

# Ask the Professionals

## Business answers to pressing B2B matters



### BUSINESS COACHING

#### Where has my profit gone?

You went to your accountant to review last year's financials and they congratulated you for having a profitable year. But you are puzzled. If it was such a profitable year than why isn't there more money in the bank?

There are several reasons why you can have a profitable business but still have no cash. It would take a much longer column to explain it however generally cash will get tied up in your debtors and inventory and can be eroded through poor cash management in expenditures – including your drawings from the business.

A great way to ensure that you actually have profit "in the bank" at the end of the month (or year) is to open a profit bank account. Most business owners are not in the habit of banking profit from their business. Using a profit account sets up a discipline of banking profit.

First calculate how much profit you would like to make every week. Then, begin depositing a portion of that amount of profit (and gradually build it up) into the account each week (or month if that works better for your cash flow). Once the profit is banked for the week then it is time to pay the bills.

Do this and at your next accountants meeting you can confidently know where your profit has gone!



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### COMMERCIAL RE

#### Can warehouse space give your company an edge?

Warehouse space can often make the difference between a decent supply chain and one that gives your company an edge. Exploring new approaches, benchmarking what companies are doing, evaluating trends, identifying new practices, and incorporating them enables users to leverage the distribution center for optimize performance.

Product storage is a main component of the occupancy in a warehouse facility along with having the ideal clear height. Although the typical stackability is limited to 12 – 15 feet to the top of the load, recent improvements in fire protection systems allow users to go up to 35 feet without in-rack sprinklers. With higher distribution and logistics demands, the clear height can improve the productivity within the user's facility. For many years, 32-foot clear height has been the standard for warehouse structures. However, with increased demands, higher logistics costs, and a need for efficiency, 36-foot clear heights are now taking center stage in distribution center design. According to a recent study by HPA Architects, there is opportunity to increase pallet capacity of a building footprint by 12% – 25% by utilizing a 36-foot clear height.

Jones Lang LaSalle is actively tracking these changes to help users meet evolving growth demands and corporate objectives.



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### ACCOUNTING

#### What does the Foreign Account Tax Compliance Act (FATCA) mean for my company?

If your company makes or receives payments from foreign entities or persons OR is a financial institution, FATCA may significantly impact you.

Passed in 2010, FATCA is a sweeping statute with unprecedented global impact and unexpected consequences. It was designed to detect and deter the evasion of U.S. tax by U.S. persons hiding money in foreign accounts or through the use of foreign entities. FATCA mandates that US entities and foreign financial institutions perform appropriate due diligence on payees, account holders and investors, identify U.S. account holders and report necessary account information to the IRS. Nonfinancial foreign entities are also required to provide details regarding their ownership structure to IRS withholding agents, including all substantial U.S. owners.

Beginning in 2014, noncompliance with FATCA could mean a 30% withholding tax on payments of U.S. source fixed or determinable annual or period income (FDAP) and eventually on gross proceeds from the sale of debt or equity interests in U.S. issuers.

In January, final FATCA regulations were released. Companies impacted by FATCA need to understand their tax exposure, develop controls around operational and financial functions, have adequate infrastructure to ensure ongoing compliance and have a program in place that streamlines the submission of periodic compliance certifications to the IRS as needed.



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### LAW

#### Is urban renewal a viable financing tool for my development project?

Urban renewal is used to encourage development by providing for a public-private partnership arrangement to finance the construction of certain improvements serving "blighted" property—property that, among other things, lacks adequate public infrastructure necessary for development. Incremental property and sales tax revenues generated from a project within a designated "urban renewal area" may be used by an Urban Renewal Authority to fund, or reimburse the costs of, certain improvements that remove blight conditions from the property.

While there are threshold hurdles to overcome when considering whether urban renewal is feasible for your project, such as the property generally not having been assessed as agricultural land and the applicable local government finding that the property is blighted, urban renewal remains a good option for developers to lessen overall project costs and for those developers and local governments to share in the costs and risks of development that otherwise would not happen without such financing. Further, urban renewal financing is not subject to Taxpayer Bill of Rights (TABOR) constraints, lessening the risk future funding for the project will not be available as contemplated.

Developers considering urban renewal should seek the advice of a knowledgeable attorney to help navigate this legal framework.



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### WEALTH

#### Should I sell out of the market?

In the first quarter of 2013 the Dow Jones Industrial Average (DJIA) and S&P 500 surpassed the market peak reached prior to the 2008 financial crisis. People are now asking – is it time to sell out of the market? Our answer is we do not think so. Underlying valuations continue to make the stock market attractive for two reasons. First the economy (employment and housing) is improving. The second and most important is the equity market, both in an absolute sense compared to historical prices and a relative sense, to fixed income and real estate, appears to be priced appropriately.

The market opportunities in 2013 are not the same as the last two peaks. In 2000, there were unrealistic expectations of the equity market during the internet and telecom bubble which was then followed by a real estate bubble in 2006. The setting in 2013 is considerably different. The stock market remains substantially undervalued and corporate profits and cash flows are robust. The S&P 500 Index is selling for approximately 9 times cash flow, or an 11% ownership yield. This is attractive relative to a 2% yield on a 10-Year Treasury bond or less than 5% for Real Estate Investment Trusts (REITs).



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