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NEWSLETTER

MyRA: How the *new* IRA works

MyRA – My Retirement Account – is a new retirement savings account for Americans looking for an easy, safe way to start a retirement savings plan.

The accounts can be started for as little as $25, with $5 or more contributed each payday. They are expected to be available in late 2014.

Initially set to be offered through employers, myRAs will have no fees, will never decrease in value, and will be backed by the "full faith and credit of the United States."

They will earn interest at the same variable rate as the Government Securities Investment Fund in the Thrift Savings Plan for federal employees.

See **MyRA** *inside*

MyRA is designed to serve people whose employers do not provide access to a retirement plan. The best estimate is that about half of all workers and 75 percent of all part-time workers are in this category.

When are Social Security benefits taxable?

One seemingly simple question that often elicits a complex answer from tax advisers is, "Are my Social Security benefits taxable?"

The answer is, "Maybe."

Prior to 1984, Social Security benefits were not subjected to income tax. Beginning in 1984, Congress decided that up to 85 percent of the benefits received from Social Security can be included in taxable income.

The higher your non-Social Security income, the greater the portion of your Social Security benefits that is taxed. Social Security benefits are entirely nontaxable if the sum of (1) one-half of your Social Security benefits, (2) all of your other gross income and (3) all of your tax-exempt interest income is below a threshold amount.

The threshold amount is:

- $32,000 for married couples filing jointly
- $25,000 for unmarried individuals and married couples filing separately, who did not live together at any time during the year
- $0 for married couples filing separately, who lived together at any time during the year

Above those thresholds, a portion of your Social Security benefits is included in your taxable income.

At the highest income levels, if you are in the 39.6 percent marginal tax bracket, the tax effect of including 85 percent of Social Security benefits in taxable income effectively causes you to repay about one-third of your benefits to the federal government. ■

A satisfied customer is good: A loyal one is better

Your customer satisfaction surveys keep coming back "satisfied" or "very satisfied," but you still have the nagging feeling that you're not getting all the repeat business you could. What's the problem?

A satisfied customer may come back, but could just as easily go to a competitor. After all, satisfactory service is a dime a dozen, and if your customers can get a dozen for 9 1/2 cents, why wouldn't they?

Loyal customers, on the other hand, wouldn't switch even if your competitor offered a dozen for 8 cents or 7. And they'll tell their friends about your company, too.

Here are six ways to create loyal customers:

1. Put your smile out front

From a customer service perspective, the receptionist is the most important person in your organization. This is because he or she will help your customers form their first impression about your company. Is your business caring and customer-oriented?

Is it a place that will foster friendly, enthusiastic front-line employees? Spend at least as much time on customer training as you do on company training.

2. Remember who's boss

Who is the boss? Not the president or CEO. They may sign the paychecks, but the money is put there by the customers. Said another way, the food on your family's dinner table is put there by your customer.

What's the best way to learn to treat your customer like the boss? Become the customer. Once a month, phone your own company and try to get service or get through to upper management. How were you treated? Is it how you would have liked?

3. Focus on retention, not recruitment

It takes a lot more time, energy and money to make a new customer than to retain one. Are you spending more on advertising to recruit potential customers than on your customer service program to retain and foster loyal customers? If so, why?

4. Know where the buck stops

Where does the buck stop in your company? Who has the power to make customer loyalty decisions? The answer should be, "Everyone who has contact with the customer."

Erase the phrase, "Sorry, it's company policy." Make it second nature for your sales staff and front-line people to create loyal customers.

Make a list of the most common reasons customers contact your company, and list the very best responses to their questions or concerns. Post them wherever front-line people can see them.

The only answer a front-line person should not be able to give without involving a manager is "no."

5. Let them eat cake

If they ask for bread, that is. If they ask for cake, give them ice cream, too. Look at every place customers are offered a stock response, a business-as-usual process, a satisfactory service, and see it as a chance to create competitive advantage.

Don't ask, "What can we do for our customers?" Ask, "What more can we do for our customers?" If you give them the service they expect, you'll get a satisfied customer. If you give them a pleasant surprise and exceed their expectations, you'll get a loyal customer.

6. Turn complaints around

A complaint is an opportunity to create a loyal customer. The first two words out of your employees' mouths when they hear a customer complaint should be "Thank you." "Thank you for letting us know about ..."

The next words should be an apology and an immediate remedy. ■

MyRA *continued from front*

If you listened to the State of the Union address in January, you heard President Obama unveil the new retirement savings plan.

MyRA is designed to serve people whose employers do not provide access to a retirement plan. The best estimate is that about half of all workers and 75 percent of all part-time workers are in this category.

The myRA will use after-tax dollars, like a Roth IRA, and withdrawals under most circumstances will not be taxed. While it is funded by paycheck deductions, savers will be able to keep their accounts when they change jobs.

MyRAs will be available for any individuals whose annual income is less than $129,000 a year, or couples with income of less than $191,000.

Although the program can begin without legislative approval, employers will not be required to participate. Congressional approval is required to force employers who do not have retirement accounts to set up payroll withholding procedures for myRA.

The myRA program has a $15,000 limit. After reaching that mark – or after 30 years – savers will have to roll over their account to a private Roth IRA. The Treasury will finalize rollover procedures when it launches the program later this year.

Even if you qualify for myRA, you may wish to consider a Roth IRA as an alternative. Both Roth IRAs and myRAs are expected to have the same income limits on contributions.

If you decide to open a Roth IRA, you should shop for a custodian that charges no fees. You will not be subject to the savings limits, and you will not have to wait for your employer to agree to participate. ■

Three key mistakes management often makes

To succeed, business owners must develop the ability to identify problems on the horizon.

Unfortunately, as is shown by the number of businesses that fail each year, many companies do not detect or correct their problems early enough.

While it is true that some problems are unique to an industry or business, it is also true that most are not.

Usually, if the issue is identified early, many sources are available that can help resolve it. On the other hand, if the problem is allowed to grow, solutions can become more costly, time-consuming and risky.

For most business owners, the reason problems go undetected can be traced to a few common mistakes, which can be easily corrected.

While it is true that some problems are unique to an industry or business, it is also true that most are not.

1. Failure to analyze financial information

In many businesses, accounting is viewed as "bean counting" that is simply being completed for some outside party. Although it is true that other parties often need access to the numbers, owners who do not view their statements as a management tool are missing a golden opportunity to detect problems in their business.

Beyond simply using financial statements to determine whether the business is profitable, statements should be examined to determine how specific areas of the business are operating.

To avoid potential problems, financial statements can be reviewed to identify unexpected changes in the business such as increasing marketing costs, declining gross profit or changes in the operating expenses. When changes are identified, further investigation can be done to find the reason for each change. This, in many cases, will help management discover the problem in the early stages.

2. Not using projections properly

Failing to prepare projections is a common mistake that many owners make. Although most business professionals agree that projections are necessary, many businesses get too focused on their daily activities to project their future. Unfortunately, without a clear plan of how the business should be operating financially, it is easy to miss subtle clues that the business is off-course.

An equally costly mistake occurs when projections are prepared and then allowed to collect dust in a drawer. When projections are watched closely, the business has the ability to make small adjustments to put the operation back on track. Often, it is these small adjustments that keep problems from growing further.

3. Not understanding cash flow needs

One of the most common causes of problems in business is the lack of adequate cash flow. Without cash flow projections, it is nearly impossible to estimate the needs for the cash the business will have in the future. Despite this fact, many owners still make the mistake of not adequately projecting their cash flow needs.

To identify future cash flow problems, business owners should prepare two sets of projections. The first set should project cash flow needs over a period of at least one year. This information allows the business the ability to plan for and obtain proper financing for long-term needs. In addition, it is wise to prepare a short-term projection for the next four to six weeks, which should be updated at least every two weeks.

If a problem is detected because of a temporary need, suppliers, bankers or customers are often willing to help, provided that adequate time is given to address the problem. Many cash flow problems can be corrected if adequate time is available to find a solution.

Avoiding these common mistakes can mean the difference between success and failure for a business. The small investment of time will provide substantial rewards.

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Don't wait too late to see the red flags of fraud

There are definite red flags of fraudulent behavior.

Unfortunately, it is often after the crime has been committed that these warning signs become apparent.

Financial pressure is the biggest motivator of financial fraud by employees, according to the latest report of the Association of Certified Fraud Examiners.

In 81 percent of cases reported to fraud examiners, at least one behavioral red flag was displayed, and in many cases, several.

What are the red flags of employee fraud? Regardless of the year of the study and different groups of perpetrators studied, the behavior displayed remains very consistent.

Based on the position and level of authority within the company, owners and executives committing fraud are more likely to exhibit a wheeler-dealer attitude, have control issues and an unwillingness to share duties, and feel excessive pressure from within the organization.

Non-managerial employees are much less likely to exhibit these red flags, but are more likely to be motivated by financial difficulties, divorce and family problems and complaints about low pay.

Managers committing fraud are more likely to have a very close relationship with a vendor or customer, refuse to take vacations, complain about lack of authority and have addiction problems.

The No. 1 red flag for all groups was living beyond their means. ■

Red Flags	Percent of cases
1. Living beyond means	35.6 %
2. Financial difficulties	27.1 %
3. Unusually close relationship with vendor/customer	19.2 %
4. Control issues, unwillingness to share duties	18.2 %
5. Divorce/family problems	14.8 %
6. Wheeler-dealer attitude	14.8 %
7. Irritability, suspiciousness, defensiveness	12.6 %
8. Addiction problems	8.4 %
9. Past employment-related problems	8.1 %
10. Complaints about inadequate pay	7.9 %
11. Refusal to take vacations	6.5 %
12. Excessive pressure from within organization	6.5 %
13. Past legal problems	5.3 %
14. Complaints about lack of authority	4.8 %
15. Excessive family/peer pressure for success	4.7 %
16. Instability in life circumstances	4.1 %

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