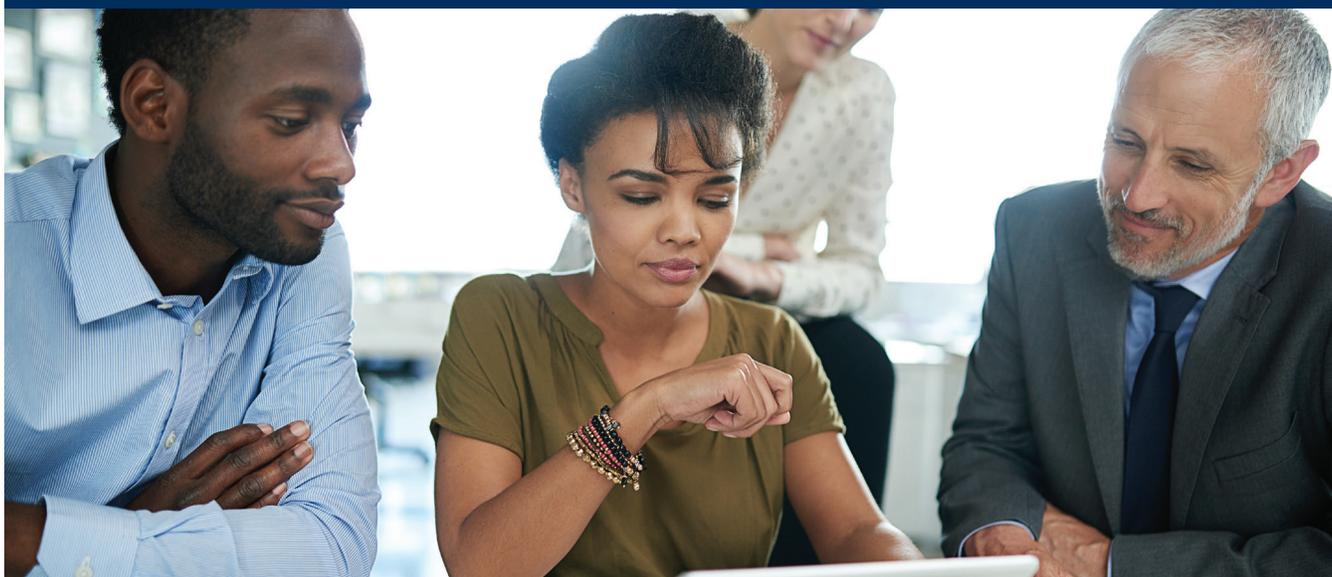


BUSINESS DIMENSIONS

FINANCIAL STRATEGIES FOR THE ENTREPRENEUR



Invest in your business

A 401(k) may be just the way to do it

According to an analysis by the Economic Policy Institute the median working-age couple has only saved \$5,000 for retirement, and 70% of couples have less than \$50,000 saved. Considering retirement can last 30 years or more, having a solid savings plan is crucial to everyone's well-being and long-term happiness – both yours and your employees'.

As a business owner you know that establishing an attractive culture is key both in recruiting new talent and keeping existing employees satisfied, and a retirement plan can help you reach those goals while supporting your business in other ways. Employer contributions to

retirement plans are tax-deductible, and assets in the plan grow tax-deferred*, not to mention the potential savings in onboarding and recruitment by better supporting your current employee-base.

You have enough on your plate without adding on the administration of a retirement plan, but one popular retirement plan option – the 401(k) – comes in several variations allowing business owners to choose the appropriate level of administrative complexity at a cost they feel comfortable with. While 401(k)s are commonly associated with large entities, the programs below are worth considering for small and midsize companies.

(continued on next page)

Invest in your business (cont.)

SAFE HARBOR 401(K)

Pro: A popular choice for business owners who have highly compensated employees who want to contribute more than the traditional rank and file. The safe harbor 401(k) allows business owners to contribute the maximum deferral amount to their own account while also automatically satisfying IRS nondiscrimination testing – designed to ensure contributions to rank and file employees are proportional to those for owners and managers.

Consideration: The administration and the employer contribution with this plan can be costly, however, the business owner can take a tax deduction. It may be worth noting that employees are 100% vested, as well.

TRADITIONAL 401(K)

Pro: The traditional 401(k) comes with the benefit of customization. You don't have to provide a match, or you can tailor your contributions to suit your preference or business model. For example, a business with high turnover may find a multiyear vesting schedule to be a good fit.

Consideration: While you don't have to provide a match with this one, doing so may get you a better tax benefit. Additionally, if you have highly compensated employees contributing more than the rank and file, you will not pass discrimination testing.

ADDITIONAL FEATURES

PROFIT SHARING

Pro: Every 401(k) plan comes with a profit sharing component, but it's up to the employer whether or not they choose to contribute. This feature allows business owners to organize their workforce into groups and reward each of those groups differently based on their role or performance. For example, a law firm may choose to compensate their partners, attorneys and support staff at different levels.

Consideration: If you include this component, you may also need a safe-harbor contribution to pass nondiscrimination tests.

AUTOMATIC ENROLLMENT

Pro: This feature can also be added to any 401(k) plan and is a great way to increase employee participation, as everyone is automatically enrolled.

Consideration: For those who do not wish to participate, they'll have to physically opt out of the program by a certain date to avoid contributions being made to a plan.

With options to customize the level of cost and administration, as well as potentially significant tax benefits, there are many worthwhile reasons for business owners to consider a 401(k) or other retirement plan. Your financial advisor is always available to be a knowledgeable resource for you and your business.

* Withdrawals are subject to income taxes and, prior to age 59 1/2, a 10% federal tax penalty may apply. Raymond James does not offer tax or legal advice. Please consult the appropriate professional before making any decision that may affect your tax or legal situation.

NEXT STEPS

- Determine what your priorities are in a retirement plan, per your business model, time and budget.
- Consider which plan features would most benefit or be appreciated by your employees.
- Make an appointment with your financial advisor to discuss your options.



Just how taxing is your state?

Geography can play a role in your business' finances

When it comes to taxes, are you aware of how your state measures up? The state you're based in – and how taxes are assessed and applied there – can greatly influence your company's finances. And tax climates can actually vary quite a bit from state to state.

What makes a state “tax friendly” for your business may not be intuitive, either. Sometimes taxes have an inverse relationship. For example, if a state lacks an income tax, they could have higher sales and property taxes to compensate.

To get a better idea of where your location falls on the scale, take a look at the latest results from the 2017 State Business Tax Climate Index released by the Tax Foundation, a nonpartisan research group. The ranking takes into account individual income taxes, major business taxes, sales taxes, unemployment insurance taxes and taxes on wealth or assets such as property, and is designed to determine how well tax systems are structured. While states are rewarded for transparent and neutral tax codes, they are penalized for convoluted codes or those deemed economically harmful.

Among the highest ranked states or those with the most favorable tax climate for businesses, a common factor is that they lack a major tax, such as the corporate income tax, the individual income tax or the sales tax. For example, Wyoming, Nevada and South Dakota do not have a corporate or individual income tax, and Alaska and Florida leave out the individual income tax.

At the other end of the list, the states with the worst ranking have complex taxes and high rates. New Jersey, for example, has a multi-tiered individual tax rate and imposes both an inheritance tax and an estate tax. Homeowners also pay some of the highest property tax rates in the country.

THE 5 BEST & WORST STATES FOR BUSINESS TAXES



Source: Tax Foundation's State Business Tax Climate Index

There are, of course, numerous factors that contribute to a profitable business. Taxes are just one piece of your overall financial profile, but should you be considering a relocation elsewhere, it will be helpful to keep in mind all factors of your potential new professional and financial landscape.

Your financial advisor and tax professionals can also help map out a path that makes sense for you and your business.

NEXT STEPS

- Review your state's tax climate ranking.
- Make an appointment with your financial advisor or tax professional to ensure your business is as tax efficient as possible.
- If you are thinking about a relocation, consider how that state's tax climate may affect your business.



Keep your business cyber safe

In 2015, 43% of cyber-attacks worldwide were against businesses with less than 250 workers, according to cybersecurity firm Symantec. While larger companies have the bandwidth and funds to implement sophisticated security systems, smaller companies will likely be more accessible – something crooks are aware of. Those breaches in your security can be detrimental to your business' success. So what can you do?

Take the time to refresh your digital protection and invest in software where needed. Check your computers' security systems and networks and ensure each computer has updated antivirus software installed. Operating systems and browsers should have automatic updates enabled, and personal firewall protection should be turned on.

Because people often log into personal accounts on work computers – or vice versa – encourage your workforce to keep these suggestions on the right in mind.



Although warding off cybercrime can seem daunting, promoting safe internet usage and taking measures to protect your company's information now can protect you from costly and timely security breaches down the road.

NEXT STEPS

- Review your current virus protection and update.
- Share this checklist with employees to encourage best practices.
- Incorporate these suggestions into your personal and professional digital use.

CYBERSECURITY CHECKLIST:

- Use secure websites with "https" at the beginning of the URL or websites that show a padlock icon in your browser's security status bar.
- Shred any documents with personal or sensitive information.
- Never click on links sent in unsolicited emails; although sites may seem legitimate, they are often fakes. Exit the email and visit the website directly.
- Do not pay bills, shop or conduct other financial transactions on a public or shared computer, or on any device that is using a public wireless network, as the security is unreliable.
- Use two-factor authentication, also called "two-step verification," for email and social media accounts. Two-step verification requires both a correct username/password combination and an additional piece of information for account access.
- Choose strong, complicated passwords: 8-12 characters with a special character is ideal. Never share passwords among sites. Username/password combinations that fall into the wrong hands will often be tried at multiple locations.
- Don't keep a document on your computer listing passwords, bank accounts, Social Security numbers or other personal information – this is the first thing hackers search for. Instead, use a password manager and enable two-step verification for the application you choose.
- Back up personal or important data with a cloud-based service or a local device.

