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Management & Performance

Business Analytics: Big Data Now a Tool for Small Business

BY **JAMES BRUMMITT**

"Big data" is getting a lot of attention these days. Google, Yahoo and Microsoft (among others) are leveraging the tools that they had to build from scratch to address issues like indexing the internet, relaying information quickly and accessing all of this data in seconds. Their "open source" policies have led to the development of new products that are more accessible and substantially more refined. This revolution of big data has created user-friendly opportunities for small businesses that did not exist 10 years ago.

The What and Why of Big Data

Big data refers to the explosion in growth and availability of data, both structured and unstructured. It has been defined many ways but most revolve around the "Three Vs": volume, velocity and variety. A small business may not have a terabyte of data (which is considered small big data), but that doesn't mean big data doesn't have value to the business. After all, big is a relative term. Most businesses rely on a variety of software programs to manage different aspects of the operation – each generating its own data set. Big data describes the increasing volume and detail of information captured by a business' legacy systems as well as social and multi-media information. In this sense, big data describes the collection and analysis of information to make better management decisions.

Collection

Data can come from vendors, customers, employees, the government, the internet or social media. In the past, this information had to fit very specific guidelines in order to be useful. Today, this information can be stored and used in a variety of formats. It doesn't need to be refined and normalized to fit into database tables. It can be collected, aggregated and stored in a data warehouse for later use. This can be done in very flexible and dynamic ways that allow for later introduction of new information without requiring the "back to the drawing board" approach that was required by many legacy data systems.

Analytics

Many tools come with integrated data collection processes, meaning that data goes from raw source to analytics ready with a drag-and-drop

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interface, eliminating the need for IT resources. The analytical toolset has been expanded to quickly manage all types of data. Machine learning (advanced statistical) tools are available from the same user-friendly environment, and exploratory data analysis tools give you a chance to interact more freely with your data.

Prediction

Predictive analytics enable business users to understand the drivers behind their business. These techniques use historical results to predict trends into the future. The accessibility of various machine learning tools at the click of a few buttons gives a user the opportunity to perform comparisons and sensitivity analysis and compute all necessary modeling within a few hours.

Visualization

Once analysis and prediction are complete, new visualization tools provide the capability to succinctly express your conclusions. This is much more than the bar charts and line graphs of the past. You have access to scatterplot matrices, bar on bar comparisons, hierarchical heat maps and other advanced dashboard tools – all with a few mouse clicks. The ability to interact with the data allows you to discover insights and share them with others.

The Bottom Line

The big data revolution has not found its way into mainstream (small and mid-sized) business operations yet. However, early adopters have a tremendous competitive advantage over those who have not developed a clear and focused data strategy.

The new products on the market provide scalability and relatively low cost while giving the customer the advantage of annual updates at a fraction of the cost of products used by larger companies. Stay tuned for an article in the Spring issue which will offer some specific cases that illustrate how this new window into your business can be beneficial.

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CONSIDERATIONS FOR 2015: How the ACA Impacts Your Tax Return

BY **BRYAN KOCH**

Due to the constant changes in the Affordable Care Act (ACA) and the implementation timeline for these changes, you should take note of the impacts on your 2014 tax return to be filed beginning January 2015.

The following is a summary of the things you should consider for tax planning purposes.

MEDICARE TAXES

The ACA included provisions that may have added additional taxes to your 2013 tax return: the 0.9% additional Medicare tax and the 3.8% Medicare surtax on qualifying net investment income. Indeed, you may be subject to both but not on the same type of income. It's important to understand these taxes and requirements:

0.9% Medicare Tax

This applies to higher-income individuals who have FICA wages and self-employment income in excess of $200,000 for single filers, $250,000 for couples filing jointly and $125,000 for couples filing separately. This tax is reported on Form 8959.

If you are married, filing jointly and combined wages exceed $250,000, you can use IRS Form W-4 to have the extra 0.9% tax withheld from your check each month.

3.8% Medicare Tax

This applies to individuals, estates and certain trusts, yet it is unrelated to Medicare. If you have Net Investment Income (NII) [such as taxable interest, dividends, net capital gains, rents and royalty income] and your modified adjusted gross income exceeded any of the following thresholds, you were most likely subject to the 3.8% and completed a Form 8960 in your tax filings:

- $250,000 for married couples filing jointly
- $125,000 for married couples filing separately
- $200,000 for single taxpayers and taxpayers filing as head of household

With the help of a tax professional or financial adviser, you may be able to reduce your NII and, as a result, the impact of the 3.8% tax. If you are an individual subject to the tax, keep in mind that there are potential planning ideas such as examining passive and non-passive activities, grouping elections for material participation and considering the election to become a "real estate professional."

INDIVIDUAL SHARED RESPONSIBILITY PROVISION

Effective January 1, 2014, the Individual Shared Responsibility Provision requires all U.S. citizens and legal residents to have minimum essential health coverage (MEC) each month in the calendar year. If an individual does not have MEC, he or she must qualify for an exemption or face a penalty payment when filing his or her 2014 tax return in 2015. If an individual decides to forgo coverage and does not qualify for exemption, the penalty will be paid on his or her federal income tax return and is the greater of $325 or 2% of household income for 2015 and the greater of $695 or 2.5% of household income for 2016.

EMPLOYER MANDATE

Beginning with the 2015 calendar year, employers and insurers will be required to report on Form 1095-C that they offer or provide MEC to employees or individuals. Previously delayed until January 1, 2015, the Employer Shared Responsibility mandate requires large employers with 100 or more employees to offer MEC at an affordable rate, coverage reported on Form 1095-B. If large employers fail to meet the following requirements, there is a potential excise tax penalty:

- "No Coverage" Penalty ($2000): Failure to offer MEC to 95% (70% for 2015) of full-time employees working 30+ hours

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Exit Planning: Why No Plan Is a Bad Plan

BY **BARBARA FOSTER**

If you are a business owner, your company is your largest asset and a key funding source for future retirement goals. Additionally, it is the main source of income for your employees. Yet, a recent survey shows only 36% of business owners have an exit plan. With many owners planning retirement in the next 10 years, the absence of an exit plan puts retirement dreams in jeopardy.

Research indicates that only 30% of family-owned businesses survive into the second generation and only 12% are viable into the third generation. Most of these failures can be traced back to one factor – the lack of business succession planning.

However, a simple planning solution called a buy-sell agreement can help business owners reduce the risk of failure in case of retirement, disability or death. A buy-sell agreement aids in the transfer of ownership from one generation to the next or from a founder to a key employee. A well-constructed buy-sell agreement not only details the legal transfer of ownership but also contains a funding mechanism, normally in the form of a cash value life insurance policy.

By using a life insurance policy to fund the eventual sale, the company can often utilize important tax benefits. In the unfortunate circumstance where the owner passes away before the sale is complete, the life insurance policy will provide the liquidity needed to complete the transfer of ownership plan.

A properly funded buy-sell agreement can:

- provide departing owners a market and price for an asset that might be hard to sell;
- prevent an unqualified individual from acquiring an interest in the business;
- minimize business disruptions resulting from disagreements among owners during various triggering events; and
- provide assurances to employees, customers, suppliers and creditors that the business will remain strong through transitions.

Additional Benefits

- The value and sale price of the business may be fixed in the buy-sell agreement.
- Proceeds from the life insurance policy are not subject to income taxes.
- Policy cash value may be available to purchase the business during the owner's lifetime.
- The company may receive a tax deduction for the bonus payments.

Should you consider a buy-sell plan?

Start by asking yourself these questions:

If your business *is* your retirement plan, could you:

- sell to a third party at Fair Market Value (FMV)?
- sell it on your timetable?
- receive a "lump-sum" cash payment?
- have secured payment terms?

Is there funding in place to financially complete the transfer of the business?

- What if you transfer to another owner?
- What if you transfer to a key employee?
- Are you interested in helping a family member or key employee ensure that he or she has the liquidity to make a future purchase or down payment?

If you do not have a current exit plan in place or if your plan does not address the critical questions asked above, now is the time to talk about this important planning strategy with a professional. By implementing a well-structured and funded succession plan, you can help protect the financial future of your spouse, family and valued employees.

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Eight 403(b) Mistakes You Can Avoid

BY **MIKE SWALLOW**

Although the dust has settled on the last round of regulatory changes, compliance expectations in the 403(b) space are still a topic of discussion as organizations adapt to their new administrative duties and adjust their plan documents. The challenges faced by plan sponsors as they design, update and execute their plan documents are sometimes left undiscovered until they are identified under audit.

The following are common stumbling blocks for sponsors. However, if you are aware of them, you can avoid them.

1. Exclusion of eligible employees
Universal availability requires that *all employees* have the opportunity to make deferrals unless the plan specifically excludes them. A common error is excluding part-time employees who regularly work 20 hours or more per week but failing to include their exclusion in the plan document.

2. Failure to suspend contributions after a participant has taken a hardship distribution
Under the safe-harbor rules for hardship distributions, normal contributions must be suspended after a hardship distribution is received. If multiple providers aren't coordinated properly, one vendor may grant a hardship distribution on an account balance while the participant continues to make contributions to another.

3. Vendor documentation oversight
For example, be sure your vendors require evidence that hardship distributions meet income tax regulations, the terms of the individual annuity contract/custodial account and the written terms of your plan document.

4. Not following loan default procedures
In addition to being a plan qualification issue, failures here can be costly to fix. Be sure that your vendors enforce participant loan repayments and limit aggregate loan amounts.

5. Qualified Domestic Relations Orders (QDRO) are not properly implemented
This is another place where coordination is key. The most common error is a QDRO directing an asset split percentage to an alternative payee without taking all plan assets into consideration.

6. Investment contracts that don't agree with the plan document and/or contractual procedures that don't agree with plan provisions
For instance, your plan does not allow loans but an investment contract does. The service provider of the contract may grant a loan because it's allowed under the contract, but, because this is not in the plan document, this knocks you out of compliance. Remember: 403(b) regulations clearly define that the plan document must govern the operation of the plan.

7. Participant notice deadlines
Know what provisions associated with your plan require employee notice and when those notices are due. There are plenty of them: automatic enrollment, safe-harbor contributions, QDIA and universal availability.

8. Keeping the plan current
Make certain to update the plan document to keep up with the law, your organization's needs and the needs of your participants.

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Why Professional Service Companies Should Care about Personal Brands

BY **MEGAN MURDOCK**

What is the difference between a company brand and personal brand?

A company brand is the mental connotation associated with an organization, while personal brand refers to this connotation at the individual level. Personal brand is essentially the perception and differentiation of an individual, which ideally conveys a value proposition.

Why should businesses care about personal brand?

While companies expend resources to build corporate brands, attention also should be paid to brand building on an individual level. This fact is even more significant in professional service companies where the collection of individual brands typically will equal the sum of its parts.

According to "The Visible Expert," a recent publication from Hinge, benefits of positive personal brand can extend beyond the individual to a company. Hinge's research shows that these Visible Experts, professionals who have attained high visibility and a reputation for expertise, can positively affect growth, new business, reputation, partnerships, billing rates and the ability to close sales.

How can employees discover their personal brands?

Professional service companies typically have a healthy pipeline of employees starting their careers directly from graduation; therefore, internal soft skill training programs should be built to assist with discovering core strengths, which can serve as the foundation for their personal value propositions.

Internally, it is extremely important that marketing and human resources coordinate to ensure evaluation programs include guidance of employees into an industry niche or specialty service line. Directing employees on a focused career path through goals and mentorship will help build out a personal brand shaped by expertise.

Additionally, the impact of effective recruiting practices should not be overlooked. Recruiting established thought leaders with visible and reputable personal brands should always be a focus of professional service companies.

How can companies help employees develop their personal brands?

Once employees have expressed interest in a direction or specialty, companies should ensure that the right personnel and monetary resources are allocated to assist them with communicating and leveraging their personal value propositions.

First, evaluation of and participation in relevant local and national professional organizations should be encouraged. These organizations not only will give employees key insights into technical and industry trends but also will allow them to network with other service providers and industry leaders. When leadership positions or speaking opportunities become available, employees should be urged to secure them to create a more credible reputation.

Second, companies should assist employees with creating a cohesive digital footprint. A consistent presence on digital platforms as a thought leader, including a professional headshot, is critical in marketing employees' personal brands because in today's largely digital world, employees may make their first and only impression through online platforms. Once employees become more developed into their niche, online channels become even more significant in order to leverage created content such as articles, videos and presentations.

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Tax & Accounting *(Continued from page 4)*

- For 2015, no penalty is assessed for the first 80 (rather than 30) full-time employees; returns to 30 after 2015
- "Inadequate or Unaffordable" Penalty ($3000): Coverage fails to meet minimum value standard or is unaffordable

Small employers with 50 to 99 employees could face a potential excise tax penalty for failure to offer minimum essential coverage at an affordable rate:

- "No Coverage" Penalty ($2000): Failure to offer MEC to 95% of full-time employees working 30+ hours
- "Inadequate or Unaffordable" Penalty ($3000): Coverage fails to meet minimum value standard or is unaffordable

Keep in mind, the reform is ever-changing, and additional changes are likely to come in the near future. Consider seeking advice from a financial professional or tax planner as you navigate your way through the complex rulings of the ACA.

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Third, while personal brand can be largely influenced through digital channels, the value of a positive personal impression must not be overlooked. With research showing it takes only seven seconds to make a first impression, elements including dress, posture and voice should be consciously chosen to reflect personal brand. Additionally, employees should take steps to ensure personal interactions are maximized by unplugging technology, listening and asking insightful questions.

A positive personal brand can assist in accelerating trust, confirming credibility and ultimately growing a professional's ability to generate and close sales. Companies will be more impactful with their time and money by taking steps to ensure employees have strong personal brands instead of trying to promote a team of generalists. A roster of thought leaders with defined expertise and specialties will solidify a reputation as a company with value-added service lines and experts.

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