

# foundations

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**RABJOHNS**  
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*Helping Secure Your Financial Future*

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New England Financial is the service mark for New England Life Insurance Company (NELICO), 501 Boylston Street, Boston, MA 02116. Securities products offered through New England Securities Corp. (NES), a broker-dealer (member FINRA/SIPC). NELICO and NES are affiliates. Rabjohns Financial Group is a general agency of NELICO.

## Three Advantages of a Roth IRA

Many may not understand what a Roth IRA is, and what some of the benefits of a Roth IRA are. But, there are three advantages that a Roth IRA can offer if your estate value is under the Applicable Exclusion Amount (\$2 million in years 2007 & 2008) and if one of your planning goals is to leave as much money as possible to your heirs.

### Defining The Roth IRA

Simply stated, the Roth IRA is an IRA that individuals make contributions to on an after tax basis (contributions to a traditional IRA may be made with pre-tax money). When qualified withdrawals are taken<sup>1</sup>, they are totally free from federal income tax (state income tax treatment may vary depending upon your state of residence).

### Benefits of a Roth IRA There are three.

1.) Passing income tax-free money to an heir. The estate planning benefits begin with the Roth IRA's ability to pass money to a beneficiary income tax-free on qualified distributions at your death, provided the Roth IRA satisfies a five-year holding period.

2.) The Roth IRA avoids forced depletion at old age. Due to minimum distribution requirements (forced distribu-

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**Rabjohns Financial  
Group honored for  
third year.  
See page four for  
details.**

## Your Hardhat Team



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# Training Workers is Excellent ROI

As owners and contractors wonder what it will take to survive challenging economic times, a new survey reveals that one answer may be to invest in training of construction craft workers.

“I have a friend that says our industry’s image is the ‘3-D’s’, i.e., Dangerous, Dirty and Dead End,” says Wayne Crew, Executive Director of the Construction Industry Institute who speaks nationally about the study. “It’s not all true. One of the reasons for conducting the survey was to examine why the industry isn’t being attractive to new labor.” Some projections indicate the industry will be short one to two million craft workers in the next five years.

“The demand for labor is outstripping capacity to provide that labor,” says Crew. “The effect is that some jobs get delayed and others don’t get done. [Hurricanes] Rita and Katrina stepped on the fragile infrastructure and made huge demands on the industry.” Hurricane Ike created an entirely new surge of work. “Obviously we can’t get everything done at the same time,” adds Crew. The purpose of the study was to see whether there is a business case to

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*Among all trades, every 100 hours of training increased a craft worker’s hourly wage by 10 cents. (RT 182, 2003)*

*For electricians, every 100 hours of training increased their hourly wage by 1 dollar. (RT 182, 2003)*

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be made for becoming a craftsman and if so, is there a case for owners to hire and train these craftsmen.

The study concluded that each dollar invested in craft training can yield \$1.30 to \$3.00 in benefits. Benefits for the company owners and contractors include increased productivity as well as reductions in turnover, absenteeism, and rework. From the craft worker’s perspective, the payout is in increased knowledge and skill, increased pay and annual income, enhanced career progression and satisfaction, respect, and professionalism.

Sponsored by the Construction Industry Institute (CII), the study used companies’ actual records to examine the benefits from craft training programs. In

capital projects, for example, the survey found an 11% increase in productivity and a 14% reduction in turnover costs. Absenteeism decreased by 15% and injuries and rework decreased by 26% and 23% respectively. Similar returns on investment were found in the maintenance projects studied.

The CII study, commonly called Research Project RT 231, collected 93 surveys from craft training professionals and construction site managers with an average of 23 years construction experience. Five open shops and eight union sites were represented. Construction site managers comprised 27% of the respondents. Twenty percent of the respondents were training directors, and the remaining 53% were a combination of human resource managers, project control engineers, and estimators. The study purposely sought a mix of respondents to help ensure a balanced sample of individuals with different perspectives on training. The study was funded, in part, by the Construction Users Round Table and the National Center for Construction Education and Research.

“The study concluded that craft training now is where safety was in the early 1980’s,” said Crew. Back then, owners thought that it was the contractor’s responsibility to bring workers trained in safety to the project, but there were others who realized that in order to reduce the number of safety incidents, they had to work with contractors and play a role in making safety a priority. “Owners learned that not only was safety training the right thing to do, but also that it is bad business to be unsafe,” Crew explains. As safety

## Absenteeism

*Workers receiving training had lower turnover and absenteeism rates than workers without training.*

	Workers without Training	Worker Receiving Training	Company Certified Workers
Turnover Rate	7%	0.6%	3%
Absenteeism Rate	7%	3%	0.3%

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*Continued on next page*

education became a higher priority, larger industrial companies told contractors, 'If you aren't using these safety measures, you won't work for us.' This pressure resulted in the implementation of safety procedures that are now commonplace on job sites across the country.

"We've seen that owners demanded safety and we have metrics that show safety has improved over time. The same case will happen for craft training," predicts Crew. In fact, company giants like ExxonMobil and Dupont Engineering are now requiring craft skill certifications from contractors in order to remain on the approved contractor list.

Crew asserts that one of the biggest obstacles to increasing craft training is the fragmentation of the industry. Put a pin on a map and you will find an area of firms ranging from one person operations to those employing tens of thousands, says Crew. "Each area has local contractors, regional contractors, national and even global contractors, so getting the message to everyone is very problematic." Crew sees the collaboration between the Construction Industry Institute (CII), the National Center for Construction Education and Research (NCCER), the Construction Users Round Table (CURT) and the Association of General Contractors (AGC) as an important part of the solution to reach an extremely broad constituency. "Everyone can get the message out through their constituencies," Crew says.

Another problem is the lack of new craft workers interested in entering formal training programs. "The industry needs to figure out how to get to guidance counselors in schools and show them there can be rewarding careers and

### Training's Significant Impact on Two Projects

Quantification of Benefits Based on Survey Data

	Average Improvement	
	Capital Project	Maintenance Project
<b>Productivity Improvement</b>	11%	10%
<b>Turnover Cost Decrease</b>	14%	14%
<b>Absenteeism Decrease</b>	15%	15%
<b>Injury Decrease</b>	26%	27%
<b>Rework Decrease</b>	23%	26%

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above average net worth for their students as craft workers," says Crew who laments that the industry has not been more successful in these efforts.

Encouraging training is easy, but implementing it may be trickier since there is much skepticism shared by owners and workers alike. Crew admits there are many issues to be worked out. "It's true that a worker in a training class isn't on a job site being productive, so we need to look at flexible ideas," says Crew. Training that occurs after hours at local community colleges may be one option. "We have to make it convenient for a craftsperson to attend and show him/her the gain to be made by participating. Common sense tells us that if a fellow has to work 8 to 10 hours to feed his family, are you going to ask him to attend an additional four hours of training? Probably not," says Crew. "And is the training time paid or unpaid?"

Similar to the emergence of safety training over a decade ago, Crew sees the greatest potential for craft training to take hold is with larger companies especially those in close proximity. "In geographical regions where there is a concentration of plants and a

demand for a skilled workforce, we are recommending that the community come together and look at craft training collectively," says Crew. Contractors in that region move from project to project with different owners. The benefit could be significant if owners get together and require that craft professionals be certified. Crew notes, "It makes a lot of sense for both owners and contractors to have workers' skills be assessed, to figure how to finance the training, and have that training available."

The model of the safety council may be the most effective way to create change in craft training. In Houston, for example, every craft professional goes through the Houston safety council and receives basic safety training according to Crew. Each plant then provides the specific training needed for its operations. "This model might extend into the craft training area," says Crew who believes that significant collaboration will be required by owners and contractors alike to improve craft training. "You can't solve the problem with one participant," says Crew. "That's why it was so important for this study to be a collaboration of CII owners, contractors and academia."

Compliance number to come

## Rabjohns honored for third consecutive year



Rabjohns Financial Group/New England Financial has been named for the third year as Chicago's 101 Best and Brightest Companies to Work For by the National Association for Business Resources.

This award honors local companies that recognize their employees as their greatest asset, and work with imagination and conviction to create organizational value and business results through their policies and best practices in human resource management.

Winners are selected based on competency in the areas of Communications, Compensation and Benefits, Employee Education and Development, Employee Engagement and Commitment, Recognition and Retention, Recruitment and Selection, Community Initiatives, Diversity and Multi-culturalism, and Work-Life Balance.

"Being named a 101 winner is a dynamic way to affirm Rabjohns Financial Group's commitment to being one of the Best and Brightest companies to be a part of," states Managing Partner Reginald N. Rabjohns, CLU, ChFC. Our employees are Rabjohns Financial Group!"

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## Roth IRA *Continued from page one*

tions at age 70½), many traditional IRAs may be substantially depleted if their owners live into their late 80s or beyond. Since a Roth IRA faces no such requirements, it can continue to benefit from tax deferral each year with no requirement to take distributions.

3.) Contributions may continue through any age. Provided eligibility requirements are met and that you have compensation (as defined by the Internal Revenue Code). With the Roth IRA, you may have the opportunity to save more money for your heirs than with a traditional IRA, especially if you live a long time. Do remember that IRA money, including money in a Roth IRA, passed to heirs will be included in your gross estate for federal estate tax purposes.

Meet with your tax advisor and

financial professional to discuss your personal situation and how a Roth IRA strategy may help you to meet your goals.

<sup>1</sup>Tax-Free Roth IRA withdrawals of earnings permitted five years after first contribution creating account. Once the five year requirement is met, distributions will be free from federal income taxes if taken: (1) after age 59 1/2; (2) on account of disability or death; or (3) to pay up to \$10,000 of the expenses of purchasing a first home. Withdrawals of earnings made earlier than five years after the first account contribution creating the account for purposes not aforementioned, will be subject to a 10% IRS penalty and taxed at ordinary income tax rates.

The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of Roth IRAs. You should seek advice based on your particular circumstances from an independent tax advisor.

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**At Rabjohns Financial Group our extensive experience with business owners helps us understand their specific needs.**

Please contact me with more information about:

- Business Continuation Strategies (*Do you have an exit strategy in place for getting out of your business what it is worth?*)
- Key Employee Retention (*Are you in danger of losing key employees?*)
- Debt Risk Management (*Do you personally guarantee your company's debt?*)
- Employee Benefits
- Estate/Wealth Conservation Strategies
- Family Protection

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