



INAFP

Inland Northwest Association for Financial Professionals

INAFP NEWS

March 2009

www.inafp.org

February Meeting Recap

Optimizing Working Capital was the topic of February's meeting. Chad Dickson of Wells Fargo delivered the presentation. Chad provided attendees with a great presentation on how to optimize working capital by reviewing current accounts receivable, accounts payable and operational processes; focus on improving, streamlining and controlling costs by transforming paper remittances and disbursements into electronic receipts and payments.

Benefits of Optimizing Working Capital:

- Reduce internal costs
- Automate operations
- Take advance of discounts
- Improve cash forecasting
- Increase funds for investments
- Use staff for value added activities

Where do opportunities exist?

In accounts payable, consider outsourcing, re-negotiating discounts, extending DPO by using alternate payment methods such as credit cards.

In accounts receivable, consider outsourcing, automating the remittance posting, eliminating paper by using alternate collection methods such as ACH, Lockbox, ACH conversion and Remote Deposit Capture.

In operations, reduce or eliminate wherever possible costly manual processes, minimize loss of or inaccurate information that add to an inaccurate forecast.

Things to Consider:

- Be prepared to change processes
- Work with an experienced and flexible provider
- Drive out manual processes as much as possible

- Work with suppliers for better terms, DPO changes and card acceptance
- Implementation and on-going costs of new processes
- ROI

Summary:

- There are areal and valuable benefits available to every organization
- Design a plan and phase in
- Partner with a provider that is knowledge and flexible
- Technology and automation can be critical to the success of working capital optimization

Fed Chairman Outlines Three Policy Approaches to Ease Credit

AFP – Financial Accounting and Reporting

The Chairman's speech can be found on the Federal Reserve's website at:

<http://www.federalreserve.gov/newsevents/speech/bernanke20090218a.htm>

Federal Reserve Chairman Ben Bernanke outlined the following three principal policy approaches the Fed is undertaking to ease the credit crisis - over and beyond affecting monetary policy by cutting the fed funds rate - during a speech he delivered in Washington on February 18th.

1. Lending to Foreign Financial Institutions. Providing liquidity in the U.S. market has traditionally been the Fed's role as the central bank. However, the Fed, in its efforts to provide short term liquidity, also approved temporary currency swap facilities with fourteen foreign central banks.

These agreements have allowed these central banks access to U.S. funds to lend to financial institutions in their own jurisdictions. As some lending contracts are tied to foreign indexes such as LIBOR (e.g. adjustable rate mortgages), the Fed's action will hopefully help reduce interest rates which should lead to lower borrower payments.

2. **Providing Liquidity Directly to Key Credit Markets.** The Federal Reserve is also introducing several liquidity measures that will directly affect borrowers and investors in key credit markets. One such liquidity measure is creating a facility to purchase highly rated short term commercial paper. Another measure is providing back up liquidity for money market mutual funds. Finally, the Fed announced last week that it is expanding the provisions of the Troubled Asset-Backed Loan Facility (TALF). These measures, if successful, should also lead to lower rates and availability of credit in the market place.
3. **Buying Longer-Term Securities.** The Federal Reserve will begin purchasing longer term securities for the Fed's own portfolio. The Fed already has committed to purchase up to \$10 billion in debt from the Government Sponsored Entities (GSEs) and up to \$500 billion in mortgage-backed securities guaranteed by those GSEs by mid year.

Bernanke said in his speech that he recognizes that the Fed can no longer affect economic performance solely by using the conventional tool of monetary policy – adjusting the federal funds rate. The fed funds rate is effectively as low as it can go, currently standing at 0 to 25bps. The Federal Reserve will engage in continuous assessment of the effectiveness of these alternative policy approaches, and Bernanke noted that such actions have generally been encouraging to the markets, based on the market responses thus far.

He also acknowledged that while these approaches will substantially increase the size of the Fed's balance sheet and could potentially lead to greater inflation, not introducing these alternative approaches would lead to more financial instability in the markets. Going forward, he indicated that measures can always be taken to halt inflation and shrink the balance sheet relatively quickly once the markets have begun to show signs of recovery.

Who gets what in the Stimulus Bill?

From AccountingWEB.com Feb - 2009

A lot of people get a little bit. Some, like certain home buyers or car buyers get more than a little. Some projects that do seem related to stimulating the economy get billions, and they may hold the power to create or protect jobs. And some programs that are not related to economic stimulus but do represent Democrat wish lists items are promoted and enhanced. The official name is the *Recovery and Reinvestment Act of 2009*, passed by a partisan vote on February 13th. The signing of the bill into law was delayed until Tuesday, February 17th for the holiday weekend. Originally the bill was promoted as heavy in tax cuts. The final product includes \$212 billion in tax cuts and \$575 billion in spending, which, President Obama promises, will save or create 3.5 million jobs.

In terms of tax cuts and savings, here are some of the specifics we know at this point.

Tax credits for individuals

- **The "Making Work Pay" credit.** This credit is up to \$400 per taxpayer for individuals earning less than \$75,000, and for married couples earning less than \$150,000, for a maximum of \$800 per couple. Unlike Bush tax rebates, taxpayers will not receive a check. The credit will be spooned out in the form of reduced withholding from their paychecks (taken out of Social Security and Medicare taxes). Estimates about the actual benefit vary, between \$8 and \$13 per week per taxpayer. The program extends for two years, through December 31, 2010. The cost to Americans spread over a ten-year period is expected to be \$116 billion.
- **Expanded earned income credit.** Temporarily increases the EIC for working families with three or more children. Previously families with at least two children might qualify for an EIC equal to 40% of the first \$12,750 of earned income. The new bill increases the EIC to 45% of the same earned income and expands the phase-out range for married couples filing jointly, by \$1,880.

- **Child credit.** In 2008 the child tax credit is refundable to the extent of 15 percent of earned income in excess of \$8,500. The new bill lowers the floor to \$3,000 for 2009-2010.
- **Unemployment benefits not taxed.** Individuals will be able to exempt \$2,400 of their 2009 unemployment benefits from federal income tax.
- **The "American Opportunity" education tax credit.** Replacing the Hope Credit, for 2009 and 2010, the bill provides education credits up to \$2,500 in tuition and related costs incurred during the taxable year, and is available for the first four years of education after high school. For the first time, college related book and computer purchases are also eligible for the write off. This credit phases out for single taxpayers with AGI of \$80,000 to \$90,000 and married taxpayers with AGI of \$160,000 to \$180,000.
- **The first-time homebuyer tax credit.** The new credit replaces the 2008 refundable tax credit for first time homebuyers, which was equal to ten percent of the purchase price of a home up to \$7,500. Recipients of these loans were required to pay back the funds over a period of 15 years. The new credit is raised to a maximum of \$8,000, subject to income limits (less than a combined income of \$150,000 for married couples), and without a requirement to repay. The credit is available for the purchase of a principal residence by a first-time homebuyer after 12/31/08. CCH reports, "Purchases on or after April 9, 2008, and before January 1, 2009, continue to be governed by the original first-time homebuyer credit enacted last year. The credit phase-out that starts for taxpayers with AGI in excess of \$75,000 (\$150,000 for joint filers) continues to apply to both 2008 and 2009 purchases." For purposes of this credit, a first-time home buyer is someone who hasn't owned a home in three years.
- **Sales tax deduction for vehicle purchases.** For taxpayers with adjusted gross incomes under \$125,000 (\$250,000 for joint returns), there is a new deduction for state, local, and excise taxes on the purchase of a new car, light truck, and other vehicles in 2009. This is available even for taxpayers who do not itemize. The deductible sales or excise taxes cannot exceed the portion of the tax attributable to the first \$49,500 of the purchase price of any one vehicle.
- **Plug-in hybrid cars.** Buyers of these cars could qualify for tax credits up to \$9,100. However, at this time these cars are available in limited supply.
- **AMT Patch.** To prevent 24 million households from being caught in the AMT trap, the new law includes a one-year patch. Those who consider the patch to be a tax benefit as opposed to the removal of an unfair tax estimate the cost of this measure to be \$69.8 billion. For 2009, exemption amounts are \$70,950 for joint filers and their surviving spouses, and \$46,700 for singles and heads of household. These amounts are increased from 2008 figures of \$69,950 and \$46,200 respectively. Congress has passed a patch every year for the past several years, but it usually does not happen until November or December. Fearing they would not be able to pass another costly measure after pushing through the stimulus bill, they added the AMT patch to this spending bill.

Tax benefits for business

- **Loss carrybacks expanded.** Businesses with gross receipts under \$15 million that experience losses can now carry those losses back for five years instead of two. This provision could result in a refund.
- **Estimated tax relief.** For certain small businesses the requirement to make estimated tax payments is reduced for 2009.
- **Transit benefits.** The new bill equalizes the tax-free benefits employers can provide to employees for transit and parking. Beginning in March 2009, parking and transit benefits are both set at \$230 per month. This change is effective through 2010.
- **New hire tax credit.** The new law includes a tax credit equal to 40 percent of the first \$6,000 of wages paid to employees who are unemployed recent veterans or "disconnected youth" (defined as individuals between the ages of 16 and 25 who have not been regularly employed or attending school in the past six

months and who are not readily employable due to a lack of certain basic skills). The Urban-Brookings Tax Policy Center gives this particular provision a "D" grade on its **Tax Stimulus Report Card** based on past experience with this type of subsidy and the likelihood that it will not generate new jobs in the target group.

- **Section 179 depreciation expanded.** Businesses were able to deduct up to \$250,000 on the purchase of business equipment for 2008. Beginning in January 2009, that credit was reduced to \$133,000, but the stimulus act raises it again to \$250,000. In addition, the stimulus act reinstates bonus depreciation for purchases of eligible equipment.
- **Business capital gains relief.** Small business owners can exclude 75% of the profits from capital gains, provided they have owned their businesses for at least five years.

The **complete text of H.R. 1**, the American Recovery and Reinvestment Act of 2009 is available at <http://thomas.loc.gov/cgi-bin/query/z?c111:H.R.1.ENR>:

March's Meeting Topic

Please join us on March 25th for a "Regional Economic Update" presented by our speaker, Shaun O'L. Higgins. Shaun is Director of Sales & Marketing for *The Spokesman-Review* and president and chief operating officer of its sister company, New Media Ventures, Inc. In addition to his revenue duties with *The Spokesman-Review*, Higgins serves as company spokesperson and manages research, community-affairs and media-relations functions.

A former reporter and editor, Higgins has headed the revenue-producing departments of Spokane's daily newspaper for nearly 20 years. Among his industry involvements, he is a former director and current executive member of the World Association of Newspapers. He is a past president and current director of the International Newspaper Marketing Association, and a recipient of that organization's highest honor, the Silver Shovel. Higgins is former president of the Spokane Advertising Federation and one of only five people to have been honored with its Lifetime Achievement Award. He served on the original board committees for new media and "horizon watching" for the Newspaper Association of America (NAA), and for eight years headed NAA's National Political Advertising Task Force.

2009 Northwest Summit for Financial Professionals – Save the Date!

The Northwest Summit for Financial Professionals presents in the Emerald City, "Staying Ahead of the Curve" the Twentieth Annual Conference which will be held on May 20 – 22, 2009 at the Seattle Westin. This two-and-a-half day conference is designed for all levels of treasury management expertise including Treasury Managers, CFO's, Controllers, Accountants, Lawyers and providers of treasury management services in both practitioner and managerial roles.

The agenda is tailored to fit your needs, from speakers that cover a broad spectrum of treasury topics including risk management, BCP, electronic payments, short-term investments, international ACH, global treasury, compliance and virtual vaults. Also built into the program are basic classes that help prepare individuals for the Certified Treasury Professional (CTP) Exam. Enjoy earning continuing education credits for CPA, CTP, CCM, and CLE during two-and a-half days of networking and educational fun.

With the economy throwing a constant curve ball, speakers include a keynote session on TARP funding and an expert economist sponsored by JP Morgan Chase. Gain knowledge during our CTP training sessions provided by Gregory Saliba CTP, Portland State University Finance Instructor, Vice President for Capital Pacific Bank and President of Taurus Capital Management. As in past years, the conference will conclude with a motivational speaker.

Online registration for the conference began on **Monday February 16, 2009** with early registration discounts available until April 1, 2009. For more information, please visit <http://www.northwestsummit.org>.



President's Message

Greetings!

As I'm writing this, snow is again beginning to fall. These long winters are really getting old. At least it will officially be spring this month no matter what the weather decides to do. Looking ahead to spring, if you have not yet registered for this year's Northwest Summit, remember to do so by April 1. Registration discounts are available until then.

Additionally, as members of the INAFP, there is a registration fee discount. Please let me know if you are planning on attending the summit and I will be sure to get you the discount code by the next business day. I can be reached by e-mail me at beldred@urmstores.com. Visit <http://www.northwestsummit.org> for more information and online registration.

Also, make sure to attend the March meeting to enter in the drawing for \$250 towards costs of attending the conference.

After four years, Robin Parks will end her term serving on the INAFP board in May. Serving on the board provides an opportunity to help determine meeting topics for the monthly luncheons and is a chance to work with a great group of people. Please let one of your current board members know if you might be interested in serving on the board beginning in August.

Last month the meeting presentation *Optimizing Working Capital* by Chad Dickson from Wells Fargo was good food for thought. Hopefully all of our members and meeting attendees came away from the discussion with at least one idea of how they might help their companies or customers.

At our March 25 meeting, Shaun O'L Higgins from *The Spokesman-Review* will be providing the INAFP with a look at how our regional economy is doing. In April, Stephen Prince from Merchant e-Solutions will provide an update of the latest happenings in the credit card industry. Keep checking the INAFP website for information on meetings in the coming months – <http://www.inafp.org>. Hope to see you at the meeting.

Sincerely,

Brian Eldred

2008 – 2009 Board of Directors:

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