FINANCIAL FEED

2024.Q2

Time to Overhaul Your Benefits Package?

PAGE 10

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FINANCIAL FEED 2024.Q2

With economic hurdles still on the horizon, 2024 is shaping up to be a pivotal year for many businesses. As we recover from the Great Resignation, employee retention has never been more important to a business' bottom line. In addition, businesses are seeking new ways to streamline cash flow, increase operational efficiencies, and retain clients. As your reliable banking partner, we look forward to providing counsel and helping decision makers manage their businesses with confidence. We have created the Financial Feed to provide our market with valuable insights on the future of finance. We hope these findings help you conquer potential challenges and capitalize on opportunities.

ON THE COVER

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From the Beige Book

Overall Economic Activity

Economic activity increased slightly, on balance, since early January, with eight Districts reporting slight to modest growth in activity, three others reporting no change, and one District noting a slight softening. Consumer spending, particularly on retail goods, inched down in recent weeks. Several reports cited heightened price sensitivity by consumers and noted that households continued to trade down and to shift spending away from discretionary goods. Activity in the leisure and hospitality sector varied by District and segment; while air travel was robust overall, demand for restaurants, hotels, and other establishments softened due to elevated prices, as well as to unusual weather conditions in certain regions. Manufacturing activity was largely unchanged, and supply bottlenecks normalized further. Nevertheless, delivery delays for electrical components continued. Ongoing shipping disruptions in the Red Sea and Panama Canal did not generally have a notable impact on businesses during the reporting period, although some contacts reported rising pressures on international shipping costs. Several reports highlighted a pickup in demand for residential real estate in recent weeks, largely owing to some moderation in mortgage rates, but noted that limited inventories hindered actual home sales. Commercial real estate activity was weak, particularly for office space, although there were reports of robust demand for new data centers, industrial and manufacturing spaces, and large infrastructure projects. Loan demand was stable to down, and credit quality was generally healthy despite a few reports of rising delinquencies. The outlook for future economic growth remained generally positive, with contacts noting expectations for stronger demand and less restrictive financial conditions over the next 6 to 12 months.

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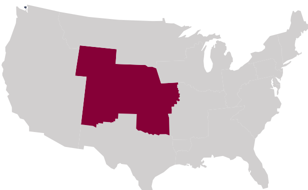
Labor Markets

Employment rose at a slight to modest pace in most Districts. Overall, labor market tightness eased further, with nearly all Districts highlighting some improvement in labor availability and employee retention. Businesses generally found it easier to fill open positions and to find qualified applicants, although difficulties persisted attracting workers for highly skilled positions, including health-care professionals, engineers, and skilled trades specialists such as welders and mechanics. Wages grew further across Districts, although several reports indicated a slower pace of increase. Employee expectations of pay adjustments were reportedly more in line with historical averages.

Prices

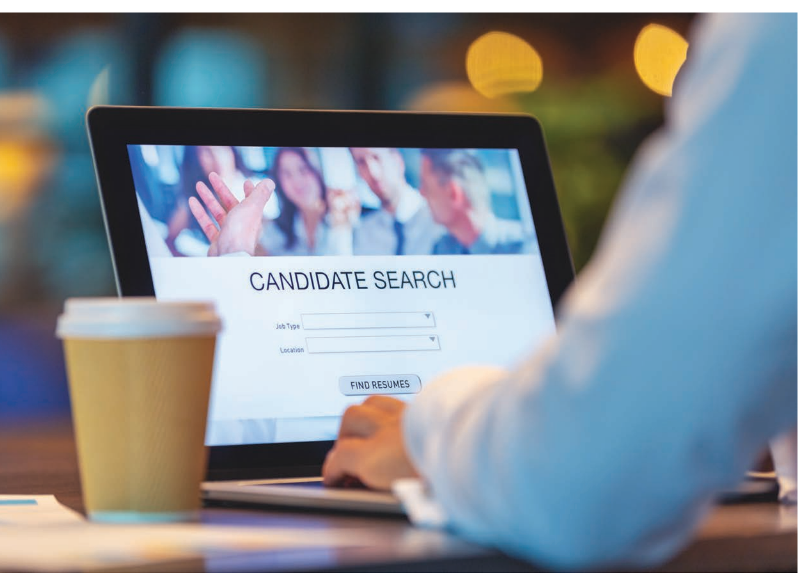
Price pressures persisted during the reporting period, but several Districts reported some degree of moderation in inflation. Contacts highlighted increases in freight costs and several insurance categories, including employer-sponsored health insurance. Nevertheless, businesses found it harder to pass through higher costs to their customers, who became increasingly sensitive to price changes. The cost of many manufacturing and construction inputs, such as steel, cement, paper, and fuel, reportedly fell in recent weeks.



From the Beige Book
Federal Reserve Bank of Kansas City

Summary of Economic Activity

Economic activity in the Tenth District was stable over the past month. Job growth was modest. Though wage gains for new hires remained elevated, contacts indicated wage increases were targeted at workers who expanded their scope of responsibilities. Consumer spending stabilized, but contacts noted rising price sensitivity among consumers. Still, consumer prices rose moderately. Reports from commercial real estate (CRE) contacts indicated skepticism around any recent appraisals of property valuation, as they did not want to be in a position of trying to "catch a falling knife" early in a CRE downturn. Loan performance was generally stable for CRE deals, but banks' internal stress testing pointed to potential deterioration as CRE loans mature in a higher-rate environment. Despite climbing oil prices, the number of active oil rigs fell to levels observed several months ago, reverting from a recent spike before year-end. Agricultural credit conditions remained sound despite some softening in farm conditions.



Many employers indicated they increased efforts to retrain and promote existing workers.

Labor Markets

Hiring activity picked up slightly across the District. Most contacts continued to report tight labor markets, but they also indicated the quality of applicants and recent hires improved recently. As staffing levels improved, businesses in both manufacturing and services sectors continued to modestly reduce average weekly hours and their use of part-time work. Many employers indicated they increased efforts to retrain and promote existing workers. Though wage growth for new hires remained elevated, many contacts continued to indicate wage increases were focused primarily on workers who expanded their capabilities, responsibilities, and productivity.

Prices

Prices for industrial goods and business services declined slightly over the last month, but several consumer-oriented contacts reported moderate increases in prices. In particular, prices for core goods, food away from home, and hotels all rose moderately. Business contacts reported higher input costs broadly. Services businesses continued to note rising labor costs, with professional business services indicating more difficulty passing higher costs onto customers.

source: federalreserve.gov/monetarypolicy/beigebook202402-kansas-city.htm

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Consumer Spending

After declining recently from elevated levels, consumer spending stabilized over the past month. Several contacts noted a recent shift in sales across spending categories due to heightened price sensitivity among consumers. Hotels noted bookings by leisure and small-group "SMERF" customers fell, even though business and large event bookings grew robustly.[1] Retail contacts reported pockets of strength in auto part sales and grocery consumption, with spending shifting away from clothing and home electronics. Auto dealers noted sharp declines in EV sales, while demand for other vehicles was steady. Amid the rising price sensitivity of consumers, several contacts indicated their emphasis on protecting price margins over coming months.

Several contacts noted a recent shift in sales across spending categories due to heightened price sensitivity among consumers.

Community Conditions

More contacts reported difficulties among low-to-moderate income (LMI) households in obtaining and maintaining affordable credit. Contacts noted increased utilization of, and defaults on, credit cards, payday loans, and pay-as-you-go purchasing among LMI households. Defaults on debts for medical services also reportedly rose. The increase in default rates among LMI households has led to a moderate increase in challenges among renters in qualifying for housing leases. Contacts also reported more denials of financing for car purchases among LMI households and a slight increase in vehicle repossession due to delinquency on existing loans.

Manufacturing and Other Business Activity

Business activity across the District grew slightly over the last month, while profitability declined slightly. Service firm activity rebounded moderately from declines earlier in the year. Manufacturing firms reported further declines in production over the last month. However, several manufacturing contacts noted the current weakness is partially driven by customers working through excess inventories, and that longer-term demand for machinery and manufactured products remained stable. Contacts in the logistics, transportation, and packaging sector reported softening demand for shipping, suggesting potential slowing in consumer goods sectors over coming months. Businesses broadly reported resolutions to supply chain

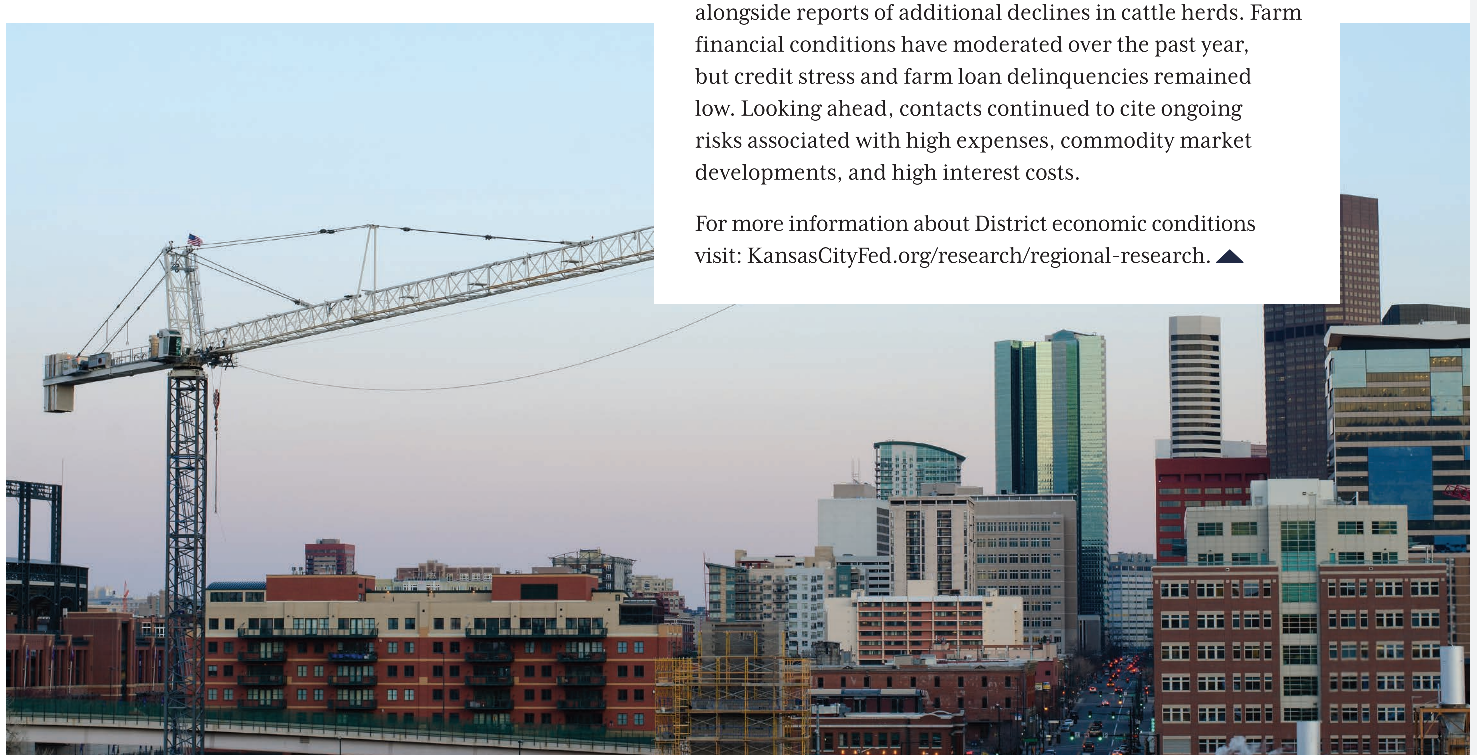
1. "SMERF" is a hotel industry acronym referring to Social, Military, Educational, Religious and Fraternal group bookings.

Contacts in commercial real estate noted appraisers were facing difficulty assessing property values amid very few property transactions over the past several months.

issues domestically, with microchips still being an exception. However, many contacts raised concerns over international shipping due to both rising geopolitical tensions and physical disruptions to trade routes through Central America. Manufacturing and services contacts reported declining margins and lower profitability in recent months. Professional service firms reported more pronounced margin compression than manufacturing contacts, consistent with higher labor costs and an inability to pass costs onto customers. Contacts implemented a series of cost-saving strategies to maintain profit margins, including changing suppliers and reducing overtime work. Overall, contacts are more optimistic about margins and profitability, anticipating flat or slight margin expansion over the coming year.

Real Estate and Construction

Contacts in commercial real estate noted appraisers were facing difficulty assessing property values amid very few property transactions over the past several months. Buyers expressed skepticism around any recent appraisals, not wanting to be in a position of trying to "catch a falling knife" early in a CRE downturn. Developers indicated new private development activity has all but ceased, especially for multifamily housing. In some District states, substantial municipal project construction activity offset headwinds to private development, which, combined with projects already under development, supported demand for construction labor.



Energy

Total oil and gas production declined slightly across the District. Despite climbing oil prices, the number of active oil rigs fell to levels observed three to six months ago, reverting from a recent spike before year-end. Gas rig counts stayed steady as drilling for gas remained unprofitable. The number of drilled and completed wells decreased in Colorado and Wyoming's Niobrara Basin, while they stayed mostly steady in Oklahoma's Anadarko Basin. Accordingly, the number of drilled but uncompleted wells was constant in the Anadarko but fell in the Niobrara, portending a potential for decreased production in coming months. Coal production in Wyoming rebounded somewhat from lower production levels earlier in the year, and coal prices remain slightly higher than pre-pandemic levels.

Agriculture

Conditions in the Tenth District farm economy softened in February, but agricultural credit conditions remained sound. Crop prices declined moderately over the past month alongside reports of stronger yields and production in the 2023 growing season than was previously estimated. Grain stocks were higher coming into 2024 than a year ago in most Districts states. Although strong yields could support revenues, producers with large shares of the harvested grain currently in storage appeared likely to sell at unfavorable prices. In the livestock sector, cattle prices remained strong alongside reports of additional declines in cattle herds. Farm financial conditions have moderated over the past year, but credit stress and farm loan delinquencies remained low. Looking ahead, contacts continued to cite ongoing risks associated with high expenses, commodity market developments, and high interest costs.

For more information about District economic conditions visit: KansasCityFed.org/research/regional-research.

HIGHLIGHTS BY FEDERAL RESERVE DISTRICT

Boston

Economic activity increased at a slow pace, and employment gains were modest. Output prices increased slightly, and wage growth held steady at a moderate pace. Residential realtors expressed growing optimism as both property listings and pending home sales increased. Uncertainty persisted concerning the fate of maturing office property loans, but the outlook for the sector did not worsen.

New York

Regional economic activity flattened after a period of sustained weakness. Labor market conditions remained solid as employment grew slightly and wage growth picked up to a moderate pace. Labor demand and labor supply continued to come into better balance. Consumer spending declined modestly.

Philadelphia

Business activity resumed a slight decline during the current Beige Book period — as it had for most of 2023. Employment grew slightly, and labor availability improved. Wage and price inflation subsided further, but housing affordability continues to squeeze consumers, especially those in lower-income households.

Cleveland

District business activity increased slightly. Some firms noted increased labor availability, reduced turnover, and easing wage pressures. Some manufacturers raised prices to cover higher costs, while some restauranteurs planned to absorb them. Business services firms continued to raise rates based on market conditions.

Richmond

The regional economy saw little growth, overall. Consumer spending softened slightly as poor weather conditions over the last several weeks led to reduced sales. Imports and shipments of consumer goods picked up as retailers replenished inventories. Domestic manufacturing softened, however. Real estate market activity improved slightly. Employment rose and price growth was unchanged, keeping inflation moderately elevated.

Atlanta

Economic activity was little changed. Labor markets and wage pressures eased. Consumers remained cost conscious, and higher prices squeezed household budgets. Travel and tourism remained strong. Home sales declined. Commercial real estate conditions slowed. Manufacturing slowed somewhat.

Chicago

Economic activity increased modestly. Employment increased modestly; nonbusiness contacts saw a modest increase in activity; business spending increased slightly; manufacturing activity was flat; and construction and real estate and consumer spending declined slightly. Prices and wages rose moderately, while financial conditions tightened modestly.

St. Louis

Economic activity has increased slightly since our previous report. Contacts reported that consumer demand slowed beyond seasonal norms. While labor markets remain tight overall, an increasing number of firms reported being fully staffed or overstaffed relative to consumer demand. Price growth has slowed in recent months.

Minneapolis

District economic activity was up slightly. Employment grew some, but labor demand softened. Wage pressures continued to moderate, and prices rose modestly. Consumer spending declined slightly, thanks to slow winter tourism. Manufacturing, mining, and energy activity increased.

Kansas City

Economic activity was stable. Job gains were modest, and wage growth, while elevated, was tied closer to worker performance. Price sensitivity rose among consumers, even as prices rose moderately. Commercial real estate contacts indicated skepticism around recent appraisals of property valuation.

Dallas

Economic activity expanded modestly, with most sectors holding steady or experiencing slight to modest growth. Wage growth was moderate, and input cost and selling price growth was generally average. Texas firms were more bullish on demand expectations than late last year, with more than half of the firms' expecting increases over the next six months.

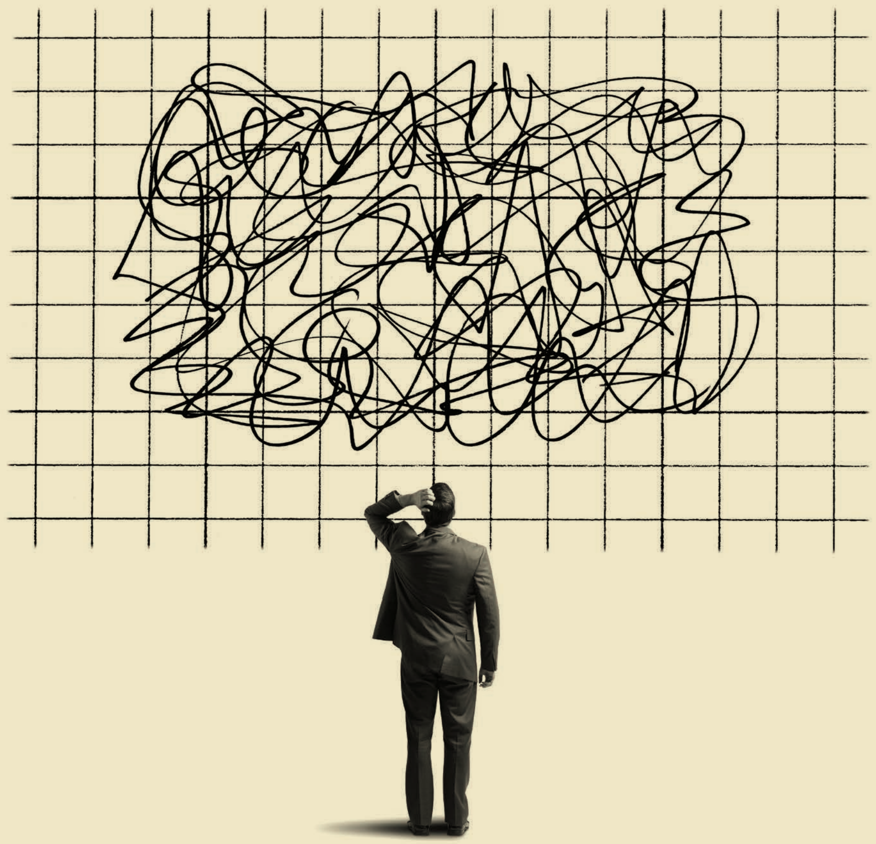
San Francisco

Economic activity grew slightly, employment levels rose slightly, and price and wage growth eased. Retail sales were stable, and demand for services grew modestly. Demand for manufactured products changed little, and conditions in agriculture were stable. Real estate activity rose slightly overall. Financial sector conditions were little changed.

Note: This report was prepared at the Federal Reserve Bank of San Francisco based on information collected on or before February 26, 2024. This document summarizes comments received from contacts outside the Federal Reserve System and is not a commentary on the views of Federal Reserve officials.

A Demographic Explanation for the Extraordinary US Economy

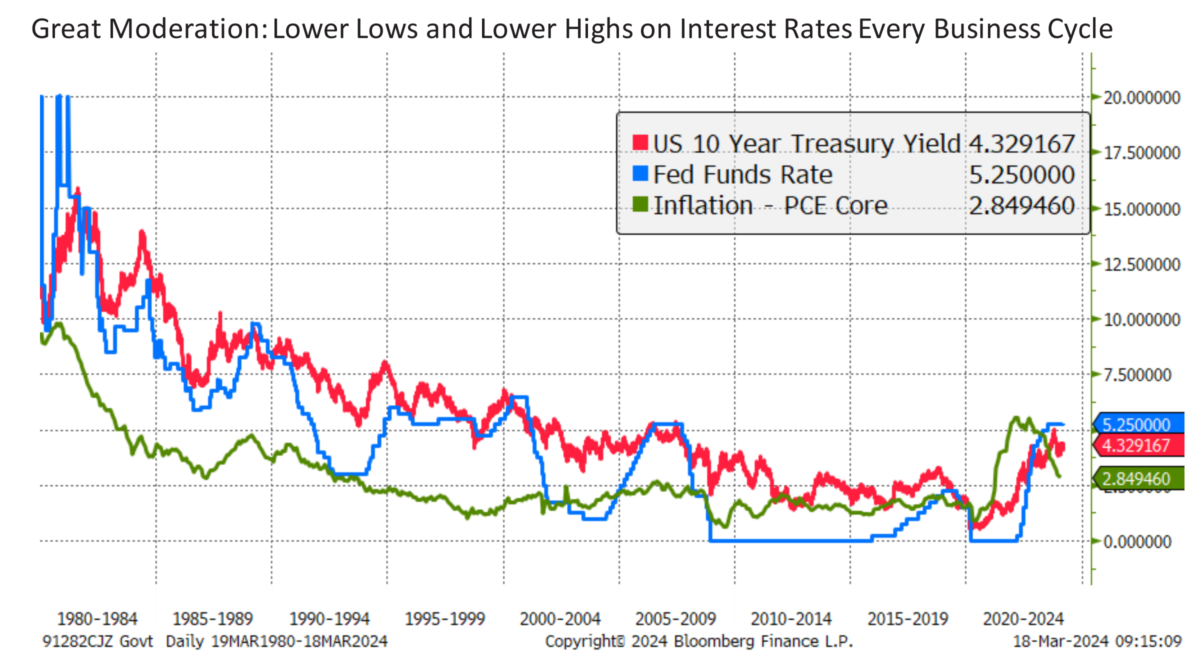
By Paul Dickson
SVP, HTLF Director of Research



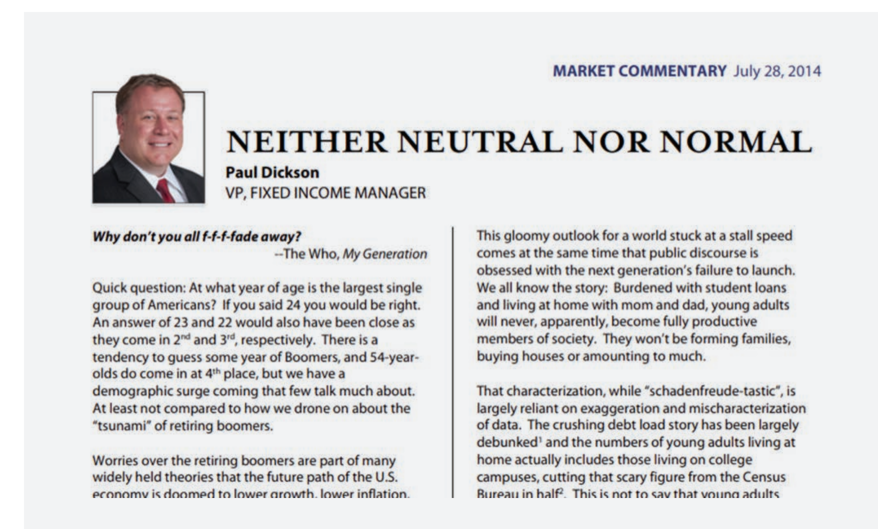
Since the Pandemic, renowned economists and top policymakers have been consistently wrong in their forecasts for the U.S. economy. The Federal Reserve ("the Fed") believed that pandemic-induced shortages were responsible for an inflation spike that would only be "transitory" and quickly fade away. Rather, inflation ran wild necessitating the most dramatic interest rate hikes in 40 years. Those rate hikes were supposed to have caused a recession last year, according to most economists. Instead, 2023 was a year of remarkable growth, accompanied by surprising gains in employment. So far in 2024 the economy continues to confound the experts and forecasts for rate cuts are repeatedly pushed forward on the calendar.

Until this most recent bout of inflation the U.S. economy was characterized as going through a halcyon period knows as "The Great Moderation" in which inflation and interest rates had been trending lower each business cycle since the early 1980s. In the aftermath of the Global Financial Crisis of a decade and a half ago the Federal Reserve's policy rate was pegged at zero for years and inflation struggled to *rise* to the official 2% target. It often flirted with deflation. Economists, policy makers and many investors opined that like Japan, in the wake of that country's banking crisis in the 1990s, the U.S. was now trapped in an era of falling growth, low inflation, and low interest rates. Former U.S. Treasury Secretary Larry Summers called it "Secular Stagnation" and the "Bond Kings" at PIMCO (Pacific Investment Management Company) Bill Gross and Mohamed El-Erian called this a "New Normal" or "New Neutral".

This information discusses general economic and market activity and is presented for informational purposes only and should not be construed as investment advice. The statements and opinions expressed in this article herein are those of the author as of the date of the article and are subject to change. Content and/or statistical data may be obtained from public sources and/or third-party arrangements and is believed to be reliable as of the date of the article.



When the PIMCO article on the topic was published 10 years ago we pushed back with a counter proposal. What the economic doomsayers were missing, we wrote, was the demographic tsunami coming in the form of the Millennial Generation. At the time the largest single age group of Americans were 24 followed by 23- and 22-year-olds, respectively. The prevailing view was that this was a generation that was stuck at home and unable to "launch." It was such a popular misconception that Bloomberg Businessweek published a series of ads aimed at shaming millennials to get out there, get a job and subscribe to the publication for their own good.



MARKET COMMENTARY July 28, 2014

NEITHER NEUTRAL NOR NORMAL

Paul Dickson
VP, FIXED INCOME MANAGER

Why don't you all f-f-f-fade away?
--The Who, *My Generation*

Quick question: At what year of age is the largest single group of Americans? If you said 24 you would be right. An answer of 23 and 22 would also have been close as they come in 2nd and 3rd, respectively. There is a tendency to guess some year of Boomers, and 54-year-olds do come in at 4th place, but we have a demographic surge coming that few talk much about. At least not compared to how we drone on about the "tsunami" of retiring boomers.

Worries over the retiring boomers are part of many widely held theories that the future path of the U.S. economy is doomed to lower growth, lower inflation,

This gloomy outlook for a world stuck at a stall speed comes at the same time that public discourse is obsessed with the next generation's failure to launch. We all know the story: Burdened with student loans and living at home with mom and dad, young adults will never, apparently, become fully productive members of society. They won't be forming families, buying houses or amounting to much.

That characterization, while "schadenfreude-tastic", is largely reliant on exaggeration and mischaracterization of data. The crushing debt load story has been largely debunked[1] and the numbers of young adults living at home actually includes those living on college campuses, cutting that scary figure from the Census Bureau in half[2]. This is not to say that young adults

We argued that over the coming decade unprecedented numbers of dynamic young adults would be forming families, buying houses and cars, and essentially turbo-charging the economy just as their Baby Boomer forebears did in the 1990s. We argued that as the generation came into its own it would fundamentally transform the economy.

2022 | Top 10 American Age Years

AGE	TOTAL
31	4,834,528
30	4,772,585
29	4,712,899
32	4,702,570
28	4,600,375
33	4,600,116
14	4,526,238
27	4,523,303
34	4,498,123
36	4,489,524

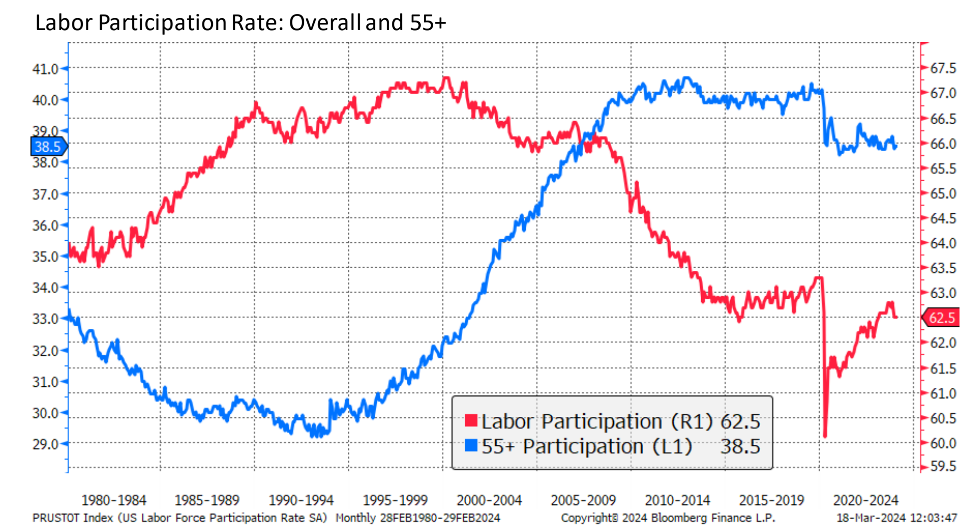
We argued that over the coming decade unprecedented numbers of dynamic young adults would be forming families, buying houses and cars, and essentially turbo-charging the economy just as their Baby Boomer forebears did in the 1990s. We argued that as the generation came into its own it would fundamentally transform the economy. The Pandemic hit as the oldest Millennials were entering their 40s and the bulk of the generation was firmly in their 30's.

The pent-up demand of these young 30-somethings, having been unable to spend much during lockdown and having just received stimulus checks, was unleashed into an economy ill-prepared for it. Had these young Americans been 20-years older it is likely that the impact would have been more muted but instead demand for everything from housing to used trucks, undeterred in the face of price spikes, propelled economic activity and inflation. Policymakers were flat-footed in the face of it, having convinced themselves that the underlying mechanisms of the Great Moderation remained in place. In fact, in the minutes of the now famous Federal Reserve Meeting of November 3rd, 2021, in which inflation was deemed "transitory" participants opined "*that forces already in motion would likely bring inflation down toward 2 percent over the medium term.*" Inflation would continue to rise following that meeting and the Fed's inaugural rate hike would only come four months later in March 2022.

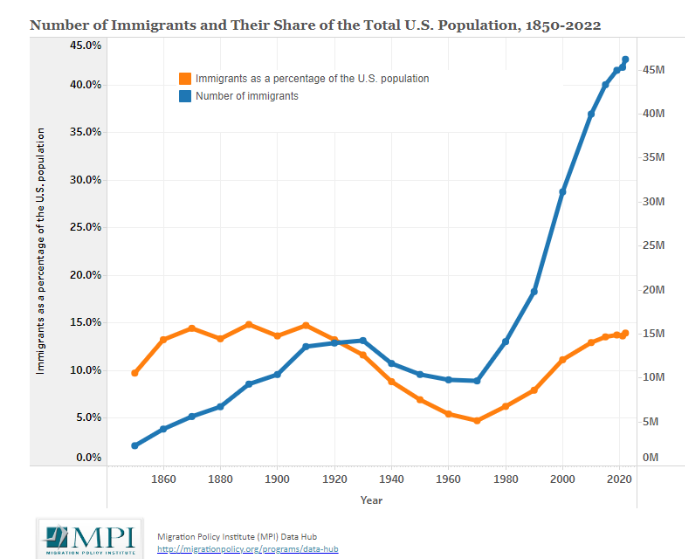
The demographic explanation for the relative health of the U.S. economy is supported when compared to other economies where the dynamic is not the same. China's population is falling (and has recently been surpassed by India's) and is now experiencing deflation, rather than inflation. China's reemergence from the COVID lockdown can be characterized as "a dud". In Western Europe, the Baby Boomers remain the largest generation, never surpassed by a younger one as in the U.S. Growth is resuming in Western Europe, but not nearly as dynamically.

Party Like it's 1990-Something.

In many ways the economy of today resembles that of the 1990s when the Baby Boomers were the largest generation and spanned their 30s and 40s. It was also a period of new productivity-spawning technology and one can easily compare the excitement over the advent of the Internet to that of Artificial Intelligence today. Labor participation peaked in 2000 as Boomer workers filled the ranks and Gen-X wasn't large enough to compensate. It wasn't until recently that the numbers started to improve with the onset of the Millennials.



There is one other demographic factor underpinning growth today that echoes the 1990s: immigration. The 1990s saw a resurgence of immigration into the U.S. after a period of decline. It was the beginning of a recovery in the share of foreign-born residents back towards previous levels. A recent Brookings Institute Hamilton Project paper lays out how robust employment numbers can be partially explained by the recovery in immigration. This could explain the month after month employment figures exceeding expert forecasts.



Goldman Sachs has echoed this research with their own estimates that the ongoing pace of immigration looks likely to boost potential real GDP growth by 0.3% to 2.1% from the 1.8% thought to be the base line for the U.S. economy. That might not seem to be a very large number, but it is quite significant. In sum, between the dynamism of the largest generation in U.S. history, the Millennials, entering the prime of their lives and an overall still growing population, the economy might continue to surprise to the upside for some time to come.

WHEN TO OVERHAUL YOUR

HR Benefits Package

FOR EMPLOYEES

Since companies began hiring employees, businesses have relied on wages and salaries to attract top talent. However, the post-COVID-19 hiring and retention landscape is requiring more of employers. For many job-seekers, money is no longer enough. As a result, many businesses are prioritizing their benefits package to attract top talent.

Multiple trends are driving the shift in attention toward employee benefits. Inflation rates hit multi-decade highs in the early 2020s, prompting some jobseekers to demand more from their employers. At the same time, cash-strapped businesses are grappling with their own financial limitations.

With a creative benefits package for employees, businesses can build their appeal to candidates while also controlling their spending on wages and salaries. When all other elements are equal in competitive hiring situations, candidates often choose the offer with the best and most complete supplementary benefits. This article explores the shifting benefits landscape and looks at proven ways you can leverage benefits to attract and retain quality employees.

WANT THE FULL GUIDE TO

Building Better **Benefits Packages?**

BUILD A

Better Benefits Package

FOR EMPLOYEES

To create a compelling benefits package for employees, it may no longer be enough to simply offer generic healthcare and retirement benefits. Instead, businesses might want to consider a dynamic set of interrelated factors that recognize the "human" aspects of human resources.

To these ends, the following strategic best practices can help you build a better benefits package for employees while staying mindful of your financial realities:

Conduct a Benefits Survey and Analysis

Employee benefits surveys provide a way to get honest feedback from current team members. Anonymity tools prompt higher levels of participant honesty, so businesses can make reliable assessments of where and how their current benefits programs succeed and fail.

The more data you collect, the more reliable your results can be. To encourage participation, businesses might offer a modest but enticing reward to employees who submit a completed survey.

Align Your Benefits with Your Business Goals and Values

Businesses can also drive engagement among employees and advance core business objectives by aligning organizational goals with their benefits package. This might involve using benefits programs to express and advance the organization's underlying philosophy. Aligning a business' goals with its benefits programs can help build positive internal cultures that foster stronger long-term relationships with employees.

Negotiate Favorable Terms with Providers and Vendors

Many types of benefits involve third-party vendors and providers, who partner with companies to manage and administer benefits. Major examples might include healthcare coverage, disability insurance, retirement plan administration and life insurance.

Balance the Cost and Value of Your Benefits

In designing a benefits package, businesses should consider balancing financial realities with their desire to impress employees and take better care of their health and well-being. As such, businesses need to be strategic to control costs while maximizing the appeal and impact of their employee benefits programs. Explore which benefits are mandatory vs. voluntary and assess what works best for your company culture.

Individualization has also become important.

More employers are creating personalized packages that recognize the distinct uniqueness and needs of each team member.

Enhancing Employee Retirement Benefits

The HTLF Retirement Plan Services (RPS) Team of experts can help you minimize your fiduciary liability by offering investment oversight, such as investment fiduciary services, due diligence support for fiduciaries, employee financial wellness education, investment options, and plan design consultation. Partnering with one of our Retirement Client Advisors is especially critical in an evolving regulatory landscape defined by market volatility, uncertainty, inflation, and rising administrative costs.

Communicate and Educate Your Employees About Your Benefits

Communication and employee education are important aspects of benefits administration. You can build the most incredible benefits package for employees of any company in your industry, but your efforts could still fail to generate meaningful returns if your employees don't know about the benefits available to them.

Taking Advantage of Subsidies and Tax Incentives

Government subsidies and tax-based incentives can also help businesses reduce and control their out-of-pocket spending on benefits. You may be able to maximize these advantages by building a benefits package for employees that prioritizes advantaged offerings including 401K or IRA, Flexible Spending Accounts (FSAs), Health Savings Accounts (HSAs), or commuter benefits.

Craft Your Employee Benefits Package with a Retirement Client Advisor

In addition to HTLF Bank's treasury and payment solutions for commercial clients, HTLF Bank provides retirement benefits planning services through HTLF Retirement Plan Services. HTLF Retirement Plan Services has helped enterprises of all sizes. If you want to create a better benefits package for your employees, we can help you differentiate your company in the current challenging labor market. Contact HTLF Retirement Plan Services and arrange for a personalized session with one of our Retirement Client Advisors. ▲

EXPERT COMMENTARY

How Employee Retention Impacts Organizational Health

By Paul Dadlez
SVP, HTLF Director of Wealth Strategy

Ever since 2020, hiring has taken a turn. The market is competitive, and employees are seeking more work-life balance. As such, staffing shortages and high turnover continue to create challenges for organizations. Business leaders who successfully navigate these challenges understand that taking care of their employees' well-being creates a loyal, effective team.

It's not just a nice thing to do, it's smart — directly impacting productivity, engagement, and retention.

Data on unemployment is not forecasted to get any better in the next five years. We're seeing a huge demographic shift. Generation Z and Generation Alpha have different needs than their parents. In order to create a productive work environment, we must adjust.

As leaders, we are called to put ourselves in our employees' shoes and discover their barriers to success. People are better able to contribute when they aren't burdened with distractions.

Over the last 25 years, I've been strikingly impressed with business owners who take a vested interest in the people who helped them get where they are. They take a personal approach to their management style and make sure their employees' needs are met.

Employee Health & Engagement in the Numbers

When you take care of your employees, they take care of you. In fact, the McKinsey Health Institute's 2023 survey of more than 30,000 employees across 30 countries found that employees who had positive work experiences reported better holistic health, are more innovative at work, and have improved job performance.

On the other hand, when companies don't prioritize employee well-being, they pay for it in other ways. "Organizations pay a high price for failure to address workplace factors that strongly correlate with burnout… Unprecedented levels of employee turnover — a global phenomenon we describe as the Great Attrition — make these costs more visible. Hidden costs to employers also include absenteeism, lower engagement, and decreased productivity," states McKinsey Health Institute.

It is extremely expensive to replace talented workers — especially when they're in high demand. So, what causes employees to churn? The three primary factors include: Compensation, economic environment, and career growth opportunities.

When you create safe spaces for your team to share ideas, exchange perspectives and learn from each other, you cultivate a more motivated and inspired team.

That said, businesses can take a proactive approach to employee well-being and engagement by:

- Providing competitive compensation
- Helping with work-life balance
- Offering wellness programs
- Surveying employees for feedback
- Taking action on the feedback to enhance employee experience

While these efforts do require some work, it's well worth the value in the end. So, how do you make these changes a reality?

Paul Dadlez
SVP, HTLF Director of Wealth

Creating a Culture of Value

When it comes to competitive compensation, it's important to survey the market to gain insight into average compensation packages. How do your offerings compare to the competition? What other benefits outside of salary are you providing to employees as incentives? Competitive compensation, healthcare benefits and 401K plans are absolute drivers in employee retention.

While compensation and benefits are critical, managers must also practice empathetic engagement. Ever hear the saying, "People don't leave companies, they leave their bosses"? This statement rings true in many scenarios. Employees want to be part of the conversation. As leaders, it's important to provide a safe space for them to listen, learn, and voice their opinions in order for them to grow.

Organizational leaders that act as advisors and consultants to their employees create an environment that encourages education, information sharing and collaboration. When you create safe spaces for your team to share ideas, exchange perspectives and learn from each other, you cultivate a more motivated and inspired team.

When it comes to developing talent, one way to engage skilled contributors is to promote from within. If you have a star player that exhibits great leadership skills, produces great work and contributes a positive influence on the team, they can take over priority projects and help identify other talented leaders along the way. By relying on your team and their insight, you're fostering a genuine sense of community, connecting to the organization's mission and values, and building trust with individuals on your team.

Experts recommend asking targeted questions that allow for detailed responses. Some questions that can help orient your benefits program may be:

- Do you find it easy or difficult to access your current benefits?
- Are you satisfied with your benefits package? Why or why not?
- Which of your current benefits do you consider the most important?
- Did our benefits package for employees influence your decision to work here?
- How well does your current benefits package meet your needs (on a scale of 0–5 or 0–10)?

You can also ask similar questions with reference to specific elements of your benefits package, such as matching retirement contributions, stock options, health and wellness, transportation, professional development, parental leave, and so on. When analyzing responses, look for clear trends that indicate specific strengths and shortcomings.

In today's corporate environment, leaders must build a culture of trust, mutual investment and growth. It's these key elements that create a community where employees want to stay.

Support in and out of the Office

I make it a priority to truly know and support my people on a personal level through open dialogue and leading by example. When times get tough in their personal lives, I want them to know I have their back and they can come to me to find support.

One of the biggest drivers of attrition is financial stress and lack of literacy around personal finance. So many people, especially younger generations, are drowning in student debt, struggling to save and feeling hopeless about their ability to build wealth or retire comfortably one day.

Employers can help by educating staff and providing resources for budgeting, debt management, investment and holistic financial planning. As financial professionals, we want to help our employees plan for financial freedom and provide the tools they need to make that a reality. When you advocate for your people, you help them create a better financial future and that alone builds trust and loyalty.

In addition to providing financial resources, we need to support our employees beyond their 9-5 with flexible scheduling, work-from-home options, parental leave, student loan repayment assistance, time off to volunteer and more.

Your employees have career aspirations. Whether it's with your organization or elsewhere, it's your job as a leader to foster their growth. Through continuous training, development opportunities and promotions, you can inspire your employees to be their best. I tell my team I want them to be skilled and marketable no matter where they go. We give them the opportunity to do just that, but it's our rewarding culture that makes them want to stay with us.

In today's corporate environment, leaders must build a culture of trust, mutual investment and growth. It's these key elements that create a community where employees want to stay. No one wants to leave a culture that nourishes their overall well-being.

It's not just lip service. Building this culture requires considerable effort and resources. In the end, it all pays off with increased employee retention, productivity, morale and the ability to attract top talent. Happy employees result in happy customers.

In today's environment where employees have more leverage than ever before, employers must be mindful of what it takes to keep their best people. We must step up, engage and remain consistent in our approach. When you value your employees as more than just workers, you reap the rewards in a variety of valuable ways.

Why Small Businesses Need CREDIT CARDS

Between rent, inventory and payroll, it can be difficult for business owners to decipher what means they'll need to cover expenses. Even if there's enough cash on hand to fulfill the obligations, an unexpected cost could derail your operation. Many business owners leverage business credit cards to supplement their expense funds.

High interest rates might make you hesitant to open a credit card for your business. However, a business card can alleviate both expected and unexpected financial circumstances.

Benefits of Having a Business Credit Card

While charging an open line of credit for business expenses might seem daunting, business cards provide excellent means for business owners to stay ahead. For instance, business credit cards create separation from your personal finances. By leveraging a business-specific credit card, you're building a healthy credit score for your business. Typically, a well-established credit history helps to reduce financing costs for large purchases.

Do you plan to scale your business in the future? If so, then you may want to consider building up its credit score now. Doing so might help you get more favorable terms on future loans.

Credit card companies often offer small business owners personalized benefits and rewards. Think cash back on business-related purchases or discounts with partner companies.

Finally, a business credit card may be an opportunity to improve your cash flow. Typically, your line of credit covers expenses that can't be paid with a credit card such as payroll or leases, but a business credit card's grace period makes it easier for you to navigate the gaps between outgoing expenses and incoming revenue.

Commingling: Using a Regular Credit Card for Business

Yes, you can use your personal credit card for business expenses. But the real question is, should you? The answer depends on your goals for your business. Business credit cards sometimes offer perks that their personal counterparts do not; these perks may come in the form of travel rewards or cash-back for business-related purchases.

However, there are other, less immediately apparent benefits as well. When you separate your personal and professional finances, your accounting books remain clean. This makes it easier to prepare both personal and business taxes.

In fact, when you commingle your business and individual finances, you are potentially "piercing the veil" of protection that your business's legal entity offers. You may then be held personally liable for your business's debts or lawsuits.

In short, without separate business and personal accounts, you are running a legal risk while increasing your error margins for accounting procedures.

Safeguard Working Capital Against Fraud with a Business Credit Card

Small businesses are frequently targeted for debit card scams because they often do not have the security infrastructure of larger organizations. A business credit card can help limit your liability in the event your business credit card is used without your permission.

However, there are still a few best practices you should follow even after switching to a business card that can further minimize your exposure to security concerns.

Regularly review your statements for any suspicious activity. This helps you catch fraudulent charges as early as possible. If you do happen to spot a suspicious transaction, freeze the card immediately to prevent further theft.

In addition, certain employees are authorized to make purchases on behalf of your business. As such, it might be wise to get them their own credit card tied to the company account. This way, statements are readily available for you to review and charges are documented by card number. Employee misuse is a potentially serious risk — so it is important to have oversight over all expenses charged to your business account.

Understanding the TYPES OF BUSINESS CREDIT CARDS

There are several different types of business credit cards. The right one for you will depend on your unique situation.

Cash-back business cards offer a small percentage of cash back on every purchase. Some may even offer a higher percentage back for specific types of purchases, such as office supplies or utilities. So, if you can find a business card that offers high cash-back rewards for the types of purchases you often make in your line of work, then you could potentially see significant cost savings.

On the other hand, travel business cards provide miles or points for related purchases that can cut down on future expenses. Businesses that require extensive travel tend to be able to save the most by choosing a credit card tailored to travel rewards.

In addition, some cards are specifically designed to improve your cash flow. If you can get a card with favorable terms like 0% APR for 12 months and no annual fee, you can leverage early vendor payment terms to extend your accounts payable (AP) cycle.

Financial Planning for New Business Owners

By Chris LeFever
SVP, HTLF Director of Business Banking

Starting a new business is exciting, but many business owners are entering unchartered territory when it comes to managing cash flow. I've seen so many small business owners underestimate how much cash it takes to keep their company running, especially in the early days.

In my 30 years of experience, I've learned that the most successful small business owners are the ones that take the time to project every expense, consult with financial professionals to get accounting templates and create a 13-week rolling cash flow cycle to reference. If this sounds like a lot of planning, it is, but the payoff is invaluable.

I've advised many small business owners in my day, so let's get down to brass tacks. How much cash does a company need to operate? How do business owners get more accurate projections? What needs to be accounted for at every stage of growth?

Since every business is unique, there is no one way to answer these questions or achieve success. That said, I have a few insights that might help new business owners get a head start on their financial planning. Let's start here.

Your Business Plan Needs a Business Owner Plan

Everyone knows that it's best practice to have a business plan, but what's even more important, in my opinion, is for the business owner to have a plan for themselves. They need to ask these important questions before they hit the ground running:

- What do I want to accomplish?
- How do I want to accomplish it?
- In what timeframe do I want to complete these tasks?
- Am I being realistic in my goals and timeframes?
- What is the cost of getting to where I want to be?
- What are my funding options to get started?
- How will I keep cash flow coming?

Whether you raise seed funding, use your home equity, leverage savings, or approach friends and family to invest, you have funding options. My advice? Start building relationships with investors before you need money. Have a compelling business plan, a solid financial model and a growth strategy ready to present prospective investors.

The Small Business Association (SBA) and local Chamber of Commerce are great resources to utilize as you get started. Many have local grants for new business entrepreneurs.

> In a small business, and any business, really, employees keep your dreams alive. They work day in and day out to help your company achieve its goals.

A Small Business Is Comprised of Dedicated Employees

When you think of financing a small business, employees may be referred to as resources, payroll expenses, and overhead. However, the cost of running a good business requires top talent and that's exactly why employee satisfaction is essential. When I first meet clients, I always ask these entrepreneurs what motivates them to get up and do what they do every single day.

I will never forget the one client who pondered the question, walked up to the window, and shared that his motivation comes from seeing his employees' 30 cars in the parking lot. At least half of them are homeowners and knowing that he helped them get there was all the motivation he needed to keep building his business.

In a small business, and any business, really, employees keep your dreams alive. They work day in and day out to help your company achieve its goals. Here are a few practical tips I share with my clients to help them retain top talent:

- Be transparent with your employees, providing context for business decisions when it matters.
- Provide opportunities for work/life balance, including alternative working conditions (remote/hybrid/in-office) that offer peace of mind.
- Offer competitive benefits packages that go beyond standard healthcare and include mental wellness, community volunteering or flexible work schedules.

Finally, the golden rule always applies here. Just be a good human and the rest will follow. When you prioritize employee satisfaction, your bottom line will thank you for it.

Managing Cash Flow for a Healthy Bottom Line

Speaking of your bottom line, every business needs a healthy balance sheet. That all starts with proper cash management. I learned an immensely helpful tip years ago that I still teach my bankers today. When a small business owner comes in looking for financial advice, we start the conversation asking them six simple questions:

1. Who will you pay?
2. Why will you pay them?
3. How will you pay them?
4. Who will pay you?
5. Why will they pay you?
6. How will they pay you?

While these questions are simple, many business owners have yet to list out all their vendors, suppliers and operating expenses that will appear regularly in their balance sheet. In order to project cash flow accurately, these key accounts must be documented. Once these transactions are documented, we recommend that the business owners take the following steps:

1. Understand when, how, and why money flows in and out of your business.
2. Negotiate the terms of your payables, extending payment deadlines where possible.
3. Negotiate the terms of your receivables, creating small incentives for early payment.
4. Leverage commercial credit cards that offer 30–40-day float before charging interest.
5. Set up different bank accounts for daily operating expenses, payroll, and excess cash.
6. Check your bank accounts daily to ensure you are protected from fraud.

Mitigating Risk and Finding Support

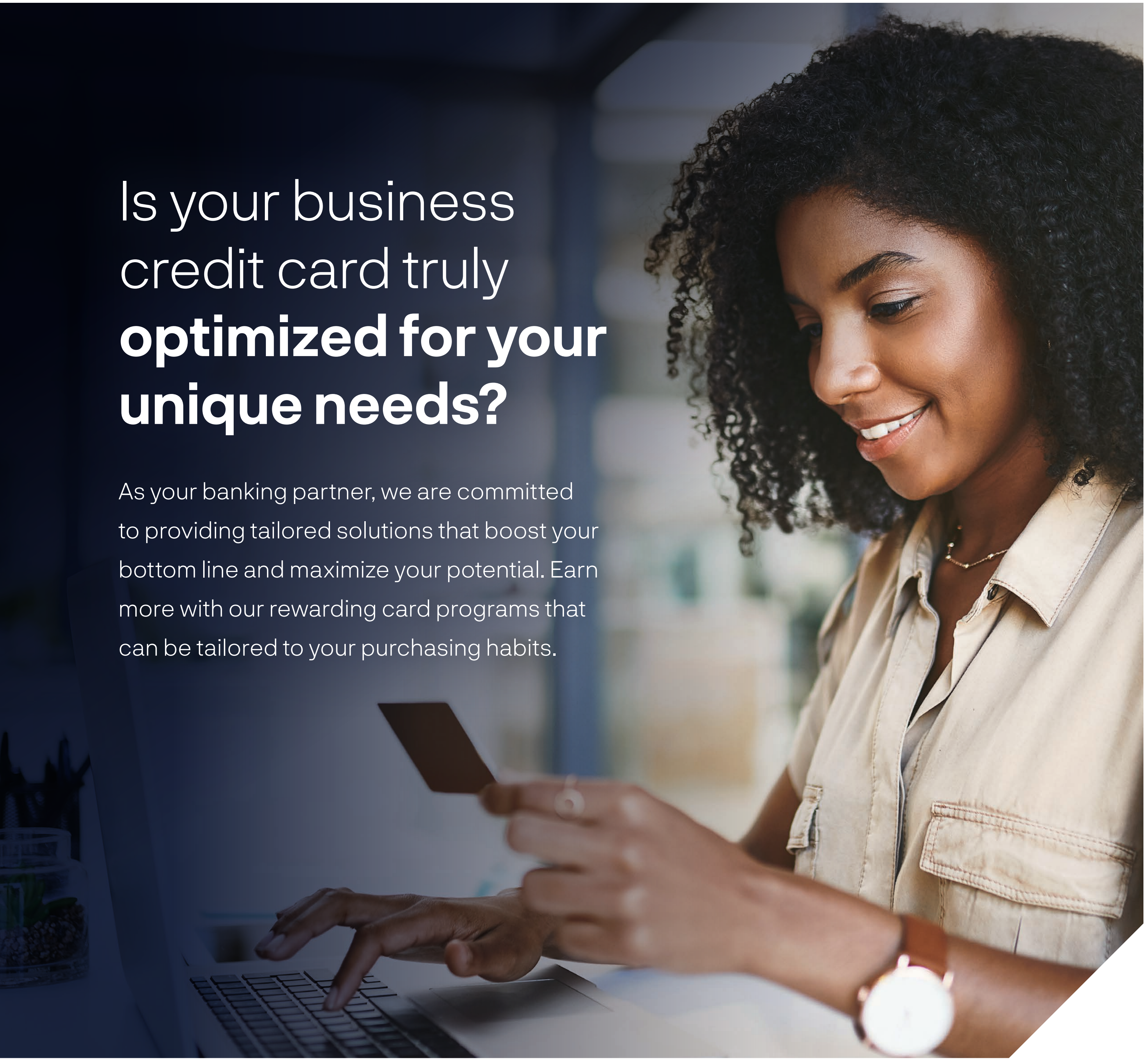
Many banks offer commercial financial consulting services and fraud-prevention products. All divisions of HTLF have accounts with Positive Pay, which enables clients to review a payment before the bank releases the funds to a recipient. In addition, ACH banking and two-factor authentication help minimize the risk of fraud.

New business owners have a steep learning curve, but finding financial guidance can help them prevail. Surround yourself with trusted advisors like a banker and an accountant to help you understand cash flow, operating expenses and red flags for fraud. These resources are incredibly valuable as you start your new business and continue to grow.

We take pride in helping our commercial clients achieve their dreams and look forward to learning about your dreams by helping you achieve your business' financial goals.

Is your business credit card truly **optimized for your unique needs?**

As your banking partner, we are committed to providing tailored solutions that boost your bottom line and maximize your potential. Earn more with our rewarding card programs that can be tailored to your purchasing habits.



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Scalable solutions integrated with your processes to drive efficiency

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Reduce cost and fraud risk by minimizing check payments

Optimize Working Capital
Pay vendors now, and pay us when your statement is due

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Business Card

Strike the perfect balance between growing your business and maintaining an optimal level of working capital.

No Annual Fee

0% APR[1]
for first 12 billing cycles on purchases and balance transfers

Cash Back Rewards[2]

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2% - Restaurants and Gas
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1% - All Other Qualifying Purchases
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[1] **0% intro Annual Percentage Rate (APR) for the first 12 months from the date of account opening.** After first 12 months, the APR will be 18.00%. This APR will vary with the market based on the Prime Rate. THIS OFFER SUPERSEDES ALL PRIOR OFFERS. Rates and fees are accurate as of 04/26/2024 and are subject to change. **Balance Transfers:** Total balance transfers may not exceed the credit limit assigned. Balance transfers do not qualify for the Rewards Program. You may not transfer an existing balance on any account issued by HTLF Card Services or any of its affiliates. Contact banker for full Small Business Credit Card disclosures.

[2] **5% Cash Back Rewards on the first $10,000 net spend annually at office supply stores. 2% Cash Back Rewards on the first $20,000 combined net spend annually between restaurants and gas. Spend over this amount will receive 1% Cash Back Rewards on net purchases.** Points can be redeemed for a credit to your credit card account or deposit account held at a domestic United States Financial Institution. Minimum point redemption amount applies. Review the program's terms and conditions at scorecardrewards.com or call ScoreCard Customer Service at 1-800-854-0790. The program's rules can change at any time without notice. Void where prohibited or restricted by law.

Normal underwriting guidelines apply. See banker for details. Credit Cards are issued and serviced by HTLF Bank d/b/a HTLF Bank Card Services. Contact your banker for full account disclosures. Geographic restrictions may apply.

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