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Sneak Attack on Retirement Plans

While we are watching the public posturing of our elected officials, over how much tax relief is prudent, a tax-increase provision has been quietly added that may well affect you and your employees. This provision would impose a new tax on nonqualified deferred compensation, and is expected to raise more than \$4 billion.

As you may know, nonqualified deferred compensation represents an important form of retirement savings for a wide range of employees, including middle-managers with salaries below \$100,000. A recent survey has found that approximately 85 percent of Fortune 1000 companies have nonqualified deferred compensation plans, and some cover 1,000 or more employees. Smaller businesses also commonly offer these programs, which are viewed as an effective employee-retention tool.

If enacted, the deferred compensation provisions in the Senate bill would lead to drastic cutbacks in the availability of these arrangements and would have a dramatically adverse impact on the ability of workers, including small business employees, to save for retirement. In a significant departure from present law, the provisions would tax employees currently on amounts they have not yet received and may never even receive.

The Senate provision was added to the Senate bill in a last-minute Finance Committee "catch-all" amendment to the legislation. There was no debate on the proposal, and there was no apparent understanding on the part of Committee Members regarding the specific tax-law changes being made.

The Senate provision is nearly identical to legislation advanced last year that drew strong opposition from a broad group of trade associations, including the U.S. Chamber of Commerce, the National Federation of Independent Business, and the National Association of Manufacturers.

Let's ensure this "Tax Cut" will not be at the expense of your retirement! Please urge your elected officials to remove the Senate deferred compensation provision as part of House-Senate conference negotiations on economic growth legislation. For a list of telephone numbers and faxes for the House of Representatives and Senators, please send an E-mail to sandra@fpperspectives.com.

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Future Finances' Market Update

By Max Larsen

Monday, May 19, 2003

Humorist and author Jim Boren says a tax expert is "anyone who can read five pages of tax law without crying, or 10 pages without laughing." We are now seeing what Congress is likely to do about tax cuts this year. Personally, I would love to see the pro-growth measures such as dividend and capital gains tax cuts occur. Increasing the capital losses limit to \$9,000 (current limit is \$3,000 per year - in excess of gains) would also help put more money into investor's pockets. We'll see...

What is your opinion on the tax cut? I read numerous surveys, which can be slanted every which way. If you have an opinion please let me know. Do you think a tax cut will stimulate the economy? Do we even need one? Does the increasing deficit worry you? I would like to use some of your thoughts for next week's Market Update where I'll concentrate a little more on taxes.

Last week saw the NASDAQ and S&P 500 stock indexes climb for a fifth consecutive week, and the Dow finished higher for the fourth week in a row - despite hints of slower economic growth. Fortunately, first quarter earnings reports were surprisingly strong thanks to improvement in both consumer and business confidence.

The market has had an incredible rally since bottoming just as pre-war fears hit their crescendo on March 11th. Since then the Dow Industrial Average has gained 14.1%, the S&P 500 16.4%, and the NASDAQ 18.6%. This rally has confused investors and professionals alike. Most investors have been left behind during this rally, selling out as pundits proclaimed that the market would sink to new lows. Those investors have been left scratching their heads and asking 'Why did the market start going up before the war began?' and 'Why is the market going up now?'

Investors seem to think there was no economic justification for the market's advance. They were probably right! Things did (and in some instances still do) look pretty dismal. The economy was slowing and the market was testing its July-October lows. But, as we know, those are times that present the best buying opportunities. The market is forward thinking, and it is telling us in no uncertain terms that conditions are improving. It is said that the market climbs create a proverbial 'wall of worry,' and there was no shortage of worry since its recent climb.

In my prior Market Updates, I mentioned that consumer confidence had just fallen to its lowest level since 1993 and that investor sentiment was also in the dumps. But what do we know? When either investor or consumer sentiment was this bad, improving conditions were not that far off.

I know the question that is eating everyone up: "Is the market going to continue going up?" My crystal ball is still a little clouded but if the economy continues to improve, we see some additional stimulus in the form of tax cuts, and the Federal Reserve keeps the money supply flowing then most likely. Louis Cavalier, market analyst, thinks so when he concluded his newsletter with: "Overall, we believe that we are now in the first inning of a two-year stock market advance." Let's hope so.

Until next week my friends.

Max Larsen

Thanks to friends like you who refer new business to us, our practice continues to grow.

As always, your comments and reactions are welcome. Please feel free to share this newsletter with others you think may find it interesting or useful. We respect your privacy and will not share your address with others. Click [here](#) to send a comment, to subscribe, or unsubscribe.

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