

Comprehensive financial planning becomes an employee benefit



FINANCIAL PLANNING

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Financial planning in the workplace, to most people, means those office water cooler conversations in which they discuss the hot stock of the day or complain about how their retirement balances are worth less than they were last month.

Over the past few years, however, employee-minded corporations in Houston and across the country have begun offering comprehensive financial planning services through registered broker-dealers as part of their benefit packages for their employees.

Retirement plans have long been a key component within many corporate benefits packages, but forward-thinking managers have realized that employees can also benefit from assistance in planning for all areas of their financial lives.

FINANCIAL CHALLENGES

The events of the past year highlight the financial challenges that individuals can face today. Additionally, changes in interest rates and in the tax code have left many people confused about how best to take advantage.

- Tropical Storm Allison left many Houstonians with major damage to their homes, cars and workplaces – but without adequate insurance protection and cash reserves.

- The collapse of once mighty

Enron left many employees without jobs and with their retirement accounts, often comprised mainly of company stock, significantly diminished.

- The weak domestic economy forced more layoffs at other major employers.

- The low level of interest rates had many individuals wondering if, when and how they could consider refinancing their home mortgages and whether other sources of funds like home equity loans make sense for them.

- The rising cost of college tuition, combined with a downward spiraling stock market, had many parents concerned about whether the money they are saving and investing for their children's education will be adequate.

- Sweeping and often confusing changes to the tax code impacted many people who could have possibly taken advantage of credits, deductions and deferral opportunities.

- Many people, including those with small children, have yet to prepare wills and other incapacitation documents that would allow them to pass along their accumulated wealth in the most appropriate and tax-efficient manner.

- Finally, the tragic events of "9-11" forced everyone to reevaluate their lives, their businesses and their families and focus on what is truly important. Many individuals have placed a newfound importance on getting their financial lives in order.

PROACTIVE APPROACH

Through educational seminars and by working one-on-one with key

executives, managers and others, financial planning professionals can help employees meet their important financial and retirement needs.

In some cases, they become an extension of the human resources departments, keeping employees informed about the details of the new benefits offered as well as those already in place. They become a constant resource to the company as well as to all employees on important financial issues and considerations.

While 2001 proved to be a year when many individuals were left scrambling to "react" to financial dilemmas, virtually everyone could have benefited from effective proactive planning fostered by their employers. From an employer's standpoint, such benefits can prove quite advantageous for employee retention and morale.

COMPREHENSIVE PROGRAM

A properly designed employee benefit which provides financial planning should include far more than just the investment aspects and should focus on all areas of an individual's financial life. Financial planning areas include:

- **Financial position** – analyzes employees' assets and liabilities (net worth) which includes current cash-flow and debt positions.

- **Protection planning** – analyzes the full array of insurance needs, including issues that arise upon death or disability as well as property and casualty risk concerns.

- **Investment planning** – analyzes employees' long- and short-term goals and objectives, such as education planning, and the degree

of risk they are willing to accept to determine proper asset allocation models for both qualified (retirement) and non-qualified accounts.

- **Income tax planning** – analyzes and educates about tax considerations (including the 2001 changes) to determine the most appropriate strategies for shifting, deducting, deferring and exempting income.

- **Retirement planning** – analyzes retirement assets including those within employer benefits plans and other available options to ensure that adequate resources will exist to avoid any major changes to employees' lifestyles.

- **Estate planning** – analyzes appropriate financial considerations to ensure an orderly transfer of assets to the deceased's beneficiaries.

In reality, all of these financial areas are inter-related and should be considered together. They incorporate and complement many of the existing retirement and insurance benefits that may already be offered by employers.

The year that just ended proved to be challenging for many corporations and their employees, underscoring the benefits of these services in helping employees better plan for their financial futures in both good times and in bad. ■

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