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Mark H. Ryan, MBA, CLU®, ChFC®

Financial Advisor • Senior Account Executive

175 Derby St. Suite 33
Hingham, MA 02043
Tel: (781) 741-9950 • Fax: (781) 741-9980
MarkRyan@FinancialGuide.com
www.markhryan.com

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Assessing the Health of Your Business

In today's business climate, it may be more important than ever for companies to operate at maximum efficiency and with a keen awareness of the potential impact of changes in their industry and the economy. Using a SWOT analysis to take a closer look at your company's internal operations, as well as its position in the marketplace, may help you avoid costly mistakes, improve your management practices, and refine your long-term strategic goals.

The acronym SWOT stands for **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats. A SWOT analysis is a strategic planning tool designed to assist an organization in identifying the internal and external factors likely to affect its ability to achieve its objectives. It can also be used to help management formulate ways to enhance processes and prepare for potential challenges. While some businesses regularly conduct these assessments, a SWOT analysis can be especially helpful prior to making a major strategic decision.

To conduct a SWOT analysis, start by evaluating where your company currently stands in each of the four categories. Under the heading "strengths," list the areas where your business currently performs exceptionally well or possesses certain competitive advantages. Your company may, for example, have experienced and committed employees, a long history in the community, or products and services that have been shown to be effective. Under the heading "weaknesses," make a list of areas where your company could show improvement. These weaknesses may include, for example, cash flow problems, high levels of debt, a key employee who is about to retire, or inefficient and aging IT systems.

If you have trouble developing an objective assessment of your strengths and weaknesses, imagine that you are viewing your business from a variety of perspectives, such as that of a client, a vendor, a staff member, or an investor. The comments you have received from others about your business can help you to determine more accurately

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In This Issue

Online Reviews: Protecting Your Company's Reputation

The number of consumers that purchase services and merchandise online is escalating annually, and so is the activity of responding to local and Internet shopping experiences by posting immediate feedback in the form of online customer reviews. Company review websites, such as Yelp and Google, have quickly become the go-to source of information about businesses with a widely-read platform of "insider" opinions on products and services that consumers trust. With the importance of online customer ratings and reviews to make or break your company's reputation, there are steps you can take to effectively monitor when your business is referenced and counter any negative reviews in time to preserve your reputation and increase customer loyalty.

How It Works

Typically, a prospective customer or client may conduct a search on the Internet for a service or product he or she wants. A list of businesses pop up, and depending on several factors, the attraction and elimination process begins. One of the first sections consumers focus in on when checking out a business is the company's ratings and reviews, where customers cast their votes by clicking on one to five stars. In addition, customers can leave a short or long detailed review of the product or service.

Online customer reviews have altered the marketing landscape for businesses that promote their products and services on the Internet. Today, if your company receives an unfavorable or positive rating, it carries considerable weight when existing and prospective customers are shopping around to make important buying decisions. A negative review holds the potential to drive business that could be yours over to competitors.

Taking Control

If you have developed an online marketing plan to successfully promote your company, your business may very well be popping up on one of the many online review websites. Here are some steps that can help you to manage your company's online reputation, and in so doing, both protect and increase your customer base:

- **Stay informed.** Sign up to receive email alerts whenever the name of your company is mentioned online, or perform your own searches regularly (at least once a week) to check on reviews of your business. If a negative review should appear, chances are you'll be in a position to address the issue right away.

- **Keep cool.** Remember to focus on giving exceptional customer service, even when responding online to a negative review. Resist the initial impulse to go on the defensive. Instead, offer to resolve the situation with the customer immediately. The longer a bad review is left to percolate online, the more apt you are to lose customers.
- **Create avenues for customer feedback.** If you don't already have a presence on social media sites, such as Facebook and Instagram, you may want to reconsider. Customers will find a public outlet to express their opinions. So, to nip any negative commentary in the bud, at the very least, make sure to list an email address for customers on your company's website.
- **Go the extra mile with an unsatisfied customer when resolving a problem.** After tackling the customer's initial complaint, offer an additional free gift or a discounted item for his or her trouble. The solution that you provide and the way you handle the issue will also be posted online.
- **Ask your satisfied customers to write a positive online review.** The more favorable reviews you garner online, the broader reach you'll have with your marketing campaign.

As a small business owner, you know how crucial it is to please your existing customers and attract new prospects all the time. By tracking your company's reviews online, responding quickly to negative feedback, and providing exceptional customer service when correcting any problems as they arise, you'll be well on your way to creating a climate for customer loyalty while continuing to grow your business.

Removing Money from Your 401(k) Before Retirement

From time to time, circumstances may warrant your considering taking money out of your **401(k)** account. If you're older than age 59½, become disabled, get divorced (in specific situations), or die, money can be removed from your 401(k) without paying the 10% Federal income tax penalty for early withdrawals. (Of course, income taxes will still be due.)

But, what if you are younger and have a pressing need for immediate funds? The Internal Revenue Service (IRS) allows two other methods for removing money from your 401(k) plan account before retirement: 1) a qualified hardship withdrawal; and 2) a loan.

Qualified Hardship Withdrawals

The IRS allows you to take a qualified hardship withdrawal if the funds are used to:

1. Pay qualified uninsured medical costs incurred by you, your spouse, or a dependent.
2. Purchase your principal place of residence.
3. Pay qualified higher education costs for yourself, your spouse, or any of your dependents.
4. Make payments to avoid foreclosure on your principal place of residence.
5. For funeral expenses.
6. Certain expenses for the repair of damage to the employee's principal residence.

Keep in mind, however, that a qualified hardship withdrawal does *not* avoid the 10% Federal income tax penalty for early withdrawals. Also, because you are permanently removing money from your 401(k), income taxes will still be due.

Borrowing from Your 401(k)

Many 401(k) plans allow participants to borrow a portion of their account balance. By law, loans cannot exceed the lesser amount of:

1. 50% of your vested account balance or $10,000, whichever is more, or
2. $50,000, minus any outstanding loan balance from the past 12 months.

Generally, loans must be repaid with interest within a set period of time (typically five years). Interest rates are generally comparable to commercial loans. As long as the terms of the loan are met, there is no 10% Federal income tax penalty for early withdrawal or income taxes due (naturally, an actual withdrawal is an income taxable event).

Before you consider taking a loan from your 401(k) account balance, you should carefully review your financial situation. The first thing you need to ask yourself is whether or not the loan will be used in a *prudent* manner. For instance, taking out a loan to purchase a second home, or to supplement a small business venture, may make a lot more sense than borrowing the money to go on vacation. Let's take a quick look at some pros and cons of borrowing from your 401(k).

The pros:

- When you pay back the loan, you are, in effect, paying interest to yourself. It all goes back into your account.
- As long as the interest rate equals or exceeds the rate of return you are earning on the unborrowed portion, you are not hindering the long-term growth of the account.

The cons:

- The interest portion of loan repayments usually is not tax deductible.
- These loans have limits and they are usually short term. Amounts not repaid on time will be viewed as taxable withdrawals by the IRS and may be subject to penalties.
- If you leave the company, your employer may demand full repayment within 60 days; you might owe taxes (and possibly penalties) on the unpaid balance.

Prudence Pays

If you need to borrow or take a hardship withdrawal, you should consider *all* credit sources available to you and select the source best suited to meet your needs. Tapping your 401(k) might make sense in certain situations, but consider *every* option first.

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the areas in which your group excels, as well as those in which improvement is needed.

Next, take stock of the external environment by evaluating potential opportunities and threats. When compiling a list of "opportunities," think about the possibilities, both large and small, for expanding your offerings or creating new funding streams. These may include, for example, partnering with another business, adding new products, or intensifying marketing efforts in a new target demographic. Under the heading "threats," list all of the outside influences that could prove detrimental, such as downturns in the economy, shifts in client demand, changes in the legal or political landscape, or natural disasters.

After compiling your own SWOT list, convene a meeting of members of your management team, professional advisors, and a representative group of employees. When discussing strengths and weaknesses, focus especially on where your company stands in each of these areas relative to competitors, the company's capacity to grow and to take on new challenges, and how your company's strengths and weaknesses make it more vulnerable—or more resilient—in the face of outside threats.

Once you and your team have compiled a thorough SWOT list, this information can be used by the company to streamline practices and formulate new strategies. A SWOT analysis can help your company build upon its current strengths, make plans to improve areas of weakness, and prepare to avert or cope with potential problems.

Besides helping you hone your strategy and strengthen your position in the marketplace, a SWOT analysis can be useful when approaching investors and in improving your relations with board members, employees, and other stakeholders. A thoughtfully prepared inventory of your assets and liabilities, coupled with a strategic plan to act on those findings, can serve as tangible evidence of your management skills and willingness to take the action necessary to ensure that your business continues to meet or exceed its goals.

Mentoring Programs are Valuable

In many organizations, mentors can be an invaluable asset for learning and growth. They serve the interests of the company by educating new hires about company culture and policies, enhancing lines of communication, and working to fulfill strategic business goals. New employees gain personalized training and the opportunity to learn from the mentor's experience. In particular, recent college graduates often lack practical experience and need guidance to meet the daily demands of a business. If you are considering a mentoring program, keep these points in mind:

- Mentoring and supervising are different functions. While a supervisor manages an employee's work, a mentor plays a more personal role—helping a new hire to learn the ropes with ongoing support and guidance.
- Part of learning is making mistakes. Encouragement from a mentor can help a less experienced employee tackle and overcome the inevitable challenges ahead.
- Developing talent takes time. Have an organized approach by setting goals and reviewing progress. Checking in regularly can bolster morale and help dispel feelings of discouragement.
- The positive influence of mentoring can play a major role in your company's ability to retain top performers and achieve success.

By sharing their knowledge and experience with aspiring employees, mentors can provide an invaluable service to your business. While attracting and holding on to valuable employees is a challenge facing many companies, a solid mentoring program can help give your business an advantage.