SERVING THE GREATER CINCINNATI AREA

BUSINESS COURIER

These 5 tactics can help entrepreneurs stay on track

Financial meltdown. Health care reform. Dodd-Frank. Sovereign debt crises. Fiscal cliff. Sequestration. Each has compounded the difficulties facing small businesses.

According to the Census Bureau, nearly 240,000 small businesses failed between 2008 and 2010. And the terrain remains rocky.

Yet, the following tactics can help proactive entrepreneurs to better position their companies for the challenges ahead.

HEALTH CARE REFORM

The Patient Protection and Affordable Care Act (PPACA) represents the nation's largest ever health care overhaul. For businesses, it made rough seas more turbulent.

Reform was necessary. But, as businesses grapple with a leaner spending environment, they now also contend with the costs and uncertainties of health care reform.

According to the PPACA, every company with more than 50 employees must provide health coverage in 2014. Should employers choose not to, they face penalty taxes of $2,000 per employee over the 30 employee minimum. So, a 65-employee firm choosing not to provide insurance will pay penalty taxes of $70,000 (65 minus 30, multiplied by $2,000).

Companies recognize that the provision of health care insurance entails expenditures beyond the costly premiums. Choosing the right coverage. Education. Enrollment. Paperwork. It adds up.

Traditionally, companies with more than 100 employees have received preferable treatment by insurers.

SURVIVAL STRATEGIES

IN SIDE

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Technology allows large companies to complete the time-consuming pursuits of employee education and enrollment online. Further, with annual premium increases, technology directs executives to similar plans with lower premiums – saving time and money.

Today, some benefits firms are dedicated to helping clients more effectively navigate the health care landscape. Technology treats small firms like their larger counterparts, enrolling and educating employees online and locating less expensive plans. Companies must find firms capable of saving time and money by providing cutting edge technology, direction and expertise.

Two additional options worth weighing: Self-funded plans and defined contribution plans.

Self-funded health plans allow employers to assume some of the financial risk of health insurance rather than transferring that risk to an insurance company. For companies willing to assume some of the risk, self insuring removes many traditional expenses.

Defined contribution plans enable companies to pay employees a fixed annual amount, which is used to buy suitable insurance coverage. By fixing annual premium outlays and delegating decision making and accountability, small businesses save time and money.

401(K) FEE DISCLOSURE

As of July 1, 2012, the Department of Labor began requiring that all businesses offering retirement plans utilize a more transparent, standardized approach to disclosing fees.

Suddenly, business owners and their employees could see what a 401(k) plan's investment adviser, third-party administrator and record keepers were paid. Long-ignored fiduciary responsibilities were suddenly in plain view of every employee, participant and regulator.

Proactive investment firms began offering access to an all-index retirement plan. These enabled clients to save 25 percent to 50 percent of plan costs by replacing mutual funds with index funds. The average mutual fund costs around 1.1 percent, while the similar index fund might cost only 0.1 percent – a one-percent savings.

Further, many independent firms (RIAs) provide financial planning to 401(k) participants – a huge benefit, given that most large brokerage firms will not provide planning in 401(k)s. They simply don't want the responsibility. Many RIAs provide willing participants with financial planning assistance, as well as personalized financial websites, at no additional charge.

Today, when Wall Street refuses to work with clients with less than $250,000 in assets – most of the country – RIAs can provide 401(k) participant with cost savings, translating to better returns, as well as much needed financial advisory relationships.

CAPTIVE INSURANCE COMPANIES

Captive insurance companies (CIC) allow organizations to self insure the property and casualty risks for which they pay expensive insurance premiums year after year. Currently, the Ohio state legislature is considering legislation that will make Ohio a domicile state for captive insurance companies.

Traditionally, CICs have provided companies with a means of deferring risk and saving on their property-and-casualty expenses. Ideally, certain companies could establish a separate, wholly-owned insurance company by which they could manage corporate risks. Medical groups, manufacturing and transportation companies, to name a few, would establish CICs, pay premiums to their own insurance companies, self insure risk, and possibly incur tax benefits (ask your tax adviser).

Now, with Ohio potentially allowing the in-state incorporation of CICs, there will likely be a much wider audience for these risk-management vehicles.

While the landscape is still uncertain, these ideas can often provide surer footing for proactive business owners.

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