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## **BUSINESS INTELLIGENCE IN ACCOUNTANCY, CONSULTANCY & LAW.**

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The Pearson Group has identified its primary marketing focus as:

- \* Accounting
- \* Business Management, Tax Planning Strategies and Asset Management
- \* Incorporations, Secretarial and Corporate Advisory
- \* Risk Management, Group Life Health & Disability
- \* Estate Planning
- \* Wills, Buy & Sell Agreements and Business Successional Planning

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### **COMPANY BACKGROUND**

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The Pearson Group is a fee based professional financial planning firm specialising in business and personal financial advice. Pearson Group's staff consists of Accountants, Solicitors, Management Consultants, Computer Analysts, Investment Advisors and Employee Benefit Consultants

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### **AREAS OF SPECIALISATION**

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Pearson Group deals with multiple concerns related to the owners and the key executives of successful companies using a hybrid of selected financial instruments; which include private investment trusts, private pension funds, negative gearing, remuneration re-selection and capital reinvestment.

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### **MODELLING SOFTWARE**

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The Pearson Group has developed modelling software which optimises the equilibrium position amongst the following considerations.

- Income, Networth and Cash flow Forecasting
- Investment Portfolio Strategies
- Tax Planning
- Compensation/Benefit Analysis
- Retirement Projections
- Insurance & Risk Management
- Education Funding
- Capital Gains Tax and Estate Planning

The Pearson Group's Corporate Mission is to provide a limited number of clients a highly professional and creative all-round management and financial consulting service aimed at assisting them to define and achieve their financial and capital growth objectives.

Business intelligence in accountancy, consultancy and law is the game of choosing alternatives that produce success. The knowledge of the probable consequences of these alternatives and how to implement them is assisted through the **consulting function**.

At The Pearson Group, we firmly believe that those who plan ahead, stay ahead. Business Management, Tax Planning Strategies and Financial Management focuses on asking yourself some important questions. We have listed just a few. Please read them carefully. There may be many people (employees, partners or family members) whose welfare may depend on your answers.

- What would happen to my family and my assets if I died unexpectedly last night?
- How can I minimise the impact of taxes, inflation and government regulation?
- If I decide to sell my business, how can I receive the most for all the years I have put in? How heavily will I be taxed? Can I avoid it?
- Would my business be able to continue after I die? Who will take my place at the helm? What can I do about it now?

Most business owners and wealthy individuals have taken some initial steps to protect and preserve the success they have created in their life times. Every successful company takes steps to manage its capital for optimum profitability and control of long term liabilities.

But if those measures are only separate pieces to solve separate problems, they do not produce a complete plan or reflect a consistent philosophy and goals.

For many executives these gaps are most apparent in the area of compensation and Benefit Planning. For the business owner they occur in the tax effective use of corporate and personal assets. For wealthy individuals the gaps show up in strategies to sustain wealth into the next generation.

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## **TAX & CORPORATE ADVISORY STRATEGIES**

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Tax and Corporate Advisory Strategies in recent times have used more sophisticated methods to achieve income splitting including the provision of some of the essential services to a business or professional practice by a separate service entity, the ultimate beneficiaries of which are members of the proprietors family. The service entity can provide services to the practice including:

- owning and leasing offices and equipment;
- leasing of motor vehicles;
- provision of administrative services by partners;
- collection of fees for a commission;
- provision of loan funds to finance working capital;

The type of service entities which may be used to provide these services are:

- a Company
- a Family Trust
- a Unit Trust (appropriate to partnership group practices and expense sharing arrangements)

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## **WEALTH ACCUMULATION & RISK MANAGEMENT**

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Many financial needs arise during the course of an individual or family's lifetime. These needs include income for living, retirement and special events; and death needs for final expenses, debt elimination, and lifestyle maintenance.

- Business Insurance
- Mortgage Acceleration
- Personal Pension Plan PPP
- Person Equity Plan PEP
- Education Funding
- Group Term Carve Out
- Executive Compensation
- Profit Sharing Plan
- Disability Income

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## **BUSINESS INSURANCE**

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Businesses purchase insurance on the lives of their employees and shareholders for numerous business purposes:

- to protect against the loss caused by the premature death of a valuable employee
- to create a general asset reserve under a deferred compensation agreement
- to fund a share redemption agreement
- to provide numerous types of employee benefits

### **Buy/Sell/Share Redemption**

If a shareholder of a private company or trust structure dies without a buy/sell agreement, the heirs face a difficult choice. If they're able to sell shares, they'll probably have to take a steep discount. If they retain the business interest, management problems could cut deeply into profitability.

### **Key Person**

Turnover is costly. The more valuable your employees, the more it costs to replace them. Key person insurance not only can create "Golden Handcuffs" to reduce turnover of these special employees, it can also be used to attract new talent.

Premiums to recompense an employer for the loss of revenue arising due to the death or disability of a key employee are usually tax deductible, and any resultant benefit recovered by the employer is assessable. But the employer can usually make a tax deductible ex gratia payment, depending on the circumstances, to either the employee, or the employee's dependants; s(51(1) or, more likely, s78(1c)).

Where a lump sum payment by an employer is on account of the death or permanent disability of an employee and the payment is made to the employee's spouse or other financially dependant beneficiaries or to the permanently disabled employee, that amount will, ordinarily be of a non taxable capital receipt.

Thus, essentially "private" expenditure can, in certain circumstances, be "converted" into tax deductible business expenditure without affecting the tax outcome.

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## **MORTGAGE ACCELERATION**

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To help you save substantial amounts of mortgage interest, own your home free and unencumbered, and pay off your mortgage in the event of premature death. The ideal market is relatively young and consists of new home owners (within the first five years of the mortgage).

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## **PERSONAL PENSION PLAN PPP**

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To help you plan for retirement using a programme that operates much like a deferred compensation arrangement. The ideal market is any client who wants to maximise retirement income.

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## **PERSONAL EQUITY PLANS PEP**

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Securities are sold at The Pearson Group through our wholly owned subsidiary Pearson Asset Management Pty Ltd. The types of investment services offered are:

### **General Investing**

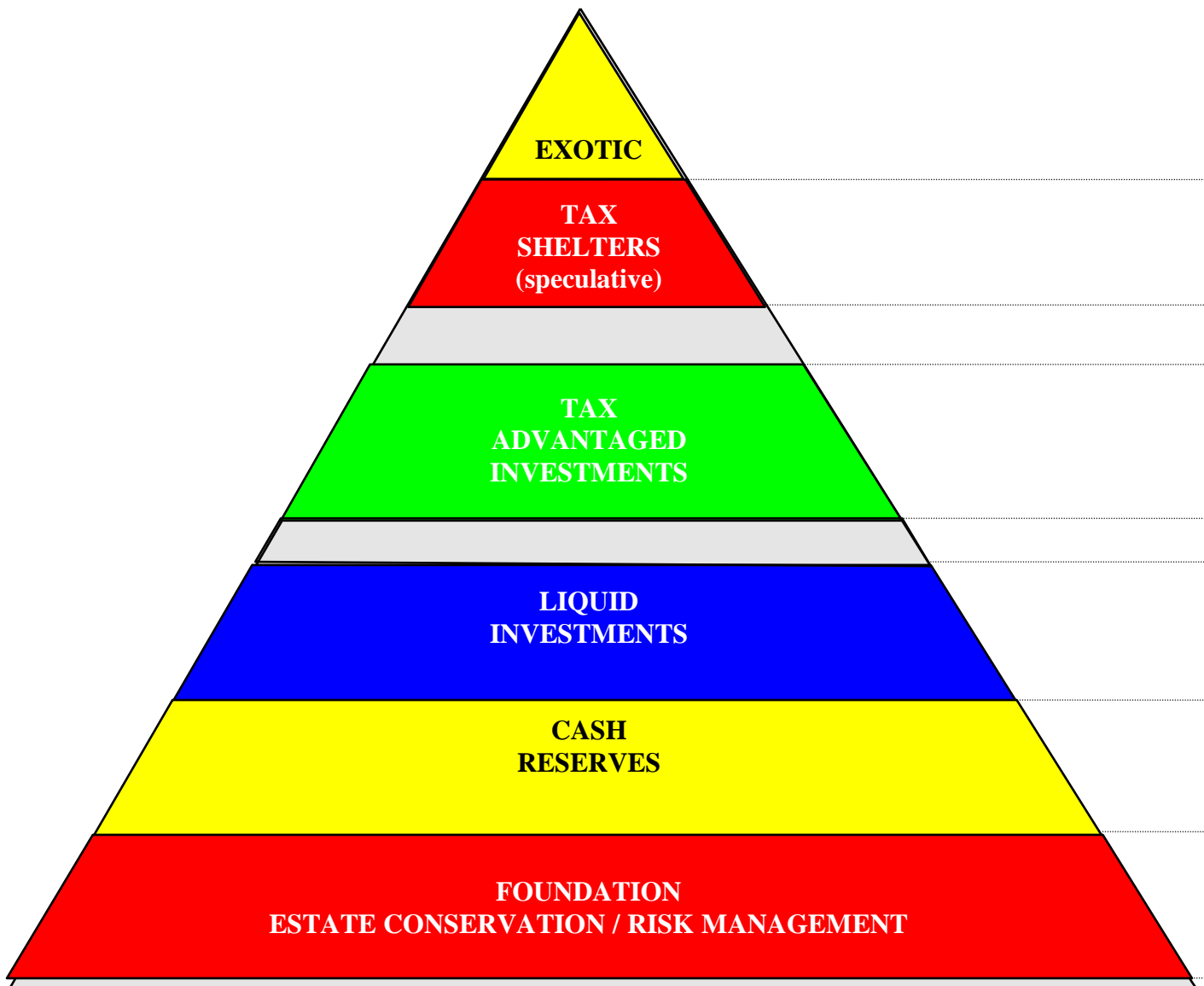
This market uses investments for wealth building, establishing emergency funds, educating children and stockpiling money for opportunities and retirement. Our ideal client wants to accomplish any of these objectives and is aware of his or her own risk aversions.

### **Tax Advantaged Investing**

Investment in this market seeks deferral and avoidance of taxes on the growth and income of certain types of investments. Our ideal client is financially well-established and needs sophisticated planning and tax favoured investing.

## Asset Allocation

This involves strategically organising our client's investment portfolio to maximise return and minimise risk. Our ideal client is financially well established and has worked his or her way up in the traditional "Investment Triangle".



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## **EDUCATION FUNDING**

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To help you accumulate the capital required to fund college education costs. The ideal market is a family that's interested in funding these future costs for their young children.

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## **EXECUTIVE COMPENSATION**

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Executive Compensation includes any benefit design that's used to provide a select benefit to key employees, executives and directors of a private company or trust structure.

The Pearson Group has been consistently on the cutting edge in design, product development, service, administration, sales and marketing of executive employee benefits.

Employers are looking for creative funding alternatives to offset the cost of existing benefit liabilities. The Pearson Group has a special subsidiary company that concentrates on large Corporate Owned Life Insurance (COLI) cases, Managed Risk Underwriting Pty Ltd (MRU). MRU has the experience and creativity to customise insurance solutions for the challenges of sophisticated business situations.

The key to this large COLI market is the ability to deliver a tailor-made solution to a unique business situation. To successfully reach this business market, you must have flexible products, sales materials and computer software to support your marketing efforts, and readily available professional expertise in tax and legal areas.

### **Group Term Carve Out**

The basic purpose of this specialised coverage is to merge the benefits of an employer-paid term life benefit with the cash accumulation wishes of employees.

### **Executive Retirement Plans**

The goal of these specialised plans is to reward and retain valued employees outside of the company pension plan rules and regulations.

### **Advanced Pension Life Insurance**

You may have a company sponsored pension plan to accumulate funds on a tax favoured basis, but how many of those assets will successfully pass to the heirs?

The Pearson Group offers sophisticated sales techniques for using plan assets to purchase life insurance, and for illustrating how those assets can be used efficiently for estate planning. The ideal client has an existing profit sharing plan or is interested in establishing a profit-sharing plan.

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## **PROFIT SHARING PLANS**

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### **Age-based Profit Sharing Plans**

These permit an employer with older employees to credit larger contributions to those older employees. Age-based plans are more flexible than traditional pension plans. They do not commit the employer to annual contributions, quarterly payments of contributions, nor do they require an actuary to compute contributions. These plans are especially attractive to companies with owners and key employees who are substantially older than other company employees.

### **Position-based Profit Sharing Plans**

These are similar to the age-based plans in that they allow greater contributions to flow to employees in key positions. The ideal market for this plan is companies who want to provide attractive benefits to key people.

### **Split Dollar Plans**

These plans can effectively use corporate dollars to obtain large amounts of life insurance coverage for business owners and selected key executives at nominal, if any, cost to be business. The Pearson Group has created a comprehensive array of sales applications supported by our own computer illustration system.

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## **DISABILITY INCOME**

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Through an agreement with Underwriting National Association Casualty Group (UNAC) The Pearson Group offers disability income insurance through Australia's number one provider of individual non- cancellable DI policies. The types of sales in this market include:

### **Personal Needs**

The preferred professional policy is the most comprehensive individual non-cancellable DI policy you can offer. Its designed to meet the special needs of the professional market including doctors, solicitors, accountants, white collar occupations and business owners.

### **Business Needs**

The Business Executive Policy is for clients who don't need long term residual coverage. It's targeted for owners and executives in service-oriented companies such as ad agencies and computer service firms.

## **Business Overhead Expense**

The business overhead expense policy is for principals of privately owned companies or trust structures and small business owners. This expense reimbursement policy is most effective with a business or practice in which the owner's ability to work is critical to the continued operation of the business.

## **Disability Buy-Out**

The Business Disability Policy provides money for the transaction of business ownership from a totally disabled insured co-owner to his or her healthy associates. This policy is a great door opener for the business insurance market.

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## **ESTATE PLANNING**

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Estate planning, as a category, usually means the orderly transmission of property from one person to another. However, effective estate planning encompasses much more. It includes, among other things, taking action to protect your assets from claims of creditors including an estranged spouse either of yours or a child of yours. Estate planning also means taking action to prevent having more than one half (and in some cases, much more than one-half of your wealth eroded by capital gains tax and income tax when you die.

Its almost impossible to separate financial tax and estate planning. All are concerned not only with the accumulation of wealth, but also the orderly distribution of that wealth in accordance with the owner's wishes, maximising the heir's inheritance and minimising the tax burden.

Sincerely

**C. JOHN PEARSON CMC**  
**Managing Director**