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In This Issue:

Business & Tax Solutions for the Entrepreneur

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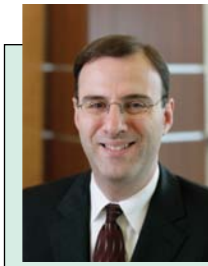
New Gift and Estate Tax Rules



By Jay Benjamin, CPA, JD

SUMMARY: New gift and estate tax rules were enacted by Congress in December 2010. Prior to the enactment of the new rules, the gift tax exemption was $1 million, and the gift tax rate was 35 percent.

The Federal estate tax was repealed for 2010, but starting in 2011, the estate tax was scheduled to return with only a $1 million exemption and rates ranging from 41 percent to 55 percent. The gift tax exemption was also scheduled to be $1 million with rates ranging from 41 percent to 55 percent.

The new law delays the effective date (from Jan. 1, 2011 to Jan. 1, 2013) of the gift/estate tax rules, reverting to a $1 million exemption and rates ranging from 41 percent to 55 percent. Meanwhile, for 2011 and 2012, new rules exist that are very taxpayer favorable.

As a result of the new law, for 2010, the gift tax rules stayed the same (i.e., $1 million exemption with a 35 percent rate). For 2011 and 2012, the gift tax exemption went up to $5 million with a 35 percent rate. This means that a taxpayer can gift up to $5 million total during life without paying any gift tax. Gifts in excess of $5 million are subject to tax (imposed on the donor) at a rate of 35 percent. Note that the $5 million exemption is a lifetime exemption. If a taxpayer previously used the $1 million exemption, then he only has $4 million remaining.

Now is an excellent opportunity to consider making gifts. When a taxpayer makes a gift, not only are the gifted assets out of his estate, but the future appreciation on the gifted assets is also out of the taxpayer's estate. Further as noted above, if Congress does not act before 2013, then starting in 2013 the gift tax exemption falls back to $1 million. Consequently, the opportunity to make gifts in excess of $1 million with no gift tax might be short-lived.

Continued on page 9. See "New Gift and Estate Tax Rules."

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Managing Partner Message

David Resnick, CPA
Managing Partner

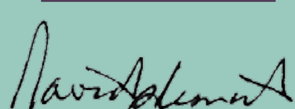
As the summer heats up, so too are things at Katz, Sapper & Miller (KSM). We are excited to announce our expansion into the Fort Wayne community. Having a presence in Fort Wayne will allow us to serve our growing list of northern Indiana clients.

Additionally, we continue to add expertise to our Healthcare Resources Group, providing additional services to hospital systems throughout the country. Our Manufacturing and Distribution Services Group is finishing our fifth survey of the Indiana manufacturing industry. The annual survey has become a valuable benchmark resource for hundreds of companies.

Inside KSM, we are leading our third group of employees through a problem solving tools and techniques course to help develop and refine skills in this important area.

Last, but certainly not least, KSM was named as one of Indiana's Best Places to Work by the Indiana Chamber of Commerce – our sixth year in a row to receive the honor, and one of only five Indiana companies to be able to make such a claim!

As always, I welcome your comments and thank you for allowing us the opportunity to work with you.



David Resnick is the firm's Managing Partner. David can be contacted at 317.580.2090 or dresnick@ksmcpa.com.

Social Security – Maximizing Benefits

By Troy Hogan, CPA

SUMMARY: With conflicting public opinions on the merits of the Social Security program, it is not surprising when benefit payment questions arise on how the amounts were calculated.

There are two basic steps in determining monthly benefits. The first step is computing the average indexed monthly earnings (AIME). The second step, which incorporates AIME, is to determine the primary insurance amount (PIA), which is the basis needed to calculate Social Security benefits that are paid to retirees.

The AIME calculation takes the highest 35 years of earnings and indexes them to reflect the changes in wage levels. This ensures that benefits will reflect the rise in the standard of living that occurred during a lifetime of working. The sum of those years is divided by 420 to determine the average monthly earnings. If there are less than 35 years of earnings, it may be beneficial to work enough additional years to have a full 35 years. Otherwise, non-earning years will be averaged in and will quickly decrease the AIME – and ultimately the retirement benefits. Reviewing the annual Social Security statement for errors or omissions and having them corrected before the statute of limitations runs out is advised.

Once the AIME is established, the next step in determining the monthly benefit is calculating the PIA. The PIA is the sum of three separate portions of AIME, known as bend points, which depend on the year age 62 is reached. At age 62 in 2011, if the AIME is $5,000 the calculation is as follows:

1. 90 percent of the first $749 of AIME = $674.10
2. 32 percent of AIME above $749 and through $4,517 = $1,205.76
3. 15 percent of AIME above $4,517 = $72.45

The sum of the calculation ($1,952.31) is the monthly benefit. The maximum benefit cap is $2,366 in 2011.

Continued on page 10. See "Social Security."

Global Accounting Standards: Convergence Continues

By Jason Patch, CPA

SUMMARY: The Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) continue to work toward the convergence of U.S. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS). While many continue to question the impact of the proposed convergence on privately held companies, the FASB and the IASB (the Boards) continue to move forward with their mission. Two of the more wide-reaching convergence topics include revenue recognition and leasing transactions.

Revenue Recognition

The proposed standard would apply to companies in all industries entering into contracts with customers, with few exceptions. The underlying principle is that revenue should be recognized to reflect the transfer of goods or services to customers in an amount that reflects the consideration the company receives, or expects to receive, in exchange for those goods or services. While there have been several changes made to the original proposal, and while others continue to be assessed, the recognition process continues to revolve around the following five steps:

- identify the contracts with a customer;
- identify the separate performance obligations within the contracts;
- determine the transaction price;
- allocate the transaction price to the separate performance obligations; and
- recognize revenue when the entity satisfies each performance obligation.

The process and considerations within each step are intended to remove inconsistencies and weaknesses in existing standards, provide an enhanced framework for addressing revenue recognition issues, and improve the comparability of revenue recognition practices across geographic areas and industries.

While revisions have been made, and while several others continue to be assessed, the following represent just a few of the revisions to date:

- Multiple contracts are to be combined and assessed as a single contract if one or more of the following exist: 1) the contracts are negotiated as a package with a single objective; 2) the amount of consideration in a single contract is dependent upon another contract; and 3) the design, function or technology of the goods and services within the contracts are interrelated.
- Contract modifications are to be considered a separate contract subject to assessment if the modification results in a separate performance obligation at a price reflective of the performance of such obligation.
- Revenue is to be recognized once a performance obligation is satisfied continuously, at which point a method of measuring progress toward complete satisfaction of the performance obligation should be selected.

The proposal should be applied to specific contracts in order to fully understand the implications of the guidance. The Boards recently decided to re-expose their revised proposals in the third quarter of 2011 for a comment period of 120 days. Therefore, the original expected issue date of June 30, 2011 will be delayed to the end of 2011 or later.

Leasing Transactions

The Boards continue to work together to ensure that assets and liabilities, arising under leasing transactions, are recognized on the balance sheet. Currently, the Boards have agreed to a one-model approach in accounting for lessee transactions, such that all leases are to be treated as financing transactions.

Such an approach results in the recognition of an asset reflecting the right to use the asset, for the term of the lease, and the recognition of a liability for the lease payments to be made over the term of the lease (both subject to present value). The Boards returned to a one-model approach after temporarily establishing a two-model approach that would have treated short-term leases much like operating leases are currently treated in the statement of income.

Continued on page 10. See "Accounting Standards."

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Accountable Care Organizations

By Ellen Ferringer, CPA, CAPPM

SUMMARY: The face of healthcare is changing. "Accountable care organization" is becoming a common term in the industry. What exactly is an accountable care organization? On March 23, 2010, President Barack Obama signed into law the Patient Protection and Affordable Care Act, which empowers the Secretary of Health and Human Services to create a shared savings program to promote accountability of patient care through Accountable Care Organizations (ACO).

As defined by the Centers for Medicare and Medicaid Services (CMS), an ACO is an "organization of healthcare providers that agrees to be accountable for quality, cost and overall care of Medicare beneficiaries who are enrolled in the traditional fee-for-service program who are assigned to it." Ultimately, Medicare is trying to create an incentive program to reduce its costs while increasing the quality of care provided to patients.

The regulations regarding ACOs are still in proposed form and 427 pages in length. At a very high level, these proposed regulations provide the following requirements of ACOs:

- Provide care for at least 5,000 Medicare beneficiaries (based on their primary care physician)
- Participate in the program for three years, beginning Jan. 1, 2012
- Self-report 65 quality measures to the CMS
- Meet various anti-trust regulations

Under the proposed rule, Medicare would continue to pay healthcare providers for specific services under the Medicare payment systems. The ACO would then receive a share of the cost savings based on their Medicare patient population spending compared to benchmarks determined by CMS.

The concept is that by better coordinating patient care between the primary care physicians and the specialists, there will be more information sharing and quality of service will increase, thus reducing costs.

The proposed regulations require ACOs to notify their patients about their participation in an ACO. If they choose, the patients will have the ability to opt out of sharing their protected health information with the other ACO healthcare providers. Therefore, do not be surprised if you receive information in the mail or notice signs in your doctor's offices announcing their participation in an ACO.

"By better coordinating patient care between the primary care physicians and the specialists, there will be more information sharing and quality of service will increase, thus reducing costs."

Although ACOs, as defined in the Patient Protection and Affordable Care Act, only affect Medicare patients, it will have an effect on the entire healthcare system. Currently, many physician groups and hospitals are weighing the pros and cons of forming an ACO. CMS estimates there will be 75 to 150 ACOs formed by Jan. 1, 2012. Even with this relatively small number, a huge change in patient care is expected as a result of this act. •

Ellen Ferringer is a director in Katz, Sapper & Miller's Healthcare Resources Group. For more information, contact Ellen at 317.580.2013 or eferringer@ksmcpa.com.

AICPA Guidance Regarding Changes to SAS 70s

By Matt Snively, CPA, CIA
KSM Consulting, LLC

SUMMARY: The American Institute of Certified Public Accountants (AICPA) Accounting Standards Board's efforts to revise, clarify and converge current standards with those of the International Auditing and Assurance Standards Board (IAASB), resulted in changes to *Statement on Auditing Standards (SAS) No. 70, Reports on the Processing of Transactions by Service Organizations* (SAS 70) requirements. The changes were finalized by the AICPA in January 2010. These changes, which took effect on June 15, 2011, will affect the service organization and the service auditors.

The changes resulted in two separate standards, one for the service auditor *(Statement on Standards for Attestation Engagements (SSAE) 16, Reporting on Controls at a Service Organization*) and a clarified Statement on Auditing Standards, *Audit Considerations Relating to an Entity Using a Service Organization*, which will supersede the requirements and guidance for user auditors in SAS 70.

In response to companies obtaining SAS 70 reports for services other than those related to internal controls over financial reporting, the AICPA developed three separate reporting options. The three Service Organization Controls (SOC) reports, are each tailored to a specific audience.

- The SOC 1 report is intended to report on controls at a service organization relevant to user entities' internal control over financial reporting. This report is the most similar to the legacy SAS 70 reports with which users are now familiar. There is a Type 1 and Type 2 reporting option for SOC 1 just as with SAS 70. Distribution and use of these reports is restricted to management of the service organization, the user entities and their auditors.

- The SOC 2 is a report on controls other than those related to financial reporting, such as security, privacy, confidentiality, processing integrity and availability. This report can be restricted in distribution to customers, regulators and others that have an understanding of the service organization and its related controls. Similar to the SOC 1, this report has both a Type 1 and Type 2 option.

- The SOC 3 report is similar to the SOC 2 report, but has no restrictions on distribution or use. It is the ideal report for the service organizations to share with current and prospective customers, business partners, etc. when they wish to demonstrate that they have appropriate controls in place to mitigate risks that may impact a customer. This report will likely be a beneficial marketing piece for which many service organizations had previously used the SAS 70 report.

Service organizations may refer to the AICPA's Service Organization Control Reports site for specific comparisons between the three reports as well as a matrix designed to assist with identifying which report is ideal based on their specific situations. User entities should become familiar with the different type of reports and should understand the report that is being provided to them from their service organizations.

The AICPA prepared guides for CPAs engaged to prepare a SOC 1 report, *Service Organizations – Applying SSAE No. 16, Reporting on Controls at a Service Organization,* as well as, *Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality or Privacy*, for those CPAs engaged to prepare a SOC 2 report. •

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Fee Disclosure Requirements For Qualified Retirement Plans

By Patrick Brauer, CPA

SUMMARY: While gasoline prices have captured the headlines over the past several months, fees related to 401(k) plans may soon also gain attention, as well as the attention of plan participants.

Based on a recent 2010 American Association of Retired Persons (AARP) study, 71 percent of participants believed they paid no fees for their 401(k) plans. Contrary to popular opinion, 401(k) plans and their investments are not free.

To address the lack of fee transparency in the defined contribution market – 401(k), profit sharing and 403(b) plans – the Department of Labor (DOL) has taken the position that the plan sponsor, as a plan fiduciary, must understand how much is being paid for each service performed, that the services are appropriate, and that the amounts are reasonable.

DOL Initiatives

In December 2007, the DOL proposed regulations under a three-pronged approach to enhance fee transparency relating to qualified retirement plans that have been, or will soon be, implemented. These three initiatives include:

- an updated Form 5500 Schedule C (effective with the 2009 filing)
- Fee Disclosure by Service Providers to Plan Fiduciaries (effective Jan. 1, 2012)
- Fee Disclosures by the Plan Fiduciaries to Plan Participants (effective for the first plan year, beginning on, or after, Nov. 1, 2011)

Most plan sponsors have already begun to comply with the first initiative by filing their 2009 Form 5500 Schedule C. Any plan service provider that received compensation from plan assets is required to disclose to the plan sponsor the amount and nature of service for which they are receiving compensation. The DOL will certainly take a much closer look at this information with the 2010 filings.

The second initiative, under The Employee Retirement Income Security Act of 1974 (ERISA) 408(b)(2), requires covered service providers to give the plan fiduciary disclosures that outline all services to be provided and all compensation (direct, indirect, non-monetary, etc.) earned by the service provider and any affiliates and/or sub-contractors of the service provider. The fee disclosures must also reflect the fiduciary status of the provider, fees related to the termination of their services, a reasonable and good faith estimate of the plan's recordkeeping costs, and expense information relating to the plan's investment alternatives (expense ratios, sales charges, redemption fees, wrap fees, etc.).

"Contrary to popular opinion, 401(k) plans and their investments are not free."

The final initiative addresses the DOL's concern that participants are not provided with the necessary information to make informed decisions about their plan's investment choices. Effective Jan. 1, 2012 for a calendar year-end plan, plan sponsors, under ERISA 404(a)(5), must now furnish annual and quarterly disclosures to all participants in participant-directed plans. The disclosures must include **Plan-Related Information**, such as:

- general information about the plan's investment options;
- administrative expense information (plan level fees); and
- individual expense information (individual transaction-based fees).

Additionally, the disclosures must include **Investment-Related Information**, such as:

- performance data;
- benchmarking information;
- fee and expense information;
- an Internet website address; and
- a glossary to assist participants with investment terminology.

Continued on page 11. See "Fee Disclosure."

The Big Boom

By Mark Barnhart, CPC, CERS
TouchPoint Recruiting Group, LLC

SUMMARY: The Big Boom is that loud noise signaling the beginning of a mass exodus from the workforce population. It is not from the recession, or the ongoing layoffs facing businesses today; it is from the nearly 77 million Baby Boomers that will be leaving (or have left) the workforce over the next 20 years.

While current economic conditions may have pushed some of these Boomers' retirement plans back a few years, the exodus has most certainly begun. The first of these Boomers actually retired on Oct. 15, 2007, when Kathleen Casey-Kirshling of New Jersey (born Jan. 1, 1946 at 12:00:01 AM) filed for Social Security.

This ushers in the start of a new type of employment problem: Not enough qualified workers for open positions. A report from the American Society of Training and Development (ASTD) estimates that only 46 million new hires will be available as replacements for the 77 million Boomers retiring. And while the noise caused by 77 million people leaving the workforce will be tremendous, the deafening boom caused by the knowledge drain these same employees take with them into retirement will be much, much louder. Years of critical decision making, industry knowledge, service expertise, specific skills and client relationships will be lost as these Boomers collect their last paychecks.

Are Companies Prepared?

Like the majority of U.S. companies, the answer to this question is probably not. A study conducted by the Sloan Center on Aging & Work at Boston College shows that close to 70 percent of the nearly 700 organizations surveyed do not know the demographics of their workers or, more importantly, how many of them are thinking of retirement.

Another poll (ASTD, 2009) of nearly 1,200 U.S. companies found that almost 80 percent of firms polled believe that a "skill gap" is already prevalent in their organizations, and feel the new hires do not possess the skills needed to achieve long-term company goals.

These new hires – the Gen Xers and Gen Ys – are a company's future. They have the technical skills that Baby Boomers envy – the so called "new" business tools (Twitter, Facebook, LinkedIn) – but many lack the business skills and savvy that are needed to move an organization forward. The reality is businesses need the generations (the old and new business tools) working together, learning from one another.

Create a Plan

- Start by assessing the situation. Look around the organization. Determine what the demographics are for the company, and look at each department separately. Where are the Boomers in the company? C-level? Sales? Key management positions? Is there a true succession plan for these positions?
- Is there someone who is absorbing their knowledge and skills?
- When are some of these key people planning to retire?
- What programs are in place (or need to be created) to document the knowledge and critical data of these retiring workers?

Continued on page 11. See "The Big Boom."

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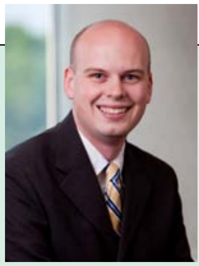
Indiana Tax Update



By Tim Conrad, JD

SUMMARY: The 2011 session of the Indiana General Assembly delivered numerous changes to Indiana's tax landscape.

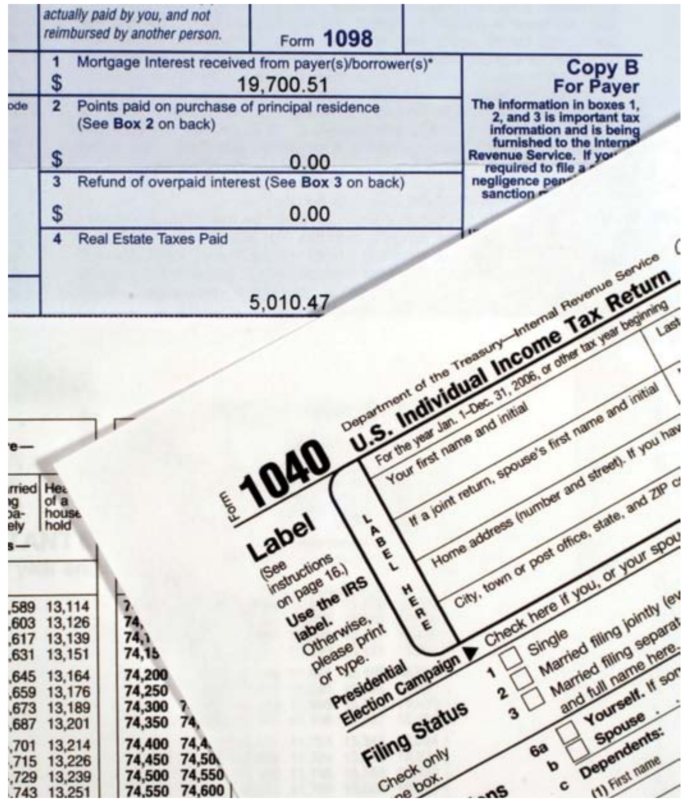
The most talked about change was a reduction in Indiana's tax rate for C corporations from 8.5 percent to 6.5 percent. The rate reduction, which will be phased in over a four-year period beginning July 1, 2012, will come at a price.

To offset the fiscal impact of this rate reduction, Indiana will begin taxing out-of-state bond interest and eliminate net operating loss carrybacks as of Jan. 1, 2012. The General Assembly also pulled the plug on four tax credit programs, including the teacher summer employment credit, maternity home tax credit, credit for offering health benefit plans, and small employer wellness program credit.

"The most talked about change was a reduction in Indiana's tax rate for C corporations from 8.5 percent to 6.5 percent."

Two tax procedures saw significant change, and a new tax refund device was established. In a taxpayer-friendly move, the length of time to amend a personal property tax return was extended from six months to one year. On a less favorable note, the time to file a sales tax refund claim for utilities predominantly used in production was reduced from three years to 18 months. A mechanism was added to the budget bill that will provide Hoosier taxpayers with an automatic refund if state reserves ever exceed 10 percent of appropriations.

Two statewide economic incentive programs saw a boost. Eligibility for the industrial recovery tax credit, which incentivizes refurbishing vacant industrial facilities, was expanded to include buildings with at least 50,000 square feet that have been vacant for at least one year. In an effort to



attract capital to new businesses, the cap on the venture capital investment (VCI) tax credit was doubled from $500,000 to $1,000,000 per eligible business.

Localities were handed two new incentive tools that will greatly expand the incentive options at their disposal. Whereas localities were formerly required to use a fixed abatement schedule with declining abatement percentages, they now have the choice of drafting an abatement schedule that uses negotiated abatement percentages over a maximum 10-year term. Localities receiving a local option income tax (i.e., County Adjusted Gross Income Tax, County Option Income Tax, or County Economic Development Income Tax) now have the ability to award a local option hiring incentive up to the amount of local option income tax withheld for new jobs created. •

Tim Conrad is a staff accountant in Katz, Sapper & Miller's State and Local Tax Practice. For more information, contact Tim at 317.452.1388 or tconrad@ksmcpa.com.

New Gift and Estate Tax Rules

(Continued from page 1)

For deaths occurring in 2010, estates were given a choice: 1) do nothing, and the estate tax applies retroactively to Jan. 1, 2010, with a $5 million exemption, a 35 percent rate, and a full step-up in basis for income tax purposes; or 2) "opt out" of the estate tax for 2010, and pay no estate tax, but receive a limited step-up in basis for income tax purposes. For deaths in 2010, estates smaller than $5 million owe no estate tax and receive a full step-up in basis. Larger estates will generally opt out of the estate tax, even though they only receive a limited step-up in basis.

For deaths occurring in 2011 and 2012, the estate tax applies with a $5 million exemption and a 35 percent rate (and a full step-up in basis). Keep in mind the gift tax exemption counts toward the estate tax exemption. For example, if a taxpayer uses $2 million of the $5 million gift tax exemption during his life, the estate has only $3 million of the $5 million estate tax exemption remaining to shelter the estate from taxation at death.

New rules also exist regarding "portability" of the gift/estate tax exemption. Prior to 2011, if a taxpayer's estate did not use all of the estate tax exemption available, it was wasted. For 2011 and 2012 only, unless Congress provides otherwise before 2013, new rules apply to allow a surviving spouse to use the unused exemption of the predeceased spouse. Thus, if a husband's estate does not use any of his $5 million estate tax exemption, then the wife's exemption becomes $10 million ($5 million of her own exemption and $5 million from her predeceased spouse).

There are limitations to portability. A surviving spouse can only use the unused exemption of the *last* deceased spouse. Thus, if a spouse remarries and survives the second spouse, the surviving spouse cannot use the unused exemption of the first deceased spouse. Also, a surviving spouse can only use the unused exemption of the predeceased spouse if the personal representative of the predeceased spouse's estate makes an election on a timely filed estate tax return to allow the surviving spouse to use the unused exemption. Further, the unused exemption of the predeceased spouse is not indexed for inflation.

Because of the above limitations, it is generally best to plan to use the exemption of the first spouse to die, which involves careful planning regarding titling of assets and appropriately drafted estate planning documents (i.e., wills and trusts).

While the increased gift/estate tax exemption provides for gift planning opportunities, it also suggests that estate planning documents be reviewed to ensure the taxpayer's goals are still being met. Formula clauses should be reviewed to determine if they need to be rewritten. Life insurance needs should be reevaluated. However, it is important to remember these rules are only good through 2012, unless the law changes to extend these rules or make them permanent. •

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Social Security *(Continued from page 2)*

These benefits were never meant to provide full financial support upon retirement. The result of these bend points is that lower-wage earners receive a larger percentage of their pre-retirement income, while higher-wage earners receive a lower percentage of their pre-retirement income.

The monthly benefit will be affected by whether the retiree opts for early or delayed retirement. Full retirement age is based on the year of birth, which is age 67 for those born after 1959. Benefits can be claimed as early as age 62, but the monthly check will be cut by 25 percent to 30 percent for the remaining payment over life. If other income streams are available, a better option is to delay retirement benefits until age 70, when a delayed credit of up to 8 percent is applied, plus cost-of-living adjustments. It may also make sense to delay retirement if resulting higher income is anticipated to spike in the later years, which will increase the AIME resulting in higher benefits.

Usually, claiming benefits while still working and under the full retirement age is not beneficial. In 2011, the reduction is $1 for every $2 earned over the earnings limit of $14,160. At full retirement age, the reduction is $1 for every $3 in earnings above $37,680 before the birthday month. There is no limit on earnings starting with the month full retirement age is reached. Also, all benefits received, regardless of early or delayed retirement, may be subject to income taxes. Married taxpayers with combined earnings between $32,000 and $44,000 are subject to as much as 50 percent of the benefits being taxable. Those with earnings above $44,000 will pay tax on 85 percent of the benefits received.

Increase for Delayed Retirement		
Year of Birth	**Yearly Rate of Increase**	**Monthly Rate of Increase**
1933-1934	5.50%	11/24 of 1%
1935-1936	6.00%	1/2 of 1%
1937-1938	6.50%	13/24 of 1%
1939-1940	7.00%	7/12 of 1%
1941-1942	7.50%	5/8 of 1%
1943 or later	8.00%	2/3 of 1%

Note: If you were born on Jan. 1, you should refer to the rate of increase for the previous year.

A lower-earning spouse can claim a benefit, based on his or her work record at age 62, or the spouse can claim a "spousal" benefit, as long as the other spouse has started to collect benefits. If the lower earner is at full retirement age, the spousal benefit is 50 percent of the higher earner's PIA. A higher earner at full retirement age who wants to maximize benefits by delaying to age 70 should file for benefits while having the spouse apply for a spousal benefit. The higher earning spouse should then request the Social Security Administration to suspend their benefits, while the spouse continues to receive a spousal benefit. The higher earning spouse can then continue to work and accrue delayed credits until reapplying. •

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Accounting Standards *(Continued from page 3)*

The proposal on leasing transactions has been subject to significant debate. The original issuance date of June 30, 2011 has been extended to December 2011.

The Boards intend to continue deliberations related to various topics, including lessor accounting.

The proposed changes above are just two of several key convergence topics that could significantly impact privately held companies. •

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Fee Disclosure (Continued from page 6)

Fiduciary Responsibility

ERISA requires that plan fiduciaries, when selecting and monitoring service providers and plan investments, act prudently and solely in the interest of the plan's participants and beneficiaries. A major responsibility of a plan fiduciary is to ensure that the plan's fee arrangements with its service providers are "reasonable," and that only "reasonable" compensation is paid out of plan assets for services provided to the plan. Several recent court cases have focused on this "reasonable" standard with mixed results for plan sponsors.

How Should a Plan Fiduciary Prepare?

As a plan sponsor and as the plan fiduciary, the following actions are recommended to comply with the new fee disclosures requirements:

- identify service providers;
- determine all applicable fees to which the plan is subject to;
- analyze the fees for reasonableness;
- document the process and the reached conclusions;
- discuss the expected timing, method and compliance of the disclosure requirements with services providers;
- communicate the plan fees with participants; and
- establish a process to periodically review service provider agreements for performance.

Taking the above steps may prevent having to answer some tough questions from plan participants once they receive their first quarterly statement in 2012 and are made aware of possible fee charges to their individual accounts. Let the rising and falling of gas prices keep the headlines, not the company 401(k) plan costs. •

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The Big Boom (Continued from page 7)

- Is there a formal mentoring program which is allowing this critical data to be passed along to the next generation of workers?
- Does this training program allow for generational differences? Remember, Boomers learn differently than those from Gen X and Gen Y.

Learning new skills should not be a one-way street. Boomers are dedicated, hard working employees who want to learn and be challenged as much as anyone in the organization. Create a mentoring program that allows for two-way learning. The social networking, tech-savvy Gen Xers and Gen Ys can be sharing with the Boomers at the same time they are learning from them, making the entire company stronger today while ensuring long-term success tomorrow. •

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In The Firm News

Welcome to the following new staff members:

DAN AMBROSE, TONY BRITA, CHRISTOPHER DJONLICH, ANDREW GOODMAN, SCOTT GROTJAN, COLIN GULLEDGE, NICHOLAS HOLTON, MATTHEW KING, NATALIE LITERA, BENJAMIN PHILLIPS, NATHAN POTTER, ROBERT SCHAFFNER, KIRK TAYLOR, JOSH WAKEFIELD, AMANDA WILLIAMS

Congratulations to the following staff members who recently passed all parts of the CPA Exam:

AMANDA BUSZ, ANDREW GOODMAN, NICHOLAS HOLTON, ROY MARSCHKE

Congratulations to the following staff members who recently passed Exams:

RYAN ACHTERBERG - Apple Certified Associate

KAREN HILL - Certified Wellness Coordinator

Acknowledgements:

KATZ, SAPPER & MILLER

KSM recently announced its plans to open a Fort Wayne office, allowing the firm to provide superior services and resources to organizations headquartered in northeastern Indiana and the surrounding communities. Tony Brita has been named the managing director of the Fort Wayne office.

KSM was selected by the Indiana Chamber of Commerce out of hundreds of applicants as one of 34 "Best Places To Work in Indiana" among small- to medium-sized companies. KSM is one of only five companies in the state to make the list six years in a row.

The Advisor Editorial Committee:

MARK FLINCHUM, ROSANNE AMMIRATI, DONNA BLACKMON, CHRISTOPHER BRADBURN, CHRISTOPHER DJONLICH, JENNIFER MOORE, RON SMITH

For more information about Katz, Sapper & Miller, please visit our website at www.ksmcpa.com.

The Advisor is a bi-annual publication distributed to our clients and friends. Any tax advice or opinion herein contained is not intended to be used, and cannot be used, by anyone to avoid the imposition of any federal tax penalties. For more information on the articles featured in this edition of The Advisor, please contact the authors at 317.580.2000.

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Appointments:

TIM ALMACK
Re-elected to the Truckload Carriers Association board of directors

RANDY BIERNAT
Elected as 2011 board president for the Domestic Violence Network

CHARLIE BRANDT
Appointed to the NPower board of directors

BRIAN EADIE
Elected to the Habitat for Humanity of Hamilton County board of directors

MARK FLINCHUM
Appointed to the Noblesville City Small Business Loan Guaranty Review Committee

MATT GARD
Elected as vice president of finance for the Central Indiana Chapter of The Association for Operations Management (APICS)

RYAN MILLER
Elected as secretary of the Estate Planning Council of Indianapolis

SARAH NANOS
Elected to the Heritage Place of Indianapolis, Inc. board of directors

DAVID RESNICK
Elected to the University of Indianapolis board of trustees

ISABEL SANTNER
Appointed to the Habitat for Humanity of Greater Indianapolis board of directors

CASSE TATE
Appointed to the Dress for Success Indianapolis board of directors

VIC VERNICK
Named treasurer of the Broadmoor Country Club