



**Dear Clients and Friends,**

Take a moment and calculate how much of an increase in sales is needed to increase profit by \$1,000 – or whatever dollar figure is worth considering. Odds are that sales would have to increase significantly.

The idea of TIPS is that any reductions in expenses can be seen on the bottom line.

Any time expenses are reduced the firm's profits are positively impacted.

Another plus is that as expenses are reduced, sales may increase. Why? Because the firm can be more aggressive in competitive situations. More bloated, less efficient, competitors are at a disadvantage!

*Sincerely yours,  
Jim Lill, President*

## TIPS to up Profits

Rising gas prices have caused consumers to rethink their driving habits – a bit. Rising gas prices have also made some firms adjust. They've had to increase costs, add delivery charges or face reduced profits. After all, profits are the amount left over when expenses are subtracted from revenues.

To increase the bottom line, businesses can increase revenues or decrease expenses. Often, decreasing expenses is more easily done and may have a bigger and faster payoff than increasing sales. Businesses should think of TIPS to increase their profits.

The T in TIPS represents taxes. While taxes are always a factor, some of them can be reduced. Payroll taxes can be reduced by implementing a flexible spending account, also known as a Section 125 plan. Employees can elect to have money taken out of their salaries on a pretax basis to pay for medical expenses. Employers benefit because payroll taxes are then calculated on lower amounts. Some of the payroll tax savings will be used to administer the flexible spending account, but many employers also see additional tax savings.

Longer term savings can result from taking an active approach to unemployment taxes. The easiest and first step should be to ensure that

the claims charged against the employer are, in fact, for employees who were with the firm. Many times employers have found errors in charges against their accounts.

Understanding how the unemployment compensation system works can also result in tax savings. Fighting questionable UI claims can result in lower tax rates.

The I in TIPS is for insurance. All insurance lines should be reviewed. Higher deductibles or cancelling insurance that is no longer meeting anticipated needs can result in savings. Health insurance should also be reviewed to make sure that it is still reflecting hiring and retention priorities.

The P in TIPS covers publications. Consider whether newspapers and journals are adding to the firm's knowledge base. Multiple copies of a single publication can be eliminated.

The S in TIPS stands for services. Telecommunications services are a large cost for many businesses. A periodic dialogue with telecommunications providers can result in lower costs. Long distance charges, if not already part of a package plan, may be reduced through a greater use of electronic communication, too.

Other services that can eat up profits include overnight and express mail, messengers, etc.

**Ask us about free COBRA and FSA administration!**

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