

InThe Loop

Your magazine of personal finance

March–April | 2021

Mastering your metrics: *Why KPIs matter*

People first: Tips for retaining top talent | Easy ways to go green at work
Smart moves to make the most of your tax refund
Post-tax season strategies for businesses | Global gourmet goodies

Tax season is here... a reminder to plan ahead

Tax season is upon us. As our firm works on completing and filing tax returns, we encourage you to plan ahead for ways to make the post-tax season period even better for you and your family—starting with the tips we've included in this issue.

If you're a business owner, make sure to check out our article on post-tax season strategies, as well as how to keep your top talent productive and happy even during a pandemic.

If you've already filed your taxes and are awaiting a tax refund... or you had an unexpected liability, first check your withholding to make sure you don't need to adjust it. Then, if you're on the positive side of the tax refund equation, consider some of the ideas we share in this issue to make the most of it.

Once you have all those things taken care of, check out our feature on global gourmet goodies. Even if you can't travel anywhere right now, you can still get a taste for places you might like to visit later.

Finally, whether you work from home or in an office, we've got some easy and cost-saving tips to help your workplace go green.

Have a wonderful spring season!

Your Trusted Advisors

Even if you can't travel anywhere right now, you can still get a taste for places you might like to visit later.

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Mastering your metrics: *Why KPIs matter*

It's difficult (if not impossible) for business owners to set growth goals when they don't have a clear picture of the business's current financial health. This is where key performance indicators (KPIs) play a major role.

KPIs serve as measurable indicators of a business's successes and failures. A few examples of common KPIs for small businesses include net profit, net profit margin, cash flow, customer lifetime value and conversion rate. When the right KPIs are monitored on a regular basis, it provides an overview of how the business is performing at any given time.

This level of insight better enables owners to proactively correct issues and adjust goals and objectives as needed throughout the year. Overall, KPIs can help keep your business on track and uncover initiatives and areas of operation where your efforts are paying off (or not).

Mastering key metrics...

To help you master the metrics that matter for your business, the following offers details on five common KPIs to track:

Net profit

To start out with a simple KPI, commit to tracking your net profit over time. Analyze the data to find out if your company is showing more or less profit year to year. Net profit is calculated as follows: **Revenue - Expenses.**

Be clear that your net profit will not continuously go up. Keep in mind the times when you've reinvested in the business, experienced seasonal sale slumps and/or turbulence in

the economy. Overall, the goal is to track profit and help identify if you're earning more than you spend.

Net profit margin

Net profit margin measures the profitability of your business and is also an indicator of how well revenue is being used. It's a measure of how much profit your business makes from the revenue it earns. The formula to calculate net profit margin is: **Net Profit / Revenue**.

To further clarify, consider the following example: Your business has \$200,000 in revenue during the year and a net profit of \$50,000, making your profit margin 25 percent. That means for every dollar earned, the business keeps \$0.25. Comparing net profit margin year over year helps you see if an increase in revenue increases profit at the same rate.

Cash flow

Cash is the lifeblood of any enterprise. Maintaining a healthy cash flow ensures that a business can pay common expenses such as salaries, utilities and taxes while also having funds to put toward growth and business expansion. As a result, tracking this common KPI is critical to business success because it allows you to better plan for large expenditures, keep spending in check, and offer lenders a clear picture of the business's financial health should you need to apply for a loan. *(Read more on cash flow management in the "Cash is king" article published in our November-December 2020 issue of the magazine.)*

Customer lifetime value

This KPI answers the question of how much a customer is worth. It's an important metric to

monitor because it helps guide you on properly allocating funds to areas like sales and marketing. For example, if you know that an average customer is worth \$500, you'll want to ensure that the cost to acquire the customer is well below that.

For companies that work with customers on a retainer model, this is a much easier KPI to track. For those who work with clients on a per-project or per-purchase basis, it can be tricky to track this KPI properly. This is where seeking the advice of an accounting professional can help.

Conversion rate

This common metric measures the number of prospects who actually convert to customers. There are many ways to measure conversion rate, depending on your business model. Here are a few examples:

- **Online store** — Measure conversion rate by identifying all customers who made a purchase in the last 30 days compared to the number of visitors to your online store. If you had 400 purchases and 10,000 unique visitors in a month, your conversion rate would be 4 percent.

- **Agency** — If the business pitches to 10 prospects within 30 days and converts three to clients, the conversion rate is 30 percent.

Tracking this metric over time helps uncover potential issues in your sales and marketing efforts that could be hindering client conversions.

These are just a few examples of KPIs, which can be adjusted by your specific business needs or by industry. When you master the metrics that matter, you set your business up to grow and thrive. To learn more about the KPIs important to your organization, contact our firm today. ■



People first: Tips for retaining top talent

It can be a challenge to retain superstar employees any time of year. However, some employers are discovering that workplace changes in the era of COVID-19 can present an extra challenge—especially when competitors or other remote employers try to recruit your superstars away.

To help you retain your top performers, consider incorporating these philosophies and retention tactics into your business practices:

★ **Flexibility**

Are your employees unable to concentrate on their work due to a sub-standard workspace at home? The lack of needed equipment or trouble communicating with colleagues remotely can seriously affect an employee's productivity. Consider appointing a team or a person who coordinates with all employees to provide adequate resources and troubleshoot potential problems as they arise—helping to boost both performance and employee retention.

★ **Workforce agility**

The pandemic has proven that we must be agile when it comes to adapting our standard business processes. Most top-performing employees can do this easily, and they expect their employer to do the same. Make sure your organization is helping them work remotely and adjusting to other changes with efficiency, ease and the right tools.

★ **Social well-being**

The pandemic and lockdown situation has been difficult for all of us. When your employees face health or other life problems, their work focus can suffer and leave them feeling out of balance. Be sure to stay alert for any potential issues and have a plan for relieving potential mental health issues related to working during COVID-19.

★ **Benefits**

During a challenging time, providing your employees with additional benefits is a key retention strategy. Now is not the time to restrict benefits with harsh policies. Employees may need financial or other management support depending on the lockdown situation in their area. Don't wait for them to come to you; ask them if they need assistance. Words from you as a leader will increase their morale and motivation, so let your employees know that you value them and their well-being.

★ **Special activities**

Plan activities with your top employees as a way to show your appreciation for their efforts. It could be a special one-on-one virtual lunch or a ticket to an online conference for professional development. Although simple, these activities can help counteract the low energy and lack of enthusiasm that can plague even top performers.

★ **Keep your top performers front and center**

Managing talented employees is especially critical during a crisis since their skills and talents are in high demand on the market. When you provide professional challenges, benefits, perks and experiences to retain your key team members, not only will your superstar employees benefit—your company will, too. ■



Smart moves **to make the most** **of your tax refund**

While the economic effects of the pandemic have made it harder to save, it's important to try and keep saving for future expenses and emergencies.

If you receive a tax refund this year, it's a good idea to consider how you can use those funds to accomplish personal goals, change your financial status, and secure a better future for you and your family. This is the time to take a deep breath and think wisely. To help get you thinking, here are some smart moves to get the most out of your tax refund:

Fund your retirement

You don't know where the economy will head in the future, so leaving your future to Lady Luck isn't the best idea. Whatever you save today, you can spend in the future when you need it more. After retirement, you may encounter health and financial issues. It's crucial to have enough saved so you don't have to spend your retirement years worrying about financial security.

Start a viable business

If you've done your homework and planned ahead, using your tax refund to start a viable business could be a smart move—especially if you can generate more revenue than at a typical employed position.

Invest in a new home or upgrade your current home

One of the best ways to spend tax refund money is to use it toward purchasing a house, especially if you're renting right now. Owning a home can bring you more financial stability and the peace of mind that comes from setting down roots in one place. If you like your current home, why not invest in increasing its equity? You could add a swimming

pool or patio or use the money toward a bathroom or kitchen renovation. You could also repair water damage, finish your basement, add security and fire systems, extend your closets or paint your home. Every penny you invest in your house will add to its value when it comes time to sell.

Save for education

If you're all set for retirement and have money left from your refund, consider contributing to your child's 529 plan or other eligible education fund to reduce your taxable income.

Avoid spending on frivolous things

When tax refund money comes their way, some people are tempted to buy immediate-gratification items—expensive clothing, gaming setups, big-screen televisions or a fancy car. If you're tempted, keep in mind that these items are material things with limited value and a limited life span. You'll get a better return on your investment if that money is used on something that has long-term value instead of short-term satisfaction.

Be smart and spend your refund wisely

There are so many productive ways to spend your tax return money. But we never know where the winds of fortune may blow, so just be sure to analyze your spending decisions carefully so you don't regret impulse buys later. Remember, any tax refund you receive is your hard-earned money coming back to you. Use the opportunity to get ahead of the financial game and spend it well. ■

Post-tax season strategies for businesses



Now that tax season is over for your business, it's a good idea to revisit some of the ways you can make next tax season even better. As a business owner, every penny of your income counts, so you want to optimize your revenue and minimize your expenses and tax liability. Our firm can help you see the big picture of your tax situation as well as give you sound tax planning advice—starting with these tips:

① Think about changing your entity type

How you set up and operate your business can have a big impact on your tax situation and the amount of paperwork you must do. Whether your business is a sole proprietorship, partnership, LLC, S corporation or C corporation, you should review your selection annually to ensure you're still operating

under the best structure for your goals and tax situation. Why? Because over time, the initial reasons for structuring your business a certain way may no longer be applicable, or in your best interest from a tax perspective. There's no requirement that you stick with the business structure you initially chose, so our firm can help you determine if you need to make changes based on tax advantages.

② Always prepare to pay your taxes

Hopefully, this past tax season didn't hold any unwelcome surprises when it came to your taxes. While employees pay their taxes ahead of time via payroll deductions withheld by their employers, business owners must be disciplined enough to pay estimated tax payments on a quarterly basis. It's key to avoid the temptation of delaying tax payments to maintain cash liquidity—otherwise you may be subject to IRS penalties and late payment fines. If it's difficult to make your estimated tax payments on time, contact our firm to help you assess changes to your cash flow. A good way to start is by setting aside the appropriate percentage that you'll owe from each payment you receive and putting the money in a separate bank account.

③ Select the right accounting method

Each small business owner must choose an accounting method for tracking income and revenue. Two of the most common are the cash-based and accrual methods. No matter which method is used, smart business owners strategically adjust their approach, reporting annual income based on cash receipts to reduce end-of-year revenues—especially if they suspect next year's income could be lower or they anticipate being in a lower tax bracket. In addition, business expenses can be deferred and accelerated in the same way so business owners can take advantage of tax deductions in the way that works best for their business.

④ Fund your retirement

As a business owner, one of the smartest ways to lower your taxable income, secure your financial

future, and benefit both yourself and your employees is to contribute to an eligible retirement account. Two common retirement account options for small business owners are the 401(K) plan or the Simplified Employee Pension (SEP) plan.

⑤ Plan on PPP loan forgiveness

If your business took advantage of the first round of the Payroll Protection Program (PPP) loans that were offered by the government due to COVID-19, you may be aware that the PPP loan forgiveness amount will not be considered taxable income at the federal level. This could be a significant tax saving for your business this year if you didn't claim it on your 2020 tax return.

However, there's no change in the guidance for state and local tax treatment of PPP funds.

Therefore, be sure to check with your own state and local tax authorities to learn about these potential tax obligations. If you meet certain eligibility requirements, you may also be eligible to take advantage of this year's round of PPP funding and exclusion from income taxes. If you need assistance understanding the tax implications of PPP loans or Economic Injury Disaster Loans (EIDL), please contact our office.

As you can see, there are several potential tax savings available to businesses this tax year. The key is to determine which of them apply to your business and help you avoid paying excessive tax amounts. If you need assistance with tax planning, please let us know. We can review your current business situation and provide guidance on the above issues, as well as other potential tax moves you may wish to consider. ■



Global gourmet goodies

You may not be able to travel, but you can get a taste for some of the places you might like to visit in the future with just a short trip to your local supermarket. Check out these great global finds that are readily available, courtesy of **RachelRay.com:**

■ **Hoisin sauce**

Sometimes called Chinese barbecue sauce, this umami-packed condiment is a traditional meat glaze. Try mixing it with beer, mustard and cider vinegar to marinate and baste ribs.

■ **Za'atar**

A must for Middle Eastern cooking, the ingredients of this spice blend vary, but often include sesame, sumac, marjoram and thyme. Za'atar typically dusts dips and pitas, but you can also try it on buttered toast or in a simple cucumber salad.

■ **Tahini**

This sesame seed paste (think Middle Eastern peanut butter) swings sweet or savory. Add tahini to caramelized onions to top burgers or stir it into hot chocolate or chocolate sauce.

■ **Harissa**

Fiery North African harissa is a paste made of chilis, garlic and spices. You can mix it with honey, lemon and olive oil for a zippy chicken-wing glaze.

■ **Nori**

This dried seaweed comes in many forms in Japan, but stores in the United States usually carry sheets for sushi. You can finely grind pieces of the sheet with salt for a popcorn topper—or mix with wasabi and oil to brush on grilled veggies.

■ **Gochujang**

Spicy-yet-sweet gochujang is a staple in Korean cooking. The sticky red chili paste pumps up everything from barbecued beef to stews. Whisk some gochujang with honey and butter, then melt it on steaks.

■ **Coconut milk**

Tropical, rich and wildly versatile, this “milk” is simply shredded coconut blended with water. When making rice or oatmeal, swap in coconut milk for some of the cooking water.

■ **Thai curry paste**

This aromatic import comes in a range of colors from mild green to spicy red. It's often simmered with coconut milk for creamy curries, but you can also whisk some green curry paste into vinaigrettes for new spins on salad.

■ **Fish sauce**

Anchovies, salt and time create this funky sauce that flavors everything from Pad Thai to pho. Use fish sauce to add a hint of umami to barbecue sauce and chicken brine.

■ **Chipotle peppers in adobo sauce**

This Mexican pantry staple is used for both the intense chipotles (smoked jalapeños) and the tangy tomato sauce they're canned in. Try pureeing both, stir them into melted butter and then brush the sauce on grilled shrimp.

■ **Miso**

Aging intensifies the flavor and color (which varies from mellow white to robust red) of this Japanese fermented soybean paste. You can even blend white miso with butter and maple syrup to top cornbread.

Purchase a few—or many—of these global gourmet goodies and enjoy this journey around the world, with just a short trip to your supermarket! ■

Easy ways to go green at work



With Earth Day being celebrated in April, spring is the perfect season to take action to make your workplace more environmentally friendly. Use these simple tips to go green at work, and also save money in the process.

■ Buy reusable pens

Did you know that Americans throw out over four million disposable pens daily? Consider purchasing reusable pens instead.

■ Go paperless — and print prudently

Of course, the greenest path is to not print anything you don't have to. However, when you do need a hard copy of something, try using a software program like *GreenPrint*, which identifies areas of waste in printing, alerts users to possible wasted space and recommends how to eliminate it.

■ Monitor mailing lists

This is an often overlooked tip. When your company's mailing lists are up to date, you avoid sending out unnecessary letters, thus saving the paper, printing and postage.

■ Unplug!

A significant amount of office power is consumed by machines that are off, but still plugged into a live outlet. Standby power is a huge energy waster and expense. You can use a program like *Surveyor*, which automatically powers down company computers at night, to end this environmentally unfriendly situation.

■ Maximize natural light

Did you know that artificial lighting represents 40 percent of electricity consumption in a typical office building? To reduce this waste, turn off the lights and open the blinds to let daylight in wherever possible.

These are just a handful of ways to help you go a little greener at work this spring. Consider surveying your employees to find other environmentally friendly ideas to keep your office, workspaces and the Earth healthy. ■

To reduce the waste of electricity consumption through artificial lighting, consider turning off the lights and open the blinds to let daylight in.



Time is running out...

The tax deadline is approaching fast—
have you filed yet? Take advantage of
our convenient, paperless process.

But hurry—time is short!