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How to lead your team effectively

The number of men age 65 or older who were in the workforce increased by 95% between 1980 and 2010, while the number of working women 65 or older more than doubled during the same time period, according to the U.S. Census Bureau.

As a growing number of older workers postpone retirement or return to work, more companies are discovering that their employee rosters include individuals from roughly four generations. This shift in the workplace can present both benefits *and* challenges.

Mixing it up

The range of experiences offered by workers from different generations can enhance decision-making and increase productivity. Employees of different ages often bring different work ethics and communication styles, as well as varying approaches to work-life balance. As a result, older workers may view their younger counterparts as self-absorbed and less dedicated, while younger workers may see their older colleagues as rigid and less communicative.

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To manage such diverse groups, you need to understand what makes them tick. Each generation tends to be defined by the events and



culture that prevailed as they grew up. The four generations currently in the workforce are commonly described as follows, though of course these are broad generalizations:

1. Traditionalists. Workers born between 1922 and 1943 are typically included in this category. They tend to be comfortable with conformity and are accustomed to defined lines of authority. Traditionalists like to be recognized for their past contributions and knowledge of the organization or the industry in which it operates. Many are concerned about being seen as not pulling their weight because of a lack of familiarity with technology.

Notable traditionalist: Jack Welch, former CEO of General Electric

2. Baby boomers. These workers, born roughly from 1944 through 1964, generally value group decision-making and dislike rigid management styles. Many are high achievers and willing to work long hours, although they can be self-absorbed. Because they've been the dominant generation in terms of numbers, they're used to shaping the workplace.

Notable boomer: Oprah Winfrey, chair, the Oprah Winfrey Network

3. Generation X. Having lived through their parents' struggles with downsizing and layoffs, these employees, born between 1965 and 1980, tend to believe that loyalty to a company may not pay off in terms of their own job security. They're often independent and interested in maintaining a good work/life balance. In addition, they may take risks and move on to new jobs frequently.

Notable Gen-Xer: Larry Page, founder and CEO, Google

4. Generation Y or millennials. These are the youngest generation in the workforce, generally born from 1981 through 1995. They've grown up with technology and tend to be well educated and bring a global mindset to work. They also can be skeptical of authority and less willing to follow corporate protocol.

Notable millennial: Mark Zuckerberg, founder and CEO, Facebook

Management guidelines

How can you effectively manage both employees who may have grown up without a television and those who never knew life without a home computer? Here are some guidelines that may help:

Get to know your employees. Each employee brings a unique set of experiences and personality to the workforce that may differ from what you'd expect of someone from his or her generation.

Set ground rules. Tell all employees the degree of flexibility in work schedules and attire that will be accepted. To the extent possible, allow them to choose how they'll work within these parameters.

Communicate using a variety of media. Make sure workers understand the company's goals and their roles in meeting them. How you communicate this information can range from face-to-face meetings to e-mail to a corporate intranet.

Recognize that every employee is a student and a teacher. Workers of any age should continue to learn. At the same time, make sure they teach others their own skills. Provide mentoring opportunities based on expertise, rather than age.

Acknowledge expertise, initiative and ideas. Don't assume that good ideas will come only from those with the greatest amount of experience or the highest level of education.

Avoid making assumptions about technology skills. You may find that a boomer employee is more skilled in developing a blog or using Twitter than his or her 20-something counterparts.

Assemble teams based on skills and ability. Focusing too heavily on age may lead to a weaker team.

Leading with knowledge

Developing the ability to manage employees of varying ages likely will remain an important skill for your management team, because it appears that the multigenerational workforce is here to stay.

Fortunately, this shift can benefit the companies that know how to lead workers from different generations. By managing them effectively, your business can gain a wealth of insight and expertise, which can lead to better decisions. ♦



Be wise when donating to charity

The United States has more than 1.5 million nonprofit organizations, according to the National Center for Charitable Statistics. That means you have ample opportunities to donate to causes you care about — and to reap sizable tax deductions. The key is to make your donations wisely. Otherwise, your deductions may not be as large as they could be. Or, worse, you might not be eligible for *any* deduction.

Qualified organizations

To claim a deduction for your contributions, you must donate to an organization that the IRS considers “qualified.” Be aware that an organization can lose its qualified status.

Last year, approximately 275,000 nonprofits lost their tax-exempt status because they failed to file annual reports with the IRS for three consecutive years. These organizations



can apply for reinstatement, but if they don't do so on a timely basis you won't be able to deduct your contribution to them. To see if a charity is qualified, go to [irs.gov](https://www.irs.gov) and click on “Charities & Non-Profits / Contributors / Search for Charities” to access Publication 78.

While you can contribute as much as you'd like to charity, the IRS limits the amount you can deduct in a given year.

Form of donation

The form of donation — cash, security, real estate or personal property — you choose can affect your deduction. For example, if you donate an appreciated security you've held for more than one year, it's considered long-term capital gains property and you can deduct its fair market value, rather than your “basis” in the security (generally what you paid for it).

However, the calculation varies for some types of assets. For instance, if you donate a car and the organization sells it and uses the proceeds, your deduction is generally limited to the sale amount.

Before making a donation, work with your tax advisor to determine what your deduction would be. Then consider donating the assets that will provide the greatest tax benefit. (See “Save more by donating stock rather than cash” on page 5.)

Limitations

While you can contribute as much as you'd like to charity, the IRS limits the amount you can deduct in a given year. Deductions for donations of cash and unappreciated property are limited to 50% of your adjusted gross income (AGI) if made to public charities or operating private foundations (30% if made to

Save more by donating stock rather than cash

Maria told her financial advisor she wanted to donate \$50,000 to her favorite charity to reduce her income taxes this year. Her advisor suggested she could save more by donating long-term, highly appreciated stock.

Maria held \$50,000 of such stock and had been thinking of selling it to diversify her portfolio. If she sold the stock, she would have to recognize \$25,000 in gain. By donating the stock, she could not only enjoy \$17,500 in tax savings from the charitable income tax deduction (assuming she's in the 35% tax bracket), but also avoid \$3,750 in capital gains tax. And with the cash she didn't need to use for the donation, she could buy new stock to diversify her portfolio.

nonoperating private foundations). Deductions for donations of long-term capital gains property, however, are limited to only 30% of your AGI (20% if made to nonoperating private foundations).

Although excess contributions can be carried forward for up to five years, keep these AGI limits in mind *before* making a donation. If you don't, you could find that a donation you made because you wanted to save taxes this year won't provide a tax benefit until next year.

Documentation

You must maintain records that confirm contributions for which you're taking a deduction. The records required vary with the type and amount of the donation:

Cash. This includes contributions made by check, funds transfer, or debit or credit card. If the amount is \$250 or less, you'll need either a canceled check or credit card statement showing the donation date and amount and the organization's name, or a receipt from the organization that shows the donation date and amount. Cash donations of more than \$250 require an acknowledgment from the organization that also describes any goods or services you received from the charity in exchange.

Assets other than cash. If your donation is for \$250 or less, you'll need a receipt with the organization's name,

the contribution date and location, plus a description of the item donated. Keep your own records that show, among other information, the fair market value of the donation and the calculations used to determine it.

If you contribute noncash assets that are worth more than \$250 but less than \$500, you'll need the information noted above, plus a donation acknowledgment from the organization that includes a good-faith estimate of its value. The recordkeeping

requirements continue to grow as the value of contributions increases.

In most cases, you don't have to submit the documentation with your tax return. But, if you're audited and you don't have proper documentation, you could be denied the deduction and subject to back taxes, interest and penalties. Typically, it's sufficient to keep charitable deduction documentation for three years after you file the tax return on which the deduction is claimed.

Achieve your goals

Thinking through potential donations' tax ramifications may enable you to both support the causes that matter most to you and maximize your tax benefit. Because the rules are complex, working with a tax professional can help you achieve your goals. ♦



Ready to retire?

An ESOP can help pave the way

Most business owners have a lot of wealth tied up in their companies. If you're in the same boat, how can you convert some of that wealth into cash to help pay for your retirement? Many C corporation owners have found that an Employee Stock Ownership Plan (ESOP) — a qualified retirement plan, similar to a profit sharing or 401(k) plan — can help pave the way to a comfortable future.

The nuts and bolts

The main difference between an ESOP and other types of retirement plans is that, instead of investing in a variety of stocks, bonds and mutual funds, an ESOP invests primarily in the employer's own stock. So, how does it work?

The employer makes tax-deductible contributions to the ESOP, which the plan uses to acquire stock from the company or its owners. Essentially, by establishing an ESOP, you're creating a buyer for your shares.

At the same time, you provide a powerful incentive for employees, who now have an opportunity to share in the company's growth on a tax-deferred basis. When employees retire or otherwise qualify for distributions from the plan, they can receive benefits in the form of stock or cash.

Like other qualified plans, ESOPs are strictly regulated. They must cover all full-time employees who meet certain age and service requirements, and they're subject to annual contribution limits (generally 25% of covered compensation), among other conditions.

ESOPs can work for S corporations, too

Employee Stock Ownership Plans (ESOPs) (see main article) can work for S corporations, too. But there are some significant differences in how the ESOP rules apply to S corporations. If you own an S corporation and an ESOP is of interest to you, contact your tax, legal and benefits advisors for more information.



ESOPs are also subject to rules that don't apply to other types of plans. For example, an ESOP must obtain an independent appraisal of the company's stock when the plan is established and at least annually thereafter. Also, participants who receive distributions in stock must be given the right to sell their shares back to the company for fair market value. This requirement creates a substantial repurchase liability that the company must prepare for.

The financial advantages

An ESOP provides several tax benefits. If the ESOP acquires at least 30% of your company, you can defer the gain on the sale of your shares indefinitely by reinvesting the proceeds in qualified replacement property within one year after the sale — an advantage over an outright sale. Qualified replacement property includes most securities issued by domestic operating companies.

ESOPs are unique among qualified retirement plans because they permit a company to finance the buyout with borrowed funds. A "leveraged" ESOP essentially permits your company to deduct the interest and the principal on loans used to make ESOP contributions — a tax benefit that can do wonders for cash

flow. Your company can also deduct certain dividends paid on ESOP shares. Interest and dividend payments don't count against contribution limits.

The right to keep control

Another advantage of ESOPs over sales or other exit strategies is that they allow you to cash out without giving up control over the business. Even if you transfer a controlling interest to an ESOP, most day-to-day decisions will be made by the ESOP's trustee, who can be a company officer.

However, ESOP participants may have the right to vote their shares on certain major decisions,

such as a merger, dissolution or sale of substantially all of your company's assets.

A good tool

An ESOP has many advantages if you wish to exit from your C corporation. It not only allows you to defer your gain indefinitely by reinvesting the proceeds in qualified replacement property, but it also allows your company to deduct the interest and the principal on loans used to make ESOP contributions. If you're thinking about retirement, an ESOP might just be the vehicle to get you there. But be sure to work closely with your tax, legal and benefits advisors, because ESOPs are extremely technical. ♦

EDUCATION EXPENSES

Earning credit where credit is due

If you're paying for postsecondary education expenses, tax credits can provide valuable savings. Unlike *deductions*, which reduce the amount of your income that's taxed, *credits* reduce your tax bill dollar for dollar.

But modified adjusted gross income (MAGI)-based limits apply. Partial credits are available to taxpayers whose MAGIs are within the applicable phaseout range, and the credits are eliminated for those whose MAGIs exceed the top of the range.

If your MAGI is too high, your child might qualify (assuming the expenses are for his or her education). You'll lose your dependency exemption for the child, but the tax savings from the credit will likely be greater than the savings you'd enjoy from the exemption.


So, regardless of your income, it's good to be aware of the education credits:

American Opportunity credit. Available only for the first four years of postsecondary education, the credit is 100% of the first \$2,000 of qualified expenses plus 25% of the next \$2,000 of qualified expenses for the year. The maximum annual credit allowed *per student* is \$2,500. The MAGI phaseout ranges are the same for 2011 and 2012: \$160,000–\$180,000 for married couples filing jointly and \$80,000–\$90,000 for other filers.

Lifetime Learning credit. Available beyond the first four years of postsecondary education, the credit is 20% of the first \$10,000 of qualified expenses for the year, for a maximum credit of \$2,000 *per tax return*. The MAGI phaseout range limits increase for 2012: \$104,000–\$124,000 for joint filers and \$52,000–\$62,000 for other filers — up \$2,000 and \$1,000, respectively.

Additional rules and limits apply, so consult your tax advisor to determine if you or your child is eligible.





WHAT'S YOUR LEGACY?

THE RIGHT IDEAS

THE RIGHT RESULTS

ACHIEVED WITH THE RIGHT FIRM.

TAKE ADVANTAGE OF UNPRECEDENTED WEALTH TRANSFER OPPORTUNITIES

Now is the time to build flexibility into your plan before the law changes--again.

2011-2012 Estate & Gift planning opportunities:

- Unprecedented \$5 million gift exemption with limited shelf life!
- Valuation discounts for certain gifts are under government attack! Act while they are available.
- Congress likely to impose minimum 10 year term Grantor Retained Annuity Trusts (GRAT). Establish yours before the law changes.
- With interest rates at historical lows, certain wealth transfer techniques could have short life spans.
- Is portability here to stay? Maybe not! How should you deal with that?

Zinner estate & gift services to complement these opportunities:

- Estate, Gift & Trust Tax Return Preparation
- Estate & Gift Planning
- Business Succession Planning (including ESOP considerations)
- Charitable Planning
- Trust/Estate Administration
- Post-Mortem Planning
- Retirement Planning
- Life Insurance Planning



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Our services go far beyond tax return preparation. We can help you develop and monitor wealth transfer plans that incorporate your values and achieve your goals. We can help you define your legacy with tax efficiency.

Zinner & Co. professionals are thoroughly prepared to guide clients through the confusing maze of estate and gift tax issues.

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SUCCESS
IS OUR
BUSINESS