Content from the document:

**From Great Resignation to Great Retention**

**Education is a retention tool too**

By Carol Butler, President
Goering Center for
Family & Private Business

I recently attended a conference where Alan Beaulieu, PhD, President of ITR Economics, was discussing what’s come to be known as the Great Resignation - also known as the Big Quit. It describes the international trend of workers leaving their jobs during the pandemic. As with so much over the past 21 months, it’s an unexpected consequence of the pandemic. Again, we find ourselves in a unique place, and a place we’ve never been before. According to Alan, nearly 39% of the workforce is opting not to participate in work. If you doubt this statistic, just look at the related disruption we are experiencing in everything from supply chain to travel, from healthcare to restaurants. Fed-up and frustrated, more and more people are leaving their jobs to look for a salary increase and better benefits elsewhere, or to start their own business.

The result is an increased urgency around attracting and retaining talent. While the urgency may be new, ways to address these issues are not. Business leaders must focus on the essential best practices when it comes to building lasting and fruitful employee-employer relationships, including:

- Paying people well
- Showing employees a career path
- Engaging employees in the company's purpose
- Giving employees access to the leader to present their ideas
- Listening to employees and letting them know they are heard
- Sharing the numbers
- Telling employees how what they do ties into company performance

What Jack Stack first wrote in 1992's open-book management manifesto *The Great Game of Business* holds true today: transparency and connectedness between employers and employees are important - even more so, when you add the dynamics of family-run businesses to the equation. But know that you are not alone in having to determine how best to engage your workforce. The Goering Center is here to support you.

Our Next Generation Institute (NGI)* has a refreshed curriculum that reflects our new reality and addresses these concerns. It is for owners and leaders of family businesses, their successors, and other family members who may or may not work in, or have ownership in, the family business. It is the perfect place to tackle the tough questions together, have difficult conversations, and gain a holistic perspective on the succession journey. This includes finding support and guidance to build better communication and trust, resulting in stronger intra-family and employer-employee relationships, and, as a result, increased retention. This hybrid program consists of twelve sessions – eight virtual and four in-person – so whether you’re a family business locally or in the region, the format is adaptable to your needs.

We’ll also soon be starting our 2022 Leadership Development Institute™. In a unique format, seasoned CEOs and presidents work side-by-side with emerging leaders in both family-run and private businesses. The program helps participants gain the skills they need to lead better and to maximize their effectiveness. Learning is focused on multiple leadership disciplines: understanding self, working with others, building teams, and problem solving.

And we continue to expand our Roundtables offering, which bring peers together to experience personal and professional growth and support each other in a safe space, as well as our Business Boards Institute™ that provides owners and CEOs some much needed partnership and support at the top.

With all that being said, perhaps most relevant to our country’s current workforce conundrum, is our Scrappy Culture for Small Business program, which we will launch this February, in partnership with SrogginsGrear. In it, we focus on the six biggest levers companies can pull to install a great company culture and improve retention as a result: hiring and onboarding, employee engagement, development and performance, rewards and recognition.

Education can only help, not hurt, your chances to succeed. People who come to the Goering Center are playing the odds and stacking them in their favor. Taking the time to learn from others and knowing best practices only increases your likelihood of short and long-term success.

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* *NGI* stands for Next Generation Institute.
Infrastructure Investment and Jobs Act ("IIJA")

By Alan Greenwell, CPA, Shareholder, Brixey & Meyer

On November 15, 2021, President Biden signed into law The Bipartisan Infrastructure Deal, which is intended to rebuild America’s roads, bridges, and rail systems, expand access to clean drinking water, ensure every American has access to high-speed internet, tackle the climate crisis, advance environmental justice, and invest in communities that have too often been left behind.

The legislation is intended to help ease inflationary pressures and strengthen supply chains by making long overdue improvements for our nation’s ports, airports, rail, and roads. It is intended to drive the creation of good-paying union jobs and grow the economy sustainably and equitably so that everyone gets ahead for decades to come.

The following is a summary of some of the key provisions and the associated costs in the IIJA:

1. Deliver clean water to all American families and eliminate the nation’s lead service lines.
   - The IIJA will invest $55 billion to expand access to clean drinking water for households, businesses, schools, and child-care centers all across the country.

2. Ensure every American has access to reliable high-speed internet.
   - The IIJA will deliver $65 billion to help ensure that every American has access to reliable high-speed internet through a historic investment in broadband infrastructure deployment, particularly in rural areas where access is limited from an availability perspective.

3. Repair and rebuild our roads and the bridges with a focus on climate change mitigation, resilience, equity, and safety for all users.
   - The legislation will reauthorize surface transportation programs for five years and invest $110 billion in additional funding to repair our roads and bridges and support major, transformational projects. The Bipartisan Infrastructure Deal makes the single largest investment in repairing and reconstructing our nation’s bridges since the construction of the interstate highway system.

4. Improve transportation options for millions of Americans and reduce greenhouse emissions through the largest investment in public transit in U.S. history.
   - The legislation includes $39 billion of new investment to modernize transit, in addition to continuing the existing transit programs for five years as part of surface transportation reauthorization. In total, the new investments and reauthorization in the Bipartisan Infrastructure Deal provide $89.9 billion in guaranteed funding for public transit over the next five years — the largest Federal investment in public transit in history.

5. Upgrade our nation’s airports and ports to strengthen our supply chains and prevent disruptions that have caused inflation. This will improve U.S. competitiveness, create more and better jobs at these hubs, and reduce emissions.
   - The legislation invests $17 billion in port infrastructure and waterways and $25 billion in airports to address repair and maintenance backlogs, reduce congestion and emissions near ports and airports, and drive electrification and other low-carbon technologies. With more modern, resilient, and sustainable port, airport, and freight infrastructure, it is intended to strengthen our supply chains and support U.S. competitiveness compared to the rest of the world.

6. Make the largest investment in passenger rail since the creation of Amtrak.
   - U.S. passenger rail lags behind the rest of the world in reliability, speed, and coverage. The legislation positions rail to play a central role in our transportation and economic future, investing $66 billion in additional rail funding to eliminate the Amtrak maintenance backlog, modernize the Northeast Corridor, and bring world-class rail service to areas outside the northeast and mid-Atlantic. This is the largest investment in passenger rail since Amtrak’s creation 50 years ago and will create safe, efficient, and climate-friendly alternatives for moving people and freight.

7. Build a national network of electric vehicle (EV) chargers.
   - The IIJA will invest $7.5 billion to build out a national network of EV chargers in the United States.

8. Upgrade our power infrastructure to deliver clean, reliable energy across the country and deploy cutting-edge energy technology to achieve a zero-emissions future.
   - The IIJA will make a $65 billion investment, which includes the largest investment in clean energy transmission and grid in American history. It will upgrade our power infrastructure by building thousands of miles of new, resilient transmission lines to facilitate the expansion of renewables and clean energy, with the intentions of lowering costs.

9. Make our infrastructure resilient against the impacts of climate change, cyber-attacks, and extreme weather events.
   - The IIJA will make an investment of over $50 billion to protect against droughts, heat, floods, and wildfires, in addition to a major investment in weatherization. The legislation is the largest investment in the resilience of physical and natural systems in American history.

10. Deliver the largest investment in tackling legacy pollution in American history by cleaning up superfund and brownfield sites, reclaiming abandoned mines, and capping orphaned oil and gas wells.
   - The IIJA will invest $21 billion to clean up Superfund and brownfield sites, reclaim abandoned mine land, and cap orphaned oil and gas wells.

As it relates to tax legislative changes, there were a few notable ones under the IIJA as follows:

EMPLOYEE RETENTION CREDIT

The infrastructure legislation ends the employee retention credit (ERC) early, making wages paid after Sept. 30, 2021 ineligible for the credit (except for wages paid by an eligible recovery startup business).

CRYPTOASSET REPORTING

Section 80863 of the legislation will impose new cryptoasset information reporting requirements on brokers. The Sec. 6045(c)(1) definition of “broker” is expanded to include anyone who for consideration effectuates “transfers of digital assets on behalf of another person.” For these purposes, “digital asset” is defined as “any digital representation of value which is recorded on a cryptographically secured distributed ledger or any similar technology.”

The legislation is set to amend Sec. 6045A to require brokers to provide information returns reporting any transfers of digital assets to accounts that are not maintained by a broker.

OTHER TAX PROVISIONS

The legislation includes other tax provisions, including extension of various highway-related taxes, and extension and modification of certain superfund excise taxes. It also would allow private activity bonds for qualified broadband projects and carbon dioxide capture facilities.

Please note there could be more extensive changes coming in a fiscal year 2022 budget reconciliation bill that remains under consideration by Congress. Some of those provisions under consideration would include extensions of recent changes to the child tax credit and the earned income tax credit; an expanded premium tax credit; relief from the $10,000 state and local tax deduction cap; corporate and international tax changes; and limits on the interest expense deduction.

For more information, contact Alan Greenwell at Alan.greenwell@brixeyandmeyer.com or 513-752-8350.
How to Find the Right Cyber Liability Insurance Coverage for Your Business

By Mark Palazzo, Senior Vice President, Commercial Team Leader, Cincinnati, Huntington National Bank

Management of cyber risk is complex and with today’s quick-moving fraudsters, falling victim to a cybersecurity scam can not only impact your normal business operations, but can also significantly damage your bottom line. While many organizations assume they will be able to recover any funds lost in a payment fraud event, 36% of those who experienced attempted and/or actual payment fraud had direct financial loss.1

Almost all businesses today have some amount of cyber risk. A cyber liability policy can provide first- and third-party coverage for damages when liability policy can provide first- and some amount of cyber risk. A cyber scam can not only impact your normal sters, falling victim to a cybersecurity and with today’s quick-moving fraud-

Why Do Businesses Need Cyber Liability Insurance?

Fraud does not discriminate. Breaches are not just for Fortune 500 companies in the financial, retail, and healthcare sectors anymore.

• The number of ransomware attacks in the U.S. rose more than 300% during 2020.2
• 2020 was a record year with 791,790 complaints filed with the Internet Crime Complaint Center, with reported losses exceeding $4.1 billion. This represents 69% more complaints than in 2019.3

Cyber criminals’ methods evolve to find new ways to exploit access to confidential information. There is no one-size-fits-all cyber policy to provide coverage for all situations. If network security controls are inadequate, cyber liability insurance coverage may be significantly more expensive or unavailable altogether. Therefore, it’s critical to work with a cross-functional team who can help you navigate the rapidly changing cyber insurance marketplace.

To learn more, contact Mark Palazzo, SVP, Commercial Team Leader at mark.palazzo@huntington.com.

1 AFP. “Payments Fraud And Control Survey Report.” 2021. AFP.

Leadership Development Institute™

Maximize your effectiveness with the Leadership Development Institute (LDI). Sessions are challenging, clear, interactive, and practical, leaving you energized and inspired to inspire others.

LDI starts March 2022. For more information, contact David Miller at 513-556-5648.
It’s Time for My Business to Grow – Where do I start?

By Crystal Faulkner, Tax Partner & Cincinnati Market Leader, MCM CPAs & Advisors

As a CPA and Professional Certified Entrepreneurial Operating System (EOS) Implementer, I work directly with leadership groups, helping them through the ups and downs of operating and growing a business. Successful-oriented business leaders are always looking for opportunities in both prosperous and rocky times, and one common attribute they share is their “can-do” attitude. These leaders have the passion and persistence to make their dreams a reality even when things seem bleak. They are optimistic about life, both in business and personally, and when they face challenges, they develop plans to overcome the obstacles that may be standing in their way.

The most successful business leaders surround themselves with likeminded people. They do not operate in a vacuum. They work with key employees and advisors to develop strategies (short and long-term) that will lead the business to the success that they want to achieve and create action plans to achieve these goals, which include metrics to measure progress and accountability. To grow your business, it is critical that you believe in yourself and in your company. Others in your organization will follow your lead. Your enthusiasm and confidence will become contagious with everyone that comes into contact with your company, whether it is your employees, customers, or vendors.

Now that we have discussed the importance of developing the right attitude for success, there are several other factors that will help you grow your business.

KNOWLEDGE MATTERS

Having the financial knowledge to understand and use your financial statements as a tool to manage your business is key. The old saying “cash is king” rings true, especially when it comes to the financial management of a growing company. While many people focus on the profit and loss statement in determining the health of a business, it is equally important to understand the balance sheet, which represents the assets, liabilities, and net worth of your organization. You don’t need an MBA to analyze your data, but it is important to have a CPA, mentor, business partner, or good financial advisor who can assist you in analyzing your organization’s financial health and develop strategies to make your company more profitable and stronger.

ADVISORY GROUPS

Formal or informal advisory groups, such as a board of advisors or even a CEO roundtable, can provide a place for you to tap into expertise you don’t yet have. Other business owners can offer strategies on marketing, managing vendors, and even provide referrals.

BUSINESS IS BUSINESS

Small businesses are very close-knit and at times can feel like family, which is why many business owners struggle with the human capital side of their organizations. If you have people issues, perhaps it is because certain employees don’t share your company’s core values. You may have individuals in the “wrong seat” in that they are not able to fulfill the most important roles in their job function. You simply can’t keep people around if they are destroying your company culture by not exhibiting the organization’s core values, or if they are not capable of fulfilling their roles in the business. Maintain a strong work ethic and don’t compromise on core values. Stay true to your purpose.

EMBRACE TECHNOLOGY

Leveraging technology can be crucial for success-oriented small business owners. Find ways to become more effective and efficient by utilizing technology. Valuing innovation and using it to your advantage can help you gain ahead of your competitors.

LOOK FOR BEST PRACTICES

Be open to learning how other owners run their business and how these strategies could improve your company. You can also learn from mistakes made by others.

FORWARD THINKING

Be aware of trends in your industry and any adjustments you may need to make to remain or become more competitive. Planning for both the short and long-term are critical. Futuristic thinking will not only set you apart, but also puts you in a much better position to consider your business decisions and options in advance.

Be proactive and take the initiative to grow your business. Look at the current state of our economy as an opportunity to move forward. Things don’t always go as planned and will change as time goes on; however, as a small business, you have the flexibility to adjust quicker to those changes.

For more information, contact Crystal Faulkner, CPA, Professional Certified EOS Implementer, Tax Partner & Cincinnati Market Leader, at crystal.faulkner@mcmcpa.com or 513-768-6798.
Considering ESOPs For Succession Planning and Employee Retention

By Chase A. Tweet, Dinsmore & Shohl LLP

For private business owners looking for liquidity and a succession planning strategy, a leveraged employee stock ownership plan ("ESOP") transaction may be a compelling solution, particularly in a post-pandemic economy.

In a leveraged ESOP transaction, the company first establishes an ESOP trust, which is a qualified retirement plan trust subject to ERISA and the Internal Revenue Code rules that apply to 401(k) and other types of employer-sponsored retirement plans. Then, a bank makes a loan to the company, the proceeds of which are loaned to the company to purchase stock from shareholders. Thereafter, the company makes a loan to the ESOP, which is an "inside loan". The proceeds of the inside loan enable the ESOP to purchase stock from shareholders. Thereafter, the company makes annual contributions to the ESOP, which the ESOP in turn uses to make payments back to the company under the inside loan. The company's contributions to the ESOP are treated like benefit contributions that are subject to IRS limits. As the ESOP pays down the inside loan with these contributions, stock is allocated to eligible employees' accounts in accordance with a benefit formula described in the ESOP's plan document.

Instead of bank financing, the ESOP can acquire shares with seller-financing. Commonly, a combination of bank financing and seller-financing is used. This way, selling shareholders can receive cash for part of the transaction price, and deferred payment for the remainder under the terms of seller notes. There can be great flexibility with transaction structure, which can be helpful for a selling shareholder's personal planning.

ESOPs are particularly tax-efficient. As with all tax-qualified retirement plans, contributions to ESOPs are tax deductible to the company. For a leveraged ESOP, this results in the ability to make deductions for interest and amounts roughly equal to principal payments. For both C corporations and S corporations, deductions are limited to 25% of payroll. However, for C corporations, the amount of the contribution attributable to interest on the loan is fully deductible. Further, dividends paid on ESOP-owned stock are tax deductible for a C corporation. An additional tax advantage for selling shareholders of C corporations is the ability to defer capital gains taxes on the sale of stock (known as a 1042 rollover). S corporation ESOPs also offer unique tax advantages. Notably, an S corporation that is 100% owned by an ESOP pays no federal income tax, because all of the company's income is passed through to the ESOP trust (i.e., a tax-exempt trust). In any event, it is important to note that a business must be structured as a corporate entity in order to adopt an ESOP. Partnerships and LLCs are not permitted to sponsor an ESOP, although, many partnership and LLCs find it feasible to implement a pre-ESOP plan or reorganization.

From the employee perspective, allocations of stock are not taxable until actually distributed from the ESOP (typically at retirement). Thus, ESOPs allow employees to share in allocations of stock and appreciation on those shares on a tax-deferred basis. Because ESOPs are subject to ERISA's stringent fiduciary standards, it is necessary to engage an independent trustee to represent the ESOP in a transaction to purchase stock. The independent trustee would engage its own counsel and financial advisor, generally paid for by the company.

ERISA's standards may result in a transaction value that is more conservative than what might be realized in a sale to a strategic or other type of buyer. Discerning the short- and long-term impact of COVID-19 on a business's financial performance is a particularly challenging issue for valuation professionals right now.

Not all businesses are good candidates for an ESOP. A strong management team and solid operating performance with stable and predictable cash flows are essential. Even if an ESOP is a feasible option, owners may have reasons to prefer an alternative succession planning strategy. Regardless, private business owners should at least study ESOPs and weigh an ESOP-centered strategy against other alternatives. And, if retaining and attracting talent is an important company objective, an ESOP may offer a timely solution to recruiting challenges. Many businesses are feeling the effects of this ultra-tight, post-pandemic labor market, and companies boasting the "employee-owned" label look to fair better than their competition when it comes to employee attraction and retention.

For more information, contact Chase A. Tweet at 513-977-9860 or Chase.Tweet@dinsmore.com.

How International Currency Markets Can Affect Local Business

By Marc Chandler, Managing Director, Bannockburn Global Forex, a division of First Financial Bank

The foreign exchange market where currencies are traded is the single most significant component of capital markets. Authoritative estimates put the average global volume of currency trades at more than $6.6 trillion a day. This is simply a mind-boggling number. It means that the foreign exchange turnover in one week is much more than the total amount of world trade in one year.

There is another way to think about the massive scale of the foreign exchange (forex) market. The US stock market is open about six and a half hours a day, five days a week, although electronic trading is also available in offshore. In contrast, the foreign exchange market is a 24-hour a day market. Because it is global, the week begins Sunday afternoon, when Australia and New Zealand open on Monday morning, and runs non-stop until late Friday afternoon in the US.

Many factors can drive exchange rates, which is why they change constantly. The timeframe is important too. Short-term drivers often include market positioning and high-frequency economic data. In the medium-term, governments' monetary and fiscal policy may play a critical role. Finally, in the longer term, a country's actions to promote its self-interests can play an outsized role on exchange rates.

WHY DOMESTIC BUSINESSES ARE IMPACTED

It's more than just international conglomerates that need to be aware of this market. Any businesses with revenue in one currency and liabilities in another can have foreign exchange exposure. The exposure could emanate from selling a product to a foreign buyer. It may also arise from purchasing a foreign product, like a German machine tool or an intermediate good from Mexico. Businesses can hedge such risk by locking in currency prices today for a future date. Even if a business is purely domestic, its international competition could derive some competitive advantage by its currency. This is an indirect currency exposure. For example, consider a company that may be based in Greater Cincinnati, sources and sells in the US, and faces competition from a Japanese business. The 9.5 percent depreciation of the yen in the first three quarters of the year could give the Japanese company a pricing advantage.

For companies with exposure, the volatility, or degree to which a currency moves, can be substantial, especially compared to a company's profit margin. Consider that if one owns a basket of international stocks, the currency swings can account for a third of the return. For a global bond portfolio, the currency volatility can be two-thirds of the return.

Currency volatility comes from developed countries and even more so for emerging market economies. For example, the biggest export market for Ohio businesses is Canada, the destination of almost 40 percent of the state's exports. This year, the Canadian dollar is the strongest of the major currencies against the US dollar, rising by about 2.7 percent through October. That may offer a tailwind for Ohio exports, but from the end of May through the end of September, the Canadian dollar depreciated by slightly more than 5 percent, which could prove a nightmare for corporate treasurers and shareholders if not properly managed.

AN EXPERT IN YOUR CORNER

As middle market companies are becoming increasingly global, they tend to lack deep in-house expertise in the foreign currency aspects of their business. This tends to affect them in two important ways.

The first is risk management. Forex market volatility can cause margin contraction, debt covenant breaches, liquidity squeezes, and worse. Many companies don't recognize these risks in their business until it is too late. All of these risks can be addressed in advance, though they often react too late due to lack of awareness.

The second risk comes from price efficiencies. When we buy a widget, we know we are paying a retail price, and the business we are buying it from paid a wholesale price. Unbeknownst to us, there are separate wholesale and retail prices for money too. For example, the Federal Reserve lends money to banks at nearly zero. That is the wholesale price. But our credit cards often charge more than 20 percent at an annualized rate. That is an example of the retail price of money.

Clients are often treated like tourists by the foreign exchange market. With such complexity and volatility in this market, it is wise to have professional expertise helping you to maximize opportunities and reduce risk.

For more information, contact Marc Chandler at 646-206-5762 or Marc.Chandler@bbfg.com, or visit www.bannockburnglobal.com.
As the demographics of our society continue to change, the business world is faced with challenges unlike any others our economy has had to deal with in the past. The aging workforce, the shortage of people to fill employment vacancies, and increased life expectancy are all causing people to work beyond what was the traditional retirement age. Further, the need for more creative work arrangements is also challenging today's marketplace as businesses must find solutions to meet the changing needs of the workforce and remain competitive in the global economy.

On top of this, middle market companies have their own set of unique challenges. At the forefront is the issue of how the owners wish for time to stand still. Entrepreneurs, as well as their families, is actually how the transition process started, and not be overwhelmed by the tasks that lie ahead.

Business owners have built their successful organizations through hard work, guile, and personal capital, often making huge sacrifices to achieve what feels like a monument to personal accomplishment. Due to this hard work and achievement, some entrepreneurs wish for time to stand still. Nevertheless, time marches on, and the smartest entrepreneurs understand that businesses are built to be sold. If business owners (a) create a well-conceived plan, (b) allow sufficient time to execute, (c) create the right team of advisors, and (d) have the fortitude to implement their plan, success and satisfaction will be accomplished. The transition will be on their terms, and not as a result of an outside, unforeseen circumstance.

**STUGGLING TO START THE TRANSITION PROCESS**

Certainly, there are a great deal of issues for the owners as they get their financial house in order. Is their estate plan structured properly? Do they have the entity organized properly to minimize taxes? On a personal level, are they financially secure and emotionally ready to handle a transition?

However, these issues are not the only areas concerning business owners. Perhaps the biggest obstacle for owners and managers, as well as their families, is actually how to get the succession process started, and not be overwhelmed by the tasks that lie ahead.

Business owners have built their successful organizations through hard work, guile, and personal capital, often making huge sacrifices to achieve what feels like a monument to personal accomplishment. Due to this hard work and achievement, some entrepreneurs wish for time to stand still. Nevertheless, time marches on, and the smartest entrepreneurs understand that businesses are built to be sold. If business owners (a) create a well-conceived plan, (b) allow sufficient time to execute, (c) create the right team of advisors, and (d) have the fortitude to implement their plan, success and satisfaction will be accomplished. The transition will be on their terms, and not as a result of an outside, unforeseen circumstance.

**HAVING AN EXIT STRATEGY IS KEY**

There are many facets to this type of planning. Paramount is developing a strategy for the business and the business owners. As in strategic planning, succession and exit planning also involves leadership and owners determining where the enterprise should be headed and what tactics need to be deployed to get there.

Acquiring the education to understand the advantages and disadvantages of each strategy and alternative, and analyzing the implications for various stakeholders is a starting point. Next steps include researching what the potential value of the enterprise is and then determining ways to enhance that value.

Evaluating the effectiveness and passion of the current management team and their importance to an event is also key. If family members are involved in the business, evaluating their readiness to take control of the enterprise is critical. One would think having a dispassionate evaluation as to whether the owner(s) would benefit from this experience is also a key. If family members are involved in the business, evaluating their readiness to take control of the enterprise is critical.

One would think having a dispassionate evaluation as to whether the owner(s) should separate themselves from the business and have the next generation take the reins or monetize the business, seems like a natural analysis that should take place. However, given the emotional attachment many owners have to their business, such discussions and planning can be difficult and cloud the overall planning process.

It is important to talk about the exit strategy sooner rather than later as sometimes events do not happen on the expected timetable. We strongly recommend an action plan or road map that stages the accomplishment of the various tactics, embeds deadlines, and assigns responsibilities to get things done. Just like with strategic planning, it is often times valuable to engage an outside consultant, coach, or facilitator to guide the planning process and hold the business owners accountable.

**BUSINESSES HAVE MANY TRANSITION STAGES**

Business leadership must plan and be laser-focused on executing, so the enterprise can transition from one stage to the next while avoiding retrenchment. Business transition planning is another stage, a very critical stage, to the journey of being a business owner, and if transition planning and implementation are done right, this final stage could be one of the most rewarding aspects of being an entrepreneur.

For questions or more information, please contact Brian Ross at 513-354-3523 or Brian.Ross@rsmus.com.
Who Should Consider a Captive Insurance Program?

By Jonathan Theders, CEO, RiskSOURCE Clark-Theders

Smart businesses are always looking for ways to maximize their operating budget and take control of their insurance spend. When it comes to insurance, many companies seek out an alternative risk transfer, rather than the path of purchasing traditional commercial insurance. A Captive Insurance Program (captive) is one risk funding option that businesses have been using for decades, across every size business, in every industry.

Two major types of captives are single parent captives, owned and operated exclusively by their owners, and group captives, where a shared pool of risk is created with other companies. If you’re familiar with self-funded employee benefits and how they operate, then you have a good idea of how a captive works.

An example of a group captive is when the owners of a group of businesses decide to retain some of their own risk and form their own insurance company, called a “captive insurer,” instead of purchasing insurance from a third-party carrier. This is an attractive option for companies who find a limited availability of certain types of insurance coverage in the commercial market or find that those coverages will be a significant expense.

Properly structured, captives can reduce cost of risk, provide cash flow benefits, and increase bargaining power with commercial insurers. Captives are performance based. For example, if a company has zero claims in a calendar year, they are essentially rewarded for their risk management performance with a return on their premium investment for that year. This can be reinvested in the business or the captive.

Several parameters can help you decide if a captive is a viable option for your business:

- You must be financially stable and have a good loss history.
- Captive expenses should be below 20 percent of premium unless there is a compelling reason for a higher ratio.
- You must be able to demonstrate your ability to pay for claims and secure future losses.
- You must be able to dedicate considerable attention to the operation of the captive.

It’s also important to do your homework before making this decision. Together, with your leadership team, consider the following aspects of your company:
1. Background and financial goals
2. Actuarial or data issues, including loss data or exposure information needed, and insurance company expense loads
3. Reinsurance marketplace potential
4. Tax and regulatory issues
5. Desired captive design

Remember that a captive will be an operating insurance company. It must receive funds immediately and be invested prudently, so they are available to pay claims. This can be a source of revenue for the captive, but it can also cost the owner substantial sums if improperly managed. Assigning roles and responsibilities, and conducting frequent analyses on the captive’s financial health, is essential to ensuring it is bringing the desired benefits to the organization.

If you decide that a captive is a good fit for your organization, continue doing your research. Seek professionals experienced in actuarial, accounting, tax, and legal issues to help you take the next steps.

For more information, contact Jonathan Theders, CRA, CHSP, RiskSOURCE Clark-Theders CEO, at jtheders@risksource.com or 888-779-2800.

In one Roundtable meeting, I received advice that saved Hydrotech several million dollars over the past few years. They are a great way to share best practices, bounce ideas off other leaders, receive counsel on tough issues, and network opportunities. The best part is that Roundtables push you out of your comfort zone, and that promotes personal growth."

Rex Wetherill, Hydrotech

Goering Center Roundtables

Designed for business owners and executives who seek balance across their work and family lives.

For more information, contact Lisa Jonas at 513-556-7403 or lisa.jonas@uc.edu.

Goering Center is a valued partner delivering knowledge, connection and community.
The Next Generation Institute (NGI)® allows owners and leaders of family businesses, their successors, and other family members to tackle the tough questions together, have difficult conversations, and gain a holistic perspective of the succession journey.

The Next Generation Institute kicks off in January. Visit our website to register.

To learn more, call David Miller, Goering Center Membership Director, at 513-556-5648.