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Having trouble keeping your employees?

9 ways to plug the drain

Involuntary employee turnover is a huge drain on any business. Just ask Bill Bliss, creator of the Bliss-Gately Tool for calculating the cost of employee turnover. Just think of the costs involved: recruiting, overtime pay or lost opportunities while the position is vacant, training a replacement, and lower productivity while the new employee gets up to speed. According to Mr. Bliss, it's not unusual for total costs for a single lost employee to reach 150% of the annual salary, especially for higher paid employees.

Here are nine ways to improve your employee retention rate, starting from day one:

- 1. Hire carefully.** It's not just about skills. Make sure new hires will fit in with the company's culture. Moreover, don't hire applicants if the job doesn't line up with their career aspirations and other demands, such as schooling or family obligations.
- 2. Give new hires support.** Extend orientation periods as long as necessary for the employees to become acclimated and acquire the needed skills and knowledge. Consider pairing new arrivals with experienced employees to serve as short-term mentors.
- 3. Provide opportunities for challenge and development.** Many employees leave because they're bored or see their jobs as going nowhere.

What's worse is that the people who leave for these reasons are often the ones who are most worth having. Managers, therefore, should work with their subordinates to better understand how to keep them engaged. Inform employees about career paths or development opportunities within the company and encourage them to reach higher. Companies that have highly engaged workforces tend to have much better retention rates than their peers.

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- 4. Have fun.** "Fun" shouldn't be reserved for the occasional holiday party or picnic. Make it part of every workday. Hold impromptu celebrations for minor achievements, for example, or have contests where employees vie for silly prizes. Start meetings with humorous icebreakers. Bringing a little levity to the workplace can improve morale and strengthen relationships — and it costs little or nothing. Involve your employees by asking them for ideas on future "fun."
- 5. Empower employees.** From a fry cook or customer service representative to a senior manager, the more you allow your employees

to make the decisions needed to perform their jobs, the more they'll value their positions. Push decision making to the lowest level possible.

6. Share information. Too many organizations restrict information to a "need to know" basis. The more transparent you are with your employees on company strategies, performance, operations and key business decisions, the more they'll feel part of the team.

7. Ask employees what is important to them. Then, whether it has to do with



training, hours, advancement opportunities or benefits, try to address your workers' issues. Although you can't please everyone, you may find themes emerging. In those cases, address the situations and make changes when possible.

8. Be sensitive to work-life balance. Businesses that can offer flexible schedules, part-time employment and even telecommuting are better able to hire and retain the best and most qualified employees.

9. Conduct exit interviews. It's amazing how many organizations either don't care enough or fail to do a good job of finding out why an employee leaves. Conducting an exit interview

can offer critical information about your firm's culture, salary structure and management policies. To foster frank discussion, make sure exit interviews are conducted by someone other than the exiting employee's supervisor. And analyze any data gathered from the interviews for trends and warning signs.

With many employees, it's not about money, it's about job satisfaction. And the people who most directly impact job satisfaction are your managers. So encourage your managers to apply these strategies, and make retention one of their key responsibilities. |

Be sure your home is adequately insured

If you're like most people, you never give your homeowners insurance a thought until a storm blows off some shingles and you need to file a claim. But given the fact that your home is possibly your most valuable asset, this could be a costly mistake. Between rising replacement costs, more policy exclusions, and misconceptions about what is and isn't covered, many homes today are underinsured.

Establish value and replacement cost

Until a few years ago, most insurers offered guaranteed replacement value coverage. So, if your house burned down, the insurance company would pay whatever it cost to build an equivalent replacement. Many insurers have now switched to extended limit policies that cap their payout at 125% of the listed value of the home in the policy.

This highlights how critical it is for your policy to accurately state your home's replacement value. While insurers tend to automatically increase home values every year by an inflationary factor, it may not be applicable to you — you may be in a local area where construction costs have shot up due to a flurry of home building, or you may have remodeled your kitchen, adding more value to the home. Unique properties, such as those with exotic materials or historic millwork, also require special scrutiny.

Watch out for policy exclusions

What's covered and what's excluded in the average insurance policy can be confusing. For example, no homeowner's policy covers flooding. Flood insurance must be bought separately through a federal program. Without it, you're covered if a storm causes wind damage to your property, but not (as Katrina victims discovered) if subsequent flooding causes the damage. On the other hand, if you suffer mold damage, you'll likely be on your own, because insurers have recently limited their liability for this peril.

Don't overlook liability coverage

If someone is seriously hurt on your property, you may be liable for damages. Check your liability coverage through your homeowner's policy and any umbrella coverage and make sure it's adequate. A slight premium increase may provide much needed disaster protection.

Scrutinize your policy ... now

If you haven't had an agent review your policy in the last couple of years, now is the time to do it. And next time you receive one of those form letters from your insurer with an amendment to the policy, maybe it's worth taking a few minutes to read.

Making the grade

Assessing your retirement plan service providers

Almost any business that has a retirement plan will turn over plan administration and investment management to outside consultants. It may be that one firm, such as a mutual fund company, brokerage firm or insurance company, will provide both services. Or, the services may be unbundled, with administrative services provided by a third-party administrator such as a CPA firm or benefits management specialist.

No matter how the duties are split, it's important that your service providers understand and meet the needs of your company and its employees.

What does the administrator do?

The plan administrator handles the day-to-day operations of your retirement plan, including processing new enrollments, enrollment changes, loans and distributions. In addition, the administrator prepares annual forms and reports that are submitted to employees and the IRS, such as the Form 5500. The administrator also cooperates with the CPA firm engaged to perform required annual audits.

Compliance is another critical administrator duty. Your administrator needs to carefully monitor the plan's operation to be sure it meets all IRS and other regulatory requirements. For example, if your plan requires discrimination

testing, which is making sure that a plan doesn't favor highly compensated employees over rank and file employees, then performing the testing is a key administrator service. The administrator may also help you promote the plan and provide employee education.

What services does the investment manager provide?

In addition to investing participants' contributions through mutual funds, annuities or other investment vehicles, investment managers provide a number of ancillary services. These include daily account valuation, monthly statements, live customer service and voice response systems, and online account access.

Investment managers may also provide employee education and retirement planning. But, it's important to note that some of the optional services may impact participant costs.

How do you evaluate the services?

When it comes to evaluating your service providers, you need to look no further than service and cost. In the case of administration, service is the more important consideration, because costs are generally low and providers are cost competitive. The risk assumed by the plan sponsor is enormous, however, if it chooses an administrator with poor service.

Poor service can lead to fewer employees participating in your retirement plans, which can, in turn, lead to discrimination issues with the plan. Moreover, if the administrator fails to perform the necessary reporting and compliance requirements, the tax-advantaged treatment of your plan will be at risk. Make sure the administrator clearly understands your needs by putting them in a written contract. After that, be sure you monitor the service provided.

For investment providers, service and cost are equally important. From a service perspective, consider whether the investment manager is making appropriate investment choices. In other words, your plan should have a variety of investment choices to appeal to participants' diverse interests and risk tolerance. Some plans are paring down fund choices to reduce confusion.



The hope is that fewer choices that still provide a range of different types of investment options will improve participation rates.

Also track how well the investments are performing. Monitoring investment performance is part of the investment manager's fiduciary duty, but you, as the plan sponsor, also have an obligation to compare the returns of the investment alternatives offered to those of similar types of investments and make changes if warranted.

The cost of the services provided by the investment manager is critical because it has a direct impact on the rate of return earned by the plan's investments. Be aware that fees will vary significantly from one provider to the next. Make sure

you receive fair value for the amount the plan participants are being charged.

How can you get the most value?

Your company, as the plan sponsor, is ultimately responsible and legally liable to make certain that your retirement plan is operated in such a way that it maximizes the benefit to your employees. If your service providers aren't meeting your plan's needs, address the issues with them immediately. A good service provider will make every effort to solve any problems promptly. And if you're still not satisfied, make any changes necessary to ensure your plan is operated in an efficient, professional manner. ■

An advisory board can help you achieve your goals

You've heard it said that "it can be lonely at the top." This adage certainly applies to those who run privately held businesses. Even if you have a strong team of managers whom you can rely on, it may be difficult for them to see your business objectively.

Publicly held corporations must have a formal board of directors — with the legal authority and responsibility to oversee the business's operations. Privately held ones have no such requirement, but with an *advisory* board, you can obtain the objective input you need without giving up any of your authority.

Know how to use an advisory board

An effective advisory board will provide you with objective wisdom and guidance on the major issues facing your business, without getting into its day-to-day management. For example, the board may be asked to provide counsel on diverse but important topics, such as expansion planning, financing alternatives, human resource policy and succession planning, or to give input on writing a strategic plan. Another helpful role an advisory board might play is to hold the business owner accountable to set and meet the objectives for the board.

Thoughtfully outline the issues you want your board to address and develop a schedule for

board meetings. To make sure these biannual or quarterly face-to-face discussions achieve their objectives, schedule the meetings well in advance so all board members can attend. Ask some of your key employees to attend as well, so they can ask questions and hear, first-hand, the thoughts of your board members. While you aren't obligated to accept every board member's suggestions, make sure you seriously consider their advice.

An advisory board will provide objective guidance on the major issues facing your business.

End each meeting by summarizing the discussion, decisions made and assigned tasks.

Find the right mix

Try to limit the number of board members from three to seven people so the board is manageable and affordable. Members should have skills, experience and expertise that complement your company. Folks who have been in your shoes (current or former successful business owners) are particularly valuable.

To keep the board objective, make sure each member is an independent third party — not a friend or family member. Your attorney, accountant and banker can refer potential board candidates to you, or you can contact your local chamber of commerce and SCORE (a non-profit small business assistance organization) office for leads.

When interviewing board candidates, pay attention to chemistry as well as competence. Each board member must be able to interact well with you and other members. Also remember that board members may need to transition out as your business's needs change. For example, if your company goes through a period of rapid growth, board members who are invaluable when the business is a start-up may not have the experience needed to help you through the next business cycle.



Consider compensation

While not absolutely necessary, paying your advisory board members has its benefits. For example, it may be easier to recruit the most qualified candidates. And people who are paid may be more likely to take their commitments seriously and sign conflict-of-interest disclosures and confidentiality and noncompete agreements.

You may wish to pay your board members an annual retainer plus a per-meeting stipend. Sometimes a small equity stake is also provided.

Harness their knowledge

An advisory board has the potential to make your company more competitive and profitable. A board member's proven advice can also help make you a more effective leader. If your business could use an independent sounding board to help lead your business into the future, consider creating an advisory board. ■

Charitable bequests

Two goals, one strategy

Bequests (transfers of assets at death) have multiple uses, numerous benefits and flexible applications. By making a *charitable* bequest, you can combine estate planning with charitable giving, thus accomplishing two goals at once.

Provide future gifts

You can provide now for a future gift to your chosen charity, or charities, by including a bequest provision in your will or revocable trust. Just as your will or trust directs assets to your heirs, it can direct a bequest to charity. The charity receives the funds after your death, at which time your estate is entitled to an estate tax charitable deduction.

Reap many benefits

Besides being simple to execute, charitable bequests have many benefits:

- The bequest won't affect your cash flow or reduce your assets during your lifetime.
- Assets remain in your control while you're alive.
- The bequest is revocable and can be modified.
- The bequest will reduce the value of your estate for federal estate tax purposes and be exempt from state inheritance taxes.
- There are no limits on the estate tax deduction (unlike the charitable income tax deduction).
- Your bequest will support your favorite charities after your lifetime.

Finally, a bequest's purpose can vary. For example, you can designate that the gift be used for a specific program or purpose, such as for children's programs or emergency relief efforts. Or the gift can go into the charity's general fund to be used for operating expenses or as the charity sees fit.

Customize for your needs

You can set up a bequest in such a way that it fits your situation and needs. For example, a *specific* bequest is just that: You designate a specific dollar amount to charity — or a specific asset. Alternatively, a *residuary* bequest gives the charity a percentage of the balance remaining in your estate after taxes and specific bequests have been paid. With a *contingent* bequest, you can make the charitable bequest payable only if an individual beneficiary is not able to inherit the funds or under other conditions that you specify.

Keep it simple

Estate planning and charitable giving are both areas with significant tax planning opportunities. Just remember that sometimes the best planning strategies are the simplest. Keeping your assets until the end, reducing your estate tax and supporting charities of your choice — it doesn't get much better than that.

Follow the rules on contingent charitable bequests

One note of caution about contingent charitable bequests — to obtain an estate tax charitable deduction, the contingency must be fulfilled by the time of your death because the amount passing to charity must be fixed and determinable.

For example, let's say your will provides that \$40,000 will pass to your sister on your death, but if your sister doesn't survive you, the money will go to charity. If at the time of your death your sister is still living, an estate tax charitable deduction won't be allowed. And even if your will provides that the \$40,000 be held in trust for her benefit and any balance remaining upon her death go to charity, an estate tax charitable deduction still won't be allowed.

In either case, for your estate to get a charitable deduction, your sister cannot survive you. (Note, however, that there are other strategies that avoid this problem, such as a charitable remainder trust.)

Although simple, be sure to consult with an estate planning and tax advisor when setting up a bequest (or revocable trust distribution as a bequest) to ensure that all your objectives are accomplished. ■

