

Courtesy of

## Mark H. Ryan, MBA, CLU<sup>®</sup>, ChFC<sup>®</sup>



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

Volume 29 • Number 2

# Business Quarterly

## Salary Continuation Plans for Key Employees

**Salary continuation plans** are essentially **deferred compensation arrangements** between employee and employer; they stipulate that extra benefits will be provided to the employee after retirement, disability, and/or death, provided the employee complies with the terms of the agreement. The agreement may require the employee to work for a stated period of time, or it may contain a “noncompete” clause obligating the employee not to compete directly with the employer over a period of time in a specific geographic location.

The benefits provided by these kinds of plans are often expressed as a percentage of salary starting at retirement (e.g., retirement benefits of 30% of salary for 10 years), and are based on length of service. This type of plan can supplement other retirement plans.

Salary continuation plans can be constructed so they are **non-qualified** (not tax-deductible). These plans avoid the restrictions and administrative burdens of **qualified** (tax-deductible) plans. With this approach, a company is free to choose participants and benefit levels. To avoid many of the restrictions of the Employee Retirement Income Security Act of 1974 (ERISA), however, a nonqualified plan must be restricted to a select group of managers or highly paid employees.

In contrast to a qualified plan, benefits under a salary continuation plan depend solely on the financial strength of the corporation, and there is no requirement that funding be guaranteed. Thus, in the event of bankruptcy, the employee would have the same rights as a general creditor in collecting benefits.

Among the advantages of salary continuation plans are the following:

- **Provision of a retirement plan for key employees.** This feature is especially important for companies that cannot afford a tax-qualified plan for all eligible employees.

*continued on page three*

### In This Issue

- Creatively Market Your Way to Success
- Symbiosis: Providing Customers with One-Stop Shopping
- What to Look for in an Office Manager

## Creatively Market Your Way to Success

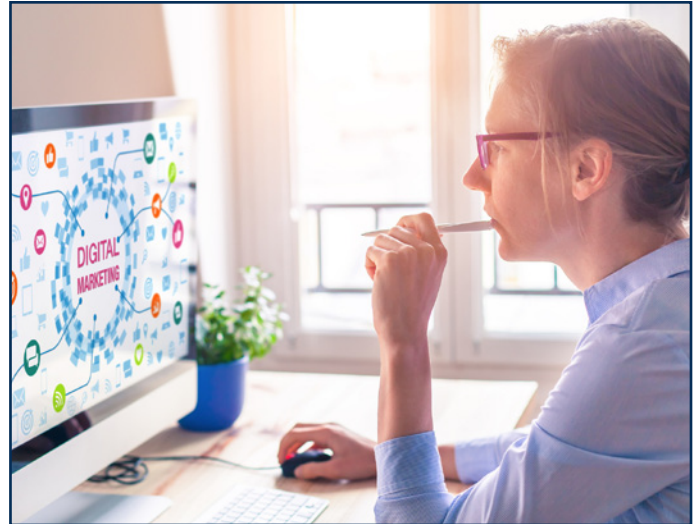
As a small business owner, you know the importance of making your business stand out from the competition. To this end, consider your marketing strategy. Are you fully utilizing *your* business assets to reach new clients and improve sales?

To begin, marketing strategies are generally based on four basic principles:

- **Product:** The items or services your company offers.
- **Price:** The amount your product or service will cost.
- **Promotion:** The way in which you advertise your product or service to increase sales.
- **Place:** The best location to distribute and promote your product or service to encourage sales.

Before you can fully incorporate the four P's, identify your target market, determine what they are looking for, and pinpoint how your company can fulfill their needs better than the competition. Once you have completed these steps, you can seek out creative and alternative ways to reach your target audience. Consider these five inexpensive and proven methods to market your company:

1. **Become an expert.** To increase your visibility in your local market, volunteer your time and services to community and industry-related events. To introduce yourself to trade show and event organizers, compose media kits with your photograph, company bio, service goals, and credentials; then mail the kits to the appropriate parties. Follow up by phone, and if that doesn't work, consider organizing your own events. Another option would be to offer to teach a class on your area of specialty at a community college. Or, include a question and answer segment on your website to provide valuable information about your industry. If you do so, be sure to respond to queries within 24 hours.
2. **Make an alliance.** "Beef. It's what's for dinner." This is an excellent example of a long-running ad campaign that is instantly recognizable, although a specific company is not mentioned. The ad conveys nutrition and Americana, while helping to promote farmers, distributors, packagers, etc. Consider making alliances with companies that complement yours to share



advertising, promotional, and market research expenses.

3. **Be flexible.** Smaller companies typically have a greater capacity to change with the times than do those in the Fortune 500. Small businesses can often tailor their products and services to individual customer needs, which presents a significant marketable advantage. Make the most of your company's ability to customize and promote these options accordingly.
4. **Obtain and maintain customers through email.** Everyone dislikes spam, but companies may have the opportunity to buy email lists that are composed of "double opt-in" customers. These are people who have signed up twice to receive information on a specific topic. Although these lists can be expensive, combining customer interest with an informative email newsletter, for example, can be an eye-catching and instructive way to gain sales.
5. **Offer free samples.** This can be a great way to introduce prospective customers to your product, because all people, young and old, love a bargain or a freebie. Be creative and devise a way to offer your audience a tempting "free bite" of your product.

All businesses are unique, and a strategy that works well for one company may not work for another company. Maximize the same creativity that led you to start your business in the first place, and use it to promote your product. Keep in mind that there are many ways to reach potential customers, and with a little brainstorming, you may find marketing solutions that are straightforward, inexpensive, and productive.

# Symbiosis: Providing Customers with One-Stop Shopping

Symbiosis is a biological term meaning a mutually beneficial relationship of two or more different organisms in close association. From a business owner's perspective, it may be more than biology. Some business owners have already put symbiotic principles to work in the form of joint business ventures, and the results have been beneficial for all parties involved.

Besides learning about biological symbiosis in school, there may be good reason for business owners to continue its study to help them succeed in today's economic climate.

Perhaps you have seen symbiotic principles at work in your nearby business supply store, where you can now obtain the additional services of a small mailbox/shipping company, a software specialty shop, and, perhaps, a printing facility. The store has the available space, and the smaller enterprises have the additional services needed by business customers. Each service or party benefits from the others, and all are ultimately enhanced by their close proximity.

Another example of symbiotic principles might include a group of service businesses—a cobbler shop, jewelry repair shop, and passport photo shop. They may choose to rent one large retail space in a mall, which might have been too large and costly for one business to handle alone. All businesses may benefit where one may have struggled. Shared office services have also become a common "joint venture." One building may house several independent "one-person" ventures, all of which require a receptionist, copy and fax equipment, and a pleasant reception area.

Does your business have extra, unused space? Do you use certain services infrequently or sporadically, but pay for them continuously? Is there a service or business that could complement yours, while you complement theirs?

Perhaps the time has come to expand on the biological meaning of symbiosis? Besides providing consumers with much-needed one-stop shopping, you may form mutually beneficial and profitable business relations.

## Salary Continuation Plans for Key Employees

*continued from page one*

- **Retention of key employees.** Salary continuation may help retain employees and be more cost-effective than offering higher salaries.
- **Allowance for a more competitive compensation package.** When recruiting a mature executive, a salary continuation plan can be an alternative to a higher salary or increased retirement benefits.
- **Provision of a necessary or desirable early retirement.** It's often the case that part of the attraction of a salary continuation plan is its appeal to a key employee who might want to retire earlier than usual.
- **Protection of some benefits in a merger situation.** With so many mergers and acquisitions taking place, having a salary continuation plan in place may provide more secure retirement funding for key executives.

The cost of a salary continuation plan is directly related to the benefits provided. Employer contributions to the plan are deductible in the year in which the payments are included in the employee's gross income. A fund reserve can also be created to help

meet these obligations. However, the employee cannot have a specific claim on any fund or reserve.

Many companies find it advantageous to recover the costs of the plan by including a death benefit. In this case, an employer purchases **cash value life insurance** on the employee. The company is both the owner *and* beneficiary of the policy. The size of the policy is determined by the value of money (the interest rate), the benefits, and mortality considerations.

Assuming actual mortality rates are consistent with those anticipated, the company can potentially recover all premiums and benefit costs, plus interest, on the money expended. Premium costs are not deductible, but policy proceeds are generally received tax free by the corporation. Policy proceeds may, however, be subject to the **alternative minimum tax (AMT)**. Benefits paid to the employee's heirs are tax deductible for the corporation.

It is important to note that the Internal Revenue Service (IRS) often has regulatory changes in the offing that could affect salary continuation plans. As a result, it's always best to check that you're in step with the latest tax regulations.



## What to Look for in an Office Manager

As a business becomes more successful and expands its operations, the administrative tasks involved in running the company often seem to multiply exponentially. Even if you, as a small business owner, are able to keep up with mounting management responsibilities, it may make sense to hire someone to take charge of day-to-day operations, so you can focus on serving your clients and growing the business.

While an office manager's specific duties vary from company to company, these professionals generally oversee a variety of administrative tasks, such as financial management, human resources, marketing, physical facilities management, and computer and equipment selection and maintenance. Some larger businesses may divide these responsibilities among several staff members who report to one office manager.

In many cases, small business owners feel ambivalent about delegating management functions to a new employee, usually because they believe they save money by doing it themselves. But, if the other employees in your company are spending significant amounts of time bookkeeping, ordering supplies, or reviewing resumes—instead of bringing in business—you may actually be losing money as a result. Recruiting a professional to handle these tasks can free your employees to do their own work, and it may also enhance the business's efficiency and profitability.

Because of the diverse responsibilities of an office manager, finding the right person to fill the position can be a challenge. He or she must be able to handle a complex set of financial tasks, while also having the skills required to deal with customers, staff, and outside contractors.

The first step in recruiting an office manager is to write a detailed job description, based on your company's needs. You may be unaware of the

number and scope of tasks involved in running your business until you make a thorough inventory. Some of the most important areas in which an office manager is likely to need expertise include the following:

**Financial management.** Seek an administrator who has a strong grasp of general accounting procedures, financial management, insurance, and tax issues that may arise. It is also important that this professional have an understanding of billing and collection procedures for products and/or services rendered.

**Human resources.** A thorough grasp of recruitment techniques, personnel management, and employment law can help your administrator be an effective human resources manager. If he or she also has a working knowledge of benefits, you may ask your administrator to manage the activities associated with your company's health insurance and retirement plan.

**Technology.** Having the right computer hardware and software in place is a given for information-intensive businesses. Seek an office manager who is knowledgeable about how to purchase and manage your firm's IT equipment and systems.

**Marketing.** While your office manager may not be expected to be a marketing expert, he or she may need to work closely with outside agencies to further the company's sales and marketing strategies.

In addition to concrete qualifications in these areas, it is equally important to find a candidate with less tangible qualities, like good communication and interpersonal skills. Your office manager may need to collaborate and negotiate with staff and clients to help support your specific operational objectives.

A qualified office manager can help you handle administrative responsibilities efficiently and effectively, freeing you and your staff to do what you do best: serve your clients and grow your business.