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What Happens During a Credit Crunch & What That Could Mean for You

What if you couldn't easily access credit when you needed or wanted it?

Quick takeaways

- **Borrowing and lending have been around a very long time.** But economic conditions impact how much money costs to borrow—and who can borrow it.
- **There are short-and long-term ways you can think about credit in your life.** That may mean working longer to boost savings or thoughtfully considering a purchase that depends on credit.

Day to day, many people don't really have to think about their access to and use of credit. Unless you're preparing for a big financial moment, such as a home or car purchase, credit mostly feels like it functions in the background, with a credit card (or two) in everyone's wallets. But nothing is ever fixed in any economy. What goes down may come up, and credit access and cost is in a period of wobbliness.

And Americans are feeling the squeeze. Compared to 2022, 12% fewer people feel financially included—meaning they have adequate access to financial services and support they need to meet their goals, according to a 2023 Global Financial Inclusion Index consumer survey by Principal®. Here's what that means for your financial planning.

Our reliance on credit

Until the 1950s, access to credit was fairly limited, and most contemporary credit vehicles such as credit cards not widely used. In modern times, however, the use of and reliance on credit has exploded. Every bank has credit and lending as a core offering, even as who they lend to and how much they lend ebbs and flows. From 2021 to 2022, personal loan debt jumped from \$167 billion to \$222 billion, and total credit card debt topped \$990 billion. 1, 2 Credit cards are by far the biggest source of U.S. consumer debt: Over 175 million people have at least one, and in total we rack up about \$120 billion (yes, that's billion) yearly in credit card interest and fees.

Those big numbers—and how the economy may influence credit access—become more relatable when you think about your finances and plans. For example, are you carrying credit card debt from year to year? Nearly 20% of people are. Are you paying more interest for your debt? Probably, with the rise in interest rates. In fact, over your lifetime, you'll pay about \$160,000 in interest. (Imagine, if you will, saving that money instead.)

What a credit crunch looks like

A credit crunch is simply a point in time when loans are harder to get for everyone—homeowners who want to borrow to expand or renovate, business owners looking to

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If your company needs to save money, address compliance issues, improve efficiencies and increase productivity, we have the solutions and the key to your success.

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It could be one of the smartest business decisions you ever make!

invest in machinery or expand—because banks become warier about their balance sheets. Banks may change credit score requirements to get favorable interest rates—or even just a loan in the first place.

The last really big credit crunch happened during the 2008 financial crisis. There are signs that we may be in the midst of one, whether due to bank failures, higher interest rates, or other economic factors. That matters to individuals and business owners.

If you've been able to save, pay off credit cards monthly, and limit your debt, a credit crunch may not really impact you. But those who have less saved or owe more may face choices that negatively impact their financial security.

If you're not sure about your credit needs and a potential credit crunch, it might be time for a gut check. Are you OK with the interest you're paying? If not, what small steps can you take to reduce your need for credit?

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How Women Can Earn a Promotion in HR

There's no foolproof formula that HR professionals can use to advance their careers. A promotion is something they earn, regardless of gender, by building and leveraging their strengths and capabilities in ways that align with the needs and goals of the business.

But since women represent the majority of people working in HR and also historically are paid less than men, earning a promotion can be tougher for them. The key, according to a range of successful HR executives and career advisors, is for women to recognize that they are in the "business of people," and they must learn to speak the language of the business. Once they do, they can demonstrate leadership abilities and take the initiative to solve problems that improve the employee experience and enable the business to grow, which often leads to advancement opportunities.

Cultivate a Unique Value Proposition

Before she launched her women's leadership coaching practice, Kellie Thompson built a successful HR career working in a range of sales, marketing, training and management roles that included running the HR operations for a small technology firm. Thompson believes that her ability to manage change and her passion for training and development were instrumental in her success. Hicks recommends that HR professionals create an individual development plan (IDP) that builds on strengths and accomplishments to help them acquire the skills and experiences they need to make an impact on the organization.

During her 15-month HR rotational program at Kohler Company, Robyn Geurts consistently showcased what a former mentor called her "superpower," which he defined as her "ability to talk to anybody." Geurts credits her experience in the program at the Wisconsin manufacturer with helping her understand her true capabilities and position herself within the profession. During the more than nine years that she worked for the company, Geurts held nine different positions. Notably, every one of those jobs came to her through someone she had met or worked with at Kohler. And when she decided to move to Melbourne, Fla., for personal reasons, she found her current job as a senior people business partner through a former Kohler colleague.

Charting a Path to Leadership

It is not unusual for talented women to ascend to senior-level positions in HR. According to the U.S. Bureau of Labor Statistics, women held over 80% of HR management positions in 2021. Women who aspire to leadership roles need to think about what kind of leader they want to be—and how they can infuse their values into the hard decisions they will have to make about promotions, layoffs, benefits and compensation, Thompson said. "You're going to have to get really comfortable with making impossibly difficult decisions that represent your values and also align with what the business needs." Deciding whether to specialize is also critical. "When you start out in HR, you have to determine early on whether you want to become an expert in one area or a generalist who knows a little bit about everything," explained Susan Osgood, vice president of corporate HR at Sharp Electronics in Montvale, NJ.

Although many women choose the generalist route, Osgood found that her undergraduate education in business, aptitude for math and interest in IT made payroll and compensation a more natural starting point for her. From there, she was able to round out her HR experience by gaining experience in employee benefits, recruiting and employee



relations. In every position she has held during her 20-plus years at Sharp, Osgood added a new HR function to her skill set. That approach ultimately translated into a senior-level HR position in which she oversees all of those functions.

Understand Details of the Business

After majoring in public relations in college, Lilien was able to accelerate her learning curve as she built her HR career in the PR field. That decision accounts, in part, for her ability to land a director-level position at a global public relations firm only two years after launching her career as an HR associate. Even if you don't have the benefit of an undergraduate degree that directly applies to an HR career, you can still take the initiative to learn about the business from different perspectives, said Lilien, who recommends seeking out mentors within and outside of HR, as well as building relationships with peers in other departments, such as finance and operations.

Be a Problem-Solver

The people who really stand out to Lilien are those who can "lead with empathy" and walk the line between the needs of the business and the needs of employees. "We want HR people who can bring fresh ideas to the table," she said. Osgood believes that her ability to identify and solve problems in the business by improving the employee experience has been key to her advancement. While working in compensation at Sharp, she noticed that there was no corporate bonus structure to incentivize employees. Although senior leaders were initially resistant to the idea, she was eventually able to convince them to implement a companywide corporate bonus structure, which was an iterative process that took her four attempts.

Many HR professionals are uniquely positioned to identify and solve problems on the people side of the business that benefit the organization as a whole. The HR team at Sharp, for example, recently rolled out a new performance evaluation process that includes a developmental component. It's important for HR managers to tell employees why they are being promoted, she advised, since it helps them understand what they did to earn the promotion and what they need to do going forward to be successful in their new role.

When to Change Jobs

If you find that your HR career has plateaued and there's no room for growth or advancement with your current employer, this may signal it's time for a change. While leaving a job can open up new experiences and opportunities, it can also be scary. "Doubt and nerves are normal. If you wait until they go away, you'll wait forever. Confidence is a side effect of taking action," Thompson said.

As Hicks strategically climbed the corporate ladder from HR coordinator to vice president of HR, she found that she periodically needed to change jobs in order to keep advancing. For instance, while working as an assistant director of HR at a state government agency, she learned that the person she reported to wasn't planning to retire for another nine years. Since she didn't want to wait nine years to do a job that she believed she was already qualified for, she took a director-level position in a different department. Three years later, Hicks moved on to vice president of HR and Inclusion at the Nashville Symphony—and then again to start her own business.

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EMPLOYEE BENEFITS

Caregiving and Pet Insurance Top Goldman's List of Must-Have Benefits in 2023

With open enrollment season on the horizon for many employers, there's no better time to reflect on this year's benefits offerings and ask, is your company staying competitive or has it fallen behind?

Goldman Sachs Ayco, a wealth management firm for employers, released its 2023 Benefits and Compensation Trends in Corporate America Report, noting what benefits have emerged as must-haves in the last three years among their own clients. "Our team is responsible for working with 400-plus corporate partners that come to us for our financial counseling programs and benefits," says Kathy Barber, vice president and head of corporate benefits and compensations at Goldman Sachs Ayco. "We work with companies to understand all of their plans and features and make sure that employees are maximizing the benefits offered by their companies."

While Barber admits that her team already saw certain benefit trends at play just from talking to their clients, even more was revealed when surveying 400 companies and seeing the full story in numbers. Here are five benefit trends employers should take note of before the year is up.

1. Employers are trying to cover healthcare costs

According to Goldman Sachs Ayco, nearly 40% of their clients absorbed increases in health plan premiums, while 55% increased premiums and just under 5% lowered premiums. Given that global advisory Willis Towers Watson predicted rates to increase by 6.4% in 2023, it's not surprising that a majority of employers either didn't choose or couldn't financially take the full loss. Still, Barber points out that almost half of companies did try. In fact, 10% of their clients switched to different carriers in hopes of finding better rates. "With the inflation components coming into last year, many employers went out of their way to recognize that it was a tough year for employees," says Barber. "So they looked for ways to minimize additional [costs]."

2. Mental health support is a table-stakes benefit

Goldman also found that 95% of their clients offer mental health benefits in the form of employee assistance programs, and most recently, apps and

telehealth options. Before the pandemic, Barber notes that many companies already had EAPs but the last three years have pushed companies to better advertise and bolster the offering. But many companies know they have to go further, says Barber. "We see companies now adding additional services beyond EAPs that offer more on-demand services," she says. "Rather than waiting for an appointment, you can have more immediate assistance through an app."

3. Caregiving benefits are here to stay

The inclusion of caregiving benefits, whether it's child care or elder care assistance, has increased by 177% in the last three years, according to Goldman. Over half of their clients either help their employees find reliable caregivers or subsidize the cost of care. "The pandemic shone a light on an issue that existed long before it," says Barber. "Now companies are looking for ways to alleviate stress and anxiety and still allow employees to maintain their work schedules."

4. Pet insurance is in demand

Similar to caregiving benefits, the presence of pet insurance benefits has surged by 120% in the last three years. During job interviews, Barber noticed that she gets more questions about whether they provide pet insurance than any questions regarding employee medical insurance. "It speaks volumes to what people value in today's world," she says. "Employees expect to receive certain benefits, but pet insurance is a value add. Many people have pets and the prevalence of pets grew over the pandemic, so a discounted rate on pet insurance is a huge cost-savings opportunity for employees."

5. Lifestyle spending accounts may be the next big thing

While less than 5% of respondents include a lifestyle spending account, or LSA, Barber is confident the prevalence of this benefit will only grow from here. LSAs are accounts exclusively funded by employers for a variety of employee personal needs. For example, one of Goldman's clients offers \$800 for employees to use on over 50 different expenses, including gym memberships, student loan repayments and caregiving help. "Companies are trying to provide a suite of voluntary benefits that meet the needs of a very diverse workforce," says Barber. "But it's challenging and costly to manage all those vendors. LSAs can shift those costs and provide a direct contribution to employees."



WORKERS' COMP

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Payroll & Delivery Schedule*

KeyHR office will be closed Monday Sept. 4th in observance of the Labor Day Holiday.

Labor Day is right around the corner, and it is time to prepare for the adjusted holiday schedule for processing and delivering of your payroll

All paychecks normally dated on Monday, September 4th, 2023, will need to be changed to either Friday, September 1st or Tuesday, September 5th, 2023. There will be NO Monday deliveries.

Please communicate with your payroll specialist if you are needing any payroll changes.