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RETIREMENT INVESTING

SPECIALIZING IN INVESTMENT MANAGEMENT AND ASSET PROTECTION

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A Need For Comprehensive Planning - Part 2

Last month, we discussed how Comprehensive Planning encompassed a number of critical areas such as Retirement Planning, Education Funding and Estate Planning. This month, we will discuss how Comprehensive Planning involves more than financial planning, but what is referred to as LifeStage Planning. Secondly, we will discuss Cash Management and Budgeting - the way you spend today determines how much money you will have in the future. We will also review a key part of an employee's compensation package - Employee Benefits. Business owners need a Comprehensive Plan just as individuals do, and they have some very critical decisions to make. We will go over five key questions a business owner should consider. Proper Investment and Asset Management is also an important part of a Comprehensive Plan. And lastly, effective Tax Planning is an important component of Comprehensive Planning in order to best position your assets and to minimized your tax liability on an ongoing basis.

LifeStage Planning

A Comprehensive Plan involves more than financial planning, but life style planning as well. Life style planning is personal. I'm sure that somewhere in the back of your mind you are thinking that you know what type of lifestyle that you want in retirement. I visit with a number of clients each week, and one of the key areas that we address in the planning process is what is referred to as LifeStage Planning.

For example, I have two clients that for many years told me that they wanted to take a trip to Europe when they retire. We put together a plan that helped them achieve that goal - *financially*. But since this was their first trip outside of the United States, they also needed assistance in selecting a travel agent, obtaining a passport, and a number of other things

related to making a trip outside the country. We have Internet links which is part of the LifeStage Planning service. The information that we found helped this couple by providing various checklists which they told me made their trip more enjoyable. By knowing each of my client's financial, as well as their non-financial goals, hopefully I can be of more comprehensive service to them.

Cash Management and Budgeting

Your financial destiny is in your hands. The way you spend your money today determines how much money you will have in the future. Only you can determine how much money you will spend and how much you will save.

The key to managing your money successfully is to plan carefully and then follow your plan. It takes foresight, discipline and practice to manage your money wisely. You must learn to say no to spending when it doesn't fit in with your financial goals and objectives.

Successful money management starts with setting realistic, measurable and achievable goals. Having predetermined objectives will help you make wise spending decisions and stay on track for what is important to you and your family.

After you set objectives, calculate your living expenses, and estimate your income. Subtracting your expenses from your income will help you develop a spending plan to cover your expenses and have money to save or invest.

Keep in mind that you may need to rework your spending plan as changes occur in your income, expenses and lifestyle. Perhaps you have a new baby, or an aging parent is coming to live with you. These situations will change your spending plan and make it necessary to redesign your budget until it works for you and your family.

Employee Benefits

Most companies offer some form of employee benefits as part of their compensation packages, but the number and quality of employee benefits vary greatly from one company to the next.

You will have choices to make regarding health, life and disability insurance, as well as retirement programs like a 401(k) or other defined compensation plan. And if your employer also offers company stock as part of your benefits or compensation package, you have a host of special issues to consider.

You should begin by making sure that you understand the terms of the plan. Here are four questions that you should ask your company representative:

1. What are the terms of my stock ownership plan?
2. What are the options?
3. How much stock will I own?
4. Does the company require a certain level of stock ownership?

Armed with this information, you may want to give me a call before proceeding. We will certainly need to review some important issues if you elect to join a stock ownership plan.

But what if you already own company stock? The following are important things to consider:

1. Do I own too much of my company stock?
2. Is my company stock a good investment for my individual circumstances?
3. Am I missing out on any special tax planning opportunities?
4. How does owning company stock affect my estate plan?
5. How long should I hold my company stock?
6. Do I have to be concerned about insider trading issues?

Depending on your company's situation, you may want to give me a call regarding other issues such as maintaining required levels of stock ownership, or special issues created by stock ownership of privately-held companies.

All of those benefits represent important decisions. Start by asking yourself these two questions:

1. Am I taking full advantage of my company's employee benefits?
2. Do my employee benefits fit well with other investments and resources that I have?

Hopefully, together we can help you determine the best way to take advantage of your company's program. We are here to help.

Planning for Business Owners

Whether you are just starting a business or about to retire from business ownership, you have some critical decisions to make. Businesses need a financial plan just as individuals do. Just for starters, you need to plan for sufficient cash flow to help keep your business running smoothly and to prepare for slow periods or rapid growth.

Good business planning also means choosing the right form of business organization to maximize your profits and minimize your risks. Whether being a sole proprietor, partnership or a corporation, this is an area where advice from an attorney would be very helpful. I am here to help you to evaluate your financial needs in any of these three main types of business structure.

Other critical areas to address include employee benefits such as what you offer and to whom, and a succession plan such as what will happen to your business when you retire.

The following are key questions to consider as a business owner:

1. Is the form of business organization that I currently have the best form for me as a business owner?
2. If I changed the form of business from sole proprietorship to a corporation, what non-taxable benefits would be available to me through my company?
3. Is my cash flow set up in a way that would allow for slow periods of business?
4. Would I have the necessary capital to keep up with rapid growth?
5. Am I making wise investments with my company's profit?

Investment and Asset Management

The objective of this aspect of Comprehensive Planning is to maximize your assets and investments in order to provide for sufficient income to fulfill your goals in other areas such as retirement, charitable giving or education funding.

If you are currently handling your investments on your own, ask yourself these questions:

1. Am I confident in my ability to manage my own investments and assets?
2. Do I have the time to devote to managing my investments and assets?

If the answer to either is "No" or even, "I'm not sure," then you should consider seeking professional advice. What should you expect? I will conduct a capital needs analysis to determine how much you need to save and invest in order to reach your long-term goals. Next, together we will develop an investment policy statement based on your personal risk tolerance, asset allocation, target rate of return and the number and type of assets that you have. Then I will recommend a number of specific investment strategies that hopefully will get you on the road to achieving your goals.

Tax Planning

Tax Planning involves evaluating how to best position your assets in order to minimize the amount of taxes that you pay on an ongoing basis. If your assets have been repositioned, proper Tax Planning can help to minimize the tax impact on your annual income.

There is a lot of tax help on the Internet. As I write this, I entered "taxes" on a major Internet search engine, and it found 361 categories and 2887 sites. But there is no place like getting help straight from the source. I believe that the best place to begin is <http://www.irs.gov/>. You can get all the forms and publications that you could ever hope to need. There is even a section for frequently asked questions. You will also find an online magazine on taxes at <http://www.irs.gov/taxi/index.html>. Here you can even read about the history of taxes. Just be careful how you type the address for these sites. If you use .com instead of .gov, you will get a totally different site.

Proper Tax Planning should also help you to maximize your investments. A service that I am happy to provide is a Tax Reduction Illustration. Hopefully, I can illustrate ways which might possibly save you unnecessary taxes on your investments and capital gains. For example, if you own a large amount of company stock, you'll need to be careful not to sell too much of the stock in one year, or you may incur a higher tax liability. I would then suggest that you take these ideas to your tax professional for a second opinion prior to implementing them.

The key to successful Tax Planning is to ask yourself what tax-related decisions would be best for you, considering your long-term goals. I am here to help you to evaluate tax credits, and various deductible expenses as they relate to your individual circumstances.

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Please send information on these topics mentioned in your newsletter:

- Please contact me for a *free* Comprehensive Financial Plan.**
- Please contact me regarding Cash Management and Budgeting.**
- Please contact me regarding my Employee Benefits.**
- Please contact me regarding Business Planning.**
- Please contact me regarding Investment and Asset Management.**
- Please contact me about Tax Planning.**
- I would like to know more about these topics not covered in your newsletter:**

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