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NEWSLETTER

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Too old? Too young? How ageism hurts your business

Discriminating against potential or existing employees because of age is illegal. It's also an obsolete practice that can hamper company performance.

Like other forms of discrimination, ageism is based on stereotypes and assumptions, most of them negative – *Older people don't want to learn new technology. They are set in their ways. They want too much money.*

The younger generation is also often stereotyped – *Young people have no work ethic. They feel entitled. They aren't loyal to their employers.*

In reality, there are only slight differences between generations, a new study on generation differences by University of Minnesota found. Workers of all ages bring many positives to their jobs, and there are many benefits to creating a mixed-age work force, according to the study.

The Age Discrimination in Employment Act of 1967 added employee age to other protected demographic characteristics such as race, religion, gender and national origin. The law protects against age discrimination related to "hiring, firing, pay, job assignments, promotions, layoff, training, fringe benefits and any other term or condition of employment." Harassment is also prohibited.

The act protects workers over 40, but some states have laws protecting younger workers, too.

Shifting demographics is a fact and requires adaption by business. Like it or not, the percentage of older workers is increasing, and they are needed to fill jobs. (See attached article.)

More companies are finding that proactively embracing age-neutral policies boosts performance and productivity.

The generational difference study divided the work force into four groups: Traditional (born before 1945), Baby Boomers (1946-1964), Generation X (1965-1979) and Millennial, or Gen Y (1980-1999).

The study found differences in attitude across the groups:

✤ Millennials have the lowest expectation (20 percent) of staying with a company for life. Younger workers are less likely to sacrifice family life

See **Too young? Too old?** *inside*

More older workers in today's work force

One in five American workers today is over age 55 – almost double the number from 20 years ago – as Baby Boomers keep their jobs because they can't afford to retire, a new Employee Benefit Research Institute study found.

During the same period, the percentage of workers age 25 to 55 has fallen substantially, from 84 percent to 73 percent of the work force. Analysts say it's not clear whether older workers are filling a work gap or closing off opportunities for younger workers.

Workers are delaying retirement for these reasons:

The poor economy	25%
Can't afford to retire	18%
Change in employment situation	17%
Healthcare costs	12%
Lack of faith in Social Security	9%
Higher than expected cost of living	9%
Have enough money to retire comfortably	8%
Poor health or disability	6%

While about one-fourth of workers extend their working years beyond what they had planned, the median age at which Americans expect to retire has remained stable at 65 for the 24 years the study has been in effect.

About 7 percent of workers today are older than 65. An increase in the number of women over age 55 in the work force is a large part of the increase. In 1975 the percentage of female employees in the 55 to 59 age group was 47.9 percent, compared to 67.2 percent today.

The crushing cost of employee fraud to American businesses

The Association of Certified Fraud Examiners calls occupational fraud a "financial iceberg," where some of the losses are clearly visible and others are hidden below the surface.

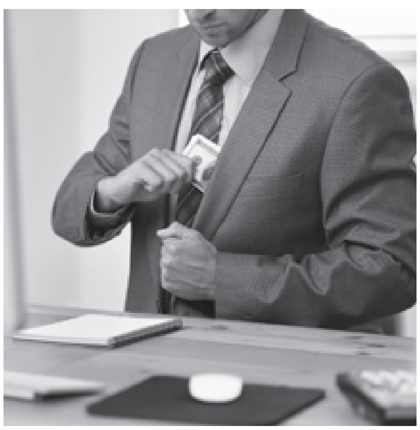
No one really knows how much occupational fraud goes undiscovered. But of the theft that has been brought to light, the median loss to a victim organization in the United States is $100,000. And, one-fifth of the fraud committed in the American workplace involves losses of more than $1 million.

Worldwide, the median loss is even higher – $145,000 per occurrence and $3.7 trillion overall, according to the Association of Certified Fraud Examiners (ACFE) newly released 2014 report.

If that's not bad enough, most of the companies that are victims never get any of the money back. More companies in the 2014 ACFE biennial report did not recover any of their losses – 58 percent compared to 49 percent in 2012.

Only 14 percent make a full recovery, and just 9 percent recover more than half. About 19 percent get some of their losses back, but less than half.

Civil suits were filed in about one-fifth of the cases. Of those cases that have been resolved, about half won, one-third settled and 14 percent of the cases were found in favor of the alleged perpetrator.



Fewer cases were referred to law enforcement than in previous years – just 61 percent.

Interestingly, of those cases that were prosecuted, only 1 percent of the accused were acquitted. More than half pleaded guilty or no contest, and 18 percent were convicted at trial. In another 18 percent of cases, the victim organization declined to prosecute.

The reasons given most by victims for not reporting the crime to law enforcement or declining to prosecute are shown in the chart below.

Why victims don't report fraud

Fear of bad publicity	35%
Internal discipline sufficient	31%
Private settlement	21%
Too costly	19%
Other	13%
Lack of evidence	11%
Civil suit	5%
Perpetrator's disappearance	1%

Clearly, the best way to protect your organization's earnings from being lost to employee fraud is to prevent the fraud in the first place.

Small businesses are particularly vulnerable because they don't have as many fraud deterrents in place and a major theft can put them out of business.

The Association of Certified Fraud Examiners recommends that businesses and nonprofits take proactive steps to protect themselves from employee fraud. Too many organizations mistakenly rely on their annual external audit, the association said, but external audits were found to be one of the least effective controls for fraud detection.

"While independent audits serve a vital role in organizational governance, our data indicates that they should not be relied upon as organizations' primary anti-fraud mechanism," the ACFE report said.

Proactive means of fraud prevention include data monitoring and analysis, surprise audits, regular management reviews and implementation of strong internal controls to prevent fraud, such as job rotation and mandatory vacations.

Tips – in particular employee tips – are the No. 1 way occupational fraud is discovered. Implementation of an anonymous hotline that allows employees, customers and vendors to report suspected fraud has proven to be one of the best detriments to fraud in the workplace. ■

Too young? Too old? *continued from front*

for work.

- Traditionals are the most loyal and also are less likely to welcome continuous feedback than younger workers, who expect a more engaged management style.

However, there were striking similarities between the groups, enough to make a cohesive and positive work place possible for diverse ages.

- Reasons for staying with an organization were similar for all: Opportunity to advance, learning and development, respect and recognition, compensation and lifestyle.
- All valued flexibility, whether that meant setting their own hours, getting needed time off for family matters, or working nontraditional shifts – such as a four-day week.
- Use of technology was similar across the groups, refuting the notion that older adults are technology-averse.
- Feeling valued was the top reason for happiness in the work place.

That said, there is usually a difference in experience level between workers of various ages, and that can be used to benefit your company.

Older workers often have the benefit of a rich store of varied positions and work functions and can apply those to their present job. They are often highly productive due to many years of learning how to work smarter.

Many older people enjoy sharing their experience and insights with those coming up behind them and thus can mentor new employees. In turn, young workers often bring enthusiasm and desire to learn to their positions. In an atmosphere of mutual respect, these mixed-age teams can flourish and accomplish more than cohorts in a single age group.

A survey by Jobcentre Plus in the United Kingdom validates these conclusions. Two-thirds of workers of all ages prefer a multi-age workplace. Lesley Strathie, chief executive, Jobcentre Plus, commented: "Both older and younger workers appreciate and learn from the qualities each brings to the workplace."

Many companies serve an age-diverse customer base, so reflecting those demographics in customer service employees makes sense.

See **Too young, Too old** *continued on page 3*

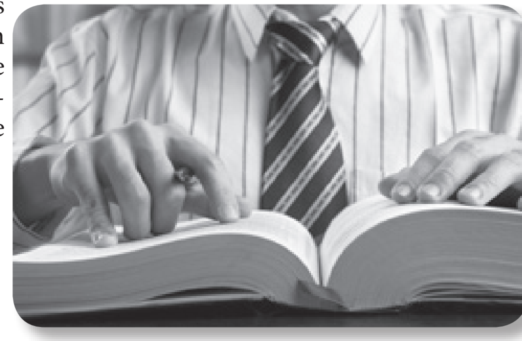
Basis? Variance? ... What do these words mean?

Understanding accounting and tax terms is crucial to your financial success. Yet the language of money management can be confusing to investors, business people and taxpayers alike.

Sometimes even simple words have more than one meaning. For example, you know that a credit is the red-ink side of an accounting journal entry. You also know credit is a way of spreading out payments for goods. But you might not be aware that credit has a third meaning – as a tax term that can save you money.

Here are brief definitions of some commonly used terms:

- **Above-the-line deductions** – A tax term for subtractions from gross income. For maximum tax savings, make sure your accountant is informed of your retirement plan contributions, moving expenses and self-employed health insurance costs.
- **Accrual basis of accounting** – The recognition of income and expense when incurred instead of when cash is exchanged. Accrual accounting presents a realistic financial picture by recording income and expense in the period when they are actually incurred.
- **Acid test** – An investing ratio. Business owners and investors divide cash, short-term investments and accounts receivable by current liabilities to measure a firm's ability to pay current debt. A higher ratio indicates less risk of default.
- **Basis** – A tax term for the dollar amount of your investment in property. Because your basis directly affects your gain, keeping accurate records of asset purchases is essential.
- **Credit** – In addition to being a bookkeeping term, credit is also a valuable tax concept. Credits, such as those for childcare and education, generally reduce your tax by the amount of the credit or dollar for dollar.
- **Defer** – Reporting income or expenses at a later date. This technique can be useful for tax planning, especially if your bracket will change in a future year.
- **Defalcation** – Embezzlement, or the theft of assets by falsifying accounting records. Though it may be little consolation to business owners, embezzlement income is taxable to the embezzler.
- **Footnotes** – Explanatory statements at the end of financial statements. Investors tend to overlook footnotes, but they offer "plain English" information about the company's financial story.
- **Itemized deductions** – Expenses that can be deducted in computing taxable income. Medical expenses, property taxes, mortgage and investment interest, and charitable contributions fall into this category. Itemized deductions are generally less valuable than credits because they reduce taxable income instead of taxes.



- **Retained earnings** – Profits that a company keeps to invest in its own growth. Many startup companies retain their earnings instead of paying dividends to shareholders.
- **Subchapter S corporation** – A corporation that chooses to have its income taxed to the individual owners. An "S" corporation combines the flexibility of a partnership with the limited liability of a corporation. The corporation must qualify for this status under the rules of Subchapter S of the Internal Revenue Code.
- **Variance** – The difference between actual income and expenses and budgeted or prior-year amounts. It's a useful tool for investors to compare current year and prior year amounts in financial statements to detect trends.
- **Wash sale** – A tax term describing the sale of stock or securities and the purchase of identical securities within 30 days before or after the sale. Investors who want to balance their gains and losses should be careful not to run afoul of wash sale rules. For tax purposes, losses on wash transactions are disregarded.
- **Window dressing** – Attempting to make a balance sheet or income statement look better than reality. Examples include recording sales before they are earned and not accounting for all expenses. Window dressing could indicate fraudulent activity.
- **Unlimited liability** – A drawback of the sole proprietorship and general partnership form of business. In the event of a lawsuit, if there are not enough business assets to settle creditor claims, the personal assets of the business owner are at risk.

Business, investing and tax issues are complicated enough without the added confusion of unfamiliar vocabulary. ■

Too young, Too old *continued from page 2*

Continuity is also important to maintaining long-term company viability. Older workers often offer important institutional memory that is lost once they leave.

A company needs younger workers to learn from these professionals. In a situation where all workers are young, there is often a deficit in experience level that hampers performance.

Strategies to manage multiple generations are similar to best practices in any company. *Generations at Work: Managing the Clash of Veterans, Boomers, Xers, and Nexters in Your Workplace*, by Ron Zemke, Claire Raines and Bob Filipczak, cites several initiatives that help improve"intergenerational comfort."

These include fostering open and honest communication and adaptable, flexible management that balances the concerns of people with concerns about tasks. Respecting competence and offering training in varied formats are also mentioned as practical strategies.

Age is a false measure of employee value. Instead, choose your employees based on the qualities, talents and commitment they bring to your company, regardless of birth date. ■

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How to determine loss when a business interruption occurs

No business expects a significant business interruption, such as may be caused by a fire, flood, tornado or other natural or unnatural forces.

But when an interruption does occur, it is often necessary to determine the economic loss so a claim may be filed with an insurer or against a party who wrongfully caused the loss.

Business interruption damages can be difficult to measure and even more difficult to explain to a jury. It is also necessary that the damaged party be able to show that due diligence was exercised to mitigate the amount of the damages.

Measuring damages and demonstrating that due diligence measures were taken are facilitated by immediate planning when the business interruption first arises. A CPA or other business adviser should be hired to assist in documenting losses and due diligence steps.

A business interruption loss relates to the inability to generate income during the period of the interruption. It is necessary to prove what those lost earnings are and that the period for which losses are sought is reasonable.

Losses relate not only to the value of damaged property but also to the loss of the use of that property during the period of suspended operations.

Measuring lost profits is more complicated than simply examining profit for a representative prior period of operations. This is so because some normal operating expenses of the business will not be incurred during the period of suspended operations, and certain extraordinary expenses will arise solely because of the interruption.

Business interruption losses will normally consist of lost sales (net of normal commissions, discounts and bad debts) reduced by the costs normally associated with those sales. There will be a further reduction of losses caused by business expenses that can be avoided during the period of suspended operations, such as the wages of laid-off workers.

This business interruption loss should be supplemented by extraordinary costs, such as damage clean up, repair costs and similar expenses that help restore business operations and mitigate the economic loss from suspended operations.

Any extraordinary expenses, such as hiring temporary workers, renting equipment or expediting shipping, obviously should be supported with dollar costs but also with an explanation of how the lost business profits were reduced by each expense. That is, the extraordinary costs should be incurred only if they reduce the lost profits.

A business loss consultant should assist the company in immediately preparing a schedule to show the steps necessary to restore normal operations and the estimated time needed to complete each step. Such a schedule will help to show that the company exercised due diligence to restore operations as quickly as possible. ■

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