Summer 2017

Commercial Insights

STRATEGIES AND EXPERTISE FOR YOUR COMPANY

REGIONS

BETTER WAYS TO PAY?

Beyond paper checks: Figuring out which electronic solutions may be best for your company

Welcome

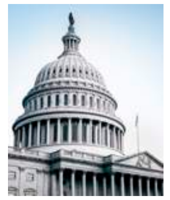
In putting together this issue of *Commercial Insights* magazine, we started with you. Our Commercial Bankers listen to your perspectives and concerns about everything from the new administration in Washington to risk management—and what you're doing to make the most of the opportunities in front of you.

In this issue, technology is a recurring theme. "IT Solutions: Should You Rent or Buy?" goes to the heart of a crucial question with financial and operational implications, while "How to Take Advantage of Mobile Business Technology" offers ideas for using smartphones to improve employee productivity and customer satisfaction. "Maintaining the Right Amount of Inventory" explores a subject that can have a major impact on your company's operations and profitability, and "Better Ways to Pay?" considers a future in which paper checks are replaced by faster and easier electronic options. Also, "What Washington's Changes Could Mean" looks at how possible regulatory, health-law and tax changes coming from Washington could affect your business.

The goal of our Commercial Bankers is to understand your business and help you find the resources you need. In fact, in recognition of their work on your behalf, we recently received 10 Greenwich Excellence Awards for small-business banking, middle-market banking and wealth management. These awards, from the management services firm Greenwich Associates, reflect your satisfaction with what our bankers do for you daily. We salute them, and hope that you'll find their insights in these pages useful for your business.

William E. Horton
Senior Executive Vice President
Head of Commercial Banking
Regions Financial Corporation



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THOMAS BARWICK/GETTY IMAGES

Tips for a Family Legacy Meeting That *Works*

Your family business is central to your legacy. These ideas can help you get everyone on the same page about what lies ahead.

Your business may already involve several family members, and its future could depend on creating shared goals, avoiding misunderstandings and making sure everyone is in the role that's right for them. A family meeting can be an ideal forum to share ideas about where your company is going, what your priorities are, and how your current and future business goals may fit with other parts of your family legacy, including philanthropy. Here are some suggestions for a productive session.

33% of U.S. companies are controlled or owned by a family.

Source: Boston Consulting Group, "*Dynasties*," The Economist, April 18, 2015

Invite all opinions

It's essential for younger family members to feel that their opinions matter. "The most successful family meetings related to legacy planning are those in which everyone is free to voice an opinion and ask questions," says Phillip Furlong, Wealth Advisor for Regions Private Wealth Management.

Share judiciously

Openness and transparency don't require you to divulge every aspect of your family finances, and it's not necessary to open the company books to everyone, Furlong says. But if, for example, you're planning to leave a significant piece of your wealth to charity, a family legacy meeting is a good time to share that. And the same holds true for communicating plans for business succession, which may hand the reins to one child while compensating others in other ways.

Keep it age-appropriate

Teaching your kids about your family's financial values can start early in life with something as simple as an allowance tied to positive behaviors. But for meetings covering complex subjects, like business strategies, you may want to include kids only when they reach college age. "Younger kids may not have the maturity and financial experience to understand the importance of legacies and future inheritances," Furlong says.

Involve your advisors

Your Commercial Banker or your Wealth Advisor can help you organize family legacy meetings, decide what to discuss and even act as a facilitator to help keep a productive conversation going. Depending on what you'll discuss, you may want to include other advisors. For example, your attorney could help explain the legal implications of your estate and succession plans. ▲

How to Take Advantage of Mobile Business Technology

Mobile is everywhere, but capitalizing on it requires planning.

If you own a smartphone, you probably consider your mobile device an extension of yourself—and your customers likely feel the same way. That fact alone is changing how many companies do business. "Mobile technology is a must-have resource," says Erin Morgan, Senior Vice President, Digital Strategy at Regions. It can help your company respond more efficiently to customers and prospects, allow your employees to be more productive, and provide data-driven insights so you can better serve your market. Here are five guidelines for building your company's mobile strategy.

> "All businesses should include mobile technology as a primary solution for their sales or services strategy."
>
> ERIN MORGAN, *Senior Vice President, Digital Strategy, Regions*

1 Meet—and exceed—your stakeholders' expectations. Increasingly, consumers expect to conduct business via mobile devices whenever they please. But convenience is not the only driver, Morgan says. "Whenever we consider a new technology, we ask two questions: 'What is the added value for customers?' and 'Is this the best way to deliver that value?'"

2 Develop a strategy. "All businesses should include mobile technology as a primary solution for their sales or services strategy," Morgan says. Consider analyzing mobile offerings across industries and conducting customer polling for mobile preferences. Your strategy should revolve around customer expectations and the best way to meet them.

3 Reach for the cloud. Most cloud-based services, such as customer relationship managers (CRMs) or accounting packages, include secure mobile access for employees and even customers. As you consider using these services, note how their mobile capabilities can transform your customers' and employees' experience as they interact with your company.

4 Protect your data. When providing access to company data, security and privacy should be your top concerns. Educate users about best practices for safeguarding information, and develop a clear written policy that spells out the consequences of any violation. Also, make sure that your technology includes safety features, such as a strong password requirement, multistep verification and remote wiping of data from a lost or stolen device.

5 Consider the back end. Simply automating the customer-facing aspects of your business is not likely to offer real improvement, Morgan notes. As you develop your company's mobile strategy, use it as an opportunity to rethink and streamline processes throughout the value chain. ▲

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Your Family's Legacy

In an unpredictable world, many people gravitate toward things that endure, like family. We may give extra thought to what our family's legacy is, and how we can pass on our values to the next generation. Whether it's through direct communication—at a family meeting, for instance—or via the concrete steps we can take to protect the ones we love, as with a trust, there is much we can do to strengthen our legacy from one generation to the next.

Our current issue of Private Wealth *Insights* magazine talks about these and other ways you might help shape your family's legacy. The next issue of Private Wealth *Insights* discusses ways that women and men differ as investors—and what we can learn from these differences. Look for both issues at **regions.com/insightsmag.**

Regions Commercial Bankers and your Wealth Advisor can help you consider all of your goals as you manage your finances.

To learn more about putting a Regions Wealth Advisor to work for you, visit ***regions.com/contact/private_wealth_management.rf*** *and have a Wealth Advisor contact you.*

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IT Solutions: Should You Rent or Buy?

Consider the variables in these three areas to help decide whether to purchase or outsource IT solutions for your company.

Remember the company server room? The maze of black boxes and blinking lights represented a company's digital life. But as more companies rent IT solutions rather than buy them, that room is losing its significance. Although the *2016 Uptime Institute Data Center Industry Survey* revealed that 71% of IT assets are still housed within company walls, about half the executives polled expected the majority of their IT assets to reside off the premises in the future. ▲

Which Is Right for You?

If you're choosing whether to rent or buy, here are three factors to consider.

	BUY	RENT
COST	Purchasing IT equipment requires a substantial upfront expenditure, but it's typically less than the total cost of renting comparable equipment. So you'll have to compare the full cost of renting (the lease, service terms, etc.) with the all-in cost of owning—including maintenance and the need for IT staff.	The chief advantage of renting is that your initial outlay is smaller, and it eliminates the uncertainty of maintenance costs. "The cost of upkeep on owned solutions [can be] extremely high and often obscure," says Peter Kretzman, a senior consultant for Seattle-based Strong-Bridge Consulting and author of the technology blog CTO/CIO Perspectives.
CONTROL	By keeping your equipment in house, you can address problems without involving a third-party vendor. Likewise, there's value in keeping servers on premises for security reasons.	The control that was a hallmark of buying has diminished as more system administration can now be handled off-site and through dashboards. Often, cloud-based providers can offer greater security, and there may be a benefit to using specialized third-party support.
FLEXIBILITY	In buying IT solutions, there's the risk of getting locked into inadequate or inferior technology or choosing one that becomes outdated quickly.	With a leased IT solution, vendors can address obsolescence with automatic updates or short-term contracts. However, beware of contract terms and restrictions that might prevent you from upgrading.

For more information on equipment financing, go to **regions.com/commercial_banking/commercial_lease.rf**

Maintaining the Right Amount of Inventory

Whether you're selling commercial restaurant equipment or women's accessories, inventory management is essential for ensuring profitability.

Product shortages are no small matter, resulting in lost sales and costly expedited shipments from suppliers—as well as other expenses such as overtime pay to backfill orders. Overstock, on the other hand, is expensive to store and ties up capital.

The proper level of inventory depends on the size of your business, what you're selling, sales data and supply chain practices specific to your industry, such as the type and location of suppliers.

"If you're sourcing materials from China and they're coming in a sea container, you already have a long lead time," says Mike Sowinski, a CPA and Financial Services Consultant based in Asheville, North Carolina. "In addition, business owners face the risk of interferences, including bad weather, customs delays and political upheavals." That instability means building extra time into the delivery schedule and keeping enough stock on hand to alleviate shortages.

There's no one-size-fits-all formula to optimize inventory levels. Most industry associations have averages and standards that can serve as guides; Sowinski recommends keeping 3% to 5% less inventory than the industry norm. The additional cash flow can give you a competitive advantage.

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Managing Purchases and Determining Stock

Procurement practices—such as buying only as needed, stocking up, and prepaying but taking delivery only as needed—will influence inventory levels. For instance, purchasing only as needed enables a business to whittle inventory and free up cash but requires suppliers who can always deliver stock on time.

Stocking up can help businesses that can't tolerate the risk of shortages. Items can be purchased in bulk to save money, but maintaining high levels of inventory ties up cash while driving up storage and insurance costs. Buying inventory in advance and requesting deliveries as needed gives companies negotiating power on price—but reliable and trustworthy suppliers are essential.

Whatever your approach, build in safeguards. Calculate your lead time—the time it takes inventory to arrive once you've placed an order—and account for unexpected delays or disruptions. Calculate the safety stock you need as backup, and always have it on hand.

> "If you're sourcing materials from China and they're coming in a sea container, you already have a long lead time."
>
> MIKE SOWINSKI, *CPA and Financial Services Consultant*

Keep Tabs on What's in Stock

Businesses should take control of automated inventory-management systems instead of using default settings, says Dave Turbide, a consultant specializing in supply chain and inventory management based in Portsmouth, New Hampshire.

"Validating inventory accuracy should be an ongoing process rather than an annual event," Turbide says. He recommends cycle counting, or tallying groups of inventory in repetitive cycles. In cycle counting, inventory is divided into three groups: high-value items, mid-value goods, and inexpensive items. High-value and mid-value goods comprise 50% of physical inventory but account for 80% and 10% of the inventory's cost, respectively; inexpensive items may represent the other half of inventory, but the cost is negligible.

Management should count the most expensive items more frequently than mid- or low-value goods: for example, monthly inventory for high-value items, quarterly inventory for mid-value, and annual inventory for inexpensive items.

"This improves inventory management because if the numbers are off, you can go back through recent transactions, see what happened, and fix it," Turbide says. "That's the magic of cycle counting."

There is no pat formula that keeps inventory at ideal levels, but clear policies and procedures, as well as trained employees who track inventory, can help ensure that stock won't run out or get overloaded. (One key to inventory management is supply chain efficiency. For insights, see "Streamline Your Supply Chain," below.) "It's not a simple thing," Turbide says. "It's a delicate ballet to get the right inventory in the right place at the right time." ▲

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Streamline Your Supply Chain

By taking a strategic approach to supply chain management, midsize companies can increase efficiency, improve customer service and supplier relations, and grow revenue.

Your supply chain has probably evolved in response to new product introductions, vendor changes and other factors. But this reactive approach can create inefficiencies and introduce unnecessary complexity. A strategic perspective, in contrast, can give you a better handle on your company's network of suppliers as well as its entire value chain, from raw material to end customer. Consider these five steps for improving the efficiency of that chain.

Step 1

Get the big picture. Supply chain is one tributary of a broader value stream, explains Bob Forshay, vice president of Transformance Advisors in Denver, and a supply chain consultant and trainer. "That larger value chain also includes marketing, product development, R&D. They all interact with each other."

Step 2

Embrace transparency. Forshay helps clients gather information to map that value stream, a process that requires open communication among operational functions, with suppliers and, perhaps most importantly, with customers.

Step 3

Isolate pain points. Your map should show you where bottlenecks and inefficiencies arise. Forshay cites the example of a manufacturing process that takes minutes to complete but is part of a larger batch process that consumes hours or even days, with no added value.

Step 4

Determine root causes. Say a supplier is slow to deliver a part for assembly. Paying more for expedited shipment could alleviate the problem, but by digging deeper, it's possible to uncover the root cause—a design flaw, say, or a quality issue.

Step 5

Monitor performance. Central to the concept of supply chain management is establishing monitoring processes to capture performance at every stage of the value chain. Forshay notes that there are five variables that every company should monitor: cost, dependability, speed, flexibility and quality.

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In Focus

BETTER WAYS TO PAY?

Businesses considering the move from paper checks to electronic payments are discovering a growing array of alternatives. Here's how to evaluate your options.

For American consumers, spending electronically has become old hat. We buy all kinds of goods online and likely pay most of our bills there, too. But many businesses remain enamored of paper, with a typical company making more than half of its business-to-business (B2B) payments by check, according to the 2016 AFP Electronic Payments Survey by the Association for Financial Professionals. Another survey asked financial executives who favor checks why they hadn't considered electronic solutions. The most common response: "Our current process works."

Checks are less popular than they used to be: The number of checks written in this country fell from more than 40 billion in 2000 to roughly 17 billion last year. "But that number is still not shrinking as fast as we'd like it to," says James Hicks, Head of Treasury Services at Regions Bank, who says paying bills by check exposes a company to security threats and inefficiency.

"Can you imagine how many sets of eyes will see the account number and the bank routing number on each check?" Hicks asks. "That puts a company at risk." On top of that, "technology has made forging checks much simpler—and cheaper—than it used to be," says Jeff Taylor, Certified Treasury Professional, Senior Vice President and Group Product Manager of Treasury Management Products & Services at Regions Bank.

Moreover, there's the cost of having staff members write and process checks. A paper check also takes days to settle and clear—and it could be weeks if the recipient's accountant is on vacation. Checks can also go missing.

So why are checks still so popular? Many businesses say they prefer writing checks to suppliers because the payment can be sent in the same envelope as remittance information for the vendor's accounts receivable department, making it clear which invoice is being paid as well as conveying other information—whether your business has taken a discount, for example. "That's been a

significant barrier to moving toward electronic solutions," says Hicks, who notes that some e-payment systems have attempted to link remittance data to digital transactions, without much success. Still, "the leading hindrance to adoption of newer, more secure solutions is likely operational inertia," says Greg Miles, Senior Vice President of Treasury Management Products and Services at Regions Bank. "'We've always done it this way' is a strong barrier to change, and unfortunately it often takes a jolt—a fraud loss, for example—to trigger adoption of innovative solutions."

In the meantime, Hicks says, "the U.S. payment system is on the edge of major changes." He compares the emergence of new payment technology to the rise of cloud computing. Just a few years ago, the idea of storing critical data and using software programs via the Internet would have seemed crazy to many business owners. Now it's becoming standard operating procedure. Eventually, the shift to new payment options could be just as dramatic, Hicks predicts.

Paying in Real Time

The U.S. Federal Reserve system is one of the nation's largest check processors, and it's also one of the two major members of the automated clearing house (ACH) network, which processes electronic payments such as payroll direct deposits, government and Social Security benefits, online banking payments and others (including some B2B payments). Now the Fed has established a Faster Payments Task Force to study ways to rev up debit and credit processing.

Meanwhile, the other major U.S. player in check processing and ACH—The Clearing House, in New York City—will roll out a solution called Real-Time Payments (RTP) later this year. "RTP will let small to mid-size companies make payments on their own schedule," says Steve Ledford, Senior Vice President, product and strategy, for The Clearing House. ACH payments are settled more quickly than those by check, normally taking a day or two, and same-day ACH settlement became available last fall. But RTP will transfer funds immediately, making that aspect of treasury management more nimble. "Real-Time Payments will be a game changer for the industry," Taylor confirms. "The ability to make just-in-time payments offers significant benefits to both payor and payee." Regions, a member of The Clearing House, launched Same Day ACH last year, he adds. "Taking these steps solidifies our commitment to the development of real-time and faster payment technology, and aligns us with these evolving payment channels."

Unlike wire transfers, RTP will be available around the clock every day of the year. Senders could receive receipt confirmation more quickly, and this new payment platform would let you send extensive remittance data and other information.

> "The leading hindrance to adoption of newer, more secure solutions is likely operational inertia."
>
> GREG MILES, *Senior Vice President, Treasury Management Products and Services, Regions Bank*

Betting on Blockchain

Another powerful technological force, blockchain, first became known for facilitating the rise of the digital currency bitcoin. However, blockchain-based approaches have many possible applications, and not all of them require businesses to use digital currency.

A blockchain creates an environment for peer-to-peer transactions—direct transfers of funds from one party to another, says Monica Charini Tremblay, associate professor of information systems and business analytics in the College of Business at Florida International University. It does that by establishing what's called a distributed ledger, with data about transactions (collected as "blocks") that are recorded in chronological order and digitally shared among multiple parties. Because data in a distributed ledger is decentralized and duplicated at multiple sites, it's much harder to alter.

"Think of a distributed ledger as an exchange network where you can transfer assets or ownership," says Tremblay. Businesses might create blockchains for making direct payments—say, between a manufacturer and a supplier, or among various companies within a supply chain—using some form of digital currency (also known as cryptocurrency) instead of processing payments through banks and other intermediaries. However, many banks now are exploring how blockchain can streamline their own procedures for commercial clients and others. Blockchain may be particularly well suited for simplifying the often cumbersome and costly task of making cross-border payments (see "How Blockchain Could Ease Cross-Border Payments"). Central banks could someday create their own digital currencies to facilitate financial transactions in a blockchain.

Making a Change Now, Not Later

While blockchain and real-time payment technologies are still being developed, there are plenty of intermediary steps that businesses can take now to upgrade their payment systems. To guard against fraud while reducing the cost of making B2B payments, your company could use ACH or a commercial card instead of writing checks, say Hicks. "Cards are probably the fastest-growing segment of payments in the U.S. today," he says. Like using a consumer credit card, paying with a commercial card is convenient, with next-day settlement. Moreover, banks sometimes offer rebates to users of commercial cards.

Another increasingly popular option for saving money on payments and freeing employees to tackle other tasks is to outsource B2B payments, says Hicks. Regions offers an integrated payables service that lets commercial clients consolidate payments into a single file containing instructions for which vendor needs to be paid how much and when. "Leveraging the Integrated Payables platform also enables the client and their vendor to agree upon the payment channel that best suits their needs," says Taylor. "Offering commercial card, ACH, wire and check provides a wide variety of payment options—and the next generation of payment channels will be just around the corner." ▲

> "The U.S. payment system is on the edge of major changes."
>
> JAMES HICKS, *Head of Treasury Services, Regions Bank*

Speak to your Regions Commercial Banker about:

- Whether your company's use of paper checks may be exposing it to unnecessary risk
- Ways that electronic payments might reduce your company's risk and streamline processes
- Which electronic payments solutions might be the best fit for your company

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How Blockchain Could Ease Cross-Border Payments

A disruptive technology has the potential to increase speed while reducing costs and risks.

PONYWANG/GETTY IMAGES

If your company purchases goods from overseas, then you know that making cross-border payments can be slow and costly. The payment you submit to a supplier in India, for example, may travel from your local bank to a larger U.S. financial institution, which routes the money to a bank in Mumbai, which delivers it to a second bank in Bangalore before the vendor is paid. The process takes time, and the cost of record-keeping and compliance at each bank can add up to steep fees.

But the payment innovation known as blockchain could allow these transactions to occur "without going through a hopscotch with correspondent banks," says James Hicks, Head of Treasury Services at Regions Bank, who points to a number of ventures looking to simplify the process. In collaboration with start-up Chain, Visa has developed Visa B2B Connect, a platform designed to allow participating financial institutions to exchange high-value international payments for clients in near real time. Meanwhile, Ripple has introduced its own blockchain-based solution for helping banks and other clients streamline cross-border payments with greater efficiency and less cost.

Many business owners are wary of such new technology, especially one associated with the controversial bitcoin cryptocurrency. "When it comes to new technologies like blockchain, there's always the question of whether this is innovation looking for a problem, or the other way around," says Greg Miles, Senior Vice President of Treasury Management Products and Services at Regions Bank. "Either way, Regions is ready and able to make the promise of new technology and new payment vehicles real for our clients and their business needs." Hicks, too, expects these and other ventures to revolutionize international payments. "Keep your seat belt on," he says.

What Washington's Changes Could Mean

Tax cuts, regulatory reform and health-law repeal are on the table. Two Regions executives discuss what's ahead and how to respond.

> **"Volatility may increase as the market digests this transitional period."**
>
> ALAN MCKNIGHT, *Chief Investment Officer, Regions Asset Management*

The strong stock market rally after Donald Trump's election as U.S. president suggested that many investors were optimistic about the new administration. But now that Congress has gotten to work, what should you expect? Which proposed alterations to the financial landscape—from shifts in personal, corporate, and estate taxes to reduced business regulation and adjustments to or repeal of the Affordable Care Act—are likely to be enacted? And how will changes affect your own plans to, say, expand a business, buy a vacation home, or retire early? In a recent conversation, Alan McKnight, Chief Investment Officer for Regions Asset Management, and Kate Randall Danella, Head of Regions Private Wealth Management, offered their thoughts about how potential changes may affect clients.

What are clients' biggest concerns during these early months of the new administration?

Alan McKnight: Clients crave stability, but we are waiting to see what will unfold.

USCHOOLS/GETTY IMAGES

Volatility may increase as the market digests this transitional period, but the enormous rally that began at the end of 2016 has been based on optimism about what's to come. Concerns would arise if events don't play out the way the market anticipated.

Kate Randall Danella: The new administration brings a different approach to policies and government. Given that President Trump comes from a business background, we don't have a track record to help us hypothesize. But this administration is oriented toward action, so we can expect to learn more during this first year. Amid the uncertainty, it's very important for clients to understand their goals and investment strategies so that they can pivot appropriately as we learn more.

ALAN MCKNIGHT
Chief Investment Officer for Regions Asset Management

KATE RANDALL DANELLA
Head of Regions Private Wealth Management

If the proposed repeal of the estate tax happens, how will that affect clients' estate planning? Will trusts continue to be important?

KRD: Under current law, estate, gift, and generation-skipping transfer taxes are unified—they all work together. A complete repeal would let people transfer assets of any amount freely to whomever they wanted, without transfer taxes. Partial repeal is more likely, eliminating estate and generation-skipping taxes so families avoid taxes at death, which was one of the more heated topics during the campaign. The biggest concern is what may happen to the tax basis of inherited assets (which is currently stepped up to their value at time of death).

Changing the transfer-tax laws will be a Herculean effort and will likely be challenged. If it happens, there is a high probability that an estate tax could be reenacted one day. While today's window of repeal is open, it's a great time for clients to do holistic financial planning that includes their estate plans.

AM: I agree. There's a long grind ahead to enact all of these changes.

KRD: And a change in the law that benefits one family could be quite challenging for another. Regardless of whether the estate tax is repealed, we believe trusts will continue to be a highly important vehicle, because trusts also can help provide asset protection and cash flow—as well as protection from creditors, who normally can't seize trust assets, and protection, through trust provisions and trustee discretion, for beneficiaries who might not be ready to manage large sums on their own.

Should investors favor specific sectors that may benefit from the new administration's policies?

AM: We'll need to see more, to crystallize which industries may do well. For example, there has been a lot of talk about rebuilding infrastructure, but we don't know yet to what degree that will occur and what kind of budget deficits may be considered acceptable.

> **"Regardless of whether the estate tax is repealed, we believe trusts will continue to be a highly important vehicle."**
>
> KATE RANDALL DANELLA, *Head of Regions Private Wealth Management*

How might international stocks be affected by foreign-policy changes?

AM: The U.S. election has been seen as part of the global trend toward populism and a more isolated approach to individual economies. An isolationist worldview could affect multinationals and would be challenging. It's no surprise that in the fourth quarter, small-cap stocks were up almost 9% while the largest stocks gained less than half as much—because most small-cap companies are domestically focused. Still, if the economy improves, large caps with solid balance sheets and the capability for earnings growth are also likely to be rewarded.

What will happen if the corporate tax rate is reduced?

AM: We see that as giving companies the opportunity to grow earnings and help the markets. However, if the nominal corporate tax rate goes down but the effective rate is the same as it has been or higher, we won't see much benefit.

The Federal Reserve seems poised to continue raising interest rates. Will that dampen the impact of efforts to boost economic growth?

AM: I don't think so. Rates are going up slowly and shouldn't have a major impact on the economy. If earnings growth picks up, companies will be better positioned to deal with higher rates.

But the housing market could be affected?

AM: Yes—but mortgage rates are still incredibly low, and housing is much healthier than even six years ago.

What should investors do now to prepare for the changes ahead?

KRD: We are asking clients to sit down with their Wealth Advisors to review their personal financial situations, individual goals and unique risks. We're asking clients about what's going on in their lives right now—a parent who needs long-term care, a child with special needs, or a decision about when to sell your business, for example—that may be affected by what's happening in Washington. With that information, we are putting together individual plans to help clients protect and grow their assets to achieve their financial goals. We encourage all clients to reengage in this process to ensure they have strong, durable plans in place for the future. ▲

Speak to your Regions Commercial Banker about:

- How estate tax repeal could affect your business succession plans
- Your plans for capital expenditures this year
- What higher interest rates may mean for your business

Perspective

BY JAMES HICKS
Executive Vice President
Treasury Management, Regions Bank

4 Tips for Fraud Prevention

Combatting wrongdoers requires a combination of technology, training and vigilance.

The impact of corporate fraud stretches far beyond the value of what's been stolen. It's exacerbated by the fact that your business has been shown to be vulnerable to fraud—a reputational risk. That means fraud prevention and detection should be top priorities.

Here are four fraud-prevention principles that could help safeguard your organization:

1. Put the right tools and processes in place. Preventing fraud requires strong cyber defenses for financial transaction processes, such as "positive pay," which verifies that checks presented for withdrawal against your account match the list of checks you've issued. The service is available for electronic transactions as well as paper checks. Other defenses include implementing smart spending caps and transaction limits on company credit cards.

2. Lock your virtual doors. No defense is perfect: You can be hacked—and at some point you will be. So it's critical that your IT staff and software can flag intrusions in real time, and that the different zones of your network can be isolated in order to limit intruder access. Encrypted, compartmentalized internal security is essential to overall network health.

For a business, it's important to place the same priority and protection on customer data as on your own critical assets, since lost consumer data enables fraud and erodes confidence. Cybersecurity tools and consulting are often expensive, but organizations that skimp on security often pay the price later.

3. Train employees to recognize fraud. A few years ago, email scams were relatively easy to spot. That's no longer true. Phishing attacks often look like legitimate emails from colleagues or vendors—and lead to websites that look just like the real thing. "Cybercriminals may do extensive research and data mining, and know convincing details about your company's operations—like who's working on a specific project or where they're traveling," Hicks says.

> **"It's important to place the same priority and protection on customer data as on your own critical assets, since lost consumer data enables fraud and erodes confidence."**

It's essential, therefore, to train employees to identify scams and follow up on unusual requests. For example, if an email that appears to be from a vendor asks your accounts payable manager to change the vendor's bank account information, confirm the move with trusted sources before making the change. If a traveling executive emails asking for a fast fund transfer, don't send the funds until you can confirm. Encourage your employees to flag suspicious emails or transactions for review, even if most turn out to be innocent requests.

4. Establish a clear line of sight. Stopping ongoing fraud means creating a culture of financial transparency. That means regular transactional and operational audits that examine all activities related to disbursements and receivables. Those operations audits should be conducted by an independent audit committee that reports to your board of directors. "If the audits are conducted and reviewed only by a couple of internal people, they may miss critical red flags," Hicks suggests.

Fraud has a unique capacity to harm your company's reputation, culture and bottom line all at once. By taking steps to prevent and minimize attacks, you're investing in your organization's health and future. ▲

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Spotlight

COURTESY OF DESHAZO LLC

Getting a Lift for Growth

DeSHAZO LLC's long-term success as a manufacturer of industrial cranes gave CEO Guy Mitchell III license to dream big.

Back in the 2000s, Guy Mitchell III realized it was time to make synergistic expansion moves for his manufacturing company.

Alabaster, Alabama–based DeSHAZO Corp.'s massive yellow cranes lift enormous industrial equipment in steel mills, shipyards, electronics factories and other heavy-manufacturing facilities across the country. Building these cranes has provided DeSHAZO with a steady and profitable business for more than 42 years; but to take advantage of emerging technology and provide a more predictable income stream, DeSHAZO would have to diversify.

DeSHAZO CEO Mitchell—whose father, Guy Mitchell Jr., purchased the company in 1996—envisioned DeSHAZO moving into new lines of business outside of crane manufacturing. First, DeSHAZO could open a network of service centers to repair and maintain overhead cranes, regardless of the manufacturer—thus expanding the company's geographic footprint while providing a steady revenue stream to complement the big-ticket sales of overhead cranes.

But Mitchell also understood how automation had the potential to transform his customers' manufacturing capabilities. He wanted DeSHAZO to build the robotics to help them. "It was a natural evolution for our company," Mitchell says of DeSHAZO's expansion plans.

Since the company's founding in 1974, DeSHAZO's 50-employee facility had manufactured tens of thousands of its cranes for clients such as NASA, Lockheed Martin, and Exxon. The change Mitchell envisioned would mark a potentially risky departure, so finding the right partners was critical.

DeSHAZO turned to Regions Bank. Regions already played a key role in DeSHAZO's business, providing project financing while the company worked to complete particularly large orders. DeSHAZO's specialized overhead cranes can cost tens of millions of dollars and require months of dedicated work to manufacture and install.

When Mitchell approached Regions with his expansion plans, it meant asking Regions to take on additional risk. He was pleased to find that the bank was willing and supportive. "They've been a key player in helping us realize this vision and have done it with encouragement, responsiveness, and expertise as well as capital," Mitchell says.

> **"Regions has been a key player in helping us realize this vision and has done it with encouragement, responsiveness and expertise as well as capital."**

The result has been a decade of exceptional growth: The company currently has 400 employees, and revenue has more than doubled. DeSHAZO's service operations and automation divisions now account for half of the company's revenue.

Since it embarked on expansion, DeSHAZO has opened 16 service centers across the country, including centers in Houston, Chicago and Boston. In 2013, the company opened a \$2.5 million, 81,000-square-foot manufacturing facility in Bessemer, Alabama, that allows DeSHAZO to manufacture cranes and automation systems side by side.

"The next few years are going to be very exciting for DeSHAZO and for our partners," Mitchell says. "Regions has been there for us every step of the way, and we're excited to continue to work with them." ▲

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