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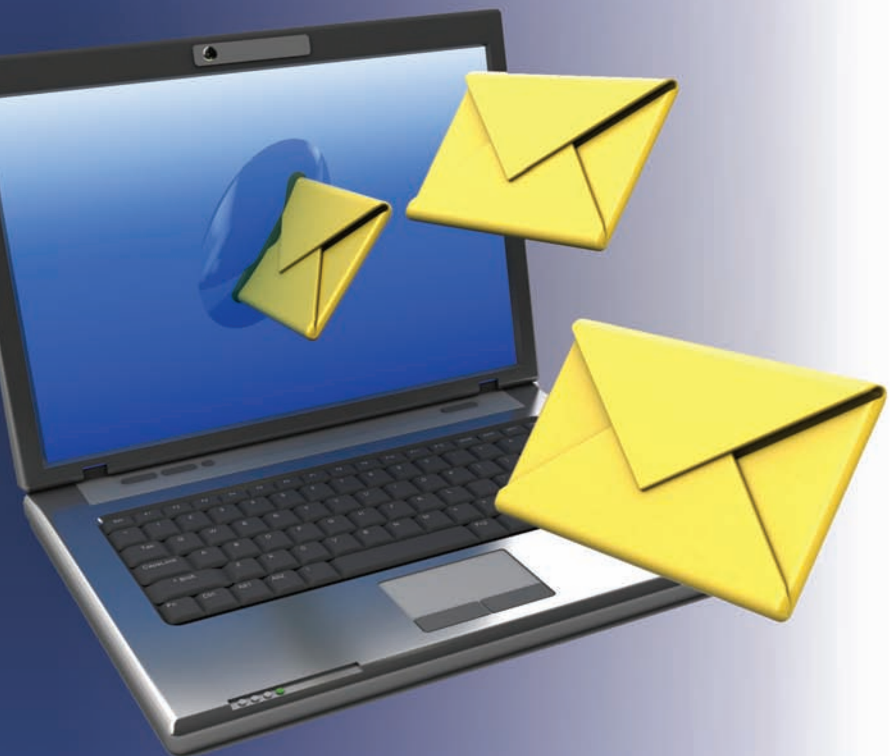

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Accounting standards for private companies move forward

How should Social Security fit into your retirement planning?

Disaster can strike without warning
How to prepare your business for the worst

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Digital mail offers convenience, less clutter

Organizing household bills and financial statements can quickly become unwieldy. Plus, hanging on to all that paper eats up valuable storage space. The environmental impact of producing and mailing billions of bills and statements to consumers can also add up quickly.

So what's the solution? It might be digital mail.

The facts

It's true: Converting paper bills and statements to electronic documents can help reduce the strain on the environment. According to PayItGreen.org (a partnership between financial institutions and businesses that provides education on environmental impact of electronic statements), if just 20% of Americans switched to electronic bills and statements, paper consumption could drop by some 147 million pounds, while gas consumption could decline by nearly 15 million gallons.

To date, however, there hasn't been an easy way for consumers to make the switch to electronic bills and statements. Current systems often require users to visit multiple websites to review and pay their bills — which means keeping track of multiple log-in names and user passwords.

What's more, you may want the ability to print your bills and statements if needed. Not all electronic billing systems offer such capabilities. And some consumers are leery of giving up the ability to store copies of their financial records, either in paper or on their own computers.

Given the shortcomings of current systems, it's not surprising that a 2011 study by NACHA (National Automated Clearing House Association) found that just 25% of consumer bills are sent electronically. This number may soon rise, however.

The solution

A handful of companies (see "Digital mail providers" on page 3) are set to offer a new type of electronic billing and payment solution that's being referred to as "digital mail." It allows you to electronically receive, organize, act on and store your bills and statements. What's more, the electronic statements have the same look of the paper ones you currently receive via the U.S. Postal Service, but you can access them from computers and mobile devices.

Because digital mail also offers a way to store and access records, you can review older bills to, for instance, check the amount you spent on medical expenses during the year before you meet with your tax advisor.

And, although no computer application can claim to be fail-safe, these systems have instituted bank-grade security and encryption systems to protect the data being transmitted and stored.

How it works

While all digital mail solutions offer the same general capabilities, you'll find a few differences in how they operate. With some, incoming bills and statements are transmitted to a secure electronic mailbox that you access via a protected log-in. With others, the system "scrapes" your billing data from companies you're connected to electronically and then presents this information to you in one place. Some systems even notify you of any new bills or other documents via e-mail or text.

Most solutions allow you to create backups of your digital mail on your own computer. Providers vary in the length of time that they'll electronically store your documents. So make sure you're comfortable with the provider's storage policy before signing up.

At least for now, these services are generally free to consumers. Companies offering them make money by charging the vendors — such as utilities and credit card issuers — that send the bills. Typically, this charge is just a fraction of the cost of mailing paper statements, which is why it makes sense for these companies to pay for the privilege of sending the documents electronically.

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The flip side

While digital mail solutions promise to make consumers' lives easier, they have a few quirks you need to keep in mind. For starters, in order to receive a particular bill via a digital mail provider, the company sending it must be able to transmit it electronically. Smaller businesses may not have this capability yet.

Digital mail providers

If you're interested in pursuing digital mail (see main article), make sure you thoroughly research the services offered by the various providers. Here are some you may want to check out:

- doxo: doxo.com
- Manilla: manilla.com
- Volly: volly.com
- Digital Postal Mail: zumbox.com

In addition, while digital mail providers are unlikely to shower you with electronic spam, some sites may allow companies to send you unwanted marketing materials.

With some providers, once you sign up with them, you'll stop receiving paper bills altogether. Other providers strongly encourage the shift to electronic bills, but they'll still allow you to receive paper bills — at least for a period of time.

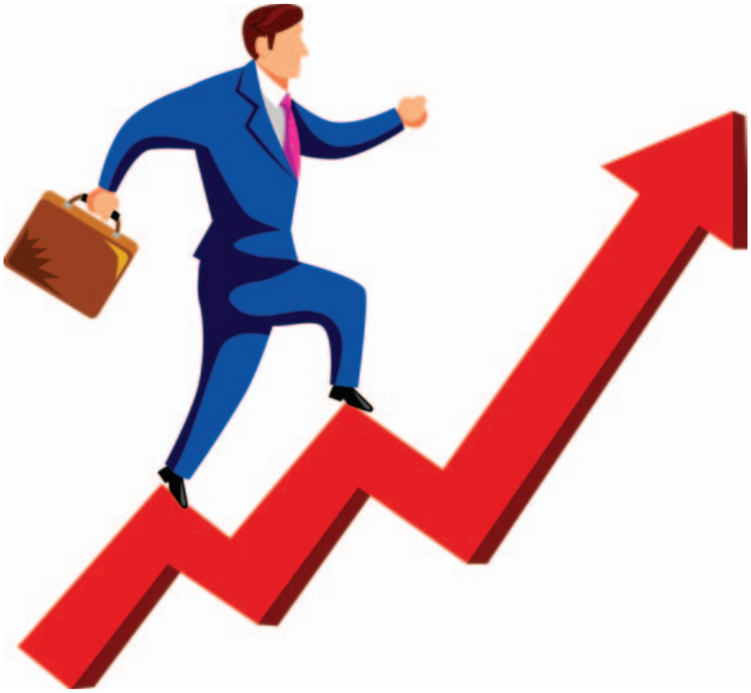
The bottom line

While the above points are important to keep in mind, the digital mail solutions that are now entering the market promise convenience and the ability to save time. As a result, their use is expected to grow. A 2011 study by research firm InfoTrends estimates that digital mailbox services will deliver 2 billion documents to U.S. consumers by 2015, for a compound annual growth rate of more than 700%. ◈

Accounting standards for private companies move forward

In theory, U.S. Generally Accepted Accounting Principles (GAAP) should apply to businesses of all sizes. After all, a debit is a debit, and a credit a credit, no matter the size of the business. But, as many owners of privately held companies know, GAAP often doesn't make sense for their situations.

Several recent developments may provide a solution. These initiatives offer a structure for providing the information needed by most users of private companies' financial reports without requiring the level of detail mandated of public companies.



The problem with GAAP

The information that must be assembled and disclosed under GAAP tends to provide much more detail than is needed by those who review the financial statements of private companies. For example, information relating to uncertain tax positions, fair value measurements and goodwill impairment often isn't relevant to the users of private companies' financial statements.

If FASB endorses the PCC-proposed changes, they'll be incorporated into GAAP.

The problem is that complying with these types of disclosure requirements can make preparing GAAP financial statements an arduous and expensive undertaking. And, because their statement users typically don't find the extra details useful, following GAAP can feel like an exercise in futility for private companies.

Despite GAAP's shortcomings, private companies that must provide financial statements to their lenders or investors can benefit from a recognized, reliable set of accounting standards. After all, using such a framework can lend credibility to the information presented.

New initiative

In May the Financial Accounting Foundation — the parent organization of the Financial Accounting Standards Board (FASB), the entity that oversees GAAP — announced the formation of the Private Company Council (PCC). The PCC will determine whether exceptions or modifications to GAAP are necessary to meet the needs of private companies that — perhaps because of a requirement by a lender or regulatory agency — have to report their financial results in GAAP.

Any PCC-proposed changes that are endorsed by a simple majority of FASB members will be available for public comment, redeliberated by the PCC and forwarded to FASB. If FASB endorses the changes, they'll be incorporated into GAAP. If not, the FASB chair will provide a written explanation of the decision not to endorse and may suggest changes that could lead to FASB endorsement.

The PCC also will advise FASB on the appropriate treatment for private companies when it comes to items that are under active consideration on FASB's technical agenda.

AICPA alternative

FASB isn't the only organization addressing the financial reporting needs of private companies. Also in May, the American Institute of Certified Public Accountants (AICPA) announced it was developing a financial reporting framework called "other comprehensive basis of accounting," or OCBOA. OCBOA statements would be less complex and expensive to prepare than those prepared under GAAP.

This framework will be geared to small to midsize companies that are privately held and in which the users of the financial reports (such as lenders or investors) have direct access to the company's owners and managers and may base a financing decision on a range of factors, such as the availability of collateral. At the same time, information provided under OCBOA should help the executive team as it manages the business.

The OCBOA framework, which may be used by companies on a voluntary basis, is being developed by AICPA members with experience working with private companies. The organization expects to issue the OCBOA framework in the first half of 2013.

The key to success

Providing timely, accurate and relevant financial information to management, lenders and investors is one key to the success of any business. These newer options can help private companies prepare quality financial statements using recognized accounting standards that are tailored to their needs. Your CPA is ready to help advise you on developments in these financial reporting standards. ◈

Global standards

Executives of private companies should be aware of International Financial Reporting Standards (IFRS) for small and midsize enterprises. These standards are less complex than the IFRS used by larger companies. IFRS, which has been adopted in roughly 80 countries but not yet by the United States, may be particularly relevant to businesses that operate in multiple countries or that have obtained financing from investors in different parts of the world.

Currently the Financial Accounting Standards Board, which oversees U.S. Generally Accepted Accounting Principles, and the International Accounting Standards Board, which oversees IFRS, have been working toward "convergence" of GAAP and IFRS. In addition, the Securities and Exchange Commission (SEC) is in the process of determining whether or to what extent IFRS will become authoritative for U.S. public companies.

How should Social Security fit into your retirement planning?

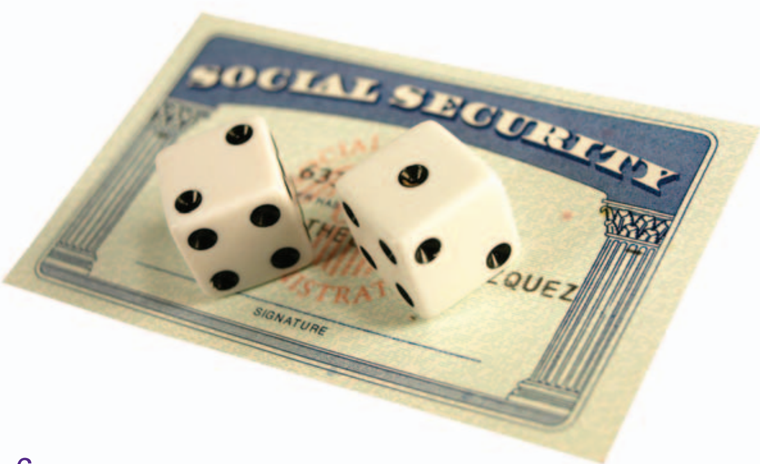
For years now, taxpayers, economists and lawmakers have been wondering whether Social Security will be around for the long haul. While no one should expect Social Security to be the cornerstone of their retirement income, it's important to consider how it should fit into your overall retirement plan.

On shaky ground

Why is the future of Social Security uncertain? Well, unlike your contributions to a 401(k) plan or IRA, the money taken from your paycheck via payroll taxes (for 2012, 4.2% of your wage earnings; 10.4% if you're self-employed) doesn't go directly into a Social Security account with your name on it.

Rather, Social Security funds are sent straight into the federal Treasury, where they're used to pay for the government's current financial obligations — including the retirement benefits awaiting today's retirees. In turn, tomorrow's benefits will be paid in part by payroll taxes on the next generation of workers, whose benefits will be paid in part by the subsequent generation. And so on.

This approach can work well, provided that enough people are paying into the system compared to the number of people collecting benefits. In previous decades, there were usually many workers supporting each recipient of benefits.



But that ratio has been dropping precipitously in recent years. And no recovery is in sight as more and more baby boomers hit retirement age and start to collect benefits and life expectancies continue to increase. Unless action is taken, the current annual surpluses could conceivably turn into deficits in this decade or the next, thus putting the system on shaky ground.

What the future holds

Social Security *probably* won't go away entirely. Legislators will likely implement a combination of higher payroll taxes and reduced benefits. For example, benefits might be reduced by raising the "full" retirement age to reflect today's longer life expectancies. (The current full retirement age is between 65 and 67, depending on the individual's year of birth.) Another widely discussed possibility is a more fundamental re-envisioning of the program — perhaps to include private investment accounts for younger workers.

Age is a big factor when determining your strategy for building up and preserving your retirement savings.

Whatever the case may be, your retirement plan shouldn't *depend* on Social Security, but it should *factor in* your projected benefits. If your expected retirement date is soon, you can probably count on Social Security being there for you in its existing form. If you're relatively young, however, it's more likely that the program could undergo significant changes before you reach retirement age.

Building and preserving your next egg

Whether retirement is decades away or right around the corner, you must determine how large a Social Security presence you're comfortable factoring into your retirement strategy. Then you need to accumulate enough assets to provide yourself a comfortable retirement income when combined with the monthly government checks you expect.

Age is also a big factor when determining your strategy for building up and preserving your retirement savings — whether in tax-advantaged retirement accounts, such as IRAs and 401(k) plans, or in taxable savings and brokerage accounts. Younger investors can generally afford to own the vast majority of their retirement nest egg in higher-volatility assets, such as stocks, given their longer time horizon and ability to wait out market downturns.

But even investors in or approaching retirement should consider holding some stocks to keep pace with the rising cost of living over time. And no matter what your age, you'll benefit from owning a diversified portfolio of various asset types. Each can be expected to move up and down at different times and help protect you against market fluctuations. Your financial advisor can help you determine the appropriate asset mix for your individual situation.

Take time to address the issue

The Social Security program is still alive and kicking, but it's critical that you also understand its limitations. So make sure you do all you can to pump up your personal retirement savings. ◈

DISASTER CAN STRIKE WITHOUT WARNING

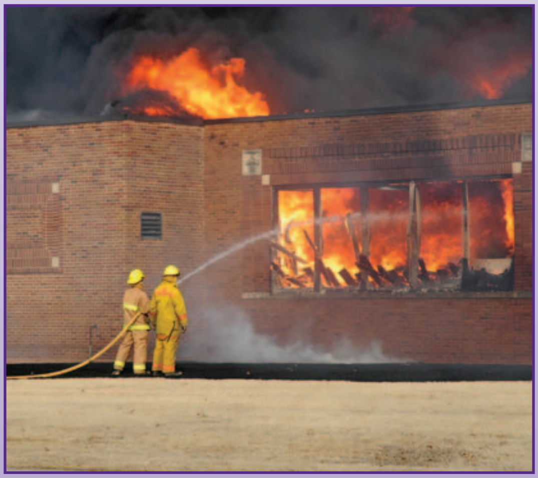
How to prepare your business for the worst

North America has seen its fair share of natural and man-made disasters over the last decade. An effective business continuity plan helps ensure that a company can restore mission-critical functions following all types of calamities, such as natural disasters and power failures.

Amazingly, though, many companies don't have such a plan. If your business is among them, it's time to implement one. Lacking an adequate strategy for coping with disaster not only can hurt your company's ability to compete — it can end your company's existence.

To prepare your business for the worst, conduct an operational assessment to determine which departments, processes and personnel are essential to your staying up and running. For example, you likely maintain substantial systems for e-mail, telecommunications and data storage. To ensure your company stays open following an emergency, establish an off-site facility where these processes can continue to occur. The facility should house hardware and software vital to overcoming various disaster scenarios, as well as essential documents for all the company's business processes.

Your plan will succeed only if you mitigate as many issues and risks as possible. Implement an issues-tracking system and immediately discuss issues as they come up. Doing so will allow team members to solve problems faster. Also, conduct periodic risk reviews. These are brainstorming sessions where team members try to anticipate and prevent potential dangers.



Most important, keep it simple. Although you need to plan for as many situations as you can, if your business continuity plan is too complex it will likely be ignored the minute people start panicking. Craft a plan that's easy to follow in times of crisis — and easy to update anytime else.