focus

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All in the family

The ins and outs of the FMLA

Many employers have a general understanding of the Family and Medical Leave Act of 1993, but the particulars can be a bit fuzzy. Because missteps in FMLA compliance can lead to conflicts with employees and even costly lawsuits, it's important to be familiar with the requirements. Here's a primer on several significant provisions.

FMLA basics

The FMLA requires covered employers to allow eligible employees to take up to 12 workweeks of unpaid leave (or paid leave if the employer's policy allows for it) during any 12 months for certain family- or health-related reasons, such as the employee's own serious health condition or to care for a family member with a serious health condition or a newborn or newly adopted child.

When an employee returns from leave, you generally must allow him or her to return to the same or an equivalent position.

The rules differ slightly when an employee is caring for an injured or ill family member who's in the military. One of the differences is that the employee's leave may be allowed to extend to 26 weeks in a 12-month period.

Your company generally will be considered a covered employer if it's had 50 or more employees for each working day in each of 20 or more weeks in the current or preceding calendar year.

To be eligible for FMLA leave, employees must meet several requirements. Among them: The employee must have worked for your company for at least 12 months. The months don't have to be consecutive; even seasonal work can count toward that 12-month minimum. However, the employee must have worked at least 1,250 hours in the last 12 months.

Definition of a "parent"

While it's often assumed that an individual using the FMLA to take a leave of absence is the actual parent or legal guardian of a child, that's not always a requirement. An employee can take leave if he or she has an "in loco parentis" relationship with the child. That is, the employee has the daily care and financial responsibilities of a parent, yet has no legal or biological connection to the child.

An employee also can use the FMLA for leave to care for a parent who's injured or ill. Again, the word "parent" can be defined rather broadly, including biological, step, foster and adoptive parents, as well as individuals who acted as "in loco parentis" to the employee.

Other requirements

Employees can take their leave in a single block of time, or, in certain circumstances, in multiple smaller blocks. An employee using multiple blocks, however, must try to schedule them in a manner that minimizes disruption to the employer.

If the leave is foreseeable (not an emergency), advance notice is required. You can require documentation about the health condition that's prompting the advance FMLA request in order to determine whether the leave is covered under the FMLA. However, the employee doesn't have to disclose the diagnosis.

While an employee is on leave, you must allow his or her health benefits (if you provide them) to be maintained. But you can require the employee to cover more or all of these costs while on leave.

When an employee returns from leave, you generally must allow him or her to return to the same or an equivalent position, earning pay and benefits equivalent to what he or she earned before taking leave. This doesn't automatically hold true for what the Department of Labor terms "key" employees, however.

Be in the know

Make sure your HR department has a solid understanding of the FMLA. Doing so will help ensure you remain in compliance and minimize the likelihood of costly lawsuits.

More information on the FMLA can be found on the Department of Labor's website at dol.gov. (Click on the topic "Leave Benefits" and subtopic "Family & Medical Leave.") ◈

Dollars and sense: Helping kids learn to manage money

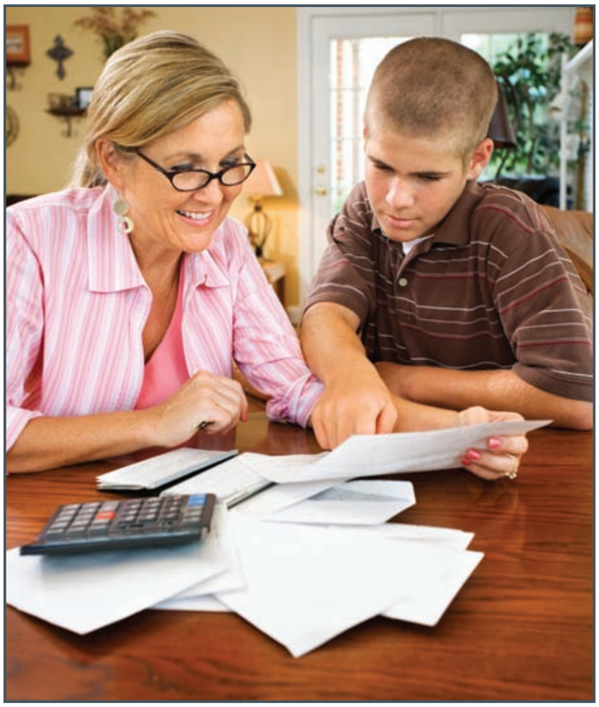
Money can be a sensitive family topic. A recent survey by the American Institute of CPAs found that while more than three in five parents provide an allowance — usually, starting when their children are about 8, and at an average of $65 per month — they're uncomfortable talking to them about finances. In fact, mom and pop are more likely to talk about the importance of courtesy, healthy eating habits and good grades than they are about managing money.

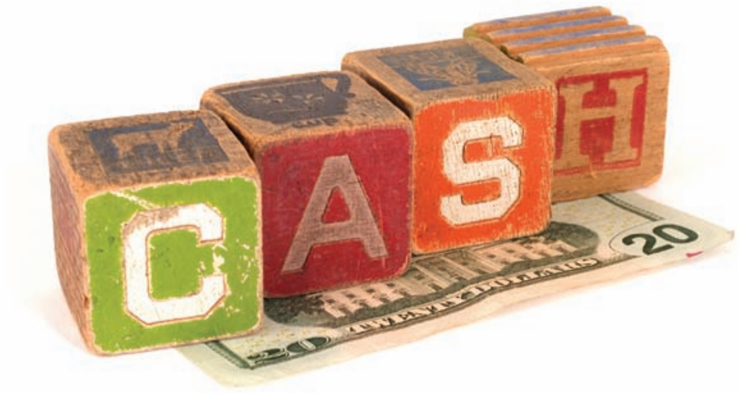
Fortunately, parents can take a number of steps to help their kids learn sound money management.

When should you start?

Although it might seem like jumping the gun, even 3- and 4-year-olds can begin grasping concepts such as needs and wants, as well as the idea that most people can't buy everything they want. So it's important to start explaining to these tots about the relationship between work and money.

An example: A trip to the grocery store can be a great learning experience. Show your kids how different products cost different amounts, and explain when you feel it's worth spending more and when a lower-cost version will suffice.





What about grade-schoolers?

Grade school often is the time when parents introduce allowances as a way to help their children live within a budget. Before handing over the cash, however, talk with your child about the purchases you expect the allowance to cover, such as video games. Otherwise, you may get ongoing "requests" to handle expenses your offspring believes shouldn't come from his or her allowance.

Also introduce "values" to the discussion. Younger children are quite capable of grasping the concept of using their money and other resources to help those who don't have as much, and to save for longer-term goals.

Moreover, it's important to think through the relationship between your child's allowance and the chores he or she is expected to handle. Some parents view an allowance as strictly a money management tool, and that, as members of the family, the kids should have chores that they're expected to handle *without* compensation. Of course, this isn't to say that a child can't receive extra payment for handling certain chores that go above and beyond day-to-day tasks.

And middle-schoolers?

As your child gains experience handling small amounts of money, ask for their input on their larger financial decisions. Before heading out to buy new school clothes, for example, discuss what items your child needs the most, and whether it makes sense to buy several, less expensive items, or one pricier product.

Given how tuned-in many "tweens" are, discuss with them how advertisements are designed to prompt consumers' desire for a specific brand or product. As an example, point out that a popular brand of shoes costs significantly more than a store brand, and ask your child if the difference in cost is worth it.

Middle-school years are also a perfect time to open a bank account in your child's name. Use this opportunity to explain how to record deposits and withdrawals, and provide a simple calculation to demonstrate the compounding effect of interest.

What to expect from teenagers

High schoolers can be expected to take on even greater responsibility for their own expenses, including clothes, entertainment, cell phone use and transportation costs, to name a few.

If you believe your child is ready to handle a credit card, a safe way to start is with a secured credit card.

When practical, bring your teenager into the discussion when you're researching major purchases, such as a new appliance. He or she can read product reviews and descriptions, and compare prices of different models. Of course, make it clear at the outset that you'll have the final decision.

If you believe your child is ready to handle a credit card, a safe way to start is with a secured credit card. As its name suggests, this line of credit is secured by cash deposited in the account. Once a teen has proven to be capable of handling the line of credit, consider allowing him or her to open a regular credit card. Of course, make sure you review the rules of responsible credit card use and the speed with which interest expense can add up.

Is it time for a chat with your kids?

Instilling sound money management skills in your children requires discipline, common sense and consistency. The payoff? Kids who can intelligently manage their finances are less likely to expect help from their parents. And that's a good thing. ◈

How to ensure compensation is fair

Add uniformity to your family business's pay scale

Family business owners face some difficult decisions when it comes to setting a pay scale that's fair to all employees — including *non*family members. Guidelines can help you ensure your compensation package meets every employee's needs.

Understanding the battleground

Compensation issues in a family business are tricky because they can arise both within the family and between family and nonfamily employees. Salary inequities among siblings, for example, can breed resentment and fighting. But simply paying them all the same salary can also create problems if one sibling contributes more than the others.

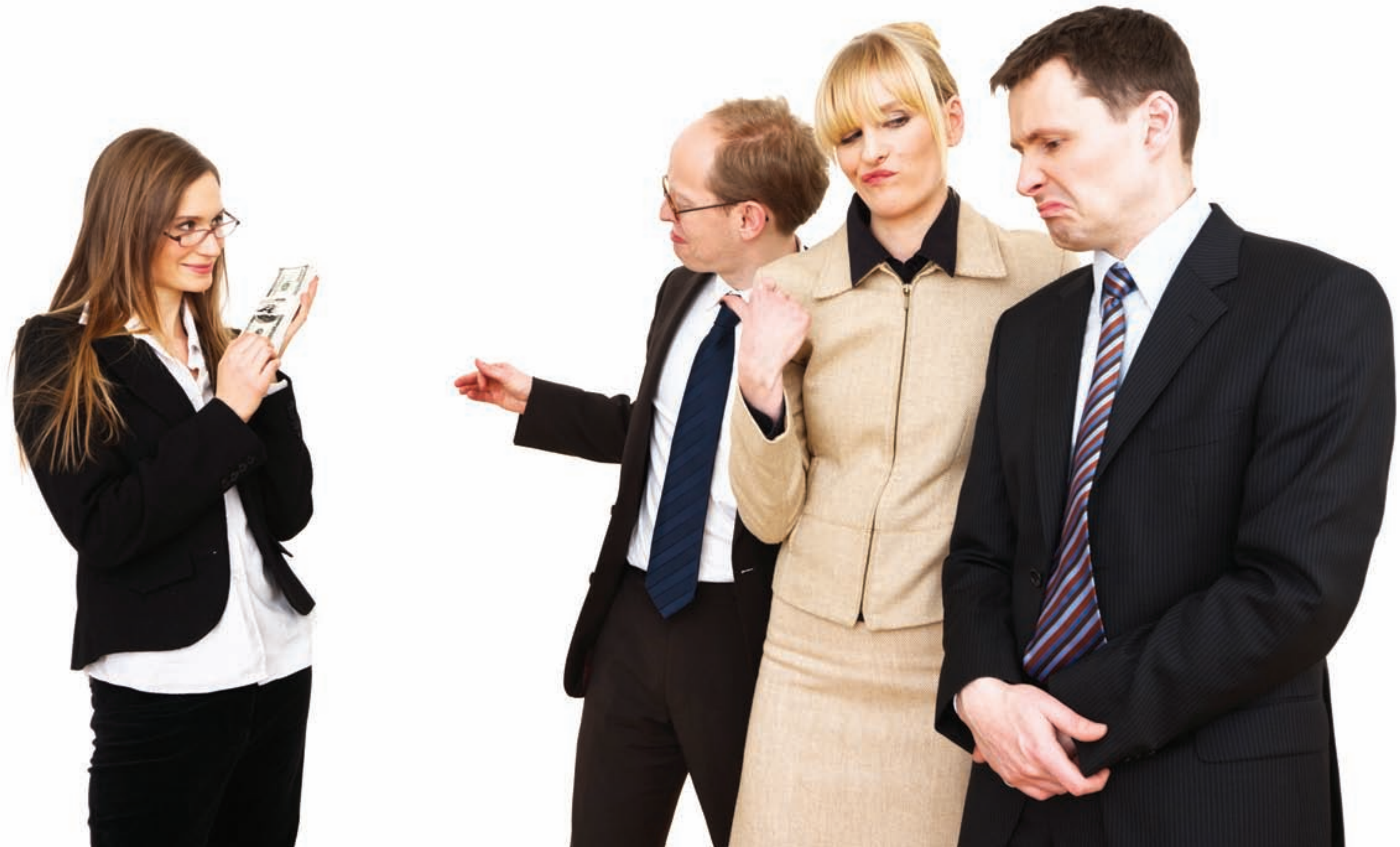
Second, family business owners may feel it's their prerogative to pay family workers more than their nonfamily counterparts, even if they're performing the same job. Although owners naturally have the best interests of their loved ones at heart, they may inadvertently injure morale among essential nonfamily employees and risk losing them.

Nonfamily workers may tolerate some preferential treatment for family employees, but they're apt to become disgruntled over bigger differences, particularly if they feel that one or more family employees aren't pulling their weight or performing at the same level.

Addressing the matter

Determining compensation requires an artistic element because every company's situation will be unique in terms of familial ties and financial needs and goals. So there's no one right way of addressing the matter. But there are some common strategies that can help you when setting compensation.

First and foremost, you need to think beyond salary when it comes to family workers. Often,



base salaries are intentionally kept low and the difference is made up with a sizable ownership stake in the business. Because family members are generally in the company for the long haul, they'll receive increasing benefits as the business grows. But be sure that compensation is also adequate to meet family employees' living needs.

Incentives are a key motivator for family members. They may include a combination of short-term rewards paid annually to encourage ongoing accomplishments and long-term rewards to keep them driving the business forward.

Nonfamily workers, on the other hand, recognize that their opportunities for advancement and ownership are more limited in a family business. So, providing better salaries for them can be important to attract and retain top talent.

Another way to keep key nonfamily employees satisfied is by giving them significant financial benefits for longevity with the company. You can structure this arrangement in a variety of ways, such as through phantom stock or a selective executive retirement plan (also known as a "nonqualified" plan).

Being objective, always

To balance the subjective aspect of determining compensation, add an element of objectivity to the process. For example, consider applying a market-value-based approach, which entails comparing what other companies in the market are paying for the same position.

For many family businesses, this approach will be quite different from how compensation decisions have been made in the past. To smoothly adopt this process, explain the benefits to your employees and gradually ease into the transition — doing so will gain buy-in and support from family and nonfamily workers alike. Consulting outside advisors can also help ease your employees' concerns.

Another method is to measure performance. If you tie compensation to performance, family employees will be more inclined to work harder and nonfamily workers will feel their compensation is fairer. This, in turn, will improve morale and promote harmony among family and nonfamily workers.

Be sure to tie compensation to individual contributions and your company's performance. Also, establish and communicate performance measures and short- and long-term goals at the employee and company levels.

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Incorporating market-value- and performance-based approaches can help you separate personal and emotional connections and see compensation in a more objective light, thereby reducing discord among your employees.

Reaching your goals, peaceably

When dealing with compensation matters with family and nonfamily members, it's critical that you ensure everyone is treated fairly. Doing so will promote peace and harmony between the two camps. Your CPA can help you develop a compensation package that's appropriate for all concerned. ◈

3 year end tax planning tips for any tax environment

As of this writing, there's much uncertainty about what will happen with various tax rates and breaks in 2013. By the time you're reading this, the outlook may be more certain — or it may not be. (Check with your tax advisor for the latest information.)

But whatever the 2013 tax environment, here are three 2012 year end tax tips that may benefit you:

1. Bunch medical expenses. Qualified medical expenses are deductible only to the extent that they exceed an applicable "floor." By "bunching" expenses into alternating years you can more easily exceed this floor and potentially deduct more expenses. For 2012, the floor is 7.5% of your adjusted gross income.

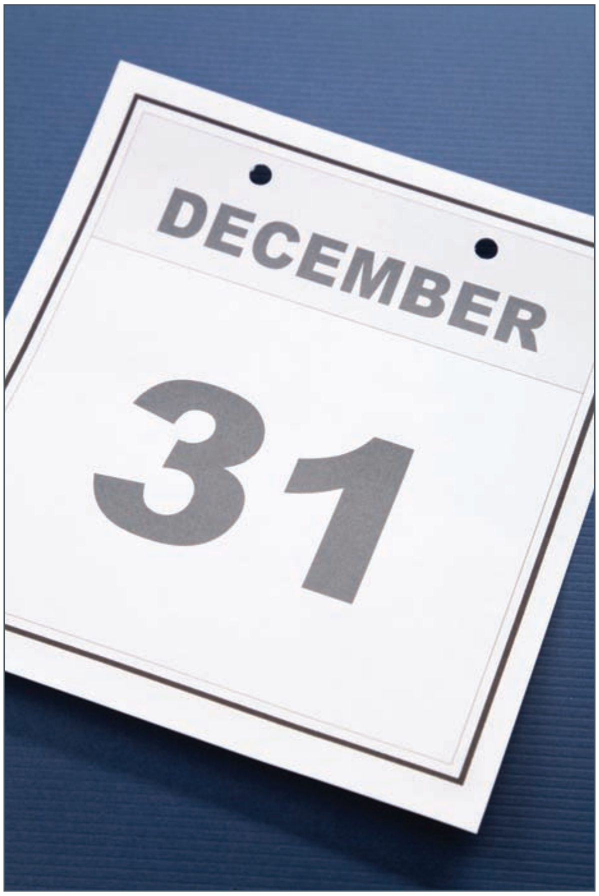
To implement this strategy, first calculate your year-to-date medical expenses. If they exceed the 7.5% floor, consider bunching additional expenses into 2012 where possible. This might include scheduling dental work and buying new contact lenses or glasses in late 2012 rather than waiting until 2013.

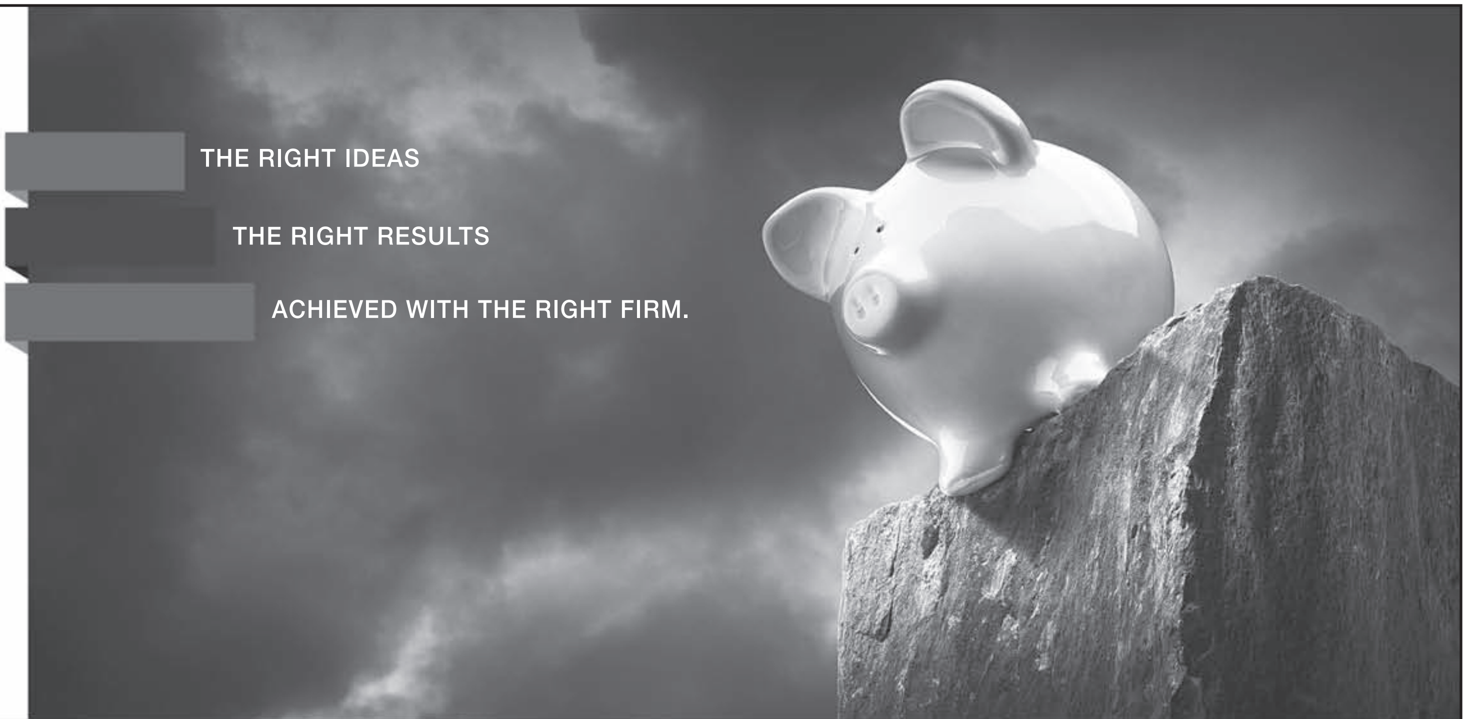
2. Make annual exclusion gifts. Each year you can gift up to the annual exclusion amount per recipient tax-free without using up any of your lifetime gift tax exemption. For 2012, the annual exclusion is $13,000 ($26,000 if you and your spouse split gifts).

The exclusion doesn't carry over from year to year. If, for example, you forgo an annual exclusion gift to your daughter this year, you can't add $13,000 to your 2013 exclusion to make a larger tax-free gift to her next year. So if wealth transfer is a concern of yours, make annual exclusion gifts to your loved ones by Dec. 31, 2012.

3. Contribute to an IRA. You're allowed to make annual IRA contributions up to a statutory limit. For 2012, the limit is $5,000 ($6,000 if you're age 50 or older). Income-based limits may reduce or eliminate the amount of your traditional IRA contribution you can deduct — or the amount you can contribute to a Roth IRA. But even nondeductible contributions to a traditional IRA can be beneficial because of the tax-deferred growth.

As with the annual exclusion, the IRA contribution limit doesn't carry over from year to year — if you don't make the full contribution this year, you can't make a larger contribution next year to make up for it. So to maximize your tax-advantaged retirement savings, make your full 2012 IRA contributions by the deadline. However, you have some extra time to do this: The deadline for 2012 contributions isn't until April 15, 2013. ◈





IF AMERICA GOES OVER A FISCAL CLIFF, NEARLY 90% OF AMERICANS WILL PAY MORE TAXES THAN THEY DO NOW.

Don’t let tax-saving opportunities under our current tax structure pass you by.

Certainly you've heard about the fiscal cliff. If Congress does nothing, come 2013, the average family will face a tax increase of approximately $3,500 resulting from a mass reversion to pre-2001 tax law. Even if Congress does act, speculation is strong that there will be some increase in taxes next year. Now, more than ever before, it is in your best interest to analyze your personal tax circumstances to see if there are any strategies you can take advantage of prior to the end of the year.

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The tax professionals at Zinner & Co. know that every major financial decision a client makes, personally or in business, will have tax implications.

As we move towards year end, let our tax specialists discuss your particular circumstances and prepare an analysis of your most likely tax scenarios.

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