



KEY CHANNEL PARTNER OF THE MONTH



PAYROLL

5 Steps to Create a Flexible & Lasting Financial Plan for You & Your Business

This chaotic year has taught business owners many lessons, says Amy Friedrich, president of U.S. Insurance Solutions for Principal®. One is the need for long-term financial planning that gives your business the flexibility to handle drastic volatility. **These five steps can help you build a financial plan to ride out both the smooth and bumpy times:**

- 1. Cash reserves: Make sure you have the cash on hand to support your business through a downturn. Avoid raiding personal finances to keep the business afloat.** You don't want to risk your personal finances by taking out a second home mortgage for your business when stockpiling cash in the boom years might have prevented it. The old rule of thumb was a six-month cushion. If you must tap into other emergency cash, "make sure you understand all the sources of cash at your disposal and in which order it makes sense to use them," West says.
- 2. Business succession: Plan for how your business can launch you into your next phase—with both your financial security and comfort intact.** The first step to a successful business succession can be as simple as answering the who, what, and when: Who do you want to sell your business to, what's your business worth, and when do you want to sell? Map out a realistic timeline locked into place by a well-funded buy-sell agreement. Give yourself time to adjust, West says.
- 3. Business valuation: This crucial number determines lines of credit, acceptable debt load, and even the timeline for selling your business.** If a surprise event forces you suddenly to sell your business, you or your successors—or both—could end up frustrated if the value of the business is a shock. Only 4% of the buy-sell agreements reviewed by Principal reflect a current value of the business.1 But you can take steps now to prepare. After all, you've poured a lot of yourself into making your business successful. Think about getting some of that back. Principal routinely provides informal business valuations at the request of financial professionals working with business clients on succession planning.
- 4. Preparing for an economic downturn or the loss of a key employee: This pandemic is hard enough, but it's just as important to plan for the next business disruption.** When you do get to the point of adapting your business to better prepare for the next disruption, no one solution is right for all owners. Your benefits package should reflect that. You or your key employees may need help with basic income or life protection. Or maybe you're more interested

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in helping your employees save for the future. In this pandemic you also may be concerned about the work capacity of employees as they manage new responsibilities such as more personal time devoted to childcare or even homeschooling.

5. The financial-professional perspective: They're often also business owners and can empathize with what it means to balance a successful operation today with a more secure future. Businesses in nearly every industry rely on technical experts—a CPA, an attorney, etc.—for essential functions. The role of financial planning, especially during economic volatility or a downturn, is part of this group of outside experts to help your business succeed. A financial professional can help choose solutions for you, your business, and your employees.

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Presidential Election: Raising the Minimum Wage

Whether or not to raise the federal minimum wage to \$15 per hour is one of many employment issues at stake in the 2020 presidential election.

Democratic Party presidential nominee Joe Biden supports raising the federal minimum wage to \$15 an hour by 2026. President Donald Trump has sometimes supported that stance, but Republicans generally have been opposed to an increase to \$15 an hour.

In 2019, President Trump said he was open to a federal minimum wage of \$15 per hour but then opposed House legislation that raised the rate. In July, he said he would make a major statement about the minimum wage, but the announcement never came.

The federal minimum wage has not been increased since 2009 and currently stands at \$7.25 per hour. Twenty-nine states and numerous counties, cities and multistate employers have minimum wages higher than the federal minimum. And more states are joining the trend. Florida voters will consider a ballot measure this November that would raise the state's minimum wage to \$15 by 2026.

Labor market economists disagree about what the consequences of a \$15 minimum wage would be for U.S. workers and employers. Proponents of raising the wage argue that \$15 an hour is closer to a living wage. They say that if the minimum wage had kept up with inflation, it would now be closer to \$20 per hour.

2020 election information from SHRM
Opponents to raising the federal minimum wage—especially a hike to \$15—say that it would burden small-business owners with increased operating costs and have negative ramifications for the very workers it's supposed to help. Others say a nationwide minimum-wage rate is not realistic, given the wide cost-of-living disparities across the United States.

The Democratic-controlled House passed a bill in 2019 that would have raised the federal minimum wage to \$15 by 2025. Senate Republicans decided not to take up the issue, and the White House said Trump would

veto it. In analyzing the bill, the Congressional Budget Office (CBO) said about 27.3 million workers would likely see a boost in wages if the minimum wage was raised to \$15, but the wage hike could cause an estimated 1.3 million workers to lose their jobs due to decreased business income.

The CBO also found that a \$15 minimum wage would reduce business income and raise prices for consumers. Proposals to raise the federal minimum wage to \$10 and \$12 per hour by 2025 were also analyzed. Both options were found to boost wages but also increase joblessness, reduce business income and raise prices, although the effects would not be as drastic as those possibly resulting from a minimum-wage increase to \$15 an hour.

Heidi Shierholz, director of policy at the Economic Policy Institute in Washington, D.C., and the chief economist at the Department of Labor during the Obama administration, stressed the positive outcomes of a wage increase to low-wage workers.

On the other side of the debate, Alfredo Ortiz, president and CEO of the Job Creators Network, an Atlanta-based small-business coalition, said the report “confirms what we already know to be true—broadly raising the minimum wage to \$15 an hour will reduce employment opportunities and is bad for business. The consequences will be especially brutal for small businesses, which already operate within razor-thin budget margins.”

Douglas Holtz-Eakin, an economist, former director of the CBO and president of the American Action Forum, a Washington, D.C.-based policy and research group, said there was nothing surprising about the CBO analysis. “The basic mechanisms in play are by now well-understood,” he said. “The rising minimum wage will increase pay for those minimum-wage workers who remain employed, as well as for those who would likely see a raise to keep the pay scales in the right order. These pay hikes will come at the expense of those workers who will not be employed, the profits of businesses and the higher prices that consumers must pay.”

The majority of U.S. voters are in favor of raising the minimum wage, according to a 2019 survey conducted by Pew Research.

shrm.org

EMPLOYEE BENEFITS



WORKERS' COMP



TIME DISTORTION – ANOTHER STRANGE SIDE-EFFECT OF THE COVID-19 PANDEMIC

Have you been feeling like some days take forever? Or that it seems like the Spring was only yesterday? You are not alone. Recent research in the United Kingdom validated what many of us have been feeling- that one strange effect of the pandemic has been a distorted perception of time.

How we perceive the world around us and how we think about those perceptions influences how we feel and behave. And as to time, we all know that time passes at a constant and linear rate (unless of course you are a character in a Star Trek plot). But our subjective experience of linear time is influenced by our activity level and by our emotional state. The pandemic and its restrictions on normal activities has demonstrated that fact.

The British study of 604 participants looked into their perception of the flow of time during the lockdowns associated with COVID-19. The researchers found that more than eight out of ten said they experienced some type of changes to their perception of the passage of time. It found that the description of the distortion generally fell into two groupings. One group experienced time as passing more slowly. People in this group generally were older, reported more feelings of stress or depression, had less tasks to do, and generally felt more isolated and lonelier during the lockdown. Lending a sort of credence to the saying “time flies when you’re having fun,” the second group reported that

time seemed to go by faster. This group tended to be younger, have more tasks to be engaged with, and reported less distress associated with the forced restriction of normal activities. The research not only validated what many of us have been feeling about the passage of time, but also demonstrated the powerful impact of loss of routine and our varying adaptation to it.

Here are some tips to re-set your internal clock:

- Reclaim and commit to a daily and weekly routine. Our brain craves routine and predictability regardless of our age or status.
- Spend time regularly outdoors. Spending time with nature can help us to relax mentally and outdoor activity is a great stress reducer.
- Get regular sleep and rest. Not only is good sleep physically and mentally restorative, but regular sleep patterns help adjust our internal clocks.
- Stay connected to family and friends. “Social distancing” is really physical distancing. Staying involved with family and friends may be a bit more challenging today than normal, but it’s important so we can reduce feelings of isolation and loneliness.

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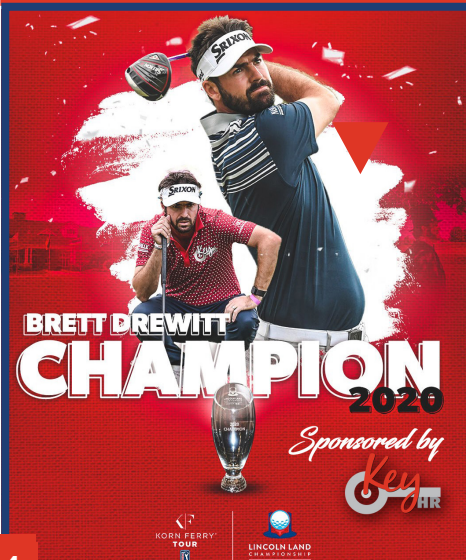
605 E. Robinson Street
Suite 500, 5th Floor
Orlando, FL 32801



800.922.4133



info@keyhro.com



BRETT DREWITT

Key HR's own, Brett Drewitt will be very glad he made the last-minute decision to drive four-hours to Springfield, Illinois where he has won the \$600,000 Lincoln Land Championship by one stroke.

The 29-year-old carded a final round 3-under 68 to claim the first Korn Ferry title in his 116th start and his first victory on any tour since the 2014 United Investment Real Estate Wuhan Open on the PGA Tour China. WE ARE SO PROUD OF YOU BRETT!!

GOLF CORNER

