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BIZGrowth Strategies

IDEAS TO HELP GROW YOUR BUSINESS

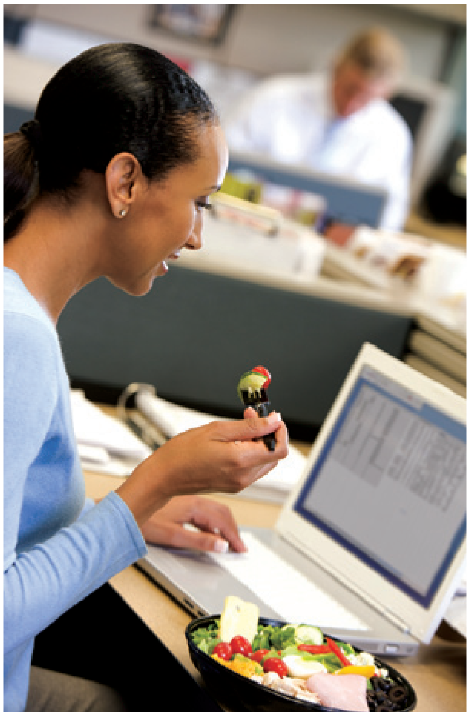
Employee Benefits

"2705" Reasons to Change Your Company's Health Culture

Employees are not afraid of getting healthy; they are afraid of losing health care. With Health Reform, coverage is guaranteed; health is not. Health comes only with an increase in the desire to get healthy. Now, with Section 2705 of the Public Health Service Act, help is on the way.

Section 2705:

- is your new ally in the effort to change the culture of your organization to health;
- has the potential to elevate participation in your workplace health promotion programs to near 100%; and
- ensures there will be no discrimination on the basis of health status, medical conditions, past claims, or medical history.



Section 2705 begins with the guideline that discrimination in health care benefits is no longer allowed. It codifies in statute the existing regulation that allows employers to charge a differential premium based on employees meeting

(Continued on page 2)

In This Issue…

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The New York Times	The Wall Street Journal	Bloomberg BusinessWeek
A Year to Give Gifts to Your Heirs, and Save on Taxes	**Getting an Offer Right**	**Spot Workplace Fraud**
August 27, 2010	*August 22, 2010*	*July 14, 2010*

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Employee Benefits *(Continued from page 1)*

health standards, such as not smoking, reaching recommended weight levels, and passing a fitness test. No longer is the argument that "regulations" might change a viable one for employers who were unsure whether to incorporate financial incentives for maintaining health into their health care plans.

Section 2705 makes it official that offering a contribution for a health benefits differential is permissible and advisable. By 2014, the maximum differential allowed by law will increase from 20% to 30%, with the possibility of it increasing to 50%.

What is your "mindset" about taking action based on Section 2705?

In Matthew Syed's book about high achievers, Bounce, he cites research by Carol Dweck of Stanford University that there are two types of mindsets: *fixed mindsets* and *growth mindsets*. A person with a fixed mindset believes that personal qualities, such as intelligence and personality, are set in stone. The growth mindset individual believes those same qualities can be improved.

Syed outlines studies that support the premise that it is purposeful practice, not talent, which leads to excellence. Hours of practice, intentional change, and a mindset of wanting to improve are imperative to achieving optimal health and well-being.

Actions to Consider Taking

1. Use 2705 to provide a financial incentive for employees, inspiring them to improve their health. Dr. Dee Edington, the industry's top health management researcher, cites the goal to develop employees into "self-leaders" for health as one of his five pillars of Zero Trends. Leadership is about maintaining momentum. When you provide financial incentives, such as savings on employee contributions for health insurance, you help build their momentum. They begin to engage in the process of taking care of their own health. Change your company culture one health incentive at a time. Take advantage of the 20% differential by offering it first to those employees who should be rewarded for their good health. Encourage others by rewarding those who already live the healthiest lives.

2. High participation is the first step. Eventually you should reward achievement. Encourage employees to achieve and maintain healthy measures for body mass index, cholesterol, blood pressure, and blood sugar. Like giving someone a sales goal, inspire them toward higher fitness and health levels through additional incentives.

The ultimate goal of higher productivity and lower health care costs is attainable! If you would like to discuss how your organization can achieve world-class results and lower health care costs, please contact the author.

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Management & Performance

Incentive + Opportunity + Rationalization = Fraud

Fraud is a multi-billion dollar "industry" that victimizes far more companies than is publicized. All businesses, no matter the industry or size, can be targets of fraud. Large companies may offer several layers of "cover" masking fraud schemes. Small businesses tend to have disproportionately large losses from asset misappropriation and are far less likely to recover from fraud. They often rely on personal trust rather than systematic internal controls to protect themselves.

The classic "fraud triangle" of incentive (or pressure), opportunity, and ability to rationalize is an environment that can lead to fraud. While most frauds are detected through tips and by accident (leading to reactive investigations), because of the significant financial costs of fraud, many businesses are actively uncovering or preventing fraud through risk assessments and implementation of appropriate controls.

Fraud commonly falls into three categories: asset misappropriation (e.g., stealing inventory, billing schemes, T&E reimbursements, check tampering); corruption schemes (conflicts of interest, bribery, improper gratuities); and fraudulent financial statements (concealed liabilities, fictitious revenues, improper valuation making companies look stronger than they actually are).

A study conducted by the Association of Certified Fraud Examiners (ACFE) based on data compiled from 959 cases of occupational fraud that were investigated between January 2006 and February 2008 is revealing:

- Fraud schemes tend to be extremely costly. The median loss caused by the occupational frauds in this study was $175,000. More than one-quarter of the frauds involved losses of at least $1 million.
- The most common fraud schemes were corruption (27%) and fraudulent billing schemes (24%).
- Financial statement fraud was the most costly category with a stunning median loss of $2 million.

The ACFE study suggests that U.S. organizations may lose 5 to 7% of their annual revenues to fraud. All industries are susceptible. An interesting aspect of the study is the identification of the most common frauds by industry: financial services (cash larceny), government (billing), manufacturing (billing, expense reimbursement), insurance (billing, check tampering), health care (billing, skimming), education (billing), retail (noncash, billing, skimming, cash larceny), general service (skimming, billing), and professional or technical service (billing, check tampering).

Lack of adequate internal controls was cited most commonly as the factor that allowed fraud to occur. The implementation of anti-fraud controls appears to have a measurable impact on an organization's exposure to fraud.

Clearly, strong business processes can reduce susceptibility to fraud and its financial impact. If you believe your company may be vulnerable to fraud or may have exposure to other financial risks, contact your local CBIZ advisor or the author directly.

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Managing Your Personal Wealth

Low Real Estate Values Create QPRT Opportunity

Let's assume that federal estate and gift taxes are here to stay. Then let's assume the need to do estate and gift tax planning also remains. During life (gift tax) or after death (estate tax), planning for wealth transfers can result in big tax savings.

With the burst of the "real estate bubble," the steep decline in residential fair market values creates a great gift tax savings opportunity. If you feel that the fair market value of your home has reached its low, then the time to act may be now.

A qualified personal residence trust (QPRT) is a special type of irrevocable trust that allows you to transfer your residence to your children or other family members at a significantly discounted value for gift tax purposes, while you retain the right to live in your home rent-free for a fixed number of years. As specified in the trust instrument, this "fixed term" should be at least the number of years you are likely to survive.

During the fixed term, you will continue to pay mortgage expenses, real estate taxes, insurance, and expenses for maintenance and repairs; and will continue to deduct mortgage interest and real estate taxes on your individual income tax return. When the fixed term ends, ownership is transferred to your children (or other beneficiaries). You may continue to live in your home by renting it from your children at a fair market value rental rate. The rent payments will further reduce your taxable estate and provide cash to your children outside of annual gift limits.

You make a taxable gift to your children when you establish your QPRT, but the value for gift tax purposes is far less than the fair market value because only the value of your children's remainder interest is subject to gift tax. The remainder interest is equal to the current fair market value of your home, less the present value of your retained interest (based on the current fair market value of your home, the term of the QPRT, and the IRS valuation table rate).

That's why current significantly reduced real estate market values are a plus for QPRT planning. So is a long trust term, which lowers the value of the remainder interest and corresponding gift tax. And if the amount of the remainder interest is less than your available gift tax exclusion, no gift tax will be due on the transfer!

To reach the goal of having your home excluded from your estate, you must outlive the trust term. Otherwise, your home's fair market value at the time of your death will be included in your estate. But even if you don't survive the trust term, the estate tax consequences will be no worse than if you hadn't created the QPRT at all.

To make your QPRT plan work, you must carefully weigh your life expectancy against the trust term and consider the IRS table rates. For additional information on this topic, please contact the author or your local CBIZ advisor.

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Human Resources

Is Your Compensation System Ready for the Economic Turnaround?

As the economy shows signs of improvement, it is more important than ever to ensure that your organization is able to retain its high-performing employees. Recent surveys suggest that a significant number of employees plan to seek new employment once organizations renew hiring efforts. Surveys conducted over the past year by the Society for Human Resource Management (SHRM) and other research firms reveal that more than half of American workers intend to look for a new position when the economy rebounds.

In response to the risk of losing valuable employees, many organizations are working to update their compensation systems in order to remain competitive. In addition, wage freezes are being removed and reinstated incentive plans are on the rise. In the process of revising compensation practices, a frequent question among HR professionals is “Will recent published compensation surveys accurately reflect pay practices in an improved economy?”

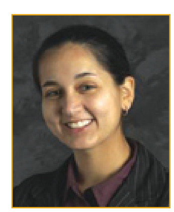
Many of the surveys released this year will be based upon compensation data collected in late 2009, meaning the data would have been compiled in the midst of the recession and after numerous organizations had already implemented labor-related, cost-cutting measures. Fortunately, there is strong evidence to suggest that HR professionals should not be concerned that utilizing current surveys will place their organization behind the market in a healthier economy.

The reality is that pay reductions have been relatively uncommon during this recession. Surveys conducted by WorldatWork and other think tanks late last year show that, on average, only one employer in fourteen actually reduced employees’ pay, and approximately 40% of employers intended to restore pay to original levels by 2010. Employers were far more likely to lay off low performers rather than universally cut pay. Another trend observed last year was salary increase budgets that far exceeded average rates; some employers recognized that paying a premium may be necessary to keep their top performers despite the down market. Higher than typical salaries were also used by employers to poach “A” players from other organizations.

The overall result of employers’ pay policies last year indicates that compensation data did not experience a dramatic fall in 2009. This observation is consistent with historical evidence: during past recessions, wage levels have also not seen a decline. Therefore, to attract and retain talent in the revived labor market, HR professionals should utilize current published survey data to:

- compare their organizations’ pay practices to market comparables;
- update salary structures;
- determine salary increase and incentive budgets that will motivate and reward high performers; and
- continuously monitor compensation trends in order to proactively adjust HR policies and procedures and keep up with a seemingly ever-changing economic environment.

For additional advice and strategies on this or other HR topics, please contact the author or your local CBIZ advisor.



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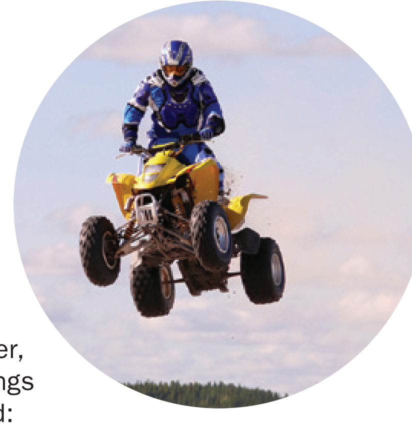
Insurance Strategies

Protect Your ATV Experiences

Over 16 million Americans enjoy the experience of operating an all-terrain vehicle (ATV). Unfortunately, approximately 1,000 people die and nearly 150,000 are injured each year due to ATV accidents. Injuries and accidents are particularly common for children under age 16.

If you own or operate an ATV, you should advise your insurance agent accordingly to verify that you have proper liability and physical damage coverage in place. Under the homeowner's policy there is liability coverage for ATVs, albeit with an important exclusion. If the accident involving one of the owned ATVs occurs off the "insured location" defined in the policy, there is no liability coverage under the homeowner's policy.

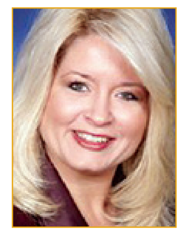
It is wise to purchase a separate ATV insurance plan that covers the vehicle on your property as well as while on the road. Coverage is provided to owners on a variety of levels, depending on the company. There is coverage for your all-terrain vehicle and others on the trail. It also covers bodily injuries for you, the insured, as well as injuries incurred by other people who are involved in the accident. ATV insurance also covers property damage to other vehicles that are in an accident with the insured's ATV.



In addition, ATV insurance covers uninsured accidents that occur on the road or highway with people who do not have insurance coverage or do not have sufficient coverage when in an accident. As an ATV owner, there are a couple of things you need to keep in mind:

1. ATVs have a high theft rate.
2. Your homeowner's insurance won't cover your ATV if you ride it off your property or if you trailer your ATV to another location.
3. If you use your ATV in a state-owned or public park, insurance may be required.

ATV insurance isn't as fun as a little off-roading, but it is just as important as wearing a helmet. If you own an ATV and don't have an ATV insurance policy, be sure to contact your insurance specialist today.



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Tax Strategies

Tax Savings for Commercial Property Owners

An often overlooked and under-utilized tax strategy available to commercial property owners is a cost segregation study. For a commercial property owner currently depreciating the majority or all of their property over a 39-year or 27.5-year life for tax purposes, or for an owner constructing or purchasing commercial property, a cost segregation study may provide significant tax benefits.

What Is a Cost Segregation Study?

A cost segregation study is an engineering and tax based report that identifies and reclassifies personal property assets to shorten the depreciable lives of the assets for income tax purposes, thereby reducing current and future income tax obligations.

Types of Cost Segregation Studies

There are three types of cost segregation studies:

- a study for a newly constructed building
- a study for the purchase of an existing building
- a study for an existing building that has been owned for more than one year (look-back study)

It is important to note that a look-back study provides for an immediate retroactive "catch-up" adjustment on the next tax return filed. Therefore this "catch-up" deduction is claimed in one year. Previous rules dictated that this adjustment had to be claimed over a four-year period. The IRS permits the filing of Form 3115 to request an automatic change in accounting method without having to file an amended tax return.

Bonus Depreciation

In some cases, a special depreciation deduction equal to 50% of the depreciable basis of qualified property can be claimed in the year the assets were placed in service. Cost segregation is an extremely vital tool in achieving this significant deduction.

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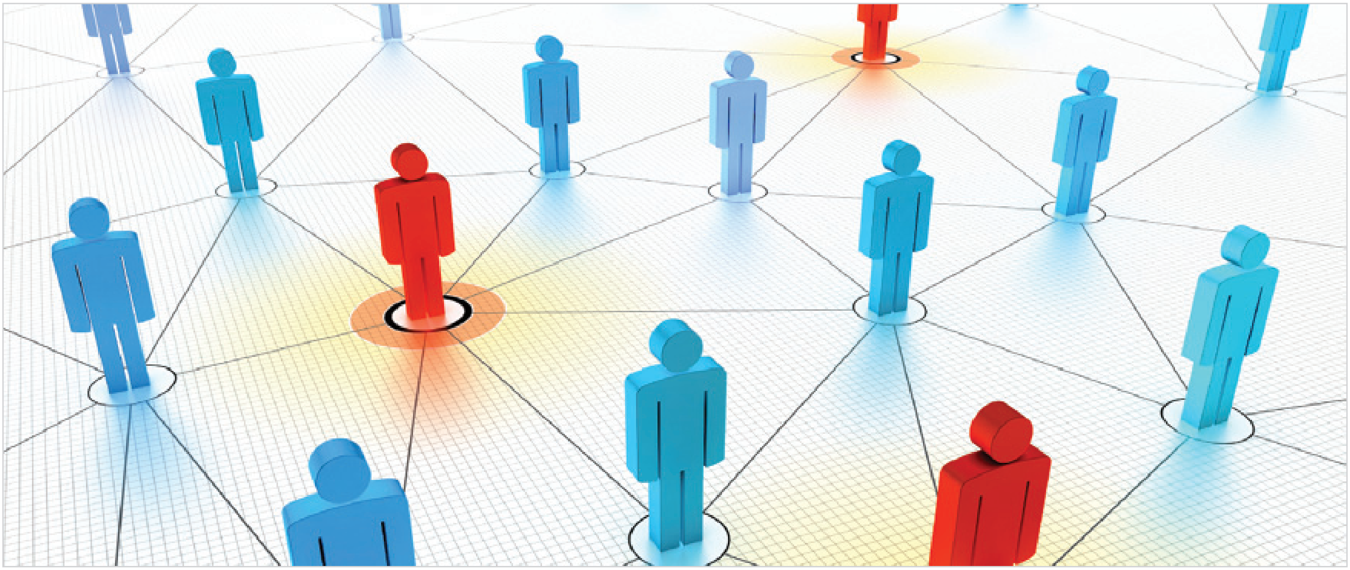

Marketing

LinkedIn: Dip Your Toe In or Jump In? Part II

Part I of this article discussed the advantages of joining a social network, specifically, LinkedIn. Now we will address how to build a profile and network.

Build your initial profile. No need to take a deep breath. This is actually a lot less intimidating than you might think. The easiest way to build your profile is simply to sit down in front of LinkedIn with a copy of your most current resume and fill in the appropriate information. You can create a basic profile in less than ten minutes.

Build your initial network. Many users already have an extensive network from which to draw, but have not yet used a relationship tool like LinkedIn to manage contact and communication with them. There are easy tools to input your contacts into your LinkedIn account. Using Outlook or any web-based email account, LinkedIn can search for other users from your list of contacts. Look up others you know on LinkedIn by sending out requests to previous contacts, target clients, former employers, current colleagues, old classmates, family, and contacts from clubs and other organizations.

Continue building a network. There are many opportunities to reconnect and build new relationships through current connections. After completion of the initial network, research your first contacts to see if there are second or third contacts who would be beneficial to add.

Don't stop there. When you meet someone for the first time, collect their business card. Follow up with a call or email; say that you were pleased to meet him/her and would like to meet in the future. Then immediately send the new contact an invitation to connect. (Do not send the LinkedIn default message. Customize your message to let the person know who you are and when you met.) Upon their response, invite your new contact to review your network list and let you know if you can facilitate any introductions. Contact these connections on a quarterly basis to help you stay top of mind.

Get recommended. The best way to get recommendations is to give them. Review your contacts and write recommendations for those with whom you have had a good working relationship. Many people will feel flattered to receive this, especially when it is unsolicited. After they have reviewed their recommendation, LinkedIn asks them if they would like to recommend you. If all else fails, simply ask them to recommend you.

Building a profile and network is easier than you might think, and it can generate great results for the minimal time commitment involved. Part III of this article, which will appear in our next issue, gives specific strategies for pumping up your profile.

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Tax Strategies *(Continued from page 6)*

Qualified property is defined as MACRS property with an applicable recovery period of 20 years or less, computer software, water utility property, or qualified leasehold improvements. The assets also must be newly placed in service by December 31, 2009. The bonus depreciation allowance does not apply to used property.

Cost Segregation Process

The accountant and engineer will obtain architectural drawings, mechanical and electrical plans, and other blueprints to segregate the structural and general building electrical and mechanical components from those linked to personal property. In the case of new construction, the study will allocate soft costs, such as architect fees, permits, contractor overhead and profit, interest and taxes, and other general conditions to the specific asset lives. A site visit is always conducted. Detailed notes of the property are made, and photographs are taken for inclusion in the report and future reference.

When Is Cost Segregation Most Worthwhile?

Generally speaking, after taking into account the fees payable by the owner for the study, projects with depreciable costs in excess of $1 million are the best candidates. The general rule of thumb is a minimum $10 of present value tax savings for the owner for every $1 spent on the fee.

Five-Year Net Operating Loss Carryback Possibilities

In the past, cost segregation was used primarily to offset a tax liability incurred in the current year. Since 2008, a net operating loss may be carried back up to five years to recover federal taxes previously paid. Cost segregation can play an integral role in creating net operating losses for the owner.

To discuss this topic further, please contact the author or your local CBIZ advisor.

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