THE Business Owner®

Expertise for the business owner ... since 1977.

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Business Plans

You own a business. What do you want to do with it? What are your goals? You need to decide. This is the beginning of your business plan. So, ...

Step 1: What is the one goal that you want to accomplish?

A plan is a roadmap for getting somewhere. So, where do you want to go? Earn $2 million a year? Pay yourself a nice salary? Become the vendor of choice in your chosen field? Pay off your debt?

It is hard to serve more than one master. Decide what is most important, and then make your plan around that one thing.

Example: I want Vercor to become the U.S. leader in the sale of companies with annual revenue between $5 million and $25 million.

Step 2: What specific, measurable gauge will you use to measure progress towards, and accomplishment of, your goal?

Revenue? Number of units sold? Locations? Profits? Payoff of interest bearing debt? Be specific.

Example: "U.S. leader" means "sell more businesses in our target size range, on an annual basis, than any other company." Because it is difficult and time consuming to determine the number of transactions completed by competitors annually, we won't worry about the comparison until we are selling at least 50 per year. So, our goal is to sell 50 in 2007.

Step 3: What is the manner in which you will accomplish your goal?

By manner, we mean some descriptive qualities of what is important to you – that add some character to who you want to be as you strive to reach your goal.

Example: At Vercor, as we pursue our goals, we want to earn generous compensation for our principals and fair compensation for our employees. We don't want to have to take substantial financial risk in the form of large amounts of borrowed funds. We also want to achieve our goal with honesty, integrity, and develop a reputation for adding substantial value to our clients.

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ALSO IN THIS ISSUE

***The Business Owner* Wins Awards!**

National and international judges recognize *The Business Owner* for excellence in communications. *Please turn to page 9.*

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NOVEMBER / DECEMBER 2005 • VOLUME 29, NO. 6

From The Editor

"Groundhog Day". Did you see it? The movie starring Bill Murray? He's a reporter that gets stuck repeating (living) in the same day, over and over again. He remains stuck until he finally learns to "live the perfect day".

David L. Perkins, Jr.

I often feel this way. The days, months and years go by ... but am I ever going to break out of the struggle and make real progress? I guess it comes down to the old adage "work ON your business rather than IN your business". If we are constantly bogged down in the details of our work, can we ever rise up and move the business forward with intent?

Phil Glenn of The CEO College has been teaching me to do a better job of this. To delegate, get out of the day to day, and work instead on the planning and leadership that will put me on a path to a better place. What path? I have to decide. You have to decide. How? By doing some thinking and planning.

This issue of *The Business Owner* features an article on business plans. It's a term with which we are all familiar, but few of us maintain one. Maybe the few that do are the ones that work ON their business rather than IN their business.

Fall is a wonderful time of year. The typical workaday grind is spiced with year-end project imperatives; year-end tax planning; ponderings about possible goals for next year; and holiday sights, sounds and gatherings. A lot to do, and let's face it. Neither you nor I will get to everything. We might as well take some time to plan and decide (a la Lou Holtz), "what's important now". Business planning.

Sincerely,

David L. Perkins, Jr.
Publisher and Editor

P. S. We are proud to have won multiple awards this year for the quality of our content (see page 9). We'll continue to work hard in 2006 to deliver how-to information you can use, in a succinct, easy to read style.

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Extraordinary Expenses

In attempting to project what the future might hold for a business, the buyer looks at many things. One is past performance of the business. Historical income statements provide useful, factual information about income, expense and resulting profit for particular periods of time. Given that the buyer is interested in the future rather than the past, the buyer seeks to understand historical income and expense only as a means for predicting the future. As such, many income and expense entries will need to be removed or modified. One type of expense that may be removed or added back to historical profit is extraordinary expense items.

Now because businesses are often valued based on their earnings, the business seller has a natural desire to present the highest historical profit as possible. A great way to do so is "add backs," and one such type is classifying certain expenses as "extraordinary." Without a firm definition, this exercise quickly becomes a fishing expedition.

However, the litmus test is what the investor will accept as "extraordinary." Of course, it is incredibly naive to think that the investor will simply look at the bottom line profit that the seller presents, after recasting, and accept it as fact. In reality, he or she will want to walk carefully through all items that contributed to historical revenue, expenses and ... profit. When it comes to classifying certain expenses as "extraordinary," the buyer will ask "Could this ever happen again in the future?" If the answer is YES, then he will reject the add-back.

So, was the loss of a valued employee extraordinary? Well, how often does this occur in business? A large bad debt loss? A large product return? Distributor failed to allow a return of excess inventory? Bad economy?

The Accounting Standard Board says for an event to be considered extraordinary, it must be "infrequent in occurrence" and "unusual in nature."

> <u>Infrequent in occurrence:</u> The event could not reasonably be expected to occur in the foreseeable future.
>
> <u>Unusual in nature:</u> The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, ordinary and typical activities of the entity.

In summary, the standards for classification as extraordinary are stringent. The *Wall Street Journal* recently noted an accounting textbook that quipped, "The only items that could qualify are 'such items as a single chemist who knew the secret formula for an enterprise's mixing solution but was eaten by a tiger on a big game hunt, or a plant facility that was smashed by a meteor.'"

By way of example, the accounting standards board ruled that companies affected by the hurricane Katrina disaster could not classify such expenses as extraordinary. They argued that in the southern region, hurricane damage and disruption expenses meet neither the "unusual in nature" nor the "infrequent" hurdles. Granted, six hurricanes hit the U.S. in 2004 alone.

By contrast, business expenses incurred from the 1980 Mount St. Helen's eruption were deemed by the Financial Accounting Standards Board (FASB) to qualify for treatment as "extraordinary" based on the fact that it had been 130 years since a volcano had erupted in the U.S. ❑

Exercise Regularly for Heightened Performance

Want to perform at a higher level? Work faster, smarter and with lower stress? Reduce lost time due to illness? Be happier and more positive? Start a regular exercise program. It costs little and delivers substantial benefits.

Studies show that just 20 minutes a day of walking is enough to see real gains. Forty minutes, four days per week of aerobic activity will deliver substantial results. A little resistance training – you'll be unstoppable!

However, Dr. Ron Goor suggests you exercise every day. "If you exercise every day, you are never at risk of putting it off until tomorrow. The best, easiest and safest exercise is plain old walking."

Lower Levels of Anxiety and Depression: Exercise lowers stress. Owning and running a company is stressful. Constant stress lowers mental performance and wears down the physical body. It makes you more prone to illness and can lead to serious health problems, like heart disease.

Lose Weight: Exercise is the healthy way to reduce body fat, and high body fat is the number one cause of health problems. Jane Brody's nutrition book cites studies showing that as little as five percent excess body fat reduces life expectancy, and a 50 year old who is fifty pounds over weight has half the remaining life expectancy of her slender peer. Exercise also lowers blood pressure, reduces risk of heart disease, helps protect against osteoporosis, reduces risk of cancer, and more.

Studies show that just 20 minutes a day of walking is enough to see real gains. Forty minutes, four days per week of aerobic activity will deliver substantial results. A little resistance training – you'll be unstoppable!

Sharper Decision-Making Ability: A 2005 study published in the *Journal of Exercise Physiology* found in students a high level of correlation between test scores and overall levels of fitness. Similarly, a 2003 article in the journal *Acta Psychologica* concluded that "... aerobic exercise can facilitate cognitive functioning."

Positive Example For Employees and Family Members: Want your kids to develop healthy habits? You are their role model. Want your employees to be more productive and miss less work? You are their role model. Consider building a healthy work culture. Discourage "junk food" in the workplace. Stock healthy snacks instead, as an employee benefit. Offer free health screenings annually. Give incentives for healthy activities, like finishing a local 5K race.

Think and Feel Younger: "Aerobic exercise yielded a 20 percent improvement in (mental) performance" of senior citizens, in a study published in a 2004 issue of the *Proceedings of the National Academy of Sciences*. The *Journal of the American Medical Association* published a study last September that found, among the more than 18,000 older women studied, "long-term regular physical activity, including walking, is associated with significantly better cognitive function and less cognitive decline in older women."

Sleep Better: Poor or inadequate sleep reduces mental and physical performance. Exercise is proven to improve the quality of sleep, including the amount of time that it takes to fall asleep and the ability to remain asleep. Are you taking drugs to help you fall asleep? Exercise is the best sleeping pill known to man, and it's free (and no undesirable side effects!).

Dr. Ron Goor and Nancy Goor, authors of best-selling nutrition and health books, say, "Please yell the following line as loud as you can: EXERCISE IS ESSENTIAL!"

You gotta do it.

However, Dr. David Brennan, exercise physiologist, cautions us to start slow as we begin our transition to a "fit" lifestyle. Let's face it, most of us are overweight, and the extra pounds cause added stress on our joints when we exercise. Low impact exercises is where we should start ... or even stay ... such as water based exercise, cycling or walking. Doing so will reduce the chance of injury. Finally, for burning calories and stimulating "happy hormones" (endorphins), full body activities performed with rhythmic contractions for extended periods of time are the most effective. ❑

Height & Weight Table For Medium Frame

Height	Women	Men
5' 2"	118-132	131-141
5' 3"	121-135	133-143
5' 4"	124-138	135-145
5' 5"	127-141	137-148
5' 6"	130-144	139-151
5' 7"	133-147	142-154
5' 8"	136-150	145-157
5' 9"	139-153	148-160
5' 10"	142-156	151-163
5' 11"	145-159	154-166
6' 0"	148-162	157-170
6' 1"	N/A	160-174
6' 2"	N/A	164-178
6' 3"	N/A	167-182
6' 4"	N/A	171-187

Source: Metropolitan Life Insurance Company

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Tips To Keep You Exercising

It's so easy to put off exercise. The following tips will help you incorporate exercise into your life and keep it there.

1. **Make Exercise a Part of Your Daily Routine.** Schedule exercise at a specific time. The same time, every day, such as the first 30 minutes of every weekday. Do it even if you're not in the mood. Force yourself. Eventually you won't resent it; rather it will quickly become a normal, enjoyable part of your life.
2. **Walking Fits in Everywhere.** Incorporating walking into your schedule is probably the easiest and most practical exercise program. You can do it anywhere, any time, no cost or equipment required. Maybe just walk to work or part way by getting off the bus early or parking your car 30 to 40 minutes away.
3. **Walk on Your Lunch Break.** Walk for 30 minutes at lunchtime. It's good to get out of the office and into the fresh air. You can combine the walk with errands, but remember that the exercise must be continuous. Walking 5 minutes to the bank and standing in line for 15 minutes doesn't count.
4. **Do Exercise You Enjoy.** Choose an exercise you enjoy or make the exercise you do more enjoyable. If you find a stationary bike too strenuous, walk. If you find walking boring, plug in earphones and listen to your favorite music, talk show, language tapes or books on tape. Watch television as you stride on your treadmill, ride your bike, or jump on a mini-trampoline.
5. **Exercise with a Buddy.** Exercising with another person can be more fun than exercising alone. Make it a family affair. Instead of spending an hour every evening gathered around the kitchen table nibbling and chatting, spend the time taking a walk and chatting. Let it become a ritual. Exercising with a friend can also give you the added nudge you need. How can you say, "Sorry, I'd rather sleep," when Barbara comes by to drive you to the 9 o'clock aerobics class?
6. **Exercise Alone.** Exercise can be a special time for you to be by yourself. Many busy people call the time they exercise "my time." No phones, no children, no distractions.
7. **Wear the Best Equipment: Good Shoes.** Be sure to wear comfortable shoes with good support. Buying $125 sneakers with bubble-filled soles and foam-layered heels is not required. In fact, you might find tie-up leather shoes more comfortable for walking. Whatever type of shoe you prefer, make sure they fit and offer support. ❑

Source: *Choose To Lose*

The Truth About Excuses

"Of course I know how important exercise is and I'd love to do it but ..." (Choose one of the following excuses):

- I'm too busy.
- Exercise takes time away from my family.
- I get sweaty.
- I look funny in leotards.
- I get out of breath.
- It's too dark, too light, too cold, too wet to exercise.
- My Aunty Sybl is coming to town.
- I (fill in the blank)

Have you found your favorite excuse? Here's why your excuses are no excuse:

I'm too busy to exercise. No one is too busy to exercise. The President finds time to exercise, so you can, too.

Exercise takes time away from my family. Include your family. Take a walk after dinner with your daughter, son, husband or wife. Leave the car at home and walk your spouse to and from the bus, subway or train. Take a bike ride with your family on the weekend. Exercise won't hurt them a bit. In fact, it will help them.

I get all sweaty. Walking at a moderate pace should not make you sweaty. If your chosen exercise causes excessive perspiration, exercise at a place where showering is possible. Too hot outside? Walk inside.

I look funny in leotards. Don't wear leotards. Wear comfortable shorts. If you look funny in shorts, who cares? The exercise is for you. And, if you eat right and exercise, you will soon look great in shorts.

I get out of breath. Take it easy. After all, if you haven't exercised in a long time you are probably out of shape. Start slowly, a few minutes a day, and work up to 30 minutes of walking a day. However, you should check with your physician before you begin any exercise program.

It's too dark, too light, too cold, too wet to exercise. Come on! You can find a solution to any problem if you try. If the weather is bad, take a walk in a covered mall, exercise at home on a stationary bike, mini- trampoline, NordicTrack, rowing machine or treadmill; or pop an exercise tape into your VCR and move with the beat.

My Aunty Syl is coming to town. You make time for what is important to you. If someone gave you a free ticket to a football game or a concert, you'd be able to fit it in. Fit your exercise in. ❑

Source: *Choose To Lose*

Outgoing Mail: Lower Your Postage Costs

If you have not ... within the last twelve months – undertaken a concerted effort to reduce your postage costs, you could be wasting big dollars.

Yes, yes, the U.S. Postal Service sets postal rates. We can't change them. But you can squander hard earned cash when you:

Over-Post Letters and Packages: This occurs when you are unsure of the actual cost, so you just "guess high."

Unnecessarily Use Higher Cost Postage Classes: There are many ways to send letters and packages. You should use the lowest cost method that gets the job done.

Have a Labor-Intensive Process: Time is money. For a business to succeed today, it must be efficient and productive in every phase and continually find ways to lower cost. Are you driving to the post office more than necessary? Using a labor-intensive system?

Have a Slow Outgoing Mail System: If your outgoing mail process causes delays in getting your correspondence into the mail delivery system, your entire business will slow down, including your cash flow.

Over-Spend on Purchases of Postage: If you have a postage meter or purchase your postage online, you are probably paying a fee each time you purchase postage, or a monthly fee. You need to get bids and reduce these costs. To get your lease business, some companies will waive the refill fees altogether.

Mail Unnecessarily: Don't use snail mail when it does not offer advantages over the alternatives – phone, fax and email. Traditional mail is slow and expensive. Even contracts can be scanned or printed to pdf and emailed.

Theft: If you use stamps rather than a postage meter, the stamps are like cash. Meters can also be used by employees for personal mail. Make sure that you have a system for tracking pilferage.

Over-Spend on Postage Equipment: The U.S. Postal Service tightly governs postage meters. The only option is to lease them from one of the four sanctioned companies – Pitney Bowes (www.Pitneyworks.com), Neopost (www.Neopostinc.com), Hasler (Haslerinc.com) and Francotyp-Postalia (www.francotyp.com). The machines are commodities, for the most part. Get a bid from each company, work them against each other and get your cost down.

Pitney Bowes is the entrenched market leader, and they price accordingly. We recently re-bid our postage meter and scale contract and dropped our lease expense from $130 per month to $22, and our refill charge from $19 to $0 (yes, zero).

There are also print-on demand postage services (www.Stamps.com and www.Endicia.com) which allow you to, via a website, enter package weight, dimensions and desired mail class and print postage right on your desktop printer. This is a little less efficient than the postage meter with built-in scale, but allows you to avoid the lease cost of a postage machine. However, we found the print-on-demand services to cost about $20 per month ... about the same as leasing equipment.

Get more information on postage meter systems at www.buyerzone.com/mailroom/postage_meters/buyers_guide1.html. You can also submit a request for bids at this site. To do so, you will need the following information:

Volume: What is the average number of letters and packages you send per day?

Class: To what degree do you use standard mail, bulk, priority, classified, etc.

Size and Weight: What is the range of size and weights of packages?

Features: What types of postage machine equipment might you desire? Envelope sealer? The ability to print advertising on the envelopes? Manual or automatic scale?

As you negotiate, watch out for the following:

- Don't get sold on unnecessary bells and whistles.
- Avoid signing a non-cancelable long-term lease.
- When you have a problem, how soon will help arrive and how much will it cost? If you are leasing equipment, the vendor should make sure your equipment works properly.
- When postal rates change, how and when will your scale and meter be updated and what is the cost? There is a proposed 5.4 percent across the board mailing increase expected in early 2006, so this is important.
- How much do print cartridges cost and how many impressions will you get per? ❑

Group Coaching

Do you ever feel that your team is not "reading from the same page of music?" Having a hard time working together, cohesively and cooperatively? Lacking the energy, as a group, that is necessary to succeed, grow, and reach common goals? Struggling to develop common goals or sense of purpose?

Maybe it's your ownership team, management team or production staff. Or, heck, your whole organization.

Could group coaching be the answer?

Group coaching is a type of coaching where groups of three or more, facilitated by a trained professional, convene around a common concern with a common purpose.

Harvard Business Review (*HBR*) says the most valuable coaching is group coaching. "It provides a disciplined way for organizations to deepen relationships ... while increasing their effectiveness. The goal is "cultural change for the benefit of the entire organization."

Molly Gordon explains that group coaching allows attendees to learn from each other in addition to the coach. She says that assessments are often used to establish trust and build enthusiasm. A well-designed process brings together the right people and raises the broadest challenge, in an environment in which failure is not an option.

Executive coach Leta Beam says, "If done artfully, group coaching mobilizes the group and activates synergy. Roles become more clearly defined, all voices are heard equally, momentum is generated and the creative juices flow." She says that team coaching is often the catalyst for increasing profits and/or productivity, developing new services or products, punching up sales, setting new priorities, renovating a culture and/or improving organizational well-being."

In individual coaching, it is important to qualify the intended subject ... the coachee. With group coaching, you qualify the circumstances under which such a coaching program makes sense. You want to have a compelling business reason. According to *HBR*, "that could be as simple as making sure leaders live the company's values or as subtle as planting the seeds of a company wide culture ..."

HBR urges, "It's best to launch any coaching program only after it has won enthusiastic endorsements from top management. Because coaching, by its nature, brings uncomfortable subjects to light. These programs need an active champion with the power to protect them. If it is organizational change that is desired, it is essential for the CEO to be involved."

So, it seems that group coaching can be an effective means for teams to share best practices, quickly gain in-depth understanding of new management initiatives, develop new goals or strategies, or simply to enhance the ability to work productively as a team.

As you search for answers, group coaching might be a solution to consider. ❑

This is the fourth article in a series on Coaching.

May-June '05 issue: *Executive Coach:* Nonsense or Dollars and Cents?

July-Aug '05 issue: *Selecting the Right Coach*

Sept-Oct '05: *Executive Coaching:* Getting the Most for Your Coaching Dollar

> This issue: *Group Coaching*

Jan-Feb '06 issue: *Business Owner as Coach*

The following professionals also contributed their expertise to this article:

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"Ms. Burney, do we have anything on right and wrong?"

Coming Up in *The Business Owner*

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- The Right Way to Select an Executor/Executrix

If you need to renew, or have any comments or questions, call us at (800) 634-0605 or email info@TheBusinessOwner.com.

Avoid Sexual Harassment Claims

Expensive. Emotionally charged. Tremendously damaging to the workplace environment. Lawyers, personnel consultants and human resource managers agree that companies must confront head-on the complex issues of sexual harassment. The solution involves adopting, implementing and rigorously enforcing an effective policy against sexual harassment.

Sexual Harassment Defined

Generally speaking, sexual harassment is unwelcome sexual conduct and/or attention that causes distress and hinders effective job performance. "Unwelcome" means the conduct was neither solicited nor encouraged, and the employee regards such conduct as offensive.

There are two types of unlawful sexual harassment situations under federal and most state laws:

1. *Quid Pro Quo* is when an employee abuses his or her position within the organization by promising or granting job benefits or opportunities in exchange for sexual favors.
2. *Hostile Work Environment* is when the employer allows a difficult, abusive or sexually charged working environment to exist.

Verbal and environmental abuse situations are included in the definition of sexual harassment. The aggressor can be of the same or different gender as the victim. Examples of hostile work environment situations include communication of sexual slurs, insults and innuendos, and demeaning sexual inquiries and vulgarities. An isolated, sexually charged statement is not necessarily "harassment," but each incident should be addressed by the company so that it does not lead to a "hostile work environment".

Employer Liability for Harassment in the Workplace

Generally, the employer is liable for sexual harassment that occurs in the workplace. This stems from federal law that holds the employer responsible for its own acts and for those of its agents and employees, regardless of the employer's knowledge of the conduct or environment. In some circumstances and under different legal theories, the harasser can also be held liable.

If the harasser is a co-worker, an employer may be held liable unless it can show:

a. a written policy prohibiting sexual harassment
b. a written procedure for complaint submission
c. it took immediate and appropriate corrective action to end the inappropriate conduct.

Employer knowledge can be established through evidence that the matter was indeed brought to the attention of management or when the inappropriate conduct was so severe and pervasive that the employer should have known about it. The less severe or pervasive the conduct, the less likely a court will deem that the employer "should have known."

An employer may also be liable for the sexual conduct of third persons (e.g., vendors, visitors or clients) toward an employee. In these situations, consideration is given to the extent of the employer's control and legal responsibility for the party committing the harassment. By their nature, sexual harassment claim investigations ... both within a company and potentially by a court ... are fact intensive, and each scenario will have its own dynamics.

Establish Policy and Procedures ... and Implement Them

Every employer has a duty to exercise reasonable care to prevent harassment and to promptly correct harassment when it happens. By doing so, the employer may protect itself from liability. Reasonable care begins by establishing, disseminating and enforcing a written anti-harassment policy and complaint procedure. It is important to know that even the best policy and complaint procedure will not alone satisfy the burden of proving reasonable care if, in the particular circumstances of a claim, the employer failed to implement its process effectively.

Confront sexual harassment head-on by adopting, implementing and rigorously enforcing an effective sexual harassment policy.

Again, a successful policy and complaint procedure will be documented in writing, communicated periodically to all employees, and will serve as the cornerstone of your defense against claims. Your policy should contain the following:

1. A statement that upper management will not tolerate harassment in the workplace, by anyone.
2. Assurance that employees who report harassment or provide information related to such complaints will be protected against retaliation.
3. A clear complaint process that provides accessible avenues for a complainant. This is especially important when the alleged harasser is part of upper management.
4. Assurance that the employer will protect the confidentiality of harassment complaints to the extent possible.
5. A process that provides a prompt, thorough and impartial investigation.
6. Assurance that the employer will take immediate and appropriate corrective action when it determines that harassment occurred.

Claimants Must Use Employer's Established Process

Once an employer establishes a clear policy as described above, employees have an obligation to utilize the system to seek protection under the law. If the employee fails to exercise reasonable care in avoiding harm by utilizing the complaint process and following the employer's disseminated written policy

continued on next page

A Horse Walks Into A Bar And The Bartender Says …

Humor is a wonderful thing. To laugh, smile and have fun is healthy, both physically and mentally. It relieves stress and allows us to get through our lives. It also makes for a much better workplace.

Dr. David J. Abrams, a Cal State Long Beach professor, conducted an in-depth study of 923 working adults. He found that humor in the workplace improves productivity, creativity, health, decision making and reduces employee turnover.

Humor in the workplace improves productivity, creativity, health, decision making and reduces employee turnover.

Abrams also found that the type of humor makes a difference. Sarcasm and "making fun at the expense of another," such as teasing and pranks, has less beneficial effects.

In molding the culture of your work place, build good-natured humor. It appears that D. Wayne Lukas, the award-winning thoroughbred horse trainer, had it right when he said, "Take the tension out. It reduces performance in both people and horses." ❑

***Avoid Sexual Harassment Claims,* continued from previous page**

on sexual harassment, he or she may lose their lawsuit. In other words, the employer that exercises reasonable care may be found not liable for damages in a sexual harassment lawsuit if it can prove that the aggrieved employee could have avoided harm and rectified the situation by following the company's sexual harassment policy.

Once a complaint is made, it is imperative that qualitative investigation immediately begin. Depending on the severity of the complaints, immediate suspension of the alleged harasser may be warranted. Regardless, the alleged victim and alleged harasser must be immediately separated pending the outcome of the investigation. After a qualitative investigation is completed, the employer must analyze all collected information and make a fact-based decision on how to end any harassment – whether perceived or actual. The response to a complaint is as (if not more) essential to protecting the employer from liability as is the written policy and complaint procedure itself.

The response to a complaint is as (if not more) essential to protecting the employer from liability as is the written policy and complaint procedure itself.

For more information, contact your local employment law expert. ❑

Mike Lissau contributed his expertise to this article. Mr. Lissau is an employment law expert with Hall Estill. He can be reached at mlissau@hallestill.com.

"The price of freedom is eternal vigilance."
Thomas Jefferson

The Business Owner Wins Awards!

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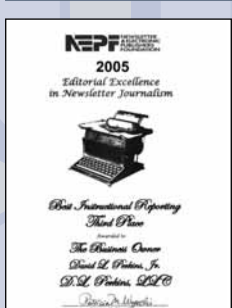

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Business Plans, continued from cover

Step 4: Why will employees want to work for you rather than another?

Now that you nailed down what YOU want (via the first three steps), get this clear ... nobody cares about what you want to accomplish. Others (employees, customers, owners and vendors) are only concerned with themselves. Clearly, your only hope for reaching your unusually ambitious goal is to attract unusually talented employees and give them reason to expend unusual amounts of energy, commitment and creativity towards reaching the goal. So, why are they going to do this for you?

Studies show that employees want to be needed, appreciated, respected and a part of a winning team.

Example: Vercor will attract above average talent by providing a workplace where employees feel needed, appreciated, respected and rewarded for their contributions. Vercor will only hire exceptionally talented, enthusiastic and good-natured people. We'll ensure that all employees understand the company goal and their roles in getting us there.

The purpose of a business is to create a customer. Profit is just a reality within which we must live to ensure continued existence.

Step 5: Define the Customer You Intend to Serve

Just as your personal goals don't do much for others, they do little for your business either, other than provide a target towards which energy is spent. For real business planning you need to get something perfectly straight – your business only survives and thrives if it creates customers. More specifically, it must do a great job of satisfying the needs of customers to a level that compels them to purchase your product or service at a price that covers your costs. Beginning with Step 5, you must focus on your customer. The first step is to define, in great detail, your customer group(s).

5a. Describe the customer(s) that you serve.

<u>Example:</u> Vercor serves owners of mid-size private U.S. companies that wish to "cash out."

5b. Describe the various pertinent needs of your customer(s).

<u>Example:</u> Sellers of mid-size companies need skilled assistance in "making the business sale occur" in an orderly, professional, confidential, low risk, low cost and high-value manner.

5c. Describe the condition or "realities" of your customer(s), as they relate to your offerings.

<u>Example:</u> Sellers of mid-size businesses ...

... are often unaware of the complexity, risk, time, cost and uncertainty inherent in the business sale process.

... are often use to "handling things on their own," and are prone to attempt to "do it themselves," especially when presented with the cost of hiring a talented and competent advisor.

... often have a sale price and all-cash terms in mind, and that price is typically set emotionally rather than rationally based on what the market will actually bear. Launching a sale process with unrealistic pricing almost always leads to tremendous amounts of wasted time, money and emotional energy.

... listen to their trusted advisors for advice, typically their accountant, banker, attorney or financial advisor.

... often enjoy the excitement of having buyer-suitors; flattery of interested parties; and "tests of wealth" (i.e. offers to purchase their business), but this does not mean that they are ready to sell.

... will only delegate the sale task to a specialist if they:

a. understand the benefits and perils of not doing so, and
b. become convinced, without reservation, of the quality and integrity of an available specialist.

5d. Describe the customer's values and priorities.

<u>Example:</u> Sellers of mid-size companies ...

... are emotionally attached to their business, and they derive a substantial amount of their identity from their association with their business.

... want to "make a <u>great</u>, parting 'deal,'" if and when they sell their business.

... often, the decision to sell ends up being less about financial issues and more about emotional, personal and/or relationship issues.

Step 6: Describe the specific customer WANTS and NEEDS that you will satisfy better than your competitors.

<u>Example:</u> Sellers of mid-size private companies waste tremendous amounts of time and money because of their lack of knowledge about how businesses sell, for what price and terms businesses sell, what adds and detracts from business value, etc. Sellers also have few good choices for representation. Vercor will offer exceptional and highly visible products and services that educate and assist business sellers in these areas.

Step 7: Describe, in detail, the products and services that you will offer your customer group(s). Do the same for competing products and services.

Place on a single chart, according to the important features and benefits to the customer, your products and/or services and those of your competitors. How are yours different? How can yours be meaningfully different? In a crowded field of car rental companies, Enterprise chose to meaningfully differentiate themselves by offering delivery (i.e. "we'll pick you up").

<u>Example:</u> Vercor will publish books, tapes, seminars, newsletters, conferences and news columns of exceptional quality that educate our target market about:

a. Things they need to know that will save them time, money and hassle.
b. Consulting services offered by Vercor.

continued on next page

***Business Plans,* continued from previous page**

Step 8: State of the Union

8a. Describe where you are today, in detail.

Financially (income statement and balance sheet);

Products and Services (conduct an analysis of profitability of each);

Operationally (people and tangible assets such as equipment and facilities);

Customers (numbers, types, locations, and diversity of each);

Marketing (strategy, programs, budget);

Sales (talent, programs, budget);

Truth (formal sources of honest customer feedback);

Product Improvement (mechanism for feeding customer feedback into the product improvement and development process).

8b. SWOT Analysis. List your company's **strengths, weaknesses, opportunities** and **threats**. Rank each in order. With opportunities, estimate the cost (labor and money) and probable profit of each. With threats, list each potentially business-killing threat in order of probability and then include how these risks could be mitigated. Include estimated cost in labor and money for each mitigation strategy.

Profit is not the explanation, cause, or rationale of business behavior and decisions, but rather the test of their validity.

Congratulations. You have decided what you want; how you will attract your employees; whom you serve; what the needs are of those you serve; and outlined the products and services that you will offer to satisfy their needs. You have also taken a detailed "State of the Union." Well, now what are you going to do? What steps are you going to take towards reaching your goal?

Step 9: Make Your Plan.

This part is not as hard as it seems. Simply look at the data that you documented in steps one through eight, then ask yourself, "What do you need to do?" Answer the following:

9a. What threats have unacceptably high probabilities? What can we do about them?

9b. What employee moves do we need to make? Whom do we need to get off the bus? What people do we need to get on the bus?

9c. Which products, services, projects or initiatives need to be eliminated, or vastly improved, for lack of profitability?

9d. In what areas, or with which products or services are we most successful, and what would the results be if we focused more energy (or all our energy) in that direction?

9e. Which company policies or standards need to be changed to develop a culture or organization that will be able to reach our goals?

9f. In what areas are we deficient and need to improve (such as in the customer feedback or the product development area).

These are just some of the important questions that will arise out of steps one through eight. All you have to do is make your to-do list and then add timelines, time-based goals and Voilà! You now have a business plan. Now work it. ❑

FINANCE

Before you Borrow

You need a loan. You compare alternatives and choose the loan with the most favorable rate, repayment terms, service history, etc. Do you also consider the tax implications? If there is a way to structure the loan so that the interest may be tax deductible, you should do so. The real cost of borrowing will be less. Much less, in fact. Following are several options:

- **Business loan interest** – Interest paid on loans taken to finance business expenditures are generally deductible as a trade or business expense.
- **Consumer debt interest** – You cannot deduct interest on loans taken to buy personal items, such as cars and appliances. However, see the next section regarding "home equity debt."
- **Home mortgage/home equity loan interest** – In general, you can deduct interest paid on up to $1 million of home "acquisition debt," mortgage loans taken to buy or build a primary and/or a second residence. On top of this deduction, the law allows an itemized deduction for interest paid on up to $100,000 of "home equity debt" – no matter how the loan proceeds are used.
- **Investment debt** – If you borrow money to buy or carry taxable investments, the interest you pay on the loan is deductible as an itemized deduction, subject to a limitation based on your net investment income. A margin loan from a brokerage is an example of investment debt.
- **Student loan interest** – Qualified student loan interest of up to $2,500 a year is deductible, subject to an income-based phase-out.

Additional factors, such as alternative minimum tax and the itemized deduction limitations that apply to higher income taxpayers could affect your interest deductions. Involve your banker and tax advisor in your decision on how to satisfy your need for money at the lowest after-tax cost. ❑

Tax Planning for Individuals and Families

The income tax owed by individuals is calculated as follows:

+ Total Income	Line 1
- Deductions	Line 2
= Adjusted Gross Income	Line 3
- Itemized Deductions	Line 4
= Taxable Income	Line 5
- Tax Credits	Line 6
= Total Tax	Line 7

To reduce the total tax bill (i.e. the bottom line result of the above equation), one must do one or more of the following:

- Reduce total income as calculated by the IRS (line 1 above)
- Increase deductions (line 2 above)
- Increase itemized deductions (line 4 above)
- Increase tax credits (line 6 above)

Step 1: REDUCE TOTAL INCOME

One way to reduce your tax bill is to lower the amount of income that is subject to taxation. This notion may seem counterintuitive at first, but there are things that can be done to obtain income or income-like benefits that fall outside of the IRS's definition of income. Here are some ideas:

Defer Income If delaying income to next year would result in a lower tax rate, or if you simply want to delay the payment of tax to obtain the use of the money for another year, consider ways to delay the receipt of the income. Watch out, however, for the strict rules that govern when income is earned, referred to as a "constructive receipt".

Increase Non-Taxable Income Certain state and local bonds offer a yield that is free of federal tax and, if you live in the state or locality from which they were issued, free of state and local tax. U.S. Treasury bills, notes and bonds yield interest income that is exempt from state and local taxes. In addition, the tax benefit of these investments increase in value as your marginal tax rate rises.

Utilize Capital Losses Capital losses, such as losses in investments in publicly traded stocks, may be used to offset capital gains dollar-for-dollar up to the amount of any gains realized on other investments. In addition, a limited amount of capital losses that exceed capital gains may be used as a deduction against ordinary income.

Select Investments that Generate Little or No Income An alternative to current income is future income. Most publicly traded stocks pay few if any dividends and offer the potential for capital appreciation. Capital gains are not taxed until they are realized (sold). Some bonds may offer some deferral of income as well.

Move Money to Tax Sheltered Accounts Income generated on investments held in retirement accounts such as IRA and 401(k) is not taxable. In many cases, the contribution amounts may be deductible as well.

Home Sale Exclusion Home sales offer a tremendous opportunity for tax-free income. With the new laws, you don't have to reinvest the money and you can claim the exclusion every two years!

Step 2: INCREASE REGULAR DEDUCTIONS

The second step in lowering individual taxes is to maximize the allowable "regular" deductions. These deductions should not be confused with itemized deductions which appear on schedule A. These "regular" deductions can be made whether or not you itemize. In addition, don't confuse the term deductions with exemptions. Exemptions are a completely different type of deduction and are independent of the decision of whether to itemize or not. Below is a list of the allowable "regular" deductions:

Retirement Account Contributions If you are not covered by a retirement plan at work, or if you are but earn less than the phase out amount, you may contribute up to $4,000 for the tax year 2005 (to be contributed by April 15, 2006) and deduct the entire amount. Earnings within the account also accrue tax-free.

Student Loan Interest If you paid interest on a student loan you may be eligible to deduct some or all of it, whether the loan was for your own education, your spouse's, or that of a child or anyone else who was your dependent at the time the education was undertaken.

Medical/Health Savings Accounts Individuals who are self employed or who participate in a health insurance plan of an employer that averaged no more than 50 employees during the two preceding years may create a deductible Archer MSA or HSA account. Such accounts may be used as a vehicle for deducting from taxes a portion of the funds that go towards meeting the medical expense deductible of an insurance plan.

Health Insurance Payments If you are self-employed and pay medical insurance premiums for you and your family, you may be able to deduct 60 percent of the premium cost. If you choose to itemize, you can also deduct any amount not deducted here along with other unreimbursed medical costs … subject to the 7.5 percent of AGI limitation.

Moving Expenses To qualify, your new place of employment must be at least 50 miles farther from your old residence than your former job was from your old residence. There are also stipulations for how long you were employed at your old employer and how long you remain employed at your new employer. Consult your tax advisor.

Alimony Payments A tax-deductible expense to the payer in the year that the expense is paid. Alimony payments are considered taxable income to the payee in the year that such payments are received.

Education Expenses Up to $4,000 may be deducted for "qualified education expenses" for post-high school academic or vocational courses.

Step 3: INCREASE ITEMIZED DEDUCTIONS

Every taxpayer may take the standard deduction, $5,000 in 2005. However, if your itemized deductions total a higher number you will want to itemize and use the higher number. The only way to find out is to go through the exercise. In some cases, however, you don't have a choice.

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Basics of Tax Planning

As an individual taxpayer and business owner you will often have options as to when and how to complete a taxable transaction. You have the right to choose the timing and method that results in the lowest tax liability. There is nothing wrong or illegal about tax planning or tax avoidance, as long you don't use illegal means. Illegal means includes deceit, subterfuge or concealment. Steering clear of these leaves quite a bit of room to maneuver.

Every tax planning strategy is based upon structuring a transaction to accomplish one or more of the following often-overlapping goals:

A. Lower Taxable Income

By lowering taxable income, one lowers the amount of taxes due. Many strategies to reduce taxable income will simply delay or defer the recognition of income. This alone is valuable, of course, given the time value of money. Other tactics include increasing tax-deductible expenses, moving income to entities that enjoy lower tax rates, or generating losses to offset investment gains. For more detail, see article herein titled *Tax Planning for Individuals and Families.*

B. Claim All Available Tax Credits

Tax credits are dollar for dollar reductions to your tax bill. Deductions are dollar for dollar reductions of your taxable income. There is a big difference. Tax credits are much more valuable than deductions because a $100 credit reduces your tax bill by $100, regardless of your tax bracket. In contrast, a deduction simply reduces your taxable income by the product of the deduction amount times the applicable tax rate. For example, if you are in the 33 percent tax bracket, a $100 deduction will reduce your taxes by $33. For a review of tax credits available, see article herein titled *Tax Planning for Individuals and Families*.

C. Lower The Applicable Tax Rate

Such strategies include the rationalization of taxable income between tax years in light of marginal tax rates; moving income to persons or entities that are taxed at lower rates; moving income into accounts that are non-taxable or tax deferred; or conducting transactions in a manner that qualify for lower rates (such as long-term vs. short term capital gain rates).

D. Control The Effects Of The Alternative Minimum Tax (AMT)

The AMT was established in 1986 to ensure that higher income individuals and corporations pay at least a basic level of tax, regardless of the number of tax credits and deductions that they garner. It requires that federal income taxes be calculated by two separate and distinct methods — regular tax laws and AMT laws. You pay the higher of the two. C-corporations with annual revenues under $5 million (and in some cases up to $7.5 million) are exempt. Individual taxpayers that have incomes over $75,000 face heightened risk of triggering AMT taxes. AMT tax rates are lower, such as 26 percent and 28 percent for individuals, but far fewer credits and deductions are allowed. For more information, see article in this issue titled *Tax Planning for Individuals and Families*. ❑

" Great works are performed, not by strength, but by perseverance."
Samuel Johnson

Ways to Lower Current Taxable Income

Maximize the Expenses Recognized In The Current Year
Do this by paying (cash basis of accounting) or booking (accrual basis) expenses in the current year that might otherwise be recognized in future years. This is accomplished by incurring the expenditure before year-end by issuing a purchase order or paying expenses such as rent, insurance or taxes. Talk to your accountant about your particular situation.

Defer Income If delaying income to next year would result in a lower tax rate, or if you simply want to delay the payment of tax to obtain the use of the money for another year, consider ways to delay the receipt of the income. Watch out, however, for the strict rules that govern when income is earned, referred to as a "constructive receipt".

Contribute to a Qualified Retirement Plan Employer contributions to qualified retirement plans are tax deductible. Qualified plans generally mean employer sponsored pension, profit sharing or stock bonus plans that meet requirements of Internal Revenue Code section 401(a), or an annuity that meets requirements of Internal Revenue Code section 404(a)(2). There are three types of qualified plans: defined contribution, defined benefit and hybrid. If you do not have a qualified plan in place, talk to an attorney, accountant or financial advisor. In some cases, a plan must be in place before year end to be fully utilized the following year.

Increase or Accelerate Charitable Contributions Donating to a worthy cause not only does good but can reduce your taxable income. Advancing next year's payment might be considered as well, as many nonprofit organizations now accept credit cards. The charity will appreciate the earlier receipt of the money and you get a deduction. Empty your closets of old clothes, furniture and the like and donate them to a charity. Remember to get a receipt and figure out the fair market value of the goods you donate. If you're audited, no receipt means no deduction. ❑

Tax Planning for Individuals and Families. continued from page 12

For example, if your filing status is married filing separate and your spouse itemizes, then you must also itemize. Some itemized deductions can only be taken if they exceed certain levels. Miscellaneous itemized deductions such as tax preparation fees, employee expenses and investment costs can be taken only if they exceed 2 percent of your AGI. If your itemized deductions in any given year don't exceed the standard deduction, consider trying to combine payment of these types of expenses into one year so you can exceed the limit and take the deduction every-other-year.

Home Mortgage Interest, Points and Investment Interest Home mortgage and investment interest are the only types of interest expense that are deductible for individuals. The IRS definition of "home," referred to as a "qualified residence," can include condominiums, cooperatives, mobile homes, boats, recreational vehicles and time-share units. The home must simply have basic living and sleeping accommodations. Interest incurred on debt associated with the ownership of a second residence may be deductible as well. Investment interest expense is only deductible to the extent of net investment income. Points paid on a primary residence may be deducted either in the year paid or over the life of the loan. Points paid for a second residence must be amortized over the life of the loan.

State and Local Taxes, Real Estate Taxes and Personal Property Tax Subject to phase out for high-income individuals, state, local, personal and real property tax costs may be deducted in the year they are paid. Individuals should consider the timing of actual payment of such taxes in light of marginal tax rates.

Charitable Contributions Donating to a worthy cause not only does good but it can reduce your taxable income. Empty your closets of old clothes, furniture and the like and donate them to a charity. Remember to get a receipt and figure out the fair market value of the goods you donate. If you're audited, no receipt means no deduction. Also, a powerful way to reduce taxes and maximize deductions is to donate appreciated assets. Doing so will save you from owing tax on the capital gain and you will still be able to deduct the full, appreciated value of the stock.

Unreimbursed Health, Medical and Dental Expenses If you own a company but don't offer a health insurance plan, consider adding one. As long as the plan has a rational basis for any discrimination (i.e. excluding any employees), then your company can deduct the expense and you and your dependents may be able to receive the benefits tax-free or on a tax-advantaged basis.

Casualty, Theft or Disaster Loss If you suffer from a loss of property due to theft or a sudden, unexpected or unusual event, you may be able to claim a loss equal to the lesser of your adjusted basis or fair market value, net of any reimbursement from an insurance company. If you suffer loss to personal or business property resulting from a disaster occurring in an area that has been designated a disaster area entitled to federal assistance, you have the added option to deduct the loss on the prior year's tax return, which serves to accelerate the benefit.

Education Expenses and Miscellaneous Deductions To the extent that education expenses are not available for a regular deduction or credit, they may be deductible as an itemized expense if required by your employer. Deductible miscellaneous expenses are mostly related to expenses incurred in the pursuit of taxable income such as legal fees, investment fees, uniforms, professional subscriptions, job search costs, union dues, professional association membership and unreimbursed expenses incurred on the job.

Step 4: INCREASE TAX CREDITS

Tax credits are dollar for dollar reductions to your tax bill. Deductions are dollar for dollar reductions of your taxable income. There is a big difference. Tax credits are much more valuable than deductions because a $100 credit reduces your tax bill by $100, regardless of your tax bracket. In contrast, a $100 deduction simply reduces your taxable income by $100 and your tax bill by $25 (if you are in the 25% percent tax bracket). Use this list as you begin to assess the credits that might be available to you.

Child Tax Credit Every individual or family qualifies for a credit for each dependent child, stepchild, grandchild or foster child under the age of 17.

Adoption Tax Credit Adoption expenses not reimbursed by your employer may be deducted, up to certain limits.

Dependent Care Expense Credit If you incur child care expenses so you or, if married, you and your spouse can go to work, you may be able to deduct 20 percent of the expense.

Elderly and Disabled A credit is available to certain low-income individuals 65 years of age or older, and to individuals under age 65 if they are retired with a permanent and total disability and have taxable disability income from a public or private employer. The income limits are low.

Elective Contributions to Retirement Plans Low-income earners may take as a tax credit up to 50 percent of elective contributions to an employer sponsored retirement plan or IRA. Phase-out provisions begin at low income levels.

Hope Scholarship Credit If you, your spouse or a dependent was enrolled at least half-time in the first or second year of college, you may be able to deduct qualified expenses incurred.

Lifetime Learning Credit For those who already have two years of college and can't qualify for the Hope credit, the Lifetime Learning Credit provides a smaller tax benefit for an unlimited number of years in which you take postsecondary educational courses. You can claim the credit for yourself, your spouse if filing jointly, and for any dependents for whom you claim an exemption on your tax return.

Social Security Tax If you changed jobs in 2005 and expect to gross more than $90,000, you may have paid too much social security tax. You're liable for social security tax only on the $90,000, but both employers are required to pay their shares. If you paid too much, you can get it back with a tax credit against your income tax liability. ❑

2005 Tax Information of Interest

PERSONAL EXEMPTION	**$3,200 per person (none if filing as a dependent)**
EXEMPTION PHASEOUT	**Starts at $218,950 (MFJ), $109,475 (MFS), $145,950 (S), $182,450 (H of H)**
MAXIMUM SALARY DEFERRALS	**$14,000 for 401(k), 501(c), 457 and 403(b) plans ($17,000 for 403(b) plans if the taxpayer is qualified for the 15-year rule), $18,000 for all those plans if 50 or older ($21,000 for 403(b) plans if the 15-year rule applies); $10,000 for SIMPLE, $12,000 if 50 or older**
MAXIMUM IRA CONTRIBUTION	**$4,000 (Regular or Roth), $4,500 if 50 or older**
STANDARD MILEAGE RATES	**Business: 40.5¢ Jan-August; 48.5¢ beginning Sept '05 Charity: 14¢ Medical/Moving: 15¢**
ITEMIZED DEDUCTION PHASEOUT	**Starts at AGI over $145,950 (MFJ, H of H, S), $72,975 (MFS)**
SOCIAL SECURITY	**7.65% (6.2% SS + 1.45% medicare). SS levied on first $90,000 in wages only ($5,580 max. SS paid by any individual). Household help: SS tax levied only after $1,400 paid.**
KIDDIE TAX (Children under 14)	**First $800 not taxed; $800 to $1,600 at child's rate; over $1,600 at parent's rate.**
FOREIGN INCOME EXCLUSION	**$80,000 (for 2004 and thereafter, according to Tax Topic 853)**
SECTION 179 LIMIT	**$105,000 max. aggregate, less phaseout as total 179 property placed in '05 exceeds $420,000.**
CAPITAL GAINS RATES* ***Non-collectables** **("collectables" are taxed at 28%)**	**Assets held 1 year or less: taxed at ordinary income rates** **Assets held more than 1 year:** **• 15% for taxpayers in brackets higher than 15%** **• 5% for taxpayers in 15% or lower tax bracket**
CHILD TAX CREDIT	**$1,000 for each under age 17 at YE (subject to phaseouts at higher income levels)**
AMT RATES	**26% of income up to $175,000 ($87,500 (MFS)); 28% thereafter**
AMT EXEMPTION	**$58,000 (MFJ); $40,250 (S, H of H); $29,000 (MFS)**
DIVIDEND INCOME	**5% for 10% and 15% income tax rate payers; 15% for taxpayers in brackets higher than 15%**
ANNUAL GIFT EXCLUSION	**$11,000**
RETIREMENT PLAN WITHDRAWS MANDATORY	**Age 70 1/2**
HOME SALE EXCLUSION	**$250,000 (S), $500,000 (MFJ)**

ESTATES AND TRUSTS

If Taxable Income Is:	The Tax Is:
Not over $2,000	15% of taxable income
Over $2,000 but not over $4,700	$300 plus 25% of the amount over $2,000
Over $4,700 but not over $7,150	$975 plus 28% of the amount over $4,700
Over $7,150 but not over $9,750	$1,661 plus 33% of the amount over $7,150
Over $9,750	$2,519 plus 35% of the amount over $9,750

MARRIED FILING JOINT/SURVIVING SPOUSE

If Taxable Income Is:	The Tax Is:
Not over $14,600	10% of taxable income
Over $14,600 but not over $59,400	$1,460 plus 15% of the amount over $14,600
Over $59,400 but not over $119,950	$8,180 plus 25% of the amount over $59,400
Over $119,950 but not over $182,800	$23,317.50 plus 28% of the amount over $119,950
Over $182,800 but not over $326,450	$40,915.50 plus 33% of the amount over $182,800
Over $326,450	$88,320 plus 35% of the amount over $326,450

Standard deduction: $10,000 (+$1,000 for each spouse age 65+ or blind, $2,000 for each spouse age 65+ and blind)

Standard deduction (SD) for dependents is the greater of $800 or earned income plus $250 (not to exceed the SD for dependent's filing status)

HEAD OF HOUSEHOLD

If Taxable Income Is:	The Tax Is:
Not over $10,450	10% of taxable income
Over $10,450 but not over $39,800	$1,045 plus 15% of the amount over $10,450
Over $39,800 but not over $102,800	$5,447.50 plus 25% of the amount over $39,800
Over $102,800 but not over $166,450	$21,197.50 plus 28% of the amount over $102,800
Over $166,450 but not over $326,450	$39,019.50 plus 33% of the amount over $166,450
Over $326,450	$91,819.50 plus 35% of the amount over $326,450

Standard deduction: $7,300 (+$1,250 if 65+ or blind, $2,500 if 65+ and blind)

Standard deduction (SD) for dependents is the greater of $800 or earned income plus $250 (not to exceed the SD for dependent's filing status)

SINGLE

If Taxable Income Is:	The Tax Is:
Not over $7,300	10% of taxable income
Over $7,300 but not over $29,700	$730 plus 15% of the amount over $7,300
Over $29,700 but not over $71,950	$4,090 plus 25% of the amount over $29,700
Over $71,950 but not over $150,150	$14,652.50 plus 28% of the amount over $71,950
Over $150,150 but not over $326,450	$36,548.50 plus 33% of the amount over $150,150
Over $326,450	$94,727.50 plus 35% of the amount over $326,450

Standard deduction: $5,000 (+$1,250 if 65+ or blind, $2,500 if 65+ and blind)

Standard deduction (SD) for dependents is the greater of $800 or earned income plus $250 (not to exceed the SD for dependent's filing status)

MARRIED FILING SEPARATE RETURNS

If Taxable Income Is:	The Tax Is:
Not over $7,300	10% of taxable income
Over $7,300 but not over $29,700	$730 plus 15% of the amount over $7,300
Over $29,700 but not over $59,975	$4,090 plus 25% of the amount over $29,700
Over $59,975 but not over $91,400	$11,658.75 plus 28% of the amount over $59,975
Over $91,400 but not over $163,225	$20,457.75 plus 33% of the amount over $91,400
Over $163,225	$44,160 plus 35% of the amount over $163,225

Married filing separately - Standard deduction: $5,000 (+$1,000 if age 65+ or blind, $2,000 if age 65+ and blind)

Standard deduction (SD) for dependents is the greater of $800 or earned income plus $250 (not to exceed the SD for dependent's filing status)

CORPORATE TAX RATES

If Taxable Income Is:	The Tax Is:
$0 to $50,000	15%
Over $50,000 but not over $75,000	$7,500 plus 25% of excess over $50,000
Over 75,000 but not over $100,000	$13,750 plus 34% of amount over $75,000
Over $100,000 but not over $335,000	$22,250 plus 39% of the amount over $100,000
Over $335,000 but not over $10,000,000	$113,900 plus 34% of the amount over $335,000

The Five Stages of Crisis Management

Crisis is a part of life. It will visit every person, relationship, family, community and business. In addition to the facts of the event, crisis brings chaos, confusion and emotion. Business owners and leaders will be tested in times of crisis, and their followers will either benefit or suffer from the leader's crisis management skills.

Jack Welch, former Chairman and CEO of General Electric, penned an article that appeared in the September 24 issue of *The Wall Street Journal* titled "The Five Stages of Crisis Management." He said, "Hurricane Katrina is practically a case study of the five stages people seem to have to go through during severe crisis." Here are his five stages:

One of the marks of good leadership is the ability to dispense with denial (during crisis) quickly and face into hard stuff with eyes wide open and fists raised.

Stage One: ***Denial.*** "The problem isn't that bad, the thinking usually goes. It can't be, because bad things don't happen here ... to us." Mr. Welch goes on to say, "Denial in the face of disaster is human, but one of the marks of good leadership is the ability to dispense with denial quickly and face into hard stuff with eyes wide open and fists raised. Good leaders also define reality, set direction and inspire people to move forward."

Jack thinks denial in New Orleans started long before the storm with respect to the inadequacy of the levy system and the unacceptable depths of poverty.

Stage Two: ***Containment.*** Containment plays out in one of two forms, says Mr. Welch, with leaders either trying to keep the matter quiet or buck-passing. Keeping the matter quiet is useless, as problems ... especially the messy ones ... always get out. Buck-passing is "... where people, including perfectly capable leaders, try to make the problem disappear by giving it to someone else to solve."

In New Orleans, the city and state screamed for federal help; the feds said they couldn't send in the troops until such was requested; and round and round it went.

Stage Three: ***Shame-Mongering.*** "All parties with a stake in the problem enter into a frantic dance of self-defense, assigning blame and claiming credit." Katrina's shame mongering blasted into overdrive within 48 hours of landfall. The topic was not the devastation of the storm, but about who was to blame, the Republicans, President Bush, Michael Brown/FEMA, the mayor, governor, the uncooperative poor, etc.

Stage three activities simply waste precious time and energy. Strong leaders must avoid shame mongering and instead quickly and boldly define the problem, outline a plan of action, and get to work.

Stage Four: ***Blood on the Floor.*** In just about every crisis, a high profile person pays with his job. Sometime, they take a crowd with them. Mr. Welch explains that people need to feel that someone has paid dearly for what went wrong. Michael Brown, the head of FEMA, was the first to go in the New Orleans disaster ... then the police chief.

Stage Five: ***The Crisis Gets Fixed.*** "Despite prophesies of permanent doom, life goes on. Usually, for the better," explains Mr. Welch. "History shows that crisis almost always gives way to something better," because crisis primarily serves to show where the system is weak. Once stage five is reached, the affected galvanize their mutual commitment to a better future. They begin working together to prevent the crisis from ever happening again, often with great success.

Jack Welch cites the Tylenol tampering crisis as an example, explaining that such an event is unlikely to ever occur again at Johnson & Johnson as the company has permanently changed to one that goes to extremes to prevent product tampering. In New Orleans, Jack predicts that the city will soon rise as a city super-fortified against flooding, virtually eliminating the possibility of another Katrina-like disaster. The poverty problem is harder to solve, but Mr. Welch predicts substantial efforts will be employed to ensure a better future for the poor of New Orleans.

In conclusion, by understanding the natural human cycle of crisis response, business owners may be better able to lead their constituents effectively during times of crisis. After all, crisis is just another opportunity to learn, and then build something more sound, stable and durable ... once stage five is reached. ❑

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