

The View from Level VII™

Who are the Level VII™ Companies?

This is the first issue of *The View* from Level VII™, a bi-monthly forum for valuable information and ideas from some of the top business and financial services professionals around.

This newsletter's contributors, the **Level VII™ Companies** is an *alliance of business professionals*, who have chosen to share some of their 150 years of experience and complement of talents in business, law, accounting, finance, insurance and investments.

Through *The View*, we are committed to educating our clients and community by bringing timely and accurate information on a variety of business and financial topics.

It is our hope that this broad yet incisive source of information, presented in a quick read format, becomes one that the business and professional community will pause to look at in their increasingly busy day.

For more information about us, topics from *The View*, as well as requests or recommendations, please contact us via our website: www.LevelVIICompanies.com. Thank you for your time and interest.

Weir Financial Resources, LLC is a financial advisory firm offering information, ideas, and solutions in executive benefits, business succession, and private wealth planning.

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Identity Theft: Whom are you harboring?

In months and years past, most companies considered identity theft as an individual consumer problem. While being sympathetic toward individuals who suffered financial, emotional, and health problems because someone illegally used their identity, employers have not given much thought to their potential risks relating to identity theft.

Most businesses maintain a lot of personal information about their employees, customers, and vendors. The problem is identity theft is rapidly increasing among employers as an initial liability risk.

If privacy policy and security measures are inadequate, businesses could become an unwitting accomplice to security fraud. The situation could be even worse if an employee or other individual is able to access confidential data and use it for illegal purposes.

Conducting more thorough background checks is an obvious first step. Equally important is ensuring that you have strict privacy/security policies and procedures in place, that you enforce them, and communicate them to employees, customers, and vendors regularly. New security related laws that impose broader compliance standards are likely to provide greater protection as well.

HR Professional Consultants, Inc. offers human resource services for businesses of various sizes.

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"A Good Egg"

The Economic Growth & Tax Relief Reconciliation Act (EGTRRA) of 2001 became effective this year. The "Egg" provides some significant improvements for retirement plans, such as:

- The elective pre-tax dollar deferral limit for 401(k) Plans has been raised to \$11,000, and it will be increased to \$15,000 by 2006.
- Effective this year, there is no percentage limit on elective pre-tax deferrals for individuals participating in 401(k) Plans.
- The aggregate percentage limit for employer contributions to Profit Sharing Plans has been raised from 15% of all plan participants' total compensation to 25%.
- "Catch-up" contributions are a new feature that will allow 401(k) Plan participants age 50 or older to defer an additional \$1,000; and these catch-up contributions increase to \$5,000 in 2006.
- Some middle-income individuals will qualify for a new "Saver's Tax Credit" of up to \$1,000 as an additional incentive for participating in a 401(k) Plan.

EGTRRA has many other provisions that could enhance your Retirement Plan. Please contact Benefits Advantage, Inc. if you have questions on this new tax act or any other employee benefits issues.

Benefits Advantage, Inc. provides consulting and insurance brokerage services for all types of employee benefits programs. Emphasizing *personal service, creative ideas, and positive results*, Benefits Advantage, Inc. has 30 years of industry experience working with clients.

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In this and future issues you will find short, yet meaningful articles on:

- **Human Resources** – *HR Professional Consultants, Inc.*
- **Risk Management** – *ERMI (Enterprise Risk Management, Inc.)*
- **Executive Compensation** – *Harman & Associates*
- **Executive Benefits** – *Weir Financial Resources, LLC*
- **Employee Benefits** – *Benefits Advantage, Inc.*
- **Benefits Administration** – *ee-plan*
- **Private Wealth Planning** – *Weir Financial Resources, LLC*
- **Business Succession** – *Weir Financial Resources, LLC*

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Does your company need to increase its profits?

Does your company need to increase its profits? Are higher returns required? Is increasing the value of your company your #1 goal? If the answer to these questions is "YES", consider how modern executive compensation planning can help to achieve those goals.

For private and public companies alike, the senior executive/management team are the ones who lead the company to its successes. And with a motivated team, company targets are much more likely to be reached, or exceeded.

Stretching, but realistic financial goals need to be developed; achieving them should result in rewards for the executive team – and for shareholders/owners. The art of balancing these goals and rewards for executives and shareholders requires deep understanding and knowledge of business and related compensation planning.

- Strategic & business planning, and financial goal setting
- Annual plans (budgets) and related net income, EBITDA, cash flow; and long term company value

These are the essential factors when considering an executive compensation plan for your company. Through a well designed combination of competitive salary plus targeted annual and long term incentives, executives and shareholders can have a "win-win" result. Harman & Associates is here to help!

Harman & Associates with its fortune 500 background, has extensive national and international experience in executive compensation planning for private and public companies.

Ray Harman
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V *isit our website:*
www.LevelVIICompanies.com

Shame on you underwriters!

Yes, shame on all the so-called underwriters of the world insurance markets. Throughout the business world, in the days following 9/11, insurance underwriters – conveniently ignoring the concept that a "contract is a contract" – began to send out cancellation notices to their insured's advising that coverage for damages resulting from acts of terrorism was void. Using this tragic event as an opportunity these cancellations (in many cases in the same letter), came with an offer to reinstate the coverage for an outrageous premium surcharge.

This practice commonly referred to as "gouging" was and still is rampant in the underwriting world. The insurance industry has often used such tragedies in the past as opportunities to fill their coffers. A consumer need only to read the exclusions within any long-held general liability or property insurance policy to see that the practice of excluding coverage for any peril that might require these shysters to actually pay a claim is not a recent phenomenon.

Congress weighed in recently, indicating they were considering a federal program to help business insure against this risk. This action, of course would have limited the insurance industries opportunity to turn tragedy into profit and so industry executives traveled to Washington and lobbied against any federal attempt to help consumers deal with the void in their coverage.

Consumers will never be able to change this inherent vice in the philosophy of underwriters to avoid true assumption of risk so we must take steps to cope with the risks we face using other than traditional liability insurance. Many methods exist, such as: assuming more risk through self-insurance; formation of captive insurance companies; and mutual insurance companies; pooling risks to create purchasing leverage; emphasis on loss prevention and the transfer of risk by contract.

ERMI shares its extensive experience consulting firms of all sizes in the area of risk management.

Roger Wilcox
ERMI (Enterprise Risk Management, Inc.)
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To flex or not to flex?

A **Flexible Benefits Plan** allows employees to increase spendable income by allowing to pay for certain benefits on a pre-tax basis. Some of these benefits include: medical, dental, vision and group term life premiums as well as certain medical, dental and vision expenses not covered by insurance and dependent care expenses.

Salary can be set aside before taxes to pay for these benefits, resulting in reduced taxable income and financial savings. These payments will be withheld from the employee's pay each cycle minus FICA, state and federal taxes. Flex plans are easily administrated and inexpensive for employers, and employees love the benefit.

A **Premium Only Plan (POP)** allows portion of company provided insurance to be paid with pre-tax dollars. After electing to participate, administration is done automatically as a payroll function and requires no submission of claims. Employee per pay deductions stay the same but take home pay increases. If premiums change during the course of the plan year deductions will be adjusted automatically.

The following are examples of premiums that can be withheld pre-tax: group health insurance; group term life insurance up to \$50,000; accidental death & dismemberment; disability insurance; cancer insurance; supplemental health insurance; vision insurance; dental insurance; accident only insurance, and hospital only insurance.

ee-plan is an administrator of employee benefits plans and provider of the MetroFlex pre-tax transit benefit plan.

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