Aronoff of Kennesaw State College in Georgia.

Here are other survey findings:

• 53% said they have completed a written estate plan. (Since estate tax rates can now be as high as 55 percent, businesses can often thrive or fail based on their ability to pay taxes without having to divert funds from the business.)

• 62% claim to have either "a good idea" or "some idea" of what their estate tax liability will be.

• 47% will pay the estate tax bill with life insurance.

• 28% have prepared a written succession plan.

• 93% have never used a consultant or counselor to help resolve family conflicts.

• 57% say they want to work as long as possible before considering retirement. (Only 33% have a target retirement age.)

• 21% of the respondents are women, a much higher percentage than in large, non-family corporations.

The key to fairer succession, notes the Henning Family Business Center, is life planning. There are four reasons to put a will and trusts in place, the center observes:

1) To assure your spouse's security.
2) To create equity among your children.
3) As a means to transfer your business.
4) To save estate taxes.

Henning says that successful life planning includes the following:

• Financial security for parents.
• Family values development.
• A family mission statement.
• A business plan.
• Successor training, including leadership development.
• Choosing the successor.
• Preparing for retirement.
• Career mapping for the entire family.
• A participation policy for the family.
• Transfer of ownership and control.
• Retaining "key" non-family employees.
• Development of a new management team.
• An emergency plan for succession crisis.
• Developing a family council.
• Activating a board of directors.

All of this planning serves to magnify the benefits of all the years of hard work, according to management consultant Peter Drucker. In effect, he says, it is the "Final Test of Greatness."

—For complete results of Mass Mutual's survey, phone the company at (800) 494-5433 in Springfield, Mass. If you would like more information about the Henning Family Business Center's programs on succession or Mike Henning's consulting arrangements, you can phone (217) 342-3728 in Effingham, Ill. The Henning group also publishes a regular newsletter titled "Mike Henning's Family Firm Advisor."

Family business formula for success

■ To be successful in a family business, members must have the following qualities, according to David Bork, a family business counselor based in Aspen, Colo.

1) **Shared values**, especially about people, work and money. "If there is a basic agreement about underlying values, then it is possible to create a shared vision for the future," Bork says.
2) **Shared power**, as families learn to respect one another's competence and expertise. "We each have different strengths, talents and abilities," Bork notes.
3) **Traditions** like travelling together or spending holidays together, Bork says, bond the family into a unit.
4) **A willingness to learn and grow.**
5) **Activities** for the maintenance of relationships "put 'relationship currency' into the family bank," he says.
6) **Genuine caring** for each other.
7) **Mutual respect and trust.** "Some might even call it love," Bork believes.
8) **Assistance and support**, "especially at times of grief, loss, pain and shame."
9) **Privacy.**
10) **Well-defined interpersonal boundaries** that keep individuals from getting caught in the middle.

Trading your services for other commodities

■ Just because you're short on cash doesn't mean that you have to go without. More and more business people are turning to bartering—and finding that it can be good for business.

In its simplest form, bartering involves an equal trade. One business swaps goods or services for another. A retail florist or grower might trade merchandise for computer equipment. A landscaping company may trade its service for advertising space in the local newspaper.

Through professional barter exchanges, where members pay a commission for goods or services traded, more complicated trades are possible. Here's how it works:

A business lists something for trade through the exchange. In return, the business receives a trade credit based on its dollar value. The business can then use its trade credits to "purchase" goods or services offered by other members. The result is that the business is hooked up with a network of actively bartering businesses.

For example, a garden center might offer plants and trade its barter credits in for mowing services. The mowing service might trade its credits in for computer equipment. And the computer company might trade its credits for office plants. Three separate businesses have taken part in a buy-and-sell transaction without ever exchanging a dime.

The network of goods and services available through barter is growing. Today's barter exchange may have as many as a few thousand members nationwide. As bartering becomes more popular, some barter exchanges are starting to trade with each other, further expanding the bartering opportunities available to their members.

Bartering is also another way of advertis-

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ing your business. By bringing together buyers and sellers who may not have used each other's services before, it can introduce your company to new customers. These may be one-time customers or people who come back to purchase services once they've become acquainted with the business.

Companies that actively barter may do as much as 5 to 10 percent of their business annually through trades. The National Trade Association, one of the largest barter exchanges, recorded a record-breaking $30 million worth of trades last year. And the ability to barter is not limited to size: corporate giants all the way down to one-person, at-home businesses can use it.

Barter exchanges typically charge a one-time membership fee. Some exchanges also may extend a line of credit to new members. That way, they can start using credits before they've sold anything through a successful trade. Barter exchanges also offer the advantages that they don't require an even trade. You can use credits accumulated for one item to trade for several different items that together add up to your total credits.

Remember, however, if you get involved with bartering that there is no tax advantage. Barter and cash transactions are taxed equally by the Internal Revenue Service. In fact, the barter exchanges themselves must report goods and services sold through barter to the IRS.

Bartering also offers no guarantees. Some trades may happen quickly, others may take some time. An item a lot of businesses want—such as airline tickets—may be snapped up right away, while carpeting may take a few months to trade.

And you can't always count on getting what you want, when you want it, through barter. The amount of certain goods and services available for trade may fluctuate during the year.

But you have to weigh the advantages against the disadvantages. Bartering turns your downtime or excess inventory into valuable commodities. It increases your sales while enabling you to purchase goods or services you need without any upfront cash. Remember: to make bartering work, you have to be patient, you have to persevere and you have to pick and choose what you want to purchase through barter.

—For more information on bartering, you can telephone the National Trade Association at (708) 390-6000.

Getting back tax refunds from losses you've previously incurred

by Mark Battersby

■ Fact of life: losses happen. And they aren't always the result of bad management or a poor economy.

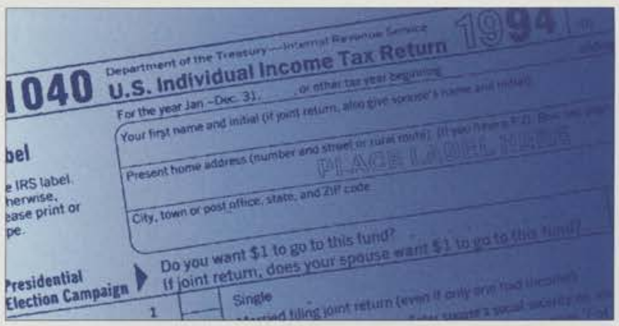
In fact, one type of loss, a tax loss, can result from too many deductions rather than poor management. The trick is to make the most from these particular inevitable losses.

Many lawn/landscape business owners view losses as a temporary situation, claim the loss, accept a zero tax bill and go on to the next year. However, under our tax rules, you are probably allowed to carry back a net operating loss (NOL) from your business to apply as a deduction against prior income and to deduct from succeeding years' income any unabsorbed loss.

Put another way, a loss can produce a zero tax bill for the loss year but, handled properly, it can also result in a refund of previously-paid taxes or taxes that will be assessed when the company prospers again.

Simply stated, a NOL is the excess of allowable deductions over gross income, computed under the laws in effect for the loss year, along with any adjustments required by our tax law.

One of the prime benefits of a net operating loss is the fact that the losses may be carried back or carried forward to offset income



in those years when profits—not losses—resulted from the operation of the business.

A loss can produce a zero tax bill for the loss year or earn you a refund of previously-paid taxes.

The NOL carryback or carryover is generally that part of the net operating loss that has not previously been applied against income for other carryback or carryover years. In general, the NOL can be carried back three years.

When it carries—A NOL is first carried back to the third year before the NOL year; if not entirely used to offset income in that year, it is carried to the second year preceding the loss year and any remaining amount is then carried to the tax year immediately preceding the loss year.

If the taxable income for the three preceding years is not sufficient to absorb the entire loss, any remaining loss is first carried to the year immediately following, then to the second year following, up to 15 years or until the entire loss is used up.

A special carryback refund procedure allows incorporated landscapers to get refunds from applying the NOL to an earlier year's tax return by filing Form 1139 (Corporation Application for Tentative Refunds). The IRS is required to act on this application within 90 days of either the date it's filed or the due date for the corporate income tax return, whichever is later.

The immediate cash infusion resulting from refunds of previously-paid taxes is not the only nice thing about NOLs. If you are entitled to a carryback period, you may choose, instead, to forgo the entire carryback period to carry the loss forward only.

This election must be made by the return due date (including extensions) for the tax year of the NOL. Unfortunately, the