

Business: Choosing a Professional (cont.)

Is a certain fee agreement better for me? The basic rate for legal services depends on location. Based on your knowledge of the fees, a "fair" fee should be selected. Here are a few factors that play a role in the decision:

- What can you afford, and what is the going rate for the attorneys in my area?
- Is this a routine case, or do I need someone with special experience?
- What can I take care of without the attorney?

The following are basic fee agreements in use by attorneys:

Flat fee: There is a specific total that will be charged for work on your case. Make sure to ask if copies, transcribing and other expenses are included in this rate. This is normally offered only if the case is simple or routine. Litigation is not usually a flat fee, but an attorney can give you a fair estimate beforehand.

Hourly rate: A rate will be charged for each hour or part of the hour that the attorney works on your case. For example, if the attorney's fee is \$50 per hour and puts in five hours of work, then the cost will be \$250. Some rates may vary depending on whether they are hours spent in court or doing investigation and preparation. If you decide on an hourly rate, find out how much expertise the attorney has in your particular problem area. Someone who is less experienced will need more hours to complete the work, even though the hourly rate is lower. The size of the firm also affects the price. Smaller firms and urban lawyers usually charge a higher hourly rate than lawyers in rural areas, and large law firms charge the most. Find out what is included in the hourly rate; will you be charged for other staff member's time put into the case and if so, how? Are there any other expenses that I will be billed for besides the hourly rate?

Contingency fee: The final amount owed is based on the amount awarded in the case; if you lose the case, the lawyer does not receive anything besides expenses. This is normally one-third of the total. Find out if the fee will be calculated before or after expenses are taken into account as this can make a significant difference in the amount of the fee.

What can I do to save money on legal fees? Bear in mind that attorney fees are usually negotiable even though you will not be asked to bargain over the fees. The following are a few tips to make sure you save the most money possible:

- Shop around for flat fees on routine cases, and select an attorney that specializes in your particular case..
- Discuss the method of billing for hourly rates. To avoid problems, have a written agreement stating the fee agreement as well as what is involved.
- Find an attorney with the qualifications necessary for your case. The majority of legal work is fairly routine. Knowing what form needs to be completed and then who to file that with plays a large role.
- Propose to help with the workload.
- Use the lawyer as the middleman. If you only need a letter written to the opposing party, some attorneys will negotiate a lower fee.
- Work the lawyer as your coach. Hire a lawyer to guide you and review documents and letters that you prepared and signed if you would like to represent yourself in court (pro se).
- Always arrive prepared to lawyer meetings. The more information you have at hand means that less time that the lawyer needs to spend looking for that information.
- Be forthcoming with your attorney. To save time and money, make sure the attorney knows all the pertinent facts as soon as possible to reduce the need for more investigation.
- If factors change, inform your lawyer immediately. This can possibly save the lawyer's time or keep the lawyer from working on the case in the wrong direction.
- Be prepared when having contact with your lawyer. Ask all questions in one call. When you receive a letter or information in writing, pass it on to other staff members instead of contacting the attorney, unless you have a specific need.
- Pay close attention to invoices. Ask that you receive an invoice regularly. This applies to all types of fee agreements including a contingency fee. If you have a question regarding any of the items, you should immediately speak with your attorney.

To access additional articles go to www.valleytax.net website and choose Financial Guides.

Business: Employee Benefits

Do I need to know anything specific about employee benefits as a small employer? The employer must pay for certain legal benefits and insurance coverage such as Social Security, unemployment insurance and worker's compensation. The money for the Social Security program comes from payments made by employers, employees and self-employed persons to an insurance fund that will provide income after retirement. At the age of 65, full retirement benefits usually become available. There are other aspects of Social Security that deal with survivor, dependent, and disability benefits, Medicaid, Supplemental Security Income and Medicare.

Benefits for unemployment insurance are to be paid under the laws of individual states from the Federal-State Unemployment Compensation Program. Contributions to the program include payments made by the employer, based on the total payroll. The purpose of worker's compensation is to provide benefits to workers who are disabled due to an illness or injury while at work. The coverage and benefits vary by state. In the majority of states, private insurance or employer self-insurance will provide the coverage necessary. Short-term disability benefits are governed by the state also. Health insurance, disability insurance, life insurance, a retirement plan, flexible compensation, and leave are often included in a comprehensive benefit plan. An employer may choose to offer such benefits as bonuses, reimbursement of employee educational expenses, service awards, and perquisites appropriate to employee responsibility.

You need to determine what you are willing to pay for this coverage before implementing a benefit plan. Possibly consult employees as to what benefits they are seeking. For example, is a retirement plan more important than a medical plan? Another decision is whether you will protect your employees from current economic hardships or in the future. The last step is deciding who will manage the plan, you or an insurance broker.

Are there different types of medical plans for employees? There are two options: a fee-for-service plan, or a pre-paid plan (commonly referred to as a Health Maintenance Organization, or HMO).

An indemnity plan or insurance permits each employee to decide their own doctor. The employee will pay for the medical care and then file a claim with the insurance company for reimbursement. There are deductibles and coinsurance as well. Deductibles vary from \$100 to \$1000 a year.

With coinsurance, a percentage of the medical expenses are paid by the employee and the remaining are covered by the plan. Twenty percent is the normal coinsurance amount to be paid by the employee; the remaining 80 % is paid by the plan.

There are three common indemnity plans that give health care to groups of employees: 1) a basic health insurance plan that will cover hospitalization and surgery as well as physician's care in the hospital; 2) an insurance plan that will supplement the basic plan by reimbursing the charges not paid by that plan; and 3) a comprehensive plan that (with one common deductible and coinsurance features) will cover both hospital and medical care.

What is a preferred provider organization (PPO)? A network of doctors and/or hospitals that has contracts with a particular health insurer or employer that will give health care to employees at lower than the market rate. This offers a broad range of health care providers. PPOs can be more expensive than HMOs due to the broader range of providers. There are no obligations to use the PPO providers, but there are strong financial incentives. PPOs often have less comprehensive benefits when compared to HMOs. The PPO providers normally receive payment from the insurers directly.

What is a health maintenance organization (HMO)? Health care that is provided through a network of hospitals and doctors is a health maintenance organization (HMO). The benefits usually include preventative care, such as physical examinations, weight control and stop-smoking programs, baby care and immunizations. The most common characteristic of HMOs is that the primary care provider is limited to only one doctor within a network, although there is usually a variety to choose from. Outside of the network of hospitals and doctors of the HMO, there is no coverage. Due to the limited choices, the costs are lower. The payment for the HMO premiums are fixed and per employee. A small co-pay is due for the medical services, and no reimbursement is necessary.

What are the typical disability benefits provided to employees?

If an employee cannot work due to illness or accident, the disability plan gives him/her income replacement. These defer from worker's compensation as they pay benefits for non-work related illness and injury, and can be either short-term or long-term.

Continued on other side →

To access additional articles go to www.valleytax.net website and choose Financial Guides.