



Building Blocks

Construction Financial Management Association
Honolulu Chapter

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“Super Sundae” Retirement Planning

By Misty Lam, EA, MSPA, MAAA

Are you ready for retirement? Financially, that is. Retirement is something we all think about but quickly find ourselves overwhelmed by. Not unlike a trip to Baskin Robbins 31 Flavors. The choices are many and any given individual may have several layers to his or her personal “retirement plan” sundae.

For those of us who are fortunate enough, one of those layers might be an employer-sponsored retirement plan. Employer-sponsored retirement plans come in many flavors. We are all familiar with 401(k) plans and maybe even profit sharing plans, but probably much less so with traditional defined benefit pension plans.

If you are a small business owner or sole proprietor and your idea of a perfect retirement plan is one that minimizes your taxable income and allows you to sock away large amounts of money (as much as \$100,000 to \$200,000 of tax deductions per year) for retirement, a defined benefit pension plan is the secret “31-scoop super sundae” on the menu.

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**CFMA MySpace
Don Taylor**



Mark your calendar:

**WHAT:
Annual CFMA
Installation Banquet**

**WHERE:
Oahu Country Club**

**DATE:
Thursday, April 17th**

**Camaraderie, dinner
and drinks provided.**



President’s Message

By Carl Williams

RIISING TIDES ... FALLING TIDES

By the end of 2007, more of our disposable income was going to food, energy, and medical care than at any time since records were first kept in 1960. Now, nearly 9 million households have upside-down mortgages and, for the first time ever, total mortgage debt is bigger than the total value of homeowner equity. The credit crunch means many contractors, already hurting from the downturn in housing, can’t borrow as easily so they are delaying big projects and cutting into the job market. Another difference?

In the past, an American financial crisis was America’s problem. Now, we are part of a complex global economy. (Source: Associated Press.)

We have prospered in the rising tide of a good economy, but now our economy may be in recession. What do we do in a falling tide? We go back to basics. We rely on our experience and training as construction financial managers, we rely on our ability to analyze complicated financial information, we rely on our extraordinary analytical skills, and we fulfill our role as

financial translators...or we can ignore the possibilities and rely on the old George Bernard Shaw quotation – “If all economists were laid end to end, they would not reach a conclusion.”

Enjoy it while you can! Eat, drink, and be merry at the CFMA – Honolulu Installation at Oahu Country Club on Thursday, April 17, 2008!

Your comments are most welcome...contact me at Carl@CPAloha.com.

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In the context of very large corporate retirement plans, traditional pension plans have received some unfavorable coverage in the press and many are being frozen or terminated. The reality is that for many Americans there has been a shift from traditional defined benefit pension plans, the old-fashioned vanilla made with heavy cream, to defined contribution individual account plans, the non-fat frozen yogurt that still tastes good but just isn't as satisfying.



Misty Lam and Michael E. Pennell

There are many reasons

for this shift and the likelihood is pretty high that the next newspaper or financial magazine you pick up will have an article or commentary about the resulting unhealthy financial state of Americans and their retirement readiness. This is because 401(k)-type plans, or account balance plans, place the investment risk on the employees by having them manage their own accounts and then hope for the best when they're ready to retire. In contrast, traditional pension plans are paternal in nature because the employer bears all the investment risk and provides a guaranteed benefit for their employees when they retire.

What most people don't realize is that defined benefit pension plans still have a valid place in today's world, especially for small business owners and sole proprietors. This is because of the immediate tax savings and the tax-deferred retirement asset build-up they can offer. These plans can be an integral part of their retirement and tax planning strategy. While large corporate plans that are in place for purposes of an employee benefit have issues with the expensive nature of funding (contributing to) the plan, it is the exact opposite for small employers or sole proprietors wanting to contribute and receive a tax deduction for large amounts of money to their plan. In other words, for large employers traditional pension plans cut into profits but for small employers they help protect profits!

Defined benefit pension plans of this nature work best for small employers or sole proprietors over the age of 45 who are making enough money to be able to support significant contributions to their plan. A preference for root-beer floats over smoothies might help too!

Misty Lam is an Enrolled Actuary with Buck Consultants, LLC (Honolulu) specializing in retirement plan strategies for sole proprietors and small business owners. Call Misty at 521-0627 if you are interested in a "super sundae."

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CFMA My Space



Don Taylor

- Married to Barbie (Kauai Realtor), three children Brandon, Austin, and Layne. All three children attend Island School. I am responsible for all financial aspects of Kauai based general contractor Unlimited Construction Services, Inc. including financial reporting, surety bonding, contracts, taxes and human resources. I bring over 25 years of financial experience to Unlimited and I am both a Certified Public Accountant and a Certified Management Accountant, and recently earned the prestigious Certified Construction Industry Financial Professional (CCIFP) designation, only the third Hawaii resident to do so. Before coming to Unlimited, I performed as controller or chief financial officer for firms throughout California and Nevada including Aristocrat Technologies, Tri chemical Systems, ATMI, Andros Technologies, and Pepsi-Cola Company. I earned my Bachelor's and Master's in Accountancy from the University of Mississippi.



Favorites

- Restaurants – Kintaro's in Kapaa and The Beach house in Poipu
- Place to Shop – Hanalei (North shore Kauai)
- Beach – Lumahi (North shore Kauai)

Did you Know

- Fun fact – owned and operated the two Cold Stone Creamery stores on Kauai. We recently sold both locations in 2007.
- Favorite Trip – Annual October outing back to "Ole Miss" to join fraternity brothers in watching a SEC football game.

Other

- Like most about job – I have enjoyed incorporating accounting and management best practices from my other industry experience into the construction arena.
- Why did I become a CCIFP? – I wanted to prove to myself that I had grasped the fundamentals of the construction industry and demonstrate my commitment to our management team at Unlimited.
- Important realization about the construction industry – We are all contractors not builders. Every aspect of contracts, whether it is with the owners or subcontractors is crucial. Thus, everyone in the organization needs to become an expert in contracts.
- Favorite way to spend free time – watching son's basketball, soccer, roller hockey, swimming, track games and meets; swimming at the beach.
- Where were you born and raised – My father was in the Air Force – born in Hampton, Virginia, raised in Middlesboro, Tennessee, Colorado Springs, Colorado, attended Radford High School and my senior year of high school was in Columbus, Mississippi.

Become the next CCIFP like Don Taylor

What is the purpose certification?

- Establish the scope of practice for construction financial professionals
- Assess the level of knowledge demonstrated by construction financial professionals in a valid and reliable manner
- Encourage professional growth in the field of construction financial management
- Formally recognize individuals who meet the requirements set by ICCIFP
- Serve the public and employers by encouraging quality construction financial management practices

What are the benefits of certification?

Certified construction financial managers enhance their professional credibility, verify their knowledge, increase their understanding of construction finance, and enjoy the satisfaction of obtaining a goal.

The construction industry benefits from established standards and industry benchmarks, improved human-resource decision making, enhanced professional/industry credibility and standing, and increased continuing education opportunities.



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Thank you Pat Ledgerwood, President of Ledgerwood Associates Hawaii, inc. for providing a presentation on Timberline. Looking for construction accounting software... please call Pat at 263-9563.



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