



## ATTRACT & RETAIN EMPLOYEES

### STRIVE TO BE A "BEST" COMPANY



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A few months ago I was invited to speak on the topic of career choices for business majors at a local university. When delivering this presentation I often reflect on my own career decisions. Nearly six months before my graduation I went to the library to research over 30 local companies. I wanted to

work for the best company possible, so I classified my top choices into a "Best" category based on reputation in the community, stability of the industry, commitment to employees and room for growth and advancement. I produced approximately 15 letters on my early model word processor and mailed each "A" company a personalized note and resume. A few interviews and a few rejection letters later I landed my first job.

Today, although some students may research companies, many students post their resumes on Internet based "job boards" and wait for prospective employers to contact them. Few collegiate job seekers will actually pick up five different newspapers and spend Sunday afternoon browsing through all of the job opportunity advertisements. Fewer still will go to the library or review a full prospectus to identify their own "best" companies. Job seekers with a few years of experience will go onto Internet job boards such as Monster.com and Hotjobs.com and plug in key words to see what jobs might be available. Within five minutes and with a few clicks these individuals can send out a cookie cutter letter and resume to 20 companies. These job boards even allow

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## AMPER RANKED NATIONALLY AS LEADING PUBLIC COMPANY AUDITOR

Amper, Politziner & Mattia has been listed in the most recent Spencer Harris, Data Financial Press rankings as **the 11th leading public company auditor in the country and the #1 leading public company auditor among non-national, East Coast firms.** The volume of additional work created by Sarbanes-Oxley, staffing and capacity issues within many other public company auditing firms and the high level of expertise and talent available through Amper's Public Companies Group, have combined to make Amper a natural choice in addressing the increased regulatory demands now facing public companies.



job seekers to set up search agents so that they will be contacted every time a particular position is posted. Others can post their resume on one of the job boards and let technology do the work.

I recently spoke with a job seeker who had posted his resume on the Internet. I was amazed to learn that he had been contacted by 28 other companies and/or headhunters in the three days following the posting of his resume. Another job seeker admitted that he contacted a headhunter when he decided that he wanted a new job. The headhunter wrote his cover letter, drafted his resume and then arranged four interviews for the following day. When I inquired how he would evaluate the different opportunities, he said that he would choose the "best" company based on his own set of important criteria, just as I had for my first job.

Technology and the growing number of recruiting services have definitely changed both the way candidates learn of new job opportunities and the way that employers locate candidates. Years ago it would have been taboo to leave your employer in fewer than seven years, but today it is acceptable to change jobs every two to three years. Both employers and employees are less loyal and the information to assist an individual to learn of a new opportunity is only a few keystrokes away or already knocking on your front door. Earlier this week, I received a junk e-mail that promised to "Give you the ammunition to negotiate your biggest raise ever." Another e-mail outlined "25 executive positions in your city." Last week I received

a phone call from a headhunter promising a senior level auditing job. He did not even bother to ask if I was an accountant.

Every prospective employer must strive to be a best company and one that offers the best jobs. It is just as important to be a company whose employees would like to continue working for. I have found that individuals evaluating new jobs use similar criteria to evaluate their current employer as well. Companies that want to be a place where employees want to work should pay particular attention to: advancement opportunity, work & life balance, inclusion in decisions, management effectiveness, communication and job satisfaction.

Companies can offer **Advancement Opportunity** by creating formal career paths that outline three to five year growth supported by a learning environment. Management must be clear about job expectations for both prospective employees and current employees, and performance and progress must be formally monitored.

**Work & Life Balance** practices vary from industry to industry and company to company, and can be as simple as creating fair time off practices and rules. A manager who leads by example and solicits employees for suggestions will have employees that are more loyal. Enabling employees to have some control over when, where and how they perform their jobs, for example, could be the difference between an employee who is happy and one who is looking for a new job.


The best companies to work for have practices that prove all employees are valued and able to participate in decision-making. **Inclusion** practices could be as simple as having an employee suggestion box or maybe an employee suggestion committee. Employees who contribute to the decision making process are much more likely to support those decisions.

**Management Effectiveness** is important to both attracting and retaining employees. Both prospective and current employees want to work for managers that set clear expectations and objectives and those who know how to deliver feedback. With daily newspaper headlines highlighting corporate fraud and illegal activities, companies that promote corporate integrity throughout management will be where people want to work.

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# HEALTH SAVINGS ACCOUNTS

## A WIN-WIN SITUATION FOR EMPLOYER AND EMPLOYEES!

 As healthcare costs increase, employers are looking for ways to cut costs and employees are becoming dissatisfied with diminishing health insurance benefits. The newly enacted Health Savings Accounts provisions (HSAs) may be able to strike a balance.

### What is an HSA in a Nutshell?

HSAs were introduced as part of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2004. An HSA works very much like an IRA, except you use the money you contribute to pay healthcare costs. To qualify, participants must enroll in a relatively inexpensive, high-deductible health insurance plan. Once qualified, a tax-deductible savings account can be opened to cover current and future medical expenses. The money deposited in the savings account, as well as the earnings on it, are tax-deferred. You may withdraw the money as needed, tax-free, to cover qualified medical expenses. Unused balances in HSAs roll over from year to year.

### Setting Up the HSA & Making Contributions

Before establishing the HSA, the employer must have a high-deductible health insurance policy (HDHP) that qualifies to be partnered with the account. A HDHP is a health plan that:

1. has an annual deductible which is not less than
  - a. \$ 1,000 for self-only coverage and
  - b. \$ 2,000 for family coverage(the minimum is \$ 1,000 for individuals and \$2,000 for families) *and*
2. the sum of the annual deductible and other annual out-of-pocket expenses required to be paid under the plan for covered benefits does not exceed:
  - a. \$5,000 for self-only coverage, and
  - b. \$10,200 for family coverage.



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This creates a savings opportunity for employers since health insurance plans with higher deductibles typically cost less.

The employee then sets up an HSA account, similar to an IRA, and makes his or her tax-deductible contributions. This relieves the employer of its fiduciary responsibilities - again creating a cost saving opportunity. The employee, the employer, or a combination of the two can fund contributions to an HSA. The amount that can be contributed each year is:

- the lesser of the annual deductible of the plan, or \$2,650 for self-only coverage; and
- the lesser of the annual deductible or \$5,250 for family coverage.

### Withdrawals from the HSA

As the employee incurs qualified medical expenses, he or she will withdraw money from the account. There is no "use it or lose it" requirement, which in turn, makes the HSA desirable. The employee can continue to build a tax deferred balance in the HSA account and it can be used as a retirement vehicle. When the HSA was first introduced, it was restrictive as to the types of medical expenses that would qualify for expenditures. In recent months, the Internal Revenue Service has issued a number of notices that have liberalized the types of expenses that will qualify. A complete list of qualified medical expenses can be found in IRS Publication 502.

Tax-free distributions from the HSA can be made to pay for qualified expenses of:

- the person covered by the HDHP
- the spouse of the individual (even if not covered by the HDHP), and
- any dependent of the individual (even if not covered by the HDHP)

If distributions are not used for qualified medical expenses,

- any amount will be included as income,
- and be subject to a 10% penalty  
(unless the individual is over age 65 or disabled)

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## HEALTH SAVINGS ACCOUNTS, CONT'D

### Death of Owner

Upon the death of an owner, the HSA works similarly to an IRA. If the spouse is named as the beneficiary, the spouse will become the owner and the HSA will continue. If anyone other than the spouse is named as the beneficiary, the HSA will terminate and the unused balance of the account will be taxable to the beneficiary.

HSAs can provide a cost saving alternative to both employer and employees. There are advantages and disadvantages for both the employer and employee; however, the advantages seem to outweigh the disadvantages. HSAs are relatively new, but expected to grow in popularity in the coming years. 📌

<u>Employer</u>	
<u>Advantages</u>	<u>Disadvantages</u>
High deductible insurance cost is less than traditional health insurance.	Must contribute same amount to all employees who participate.
Provides flexibility to employees.	
No fiduciary responsibilities since ERISA does not apply.	
Can provide a match through a cafeteria plan similar to a 401(k) plan.	

<u>Employee</u>	
<u>Advantages</u>	<u>Disadvantages</u>
Provides flexibility.	Limitation to types of expenses.
No "use it or lose" it provisions.	Fiduciary responsibility on employee.
Provides a lower cost option for health insurance.	
Provides another mechanism to defer funds in a retirement account.	

## ATTRACT & RETAIN EMPLOYEES, CONT'D

In addition to *Communicating* company goals, news, etc. employers should show how their employees' jobs connect with company goals. Employees who understand how their individual roles contribute to the bottom line are generally more committed to both those goals and the overall company mission.

Communication is much more than giving employees information; listening to employees' suggestions and giving feedback is an important part of the relationship.

**Job Satisfaction** is not only dependent upon competitive compensation and benefits; it is also contingent upon less monetary aspects of employment. Employees who are given challenging work, assuming they have been provided with the adequate tools and training, will

be more satisfied than those who have been assigned routine and mundane tasks. Perhaps the most important aspect of job satisfaction, not to mention the cheapest, is recognition given for an individual's contributions. Unfortunately, too many employers fail to adequately recognize employees for their efforts.

Employers who want to be recognized as the best places to work need to implement and maintain best practices. Best practices such as the ones mentioned above are not expensive to implement and maintain. In fact, many are simply common sense management principals that require zero or little monetary investment. Both existing employees and prospective employees will certainly recognize organizations that are committed to being a best place to work. 📌



Amper, Politziner & Mattia has been chosen as one of the top ten companies to work for in New Jersey and the top accounting firm in the large company category. The Best Companies Group, an independent organization that developed the formula for determining which companies made the list, administered the survey, which is compiled and ranked from employee feedback.

"Amper was built on the talent of its staff. We would like to thank our employees for making Amper, Politziner & Mattia a "Best Place to Work," said Phil Politziner, President. 📌

# NET UNREALIZED APPRECIATION

Special rules apply when a retirement plan's lump-sum distribution (LSD) is composed in whole or in part of securities of the employer corporation. Under these rules, employees are not taxed on the net unrealized appreciation (NUA) when the securities are distributed directly to the participant. NUA is defined as the excess of the aggregate Fair Market Value (FMV) of the securities on the distribution date over the aggregate cost or other basis of such securities to the plan.

If the securities are received directly by the participant, the NUA portion is not taxable. The amount that is included in income is the FMV of the securities less the NUA (normally, as ordinary income to the employee if not rolled-over and subject to the 10% penalty).

When employer securities are sold after distribution, any gain realized is long-term capital gain to the extent attributable to NUA not taxed at the time of the LSD. Any gain in excess of NUA is long- or short-term capital gain depending on how long the taxpayer holds the securities after the LSD.

Rolling over part of an LSD does not impact the favorable tax treatment allowed for the NUA of employer stock retained by the taxpayer. Thus, a taxpayer who receives an LSD consisting of both cash and appreciated employer stock can roll over all or part of the cash portion to an IRA and retain the appreciated employer stock outside of the IRA without affecting the favorable tax treatment allowed for the

NUA in the stock. However, the FMV less the NUA would be subject to ordinary tax rates and potential 10% penalty for early distribution.

## Example:

Sally leaves her job in 2002 and receives an LSD from her employer's 401(k) plan when she is age 50. The distribution consists of \$200,000 of cash and \$100,000

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**If the securities are received directly by the participant, the Net Unrealized Appreciation portion is not taxable.**

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worth of employer stock. The original cost basis of the distributed stock is \$10,000. Thus, there is \$90,000 of NUA attributable to the stock (\$100,000 - \$10,000). If Sally rolls over the \$200,000 of cash into an IRA and keeps the stock, she will pay income tax plus the 10% early distribution penalty tax on only the \$10,000 of stock basis. She then can continue to defer tax on the \$90,000 of NUA on the stock. The tax cost would be \$10,000 times 35% plus \$10,000 times 10% or \$4,500.

When Sally sells the stock, the \$90,000 of gain will be taxed as long-term capital gains. The capital gains tax would be \$90,000 times 15% or \$13,500.

Compare this to the tax at ordinary rates that could be as high as \$90,000 times



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35% or \$31,500. Thus, by not rolling over appreciated stock into an IRA, Sally can save as much as \$18,000 in tax for a cost of \$4,500. Who won't sign up for that?

**Variation:** Instead of keeping the stock, assume Sally rolls over the entire \$300,000 LSD into an IRA in 2002. She will pay no income or early distribution penalty tax now, but will not be able to use the long-term capital gain tax rates on any subsequent distributions from the IRA. This is because the \$90,000 of NUA loses its long-term capital gain status and is taxed at ordinary income tax rates when distributed from the IRA. Thus, by not rolling over the appreciated stock into an IRA, Sally pays a relatively small amount of income tax and penalty tax now in exchange for receiving favorable long-term capital gain treatment in the future.

If you are eligible to receive an LSD from a plan consisting of appreciated employer stock, it probably makes sense to "run the numbers" and plan the distribution with a tax or financial planning specialist. ■



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## NEW OFFICERS

Amper, Politziner & Mattia is pleased to announce **new Officers**, John Pennett, Kenneth Hirsch and Bruce Gomberg to the firm.

**John Pennett CPA** is an Audit Officer in Amper's Edison office. He has more than 19 years of public accounting experience serving public and private life sciences, technology, manufacturing/distribution and professional service providers companies. He is a graduate of Rutgers University and previously worked as audit partner for an international accounting and consulting firm.




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**Kenneth A. Hirsch CPA** is an Audit Officer at Amper. Ken has over 30 years of audit experience in diversified industries, including manufacturing, distribution, retailing, wholesale and import organizations. He has exceptional expertise in the apparel and textile industries and works with clients in multiple markets throughout the United States, Europe and Asia. He has provided client-consulting support on structuring and the assimilations of acquired businesses and financial consulting both in the public and private sector. Ken received his Bachelor of Science Degree in Accounting from Lehigh University.



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