

# Planning, as perk makes gains

By Deirdre J. Arruda

Financial planning is quickly becoming the hottest executive perk available. It is easy to understand why.

Tax deductible to the employer and substantially tax free to the employee, financial planning provides a personalized and effective benefit for both executives and rank and file employees.

After looking at an individual's personal short and long term goals, his or her preferences, risk tolerance, present financial situation, and anything that might be unique to their situation, the planner develops a strategy that will put the client where he wants to be.

Providing the employee with a sound financial strategy does a number of things. First, it enhances awareness of the firm's employee benefit package and factors this valuable, often over-looked resource into the executive's financial picture.

Second, the burden of financial concerns is taken off the executive's shoulders and frees him or her for corporate matters. It also gives the peace of mind that comes with an organized and effective financial strategy.

Third, when offered as a benefit, having an effective financial strategy creates a sense of loyalty to the company that cares about the personal situation of its employees.

The financial marketplace in the 1980's has grown more complex; and still, the actual time individuals spend developing a comprehensive financial strategy remains at one to two hours over a lifetime. Compare this to the 90,000 hours most people work during their lifetime.

Whatever the reasons are for the lack of planning, one can no longer afford to live without a defined, achievable, well-coordinated financial strategy.

With a confusing array of investment and insurance options, inflation, changing tax laws, not to mention the fact that the executive may not have the time to research all options involved in a comprehensive financial strategy, it's no wonder that only three people out of 100 who retire at age 65 are financially

successful.

In addition to the lack of time and the confusing array of options in the financial industry, an executive faces another problem—he or she may be experiencing the phenomenon of "bracket creep."

Even though salary raises are a regular occurrence, it's the same old story—taxes take a bigger and bigger bite out of the raise. Faced with bracket creep and an ever increasing standard of living, the executive often finds it difficult to accumulate capital.

The inability to accumulate capital creates serious problems. Not only do discretionary investments suffer, but shortfalls occur in funds for children's educations, not to mention retirement. Social Security provides a fraction of the income necessary to maintain the executive's accustomed standard of living.

Financial counseling brightens the financial picture for an executive. After collecting the necessary data, the consultant and the executive discuss objectives, risk preferences, current financial

means and realistic financial goals for the future.

With this information in hand, the planner conducts a thorough analysis and makes several strategic recommendations to get the client where he or she wants to be. The analysis concentrates on seven central areas—goal and need determination, cash flow and credit usage, risk management, investments, taxes, retirement, and estate management. By tying these seven distinct areas together into one strategy, the planner is able to present the client with a plan that represents a full and comprehensive analysis.

The client then decides on the plan implementation. There are a variety of ways to implement the plan. The three basic methods are: 1) the planner implements the plan with the client's own advisors, 2) the planner's in-house team of advisors carries out the implementation, or 3) the financial planning firm's advisors are called on to provide their expertise.

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"... the entire cost of the program is tax deductible."

Finally, the planner and client schedule regular reviews to keep an eye on the effectiveness of the plan and to update it whenever necessary.

As mentioned, the benefits are substantially tax free. The company may deduct the full cost of the planning as a compensation expense and reports it as income on the executive's W-2. The executive includes this amount in his gross income, but he or she may deduct most of it as a miscellaneous investment expense just as if the fee was a personal expense. Aside from the cost of any legal advice for setting up trusts and wills, the entire cost of the program is tax deductible.

When a company decides to sponsor a financial planning program, the plan can be set up in a number of ways. The company may choose to pay the entire cost or it may match the employee's

dollar contribution to the fee on a percentage basis up to a prearranged maximum. Another variation sees the company offering seminars either to supplement the individual planning or as general educational sessions.

Seminars come in all shapes and sizes. They can be set up as basic financial planning workshops where the attendees are given a structures lesson in doing basic financial planning on their own. They can also be set up as informational sessions on certain topics such as: "Financial Planning A-Z," "Tax Shelters," "Financing Your Child's Education," and

### "Investing Made Simple"

Because of the increased cost of living and the growing complexity of today's financial arena, financial planning is here to stay. By offering a financial planning program as a benefit to executives, companies can help them achieve financial security and in doing so, benefit both the company and its employees.

*(Deirdre J. Arruda is president of Money Matters, a Portland financial planning firm.)*

## Bank buys firm outside Maine

The One Bancorp of Portland agreed in mid-March to acquire The Bank of Hartford, a mutual savings and loan association in Hartford, Conn. It is the bank's first acquisition outside of

Maine.

Assets of The One Bancorp, and its operating subsidiary Maine Savings Bank, are \$1.1 billion, the bank said. It completed five mergers in Maine before converting in 1984 to ownership by stockholders.

The Bank of Hartford has assets of \$250 million. Before the acquisition is final, which is expected in the third quarter of 1986, Bank of Hartford will become a stock company. The stock will be purchased by The One Bancorp. Bank of Hartford will be operated as a wholly-owned subsidiary under its own name, management and board of directors.

"As our first move out of state, this agreement is important," The One Bancorp President Robert R. Masterton said. "Our strategy is to be an interstate banking organization, as we have said repeatedly. We intend to have partners throughout New England in markets, which like Hartford, are prospering through New England's economic renaissance."

## Milestones

During a meeting in Boca Raton, Fla., Kelley Services honored its Portland branch manager, Susan Lothrop, for the superior performance of offices in Biddeford, Portland and Lewiston. Only eight other U.S. branches were cited.



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