangement, including the return on investment for stakeholders and the extent to which investors will be involved in running the business.

Many businesses require financing for short- and long-term needs. Borrowing responsibly and managing debt effectively can help your company minimize the cost of debt, as it is needed. ■

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