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Management & Performance

LEED CERTIFICATION & Its Effect on Value

BY **ANN ROEHRIG**

The green building movement is here to stay. Green construction represented 44% of all commercial and institutional construction in the U.S. in 2012, and there is prediction of growth exceeding 55% by 2016. Quantifying "green" can be challenging; there are many ways to change a building's attributes to reduce its environmental impact. As green construction continues to become mainstream, it is important to understand how it affects value.

While there are many programs that rate green products and construction, the most widely recognized is Leadership in Energy and Environmental Design (LEED). LEED was established by the U.S. Green Building Council (USGBC) in 1999 and is one of the most comprehensive certification programs for the design, construction and operation of high-performance green buildings. The five core areas that outline green building strategies include: sustainable sites/design, water efficiency, energy efficiency, materials and resources, and indoor environmental quality. There are many ways to "green" a building, but not all of them apply in the world of insurance valuation (e.g., water efficient landscaping). The following discussion will only reference items that affect the Replacement Cost New (RCN) of a building.

Sustainable Sites/Design

Site strategy focuses on choosing a location that will minimize a building's impact on the ecosystem. One site strategy to consider is the design of a multiple-story building, which creates a smaller footprint and requires less excavation. When designing a LEED building, additional costs for design, green permits and consultation fees also need to be considered.

Water Efficiency

Water strategy incorporates efficiently using water and wastewater systems to reduce the burden on existing systems. Using low-flow plumbing fixtures, flush valves or flow restrictors is one way to increase efficiency. Installing a non-potable water system for waste water or investing in on-site wastewater treatment (e.g., packaged biological nutrient removal system) can also lessen the demand on the municipal wastewater system.

Energy Efficiency

Energy strategy has four areas of focus: energy efficiencies, energy demands, renewable energy and ongoing energy performances. One way to increase energy efficiency is to install high-performance mechanical systems: heating, cooling, ventilation and electrical. Improving the use of free energy by increasing window and skylight space (day-lighting) and taking advantage of natural ventilation will

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lower the energy demand for a building. Lastly, on-site renewable energy generation, such as wind turbines, photovoltaic cells, geothermal and hydropower, will help meet energy demand for a property.

Materials & Resources

Using rapidly renewable, regionally produced, salvaged or recycled materials can contribute significantly to the "greenness" of a building. For example, new LEED construction in Colorado is now incorporating Rocky Mountain beetle kill timber, or 'blue pine,' into construction plans in an attempt to salvage and recycle trees that have been devastated by pine beetles. Another example is the installation of a grow roof (also called a green roof), which reduces heat absorption, creates additional building insulation and absorbs storm water.

Indoor Environmental Quality

Indoor environmental quality focuses on improving air quality inside a building to increase the comfort and well-being of its occupants. The main means of improving air quality includes the installation of a high-efficiency air filter system. Advanced lighting and temperature systems that allow room-by-room customization help to minimize waste.

Conclusion

While the long-term savings for a LEED building are apparent (LEED-certified buildings have an average 25% lower energy use compared to the national average), there is still a visible increase in its construction cost. According to Marshall Valuation Service, the additional cost of building green has been estimated to be between 0% to 7% for commercial buildings and 3% to 20% for residential homes. Other sources have estimated an increase of 10% to 30% for LEED construction. Due to the wide swing in costs that can be incurred, it is important to gather as much information as possible while on site (including AIA and other construction documents) to ensure your valuation professional can provide accurate and consistent green values for you.

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Using Insurance to Grow Personal Wealth

BY **DUSTY FARBER**

In 2013, Phil Mickelson, one of the world's most famous golfers, publicly complained about the 60% tax rate levied on his $60 million income. After a publicity backlash, Mickelson backed away from his initial comments. Still, his complaint raises a good point. How can high wage earners grow personal wealth while income taxes grow ever higher?

Mere financial success may not be enough to grow personal wealth. State and federal tax rates and the Net Investment Income Tax (NIIT) penalize high wage earners. Without a well-thought-out strategy, rising tax rates will limit the ability to accumulate sufficient wealth to fund an intended future lifestyle or meet important personal goals.

Wealth Creation Using Cash Value Life Insurance

The practice of wealth management demands more sophisticated tools to preserve and grow the wealth one has earned. Included in this new arsenal is life insurance. Permanent life insurance offers the potential for accumulation of funds through:

- tax-deferred growth of policy cash values
- potential for income tax-free withdrawals
- policy loans

Unlike many qualified retirement plans, life insurance has no funding limits based on income and no 10% penalty for cash value withdrawals prior to age 59-½*. The tax-free death benefit associated with life insurance will protect one's family and provide immediate liquidity when they need it the most. Few wealth management tools can claim such advantages.

Non-Qualified Deferred Compensation (NQDC)

Most individuals use some form of a qualified plan to save for retirement. However, such qualified plans restrict their ability to accumulate enough money to fund the retirement lifestyle they desire. To offset this restriction, many companies establish NQDC plans such as Section 162 plans or Supplemental Retirement Plans (SERP). These plans may be constructed in a variety of ways whereby either the individual voluntarily defers part of their compensation or the company funds the plan as part of a bonus arrangement.

When Your Business Is Your Largest Asset

For a business owner whose company is a significant portion of their wealth, having a well-designed succession plan is essential to preserving the value of the business. Partnerships and closely held corporations in particular often face the dilemma

of what happens when one partner or owner dies or becomes incapacitated to the point their valuable services are no longer available. The strategic use of life insurance solves that problem. The surviving or continuing partner(s) or owner(s) can use the death benefit proceeds to buy out the deceased or add Long Term Care Rider to the policy in case of the partner's incapacity. The business survives and all parties are treated fairly.

In a small business, there are often key employees who have a critical impact on the company's bottom line. Life insurance purchased by the business on the life of the employee or key person can help make up for lost sales or earnings or cover the costs of finding and training a replacement should that person unexpectedly pass away.

In summary, astute use of strategically employed insurance products presents an opportunity to reduce tax impacts and grow personal wealth. It is also a technique that becomes more beneficial the higher taxes go.

**Distributions from a Modified Endowment Contract (MEC) may be subject to income tax, and an additional 10% federal income tax penalty applies to taxable distributions received before the policy owner reaches age 59-½.*

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Insurance Strategies

Annual Travel Insurance: ONCE & DONE!

BY **JUDY SQUIRES**

Are you a frequent traveler for business or for pleasure?

Do you find yourself purchasing travel insurance from the airlines, online booking website, hotel or resort every time you take a trip? If the answer is yes, there might be a more simple and economical way to protect the cost of your travel investments for flights, hotels and those all important vacations.

It is certainly wise to purchase travel insurance, but why not have one policy to handle every trip you take during the year? Once and done!

Whether you travel for business or pleasure, certain insurance companies offer a travel policy purchased once per year to cover all of your travel during that year. It's convenient and quite cost effective when compared to purchasing many different travel policies throughout the year.

The costs associated with cancelled travel plans or ruined vacations can be enormous, and a single travel policy for the year can pay for itself even if you only take one or two trips per year.

Depending on your specific needs and the package you buy, coverage can include trip interruption or cancellation, travel accident coverage, lost or damaged luggage, missed connection coverage, 24/7 worldwide support from travel professionals, and much more. Concierge-level policies even provide personal assistance, such as setting up golf tee times, and trip planning.

Coverage is provided for you, your spouse or domestic partner, and any family member who is traveling with you. It is great peace of mind knowing that not only is your financial investment protected, but so are your loved ones.

What if you or a loved one were to become seriously ill while in a foreign country and require emergency medical transportation and treatment? The situation would be scary enough in and of itself. Then you begin to consider that the costs could be staggering and financially devastating to your family. Even if you were on a cruise ship where there are doctors, a serious injury or illness would require that you be air lifted from the ship; those costs are enormous, mounting quickly depending on how far out to sea you are when the need arises.

Traveling can be challenging enough. However, purchasing just one travel policy for the entire year is one way to make your upcoming travel a bit more stress free and cost efficient.

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Marketing

The Shift to Content Marketing

BY **MEGAN MURDOCK**

The landscape for traditional advertising is clearly evolving. Research shows that individuals are more sophisticated in their consumption of promotion. In addition to consumers' increasingly skeptical attitude toward ads, this shift can be attributed to the progression of technology, which now allows consumers to select what they view. For instance, DVR enables viewers to bypass commercials and internet security authorizes browsers to block pop-up messaging.

As a response, organizations have adopted a strategy known as content marketing. The purpose is to create and distribute relevant content that ultimately calls consumers to action. The goal is to develop a more engaged, loyal customer base by providing valuable information without the perception of selling. While the terminology is relatively new, professional service firms have relied on this strategy for years, commonly referring to it as thought leadership.

Companies interested in implementing a content marketing strategy first should research the topics of interest to their customer and prospect base. Content ideas can range from industry regulatory changes to new product benefits to company engagement in the community. The most critical aspects in the research phase are to ensure the topics are relevant as well as distinctive from competitors. Furthermore, the research should take into consideration the format most likely to be consumed by the target audience.

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Commonly used formats include articles, videos, slideshows and images.

The creation of the content tends to be the most time-intensive and budget-heavy phase. Many large brands now have entire teams dedicated to content creation, while smaller companies may incorporate the job responsibility into one role or even outsource this phase. Regardless, companies need to ensure that someone owns this process. Additionally, a multi-layer review should bookend the creation phase to make certain the content is accurate and grammatically correct.

In order to produce measurable results, the content must include a call to action. The message can vary, but common calls to action include signing up for newsletters, filling out a form to download whitepapers, subscribing to a channel, sharing the content on social media or posting a message on a blog.

Once the content has been created and reviewed, it must be distributed. The content essentially serves as the base for a company's email and social media strategy and should be pushed out through multiple channels. Distribution channels include print publications, websites, blogs, e-newsletters, YouTube, Slideshare, Twitter, LinkedIn and Facebook.

As with any marketing strategy, the final phase of content marketing should be to measure and analyze return on investment. Since the goal of this type of marketing is consumer engagement, metrics commonly used include page views, shares, time spent, click-throughs and bounce rate.

Additionally, content marketing should be leveraged for lead generation. Leads can be obtained by tracking downloads, monitoring blog comments and recording email subscriptions. Most importantly, companies need to establish a process to promptly follow up on leads to capture any opportunities and sales.

Content should not be created haphazardly and should ultimately tie into a company's overall marketing and business strategy. Before committing to this approach, companies must realize that content marketing is an ongoing process that requires budget allocation, constant planning, methodical execution and insightful evaluation. However, if executed well, a content marketing strategy can assist companies with achieving their business goals and lead them to a broader, more engaged customer base.

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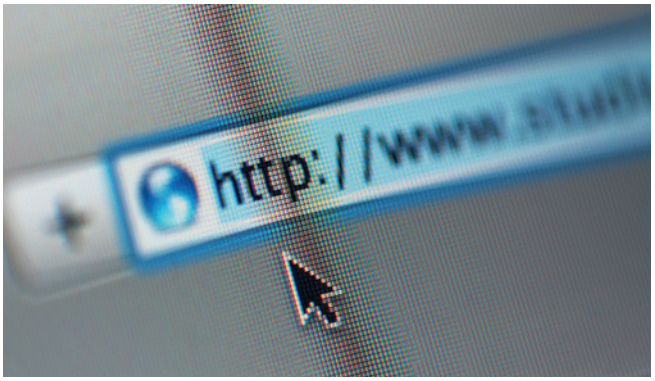

Tax & Accounting

Web Presence & Internet Concerns for Nonprofit Organizations: Hyperlinks

BY **AMY O'LOUGHLIN**

The internet is a powerful communication tool that enables charities to increase their visibility and broadcast their message, vision and mission. Potential tax issues arise when a charity uses its website and the internet to fundraise, lobby, market or sell products.

Using the internet to accomplish a task does not change the way the tax laws apply to that task. The IRS believes advertising is still advertising and fundraising is still fundraising. The IRS will apply the Internal Revenue Code and judicial authority to an organization's online activities as it would to those same activities conducted in the more traditional manner.

Something as common as a hyperlink that is used to acknowledge a sponsor could lead to the creation of unrelated business income for the charity. For example, a major corporate donor has volunteered to underwrite a significant portion of the expenses associated with a charity's annual fundraising event. As part of the sponsorship agreement, the charity provides a hyperlink on its website to the corporate donor's website. So far, the agreement meets the guidelines for a qualified sponsorship payment.

What actions on the part of the charity and the part of the corporate donor will recharacterize the payment from qualified sponsorship to advertising revenue classified as unrelated business income?

Advertising vs. Corporate Sponsorships

Advertising revenue creates unrelated business income. The difference between advertising and sponsorship acknowledgement is in the content of

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Employee Benefits

This Is Not Your Employer's Gold Health Plan!

BY **ZACK PACE**

The advent of the Affordable Care Act's Metal Tier plan names is causing employees to mistakenly compare, for example, their employer's Gold Plan to an Affordable Care Act (ACA) Gold Plan. While these two plans have the same label, any comparison is apples and oranges.

It was only 10 years ago that many mid-size employers offered only one health plan option to their employees. This health plan was often a Traditional PPO with low in-network deductibles and 100% in-network coinsurance. Employers often paid 90% or more of the cost of this plan's single and family premiums. Over time, these single plan offerings became financially unsustainable, and many employers began to introduce additional lower cost plan options. To help employees understand the differences between the resulting new plans, precious metal names like Silver, to describe the new plan with higher out-of-pocket expenses, and Gold, to reference the existing traditional PPO plan, were used. Then, a defined contribution approach was structured so that the individual wishing to purchase the Gold Plan would buy-up to that plan. Sounds reasonable, right?

Fast forward 10 years. Within the non-grandfathered Individual and Small Group Fully Insured market, both on and off exchange (aka Marketplace), the ACA has followed suit and classifies the available plans by actuarial value and precious metal name: Bronze, Silver, Gold and Platinum.

The Point: What you and I have traditionally considered a Gold Plan might have a deductible of $250 and 100% coinsurance. What the ACA now considers a Gold Plan provides a dramatically lower benefit.

Let's take a look… The table below shows a quick comparison of an employer's Gold Plan versus two of the ACA Gold Plans now available on the individual market.

See the difference? For example, here's how the three plans would cover a $20,000 hospitalization claim:

- Employer's Gold Plan: Employee pays just the $250 deductible.
- ACA Gold Plan I: Employee pays 30% x $20,000 = $6,000!
- ACA Gold Plan II: Employee pays the $500 deductible + 20% and reaches the out of pocket maximum of $3,750!

Clearly, there is no comparison between paying $250 and a whopping $6,000.

Can you think of a few scenarios where employees could be confused by the ACA's Gold Plan label?

Now is the time to educate your employees on the differences.

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	EMPLOYER'S GOLD PLAN	ACA GOLD PLAN I	ACA GOLD PLAN II
	In-Network	In-Network	In-Network
Deductible			
– Single	$250	$0	$500
– Family	$500	$0	$1,000
Out-of-Pocket Maximum			
– Single	$1,500	$6,350	$3,750
– Family	$3,000	$12,700	$7,500
Hospitalization	Covered in Full	30% coinsurance	Deductible, then 20% coinsurance
Prescription Drugs			
– Generic	$10	20% coinsurance	Deductible, then 20% coinsurance
– Preferred Brand	$25	30% coinsurance	Deductible, then 30% coinsurance
– Non-preferred Brand	$40	50% coinsurance	Deductible, then 50% coinsurance

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Tax & Accounting *(Continued from page 6)*

the message. If the message contains qualitative or comparative language, prices, indications of savings or value, endorsements, or inducements to purchase, sell or use products or services, it is considered advertising.

A qualified sponsorship payment is one which the donor has no expectation of substantial return benefit beyond the use and acknowledgement of its name, logo, locations, contact information or value-neutral descriptions of the sponsor's goods or services. The acknowledgement identifies the sponsor without promoting its products, services or facilities. The value of any benefits provided to the sponsor, such as goods or services, should not exceed 2% of the sponsorship payment.

Regulation § 1.513-4(f) provides guidance on the hyperlink issue with a number of examples. In one example, an orchestra includes the names and internet addresses of its sponsors on the orchestra website. The internet addresses appear as hyperlinks that connect the orchestra's website with the sponsor's website. This example establishes that an exempt organization can post a sponsor's hyperlink without generating unrelated business income.

Another example demonstrates how a qualified sponsorship payment *can* become advertising revenue. A health care charity receives funding from a pharmaceutical company. The charity's website has a hyperlink that connects to the corporate sponsor's website. On the corporate sponsor's website, a message states that the charity endorses the use of the company's product and suggests you ask your doctor for a prescription if you have this medical condition. The charity reviewed the message and gave permission for the endorsement to appear. The regulation concludes that the hyperlink and the endorsement are advertising. The qualified sponsorship exception is not available when an exempt organization provides promotional material on its own website or that of the sponsor.

A Word of Caution

As previously noted, the old tax laws still apply to the new medium of the internet. Without leaving the office, an IRS agent can "audit" your organization simply by clicking through your website. Take a moment to look at the content and links in light of the potential for IRS review.

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