

BOOK, SOFTWARE, AND WEB SITE REVIEWS

Douglas Kahl, Editor
University of Akron

This is a new feature in *Financial Services Review*. To make it a success, we need volunteers willing to do the reviews. If you would be interested in doing an occasional review, please contact Douglas Kahl, Department of Finance, University of Akron, Akron, OH 44325-4803 or e-mail him at DKahl@Uakron.Edu.

Employee Benefits (4th edition)

by Burton T. Beam, Jr., and John J. McFadden

Chicago, IL: Dearborn Financial Publishing, Inc.; 1996

(ISBN 0-7931-1504-3)

Reviewed by: Douglas R. Kahl, Professor of Finance, The University of Akron

Burton T. Beam, Jr., and John J. McFadden's fourth edition of *Employee Benefits* has just been published by Real Estate Education Company, a division of Dearborn Financial Publishing, Inc. This is a serious book for serious students. The book has no cartoons, relatively few exhibits, and is presented in two colors, black and white, with an occasional bit of grey to highlight an exhibit. The subject is covered from a benefits administrator's point of view and is structured to be applicable to employers of all sizes and to multiple employer groups.

Employee benefits, an insignificant proportion of employee compensation 50 years ago, often constitutes 30% of employee compensation today. This thorough presentation of modern employee benefits makes clear the reasons for the rapid growth in the number, variety, and cost of employee benefits over the past five decades. The range of topics covered is extensive, from such standard topics as group insurance and retirement plans to much less common benefits such as adoption assistance and eldercare benefits.

The text is arranged into five parts with 28 chapters. Two of the parts, Group Insurance and Retirement Plans, make up the bulk of the book. As the baby boomers turn 50 and the work force ages, these two largest and most costly benefits can only increase in interest and importance. Whether the rapid increase in cost and proportion of employee compensation will continue is less certain.

The Group Insurance segment introduces the group insurance environment and provides a discussion of the most important tax and regulatory issues; group life insurance benefits, disability income benefits, medical and dental expense plans, and long-term care insurance. This segment also provides an excellent discussion of the history and development in the area and a very up-to-date discussion of many of the current issues—such as

the development of and prospects for managed care plans, alternative funding methods for group insurance, and group insurance rate making.

Retirement Plans is the second major section of the book, covering all of the major retirement plans. The discussions in this section are as up-to-date and detailed as can reasonably be expected. The presentation in this section is extensive and well organized. In addition to a discussion of all of the major types of plans, the section provides a discussion of pension plan design, benefit formulas, plan funding, highly compensated employees, nonretirement qualified plans, and nonqualified deferred compensation plans. The presentation covers plan installation, administration, investments, and termination.

The issues in Social Insurance are given good coverage. There is a fairly detailed discussion of social security and medicare benefits with an excellent discussion of funding adequacy and alternatives. A brief discussion of unemployment benefits and workers compensation programs is included.

Finally, the book contains a brief discussion of a very wide range of unrelated benefits frequently provided to employees. These benefits include personal time, service awards, adoption assistance, and parking. The discussion is concise, interesting and includes some rapidly developing topics.

Each chapter in the text ends with about a dozen discussion questions on the topics covered in the chapters. Answers to the chapter-end questions are provided on an instructor's manual disk, which also contains chapter outlines and a multiple choice test bank. No other ancillary materials are provided. This is a well-written, well organized, detailed and up-to-date text for a course in the rapidly developing area of employee benefits.

In addition, this text would make an excellent addition to any business or business school library and an often-used desk reference book for anyone teaching in the area of personal finance. While many of the topics in this book are covered in other personal finance courses, the presentation of many important personal finance topics from the employer's point of view provides some valuable insights.

Personal Finance (4th edition)

E. Thomas Garman and Raymond E. Fogue
Boston, MA: Houghton Mifflin Company; 1994
(ISBN 0-395-66852-2)

Reviewed by: John Clinebell, Professor of Finance, University of Northern Colorado

E. Thomas Garman and Raymond E. Fogue's *Personal Finance*, 4th edition, is an excellent textbook designed for a lower division (i.e., freshman/sophomore level) personal finance class. The informal writing style and level of the text imply that the authors are assuming that students have little to no background in finance. The text is clearly designed for a service course that addresses the needs of nonbusiness students.

The book is organized in the following six broad topical areas: Financial Planning, Money Management, Managing Expenditures, Income and Asset Protection, Investment Planning, and Retirement and Estate Planning. By far the heaviest emphasis is placed on Money Management and Managing Expenditures with approximately one third of the book devoted to these topics. The topics Introduction to Financial Planning and Retirement and Estate Planning have the most limited coverage. Topics related to Insurance and Investments have relatively equal emphasis.

The organization of the book and its emphasis on controlling debt and expenditures (the management of money) indicate that the book is best suited for a course designed to take a practical approach to specific aspects of personal finance rather than courses designed to take a more holistic approach to the financial planning process. Further, the emphasis placed on career selection (Chapter 2) suggests that this book may be better suited to traditional students. Issues generally associated with nontraditional students such as changing careers and dual career families are given very little attention. The placement of the investment and retirement planning topics at the end of the book may cause difficulties in course planning for some instructors. The length of the book makes it unlikely that the entire book can be covered in one semester course. Therefore, the critically important topics of investments and retirement planning will probably be taken out of sequence. Although the text provides relatively broad coverage of personal finance topics, the growing importance of technology and on-line finance resources receives little attention. This lack of coverage will require instructors to develop supplemental readings and exercises to ensure students are exposed to this increasingly important topical area.

The authors make excellent use of many pedagogical features. I especially enjoyed their use of boxed inserts such as “The Top Ten Money Mistakes That Waylay Young People,” “How to Set Family Financial Goals,” and other “How to ...” topics. These features make the text much more enjoyable and add significantly to the potential learning of the students. The objectives for each chapter are clearly defined at the beginning of the chapter and marginal notes are used to identify and highlight the chapter discussions. The authors provide comprehensive review questions at the end of each chapter and provide several end-of-chapter “Action Involvement Activities.” The “Action Involvement Activities” are designed to encourage students to apply the concepts in the chapter to their own lives by visiting and dealing with businesses, creating personal budgets, etc. One potential weakness I found with the text is the “Decision-Making Cases” at the end of each chapter. These “cases” are basically problems rather than cases and although they are generally well written, very few are provided. Instructors who like to take a “hands on” or applied approach by assigning many problems to aid in covering the material may find the lack of problems at the end of each chapter frustrating. However, software is provided to aid in the analysis of some of the “cases” at the end of each chapter.

Overall, this is an excellent text for a Personal Finance class. Instructors who prefer a textbook that is both comprehensive and descriptive in nature and who are teaching a course designed for traditional freshman and sophomore nonbusiness students should find this to be an excellent book.

LIFFE on the Internet

Reviewed by: Douglas R. Kahl, Professor of Finance, The University of Akron

Located at <<http://www.liffe.com/liffe/home.htm>>, the home page for the London International Financial Futures and Options Exchange (LIFFE) offers finance students an opportunity to take an international look at derivatives. This a well done web site which will provide your students with an interesting and informative look across the Atlantic. LIFFE bills itself as Europe’s premier financial derivatives exchange, on the cutting-edge of technology, and intending to be the leading futures and options exchange in the world.

Among the many interesting offerings on the site is a discussion of the UK regulatory structure. The concise and informative discussion will provide students outside the UK

with a good look at a different regulatory philosophy, structure, and system. The potential for discussions, comparisons and contrasts could be pedagogically exciting in courses from derivatives to business law.

U.S. students visiting the Glossary will find many familiar terms as well as a few new terms to add to their vocabulary. On the lighter side, a visit to the Photo Library or the Video Clips Library will put a face on the story. Both are interesting, informative and well done.

The discussion of LIFFE's Automated Pit Trading system makes a strong case for LIFFE being on the cutting edge of technology. The Automated Pit Trading system emulates an open outcry trading pit in that all traders receive all bid/ask information simultaneously and any trader has an equal chance of accepting any bid or offer. The integral Automated Trading and Order Matching system provides a central limit order book, automatic execution of stored orders touching the opposite side of the market, and a display of aggregate market bid/offer/volume information.

A web site worth looking at. Give it a try.