

FINANCIAL FEED

2024.Q2



**Time to
Overhaul
Your
Benefits
Package?**

PAGE 10

 **Arizona**
Bank & Trust
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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

10 WHEN TO OVERHAUL YOUR HR BENEFITS PACKAGE FOR EMPLOYEES

For many job-seekers, money is no longer enough. Is it time for your businesses to start building a better benefits package to attract top talent?

- 01 FROM THE BEIGE BOOK: NATIONAL AND REGIONAL SUMMARIES**
Known as the Beige Book, this report is published by the Federal Reserve and documents national economic conditions.
- 06 EXPERT COMMENTARY: A DEMOGRAPHIC EXPLANATION FOR THE EXTRAORDINARY US ECONOMY**
As the economy continues to confound the experts and forecasts for rate cuts are repeatedly pushed forward on the calendar, Paul Dickson, HTLF Director of Research, delves into the demographics of "The Great Moderation."
- 15 EXPERT COMMENTARY: HOW EMPLOYEE RETENTION IMPACTS ORGANIZATIONAL HEALTH**
Navigating the challenges of employee retention requires understanding that taking care of employees' well-being creates a loyal, effective team. Paul Dadlez, HTLF Director of Wealth Strategy, speaks to the value of engaging with your employees through support in and out of the office.
- 19 WHY SMALL BUSINESSES NEED CREDIT CARDS**
A business card can alleviate both expected and unexpected financial circumstances. Consider looking at card options that are tailored to your business and especially cards that are specifically designed to improve your cash flow— like our Small Business Card.
- 22 EXPERT COMMENTARY: FINANCIAL PLANNING FOR NEW BUSINESS OWNERS**
Don't underestimate how much cash your business needs to operate! Chris LeFever, HTLF Director of Business Banking, shares insights for new business owners to get a head start on their financial planning.

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. ▲

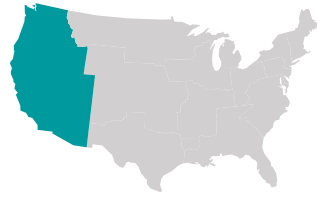


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From the Beige Book Federal Reserve Bank of San Francisco

Summary of Economic Activity

Economic activity in the Twelfth District was up slightly during the January to mid-February reporting period. Employment levels rose slightly, and labor was more available. Prices and wages both increased overall but at slower rates. Retail sales were stable, while activity in the services sectors grew modestly. Demand for manufactured products and conditions in the agriculture and resource-related sectors remained unchanged on net. Residential real estate activity rose somewhat, while that for commercial real estate was largely unchanged. Financial sector conditions were little changed. For communities across the District, demand for care and shelter support services remained high. Looking ahead, contacts expect weaker economic conditions overall relative to late 2023, though they expressed a little more optimism than in the previous reporting period.

Labor Markets

Employment levels grew slightly over the reporting period. Contacts in sectors such as real estate and leisure and hospitality reported expanding headcounts in recent weeks. Finance, technology, and business services held employee counts flat or let levels decline with attrition or layoffs. Several employers in health and agriculture reported utilizing automation tools and emerging technology solutions to boost productivity and improve efficiency. Employers generally filled positions with greater ease, though hiring skilled workers across sectors remained difficult. Reports indicated that applicant pools expanded and contained more qualified candidates. Still, some contacts in California noted stiff competition for labor from bigger companies and employers for government projects.

Wages increased slightly over the reporting period. Employers offered wage increases in line with inflation and provided additional benefits to attract and retain workers. Contacts reported that some employers fully absorbed recent increases in health insurance premiums and continued to offer hybrid or fully remote work. One contact in Nevada noted that employees preferred remote work because it allowed them to more easily take a second job.

Employers offered wage increases in line with inflation and provided additional benefits to attract and retain workers.

Prices

Prices increased slightly in recent weeks. Nonlabor cost pressures moderated across sectors. For energy, steel, and replacement machinery parts, prices rose at a similar or slower pace relative to the previous reporting period. For other inputs such as wallboard, cement, and food services supplies, price levels were unchanged or slightly lower. Prices for consumer goods and services increased modestly or remained flat overall. However, prices for some grocery items, including staples and produce, fell recently. Limited abilities to pass through elevated costs to customers constrained price increases by those firms in business services and retail sectors.

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Retail Trade and Services

Consumer spending on retail goods was stable at solid levels. Demand for groceries and other basic necessities was strong, but consumers continued to cut down on discretionary spending in response to elevated prices. E-commerce retailers noted muted demand for full price products while promotional offerings boosted online sales. Home centers reported lower sales of wood products. Contacts across the District reported above-average inventories following the holiday season. However, one contact noted that retailers that had previously decided to limit inventory levels to cut costs experienced product shortages and offered fewer new products recently.

Activity in the consumer and business services sectors grew modestly in recent weeks. Demand for logistics, legal, and consulting services was unchanged. Contacts reported that several consulting firms increased staffing capacity to take on new projects in recent weeks. Demand for health-care services grew further, and the industry remained near capacity. Demand for leisure and hospitality services in most of the District moderated somewhat due to expected seasonal fluctuations. In contrast, Nevada contacts reported that the economic impact of February's NFL Super Bowl LVIII held in Las Vegas exceeded expectations, and that the boost to the local economy was in line with that of the Formula 1 race held in the city last November.

source: [federalreserve.gov/monetarypolicy/beigebook202402-san-francisco.htm](https://www.federalreserve.gov/monetarypolicy/beigebook202402-san-francisco.htm)

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Manufacturing

Demand for manufactured products was unchanged on net. Demand for capital equipment strengthened as firms in the food and beverages, personal care, and medical industries boosted investments in productivity-enhancing products. Soft construction activity and poor weather dampened demand for wood products. Reports indicated that ongoing shipping disruptions in the Red Sea have not had a notable impact on production and businesses across the Twelfth District. In contrast, a contact in the ocean freight industry reported that severe drought conditions in the Panama Canal boosted traffic at ports across the West Coast. Many container ships heading from Asia opted to dock on the West Coast and use rail to transport cargoes to their destinations across the country instead of using the canal to reach East Coast ports.

Agriculture and Resource-Related Industries

Conditions in agriculture and resource-related industries were largely comparable to the previous reporting period. Domestic demand for fresh produce was solid, while that for logs remained soft. Demand for forested land with timber resources continued to grow. Despite a strong dollar, international demand for fruits, vegetables, and seafood increased over the reporting period. However, weaker economic activity in China and Japan led to lower exports of logs. Major seafood stocks remained stable. Record crop yields of apples and tree nuts in California and the Pacific Northwest had a dampening effect on wholesale prices.

For communities across the District, demand for care and shelter support services remained high.

Real Estate and Construction

Activity in the residential real estate market rose somewhat. Residential construction strengthened. Demand for single-family homes picked up slightly, as mortgage rates, though still elevated, moderated a bit in recent weeks. To attract reluctant homebuyers, some home builders began offering variable-rate mortgages at below-market interest rates, which revert to market pricing after a year, at which point buyers are reportedly expecting rates to be lower. The supply of multifamily rental units increased further as more construction projects were recently completed, thereby raising vacancy rates and putting downward pressure on rents. A contact from Hawaii noted that recent construction activity in the state has focused on affordable housing units.

Commercial real estate activity was largely unchanged from the previous reporting period. Demand for industrial and retail space was strong, but weak office leasing activity continued. Public infrastructure spending continued to boost overall construction activity across the District. Some private-sector commercial projects slowed on account of elevated costs and limited availability of skilled trades subcontractors, such as plumbers and electricians. Challenges persisted in obtaining some materials, particularly electrical equipment. ▲

OUR HIGHLIGHTS BY FEDERAL RESERVE DISTRICT

Commonly known as the Beige Book, this report is published by the Federal Reserve Bank. Inside each publication is anecdotal information on current economic conditions through reports from Bank and Branch directors and interviews with key business contacts, economists, market experts and other sources. The Beige Book summarizes this information by District and sector. Below is an overall summary of the district reports that is prepared by a designated Federal Reserve Bank.



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.

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.

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.

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.

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.

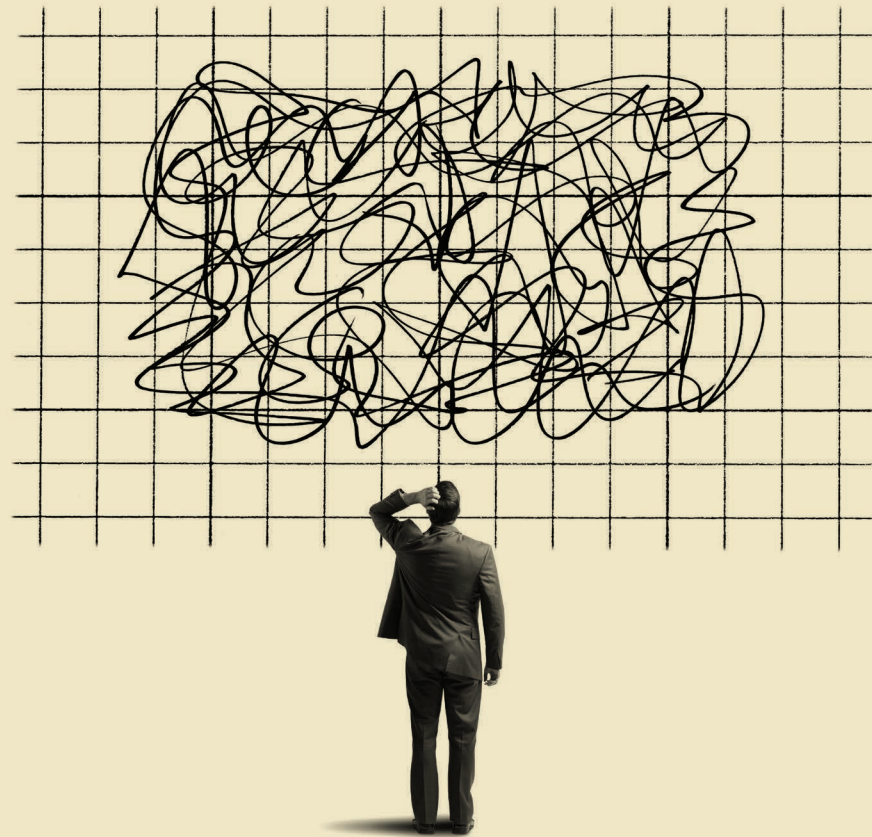
San Francisco

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

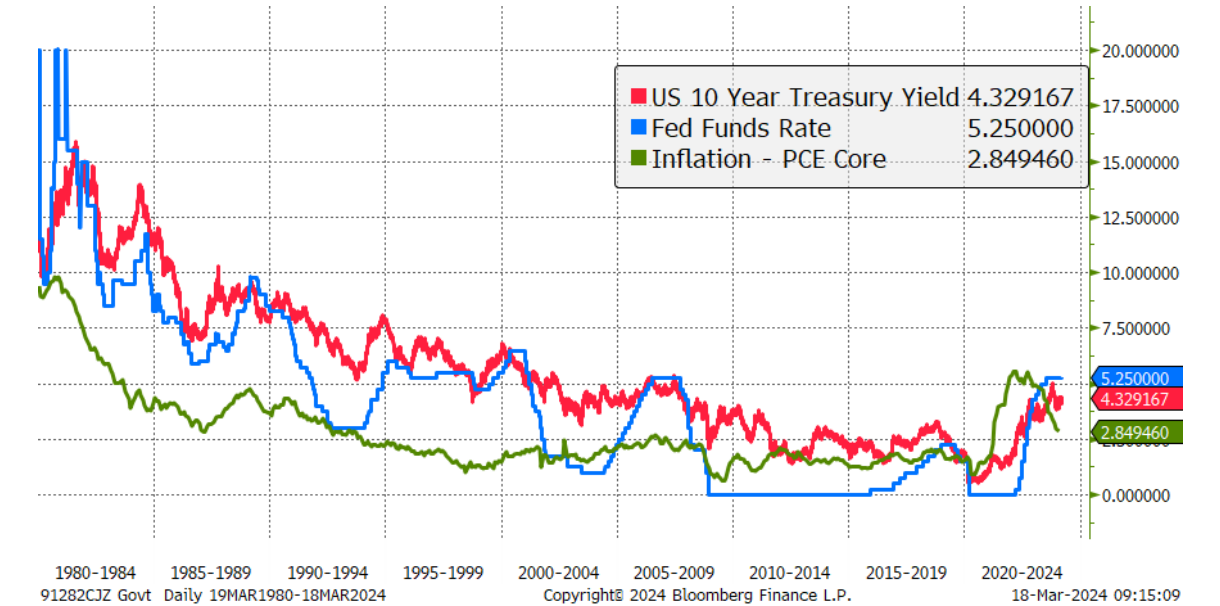


Since the Pandemic, renowned economists and top policymakers have been consistently wrong in their forecasts for the U.S. economy. The Federal Reserve (“the Fed”) believed that pandemic-induced shortages were responsible for an inflation spike that would only be “transitory” and quickly fade away. Rather, 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 known 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

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Great Moderation: Lower Lows and Lower Highs on Interest Rates Every Business Cycle



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”.

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.



Paul Dickson
SVP, HTLF Director of Research

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.

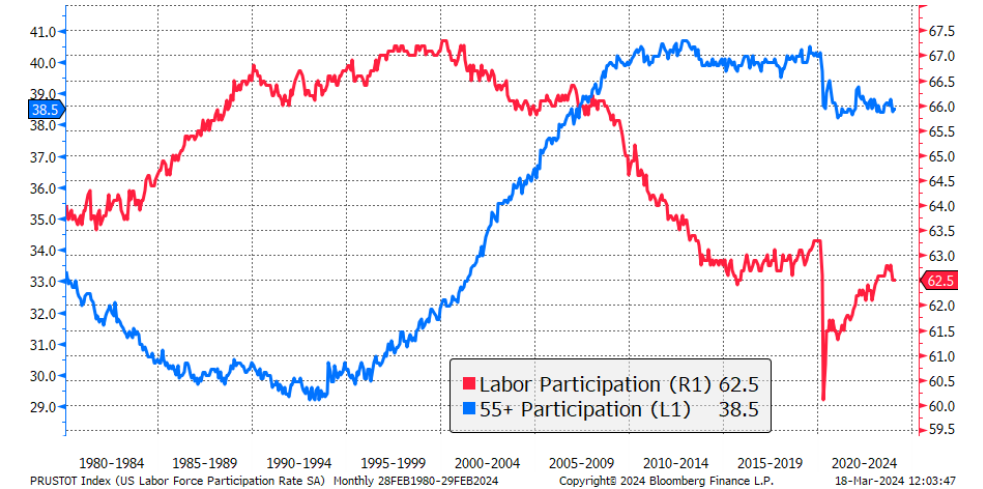
The pent-up demand of these young 30-somethings, having been unable to spend much during lockdown and having just received stimulus checks, was unleashed into an economy ill-prepared for it. Had these young Americans been 20-years older it is likely that the impact would have been more muted but instead 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.

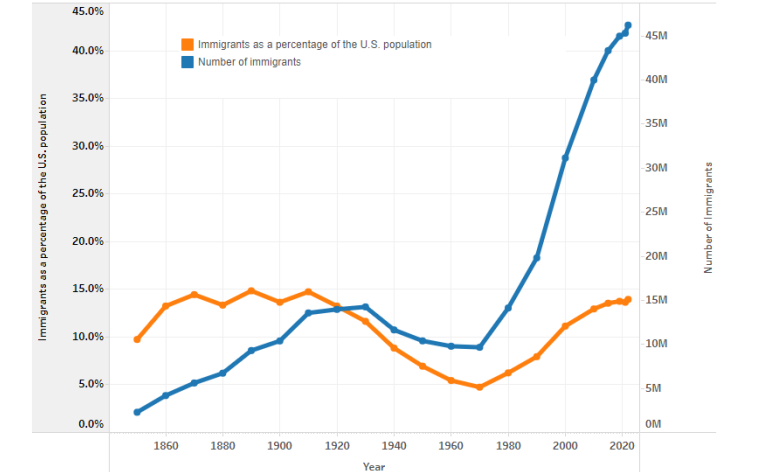
Labor Participation Rate: Overall and 55+



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. ▲

Number of Immigrants and Their Share of the Total U.S. Population, 1850-2022



MPI
Migration Policy Institute (MPI) Data Hub
<https://migrationpolicy.org/topics/data-hub>



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?**

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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.

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.

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.

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.

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. ▲

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.

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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.

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?

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.



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 uncharted 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.

Chris LeFever
SVP, HTLF Director of Business Banking

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.



Commercial ONE Card

Empower your business, gain a strategic advantage, earn as you transact — **enjoy seamless success!**

Streamline AP Process

Scalable solutions integrated with your processes to drive efficiency

Mitigate Payment Fraud

Reduce cost and fraud risk by minimizing check payments

Optimize Working Capital

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

Get Paid to Grow

Earn revenue share on your card purchases



Business Card

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

No Annual Fee

0% APR¹
for first 12 billing cycles on purchases and balance transfers

Cash Back Rewards²

5% - Office Supply Stores
on your first \$10,000 in net spend annually

2% - Restaurants and Gas
on your first \$20,000 in combined net spend annually

1% - All Other Qualifying Purchases
with no spend limit



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 05/01/2024 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.

HTLF Bank is Member FDIC

Our Commercial Banking Team is ready to help your business grow.
Scan the QR codes to learn more about our Commercial ONE and Business Credit Cards.



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HTLF Bank is Member FDIC and Equal Housing Lender