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5 Strategies to Combat the Great Resignation

COVID-19 has led to the Great Resignation — millions of people, from frontline workers to senior executives, voluntarily quitting their jobs. Looking forward, 23% of employed Americans plan to resign by November 2022, with the majority of those employees (70%) planning to resign by the end of February 2022.*

This article details how your organization can avoid being hit by the mass exodus.

Causes of the Great Resignation

Anthony Klotz, an associate professor at Texas A&M University credited with coining the term the "Great Resignation," attributes the departures to four main causes:

- backlog of employees who wanted to resign before the pandemic but held on a bit longer
- burnout, especially among frontline workers
- "pandemic epiphanies" in which people experienced major shifts in identity and purpose that led them to pursue new careers or start their own businesses
- an aversion to returning to offices after a year or more of working remotely

Even employees who are staying are feeling empowered to request additional compensation, both salary and benefits, as well as more accommodating working conditions, such as remote work and flexible schedules.

Here are five strategies to keep your top talent:

1. Understand how employees' needs, priorities and expectations have changed.

Employers must understand that employees' lives have changed substantially since the onset of COVID. In general, they have a new daily routine with new needs, priorities and expectations. Therefore, it's critical for managers to speak with each employee to understand what those are and do whatever is possible to accommodate them.

2. Address burnout.

The first step in preventing burnout is to create a supportive environment. Take a hard look at your culture — is it one where employees feel valued and cared for? One where they feel comfortable asking for help? One way of showing compassion is through your communications. Consider positive notes of encouragement from senior leaders and direct managers. Regularly ask employees about their workload so you can make adjustments and offer additional support as needed. Additionally, encourage self-care. At a minimum, encourage the use of PTO and other benefits.

3. Enhance the employee experience.

Essential elements of the employee experience include quality of employee-supervisor and peer relationships, opportunities for growth and development, a sense of purpose in one's work, perks and flexible work arrangements. Other important components are team-building and social opportunities, minimal politics and gossip, fun and enjoyable events, ergonomically sound workstations and access to healthy food. Also, know what your competitors are offering that you are not. Take a look at all of these things and up your game in any deficient areas.

4. Encourage and reward employees who stay.

When resignations are abundant, it's a huge hit to morale, so retaining employees who stay becomes increasingly difficult. They've lost friends and coworkers. More duties are likely being asked of them, and they may feel stretched thin. Focus available resources on these employees to encourage them to stay. For example, have a team-building event where employees can get to know coworkers whom they may not have met before. This will go a long way in redeveloping bonds and a sense of community.

Regarding compensation and benefits, in addition to offering robust total rewards packages, setting an attractive compensation philosophy is key to retaining top talent. Consider consulting a compensation expert to help reexamine your approach.

5. Utilize interim talent.

While the ultimate goal is to avoid employees from leaving, it's likely not entirely possible. Interim talent has increased in popularity because of the solutions that this resource can provide quickly. They can step in to fill Great Resignation openings or provide support to remaining employees.

The Great Resignation is disrupting businesses of all sizes and in all industries. However, employers who utilize talent management strategies to combat the mass exodus can minimize the loss of top talent.

CBIZ TALENT & COMPENSATION SOLUTIONS TEAM

*New CareerArc/Harris Poll Study, Nov. 16-18, 2021

Tax Strategies

What You Need to Know About SALT Cap Workarounds

BY **NATE SMITH**, CPA

One of the least popular provisions in the tax reform law commonly known as the Tax Cuts and Jobs Act (TCJA) involves a $10,000 limitation on deductions for state and local taxes. To avoid the negative repercussions of the so-called SALT cap, many states have embraced the creation of elective taxes on pass-through entities (PTEs) to help business owners pay state and local income taxes (SALT) at the entity level rather than through personal income tax returns.

The IRS essentially green lit the PTE SALT cap workarounds in 2020 guidance, and, so, many states are jumping on the PTE elective taxation bandwagon. Here's what you need to know about the SALT cap workaround before deciding to apply it to your business' situation.

The States' Responses at a Glance

As of the date of this publication, 20 states have enacted an entity-level election or requirement, which allows PTEs, such as S corporations, partnerships and most LLCs, to be taxed at the entity level. This, in turn, allows the entity to deduct the state and local tax payments as a component of its net ordinary income or loss, thereby bypassing the individual SALT cap. The challenge with the SALT cap workarounds is that each state takes a slightly different approach, which makes the evaluation of the workarounds challenging for businesses with a multistate presence.

Should I Pursue a PTE Election?

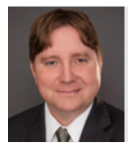
Since each state's approach is different, you'll need to do a careful analysis before deciding to make the PTE election. Because not all states offer elective taxation at the PTE level, a non-PTE election state may not provide a credit for taxes paid to another state at the PTE entity level the way it would for other types of taxes paid to other states. For example, let's say you do business in State B, which allows elective entity-level taxes on a PTE, but you reside in State A, which does not. If you make the PTE election in State B, you might find out that you will not get credit from State A for taxes paid at the entity level in State B. You could lose a dollar-for-dollar credit and replace it with a deduction, costing you money.

Another challenge is that many PTEs involve individual partners who reside in different states. During your evaluation it's important to note that you often cannot pick or choose which individual's taxes are paid through the PTE when you make a PTE election. Instead, the process generally includes all individuals. Depending on the makeup of the individual owners and the states in which they reside, a PTE election could be advantageous or detrimental.

Next Steps

The SALT cap may not be around forever or at least not in its current condition. There has been talk of increasing the limitation as part of the final Build Back Better Act, but the $10,000 limit remains in place as of the date of this publication.

Additionally, due to the nuances of the PTE election illustrated above, you should be cautious before proceeding with a PTE election in one of the states that now offers it. A tax advisor experienced in SALT can assist you in evaluating whether a PTE election is suitable for your organization.



NATE SMITH, CPA
CBIZ National Tax Office
nate.smith@cbiz.com | 727.572.1400, x348

Risk Management

Hidden Insurance Coverage Risks of Mergers & Acquisitions

Mergers and acquisitions (M&A) have become an influential business strategy as leaders look for opportunities to accelerate growth and gain market share. As these transactions happen in a more condensed time frame than ever before, all parties are rushed to perform a proper due diligence. Don't let a merger or acquisition void your insurance coverage.

The following are potential hidden M&A insurance risks and liabilities you should consider.

Accept a Seller's Liability

The extent to which liabilities are assumed is determined by the type of sale. A seller retains possession of the legal entity and its liabilities in an asset sale. Only individual assets and their accompanying liabilities are transferred to the buyer.

In a stock sale, the buyer purchases the selling shareholders' stock directly and obtains ownership of the seller's complete legal entity, including all accompanying

Risk Management *(cont.)*

liabilities. Stock sales present more risk for buyers as there is potential for future lawsuits, environmental concerns, employee issues and OSHA violations.

Change in Control Provision

An often overlooked aspect in M&A is the insurance policy's change of control provision. A change in control, or transaction condition, arises with a change in the majority interest of the insured company. This will occur when a person, entity or group acquires/merges/consolidates and possesses more than 50% of the capital and voting rights. This transfer of power can immediately trigger a termination or conversion to runoff of the acquired company's liability coverages. Your business can also be liable if you neglect to report any merger, consolidation, acquisition or other changes in the control of the business to your carrier. A failure to notify the carrier of the transaction could reduce or eliminate coverage under the policy.

Runoff Insurance

When a business is merged or acquired, the buyer not only takes possession of assets but also the seller's liabilities. A buyer could demand the company being assumed purchase runoff insurance as protection from these risks. Runoff insurance will cover an acquiring company from legal claims against the business that has ceased operations. The policy applies for a certain time period after the policy is active and performs as a claims-made policy.

Directors & Officers (D&O) Risks

Many directors and officers are unaware their D&O insurance will either automatically cancel or substantially limit your coverage following a change of control or transaction event. D&O policies are typically structured as claims made, meaning the insurance does not cover the company succeeding the policy's expiration. Any claim filed against the seller following the D&O policy expiration date will obligate the seller full responsibility for compensating any charges in full.

It is imperative buyers consider that the seller's directors and officers may need to be added to the buyer's D&O policy. The seller's policy will only provide coverage for actions that transpired when those directors and officers were executives of the acquired company. New coverage is required for any future actions of the board of directors following the completion of the merger or acquisition.

Managing the hidden risks during a merger or acquisition may seem like a daunting task. Be sure to partner with a risk management professional for insight into your potential risks and the measures that will best safeguard your organization.

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3 Employee Wellbeing Trends to Watch in 2022

As the New Year begins, employers must ask themselves — what's on the horizon in the world of employee wellbeing? Here are three trends your organization should stay current with to remain competitive in 2022.

1. Prioritization of Mental Health Services

The Great Resignation is putting pressure on companies not only to talk the talk but also walk the walk when it comes to supporting employees' mental wellbeing. As a result, the push to destigmatize mental health in the workplace and provide the resources employees need to proactively manage their mental wellbeing will be a key trend in 2022.

Employers who want to stay ahead of the curve should start evaluating and upgrading their mental health benefits and services now. From free counseling and stress management training to mental health webinars and Employee Assistance Programs (EAPs), there are a variety of offerings to explore. Further, by fostering a culture free from judgment, you can create an environment in which employees feel empowered to ask for help should they need it.

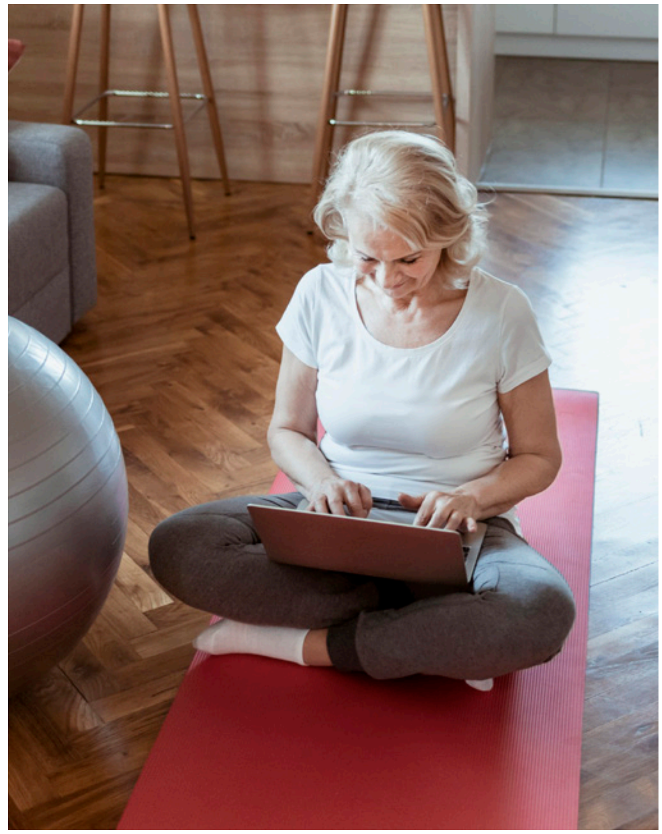
2. Strong Emphasis on Work-Life Balance

The pandemic blurred the lines between work and home, often making it difficult for individuals to separate the two. Today's workforce knows they have the upper hand in the current job market and are demanding more from employers. One of their primary requirements is work-life balance.

There are steps employers can take to help employees unplug. Offering abundant PTO, or even unlimited PTO, and encouraging employees to utilize that PTO is a great way to ensure individuals have the time to recharge when necessary and help them avoid burnout. Additionally, flexibility will be key this year, which may include flex hours, remote or hybrid work, job sharing, compressed workweeks, and the like.

3. Increased Focus on the "Whole Employee"

Outside of productivity and performance, companies must support their employees' physical health, mental wellbeing and financial health. One way that employers are catering to the "whole employee" is by offering adequate paid leave and other non-traditional benefits. These benefits allow employees to support their children,



care for loved ones who are sick and take care of themselves should an illness strike or emergency arise. When employees are given the time and resources to attend to the pieces of their lives that fall outside of the workplace, they're able to be more productive and focused at work. This trend is ultimately a win-win for organizations and employees.

To best position your organization to succeed in today's fiercely competitive job market, employee wellbeing must be prioritized. Evaluating the quality of your mental health services, fostering an environment in which every employee is able to achieve work-life balance and focusing on the "whole employee" are all steps you can take to set your organization apart.

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CBIZ EMPLOYEE BENEFITS TEAM

Thrive vs. Survive — A Tale of Two Retirees

BY **ANNE LONG**, RICP®

The retirees in our story are living in the age of decumulation where people fear living too long and running out of money in retirement. For one couple who planned ahead, they enjoyed a reliable, stable retirement. For our other retiree, it was too late to change his circumstances, and he struggled in retirement. This tale illustrates how you can thrive rather than survive during retirement.

It was the best of times for Mr. and Mrs. Darnay. They retired in 2019 and began to fulfill some of the dreams they had envisioned while they were working and saving. Under the guidance of their financial advisor, they created a retirement budget for essential and non-essential expenses. With a portion of their qualified plan assets, they purchased guaranteed monthly lifetime income to cover all of their essential obligations. Distributions from qualified plans and IRAs are not subject to the 3.8% Medicare surtax, so the Darnays were able to avoid this tax and use the full purchase price to buy the most income.

In addition, they only pay income tax as payments are received, rather than on the total lump sum used to purchase the annuity. With the remaining assets in their retirement portfolio, they're able to invest for growth, knowing they've covered their fixed expenses. They spend very little time watching the market and monitoring their portfolio and more time doing the things they enjoy. They have peace of mind, knowing that each month they receive a steady income from their annuity that will continue for as long as they live.

It was the worst of times for Mr. Carton. He also retired in late 2019 with savings through his company's 401(k) plan, but he had not worked with an advisor prior to retirement. He didn't have a firm grasp on his essential expenses and simply relied on his paycheck to cover his bills as they came due. A few months after retirement, the stock market saw one of its steepest declines, and Mr. Carton became quite concerned that he had not prepared for a downturn or the possibility of outliving his savings.

He met with a financial planner who helped him catalog his essential expenses and gave him the sobering news that he would have to cut back on some of his spending in order to make his retirement assets last longer. Together with his advisor, they regularly monitor his investment returns and adjust his spending, depending on the results. His monthly cash flow fluctuates, so if he wants to spend for vacation or make a major purchase, he checks in with his planner first to determine when the best time is to withdraw the money. His portfolio is made up of less risky investments to minimize the risk of running out of money. He has contemplated going back to work part time to cover more of his monthly bills and slow down withdrawls from his retirement savings.

As our tale illustrates, purchasing a guaranteed stream of income can provide benefits beyond replacing a paycheck. It can provide peace of mind and the freedom to invest your remaining portfolio for growth so that you can enjoy the retirement you worked so hard to achieve.

ANNE LONG, RICP®
CBIZ Life Insurance Solutions
anne.long@cbiz.com | 512.784.4001