



# INAFP

Inland Northwest Association for Financial Professionals

## INAFP NEWS

October 2009

[www.inafp.org](http://www.inafp.org)

### September Meeting Recap

Ron Vodicka of U.S. Bank presented at the September INAFP meeting. Current Trends in Foreign Exchange Risk Management was his topic of discussion.

The Foreign Exchange market has 3 Trillion in turnover on a daily basis. It is a 24-hour market that opens on Sunday in Auckland, New Zealand and closes on Friday in New York at 5 EST and is the most liquid market in the world.

Below are the key trading centers and percent of the global turnover:

New York – 16%  
London – 34%  
Tokyo - 6%  
Singapore – 5%  
Hong Kong – 4%  
Australia – 4%

There are two trading markets, the Interbank Market and Exchange Trade Market. The Interbank Market is more flexible, customizes contracts and typically no margin is required. The Exchange Trade Market uses standard contracts, margins are generally required and a broker fee is paid.

Who uses the interbank market to buy and sell currency electronically?

- Multinationals
- Insurance Companies
- Central Banks
- Mutual/Pension Funds
- Commercial Bank
- Currency Brokers
- Commercial Companies
- Investors/Hedge Funds

The US Dollar, the Canadian Dollar and the Mexican Peso are the most actively traded currencies during North American hours.

There is change going on in the market that suggests that the US Dollar will not be the reserve (primary) currency at some point in the future. The US Dollar has been the primary currency since WWII. As the rest of the world's economy grows and consumes more, there will be less demand for the US Dollar. It won't happen over night but more likely over a period of years.

US Dollar Key Positives:

- Deepest capital market in the world
- Still reserve currency of the world
- Benefits from flight to quality
- Prospective RED Rate hike
- Aggressive dealing with financial crisis

US Dollar Key Negatives:

- Continued danger of foreign "risk appetite"
- Massive government deficits
- Possibility of high inflation return
- Diminished reserve currency status
- Coming financial regulations



- Use a different password for each website that is accessed.
- Change your password(s)/pass-phrases every three months and select one that is hard to guess.
- Never share username and password information for online services with third-party providers.
- Limit administrative rights on users' workstations to help prevent the inadvertent downloading of malware or other viruses.
- Install commercial anti-virus and desktop firewall software on all computer systems.
- Ensure virus protection and security software are updated regularly.
- Ensure computers are patched regularly particularly operating system and key application security patches. It may be possible to sign up for automatic updates for the operating system and many applications.
- Install anti-spyware detection programs.
- Clear browser cache before starting an online banking session in order to eliminate copies of web pages that have been stored on the hard drive.
- Verify use of a secure session (https not http) in the browser for all online banking.
- Avoid using an automatic login features that save usernames and passwords for online banking.
- Never leave a computer unattended while using any online banking or investing service.
- Never access bank, brokerage or other financial services information at Internet cafes, public libraries, etc. Unauthorized software may have been installed to trap account number and sign on information leaving your business vulnerable to possible fraud.
- **Immediately escalate any suspicious transactions** to your financial institutions involved, particularly for ACH or wire transfers. **There is a limited recovery window for these transactions and immediate escalation may prevent further loss to your company.**

### Suspect You're a Victim of Online Fraud?

If you suspect your company is a victim of fraud, there are a number of **immediate steps** the FBI recommends that you take to protect your financial interest including:

1. Cease all activity from computer systems that may be compromised. Unplug the Ethernet or cable modem connections to isolate the system from remote access.
2. Immediately report the fraud to your financial institution local branch.
3. Contact your local police department.
4. Report the fraud to the [Federal Trade Commission](#) and the [FBI's Internet Fraud Complaint Center](#).
5. Have your company's network and systems reviewed by a qualified computer forensic/information security professional.

Make sure to also maintain a written chronology of what happened, what was lost and the steps taken to report the incident to the various agencies and firms impacted. Record the date, time, contact telephone number, person spoken to, and any relevant report or reference number and instructions.

As mentioned previously, there is a limited recovery window for these transactions and immediate escalation may prevent further loss to your company.

For more information about fraud/identity theft and how to avoid it, please visit the [Federal Trade Commission](#) website for additional fraud prevention tips.

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## October's Meeting Topic

Please join us and our speaker Randy Barcus from Avista Utilities on October 28<sup>th</sup> for "The State of the Economy." Avista Corp. has employed Randy since 1979. Presently, he is Chief Economist for Avista Utilities. He is responsible for analyzing Avista's electrical and natural gas service area, covering North Idaho, Eastern Washington, and Southwest Oregon. Mr. Barcus regularly offers commentary on the business climate to the Spokane Regional Chamber of Commerce Business Barometer, the Spokesman-Review, and the Journal of Business. In Spring 2004, as a member of the Forward Fairchild team, he provided a study of the military economic impact in the Region.

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## **To Your Health: Cost-effective Benefits Programs a Financial Professional Can Embrace**

Smart companies are investing now for the coming recovery by helping employees reduce personal health costs. There are two ways to grow a business: Grow your top line to grow your bottom line, or reduce your costs and grow your bottom line. In tough economic times like we've faced the past two years, the choice is obvious: Now is not the time to raise salaries and bonuses or increase health insurance coverage. However, that does not mean there are no ways to increase your bottom line in employee talent. There are smarter methods of investing in your employees and retaining their talent.

In fact, the smartest companies are investing now to take advantage of the upcoming post-recession growth opportunities. How exactly are they investing in their employee talent given the cost constraints of the downturn? By helping employees reduce their own personal costs.

It is widely accepted that retaining qualified and talented employees is significantly less expensive than recruiting, hiring, and training new ones. However, what continues to confound financial professionals in our current recession is the ability to invest in programs that retain talented employees, while reducing their salaries, bonuses and benefits packages. Companies must invest in helping their employees reduce their own personal costs through the recession, lest they face crippling hiring costs when the economy turns around.

The key is figuring out what employees' value most today and which benefits programs will help them attain it. Based on MetLife's Sixth Annual Employee Benefits Trends study, among employees who are highly satisfied with their benefits, 85% plan to be working with their current employer in 18 months from now, compared to just 50% among those who were not satisfied with their benefits.

Cost-effective benefit programs, such as health & wellness, financial wellness, and employee discount programs, can help a company improve its bottom line for two reasons:

1. They possess low upfront costs to companies, making them sound investments given today's budgetary restrictions.
2. They reduce turnover costs and healthcare costs, and increase employee productivity.

Though companies focus on hiring and maintaining talent during economic expansions, their focus on cost containment during downturns too often overshadows the importance of retention. Companies and their upper-management constantly face difficult decisions about where to cut costs in order to survive the recession. The cost and strain to manage operations and meet quarterly performance expectations of investors and the board of directors often force financial professionals to think about pure survival versus cost-effective ways to embrace both short- and long-term growth opportunities.

According to a recent report published by the Wharton School, "without a doubt, firms that have approached . . . alternative solutions to preserving their talent during difficult economic times -- will be better positioned for the recovery than those that have adopted a knee-jerk approach."

### **MOBILE WORKFORCE, HIGH TURNOVER COSTS**

The long-term costs of employee turnover are expensive. The costs of a single employee leaving can reach \$4,950. These costs include interviewing time, advertising costs, agency fees, and training costs.

Despite the great demand for jobs and their limited supply in today's economy, the findings in surveys on employee job satisfaction are surprising. This is a departure from the assumption that the rough economic times are enough to keep the remaining talent and employees from "actively seeking better opportunities." Another study by Catalyst suggests that upper management must make investing in employees a priority now, rather than something to plan for post-recession; employees aren't waiting for the economy to recover and are actually searching for better opportunities in the present. They found that 20% choose to leave their job, choosing better opportunities in the face of the uncertain economy. Further, a recent study by Adecco Group indicates that 54% of employed adults report they are at least somewhat likely to look for a new job once the economy turns around.

Companies that are trying to beat the trend are exploring new ways to invest in their employees and improve retention while meeting cost-control objectives. Many are turning to benefits programs as a low-cost yet impactful solution. The following are two simple, low-cost, and effective ways to invest in employees, despite the economy.

## EMPLOYEE DISCOUNT PROGRAMS

Employee discount programs (EDP) enable companies to help reduce their employees' own personal costs while reducing the company's costs on their balance sheet. EDPs work similar to discounts on in-house corporate purchasing, where companies offer their employees discounts on their own products and services. This is a low-cost option that companies have used in the past as it's an easy option with almost no cost of negotiation. EDPs have taken this concept one step further by aggregating the collective buying power of all employees to do the same.

In other words, retailers actually compete to market to this select group of consumers with income to spend, allowing EDPs to offer the deepest discounts and greatest cost reduction to employees on their purchase of everyday items.

Employees are able to see a tangible value of savings they receive from their purchases and on everyday items. These programs cost companies next to nothing and deliver deep, personalized and exclusive corporate discounts, thereby providing a benefit that brings the maximum employee satisfaction impact: money.

Because the value of discount savings can be communicated in a clear and tangible way, EDPs are a highly effective method of investing in employees and reducing company turnover costs. Studies show that effective communication of benefits increases the discount program's return-on-investment. This clear communication is highly correlated with the reduction of the turnover rate. Of employees who believed their company communicated their benefits program effectively, 69% said that benefits were an important reason why they stayed at their company, versus only 25% among those who didn't believe benefits communication was effective.

Discount programs can extend the value of employees' paychecks at the cost of the merchants and at almost no cost to the employer. Employee discount programs also give companies more insight on what employees value most. This allows financial directors to make more educated decisions in which wellness programs to invest, increasing the ROI of all benefit investments a company makes.

## HEALTH AND WELLNESS

Investing in health and wellness programs is an effective way to reduce expensive healthcare costs and increase productivity during the recession. Almost two-thirds of companies in the U.S. provide health and wellness based programs. In a study done by Buck Consultants LLC, one-third of the 555 companies surveyed reduced health care costs as a result of their wellness program initiatives, with 49% reporting cost reductions between 2% and 5%.

Firms are offering such incentives as health premium reductions, cash and gift cards to both employees and their families. Nearly two-thirds of these programs used incentives as a motivator, yielding an ROI of more than \$1 per dollar spent. And the return is growing; the value of incentives to keep employees healthy in 2009 averaged \$329, a steep increase from \$204 in 2008.<sup>7</sup> Other companies created online health fairs, which are an extraordinarily inexpensive way to educate employees throughout multiple offices of the valuable benefits at their disposal.

Wellness programs increase revenue per employee as well. By improving employees' health, companies can reduce the amount of paid sick days employees take by up to five times, according to recent findings from the National Business Group on Health.

From AFP Exchange, September 2009  
By Charlie Kim



## President's Message

Welcome back INAFP members!

What a wonderful summer it's been. I hope everyone had the opportunity to enjoy it as much as I did. Thank you to all of you who participated in the INAFP survey. Your board will work diligently to make sure we meet the requests we received.

We've made a few changes to start off the year. One major change was the change in our meeting location. As most of you may know, Hotel Lusso is under new ownership. In conjunction with that, they are remodeling their meeting rooms. This left the INAFP without a venue. Fortunately, we were able to work with the Red Lion to get about the same deal that we had with Hotel Lusso. And... it includes free parking. Make a note that all of our meetings are now at the **Red Lion Inn at the Park**.

Another change, based on your input, is our meeting fee structure. We have been able to reduce the fees this year by over 10%. The non-member fee for attending a meeting is now \$28.00. The member price is just \$20.00. Hopefully, the lower price is just one more good reason for you to attend.

The survey results show that the #1 reason for attending the meetings is for the continuing education credit. With that in mind, we are working hard to bring you only meeting topics that will qualify with the AFP for continuing education credit. Our coming line-up includes a Regional Economic Update with Randy Barcus from Avista Utilities in October, and a presentation on the impact of the economy on current legislation in November with Washington State 4<sup>th</sup> District Representative Kevin Parker. We also plan on having a speaker provide us with an update on the ACH industry in the coming months.

Our first speaker of the year was Ron Vodicka from US Bank. He had so much information to present that he only made it through half of his presentation. Fortunately, Ron has agreed to come back and cover the Foreign Exchange Risk Management sections of his presentation so we can be looking forward to that in the coming months, as well.

Our board this year includes one new member - Mark Eide from URM Stores. Mark will be acting as our vice president in charge of facilities. Please join me in thanking him for his efforts in securing our new meeting location.

If you have ideas for meeting topics or newsletter articles, send them in. We appreciate your input.

See you at the October 28<sup>th</sup> meeting.

Best Regards,

Brian

### 2009 – 2010 Board of Directors:

<i>Brian Eldred / President</i>	URM Stores, Inc.	<a href="mailto:beldred@urmstores.com">beldred@urmstores.com</a>
<i>Jessy Hummel / Treasurer</i>	Wells Fargo Bank	<a href="mailto:jessy.w.hummel@wellsfargo.com">jessy.w.hummel@wellsfargo.com</a>
<i>Pat Coats / Secretary</i>	Sterling Savings Bank	<a href="mailto:pat.coats@sterlingsavings.com">pat.coats@sterlingsavings.com</a>
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