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## Eldercare – How To Squeeze Your Parents' Needs In

By now, it's a common condition, one that affects a growing number of people. Its symptoms are a feeling of being caught between a rock and a hard place, the worries of caring for dependent children and aging parents at the same time.

Sound like you? Welcome to the sandwich generation, the burgeoning troupe of 30-, 40- and 50-somethings that now have to tend to work, a growing family and elderly parents at the same time.

The pressures of balancing your work life and family obligations are big enough. Add parents to the mix and you have an even larger – and potentially more expensive – responsibility on your hands. In some cases, an elderly parent needs occasional help buying groceries or managing a home. In others, a medical condition or disability makes it necessary to hire a home aid or even seek out 24-hour care. It's not cheap: The AARP reported last year that the annual cost of a nursing home was \$70,000 or more, while the average bill for an assisted living facility averaged \$36,000 yearly<sup>1</sup>.

Take a deep breath. There are alternatives and with the right planning you can find ways to care for your parents and at the same time avoid a financial pinch.

Don't look to government programs to bail you out, however. The fact is that programs such as Medicare and Medicaid have severe restrictions and tight guidelines on just what expenses they will cover. Medicare, for instance, will only cover a minimal stay at a nursing facility – typically under a month's worth. The program simply does not pay for long-term stays or residential care. Medicaid, on the other hand, will provide for long-term care, but to qualify elderly parents must use up nearly all of their personal assets.

The bottom line: You and your parents will have to take concrete steps to figure out how much care your parents need and how to pay the bill. If you're lucky, they may have other sources to tap such as Veterans' benefits. And in many cases, a long term care insurance policy will help cover bills as well.

### Here are the important steps to take:

**1 Have the talk.** It's probably the most awkward, difficult conversation you'll have with your parents since the "birds and the bees" and for good reason. Nobody wants to talk about death, growing old or the possibility of losing independence – and your parents are no different than the rest of us. Don't be shy. The sooner you break the ice, in fact, the better. Be frank, and be open. Look to find out first just what they want in their old age and how they want to live.

**2 Take inventory and collect documents.** Planning for long term care is easier if you know just what your parents' resources are and just what they may need. A list of personal assets will ultimately help guide your decisions and make it easier to determine what you and your parents can afford. A house, for instance, might serve as a primary residence and keep care bills in check – nursing homes charge you for space, after all. A tally of retirement assets, Social Security, pension benefits, property and debt will give you a better idea of how much you can spend and how much

you'll need to protect over the years. The National Institute of the Aging ([www.nia.nih.gov](http://www.nia.nih.gov)) offers up documents that will help guide your tally.

Additionally, you need a clear understanding of any medical conditions your parents may have and just what constraints or special needs may arise from their current state of health.

**3 Get help.** A good first step is to call in experts who can assess what your parents need and point you in the direction of important government, volunteer and fee-based resources. State and county governments sponsor an office of aging or the elderly staffed by caseworkers who can determine what your folks need and where you can find help. Many faith-based organizations have family service experts who can do the same work. Both groups are well versed in ways to approach touchy topics with your parents. They also can help you screen firms that offer home care services as well.

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<sup>1</sup> *Across the States 2009: Profiles of Long-Term Care and Independent Living*, AARP, January 2009

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**4 Hire a lawyer.** The simple fact is that you'll need a folder full of documents in order to come to your parents' aid. They include durable powers of attorney, a revocable trust, and even medical privacy authorizations. They're indispensable. The durable power of attorney allows you or someone your parents trust to make critical medical decisions or handle financial matters. Trust documents will help to protect your parents' assets should the bills for care mount. They will also spell out rules for the transfer of funds and the administration of what they own. Medical privacy authorizations, meanwhile, keep you and your siblings in the know about your parents' health.

Don't fall for jiffy Internet downloads or template documents that promise a quick solution. The paperwork is complicated and you'll want a good eldercare lawyer in place to guide you through. Find a good professional to do the work. One starting point is the National Academy of Eldercare Law Attorneys ([www.naela.com](http://www.naela.com)).

**5 Get long term care insurance.** The old adage, open coverage when you can afford it and before you need it, holds true for long-term care insurance. The good news is that there are multiple options for coverage and as with any insurance, the earlier you act, the lower your premiums are likely to be. That said, parents in their 50s can often take out a policy at a reasonable premium rate. The same holds true for small business owners who take the initiative early and set up coverage at an affordable price. There are many options, too. In some cases, policy riders make it possible for children to extend coverage to their parents as well. Don't forget: Small business owners can also enjoy significant tax benefits on company-paid premiums – for their employees and in some cases for themselves.

Keep in mind that taking out your own policy will make it easier for your kids and spouse later on in the event you face any of the issues that may be confronting your parents. In this era of longer and longer life expectancies, a long-term care policy is added security against the growing cost you may face later on in life.



## Salaries – What You Need To Know In Order To Stay Competitive

Here's a riddle for small business owners: *What's both flexible and firm, never too high, never too low, and almost certain to eventually get aired out at the water cooler?*

Answer: *Employee compensation.*

You already know it's difficult to find hard and fast rules that govern just how much you compensate team members simply because there are so many different factors that affect your pay scale. Start with the big picture items such as the state of the economy and the job market. Your location and industry get mixed in, too. And, of course, there's no overlooking your candidate's background, experience, and expectations.

The bottom line is that as a small business owner, you're already relying heavily on pay as a way to attract, keep, motivate and reward the best talent you can gather. You'll face potentially stiffer competition in the year ahead.

Just consider the current state of salaries in the current small business marketplace. According to SurePayroll, a Chicago company that monitors compensation at small companies, salaries fell just over 8% on average this past December compared to 2008, even with hiring up more than 3% year-over-year. A closer look, however, shows that some markets – Texas, Arizona and Oregon – actually bucked the pay cut trend. Moreover, in a recent blog entry, SurePayroll's CEO said he saw signs that hiring would rebound this year as more small companies begin to breathe easier about the economy. (<http://www.surepayroll.com/scorecard/2009/december/>)

It's therefore important that you get a good sense of just how much you're willing to pay for new hires. There are a handful of steps to take in order to make setting salaries much more streamline.

- **Make job descriptions clear.** There is no shortage of surprises in the world of small business. One day, there's a proposal out of the blue to hammer out; the next, a last minute order forces everyone to roll up their sleeves.  
You know firsthand that small business job descriptions get stretched a good deal. Even so, the best place to start firming up a salary range you plan to pay for a new hire is establishing overall expectations for the position he or she will fill. Focus on duties and not just titles: A clear description will not only help you better value the job you need to fill, but it will help you figure just what you can afford to pay. Don't wait. The sooner you set boundaries for the job, the sooner you can move on to the investigative work you'll need to accomplish.
- **Do your homework.** You don't need to channel Sherlock Holmes in order to research the job market and get a handle on what the competition is paying new employees. The Internet is chock full of data. The U.S. Department of Labor Statistics is a good starting point for general information – and it's free. There are a host of other clearinghouses as well, including local chambers of commerce, industry associations and colleges. Online and newspaper want ads are another inexpensive source as well. In a pinch, you can turn to companies such as Salary.com and SurePayroll which can generate detailed reports from their databases – of course for a fee.
- **Set a range.** Once you have a better idea just what candidates can fetch in the current market, it's time to check your budget to see how much you can afford. Be sure to establish a high and low point to accommodate candidates with varying levels of experience and expertise. Again, the thinking is to be clear-cut and straightforward before you schedule interviews.
- **Remember it's about more than the money.** Your personnel pool is made up of individuals, each with specific needs and personal goals. In some cases, new parents want to spend more time at home with a young child. Other times, a new employee is looking to take on challenges and responsibilities in order to beef up his or her resume.  
The fact is you can work unique circumstances such as flex time and special opportunities into your salary calculations. Make it a point to spell out as much when you sit down with candidates.
- **Don't scrimp on the perks.** With healthcare costs rising incessantly, employees have come to value workplace benefits like never before. For proof, consider a recent Guardian survey entitled *Benefits & Behavior. Spotlight on Benefits and the Economy*. According to poll results, 64% of the full-time

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employees interviewed said the actions their employers took on benefits during the current economy would weigh on their attitude toward their boss in the future. Nearly 60% said they were willing to take a pay cut or go without a raise or bonuses in order to keep important benefits<sup>2</sup>. The bottom line: Medical, dental, life and retirement options you offer employees will go a long way in luring the best talent on the market. Factor these into your salary schedule as well.

- **Save some for incentive.** Don't forget that your job is to motivate employees. Sure, praise and the occasional gesture such as celebrations and nights out can keep your team loyal and working hard. At the same time, there's no denying the power bonuses and raises have on performance as well. It's therefore important to set aside some of your salary budget for year-end or review rewards.
- **Don't forget your edge.** Sure, you're vying against some big players in the job market. Don't lose sight of what you offer that the big players can't. The rapport, the flexibility and personal growth small businesses offer can all sway candidates. Keep all in mind the next time you have to push a pencil on salaries.

## The Recession Refresher Course

Congratulations. If you're a small business owner who is reading this, chances are you've made it through the worst economic downturn since the Great Depression. You've earned your M.B.A. in survival.

So how about a quick review of the lessons you learned during the crisis?

Make no mistake: There are practical reasons for an exercise like this. The worst may very well be over, and by all outward signs the economy is on surer footing and expected to post modest G.D.P. growth in 2010. The fact is that many experts are predicting sluggish trekking the next year or two. Besides that, it's clear that 2008 and 2009 held some keen insights on not only crisis management issues but the wisdom entrepreneurs need to succeed long term.

Hindsight anyone?

In the midst of the storm, it's easy to revert to pure bottom-line thinking. You hunker down and slash expenses everywhere possible in the name of preserving cash flow.

At the same time, you have to fight the temptation to fall for what we might call short-sighted tunnel vision. Business survival, after all, is about more than weathering the worst. It's about keeping your outfit healthy enough to seize upon opportunities in a rebound. The trick is to balance short-term reactions with long-term thinking.

The following tips are a refresher course to the hands-on business degree you received in navigating the near-collapse of the global economy.

### Market survival is about more than price.

It only follows logic that competition surges during a weak economy. You and your rivals are now scrapping more for less business. The temptation is to hack away at your prices in order to boost sales volume and preserve market share.

Fight the urge. True, cutting prices can create a short-term jump in volume. The boost is often short-lived and can lead to a downward spiral in profitability as you continue to cut costs to perk up business. A better way is to focus on strengths that help small businesses like yours stand out: service and quality.

Look for alternatives to price slashing by extending credit to customers to help them during the crunch. Yes, there's no getting around the fact that credit was tight last year and that cash still remains king in an anemic recovery. Your focus, however, remains on making it easier rather than harder to buy what you have to offer. Don't alienate customers when times are tough. That's not to say that you abandon collection – it is saying, however, that a bit of goodwill can go a long way.

### Don't overlook your competitive advantages.

The fact that the overall economy is slumping doesn't mean that demand for your product or service is dropping, too. In fact, orders for some of your goods and services may be on the rise. While it's easy to get fixated on news headlines, the fact is that demand for some of what you produce may be countercyclical and rise when customers are pinching pennies and looking for value themselves.

### It's all about relationships.

Besides the most important – between you and your clientele or customer base – there are two other key relationships you need to protect at all costs during a crisis.

Internally, you'll need to keep your employee team feeling as secure as possible. Think of your crew as the lynchpin to your ability to innovate and compete. They are your engine to success after all. Yes, salaries are an expense, but most human resource experts say you should examine every possible avenue before you lay off employees. For one, parting ways means you flush away the time and money you spent training staff. Firing or cutting payroll can also cause irreparable inner-office damage to the trust you've built with your team and can create fallout that lasts for years. There are alternatives you can take in the name of protecting your bottom line, including voluntary pay cuts, furloughs, and rolling back on paid vacation. Communication is key and you should look to address the crunch as soon as possible. Be frank with your staff.

It's equally wise to tread lightly with your suppliers. You've built trust with them, too. You might overlook the benefits they offer you: timely service, reliability and quality, pluses you might not find even if you save a small sum with a new supplier.

### Keep marketing.

As tempting as it may be to prune the budget you devote to getting the word out to customers, don't. Competition is rarely fiercer than it is during lean times. On top of that, clients are feeling skittish and likely to be considering alternatives as they, too, tighten their belts. The fact is that a recession is a time to put even more effort into marketing your products and services.

### Don't cut technology spending.

Then, there's the temptation to do a double-take on another cost center: tech. Look at the money you put in the latest technology tools as an investment to keep up with today. The social networking boom and the impact it will have on your business in the next few years is reason enough to build a firewall around your technology budget.

### Remember the future.

During a meltdown, as nervous as the present might make you, it's important to keep your eyes on the years to come. A focus on the future will help you leap forward the minute a turnaround takes hold.

## The New Building Block

Sometimes it takes a crisis to help shake off old, outmoded ways of thinking and stir up new ideas.

That's certainly been the case for whole or permanent life insurance of late. In the aftermath of the great meltdown of the global financial markets, many personal finance experts have begun to reexamine how whole life coverage not only safeguards wealth but can also help grow it over time.

**A Portfolio Building Block** Some financial advisors now argue that whole life deserves the status of an asset class among the other investment building blocks – stocks or equities, bonds or fixed income investments, money market accounts or cash, annuities and real estate. According to the successful science of combining investments, called Modern Portfolio Theory, different asset classes or types of investments work together to increase returns and minimize the risk investors incur if one or more financial markets slip. The underlying logic that makes this type of diversification so sensible harkens back to the advice we all heard as toddlers: Don't keep all of your eggs in one basket. Put into practice, Modern Portfolio Theory recommends spreading your wealth among a variety of sound holdings. Then, whenever one of the asset classes lags or drops, the others are there to contribute gains over time, cushion the blow and reduce risk.

Whole life insurance has earned a place among the other instruments for several reasons. It's the ultimate safety net: It protects your family's lifestyle in the case of your death. It also grows in value over time and can provide some very important benefits to holders who need cash.

**The Numbers Don't Lie** Upon close examination, the long-term numbers prove whole life's attributes as a key financial building block – even before the crisis of 2008/2009. Between 1977 and 2006, large company stocks provided investors an actual compounded annual rate of return of 5.2% factoring in investment fees and inflation. Bonds may seem less risky than stocks, but their return was smaller, too. Treasury bonds, anchored on Uncle Sam's reputation as the most dependable of borrowers, logged a compounded annual real rate of return between 0% and 2% during the same 30 year stretch, while municipal bonds posted just 1.8%. Here's the surprise: According to figures tallied by the Guardian Life<sup>3</sup>, a whole life policy opened in 1984 would have provided a 5.4% average annual return through the end of 2009.

**Small Business Sense** There are a number of reasons why whole life deserves consideration in a small business owner's investment portfolio. First, at a small premium cost, whole life provides the benefit we've all come to associate with coverage – a payout that protects survivors in the event that a breadwinner dies. What's more, the money payable is income tax-free and in some cases estate tax-free as well. Then, over time, a policy's cash value can grow similar to a fixed income investment with a guaranteed minimum return.

The benefits do not stop there. Once they have built up the cash value of a policy, holders can actually use the dividends<sup>4</sup>

their coverage generates to pay premiums over time. The cash that collects in a life policy doesn't have to sit on the sidelines, either. As a store of wealth, a policy's cash value can function as an important lifeline for small business owners. Think of it as your personal capital reservoir, one that can function as collateral for outside financing. It can be the source of a tax-free loan<sup>5</sup>, an infusion that's all the more valuable in tight credit times like these.

The same store of cash can work for your family, too. It can help fund college tuition, the purchase of a vacation home or primary residence, or cover for emergencies when money is tight.

**Term Limits** There's an important footnote to the recent rehabilitation of whole life's reputation. Over the past 20 years, many investment experts have spent a good deal of energy steering the public to term life insurance as a means to secure whole life's death benefit at a smaller cost. According to their argument, investors were better served by taking the money they save on whole life premiums and investing the difference in a bull market where stock returns would generate more money over time.

There's one obvious hole to that line of thinking that was exposed in 2008: Bull markets don't last forever. And there are other drawbacks to term coverage as well. The biggest is the fact that term policies simply don't accumulate value over time. They provide a death benefit for a set amount of time, but no more. When a policy expires, a holder has nothing to show.

**Caveats** There are, of course, steps you need to take when investing in a whole life policy. For one, you'll need to investigate your insurer in order to sign on with a solid company for the long haul. Look for a company that is highly rated and which invests its portfolio assets in government-backed investments and solid fixed return holdings. You can investigate the financial standing of a life insurer by looking over ratings compiled by firms such as A.M. Best, which offers up an independent opinion on a company's ability to meet its obligations to policyholders. You can find Best sheets on insurers at your local library.

**A Welcome Change** Now that personal finance experts are reevaluating their stand on whole life coverage, it might be a good time for you to rethink your position as well. Thanks to the current recession, we've all gotten a wake-up call on neglecting the bigger picture for short-term gains. We may not like the shock, but if we pick up on long-term lessons, the tumult of the last two years may actually work to our benefit.

<sup>3</sup> The Guardian Life Insurance Company of America, New York, NY

<sup>4</sup> Dividends are not guaranteed, and may be declared annually by a company's Board of Directors.

<sup>5</sup> Policy benefits are reduced by any outstanding loans and loan interest. Dividends, if any, are affected by policy loans and loan interest.

If the policy lapses, any loans considered gain in the policy may be subject to ordinary income taxes.