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Avoid common workers' comp mistakes

MISTAKES, ESPECIALLY WITH SUBCONTRACTORS, CAN COST CONTRACTORS BIG.

PAYING FOR WORKERS' compensation is likely a large percentage of your overhead. Unfortunately for people who work in the horticultural business, they are more likely to get hurt on the job than people who work in other environments, such as in an office or retail store.

Falling down and heavy lifting on the job are two common workplace injuries; while employees of any industry are susceptible, horticultural and construction workers are particularly at risk. Because of that, workers' compensation is a critical form of coverage and important considerations need to be made to ensure your financial protection and prevent common mistakes.

Sub mistakes

A lot of small and even mid-sized landscape contractors go wrong in hiring subcontractors. Many big companies won't even let a sub onto their worksites without first checking certificates of insurance, but smaller companies aren't as accustomed to going through this routine—or maybe they're just in a rush to get the job done. But failure to check that your subs are fully insured can be a big mistake.

"When you hire a subcontractor, if you don't have proof to your insurance company that they are insured for workers' compensation to the same level that you are, then you end up paying the premium for them just as though they were one of your employees," says Ken Von Forell,

CPCU, director of independent agents at Hortica Insurance & Employee Benefits.

Von Forell says this happens fairly frequently in the industry. "Hiring subcontractors is a real area of concern because a lot of landscape contractors do it on the fly and they don't get all the paperwork that's required," he says. "Whether it's because they just forgot to check the certificates of insurance or they didn't know they were supposed to, the liability still falls on them. Sometimes a manager who has the authority to hire subs will hire someone without good communication with the boss—and the boss finds out later he had an uninsured sub working. At that point it may be too late."

Don't miscategorize workers

Many times workers' comp mistakes are made unknowingly and certainly without malicious intent. In most of those cases, the biggest consequence will be a financial hit. In more serious cases, such as workers' compensation fraud, there can be legal repercussions such as jail time. For instance, some landscape businesses are knowingly using incorrect employee classifications to save a buck.

"Putting your employees into the wrong category—such as claiming a field person is an inside salesman since the rate is so much lower—is a serious offense," warns Von Forell. "When it's found out that you've falsely classified an employee, particularly when it's seen as an ongoing pattern, it will be reported as fraud. Any time there's a suspicion that you're trying to hide payroll or misclassify your employees, investigations will be done and authorities will be called in."

There's no doubt that workers' compensation is an area where businesses can easily run into trouble. Most of the time it's a simple mistake, but the consequences may be severe.

Casey Payton is a freelance writer who has covered the landscape industry for seven years.

CERTIFICATE
OF INSURANCE



A CLOSER LOOK AT CERTIFICATES OF INSURANCE

It's important to ensure subcontractors' certificates of insurance are current by carefully examining them. Follow these steps.

1 Check the date. "Make sure the coverage hasn't already lapsed," says Ken Von Forell, CPCU, director of independent agents at Hortica Insurance & Employee Benefits. "Some subs may try to use a certificate from last year's policy, assuming that it won't be carefully checked. But you absolutely need to check dates."

2 Verify the company name. If the sub has changed companies, the wrong company may be listed. "If you have to file a claim against them it can be a hassle trying to figure out who was the insurance carrier at the time," he says.

3 Keep it on file. "If you plan to use the sub again, go back to the file and make sure you still have an up-to-date certificate," says Von Forell. "It's important if you have an office manager handling those duties that he or she is well informed of the importance of always checking that file. It can be a matter of preventing serious financial or even legal consequences."

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FINANCE REPORT



OWN UP TO YOUR PERSONAL FINANCIAL PLANNING

SIX KEY FOCUS AREAS FOR GREEN INDUSTRY BUSINESS OWNERS.

BY BRIAN MARINO

Simply hoping that a potential sale of your Green Industry business will provide for your retirement needs is not an option. It's crucial for small business owners to spend time focusing on their long-term personal financial planning to ensure they have the leverage, flexibility and control to achieve financial independence.

We're often reminded by experts to spend time working "on the business" and not just "in the business." This concept leads owners to focus on everything from profitability to employee retention to succession planning. Each of these areas and others are integral to grow as an organization, but the challenge becomes ensuring that you tie your business planning into your family's personal financial planning.

The reality is there's never a good time to do planning until it's too late. It's easy to put off your planning, only to wake up and realize that five, 10 or 15 years have gone by and now you have to play catch-up.

Fear not: Today is a great day to start. Here, we simplify financial planning into six focus areas: financial position, protection strategies, wealth accumulation, retirement planning, tax reduction strategies and estate planning.

1 ► FINANCIAL POSITION
Financial position is about finding the unique plan that fits within each family's goals, objectives and philosophies. It's all about efficiency; most people are unintentionally inefficient. To get your personal financials in order, you need a personal balance sheet, a family budget and an efficient debt management plan.

The balance sheet, or net worth statement, is as simple as listing all of your assets and liabilities with the values or balances tied to each.

Next comes a family budget. Most business owners and executives have great cash flow statements for their organizations, but getting them to put their personal spending on paper is like pulling teeth. This task usually gets delegated to the person in the family who does the spending or pays the bills. Regardless of who creates the

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FINANCE REPORT

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draft, both spouses (where appropriate) must weigh in on the month-to-month cash outflows.

Part of a healthy balanced budget is managing your debt properly. From mortgage and car payments to your credit cards, lines and loans, it's important to be as efficient as possible with each piece of debt you have. Smart debt management is about leverage, i.e., maximizing monthly cash savings by balancing the payoff timeline with the interest you'll pay.

2

► PROTECTION STRATEGIES

Once your financial house is in order, turn your attention to the "what ifs" that can derail planning. Even the best-crafted business or financial plan isn't worth the paper it's written on if it doesn't address potential roadblocks. To address these, we need to delve into the world of insurance. It's an imperative part of your planning with an undeserved stigma that most can't afford not to look into. Basic protection strategies include the following types of insurance: life, disability income, long-term care, home, auto and liability.

Many people buy life insurance because they "love someone" or "owe someone." I've never had a client tell me a death benefit check was too big. Most of us will use life insurance for several different reasons. Some use it for business buy-outs; others use it for college funding or to ensure that should they pass away prematurely, their family won't have to compromise their quality of life. Some will even use it for cash accumulation on a tax-advantaged basis.

With disability income and long-term care, you're looking to protect both your working years (disability income) and your retirement years (long-term care). These types of insurance can be complicated. Having the right policy design is crucial.

Liability coverage has become a commodity today with everyone looking at price. Price is important, but ensuring you have the proper coverages, limits and deductibles is vital when one of your largest personal assets is your business—even if it means paying more for a better company or product.

Business owners should work with their tax and financial professionals to help structure these coverages to provide for tax efficiencies, when applicable. Regardless of the type of insurance, working with a seasoned professional will help you get it right and keep it right as you go through life.

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► WEALTH ACCUMULATION

Most of our working years are spent in wealth-accumulation mode, trying to stockpile enough dough to last through the long winter that is retirement.

Along the way we each have goals and objectives we strive to accomplish based on our standard of living and what we want in life. Each requires an individual strategy and an understanding of how the components of funding a goal tie together. For each objective consider the following:

- **Goal** – How much of the expense I want to cover?
- **Timeline** – When do I need the money by?
- **Inflation** – What's the total cost in future dollars?

“THE CHALLENGE IS TO TIE YOUR BUSINESS PLANNING INTO YOUR FAMILY'S PERSONAL FINANCIAL PLANNING.”

4

► TAX REDUCTION STRATEGIES

“You never let the tax tail wag the dog,” but, you need to be mindful of our ever-changing tax environment.

Most business owners today work with CPAs on both their business and personal tax returns. The focus is typically on reducing tax burdens today. In addition to minimizing the tax burden in each working year, you need to begin planning for the tax implications in retirement.

Consider these common assets: 401(k), Roth IRA, annuity and nonqualified brokerage account. The money

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in each of these is taxed differently. How and where you save/invest your money over the next 10, 20 or 30 years can have a tremendous impact on how much of your money you actually get to spend when you go to use it. That's why it's important to build a sound savings and investment plan that complements your business and other assets.

5 ▶ RETIREMENT PLANNING

From wealth accumulation to wealth preservation, the ultimate goal is retirement income distribution. Financial independence means something different to everyone. Some business owners we work with tell me that they'll "never retire" and continue to have some role in their companies for the rest of their lives. Others want to get out as fast as possible. Even if you fall somewhere in between, retirement typically will be one of the largest goals most people accomplish.

Retirement planning doesn't have to be daunting, but for many, the unknown of how much they have to save each year and what return they need to achieve can prevent them from ever



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