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FINANCIAL INFORMATION, EDUCATION AND CONTROL FOR THE RETAIL FLORIST

Floral® Finance

teleflora®

MAY 2017
VOLUME 36, ISSUE 5

INSIDE THIS ISSUE

QUICK TAKES
Ideas You Can Put to Work Immediately

1 Make Ethical Choices

Your life will be more rewarding and less stressful if you make ethical decisions. As a guide, ask yourself if your choice …

- is beneficial to all
- will build others up
- is constructive
- is legal
- is something you would openly share.

2 Surprise!

Do something out of the ordinary for your team. Something fun that will break up the routine.

Bring in a temporary worker to answer the phones while you take the group to lunch. Hire a masseuse to give everyone a neck and back rub one afternoon.

It's all part of having a *fun work environment.*

3 Do a Favor for a Stranger

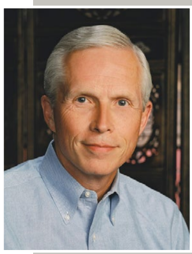
As you are out and about today, look for someone who could use a helping hand. Offer to carry a package for an older person who needs help. Give directions to an out-of-towner who looks lost.

When you help others, you improve their world—and yours, too.

The good feeling you get will linger. People will pick up on your positivity, and it will spread.

FROM THE PUBLISHERS
OF FLORAL FINANCE®

WHAT DO YOU REMEMBER?



Quickly—answer the following questions:

1. Who was last year's Heisman trophy winner?
2. Who was the second man to step foot on the moon?
3. Who was president of the United States during the Roaring Twenties?

Most of us can't answer even one of these. The farther we go into the past, the harder it is to remember.

If you've had the privilege of visiting Washington, D.C., or other great cities around the world, you've probably seen statues of historically important people. To deserve a statue, these individuals would had to have accomplished some incredible things.

Yet, how many of these statues do you glance at without a clue as to who the person was or what they did?

Now, answer one more question.

Who were the most important teachers in your life? We all know that answer. And it's not just a name. We can see them in our minds, sense and appreciate their personalities, and remember why they were so important.

Fame is fleeting. What's really important is the relationships you have and the impact you have on those people. Especially your family.

As you move through your life each day, don't overlook these most important relationships. They are truly why you do all that you do.

Paul Goodman
Editor
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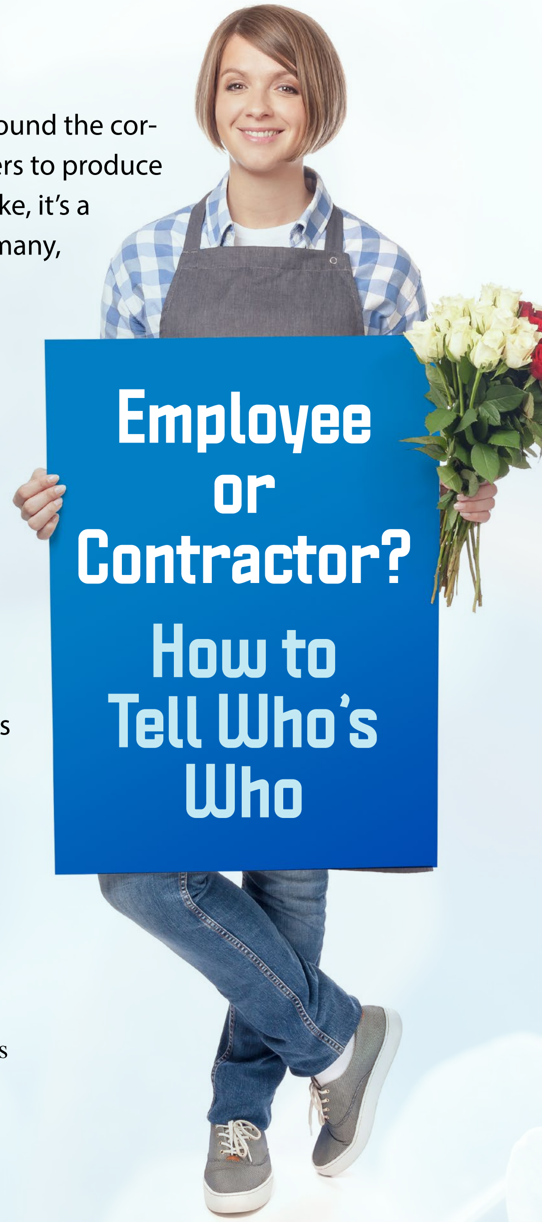

Mother's Day is just around the corner. With all the orders to produce and deliveries to make, it's a busy time for retail florists. For many, it's the busiest time.

One thing's for certain. There won't be enough hours in the day to get everything done. Even if every employee could add extra hours, the overtime you'd have to pay would seriously cut into your profitability.

That's why most florists hire temporary helpers to get through the holiday. The question is whether these individuals will be employees or contract workers.

TWO WAYS

Basically, you have two choices. Hire any temporary workers as employees and put them on the payroll. Or treat them as contractors.

Hiring contract laborers means less paperwork and expense for you. No taxes to withhold. No year-end W2s.

However, the government always has to get its cut. If the person is an employee, odds are high that your business will need to withhold properly and pay all the required taxes.

It's also quite likely that full-time, independent contractors and businesses doing legitimate contract work will meet their own tax obligations.

However, individuals who just want to work a few holiday hours on a contract basis probably aren't accustomed to tax recordkeeping requirements and obligations. Chances are that the taxes won't get paid.

Given this reality, the government has made it more than a little tricky to qualify for independent contractor status.

20 GUIDELINES

The IRS uses 20 different guidelines to determine whether a worker qualifies as an independent contractor or must be treated as an employee.

1. **Instructions.** A worker who must follow another person's instructions about when, where and how he or she works is an employee.
2. **Training.** Having an experienced employee train a worker indicates that the worker is an employee.
3. **Integration.** If the worker renders services to make a company's everyday operations possible, he or she is probably an employee.
4. **Personal Service.** If the services must be rendered personally, the person is probably an employee. Someone who can delegate or subcontract these services to another worker is an independent contractor.

5. **Assistants.** A worker who hires, supervises and pays assistants is an independent contractor. If the person for whom the services are performed hires, supervises and pays the assistants, then that person is an employee.
6. **Relationship.** A continuing relationship between the worker and the business indicates employee status.
7. **Scheduling.** If the hours are established by the person for whom services are performed, that indicates employment.
8. **Time Required.** If the worker must devote full-time or almost full-time hours to the business, employee status is implied.
9. **Work Location.** If the work is performed on the employer's premises, employee status is probably indicated.
10. **Sequence.** If the worker must perform services in the order set by the business, the worker is probably an employee
11. **Reports.** A requirement to submit regular oral or written reports implies employee status.
12. **Payment.** Payment by the hour, week or month—rather than in a lump sum—indicates an employer-employee relationship.
13. **Expenses.** If the business pays the worker's business or traveling expenses, the worker is probably an employee.
14. **Equipment.** If the business furnishes the tools, materials and other equipment required to do the job, that is probably an employer-employee relationship.
15. **Investment.** If the worker invests in and maintains facilities and equipment used to perform services, this indicates that the worker is an independent contractor.
16. **Profit or Loss Realization.** A worker who can realize a profit or suffer a loss as a result of offering the services is generally an independent contractor.
17. **Number of Employers.** A worker who performs substantial services for more than one unrelated person or firm at the same time is probably an independent contractor.
18. **Public Availability.** If a worker's services are available to the general public, that indicates independent contractor status.
19. **Right to Discharge.** A company that retains the right to discharge a worker is most likely in an employer-employee relationship with that worker.
20. **Right to Terminate.** If the worker can end the relationship without incurring liability, he or she is an employee.

Don't talk yourself into characterizing a worker as an independent contractor when that is obviously not the case.

OVERALL VIEW

Now back to our specific question: Has a retail florist who engages temporary drivers for Mother's Day hired employees or contract laborers?

Clearly, the workers will follow the florist's instructions. The florist will train them. Their services will be integrated into general business operations.

The drivers also must render services personally. And the florist will set the hours.

So far, this looks like an employer/employee relationship.

NEW WRINKLE

Suppose, however, that the florist retains an established delivery service rather than individual drivers.

The existence of a separate business changes the relationship on almost every one of the 20 points. And to qualify for independent contractor status, that's exactly what must happen. The IRS won't just look at one or two of the 20 guidelines. It will look at all of them—and any other factors it deems relevant—to determine what is really going on.

You should, too. Don't talk yourself into characterizing a worker as an independent contractor when that is obviously not the case. Be honest. Classify your temporary help correctly. Keep yourself and your business out of trouble.

OUR INDUSTRY

Hiring temporary holiday drivers on a contract basis and paying them per delivery is a common practice in many parts of the country. In these regions, the IRS has chosen to accept this practice and standard for the floral industry.

Check with your accountant or local floral association to see if you are in one of those areas.

If you're uncertain, the safest thing to do is put these temporary employees on your payroll. A little more hassle. A little more expense. But you won't have to worry.

Sub-Prime Loans

What Can You Learn About Debt From Recent History?

By now, you've undoubtedly heard about the "sub-prime mortgages" that caused so much trouble in the financial markets a few years back. The trouble was real and affected all of us in one way or another.

In a nutshell, aggressive lenders created home mortgages that required zero money down and had very low adjustable rates. These mortgages attracted two kinds of new borrowers. First, those who couldn't qualify for a standard loan. Second, speculators who wanted to buy a home as an investment—not to live in—with little of their own money.

Both types of buyers borrowed to the max. Then, beginning in 2007, the bloom went of the housing rose, so to speak. The value of these borrowers' homes dropped dramatically. The owners suddenly were upside down—owing more on their homes than they were worth.

When the mortgages' low introductory interest rates rose to actual market rates, the borrowers' monthly payments increased to a level that many people couldn't afford.

The answer for some was to stop making payments and give up their properties to foreclosure.

Well, you get the idea.

THE OUTCOME

The financial institutions that had created or bought the mortgages were now facing losses—billions of dollars, in some cases. And that led to a massive credit crunch. Not just in housing but also in other markets.

The banks no longer had money for other types of loans. And so the credit crisis spread … all as a result of loans that never should have been made in the first place.

UNDERSTANDING DEBT

We live in a credit-driven society. Buy now, pay later. Instant gratification. Why wait for anything?

Debt sounds so easy. So attractive. Get what you want right now for just a small monthly payment.

But let's look at the reality of debt. *Roget's Thesaurus* gives other words that describe debt:

- answerable for
- liable
- chargeable
- deeply involved
- minus
- owing
- in hock
- up against it
- encumbered
- insolvent

Doesn't reading that list make you uncomfortable? The advertisers won't tell you, but borrowing money is like putting on handcuffs. You won't be free again for a long time.

Don't ever forget it: When you sign on the dotted line, you are putting yourself in bondage for the length of the loan.

Solomon said that a borrower is a slave to the lender. Pretty strong language, but absolutely true.

Once you lock yourself into monthly payments, you feel anything but the freedom the slick advertisements suggest.

A reasonable amount of borrowing to increase income makes sense. Borrowing to consume does not.

FORMS OF DEBT

Debt can come in chunks (a home mortgage) or it can creep up slowly (credit cards).

Suppose you spend $3.35 per day more than you make and charge it to a credit card. That's an inexpensive value meal at your favorite fast-food establishment.

In one month you will have spent $100 more than you made. In a year, you will have spent $1,200 more than your income.

Do that for 10 years, and you will be $12,000 in debt. Of course, that's not including interest. Most credit cards charge 18% to 21% or more in interest.

Even if your credit card only charges 12% in interest, you will owe $22,325 after 10 years of spending that extra $100 a month.

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Creeping Debt

Spend $3.35 more per day than you earn. That's only $100 per month. Borrow that money at 12% and here is what your debt will amount to.

YEAR	AMOUNT OVERSPENT	INTEREST	ENDING BALANCE
1	$ 1,200	$ 72	$ 1,272
2	1,200	225	2,697
3	1,200	396	4,293
4	1,200	587	6,080
5	1,200	802	8,082
6	1,200	1,042	10,324
7	1,200	1,311	12,835
8	1,200	1,612	15,647
9	1,200	1,950	18,797
10	1,200	2,328	22,325
TOTAL	$12,000	$10,325	$22,325

You read that correctly—$22,325.

In a nutshell, this illustrates the basic reality of debt: Over time, debt will lower your standard of living.

Now, suppose that instead of spending $3.35 more per day than you make, you save $3.35 per day.

That would be $100 per month in savings, or $1,200 per year. At 6% interest (you won't earn as much on savings as you pay on loans), in 10 years you would have saved $16,378.

In other words, the difference between spending an extra $3.35 per day and saving $3.35 per day is almost $40,000 over a 10-year period.

A lot of money for such a small lifestyle change.

COST OF BORROWING

The bigger the loan, the bigger the impact of interest expense. Consider a simple home mortgage. If you borrow $100,000 at 8% for 30 years (a standard home mortgage), the numbers will look like this:

Monthly payment: $ 734
Total Paid: $264,240
Interest Paid: $164,240

(NOTE: The past few years have seen mortgage rates around 3%. These historically low rates cannot be sustained forever. For our example, we chose to stick with a more typical rate of 8%.)

The interest will cost you quite a bit more than the amount you borrowed: $164,240 in interest on a $100,000 loan.

Now, suppose you borrow the same $100,000 at 8% but pay it off in 15 years instead of 30. Here are the numbers:

Monthly payment: $ 956
Total Paid: $172,080
Interest Paid: $ 72,080

By paying off your loan in 15 years instead of 30, you save a whopping $92,160.

This simple example shows the real cost of borrowing and what you can save by reducing debt.

Just imagine: If you can pay off your mortgage in 15 years, you will have $92,160 more to spend in your lifetime. You could pay for a college education with that amount of money.

By delaying your gratification a bit and putting extra money toward the mortgage, you gain an enormous amount.

GOOD VS BAD DEBT

Not all debt is bad.

For example, mortgages make home ownership possible for most people. But that's no excuse to buy more house—and borrow more—than you can afford.

The basic rule: Get a fixed-rate mortgage and pay off the loan as quickly as possible.

In some cases, borrowing money to increase your future income also is a good decision. For example, you might take out student loans to get a college education.

The average income of college graduates is much greater than that of non-graduates. That additional income can far outweigh the cost of a manageable student loan.

Later in life, you might borrow money to start or build a business. Again, that is an example of borrowing to produce additional future income. A reasonable amount of borrowing to increase income makes sense. Borrowing to consume does not.

A GOAL

You can see what too much debt did to our economy. Never forget that debt can wreak havoc with individuals, too.

Strive to be debt free in both your personal and business lives. You'll love the freedom this simple decision will bring.

The Rules of Debt

Never borrow for a consumable.

Except in emergencies or in the case of getting started (as in buying your first car), do not borrow to buy consumables.

Food, clothing, gasoline, vacations and automobiles are examples of consumables. Ultimately, debt associated with depreciable assets like these will lower your standard of living, not increase it.

Pay off the full balance of your credit cards each month.

Credit card interest rates are obscenely high. Use credit cards as a convenience, not as a means to finance purchases.

If you can't control your credit card spending, throw the cards away or keep them in a safe place, to be used only for emergencies.

It's a fact. You will spend less money if you force yourself to use cash than if you automatically flip out a credit card.

Strive for no debt.

Set a target for your own D-Day: Debt-free Day. Imagine the freedom you would have if you had no debt.

If you lost your job but had no debt, how much would it cost you to live? Not much.

So, commit yourself to getting out of debt.

Most individuals and couples can get out of debt, excluding their home mortgage, in five years or less. Paying off all debt including a home mortgage can usually be done in 10 to 12 years. It all depends on how much you are willing to tighten your belt.

For some individuals, becoming debt free will mean a major change in lifestyle. Selling that sports car and getting a more modest used car. Or even selling a big house and downsizing.

Freedom has a price. You'll be glad you paid it. Whatever it takes, becoming debt free is worth it.

LIVING DEBT FREE

CAN ANYONE DO IT?

Borrowing money and incurring debt is easy. Once you're in the bondage of debt, however, getting out isn't so easy.

But it can be done. Be disciplined, set your course and follow these steps.

1. STOP SPENDING MORE THAN YOU MAKE

That's how you got into debt in the first place. You spent more than you made. You wanted to scratch that itch—whatever it was. You borrowed money rather than living within your means.

So, the first step is to look at your take-home pay. That's all you have to spend. No more. And part of that money—maybe a good part—has to go toward debt service.

Since living above your means caused the problem, the solution (as hard as it may be to face the fact) is to go in the other direction: Live below your income.

For many, that may require radical surgery. You might have to move into a more modest home or trade in your luxury car for a less expensive model.

Painful? Yes. Worth it? You bet.

2. PAY THE INTEREST YOU OWE

It may sound simple, but before you can reduce your debt you have to be able to pay the interest that comes due each month.

Bring any back-interest payments current. Once you do that, you're ready to start reducing the actual debt.

3. REPAY HIGH-INTEREST DEBT FIRST

Get rid of your most onerous debts first. These are the balances on which you pay the highest rate of interest. Usually this will be credit cards.

Credit cards typically charge from 18% to 21% interest annually. Even cards that lure you in with a low introductory rate will soon revert to the higher rates.

As you work to pay off your balances, take one other equally important step. Stop making new credit card charges. Your goal is to get to a zero balance.

PAY OFF THE HIGHEST-INTEREST DEBT YOU HAVE AND THEN MOVE ON TO THE NEXT HIGHEST ONE.

Each month, pay as much of the balance as you can. Don't just pay the minimum due. If you do, it will take forever to eliminate the debt. The banks design the minimums that way. They don't want you to pay the balances off.

Every month you reduce the balance, your interest the next month will be lower. The same monthly payment will put more money toward paying off the principal.

4. PAY OFF YOUR NEXT DEBT EVEN FASTER

Once you have paid off your highest-interest debt, take the money you were using for those payments and add it to your regular monthly payment on your next-highest-interest debt.

Typically, this will be an automobile loan or some other consumer credit. By adding $100, $200 or more to your monthly payment, you'll be amazed by how quickly you will pay off the second loan.

Repeat this process for all of your loans. Pay off the highest-interest debt you have and then move on to the next highest one. You can take a slight break and celebrate whenever you pay off one of the loans. But then get right back in the groove.

Each successive loan will be paid off that much more quickly because you're putting additional money toward the payments.

5. DON'T TAKE ON ANY NEW DEBT

It sounds obvious. However, you'd be surprised how many people think they can borrow to buy something once they have paid off one or two loans.

Remember, the goal is to get out of debt. You can't do it if you keep borrowing.

Soon you'll be down to your home mortgage. Apply as much as you can to each month's payment. All the extra money you send each month will pay down the principal.

FIVE TO 10 YEARS

By following this approach, most people can be debt free in five to 10 years, including paying off their mortgage. It just takes a good plan and a lot of determination.

A few people—those who are really buried by debts—will need extra help. If that's you, don't be embarrassed. Get help. Lots of good consumer credit counseling services are available. It is well worth the effort if you need help.

These services can negotiate with credit card companies to get you a lower interest rate. They can also help you put together a budget for your debt reduction program.

Managing Your Time

How often do you get to the end of the day and wonder where the time has gone? You didn't accomplish nearly as much as you set out to do, yet you were busy the entire day.

When you think back on the day's activities, several items stand out.

First, there was that salesman who walked through the door without any notice.

Then, you realized you were spending way too much time reopening old emails because you couldn't recall what they were about.

Finally, when you went to the bank to make the day's deposit, you remembered three other errands you had been putting off. Since you were already out, you decided to take care of those, too.

Individually, none of the tasks was a big deal. But collectively, they added up to a couple of extra hours. A big part of your day.

GAINING EFFICIENCIES

Like anything else, time can be managed to bring about efficiencies. For example, you can save a lot of time on emails and mail, by immediately taking whatever action is required.

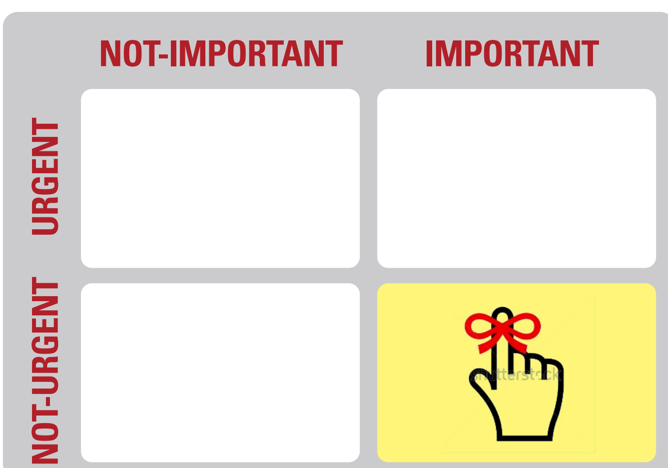
Handle the message only once, not multiple times. You will save literally hours of valuable time.

Stephen Covey, a well-known business consultant, recommends asking two questions about every task:

1. Is this task urgent or not urgent?
2. Is it important or not important?

Obviously, you should handle the urgent and important tasks before anything else. But what about urgent things that are not important versus important things that are not urgent?

Take a look at the grid below. Four boxes outline the types of work you encounter each day. The top left corner includes things that are, relatively speaking, urgent and not important. The top right-hand quadrant includes things that are urgent and important.



Most of our time is spent on items that fall in the top half of this chart. We are constantly taking care of the urgent. Answering phones. Opening mail. Paying bills. Filling orders. All are necessary. Not all are equally important.

The bottom right corner is where we ought to devote our time. Dedicating time to activities like planning—that are not urgent but are important—can make all the difference in our long-term success and satisfaction.

This next week, stick to the lower right quadrant of the box. Make a conscious effort to spend more time on activities that may not be urgent but are very important.

Call for Nominations

2017 Tom Butler
Floral Retailer of the Year

TOM BUTLER

In 2015, Teleflora established the Tom Butler "Floral Retailer of the Year" Award to honor Tom Butler, Teleflora's past Chairman. Tom led Teleflora in its mission to serve as a trusted business partner, friend and innovator to independent retail florists across the U.S. and Canada.

The honorary award recognizes a retail florist and Teleflora member that best embodies Tom's legacy. In addition to running a first-class retail operation, award winners show the highest level of commitment and service to their local community, are dedicated ambassadors to the floral industry, and provide leadership and guidance to fellow florists.

Sound like someone you know?
Nominate a retail florist today at:
www.myteleflora.com/nominate

Nominations are due by June 30, 2017.
The winner will be announced at SAF's Annual Convention in September.

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INQUIRIES & ANSWERS

LETTERS

RISK VS. RETURN

"The other day I overheard a gentleman talking about some 'deals' he made and the 'risk/return rule.' Please enlighten me. What is the 'risk/return rule?'"

Return is directly related to risk.

That's the rule. What it means is the greater the potential return, the greater the risk. For example, if you put your money in a savings account at your local FDIC-insured bank, you'll earn a modest rate of interest. However, your money is very safe. It's backed by the government, so the odds of losing anything are almost nil.

On the other hand, take the stock market. Most people expect higher returns on these investments. Otherwise, why would you invest in stocks? The market is doing great now. But since 2000, many investors have seen periodic losses on their investments. High return meant a high risk.

DEDUCTIONS VS. CREDITS

"What is the difference between a tax deduction and a tax credit?"

The credit is much better.

A tax deduction is an amount you can deduct from your income before calculating the tax you owe. Suppose you are paying 20% of your income in taxes. Your tax on $10,000 would be $2,000. If you got a $1,000 tax deduction, your taxable income would be $9,000, and your tax would be $1,800. The deduction saved you $200 or 20% of the tax you otherwise would have owed.

However, if you got a $1,000 tax credit, you would take $1,000 of your $2,000 tax bill. A savings of $1,000.

A $1,000 tax credit will mean a $1,000 saving. A $1,000 deduction will save you only a portion, based on your tax rate.

NORMS

DESIGNER WAGES

This is the percentage that designers' wages should be when compared to the amount of designs they produce at retail.

There are a couple of ways to calculate what designers should be paid. Probably the best is to look at their productivity. In other words, how much can you expect a designer to put out in each hour of design time?

The formula is simple. Take the designer's hourly wage, including taxes and benefits, and multiply that by 10. The answer is how much you should expect that designer to produce at retail in one design hour.

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