

Journal of FINANCIAL PLANNING www.journalfp.net		The Official Publication of the Financial Planning Association		 FPA THE FINANCIAL PLANNING ASSOCIATION®		Public	Find a Planner
About Us		Between the Issues	Past Issues & Articles	CE Exams	Subscribe	Advertisers	Writers
						Media	Feedback/Discuss
							Member & Professional
							FPA Global Forum
							Journal of Financial Planning
							Online Store

You are here: [FPA Net](#) > [FPA Journal](#) > [Between The Issues](#) > [Technical Articles](#) > Company-Sponsored Financial Counseling

[Printer friendly view](#)

[Login](#)
[Search](#)
[Homepage](#)

Between the Issues

[Your Practice](#)
[Technical Articles](#)
[Essays & Letters](#)
[Books](#)



Between the Issues

Company-Sponsored Financial Counseling: The Executive Benefit Every Shareholder Can Applaud

By Michael J. Nathanson, Kirby A. Hamilton, Stephen T. Sadler, Elisabeth L. Talbot, Stephen R. Stelljes, Gina K. Bradley of The Colony Group, LLC

Recent efforts of lawmakers and regulators have been focused on improving corporate governance, transparency, accountability, and compliance. Similarly, shareholder and employee advocates, the news media, politicians, and others have seized upon the corporate reform movement and applied increasing pressure on companies to place controls on excessive executive benefit practices.

Many companies already have heeded the calls for reform and, in response, have made meaningful cuts to their executive benefit packages. With the SEC's 2006 release of rules that mandate greater disclosure by public corporations of their compensatory practices, many companies appear ready to jettison all but the most rudimentary executive benefits.

Some companies, however, have recognized the continuing utility of at least one executive benefit: company-sponsored financial counseling. These companies join a growing list of organizations that have adopted company-sponsored financial counseling as part of a "best practices" program in the areas of governance, accountability, compliance, and profitability. In many cases, companies offer financial counseling to their executives not only because it can be a valuable executive benefit but also because it can be valuable to the companies' shareholders, customers, and employees at large.

Company-Sponsored Financial Counseling

What, then, is company-sponsored financial counseling? At a basic level, it is an arrangement whereby a company engages professional advisors to provide financial counseling advice and related services to the company's employees. Many companies, for example, arrange for advisory firms to provide their employees with elementary retirement and asset allocation advice.

When offered to executives, however, company-sponsored financial counseling typically becomes more customized, intensive, and effective. In this context, independent advisors offer comprehensive, continuous advice and related implementation services in many or all of the following areas: asset allocation; investment planning (but not discretionary asset management advice, such as individual security selection); retirement planning; tax planning and return preparation; estate planning; charitable giving; employee benefit plans; equity incentives and stock options; debt management; education planning; risk management; and cash flow analysis.


Companies that offer this benefit may do so through a single advisory firm, or they may offer a "menu" of firms from which their executives can select a provider. Some companies offer the most comprehensive form of the benefit only to their most senior executives, while offering a lesser benefit, often in the form of seminars, to other executives.

A Paradox?

How, then, can one conclude that such an extensive benefit should be supported and expanded against the trend of downsizing executive benefits? There are several answers.

It's
your
life.

Enjoy the
independence
and **flexibility**
to pursue
your professional
and personal goals.



1. Protection Against Financial and Legal Recklessness

The best company-sponsored financial counseling programs offer executives not only financial planning but also educational services. In practice, this means that the executives receive in-depth education regarding general financial planning as well as related matters such as securities law restrictions (e.g., insider-trading, filing, and disclosure rules) and tax compliance.

This education, coupled with consistent implementation services, best ensures two things. First, the executives are far less likely to engage in questionable behavior (whether intentional, reckless, or negligent) like securities or tax law violations that potentially can harm both themselves and their company. Second, and perhaps more importantly, the executives are far more likely to make responsible, thoughtful personal financial decisions that, in turn, should provide less incentive to engage in any questionable pattern of behavior.

2. Better Job Performance

Executives who are not properly advised are likely to spend disproportionate amounts of time and energy inefficiently working on their personal finances. In contrast, executives who have the benefit of working with a financial counselor are likely to delegate to the counselor many of their financial responsibilities. This creates a more orderly, predictable financial environment for themselves, thereby leading to greater time efficiencies and fewer distractions in the context of their every-day corporate responsibilities.

3. Mitigation of Conflicts

In many situations, conflicts of interest can and will arise between a company and its executives. Some examples of these situations include executive option exercises, purchases and sales of company stock, tax elections like "Section 83 (b)" elections, and myriad other instances in which an executive and the company can have competing interests.

While company-sponsored financial counseling typically is financed by the company, the advisor generally assumes a duty to work for the individual executive's best interests. Therefore, a company that offers financial counseling to its executives can be assured that its executives will have their own personal advocates who can provide independent, objective advice to the executives.

4. Benefit Maximization

Providing company-sponsored financial counseling requires a relatively small financial investment. Yet, the company's return on that small investment can be quite substantial. In addition to achieving all of the goals enumerated above, the company also is able to maximize the value of all of its other benefit plans by providing executives the education necessary to understand and fully utilize them.

Conclusion

In an environment in which little room is left for executive benefits, company-sponsored financial counseling may be one of the few remaining means of offering executives a benefit that is valuable not only to the executives but also to their companies, their shareholders, and even the public at large.

Notes

This piece is a derivative work based on an earlier version of the article originally published in the November/December 2007 issue of the *Journal of Compensation and Benefits*.

The Colony Group, LLC is an SEC Registered Investment Advisor that provides financial counseling services through a division called Colony Wealth Management and asset management services through a division called Colony Investment Management.

[Contact Us](#)[Site Map](#)

Copyright [FPA Privacy Statement](#) [CFP Board Disclosure Statement](#) [FPA Disclosure Statement](#)