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QuickTakes

*Ideas You Can Put
to Work Immediately*

1 Leave Effective Messages

The best messages are less than 50 seconds. Concise and to the point. Just long enough to communicate what you need to say.

Slow down when you give your telephone number. Maybe even repeat it. Most people say their number too quickly. The recipient has to play the message several times to get it. That can be annoying.

2 Encourage Enjoyment

You will be more successful when you do what you enjoy. In fact, enjoyment and hard work are usually more important than intelligence and talent.

Do what you enjoy. Then, encourage those around you to do the same. The atmosphere and productivity in your shop will rise.

3 Be Visual

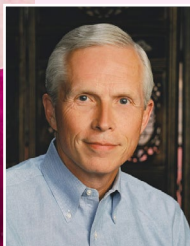
Research from the U.S. Public Health Service Audio Visual Facility found that people who are taught with words alone have an immediate recall of 70%. In just three days, their recall drops to 10%.

However, when visual support is added, immediate recall jumps to 85%. And after three days, recall is still at 65%.

So, combine words and images when you teach and explain to help people retain the information you are providing.

FROM THE PUBLISHERS
OF FLORAL FINANCE®

THE FAMILY-OWNED BUSINESS



How successful are entrepreneurs at passing businesses down through succeeding family generations?

More than 30% of entrepreneurs' children keep the business oper-

ating. It becomes progressively more difficult after that.

By the third generation, only 12% are still in business. By the fourth generation, a mere 3% are still going.

Why? The children may not want the same career as their parents. When you move through several generations, the odds of keeping that single focus grow slim.

However, there are some steps you can take to increase the odds of multi-generational success.

Probably the most important thing you can do is to pass along your pride in running a thriving flower shop. Talk about the business early and often.

Waiting until children are teenagers to share your love for the business is too late. Start when the kids are in elementary school. Bring them into the shop. Help them do show-and-tell projects using flowers. Provide flowers for their school and community activities.

Most of all, don't talk negatively about your shop. Many children don't want to follow their parents because all they heard around the dinner table were the woes of the day.

Instead, share some positive stories. An innovative arrangement. Something funny a customer said. The story of an interesting or impactful delivery. Share the joy.

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Paycheck Protection Program Forgiveness

MAJOR

On June 5, 2020, the U.S. Paycheck Protection Program (PPP) Forgiveness Act was passed. It makes changes to the original PPP, many of which will benefit most florists that are participants. There are four major changes of note, and several other small changes that might also be helpful. Please check with your CPA and PPP lender about them.

PAYROLL SPEND THRESHOLD LOWERED

Originally, PPP participants were required to spend at least 75% of the money borrowed on payroll costs. The PPP Forgiveness Act lowers his threshold to 60%. Payroll costs are defined as gross payroll (not including company portion of payroll taxes) plus company-paid benefits for health insurance and retirement plans.

You now can spend up to 40% of the funds received on rent, utilities and interest on mortgages. Your shop must have been committed to each of these three obligations by Feb. 15, 2020, to qualify.

These payroll and expense payments must be incurred during the covered period and are subject to

certain qualifications, both of which are discussed below, to be considered for forgiveness.

COVERED PERIOD EXTENDED

The PPP originally required that the funds received be spent within 8 weeks of receipt. The covered period is now 8 to 24 weeks from the date of disbursement or Dec. 31, 2020, whichever comes first. In other words, you have more time—if you want it—to spend the

money and qualify for forgiveness.

This change will help florists that reduced their employee count between Feb. 15 and April 26, which is most likely all florists. (If you did not reduce your employee count during that period, this change may or may not be beneficial to you. See at right.)

The PPP, established under the original CARES Act and now modified by the PPP Forgiveness Act, is a wonderful financial aid to the retail florist.



UPDATES

PPP Loan Forgiveness Application

The change in the covered period is not mandatory. Each business has the right to either stick with the original 8 weeks or change to 24 weeks. If you were able to spend all your borrowed money within 8 weeks, it is probably wise to stick with that original option. The 8-week option is available only to businesses that applied and received their funds prior to June 5, when the PPP Forgiveness Act was passed.

DEADLINE TO 'ELIMINATE EMPLOYEE REDUCTION' EXTENDED

June 30, 2020, was the original deadline by which businesses were required to rehire enough people to match the number of full-time equivalent (FTE) employees on the payroll for the period that included Feb. 15. The new deadline is Dec. 31, 2020, or the date on which you file for forgiveness, whichever is earlier. (An FTE employee is comprised of one or more employees whose combined hours equal 40. In other words, two 20-hour employees would equal one FTE.)

Note that "eliminate employee reduction" means you have until Dec. 31 to bring your FTE count back up to its Feb. 15 level. In order to qualify for this provision, you must have reduced your FTE headcount between Feb. 15 and April 26. This is a Safe Harbor rule

for qualifying for full forgiveness based on your FTE count.

Any business that did not reduce its FTE count between Feb. 15 and April 26 does not qualify. Instead, those businesses must show that their average FTE count during the entire 8- or 24-week period was equal to the Feb. 15 level.

This is one of the reasons why a business might want to stick with the original 8-week period. If it did not qualify for the Safe Harbor rule, the amount of time needed to keep the FTE level equal to the Feb. 15 level would be 8 weeks rather than 24. Once the 8 weeks are up, the business could reduce its FTE number without consequence.

Remember, this exception only applies to businesses that did not reduce their FTE between Feb. 15 and April 26. *Floral Finance* would be surprised if any florist did not reduce their FTE headcount during that time.

If you do not raise your FTE count back up to its Feb. 15 level, your forgiveness will be prorated proportionately. For example, if you are able to get your FTE headcount back up to 75% of the Feb. 15 level, you could receive only a 75% forgiveness of your PPP loan.

DEADLINE TO 'RESTORE REDUCED PAYRATES' EXTENDED

June 30, 2020, was the original deadline to "restore reduced payrates" to their Feb. 15 level. It is now extended to Dec. 31, 2020, or the date on which you apply for loan forgiveness, whichever comes first. The most important point is that a reduction in hours is not a reduction in the payrate. A reduction in hours is a reduction of your FTE headcount. A reduction in payrate means you lowered the hourly rate or salary of the employee.

Again, there is a Safe Harbor rule to qualify for forgiveness by merely "restoring" payrates. It is like the earlier FTE Safe Harbor rule. If you reduced

payrates between Feb. 15 and April 26, all you have to do to get full loan forgiveness is restore payrates to at least 75% of their Feb. 15 level by Dec. 31 or the date you apply for forgiveness, whichever is earlier.

If you did not reduce payrates during that Safe Harbor period, you must show that the "average" payrates since getting your loan are at least 75% of your Feb. 15 payrates.

If you didn't qualify to fall under this Safe Harbor rule, you might not want to opt for the 24-week period because the 8-week period shortens

the time you have to keep average payrates at 75% of your Feb. 15 payrate level. Again, most, if not all, florists do not have to worry about this option since they most likely would have

made any rate reductions between Feb. 15 and April 26.

You now can spend up to 40% of the funds received on rent, utilities and interest on mortgages.

PPP LOAN FORGIVENESS PROCESS

The forgiveness application packet is 10 pages and has four parts:

- PPP Loan Forgiveness Calculation Form
- PPP Schedule A
- PPP Schedule A Worksheet
- Documentation Required

The PPP Schedule A Worksheet requires listing all employees and their pay during the covered period. It is quite detailed. The entire process is detailed enough that it would be wise to involve your CPA and your PPP lender in the process of filling out all the forms accurately.

The PPP, established under the original CARES Act and now modified by the PPP Forgiveness Act, is a wonderful financial aid to the retail florist. However, as with all government programs, you need to read the small print and make sure you fill out and submit the forms properly and on a timely basis. 🌸

You can find more information about PPP Loan Forgiveness at www.uschamber.com/report/guide-ppp-loan-forgiveness.

Personal Guarantees in a COVID-19 World

Putting It All on the Line



COVID-19 devastated your shop's sales. You are trying to work your way back but need money. You think your business' past performance is good enough to warrant a loan. So, you approach your friendly banker.

OOPS...

The bank is willing to loan you the money—if you sign a personal guarantee. In fact, they won't make the loan without your guarantee. If the business can't repay the loan, you will have to do so out of your own pocket.

It sounds okay. After all, you're sure the shop will be able to repay the debt. If it does, you have nothing to worry about.

But something makes you hesitate.

Should you agree to the banker's request? Should you sign the guarantee? What exactly are you getting yourself into?

If you find yourself in this situation, remember one simple rule:

Signing a personal guarantee is never "just a formality." Never.

Guaranteeing a debt is serious business. It carries serious legal obligations. And possibly severe consequences.

Don't sign a personal guarantee unless you are willing and able to pay the obligation out of your own assets. Because that may very well happen.

WHAT'S IN A NAME?

Guarantees can be confusing. Many people don't really know what their obligations are.

Bank guarantees are written by lawyers. That can be a problem for us ordinary folks. Lawyers have a language all their own. It's called "legalese."

A guarantee written in legalese will have all sorts of high-sounding phrases. You can forget all the "wherefores" and "hereinafores." They just make lawyers feel better.

However, there are other technical terms that you can't ignore. These very specific words have very specific meanings that can completely change the meaning of the guarantee.

It starts at the most basic level: the name given to the document. There are two types of guarantees:

- Guarantees of collection
- Guarantees of payment

If you put a guarantee of collection and a guarantee of payment side by side, you might not be able to tell the difference. However, they are worlds apart.

To understand the difference, you have to know what the terms of "collection" and of "payment" mean.

GUARANTEE OF 'COLLECTION'

When you sign a guarantee of collection, you are "contingently" obligated. If the business can't pay, the bank can go after you. But they first must try their best to get the business to pay.

Here's what you are really saying in a guarantee of collection:

"I promise to pay back the money you loan to ABC Flowers if the business cannot repay the debt out of its own funds. However, before you come to me for any money, you must first go after ABC. Until you have gotten everything you can out of the business, you can't pursue me for payment."

Those aren't the words the guarantee actually will use. But that's the idea. You are the second in the line of attack for the bank.

GUARANTEE OF 'PAYMENT'

A guarantee of payment imposes a much bigger burden and represents a much higher risk. When you sign a guarantee of payment, you make this pledge to the bank:

"I promise to pay back the money you loan to ABC Flowers. In fact, I

agree that all you have to do is ask. I'll pay. You can even ask for my money first, if you want. You don't have to squeeze everything out of ABC before you come to me. You are the boss."

A guarantee of payment makes you equally obligated with the business. The bankers can use their own judgment on when to ask you to pay.

Obviously, from your perspective, a guarantee of collection is much less risky.

The bank, however, would rather have a guarantee of payment. A less-than-scrupulous loan officer might even try to slip it by you without mentioning the implications.

Isn't it amazing what changing one little word will do?

'CONTINUING' GUARANTEES

"Continuing" is another term you need to be aware of.

Most guarantees are signed in connection with a specific loan. The bank agrees to loan the business \$10,000 if you sign a guarantee. Once the \$10,000 is paid back, you're off the hook.

However, under a "continuing guarantee," your obligation lives on long after the original debt is repaid. You essentially are guaranteeing any debt the borrower may owe the bank. At any time. Now or in the future.

If you sign a continuing guarantee, you could be in for a big (and rather unpleasant) surprise. Suppose several years after that first loan, the business borrows another \$50,000 from the same bank. Your old guarantee still stands. You could be liable for the much larger \$50,000 debt.

This isn't just a theoretical problem. The standard forms many banks use are written as continuing guarantees. That's why you and your attorney need to read the document carefully before you sign.

Don't agree to more than you intend. If all you and the bank intend is a guarantee on a particular loan, make sure the agreement says so.

LIMITED VS. UNLIMITED

Here's another issue: Does the guarantee limit the dollar amount of your obligation?

Suppose your personal net worth (all you have minus all you owe) is

Family Loans & Guarantees

Sometimes, a family member (or friend) will ask you for a loan. Or he may ask you to guarantee a loan he is getting elsewhere. He says he "just needs a bit of help" and assures you he will pay the money back.

Be very careful here.

Ask yourself why you are getting the request. Usually, the problem is the other person's poor financial management. Your loan or guarantee won't "change the stripes of the tiger." He almost certainly will continue to be a poor money manager. You probably never will see your money again.

Same situation when a family member (or friend) asks to borrow money so she can pay off some other creditors. As a rule, don't jump in with financial help in these situations.



She should work through the problem with the creditor. If she can't pay her creditors now, what makes you think she will be able to pay you? (*Floral Finance* knows one elderly couple who used their retirement funds to help someone in just such a situation and put themselves at great risk.)

In a nutshell, never make a personal loan or guarantee unless you are prepared to ultimately make the money a gift. Most of the time, that is exactly what happens.

\$50,000, but the business is borrowing \$75,000. Realistically, you cannot guarantee the entire debt.

Don't assume the bank knows the limit on your ability to pay. The agreement should include a paragraph saying what everyone should know: Your guarantee is specifically limited to \$50,000.

You might think, "What's the difference? All they will get from me is \$50,000."

Maybe. But before they are done, they may force you to go through bankruptcy.

If you have equity in your home that you didn't declare, the bank could force you to sell it. Even if you don't have any assets beyond those you originally declared, you will have a bankruptcy on your credit report for at least 7 years.

In general, don't sign guarantees. But if you do, be certain you know what you are agreeing to. 🌸



Hope Springs Eternal

Many people's personal finances have been ruined because they were too optimistic. They assumed the guarantees they signed would never be used. And they were wrong.

Never sign a guarantee unless you:

1. Have the money to pay the full amount;
2. Are willing to do so if the need arises.

If both conditions aren't met, don't sign.

This may mean your business will grow a little more slowly. It may mean you will have to alter some expansion plans.

However, it will guarantee you will sleep more soundly at night. And that's much more important anyway.

NET PROFIT

How Is My Business Really Doing?

Net profit is the bottom line. Literally. The underlying question is what a flower shop's net profit should be as a percentage of sales.

If the owner/manager is on the payroll, the net profit target is 10% of sales. For shops that do not put the owner/manager on the payroll, the target is 20%.

Unfortunately, most florists don't hit these targets.



WHAT'S WRONG?

After studying financial statements for many retail flower businesses, *Floral Finance* discovered that three areas determine a shop's profitability. When these areas are controlled properly, profit follows. When even a single one is out of line, profit will suffer.

The big three are cost of goods sold (COGS) for arrangements, payroll expenses and facility expenses.

ARRANGEMENT COGS

This is your product costs. The items you put into arrangements: flowers and foliage, container, and supplies.

Flowers and foliage are the most important component. Profitable shops will keep their fresh product costs at or below 25% of fresh flower sales.

When COGS is too high, flowers are being thrown away, given away or stolen. Giving away flowers is by far the most common culprit. The designers are stuffing too many flowers into each arrangement.

To control this, designers must count and charge for every item in every arrangement. No exceptions.

Standard recipe arrangements will help you hit your COGS for arrangements target.

PAYROLL EXPENSES

When the shop's owner/manager takes a salary, total payroll expense (wages, payroll taxes and benefits) should not exceed 30% of sales. If the owner/manager is not on the payroll, the target is 20%.

To control payroll, set your staff at the level required to cover typical non-holiday business. Then, add personnel, as necessary, on busy holidays.

Typically, non-holiday, weekly sales are fairly level throughout the year. So, well-planned non-holiday staffing will be effective for almost 11 months out of the year.

Proper staffing will save you serious money, week after week.

FACILITY EXPENSES

Facility expenses include rent, repairs, maintenance, liability and property insurance, utilities, and anything else required for the upkeep and operation of your shop.


The target here is 10% of sales. The industry average is about 8.5%.

If your facilities expenses are above the target, get busy. You can't change some facility expenses—like your monthly rent—quickly. But all can be right-sized over time. Talk to your landlord to see if he would be willing to reassess rent. Or take a look down the road. See if a move to a more affordable location could be the answer.

GETTING HELP

Most retail florists are right-brained, creative people. That's why they got into the business in the first place.

For a creative person, managing the business may be neither natural nor much fun. Identifying and addressing operational problems requires some serious personal discipline.

Do what it takes. And seek help if you need it. One option: contact Teleflora (800-421-2815) to get a copy of the revised and expanded *Profit Minded Florist*, the industry's only financial manual that shows how to tackle many operational issues, including the three discussed in this article. 

ONLINE BANKING

Online banking is a tool that can greatly simplify your life and increase your efficiency. It's one of the many benefits the internet revolution has brought to small business owners.

If you haven't already tried online banking, once you do, you quickly will appreciate its value. Here's a quick outline of the basics.

WHAT'S INVOLVED?

Online banking is offered free of charge by most financial institutions. Tell your bank's customer service representative that you want to enroll in the service. They'll take it from there.

You will have to fill out a form that authorizes you to use online banking with your account. If you have more than one account, you will want to get authorization for each one.

Then you will be assigned a username and a password. The username will be permanent; however, the password will be temporary. The first time you log on, change the temporary password to something only you will know.

That's it. You're ready to go.

LOGGING ON

The bank will give you the URL for their online banking site. It will be something like www.yourbank.com.

When you go to the site, the bank's home page will pop up. Click the log-on button, enter your user ID and password, and you'll see a menu of choices.

WHAT YOU CAN DO

First, you can check the current balances in each of your accounts. In fact, the balances probably will be listed on the first screen you see after logging on.

From there, you can see details of the activity in each account—deposits

that have been made, checks that have cleared, credit card deposits, service charges and any transactions that are pending.

WITH ONLINE BANKING, IT'S EASIER TO KEEP ON TOP OF THINGS.

Although you know all the checks you have written and deposits you have made, the timing of other miscellaneous charges isn't always predictable. Seeing them in real time will help you keep from being overdrawn. The same is true for EFTs (electronic funds transfers) you have authorized.

With online banking, it's easier to keep on top of things.

PAYROLL

Another great feature is the ability to directly deposit your employees' paychecks into their checking accounts. That makes payday much more efficient for everyone.

To get started, you will have to obtain each employee's bank routing

number and account number. You will enter that information in the payroll management section of your online banking account. But you only have to do it once for each employee. The system will save that information for you.

Then, each pay period, you simply input each individual's net paycheck and indicate when you want the money transferred. Easy and quick.

LINE OF CREDIT

Online banking also makes it easier to use any line of credit you have with the bank. If you need to borrow some money to meet your payroll or to pay bills, simply go online.

Under the "Transfer Funds" menu, enter the amount you want to transfer from the line to your operating account. The transfer takes effect instantly.

It's just as easy to pay down the line. Use the same online banking function to transfer money from your operating account to the line of credit.

YOU'LL NEVER GO BACK

Once you've entered the world of online banking, you'll never want to go back. Being online is just too easy. 🌸

FAMOUS FINANCIAL WORDS

"Just pretending to be rich keeps some people poor."—Anonymous

"Innovation distinguishes between a leader and a follower."—Steve Jobs

"Each day is the scholar of yesterday."—Publilius Syrus

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INQUIRIES & ANSWERS Letters

WEDDING FLOWERS

"How many flowers are used in the average wedding?"

It depends.

Since weddings vary so much in size, there really is no average that has much meaning. It's better to look at a budget guideline.

Generally, flowers represent 10% to 12% of the total wedding budget. So, in wedding consultations, ask your prospective brides the total budget for their special day. You might say something like, "Most brides want their flowers to make a proportional statement. Typically, 10% to 12% of the total budget is a good target for flowers. How much have you budgeted for your wedding?"



That approach puts everything in perspective. It tells the bride why you are asking the question. And you have a starting place as you begin planning.

Of course, once shared, the wedding budget should remain completely confidential.

ROADSIDE VENDORS

*"What's the best way to deal with roadside flower vendors?
How can I get them out of our community?"*

Don't spend a lot of time worrying about them.

You really don't compete with roadside vendors. You're in a different business. They don't do weddings, special events, sympathy work, delivery or anything else that requires service or design skills.

Instead of wasting time trying to figure out how to stop them, work on making your business stronger and more profitable.

Some communities have laws that prohibit or restrict roadside flower vendors. However, working to get the authorities to enforce those laws isn't a good use of time. Remember, roadside vendors can't do what you do. Build your own business instead of trying to stop theirs.

NORMS

WEBSITE TRAFFIC



This is the percentage of customers who call you on the phone who are also looking at your website.

A recent poll by *Floral Finance* of florists at an industry meeting indicated that most knew that easily one-third to one-half of the customers who call are on their websites. That says a lot about your website.

It is not only important for selling orders online. It's also important for pre-selling customers who call. This also suggests that many more customers may visit your website than may visit your store. Make sure you continually make your website attractive and fresh.

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