Salute to Small Business

Small Business Owners: Make Time for Mid-Year Planning

By MARLA CLEMOW

E ven with half of the year in the books, many small business owners wait until December or January to assess their business and identify ways to improve its financial performance. Yet making time in June or July for a mid-year check-in—when you have a good idea of your business’ needs—may be one of the best times to help your business save time and money, and operate more efficiently in the long run.

As a banker, I see the benefits of doing a mid-year review first-hand. A mid-year review can help a business owner evaluate what lies ahead on the fiscal horizon and plan accordingly. The key to making the review effective is to keep it focused on the outcomes you want to attain. Here are five key areas every business owner should consider at mid-year to help make the rest of the year a success:

1. Identify your business exit planning goals and objectives.
2. Determine what the company is worth.
3. Identify transition options, including sources of funding or financing for the transition, and
4. Develop an implementation strategy and timeline.

THINK TAXES

It can be easy to lose sight of the need for year-round tax planning for your business. The more proactive you can be in managing and filing your tax returns, the better. Spend time reviewing your tax entries for the first half of the year to ensure you’ve captured all expenses, especially for things like cars that are used for business and personal use. If you haven’t met with your tax professional recently, now is a good time to go over key filing dates and deadlines like quarterly tax payments, and stay organized and prepared on your business taxes.

Whether summer is your busiest time of year or your slow season, it’s a good idea to conduct a mid-year financial review. Taking time now can help you stay ahead of the curve and make the most of the remainder of the year.

To help more small businesses achieve financial success, Wells Fargo introduced Wells Fargo Works for Small Business—a broad initiative to deliver resources, guidance and services for business owners.

Marla Clemow is Wells Fargo LA Metro Region President. For more information about Wells Fargo Works for Small Business, visit WellsFargoWorks.com.

EVALUATE BUSINESS EXPENSES

Understanding how profitable your business has been year-to-date can help you evaluate your current position and modify your financial goals as needed. If you don’t already do it, keep your business and personal accounts separate. Business checking and credit accounts that are kept separate from personal accounts can help you maintain accurate and complete records of all business-related income and expenses. Keeping separate records will also help you as you look for ways to minimize expenses and improve cash flow. A best practice is to track your cash flow on a monthly basis, which can help you improve cash flow projections and better plan for recurring expenses and business expansions.

ASSESS YOUR BUSINESS PLAN

Every small business should have a formal, written business plan to help with business decisions and strategic planning. According to a recent Wells Fargo survey, business owners who said they had a formal plan reported much greater optimism for 2015. If you don’t have one, or if your plan hasn’t been updated in a long time, now is a great time to consider writing or updating your business plan. The process of putting your goals in writing will help you focus on long-term business objectives and the steps needed to achieve them. Among the resources available to help is a free, online Business Plan Center that Wells Fargo offers, which includes a tool to create or update a written business plan.

PREPARE FOR TRANSITIONS

While you’re developing or refreshing your business plan, it’s also a good time to look at your transition plan. As a business owner, you may not be thinking about selling your business or retiring, but it’s never too early to start planning for the future. There are many options to think about—such as whether you want to sell your business, pass it to a family member, cash out now or wind down over time—which can make transition planning seem like a daunting task. For this reason, it’s helpful to start the process of exit planning several years before you plan to make the transition. Following are four important steps to complete when preparing a transition plan:

How Boston Private Helped LifeLung Get to the Next Level

T his summer of 2015 brought good fortune to Tridant Solutions of Glendale. The small woman-owned company had recently been awarded two of the largest contracts in the company’s history. There was only one problem, not unusual for a successful, growing business; in order to fulfill those contracts, Tridant would have to pay its staff and then wait several months before being reimbursed by its clients. In the past, the company was able to self-finance receivables, but with the size of these two new contracts, Tridant needed working capital within a short time frame.

In September, Annette Palazuelos approached Boston Private seeking a $50,000 line of credit. Her incumbent bank, a national retail bank, would not spend the time to understand her situation and was unable to offer a solution. And because her loan request fell below their minimum requirements, they could not accommodate any type of creative solution.

According to Palazuelos, “I had $630k in new business, no funding to cover payroll, limited funding resources, and my existing bank denied funding.....I was at a loss for options at that point, but recognized the need to find a banking partner that could offer flexibility and see the bigger picture.”

Boston Private relationship managers engaged with Palazuelos and were quickly able to understand her business, its unique history, and demonstrated ability for growth. They analyzed the historical figures, but also spent time understanding her projections based on the newly awarded contracts. By October, Boston Private was able to offer Tridant the working capital it needed. Building upon her recent success, Palazuelos contacted her banking officer several months ago and shared that she had just won a multi-million dollar contract with the US Navy. Once again Boston Private was able to work with Tridant’s projections, and upon receiving the signed US Navy contract, Boston Private increased Tridant’s line of credit from $50,000 to $250,000, further assisting in the company’s growth. Commenting on her continued relationship with Boston Private, Palazuelos noted “How refreshing differently to work with an organization that truly ‘gets it’ and understands small business needs and challenges.”

This partnership is representative of the extra mile Boston Private is eager to walk in order to help successful entrepreneurs continue on their path to success.

KEY FACTS ABOUT LIFELUNG, INC.

- Owner and president, Annette Palazuelos, is a graduate of the University of Southern California with a degree in Business Administration/International Finance. Palazuelos is also a California State licensed and National Board certified Respiratory Care Practitioner and a 3 time volunteer deployed to Haiti following the 2010 earthquake.
- LifeLung, Inc: DBA Tridant Solutions is a certified SBA 8(a) company – a business development program designed to help small, disadvantaged businesses compete for Federal contracts.
- In 2014 and 2015, LifeLung helped organize the High-Tech Small Business Industry Day to assist the connection of small, disadvantaged businesses with large contracting entities that included NASA, JPL, US Navy, Northrop Grumman, Boeing, Lockheed Martin, etc.
- LifeLung’s key contracts include the U.S. Navy, California Department of Veterans Affairs, and the Los Angeles Department of Water & Power.

This special advertising supplement did not involve the reporting or editing staff of the Los Angeles Business Journal.
How to Succeed at Creating a Happy Workforce

By MATTHEW OWENBY

In recent years, the topic of happiness in the workplace has become the center of conversation regarding employee productivity, and rightfully so. A recent study from the University of Warwick found that happiness led to a 12 percent increase in employee productivity, while unhappy workers proved to be 12 percent less productive (source: University of Warwick, “New study shows we work harder when we are happy”). Many business owners have already connected the dots on this but still struggle to understand exactly what makes an employee happy and how to implement best practices to build a happy workplace. This can be a daunting task for small-business owners, who have to balance handling the day-to-day business alongside the needs of their employees—all within a fairly tight budget. It can be hard to keep up with the flashy perks large companies are able to offer, such as in-house fitness facilities or game rooms. But there is good news for small-business owners—according to the Aflac 2016 Small Business Happiness Report—they don’t have to keep up with the Joneses. It turns out small-business employees may be among the happiest people in the workplace. One major reason for their happiness is the appreciation, respect and value shown to them on a professional and personal level by many of the business owners. The survey found that 74 percent of small-business employees think working for a small company is better than working for a large company, and more than half (51 percent) agree that most of or all of their happiness in their current job is because they work for a small business (source: The Aflac 2016 Small Business Happiness Survey, fielded by Lightspeed/GMI in the United States between March 14 and March 21, 2016).

Outlined below are a few ideas that small-business owners can implement to help keep employees happy as well as create a more enjoyable workplace—and, in turn, a more productive workforce—without breaking the bank.

ADOPT A FLEXIBLE WORK SCHEDULE POLICY

Flexible work schedules are a great way to promote employee happiness if the work environment allows for alternative hours. In fact, the Aflac survey found that 30 percent of small-business employees named flexible scheduling as the best part about working for a small business. When looking at adopting a flexible work schedule policy, it is important to keep in mind that it doesn’t necessarily have to mean employees work from home every day. Depending on the needs of the business, schedule flexibility can range from allowing employees to set their own hours to giving employees one day a week to work from home. Creating a successful flexible work environment will only happen if the policy takes into account the needs of both the business and employees.

MAKE EMPLOYEES PART OF THE BIGGER PICTURE

Ensuring that employees see the fruits of their labor and the meaning behind their work impacts happiness. Sixty-five percent of small-business employees indicate an improvement in their happiness. Sixty-five percent of small-business employees indicate an improvement in their happiness (source: The Aflac 2016 Small Business Happiness Survey). Fortunately, asking employees to be a part of the bigger picture can have big effects and don’t hesitate to seek out resources. For example, Aflac’s newly designed Small Business Hub, available at aflac.com/smallbusiness, aggregates insight and resources small-business owners often seek to help them with their business. The bottom line: If the proper time is taken to assess what options work best for the unique needs of the business and employees, any small business can succeed at creating a happy workforce.

Matthew Owenby is senior vice president and chief human resources officer at Aflac.

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First Bank's Business Banking Team

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Three Common (but Avoidable) Employee Mistakes Fraudsters Love

By JOSEPH JEONG

In the past, when you thought of fraud, your first thought may have been internal fraud. This might have involved a trusted employee or longtime bookkeeper, manipulating a situation to unjustly enrich their financial well-being. The world has evolved and, although this type of fraud still occurs, fraudsters have found new, technologically driven ways in which to steal money. Most of today’s fraud occurs without the fraudster ever setting foot inside the walls of your company. Rather, the thieves will utilize email and computer systems—the same systems we rely upon and automatically assume are secure.

Some of the fraudulent activities financial institutions see today, however, can be avoided by getting back-to-basics. This can be as simple as a) knowing the people you do business with; and b) talking to the other company’s staff personally on the phone.

Here are three common examples of fraud that banks experience today and suggestions on how businesses may avoid them.

SCENARIO 1

A new fraud that is surfacing is referred to as the CEO fraud. This fraud occurs when a fraudster hacks the email account of a high-level executive. The hacker will then wait for the receiving employee to send the wire to the bank, hoping the bank would send the wire. The bank combats this type of scam by requiring that, once wire instructions are received via email, they must make a telephone call to the sending client via a pre-determined phone number confirming the transaction.

A second type of fraud occurring also uses wires and emails. It can also be eliminated using a callback process. A fraudster will hack an employee’s email, an email of one of your vendors, or create an email account so similar an employee may not notice the subtle difference. The hacker will then wait for the supplier to send an invoice. They will intercept the invoice and make a change to the receiving bank account numbers. Often, there is an employee stating the supplier experienced fraud and had to change accounts. Other times, there will be no explanation and the fraudster simply hopes the employee doesn’t pay attention to the change. This fraud can be devastating to supplier/vendor relationships as companies dispute the party at fault. What’s more, those funds are lost.

Again, if employees work with any vendor or supplier, ensure they obtain a ‘live person’ to speak with at the company in order to confirm all payer or account changes.

SCENARIO 2

A third scenario involving fraud is when an employee fails to review daily account activity. A major difference between a consumer and a business account as it relates to fraud is often overlooked. Retail consumers have 60 days to review their account for fraud. Businesses have only 24 hours from the time an ACH transaction posts to their account to reject it. Once the 24-hour window has expired, the bank can try to return the transaction, but cannot guarantee the other bank will accept the return. It’s very important that, as part of a company’s daily controls, bank accounts are reviewed for accuracy. The costly mistake is made when an employee skips this important daily review.

For companies unable to review their account(s) daily, most banks offer a product called Electronic Debit Protection, a service blocking unauthorized vendors from debiting their account via ACH.

Each of the three scenarios could be avoided by having the right level of employee awareness. It’s also essential to establish proper internal controls to help mitigate risk. Whether the company is large or small, fraudsters are hoping employees aren’t informed, while making mistakes and allowing fraud to occur.

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As one of the nation’s largest insurers of small business, Travelers advocates for economic opportunity – one business and one community at a time. As part of its commitment to small business growth and sustainability, Travelers developed the Small Business Risk Education (SBRE) program to help women and minority small business owners learn about safety risk management, develop safety risk management plans, and qualify for microloans.

To learn more about SBRE in the Los Angeles area, please contact our local partner VEDC at 818.907.9922 or info@vedc.org.
Travelers Institute Launches Cybersecurity Education Initiative

Cybersecurity threats affect businesses and organizations of all sizes. Recognizing that education is a critical component to protecting any organization, the Travelers Institute, the public policy division of The Travelers Companies, Inc., is promoting cyber awareness through its Cyber: Prepare, Prevent, Mitigate, Restore educational initiative convening the business and non-profit communities and cyber thought leaders from the public and private sectors.

The multi-year initiative, which was launched in Los Angeles in April, is aimed at helping small and mid-sized businesses and organizations prepare for and respond to evolving cyber threats. According to the 2015 Travelers Business Risk Index, cybersecurity was a top concern for businesses, yet only 33 percent had a cyber or data breach response plan.

Cyber: Prepare, Prevent, Mitigate, Restore provides practical tips for organization leaders, including how to create a data breach response plan:

BE PREPARED AND PLAN AHEAD
• Establish a response framework. An effective incident response plan contains a framework for action where key decisions are made ahead of time and do not have to be made under pressure.
• Publish incident notification procedures. This information should be published for all personnel, including employees and contractors. It can also be part of new hire orientation and routine employee awareness activities.
• Validate the data breach. Be sure to examine the initial incident information and available logs to confirm that a breach of sensitive data has occurred.
• Manage the evidence. Carefully document all investigation and mitigation efforts. Any interviews with key personnel should also be documented. You should seek advice from your legal counsel on the approved methods for protecting digital evidence.
• Assemble your incident team, and begin investigating the breach. Your response team should also continue to monitor the status of the breach.
• Decide on effective outside help. Any decision to involve outside resources, including law enforcement, should be made by consulting with executive leadership and legal counsel.
• Take action to mitigate the impact. Act quickly to reduce the impact as much as possible. You should work to identify and secure all affected data, machines, devices and systems, as well as isolate and preserve the compromised data. Be sure to change encryption keys and passwords immediately to prevent further access. Your network should be cleaned of malicious code, which may take a lot of resources depending on the size of the breach.
• Notify data owners. If your customers’ information is exposed, affected individuals should be notified as soon as possible and within the timeframe of the federal, state and local laws. Your public affairs or media relations staff, in conjunction with executive leadership and legal counsel should word the notification in a straightforward and honest manner.
• Conduct “lessons learned” and tests for continuous improvement. Your company should always hold a “lessons learned” meeting after the recovery phase to refine your data security program and breach response strategy.

The Cyber: Prepare, Prevent, Mitigate, Restore series will be held in cities across the country. Visit Travelers.com for the schedule of coming cyber events.

Travelers established the Travelers Institute as a means of participating in the public policy dialogue on matters of interest to the property casualty insurance sector, as well as in the financial services industry more broadly. The Travelers Institute draws upon the industry expertise of Travelers’ senior management and the technical expertise of its risk professionals, and other experts to provide information, analysis and recommendations to public policymakers and regulators.
Employment Law Changes Affecting Small Businesses

By TODD SCHERWIN

It seems like every few months, small businesses face challenges in the form of new employment laws. The past several months have been no different in that small businesses face compliance issues associated with the new minimum wage law along with AB 1513, referred to as “the piece rate law.” These two significant challenges are vital for small businesses to grasp if they are to avoid costly employee issues and litigation. Fisher & Phillips, LLP offers these tips/warnings to stay out of trouble in today’s legal landscape.

1. A MINIMUM WAGE INCREASE DOES NOT ONLY MEAN HAVING TO INCREASE THE HOURLY RATES FOR YOUR LOWEST WAGE EARNERS.

A common mistake when minimum wage increases is simply looking at the pay scale of your lowest wage earners to see whose rate needs to increase to comply with the new minimum wage law. However, what small businesses need to remember is that the rate that is paid to salaried exempt employees also increases when the state minimum wage increases. For example, as the minimum wage increases from $9 to now $10, to eventually $15 per hour, this means that the minimum salary an exempt employee (an employee who is not entitled to overtime) earns will increase from $37,440 (when minimum wage was $9 per hour) to $41,600 (minimum wage $10 per hour) to $62,400 (when minimum wage increases to $15 per hour). If your business does not pay these minimum salaries for your salaried exempt employees they will automatically lose the exemption for these employees and these employees will be entitled to overtime. Moreover, but your inside sales exempt employees need to earn more than 1.5 times the minimum wage for all hours worked in order to qualify for the inside sales exemption from overtime, your business must look at the compensation plans for these employees to ensure they are earning more than $135 per hour currently (since minimum wage is $10 per hour) for all hours worked and more than $22.50 per hour for all hours worked when minimum wage increases to $15 per hour.

2. AB 1513, THE PIECE RATE LAW, HAS FAR REACHING IMPLICATIONS FOR ANY BUSINESS THAT PAYS EMPLOYEES BASED ON PRODUCTIVITY.

AB 1513 was passed at the beginning of the year to address rest period pay and pay for “down-time” for workers paid based on a piece rate system. However, the traditional idea of a piece rate worker (somebody paid a dollar amount for every task they complete) has been arguably expanded to include just about any worker who is compensated based on production. The new law is being used by lawyers and arguably expanded to include just about any business that pays employees. It is being used by lawyers and businesses to grasp if they are to avoid costly employee issues and litigation. These seminars are free to attend and information regarding the dates and topics can be accessed at www.laborlawyers.com/Firm-Presentation#ref.

The rate that is paid to salaried exempt employees also increases when the state minimum wage increases.

Happier employees make for a healthy business.

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