

BUSINESS DIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



Change the game with a retirement plan

Attracting and keeping valuable talent is only one of many benefits

Retirement plans are a must-have for recruiting and retaining employees and helping you stand out in the competitive labor market, but there are a lot of choices. Some plans cost very little to set up and maintain, and nearly all offer tax deductions for contributions made by the business. The SECURE Act added a few new monetary incentives for business owners to set up retirement plans as well – including a \$500 tax credit when you set up automatic enrollment and a potential credit of up to \$5,000 for setting up a plan.

Who contributes, compensation limits, tax benefits, fees, the size of your business and payroll deductions are all important factors in weighing what kind of plan to design and offer. Talk to your advisor about leveling up not only your own retirement planning, but your employees' too.

So what are the options? Let's take a look.

WHAT'S NEW

First, some changes in types of plans available were also implemented with the SECURE Act, the most important being pooled employer plans (PEP). These plans are great for small businesses because they allow you to pool your plans with other businesses to reduce administrative and cost burdens, and allow you access to plans you may not otherwise have access to.

Multiple employer plans (MEP) were available pre-SECURE Act, but now these have loosened restrictions, again making it easier for small businesses to come together to offer plans for their employees. Most notably, the "one bad apple rule," which penalized an entire MEP if one business had a compliance or qualification issue, is now gone. Something else to

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Change the game with a retirement plan (cont.)

keep in mind when designing your plan: The SECURE Act now requires that, in a defined contribution plan, businesses must deliver a lifetime income disclosure to participants at least once every 12 months.

SIMPLIFIED EMPLOYEE PENSION (SEP) IRA

The SEP plan is funded solely by you, the employer, but each employee opens an IRA and chooses their own investments. There are minimal startup and operating expenses, and contributions are 100% vested right away. You retain discretionary control over the amount of annual contributions (up to 25% of an individual's compensation), but you must make contributions for all employees over 21 years old who have worked for the business and earned at least \$650 in three of the preceding five years.

The contributions are tax deductible for the company, and all earnings grow tax-deferred until the participants withdraw them. As the business owner, you can't allot a higher percentage for yourself than you do for your employees.

SIMPLE IRA

The SIMPLE (Savings Incentive Match Plan for Employees) is affordable and easy to set up for businesses with fewer than 100 employees, with minimal ongoing maintenance expenses. Each employee can defer up to \$13,500; \$16,500 if age 50 or older (2021). The business is required to make matching dollar-for-dollar contributions on the first 3% of employee elective deferrals, or a uniform 2% contribution to all employees, regardless of whether they elect to contribute.

And like the SEP, all contributions are tax deductible. However, be aware that with the SIMPLE IRA, participants who take an early withdrawal within the first two years of the account's inception could be subject to a penalty as high as 25% of the account withdrawal.

401(K) PROFIT-SHARING PLAN

A 401(k) profit-sharing plan comprises both employee salary deferrals and matching employer contributions. Typically, plan participants select their own individual asset allocation from a variety of investments, including a Roth option, which allows for either pretax or after-tax salary deferrals, respectively.

The business also can make profit-sharing contributions among all eligible participants, but doesn't have to contribute in years when profits are low – it's completely up to your discretion. Also note that you can use an age-weighted method, in which

DID YOU KNOW?

Research by The Pew Charitable

Trusts shows when an employer offers a retirement plan, **52%** of millennials, **75%** of Gen Xers and **80%** of baby boomers will enroll. What's more, employee participation – for workers of all ages – rises nearly **16%** when an employer match is offered.

older employees or those who have worked for you the longest receive a proportionately larger share of the contribution. A third-party administrator can help you design the plan.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

An ESOP is set up via a trust fund through your company to make annual contributions to individual employee accounts, which are used to buy company stock. Or your company can issue new shares to an ESOP, deducting their value (for up to 25% of covered pay) from taxable income. Employers can match employee contributions with company stock, which may be worth more than a matching cash contribution. The stock is typically subject to a vesting schedule, and employees pay no tax on the contributions until they receive the stock when they leave or retire.

With a post-COVID-19 job market and workers' desires to fund fulfilling retirements, you may want to consider offering employees this benefit sooner rather than later. Your advisor can walk you through what makes sense for your business. ■

NEXT STEPS

- Review the plans you currently have in place – is there an opportunity to amend your plan?
- See if the SECURE Act opens up plan options to boost your employees' retirements
- Reach out to your advisor to find out more about plans that make sense for your business



Healthy, wealthy and wise

The connection between financial wellness and health can have benefits for your employees and your business

The connection between health and wealth is more than a Benjamin Franklin quote. It turns out that saving and investing for retirement, preparing for major life changes, and providing financial guidance and education along the way can have a substantial impact on both your and your employees' health. Here's why.

STRESS IMPACTS EVERYTHING

When you or your employees are stressed, productivity, focus, health and overall well-being can suffer. In a recent study, 57% of employees were shown to be stressed about finances, with long-term saving and investing for the future key areas of concern. And there's a direct link to high financial stress and physical ailments like headaches, ulcers, depression and other issues. There's also a potential for a feedback loop to occur – with financial stress driving down overall physical health, and poor physical health increasing financial stress with medical expenses and potentially hurting productivity at work.

LIVING WELL, LONGER

Generally speaking, the healthier you are, the longer you can expect to live. It's an optimal outcome of physical wellness, but it does require extra attention to long-term savings and retirement planning. Your employees may not be thinking about this, but showing them you are and providing retirement planning options demonstrates a commitment to their lives as a whole.

UNLOCK THEIR POTENTIAL

Reducing financial stress by providing retirement planning, financial wellness programs, and support when buying a house or making major life changes can pay off in the long run. Helping younger staff manage or pay off student debt can play a pivotal role in where they choose to work. Employees who feel

they are supported tend to be more loyal – and outperform. So how can you provide all this when you may not have the knowledge or the time?

MAKE A ROAD MAP

Start by understanding the landscape and study your employee demographics. What financial milestones might they be pursuing at their stage of life? Consider sending out a short, anonymous survey to find out what goals they might like help with.

CREATE A TOOLBOX

What tools do you have at your disposal to help employees with their financial lives and well-being? From retirement plans to special relationships with a bank for mortgages, equity compensation, health savings accounts, bonuses, or maybe even discounts at local businesses – these all fall under the financial wellness umbrella. With 65% of employees surveyed stating they could not cover six months' expenses if income were lost, find out if goal setting, budgeting and other financial basics would be a key benefit. Engage your advisor to see if they can set up a financial wellness seminar or workshop series at your workplace. Be creative and try to map what you are able to provide to what your employees have expressed interest in. ■

NEXT STEPS

- Reach out to your employees one on one or through a survey to find out what parts of the financial picture they'd like to learn about
- Talk to your advisor about the possibility of a financial wellness seminar virtually or at your office
- Investigate what financial wellness programs look like and what might fit your business



Go green!

How embracing sustainability can be good for your bottom line

Green life, sustainable mutual funds, buying local, the “buy nothing” movement, plastic-free living, eco-fashion, electric vehicles. You’ve seen all the headlines about reducing your impact on the planet. What “green” steps would we want to incorporate into our businesses?

The Environmental Protection Agency (EPA) defines sustainability as “creating and maintaining the conditions under which humans and nature can exist in productive harmony to support present and future generations.” The overarching idea is to find ways to do business that have a gentler effect on the Earth. Fortunately, there are a lot. And companies who are tapping into this zeitgeist could enjoy cost savings over time as they lead the way into the future.

BE AN ENERGY STAR

The EPA has a wealth of information on how to make your office more energy-friendly, from lightbulbs to heating and cooling systems through its Energy Star program. High-performing Energy Star buildings can save up to 60 cents a square foot on operations and maintenance as well as 53 cents a square foot on utilities. Something as easy as replacing 50 lightbulbs with 12-watt LEDs can save up to \$190 a year. It’s a start, plus they generate less heat so they’re safer and keep your company cooler in the summer.

RECRUIT A TEAM

Create a “green team” responsible for generating new ideas about ways to reduce energy and save costs. Incentivize creative thinking with lunch and learns from a favorite local vendor, gift cards or even offer a bonus based on how much people participate in green initiatives.

GROW SOMETHING

Inside your office, simple desk plants can not only create a Zen and welcoming atmosphere, they also help clean the air. Look for low-water, low-light plants like a pothos that require little maintenance and care. Planting trees is also a great way to reduce CO₂ in the air, shade and cool your building, prevent soil erosion and even attract a few birds.

SOURCE IT

Most office supply vendors now offer more environmentally conscious options for everything from paper products to biodegradable packing tape and printer toner. See if buying in large quantities can reduce the price of switching, or work with operational staff to reduce usage.

THINK BIG

Sustainability can encompass so much more than environmental factors. Consider other initiatives that contribute positively to your business and your community, like corporate responsibility and governance as well as diversity and inclusion initiatives. ■

NEXT STEPS

- Consider downloading the Energy Star Small Business workbook to fast-track saving energy
- Talk to your employees about ways they think you could reduce and recycle
- Reach out to vendors to see what their sustainable product offerings look like

Sources: epa.gov; raymondjames.com; energystar.gov; techrepublic.com; arborday.org; Energy Star small business workbook; gep.com; gardeningknowhow.com