

The Prosperity Press

A quarterly publication providing you with invaluable information in financial planning, wealth management, taxes and so much more!

How the COVID-19 Pandemic is Changing How We Conduct Business



Adapting to the “New Normal”

When the clock struck midnight on January 1st, 2020, we had no idea what we were in for. Coronavirus was just starting to get on our radar and within months it has taken the world, quite literally, by storm. Businesses have struggled to adapt as they juggle a volatile economy, imposed government shutdowns, and trying to make sense of government aid programs.

As states start to re-open, and government sanctions are lifting, business owners are adjusting to the “new normal” and adapting to life with COVID-19.

Supply Chain Disruptions

If your business relies heavily on a supply chain, you probably already noticed that your vendors have been experiencing disruptions like never before. While this impacts lead times and costs of your projects, you must plan around these disruptions.

Communicate with your suppliers. It may be appropriate to re-negotiate prices, discuss payment schedules, and credit terms to find solutions that suit both you and your suppliers during this time.

Get creative. Take a good look at your inventory, your customers’ needs, and your capabilities. Flexibility may be the key to succeeding in this challenging environment. Do you have the capacity to make a different product with your current inventory? Talk to your vendors and see if they can help. They may have more capabilities than you think.

Workforce Management

Before COVID-19, most of your employees probably worked in the office. However, as the global pandemic cases rise, many companies are still allowing their employees to work full-time from home, some indefinitely.

There are pros and cons to allowing people to work from home. In the current environment, the decision to allow people to work from home is coming from a place of safety. However, coronavirus won’t be plaguing us forever. What will this work from home trend look like as businesses start to open their doors again?

Pros of Allowing Remote Work

Employees working from home can be just as productive, if not more productive, as their in-office counterparts, according to research from Stanford University and Cardiff University. Not only are employees more productive, but they are also happier and report greater employee satisfaction and work-life balance. Businesses are saving money and lowering their overhead costs by reducing office space, and according to a survey done by Global Workplace Analytics, 36% of employees even report that they would choose the ability to work from home over a pay raise.

Cons of Allowing Remote Work

Many business owners worry that allowing their employees to work from home will cause a lack of supervision, lack of access to information, social isolation, distractions, and even a loss of sense of belonging. The latter being especially dangerous as it can lead to increased turnover within an organization.

Overcome remote challenges

If you’re currently allowing your employees to work from home, make sure that you have the infrastructure to do so. Talk to your IT and cybersecurity teams to make sure employees can do their jobs efficiently and securely from their homes. Ensure you have several points of communication that go beyond emails such as video calls, chat, and phone calls.

If allowing full-time remote work seems out of the question, consider implementing a work from home policy that allows employees to work from home for a portion of the week (1-2 days).

Socially Distant Networking

As a business owner, one of the biggest challenges you may face in growing your business during COVID-19 will be the lack of networking. Many people enjoy attending networking events, sporting events, etc., to meet like-minded entrepreneurs, prospects, and referral sources. Many organizations are hosting digital networking events via Zoom. If you haven't attended one, it's worth a try. Pour yourself a glass of wine, put on your best business casual attire, and turn on that laptop camera for a digital networking experience. You can take this one step further and ask prospects, referral sources, etc. to a follow-up Zoom meeting instead of lunch.

Take Advantage of Social Media

This is not the time for online radio silence. Keep your social pages updated and engage with other people via LinkedIn, Facebook, Twitter, etc. It is also a good way to keep your clients, employees, prospects, and referral sources updated on how you and your business are doing.

Network Safely in Person

As businesses begin to open, you may wonder if it's safe to take a client out golfing or to meet someone for lunch outside. While everyone should use their discretion, it is possible to enjoy some activities safely. We recommend you follow the recent CDC guidelines to do so.

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New PPP Rules Released

On August 24th, the SBA issued new guidance on the Paycheck Protection Program regarding owner-employee compensation and nonpayroll cost eligibility.

Related Party Rent Limitation

Per the PPP rules, borrowers must spend 60% of their forgiveness amount on payroll and 40% on other qualified expenses, such as rent. While these percentages haven't changed, the new guidance aims to equalize the treatment of business owners who own their property in a separate entity and those who hold property in the same entity as their primary business. This new rule won't affect most borrowers who rent their office space from an unrelated entity.

However, if you own a separate entity that holds your office space and you pay rent to that entity, that rent may no longer be a qualified use of PPP funds.

Owner-Employee Compensation

Per the previous PPP rules, the amount of forgiveness requested for employee compensation for the 24-week period is three times the 8-week limit. For owner-employee compensation, if using an 8-week covered period, the amount of forgiveness requested cannot exceed 8 weeks' worth of 2019 compensation (the lesser of \$15,385 or 15.385%). However, if the borrower elects to use a 24-week covered period, the owner-employee compensation is capped at 2.5 months' worth of 2019 compensation (the lesser of \$20,833, or 20.833%).

To protect employees with small amounts of company ownership, who likely can't influence how their company uses PPP funds, the new guidance exempts owner-employees with less than 5% ownership in an S or C corp from the PPP owner-employee compensation rule.

Sub-Tenant Expenses and Working From Home

The SBA has stated that the amount of loan forgiveness requested for nonpayroll costs (the 40% portion) may not include any money that may have been requested for forgiveness by a tenant or sub-tenant of the PPP borrower or for home-based business household expenses. The guidance provides four examples:

- A borrower rents an office building for \$10,000 per month and subleases out a portion of the space to other businesses for \$2,500 per month. Only \$7,500 per month is eligible for loan forgiveness.
- A borrower has a mortgage on an office building it operates out of, and it leases out 25% of the space to other businesses. The portion of mortgage interest that is eligible for loan forgiveness is limited to 75%.
- A borrower shares a rented space with another business. When determining the amount that is eligible for loan forgiveness, the borrower must prorate rent and utility payments in the same manner as on the borrower's 2019 tax filings, or if a new business, the borrower's expected 2020 tax filings.
- A borrower works out of his or her

home. When determining the amount of nonpayroll costs that are eligible for loan forgiveness, the borrower may include only the share of covered expenses that were deductible on the borrower's 2019 tax filings, or if a new business, the borrower's expected 2020 tax filings.

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Upcoming Webinar!

Webinar Date and Time:

**Wednesday, November 18, 2020
11:00am - 12:00pm**

Join us for a virtual webinar on long-term care! About 70% of us will need long-term care services during our lifetime. Create a robust retirement protection plan and learn how to protect against longevity threats at our Power of Longevity Planning Webinar.

At this webinar, you will learn:

- How many years of income you should plan for in retirement
- What the biggest threat is to your retirement portfolio, assets, and income
- How much Medicare and Social Security pay for
- The four approaches to funding a long-term care event
- The different long-term care insurance options
- What happens if you don't plan for long-term care
- The cost of self-funding long-term care

Register at:

prosperityconsult.com/lcwebinar