



INSIGHTS

FOR BUSINESSES AND PROFESSIONALS

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Retaining Key Employees with Long Term Care Insurance Benefits

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 hold on to talented individuals?

In addition to a competitive salary, many companies offer an array of core benefits, including a qualified retirement plan, health insurance, disability insurance, and vacation benefits. In some cases, the Internal Revenue Service (IRS) anti-discrimination rules limit the benefits received by highly compensated employees. For executive-level employees, however, additional benefits can be offered. One such benefit that has become increasingly important to key employees is **long term care insurance**.

Professionals who have worked hard and built up assets over the course of their careers may be particularly

concerned that their savings could be depleted in the event of needing long term care at some point. Long term care insurance can be used to help pay for in-home care, an assisted living facility, or a nursing home. The cost of a policy varies with the benefit amount chosen, the maximum benefit amount, and the elimination period (the number of days for which the insured is responsible for his or her own care before benefits begin). In addition, long term care insurance is subject to underwriting approval.

Long term care insurance policies can be customized to include inflation

protection, which helps ensure that policy benefits keep up with the rising cost of health care by increasing the benefit in line with inflation. Other options include a return-of-premium rider if the insured does not use the benefits; a non-forfeiture rider, which prevents cancellation of the policy due to non-payment; and a restoration of benefits rider if the insured recovers from an illness or injury after receiving benefits. Keep in mind that there may be an additional premium for adding any riders.

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Building Your Business with Temporary Workers

Many businesses, whether small or moderate-sized, need extra help with staffing at some point to avoid getting behind schedule, quickly fill a vacant position, or expand after a period of continued growth. Due to employee vacations or other absenteeism at various times of the year, management must ensure that the workflow requirements are met. Therefore, hiring skilled temporary workers or contractors could be a viable option in most situations.

For example, it may make more sense to hire a contractor for a specified amount of time, rather than hire someone permanently, especially during challenging economic climates. But even in a robust economy, it may be wise for a company to hire contractors. This way, a company can evaluate how a prospective candidate performs, and if he or she is a fit in the role before making a long-term commitment.

There are several ways to find skilled talent who can help your company

stay on track for a season or on a long-term contract basis:

- 1) You may want to consider bringing back former employees who either retired or left on good terms for other reasons. They may be available for freelance work, and could make an immediate contribution with their job skills and knowledge of the company culture.
- 2) If you filled a job recently, review the short list of candidates who previously applied. They may have been equally qualified but did not get the position due to the lack of a successful interviewing technique. However, some of those candidates may still be looking for work or welcome the opportunity for additional hours.
- 3) Staffing agencies tend to get more requests for temporary help during an economic downturn, and specialize in providing talent with diverse skill sets across multiple industries. Many of these agencies have developed relationships with skilled contractors over

a long period of time, already conducted background checks, and can match the right temporary personnel with most companies.

Often, if an individual contractor performs well on the job over time, the company can directly hire that individual through the staffing agency, usually for a fee. This avoids the time-consuming hassle of posting online job ads, interviewing numerous unproven candidates, and verifying references.

For the most part, taking advantage of the experienced pool of independent contractors available through staffing agencies or professional associations can help a business to further establish benchmarks for success, such as serving more customers or improving Quality Control and project management procedures. However, to make the most of a temporary employee, it is important to clearly define the work needed to be done beforehand, and ensure that he or she has the necessary tools and/or training, if required, to perform the job.

Personal Finance Action Plan for Business Owners

In the rush of daily business activities, business owners can lose sight of what they had originally hoped to accomplish through their continuous efforts. Over time, as the business grows, personal objectives may also change.

When was the last time you stopped to re-evaluate your personal priorities and goals? Here are some key areas to consider:

Building Wealth. Many business owners become so engrossed in company

operations that they inadvertently neglect their personal finances, particularly when most of their liquid assets are tied up in the business. To achieve financial independence and build personal wealth, it is important to make personal savings a priority. By conducting regular financial reviews, and taking follow-up action as needed, you can develop strategies that will help strengthen *your* personal finances.

Preparing for Retirement. Many tax-deferred, *qualified retirement*

savings vehicles, such as **simplified employee pension plans (SEPs)** or **401(k) plans**, are available to business owners and their employees.

The size of a company, and the ages and salaries of its employees, often determine which type of retirement plan is most appropriate. In addition, **nonqualified plans** allow business owners to provide *selective* retirement benefits for themselves, as well as their key employees.

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Keeping Tabs on Your Competition

To be successful in business, you have to stay on top of your competition. That holds true for large corporations and small business owners alike. By knowing what your competition is up to, you may be better able to position your own business.

There are three main areas to focus on:

Internet Research. The Web has made it infinitely easier to check out your competition. You can find out what the local competition is offering plus get big picture perspectives on trends in your particular industry.

Here are some useful ways to conduct online research:

- Googling your competitors is the first step. You will see links to company websites and possibly find out other interesting facts, such as previous business associations or civic involvement. If you visit regularly, you will keep informed of any special discounts, products or services your competition offers, which may stimulate you to think about how your business can expand and improve.
- If your competition has a blog, read it religiously. Look for other content they may publish

at other websites, including SlideShare.com for presentations, YouTube.com for videos, Digg.com, and StumbleUpon.com.

- Follow your competition on social media sites, such as LinkedIn, Twitter, and Facebook. Often, this is where business news is announced, even before being posted to websites. If possible, connect with your competition on these social networking sites. You can also set up alerts to be automatically notified when something new is posted.
- Look for customer reviews of your competition online, and visit www.compete.com to see the effectiveness of your competition's Web presence. You may also want to consider ordering the competition's products online to measure customer satisfaction.

Local Networking. It is also important to make a personal connection. Join any local business groups that your competition belongs to and attend meetings, or any kind of special event your competition may be hosting, like a seminar or open

house, if appropriate. Be sure to get your company's name on the mailing list to receive new product catalogs.

Stay on top of your competition's marketing and advertising efforts in newspapers, and on Internet sites, radio, local TV, etc. Identify outlets where you could create a stronger public image. However, instead of imitating your competition, think about how you can differentiate your business based on what you know. If the competition is discounting a product or service, then come up with a different type of special offer for new customer referrals. Ask your own customers about their preferences. Why are they doing business with you instead of the competition? Customers can be a great source of information.

The Big Picture. Be sure to review your company's strategies periodically to ensure a forward-looking perspective within the scope of your industry. By attending conferences or events, joining professional trade associations, and keeping tabs on your competition, you can gain insights about emerging trends affecting your business.

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Developing an exit strategy. Will your small business be marketable if and when you decide to sell? Develop an exit strategy that will help maintain the value of your business should you choose (or be forced by circumstance) to sell.

Keeping it in the family. Your company may be a **closely held business**, operated by more than one family member. If you wish to keep your company in the family, it is important to learn about **transfer tax** issues and to develop a **business succession** plan that will help secure your long-term goals.

STAY FOCUSED

As your company grows and develops, remember to set your *personal* priorities, especially as they change over time. Annual reviews can help ensure that your business operations are consistent with your overall objectives.

Female Executives Narrow the Wage Gap for Female Workers

When women are in executive positions, the gap between compensation levels for male and female employees at a company tends to narrow significantly, according to a joint study conducted by the University of North Carolina and the University of California.

The results showed that the presence of women in key upper-level positions within managerial hierarchies is, on the average, associated with higher compensation for rank-and-file female employees. In organizations in which women serve as senior managers, female employees of the company earn an average of 91% of male employees'

wages. On the other hand, the wage gap between men and women is not affected when women occupy junior managerial positions, even when large numbers of women are promoted to this level.



More women have been hired for “managerial” positions since the 1980s, but generally, these roles have been concentrated in lower levels of management. In some cases, jobs have been re-categorized as “managerial” with little or no authority attached to the title. Although the study affirmed that women in senior management positions of authority can help to increase compensation for female employees in junior-level or non-managerial positions, these executive positions must be at the top level to impact gender wage inequality, and increase opportunities for qualified female workers at all levels to advance.

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ADVANTAGES FOR THE COMPANY AND KEY EMPLOYEES

Providing long term care insurance as an executive benefit can offer advantages to both the business and the employees covered. When offered to a group of key employees, an employer-sponsored group policy can often provide better coverage at a lower cost per insured than an individual long term care insurance policy. Underwriting requirements may also be less stringent under a group policy, allowing an individual who might otherwise be excluded or charged a higher premium to obtain coverage at a lower cost.

If the business pays the policy premiums, this amount may be tax deductible to the business, and the premiums are not considered taxable income to the employee. Also, because long term care insurance policies are considered “tax-qualified,” benefits received are not counted as taxable income to the insured. If the employee pays the premiums on the policy, these may be deductible to the employee as a medical expense, subject to the general 7.5% of **adjusted gross income (AGI)** floor for medical expenses. It is important to note that the amount of long term care insurance premiums that qualifies for the medical expense deduction is

limited according to the age of the insured.

In a competitive marketplace, when creating an extended benefits package to attract key employees, you may want to consider all your options, along with overall cost-effectiveness, in determining which benefits to include. Long term care insurance coverage can help your business to retain valued employees, while assisting them to prepare for the future. This type of insurance benefit may also help preserve assets and provide more choices for care, while offering a measure of relief from uncertainty for your key employees.