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Is It Time for a Brand Makeover?

When you first launched your business, your brand may have been an afterthought, pulled together quickly as you worked on other things.

But as your company matures, you may find that your firm's brand, and possibly even its name, feels tired or out-of-step with current market conditions. This may be especially true if your business has developed new product lines or is attracting a new clientele. A brand makeover may be just what you need to boost your company's image and attract new customers, while also maintaining your existing clientele.

Understanding the Importance of Your Brand

You may not realize how essential your company's brand is to almost every aspect of your business. Your company's name and logo likely appear on signs inside and outside your business, on company vehicles, on stationery, on your website, on your products, on marketing and advertising materials, on business cards, and on trade show exhibition booths. The words that portray the name of your company—as well as the font, the colors, and the images—communicate your message to consumers in both obvious and subtle ways. They are a reflection of the types of products and services your business offers, your target market, and your approach to doing business.

Over time, your brand becomes more significant, as people become familiar with your company and its products, and your company's reputation becomes established in the community. When altering your brand, this so-called "brand equity" can be endangered, especially if your brand makeover involves not just a change in image, but in name.

Nevertheless, certain situations may render your current brand obsolete. For example, a merger with another firm may make rebranding

necessary, as management attempts to retain the customer bases of both companies. The introduction or discontinuation of product lines can also trigger the need for rebranding, as the current brand may no longer reflect the core business of the company.

Considering Changes to Your Brand

To avoid alienating your existing client base, and to build on the brand equity your company has gained over time, consider modernizing and improving your brand, rather than overhauling it completely. A design firm may, for example, help you choose a more up-to-date font and colors that are only a few shades away from those previously used. At the same time, however, the new brand should be different enough to reflect the fresh direction of your company.

Keep in mind that the new logo and design concept must be sufficiently versatile to be effective in a variety of contexts, from the sign above the door to the ad in the Yellow Pages. Whenever possible, avoid using different logos and images in different contexts, as inconsistencies can easily confuse customers.

Publicize your brand relaunch in advance. Send out press releases to the trade and local press notifying them of the image change. When appropriate, celebrate the launching of the new brand by hosting a reception for customers and press. Send key clients a letter or an e-mail informing them of the rebranding of the company and reassuring them that your firm will continue to serve them with the quality of service they have come to expect.

Remember, your company's brand is essential to almost every aspect of your business. Be sure that it clearly identifies your products and services, while also differentiating your business from the competition. If it speaks to the hearts and minds of your prospective clients, your brand can be the most valuable tool in your marketing arsenal. ■



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Pension Bill Provides Relief for Plan Sponsors and Individuals

On December 23rd, President Bush approved new legislation containing pension-related provisions designed to alleviate some of the adverse effects the recent financial downturn has had on retirement plans and retirement plan participants. The Worker, Retiree, and Employer Recovery Act of 2008 provides pension plan funding relief; includes long-awaited corrections to the Pension Protection Act of 2006 (PPA); and suspends required minimum distributions (RMDs) for 401(k) plans, IRAs, and similar retirement accounts for 2009.

Relief for Pension Plans

Under the new law, defined benefit retirement plans that fall below the targeted funding percentages established by the PPA (92% for 2008, 94% for 2009, and 96% for 2010) will be required to make subsequent contributions up to the specified funding percentage for that year, but they will not be obligated to up the funding percentage to 100%, as had been required under the PPA. In addition, the rules were changed to allow for smoothing of unexpected gains and losses in assets over a two-year period to determine funding levels. Especially in a slowing economy, smoothing can help lower the immediate cost of meeting certain funding requirements.

To ease the former restriction on benefit accruals for plans that are less than 60% funded in the current year, the new law allows plans to use their adjusted funding target attainment percentage (AFTAP) from the previous year to determine their funding status. The new law permits plans that fall below the 60% funding level to make accelerated benefit distributions in the form of lump-sum distribution payments of \$5,000 or less.

The new law relaxes funding restrictions for multi-employer plans that are considered to be in endangered or critical status, allowing them to freeze their current funding certification based on the previous year's status. The new law also provides a three-year extension of the funding improvement and rehabilitation period for plans in the critical or endangered status, from 10 to 13 years, and for those in the seriously endangered status, from 15 to 18 years.

For plans with 500 or more participants, the new law adjusts the threshold used to identify at-risk plans, to which the PPA imposes additional funding requirements, to help some plans avoid at-risk status. For small plans with 100 or fewer employees that have an alternate valuation date for the determination of contributions and restrictions, the Treasury and the IRS are authorized to establish special rules.

Relief for Individuals

To help individuals who have recently experienced declines in the balance of their retirement savings, the new law temporarily waives required minimum distributions (RMDs)—normally mandatory after age 70½—for IRAs and qualified defined contribution plans for 2009 only. If you fail to withdraw at least the minimum amount, the IRS may impose a 50% penalty each year on the dollar amount that you failed to withdraw. Required minimum distributions are calculated according to the value of the account as of the last day of the previous year and the age of the participant or beneficiary.

It is important to note that the new law applies to RMDs for the 2009 tax year only; it does not provide relief for RMDs for the 2008 year. Those who turned 70½ in 2008 and chose to postpone their first distribution are still required to take their first distribution (the 2008 RMD) by April 1, 2009. However, the second distribution (the 2009 RMD) may be waived according to the new law. Those who turn 70½ in 2009 may waive their first distribution, which would have been due by April 1, 2010, but will still be required to take the second RMD by December 31, 2010.

Clarifying the provision of the PPA that allows rollovers from qualified plans to non-spouse beneficiaries, the new law requires all qualified plans to permit rollovers out of the plan for non-spouse beneficiaries starting in 2010. Plan sponsors must also provide the rollover notice to non-spouse beneficiaries. It is important to note that, under current law, there is no non-spouse rollover available from IRAs.

For more information about the new law and how it affects your company's retirement plans or your retirement savings, contact your tax professional. ■



The Importance of a Partnership Agreement

Many business partnerships start out informally, as industry associates, friends, or family members band together to start a new business. Partners bring different strengths and skills to the table. One partner may understand certain aspects of the business especially well, while another provides the financing and another supplies professional contacts.

Despite the mutual dependency that exists, business partnerships are as prone to conflict—and even breakdown—as all human relationships. Because the collapse of a partnership can mean the end of the entire venture, it is essential for business partners to protect their personal interests, as well as those of the business, by drafting and signing a legally binding partnership agreement. Besides improving the chances that the business will survive a crisis, a partnership agreement can provide an opportunity for partners to discuss issues that are critical to the operation of the business, including the specification of roles and responsibilities.

Partnership agreements typically cover several key areas, including an outline of the duties and expected contributions of each partner, the division of equity, a formula for determining compensation, the distribution of profits and losses, and a plan that allows for an orderly exit by one or more of the partners.

A comprehensive buy-sell agreement is an especially important element of the partnership contract. It can help to ensure the survival of the business should one or more of the partners die, retire, divorce, or leave the firm for other reasons. Even if a business is not expected to continue when a partner exits, a well-executed buy-sell agreement will improve the chances that partners and their families are properly compensated for their stakes in the company upon dissolution of the business. As many business owners and their families have learned, failure to have a viable exit strategy in place can lead to huge losses or protracted legal battles.

When two or more people start a business together, it may seem obvious that each should get an equal stake in the firm. But when no single party has a majority stake in the business, a deadlock can occur, interfering with the ability

of management to make time-sensitive decisions. In exchange for contributing more equity or agreeing to take on more of the work, one partner may be awarded a larger stake than the others, thus ensuring that the firm is not debilitated by a dispute between partners. If partners decide to maintain equal stakes in the business, a process for voting on or otherwise resolving potential conflicts should be included in the agreement.

A comprehensive buy-sell agreement is an especially important element of the partnership contract.

Regardless of how the equity stakes are divided, the partnership agreement should outline in detail the investments each partner is making in the business, including cash, property, client lists, and relevant knowledge and skills. Detailed records of each partner's initial and ongoing contributions can simplify any subsequent division of assets.

However, a partnership agreement is not only useful in the event of a dissolution of the partnership. It can also help the partners work together more effectively and increase the value of the business. The partnership agreement may, for example, stipulate that the partners must meet at regular intervals to discuss and analyze certain aspects of the business. These meetings can detect any problems and provide the partners with a regular forum for discussing how operations may be improved.

Keep in mind that a partnership agreement may provide sufficient legal protection to owners in the early stages of the business. However, later on, it may also make sense to file for incorporation or to form a limited liability company (LLC). These legal structures can provide greater protection from personal liability and may also offer certain tax advantages. ■

Achieving Superior Customer Service



In this competitive and recession-squeezed market, providing superior customer service can make all the difference in both your reputation and your success. All business owners would like to believe their organization provides exceptional customer service. While many businesses boast about their standards, how many are truly successful in delivering a quality of customer service that keeps even the most demanding clients coming back for more?

Smaller companies may find it difficult to compete with larger companies on product price or diversity, but they can hold their own against the bigger players by offering a level of service customers cannot find elsewhere. Emphasizing superior customer service generally has a positive effect on overall company culture as well, attracting and motivating employees who are committed to providing high-quality service to each and every customer.

If you are looking for ways to improve the service your company offers, consider the following questions:

Do customers feel welcome? Take a moment to imagine what it would be like to approach your business for the first time as a potential client. Emphasize to your staff the importance of first impressions. The initial contact often sets the tone for the customer's impression of your company. For example, when a customer calls your company's main number, does a machine or a friendly voice answer the phone? If your company uses an automated receptionist to direct calls, are customers offered frequent opportunities to speak to a human being? What, if any, are the wait times on calls? Keep in mind that callers placed on hold may hang up in frustration and move on to the competition.

If your customers interact with your business online, reflect on what they experience when they log on to your website. Does the homepage open quickly and provide a menu of choices that is easy to navigate? While potentially eye-catching, flashy graphics may actually be a distraction and cause your website to be slow. Think about the tasks customers are likely to perform on your website, and try doing them yourself. If the desired information cannot be accessed quickly, or if the process for purchasing or ordering items

is time-consuming or confusing, consider redesigning or updating your website.

Now, consider your business premises. What do customers see when they walk through the door of your office or storefront? Is the space clean and inviting? If customers frequently have to wait during their visits, consider providing comfortable chairs or sofas, as well as magazines to pass the time. Fresh flowers, a water cooler, thermoses of hot coffee, and a plate of fruit and cookies are hospitable touches that customers will likely remember.

Do customers feel important? People do business with your company because they have a specific need that they believe your firm can meet. Building a relationship with customers requires you to identify that need as precisely as possible and make that need your top priority. If you work with a small group of clients, take the time to sit down with each one, discussing his or her wishes and expectations. If your business relies on a large volume of customers, look for other ways to assess their wants and needs, perhaps by using customer surveys or interviews.

Does your business deliver what is promised? When it comes to customer retention, consistency and reliability of service are paramount. Even if business is steady at the moment, are you prepared to handle a sudden surge in demand? To avoid disappointing clients, keep on hand a list of subcontractors, temporary workers, or alternate suppliers who can be called upon to help your company deal with increased demand, as needed, at short notice.

Regardless of good intentions, never knowingly make promises that cannot be kept. In most cases, it is possible to explain reasonable limitations to customers without losing business. When deadlines cannot be met despite your best efforts, be sure to notify customers and explain the situation, preferably in advance of missing the deadline.

Do loyal customers feel appreciated? Recognize customers who honor you with repeat business. Consider creating a system of rewards for key customers, especially those who show their loyalty by patronizing your business over a long period of time. These customers may, for example, be offered special discounts or free products or services; membership to a club of elite

Achieving Superior Customer Service . . . continued

customers who enjoy certain privileges; or incentives for recommending your business to friends and families. If appropriate, send regular customers handwritten notes on holidays and their birthdays, or even as an unexpected thank you for their business. Whenever possible, make an effort to get to know your best clients personally, greeting them by name and showing an interest in their lives.

Are you accessible to customers? Once you have established a relationship with a client, he or she may want or need to contact you regularly, sometimes outside of normal business hours. Larger clients, in particular, should have the contact information of the owner or a higher level manager with the authority to address any potential issues. Consider providing an emergency number on the company's after hours voicemail message for any client with a serious problem.

To maintain routine communications with clients, send out e-mails or distribute a printed newsletter with information about special promotions and new products. If appropriate, provide consumer tips or industry developments.

Do your employees demonstrate your commitment to customer service? Simply instructing employees to be polite to customers hardly ensures that your standards are being met. It is essential that employees receive training in both general approaches to customer service, as well as the particular standards set by your business. Employees should be thoroughly familiar with not just the products and services offered, but also with customer service policies and the appropriate response to any other problems.

Also, keep in mind that the more satisfied your employees are, the more likely they will be to provide excellent service to your customers. As part of an effort to attract and retain high-quality employees, provide incentives for demonstrating superior customer service. Occasional rewards could include cash or prizes, as well as more formal incentives, such as bonuses. Even simple verbal recognition of employees who provide excellent customer service can let them know how much their hard work is appreciated. Consider customer responses to a particular employee, whether positive or negative, when making decisions about the size of year-end bonuses or promotions.

Do you make customer service a strategic priority? The goal of optimizing service to customers should be an integral part of your long-term strategic plan. When operational changes occur in your business, regardless of whether they involve new personnel, new premises, or a redesigned website, the impact of these changes on customer service should be weighed. Maintain a record of both customer complaints and compliments, analyzing the feedback and using your conclusions as a basis for deciding whether to keep or alter certain practices or procedures.

Do your customers trust you? While a talented salesperson can make a sale to just about anyone once, the quality and integrity of the treatment customers receive are the factors that make or break a long-term client relationship. Whether the issue is an unexpected rise in prices, a mistake made by your business, or a failure to deliver on a promise, customers will be much more likely to forgive the transgression if they believe you and your employees are responding to their concerns with honesty and a willingness to address the problem.

Honesty is essential both in the preparation of marketing and advertising materials, and in the sales process itself. The consequences of recommending products or services that are inferior or that do not meet customer needs include the risk of damaging or destroying hard-won relationships.

Do your customers express enthusiasm for your business? You will know you are on the right track when customers tell you that your business offers them "something special." Clients who are excited about the service provided by your company will not only return themselves, but also recommend your firm to friends and family. In exchange for a gift or special discount, invite customers who are especially happy with the service they have received to provide a testimonial for your website and marketing materials.

Rather than striving to meet customer expectations, strive to exceed them in your quest to provide superior customer service. This high level of service can enhance your reputation, encourage repeat business, and motivate your employees, which can help to build and strengthen your company. ■





Managing Labor Costs to Help Avoid Layoffs

The people you employ are your company's most valuable asset—and your greatest business expense. Yet, even when an economic downturn puts pressure on your bottom line, it is important to realize that laying off workers can have negative consequences. When skilled employees are let go, essential knowledge and experience may be lost, and your reduced workforce could leave the firm unprepared to compete in the event of an economic upturn. Before cutting workers from the payroll, consider taking steps to reduce your labor expenses as much as possible, while still retaining your best employees.

Introducing or further encouraging flexible or reduced work schedules can, in some cases, actually lift morale, while lowering payroll costs. Consider offering employees the option of cutting one day or several hours a week from their schedules, or of changing to a part-time schedule. You may also find that some employees are willing to share a single job, at least temporarily.

A frank discussion with your staff could also reveal that certain employees have long wanted to take a few months, or even a year, away from work to pursue a personal goal, such as traveling, going back to school, or spending more time with their children. Depending on the needs of your business, it may be possible to offer these employees an unpaid sabbatical, with an agreement that they can return to their jobs at a predetermined time.

In addition, instruct employees to minimize discretionary expenses wherever possible, reducing, for example, the amounts spent on travel, equipment, and office supplies. Many organizations are responding to worsening economic conditions by cancelling parties or other company events, or by asking employees to help cover the cost of these events.

There are more radical—and potentially painful—ways to reduce employment expenses that may enable your business to avoid eliminating jobs. It may, for example, be necessary to ask employees to accept a salary freeze, reduced annual bonuses, or even a small cut in pay. If requests of this kind are accompanied by sacrifices by the owners, workers may be willing to make some concessions, especially if the reductions are expected to be temporary.

If business is slow due to the downturn, consider moving to a mandatory reduced work week for all or certain groups of workers, or closing operations for long weekends or at midday on Fridays. It may also be possible to shut down for a few unpaid days during quiet periods, such as over the winter holidays or during the summer, while still meeting customer demand.

A review of your organization's benefits package could also reveal opportunities to trim expenses, without cancelling core health care and retirement programs. Begin by cutting back on or eliminating benefits that are less crucial to employees. If it becomes clear that more radical benefit cuts are necessary, think about switching to a less expensive health care plan, increasing employee contributions to health insurance, or moving to a high-deductible plan linked to tax-advantaged Health Savings Accounts (HSAs). If your company sponsors a 401(k) or a similar retirement plan, you may wish to temporarily suspend matching contributions.

Introducing or further encouraging flexible or reduced work schedules can, in some cases, actually lift morale, while lowering payroll costs.

Communication Is Key

Keep in mind that implementing such cost-saving measures without warning can negatively influence employee productivity and morale. If employees are concerned about the changes and fear that their jobs may be in jeopardy, their productivity may be affected, and they may even seek employment elsewhere. So, before making any significant changes, talk to your employees openly and honestly. Encourage them to express their concerns and ask questions.

Surviving an economic downturn isn't easy, but it can be done. If you need to implement measures to reduce your labor expenses, remember that communication may be the key to retaining your best employees. ■

Protect Your Business with Key Person Insurance

Suppose you were to arrive at your company one morning only to learn that a key employee had died unexpectedly the night before. Have you ever considered how such a turn of events might affect your company? Along with losing a valued member of your team, you may also be losing skill, “know-how,” and important professional relationships that were cultivated over the years.



Understanding the Issues

Although it is impossible to predict and prevent the unexpected loss of a critical employee, you can receive compensation through **key person insurance**, a life insurance policy that makes the business the owner, premium payer, and beneficiary of the policy. A key person policy covers or “indemnifies” a company against the loss of a valued team member’s skill and expertise. The proceeds may be used to help recruit, hire, and train a replacement; replace lost profits; assure customers that business operations will continue as usual; and reassure lenders that funds will be available for repayment of business loans.

Generally, because the company owns the life insurance policy, the premiums are not tax deductible, and the death proceeds are received by the company income tax free, although there may be **alternative minimum tax (AMT)** consequences for businesses that are organized as **C corporations**. As with any life insurance product, issuing the policy will be dependent on the insurability of the individual, with his or her age, physical condition, and medical history all serving as cost factors for the premiums. In addition, guarantees are based on the claims-paying ability of the issuing company.

What Approach Is Best?

Needless to say, it is difficult to place a monetary value on a key employee. To help determine the amount of insurance necessary to protect your business, there are generally three approaches:

- 1) The “**multiple**” approach uses a multiple of the key person’s total annual compensation, including bonuses and deferred compensation. The popularity of this method may reflect the difficulty of quantifying the value of a key employee. The disadvantage of this approach is that the estimate, typically for five or more years’ annual compensation, may or may not correlate to actual needs.
- 2) The **business profits** approach is a more sophisticated method. It attempts to quantify the portion of the business’s net profit that is directly attributable to the key person and then multiplies that amount by the number of years it might require for a replacement to become as productive as the insured. For example, if net profit attributable to the key employee is estimated at \$250,000 annually, and it is expected that it would take five years to hire and train a replacement, then the policy’s face value would be \$1.25 million.
- 3) The **present value** approach calculates the present value of the profit contributions of the key employee over a specified number of years. This amount is then used as the **face value** of the policy. For instance, with an anticipated profit contribution of \$250,000 per year for the next five years and a discount rate of 8%, the policy’s face value would be about \$1 million. This method assumes insurance proceeds can be invested at a given rate of return and will be spent over a given period of years.

A key person policy covers or “indemnifies” a company against the loss of a valued team member’s skill and expertise.

Business executives may consult with their insurer regarding the company’s specific approach. However, regardless of which method is best for *your* business, key person insurance is a vital component in protecting your business from the loss of your most valuable assets—the people who help it grow and prosper.

None of us can predict or prevent the loss of a key employee. However, having a plan in place to manage such an event may make all the difference. So, talk to your professional advisors about protecting your business with key person insurance. ■

New Legislation Includes Mental Health Parity Provisions



The Emergency Economic Stabilization Act (EESA), signed into law on November 20, 2008, contains the Paul Wellstone and Pete Domenici Mental Health Parity and Addiction Equity Act of 2008. The new law, effective for plan years beginning after October 3, 2009, prohibits group health plans from imposing greater financial requirements on participants using mental health and substance use disorder benefits than on those using medical and surgical benefits.

Some of the mental health parity provisions of EESA were also included in the Mental Health Parity Act of 1996 (MHPA), which prohibited plan sponsors from placing lower annual or lifetime dollar limits on mental health benefits than the corresponding limits for medical and surgical benefits. However, MHPA was subject to regular renewal by Congress. EESA eliminated the sunset provision of MHPA, making its mental health parity provisions permanent.

The new law specifically addresses benefits for substance abuse and chemical dependency, requiring parity for both mental health benefits

and substance use disorder benefits. In addition, the new legislation applies parity not only to dollar limits, but also to other financial requirements and forms of cost-sharing, such as co-payments, deductibles, co-insurance, and out-of-pocket expenditures. Limits on the number of days of coverage or visits to health care providers will only be permitted if the limits are the same for both mental and physical illnesses. Policies regarding out-of-network coverage must also be identical for all types of health benefits.

At the same time, however, the mental health parity provisions of EESA do not mandate that health plan sponsors offer mental health or substance abuse benefits; the legislation simply requires that plans that provide these forms of coverage do so at the same level as other benefits. Employers with 50 or fewer employees are exempt from the law. There is also a limited exemption for plans with increases in actual total health plan costs. Plan sponsors must comply with new mental health parity requirements for at least six months before requesting an exemption from the law. ■

EAPs Help Employees Cope during Tough Times

As workers struggle to deal with financial and legal issues, as well as illnesses brought on by stress, the demand for employee assistance programs (EAPs) has grown in recent months, according to a survey conducted by the Employee Assistance Society of North America (EASNA), a trade association for EAP providers.

The survey of EAP providers, for-profit and nonprofit organizations, and government agencies revealed an 88.2% increase in employee requests for financial services and an 82.4% rise in appeals for help in coping with stress. Respondents also reported a 41.2% increase in requests for legal services and an 11.8% rise in inquiries regarding domestic violence or substance abuse.

Results also showed that more than 60% of respondents have seen an increase in the number

of requests for EAPs to participate in downsizing efforts, offer support to employees who have been laid off, or otherwise provide assistance in outplacement services.

Citing a U.S. Federal Occupational Health study of EAP clients, researchers noted that the number of workers who reported having considerable difficulties with productivity was greatly reduced after these employees had concluded EAP sessions. The employees who participated in EAP counseling reported an average of 2.37 days of unscheduled absences or tardy arrivals at work in the 30 days prior to beginning the sessions, a figure that dropped to .91 days in the 30 days prior to completing the counseling sessions. ■

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