

INSIDE INFORMATION

The newsletter for serious financial advisors. (www.bobveres.com)

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THE VALUE OF PLANNING

How much do you charge for your services? Read this article, and you'll realize that the answer is: "not enough."

by Bob Veres

Now that we have our first million-dollar Jeopardy winner, let's get out of the newsletter box and play our own version of the TV game show. For those of you who have never watched the most popular modern-day quiz program, it is played by having suave game-show host Alex Trebek read a statement off the board, and then the contestants have to formulate a question that this statement is the answer to.

Ready to try it? Here's your first answer: *It is the most important issue facing the financial planning profession today.*

Interestingly, your next answer--*It is the primary difference between highly successful and less successful advisors, regardless of any other factor.*--is the answer to the same question. If you can get the question right, then the prize is probably much more than a million dollars, at the prices planning practices will again be selling at once the market begins its next definitive upturn.

You are a winner if you said: *What is: Being able to easily and with*

confidence communicate the value of financial planning services?

If you're the kind of reader who likes answers posed in a statement form, here it is again: *The most important issue facing the planning profession today, and the most important thing that determines how successful your business life and practice will be, is your ability to easily and with confidence communicate the value of the services that you offer.*

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EARLY WARNING

• Four factors tend to differentiate the most successful advisors from people who never quite get over the hump: 1) They are constantly restless, and looking for ways to make positive changes (as opposed to the majority of people, who prefer to settle into a comfortable status quo); 2) they attend industry conferences intentionally (which requires a long explanation); 3) they get in the

habit of making an appointment with themselves at least once a week to think about what they want to change in their work-lives; and 4) more often than not they have a coach.

Where do you find a coach? Inside Information offers a free resource which not only contains the contact information for the profession's top coaches, but also includes a hundred pages of their best wisdom and advice. Download it at www.bobveres.com.

The Insider

Why don't more advisors market themselves and work harder to bring in new business?

Maybe because all the marketing advice that we receive comes from people who earn millions teaching brokers how to raise their production levels. There's a heavy element of sales training in all the marketing presentations and articles in our trade publications.

As a result, fiduciary advisors are told to hold seminars to scare the attendees sit down with centers of influence (lawyers, accountants, etc.) and propose a sleazy arrangement where you send them your clients if they'll agree to send you theirs, how to overcome objections and resistance, and tell them that you get paid two ways: through direct compensation and through referrals to their rich friends.

Yuck! No wonder fiduciary advisors think it's unethical or "unfiduciary" to market themselves.

But the fiduciary advisor has enormous advantages: more solid and trusting client relationships, fewer conflicts of interest, you can approach allied professionals like attorneys and accountants with clean hands, and approach members of the press with an honest desire to help them educate the community.

This and much more is all laid out in a report called **Fiduciary Marketing**, available on the Inside Information web site--the best marketing blueprint for today's ethical financial advisor.

The Value of Planning

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Now here's the punchline: when I travel and speak around the country, at chapter meetings and national conferences, I find that very few advisors understand how important their work really is to the lives of their clients. There is, in my humble opinion, an enormous gap between the value that financial planners deliver and their *perception* of the value they deliver.

Why should this be? Many of you feel blessed to be in a profession that helps people and offers great psychic rewards as well as the financial rewards--and you feel like because the work you do is so rewarding, it cannot possibly be valuable. (No, this is not logical, but trust me, somewhere in the back of your mind, this argument is playing itself out.) And also, I think, the giver of services always has trouble evaluating the value of them on the client's life. It feels like your daily activities are normal work, and so you expect the results of what you do to be normal too.

So with this opening article, I'd like to help you think through the value of what you do for the people you take on as clients. I'm going to list the value of a planning engagement in reverse order, starting with the ordinary conveniences that you offer your clients, and ending with the services that can transform their personal sense of well-being and fulfillment--forever.

1) You help your clients keep track of--and make more efficient--their financial affairs.

I think it is hard for a planner to recognize what it's like to be a naturally disorganized person. So let me draw you a picture. The typical person I talk with outside the plan-

MARKET HISTORY--a time when the markets were delivering more than 20% a year.

The point here is that you don't have to time the market or get above-market returns to add tremendous value to your clients' financial lives. If they can just get something close to the average market returns, and if they can get a smoother investment ride than the Dow or any other single asset class delivers, then they will greatly outperform the average investor in the marketplace.

The difference between the returns your clients get and what the average investor gets, measured in terminal wealth dollars, is probably many many times what you charge. And it is only an incidental part of the value that you offer.

2) You help your clients get into the habit of saving (and investing) a portion of their income.

You know the statistics about the savings rate in America (the latest numbers hovered around 2.3% of income). But the keepers of these statistics don't tell you that they probably *overstate* the actual rate, because they don't include things like increasing credit card balances or home equity loans--so that when people put money in their savings account, and at the same time run up even more debt, it counts as an increase in their savings.

The well-kept secret about the investment markets--which you know but probably don't communicate effectively to clients--is that a person's savings habits have much more effect on his/her terminal wealth at retirement than the rate of return on the portfolio. People who save 10% of their income will have far more

ning profession had a will drawn up--some time ago. He's not sure exactly when and has a mild curiosity, now that you bring it up, about what it says, but who knows where it is now? There's an insurance policy in a drawer somewhere, and it may be term or it may be a cash value contract; all he knows for sure is he writes a check to the insurance company every year, and if you give him a few minutes, he might be able to find last year's check register and tell you how much he paid. The auto insurance policy he happens to own is way more expensive than the lowest rate available in the market, and the homeowner's policy hasn't been updated since the Reagan Administration. Refinance? He's either paying 10% or 6% or maybe 8%, and what are the rates like today?

But at least the portfolio is diversified. He has six different small cap value funds, all managed (he tells you proudly) by different fund companies.

You might be tempted to laugh, but people who don't do financial services for a living find these things incredibly complicated and confusing. And they KNOW they're leaving money on the table, overpaying and not getting the returns that the market offers. They know that their disorganization costs them money; what they don't know is what to do about it. When you sit them down and put everything in one place, and show them how it all works, you are taking away the anxiety that comes with incurable disorganization, and replacing it with a sense of peace that, at last, the paperwork is being attended to and the decisions are being made with a degree of competence. Plus you can probably save them money on some of the things they were overpaying for.

This is incredibly valuable to their sense of well-being and personal confidence about life, not to mention the money saved.

And it is the least of what you offer your clients.

3) You help your clients create an organized, diversified portfolio, and you stand between them and the dysfunctional emotional decisions that everybody makes with their own investments.

My favorite presenter at financial planning conferences is Roger Gibson. One reason I like him is that he wows audiences even though he has a sincerely nerdy personality with none of the flash of a born public speaker. Another is that he demonstrates magic. He shows planning audiences that if you could pick the one asset class that offers the highest rate of return over the last 10 years, a diversified portfolio that adds three

lesser-returning asset classes would still generate more terminal wealth. This, of course, is the magic of a smooth investment ride; any portfolio that experiences big negative years will produce less terminal wealth than a comparably-performing mix of investments that takes a smoother course to its destination.

The trouble is, most laypeople don't understand diversification across asset classes, and in fact they are often fuzzy about what, exactly, an "asset class" means. Advisors can get their clients a higher rate of return than they would get on their own simply by taking a portfolio put together under the influence of a succession of salespeople touting hot this or that, and putting it somewhere near the efficient frontier. Chances are, over ten years, this alone will more than pay your planning fees.

But there's much, much more. Left to their own devices, many--perhaps most--clients will eventually panic and sell at or near the bottom, or get caught up in the buyer's frenzy at or near the top. Terry Odean, a professor at Berkeley, has taken a lot of customer data from two big discount brokerage houses (Hint: one was based in San Francisco), and found that those people who traded most frequently experienced the lowest returns. There have been numerous studies, by the Dalbar organization and others, that shows that investors experienced much lower returns than the markets or the mutual fund industry were delivering--because of their trading habits. One credible study estimated that more than 70% of all day traders lost all their money DURING THE BIGGEST BULL MARKET PERIOD IN AMERICAN

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**Inside
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Trendspotter

The hardest part of managing a planning practice is the details--organizing, managing, handling tasks and budgets.

Fortunately, a lot of advisors over the years have developed a lot of creative time-saving ideas and organizational tips--each of which can save you hours a week, each of which can take as little as half an hour to start implementing.

More than a hundred of these practice management tips are included in an Inside Information report called **Success Factors**. The idea is that the planning profession is a laboratory where a lot of new ideas are tried out. Some of them work well, and a precious few work REALLY well.

Success Factors compiles the best time-saving organizational tips and ideas from the top practices around the country, and they all have to meet two criteria: they have to be **very** easy to implement, and they have to offer significant benefits right out of the box.

One example? Look at your daily/weekly schedule, at the tasks you routinely perform, and create a "to don't do" list. Write down three things that a person of your experience and caliber really should not be doing--that, if you could get them off your desk, would save you significant time. Then write down exactly how you do one task, give the description to a staff member, have that person watch you, and then delegate the task for a trial period, allowing the staff person to improve on the process if he/she can.

Repeat three times.

Inside Information

The Value of Planning

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terminal wealth over 30 years than people who save very little but get an extraordinary rate of return.

The problem for most consumers is that there is no voice in their environment advising them to pay themselves some of the income they earn. Instead, they are bombarded by messages which make powerful arguments to do the opposite: to buy this, that or something else.

When you become that voice speaking out in favor of saving, and help organize clients' lives so that the money that goes into an investment account is treated as one more expense that has to be paid every month, you provide an incalculably valuable service. One advisor once told me the story of a schoolteacher who came to him early in her career, and got in the habit of saving a percentage of her income every month. At age 60, she decided to retire with a portfolio in excess of \$1.5 million, and her fellow teachers asked her where she had gotten the money. They were still working to pay their bills.

The difference between a lifetime of paying themselves vs. spending whatever they make is, over time, the difference between the cheerfully desperate-looking greeter at a Wal Mart store and a person who retires on his/her terms, a retirement of travel and leisure. Can you put a price on that? Certainly it will be far greater than whatever fees you decide to charge.

And this is far from the most valuable service you provide.

4) You help people identify what is important in their lives,

and prioritize their goals.

There are no statistics on this, but I have yet to find a person, who is not working with a financial advisor, who has taken the time to identify what he/she really wants out of life. If you think about it for half a second, you realize that this is an incredibly sad, tragic situation. The vast majority of people in our advanced, prosperous society have not taken the time to figure out what they really want out of the all-too-brief time they will spend on this planet. And because they don't know their destination, you know they will never reach it. They are, in a very real sense, doomed unless acted on by a powerful outside force.

If you ask questions in your initial interview which help your clients recognize this deficiency in their lives, and lead them to identify their most personal goals and desires, then you have given them a gift that is priceless. It is worth more than all the money there is, which (I am guessing here) is less than you charge.

5) You help people turn seemingly impossible goals into a routine that can achieve them.

I am constantly amazed that financial planners have the most powerful tool in the world in their hands, and they are so familiar with it that they don't realize how valuable it is. After years of running retirement planning spreadsheets, you have mastered one of the truly magical lessons of life: that any enormous goal can be broken down into manageable, monthly increments, and achieved by routine and persistence. You save X amount of dollars every month in a portfolio that gets something close to what the market offers, and you will retire with a sum of money that seems impossible

to you now.

I have only seen the power of this expressed once, in an old episode of the TV Western series called *Bonanza*. The series focused on the Ponderosa ranch--which, as nearly as we could tell, encompassed most of the state of Oklahoma. There were four characters, and in this particular scene we had two of them: Ben "Pa" Cartwright, and his burly, muscular, not-too-bright son "Hoss." Pa was going out of town for a few weeks, and he was leaving Hoss in charge of a ranch the size of some Third World countries, and Hoss was nervous about his ability to manage such an enterprise. So his father decided to teach him an important management lesson.

He picked up a large bundle of sticks and put them into this son's muscular hands. "Hoss," he said, "I want you to break these sticks." Hoss took the bundle of sticks in his arms, and his muscles bulged, and he flexed and strained, and you had the feeling that if anybody on the planet could break this bundle of sticks, it was this cowboy. Finally, Hoss gave up, and gave his father an unhappy look of defeat.

"Pa," he said, dropping the sticks at his father's feet, "I just can't do it."

Ben Cartwright was unfazed by this failure. He picked up one of the sticks from the ground and handed it to his son. "This time," he said, "break them one at a time."

This is the magical, powerful lesson that financial planners have learned, that the rest of the world still doesn't have a handle on yet. You have the ability to identify client goals, put the financial numbers to them, and then break them down into the individual sticks. Clients who

have goals that they don't believe they can achieve are put on a schedule that will get them there as a matter of routine. Put another way: you make it more likely that your clients will achieve their most meaningful and important goals--in most cases, FAR more likely.

What's the value of this? It, too, is probably more than you could possibly charge.

6) You help people bring the focus of their lives from retirement to the present.

Truthfully, I don't know if you offer this service, but if you don't, you will before long. Ten years ago, there was little understanding of the downside of retirement; that it meant more than just leisure, that it often represented the elimination of a feeling of usefulness, a lost of stature and self-esteem for the life-long worker. As Mitch Anthony has memorably put it: when you retire and golf is your most meaningful activity, then golf suddenly becomes your work.

Today, many advisors have a clear recognition that retirement is a huge, dangerous transition, and that all-too-many people will unknowingly retire to lives of emptiness and meaninglessness. And so they are no longer doing retirement planning. Instead, they are offering career counseling, helping their clients transition from a job they dislike to meaningful work that they can do and enjoy as if it were play. I think Jim Johnson, who practices in Sacramento, put it best. "We help people leave high-paying crappy jobs," he said, "for crappy-paying great jobs." And of course he works out the financial implications of it, so that the change in lifestyle is not traumatic.

Helping people move from work they dislike to work that is fulfilling and empowering is enormously valuable, and the bonus is that they can continue to do what they enjoy and escape the meaninglessness and emptiness of a retirement that puts them on the sidelines. They can cut back and still remain relevant.

Can you put a value on this? Let's agree that it's probably greater than your current fees would reflect.

Of course, this is not a comprehensive list. When clients come to you, within a year, perhaps sooner, they begin to enjoy a certain peace of mind about their financial affairs. They are educated about esoteric financial issues--life skills that are never taught in our dysfunctional society. They feel like they have an ally who is on their side in a world that would take their money and steal their time for everybody else's agenda. They have somebody who will take care of their spouse and heirs when they're gone.

This list doesn't include specialized services like charitable planning, divorce counseling, creating special needs trusts for a disabled child or the value of having been nagging into buying disability insurance and long-term care coverage and now, suddenly, the policy is an important source of income. It doesn't include the comfortable knowledge that they can call you for advice on virtually any financial or economic subject, and you'll give them an answer that is not tainted by a sales agenda.

The point, however, is that the services you offer have enormous value, and many advisors I talk with are shy about the fees they charge and almost tongue-tied when it comes to

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The Value of Planning

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describing the value they offer their clients. If more people understood this list of services, and the benefits that each of them offer to their personal and financial lives, I suspect that every person in the world would be clamoring at the doors of the nearest independent financial planner.

But today, they are not. Why not? Because many of you are not delivering that message effectively, and with total confidence.

Let's say it out loud, with confidence: that nobody in the world makes as much of a difference in peoples' lives as a well-educated, caring, ethical financial planner.

After watching the profession for the better part of 30 years, I can say with total sincerity that nobody's work is as important or valuable as yours. If you are having trouble charging enough to live a prosperous life, then you don't really understand the full value that you provide to your clients. If you are having trouble convincing people to work with you, or if you are not attracting new clients to your door, then you are depriving people of a chance to master the challenges and opportunities of their all-too-short lives.

Master this Jeopardy question, and you take home the jackpot. More importantly, you raise the awareness level for everybody, that there are life changing services available for mere money, delivered by idealistic professionals who, in most cases, never learn to charge a fraction of what they're worth. ■

WHAT IS INSIDE INFORMATION?

Inside Information serves an exclusive community of financial planners and advisory professionals, keeping them updated on important developments, information, trends, practice ideas and services in the planning profession.

The \$349 price includes three components:

-**The monthly newsletter** (somewhat like what you see here);

-**E-Columns** that are sent out twice a month, with information offered by the community itself (including The Marketing Template and the Engagement Standards Template); and

-**Media Reviews**--reviews the articles in all the trade journals, making it easy for you to stay on top of what's in the pile of magazines next to your desk in minutes a week instead of hours. (see the sample on the following pages)

Our goal is to help you do a better job for your clients, and to help you create a planning practice that serves you and them better with each passing day.

Join today!

For a \$50 discount to attendees, go to www.bobveres.com/specialoffer.php

MEDIA REVIEWS - August 23-31, 2009

Maybe I'm gunshy, but I can't help feeling like the markets might be preparing for another Autumn swoon, and I wonder if everybody is preparing their clients for another scenic trip through the 4th circle of Hades before we finally come out of this Great Recession for good. And then I think that if we all had crystal balls, the markets would be totally efficient; we would all know exactly what return our investments would be getting, and within days the markets would arbitrage out any excess return, stock gains would be as predictable as bond yields--and what good would that be? So I guess we have no choice but to hang on and make sure that clients are ready this time around for what may (I hope) never happen.

These gloomy thoughts come to me as I read Financial Planning magazine's cover article about college planning and college funding. The article mentions in passing that a lot of parents are under water with their 529 and other investments--and, of course, many of them will be sending their children to college this Fall with underfunded portfolios. Then the article talks about strategies, loans, technical details, and NOT what would happen if their accounts were to take another hit in the middle of the Fall semester.

Normally, I don't like articles which try to say that investing for women is somehow different from investing for men, but an article here notes that there is one huge difference: women are overwhelmingly the caregivers and financial support for aging or incapacitated parents, and at the same time women tend overwhelmingly to be the biggest consumers of nursing home services. Medical and LTC planning are far more important for one gender than the other--which isn't remotely close to fair, but just is.

I hope the Media Reviews service is saving you time spent reading the pile of magazines next to your desk; if it saves you an hour or two a month, and lets you be MORE aware of what's being said and published, then it will have more than justified itself in greater productivity.

Have a terrific week, and as always thanks for your attention.

Best,

Bob Veres
Inside Information
<http://www.bobveres.com>

Articles which received a “high” relevance rating:

“Alzheimer’s Toll”

by Donna Mitchell

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/white-paper-2663458-1.html

Relevance: high

A Fidelity survey of 369 advisors found that only 59% have put plans in place for all clients to prepare for the possibility of Alzheimer’s. Virtually all did not feel fully prepared to assist clients who begin showing signs of dementia, and half of the advisors say they are not comfortable raising the subject with clients, even if they suspect the client is suffering from the disease. (p. 18)

“Cosby, Plato and You”

by Deena Katz

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/cosby-plato-and-you-2663439-1.html

Relevance: high

I’m not sure many readers will comprehend the start of this column, or much disagree with its conclusion; Katz believes that the profession may be turning an important corner, separating financial planning from investment management and investment advice, the way doctors once separated their diagnostic skill from the prescriptions that they wrote. “We do the public a great disservice by allowing the investment advice to take center state,” she says, and this focus can lead to a narrow range of options when clients have much broader needs. She concludes that Congress, the media and the public (not necessarily in that order) should begin to recognize the difference between financial advisors (who offer investment recommendations) and financial planners (who offer much more). (p. 25)

“A Fine Line”

by Karen Lee

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/a-fine-line-2663437-1.html

Relevance: high

The author, a financial planner, says that every financial plan must account for the client’s beliefs, upbringing and feelings about the purpose money serves in his/her life--factors which invisibly affect spending, saving and investing habits. With couples, of course, this becomes even more complicated.

Where do you start in making this kind of evaluation? Not, Lee says, right away; the first meeting is spent meeting and greeting and going over the financial planning process. In the second meeting, approach the subject cautiously. How was money handled in your family when you were growing up? Was there enough, a lot or too little? Did your parents openly talk about money? Fight about it?

Then find out who manages the money and makes the financial decisions. Lee will then invite clients to brainstorm what kinds of things the couple might do to ensure that they both feel like they're sharing in the responsibility. She asks about kids, grandkids and extended family. Finally: instead of talking about retirement, she asks what financial independence means to them.

Lee has seen clients who fight about money, who are impetuous with purchases, who might need to create a strategy where they must discuss expenditures over a certain pre-agreed amount before they make a purchase. She says that exploring these issues is a way to differentiate yourself from the large field of financial advisors and planners. (p. 59)

“Double Jeopardy”

by Mary Quist-Newins

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/double-jeopardy-2663436-1.html

Relevance: high

The article notes, correctly, that women are the vast majority of not only professional or formal caregivers, but also the primary deliverers of informal home care--of aging parents, typically. Women spend 50% more time giving care than men.

So? So the burden of taking care of aging parents falls disproportionately, and therefore LTC insurance will be a more important factor in a woman's life than men. The National Center on Women and Aging estimates that family caregivers lose an average of \$659,130 over a lifetime in reduced salary and retirement benefits--not to mention high levels of strain or emotional stress.

On top of that, the article says, women are more likely to need nursing facilities than men; 70% of nursing home residents are women, and their average stay is about 18 months longer than men.

The author suggests that financial planners estimate the possible health care costs of taking care of aging parents and the costs of their own aging. The article talks about software programs, but never mentions any; it does mention a web site: www.medicare.gov/LTCPlanning. (p. 63)

“Keep Giving”

by Martin Shenkman

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/keep-giving-2663447-1.html

Relevance: high

This is about giving charitable advice to clients. Shenkman departs from his usual technical advice for more simple advice: instead of canceling a gift, recommend that clients defer it; instead of writing a check, donate art or other objects (remembering that any contribution valued at over \$5,000 will require a written acknowledgment and a qualified appraisal).

Shenkman suggests that clients feeling the pinch can put money in charitable gift annuities or charitable trusts. He recommends that clients sell assets to an intentionally-defective irrevocable grantor trust, and put a stipulation that if the IRS challenges the sale and says the price was too low, the difference would go to charity--insulating the client from having to pay additional taxes due to an IRS audit. That's actually pretty nifty... (p. 35)

“College Panic”

by Don Korn

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/college-panic-2663445-1.html

Relevance: high

Funds set aside for college were hit just as hard by the downturn as retirement assets, meaning that many parents of college seniors are coming up short. What can they do? Deborah Fox, with Fox College Funding in San Diego, says that often a child has already applied and been accepted to an expensive school, and the parents swallow hard and bite the bullet. She and Mary McGrath of Cozad Asset Management in Champaign, IL suggest that instead, parents should start having a college conversation around age 15 or 16, with an eye to what they can afford to spend.

How much are we talking about? An average of \$34,000 a year for tuition, books, room and board for private schools; \$60,000 at elite colleges. At public universities, in-state residence costs average just over \$14,000. The article discusses attending community college for the first two years at a school which guarantees that, upon graduation, the 4-year college will accept all the credits and keep the grades on the books. (Some 4-year schools partner with certain community colleges.) Students could also agree to pay some of their own expenses.

What about financial aid? The process begins with the Free Application for Federal Student Aid,

which includes 153 questions over 10 pages, and may require the help of a financial planner. This determines eligibility for a Stafford loan; most subsidized Stafford loans go to families with adjusted gross incomes under \$50,000. Unsubsidized loans, however, offer fixed interest rates at 6.8%, with no credit check, no collateral required and no need for a co-signer. Maximum loans: \$5,500 for freshmen, \$6,500 for sophomores and \$7,500 for upperclassmen.

To cover the difference, parents can take out a PLUS loan under another federal program, although at higher fixed rates (7.9% or 8.5%), and there is a credit check. Other options: a home equity line of credit, or taking money out of the parents' IRA (with no 10% penalty if the money is spent on education).

If the student applies at a school where she falls within the top 20% to 25% of the applicant pool, then she could qualify for merit scholarships or tuition discounts of \$5,000 or more. Meanwhile, families with less than \$160,000 in adjusted gross income can qualify for up to \$2,500 in tax credits if they spend at least \$4,000 per calendar year on tuition, fees, books and other higher education materials. Alternatively, the Lifetime Learning tax credit provides a maximum annual credit of \$2,000 for tuition and fees. (p. 42)

The rest of the articles:

“Earnings Rebound”

by Donna Mitchell

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/advisor-pulse-2663454-1.html

Relevance: moderate

The College for Financial Planning and Cerulli Associates surveyed 391 planning offices, and found that average earnings for someone with the CFP designation was \$215,345, up from \$195,394 in 2008. (But way down from the 2007 average of \$283,000.) Forty nine percent of those surveyed said their educational background is important for success (What were the others thinking?), and 26% were fee-only. (p. 15)

“Expert Positioning”

by John Bowen

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/expert-positioning-spring-cleaning-2663438-1.html

Relevance: low

Bowen says that 91% of high-net-worth investors think “overall expertise” is an important quality

in selecting their advisor. (What were the other 9% thinking?) So, he says, you have to position yourself as a true expert. Remember that he didn't say you have to BE an expert in the financial planning field; just position yourself that way.

How? You don't need to know everything, Bowen tells us reassuringly; "positioning is... the art of controlling perceptions--how clients and prospects see you and your team. (You can almost see Bowen winking slyly at the audience.) Tell people that you are an expert at preserving wealth, minimizing taxes, transferring client estates and charitable giving. (Wink.) Create a positioning statement that communicates this: "I give (my niche) peace of mind." Then create a great elevator speech. Finally, create a call to action: typically that means telling the client to come in and meet with you. (Wink)

Can this be any clearer? Bowen's columns always seem to suggest that somebody without expertise pose as an expert for marketing purposes, and this one gives the game away more visibly than most. (Actual quote: Advisors "think they need to get some sort of license or other official qualification in order to call themselves an expert. Not so.")

What's wrong with gaining the expertise and becoming a real professional? Maybe it's because then you wouldn't need to attend costly seminars. (p. 19)

"A Swiftly Tilting Planet"

by Bob Veres

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/a-swiftly-tilting-planet-planning-for-thrift-2663440-1.html

Relevance: unrated

This may be Veres's best articulation yet of how the wirehouse business model has captured a number of unfair advantages, chiefly by embracing conflicts of interest that it tries to obfuscate, and then using those conflicts as enormous profit centers that the financial planning shop simply cannot match. They profits are recycled into lobbying and advertising, further creating the myth of objectivity and fairness. Then, after TARP, brokerage firms were able to give large retention bonuses, keeping their field forces in place with money that recruiting planning offices simply could not match. THEN the brokerage firms suggested that their brokers tell clients that if THEY screw up, the government will bail everybody out, whereas if a small financial planning shop screws up, you're out of luck. Hey, we're a lot safer than they are...

The column talks about the Obama Administration's new proposals, which refute SEC Chairperson Mary Schapiro's broker-centric agenda, but notes that Schapiro already seems to be relaxing her regulatory oversight of brokerage firms. It's going to be an interesting battle. (p. 23)

“Time to Reevaluate”

by Katherine Reynolds Lewis

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/time-to-reevaluate-2663449-1.html

Relevance: moderate

Does it seem to you like we’re hearing a lot about target date funds these days? This article tells us that the SEC and Department of Labor have been looking into creating new requirements for TDFs, because there is little consistency in how their portfolios are designed. The equity allocations for TDFs with 2010 in their names range from 21% to 79% of assets. The 2040 funds range from 67% to 100%. The mutual fund industry recommends that the confusion be addressed by more education and enhanced disclosure. The National Association of Independent Retirement Plan Advisors recommends that the glidepaths of these funds be designed by an independent third party. And some think that we should distinguish between retirement-date and lifetime funds. (p. 29)

“Critical Care”

by Ilana Polyak

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/critical-care-2663446-1.html

Relevance: low

A profile of Kris Jenner and the T. Rowe Price Health Sciences Fund. (p. 31)

“Domestic Affairs”

by Jim Grote

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/domestic-affairs-2663448-1.html

Relevance: moderate

This is a profile of the Wealth & Well-Being Center for Gibraltar Private Bank & Trust in Coral Gables, FL. Elaine King, the director, has assembled a team with a CFA, estate attorney and trust officer, working with people with \$7 million or more in net worth. Her personal specialty is divorce planning, typically for women, and she has trained at the Collaborative Family Law Institute. (p. 39)

“Mom, Apple Pie and Financial Education”

by David Adler

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/mom-apple-pie--financial-education-2663444-1.html

Relevance: moderate

This is about raising levels of financial literacy in the general population. Interestingly, a study by

James Choi, finance professor at the Yale School of Management, suggests that financial literacy programs targeted to adults are not effective. He and colleagues explained the importance of fees to 730 subjects, gave them a choice of differently priced index funds, and many still selected more expensive options. Choi also looked at employee's investment activities after a financial literacy seminar, and saw no change in behavior.

Nevertheless, The Hartford says it is getting more people than ever to seminars on the recent financial crisis. (A spokesperson claims they are more "education-based" than "sales-oriented.") Genworth Financial Wealth Management's chief marketing officer says his reps' communications are helping clients put more money in the market. A TD Ameritrade course on options and fundamental stock analysis has been popular. A representative of Schwab Advisor Services says that client education is a way to grow assets for advisors.

Toward the end, Brett Hammond, chief strategist for TIAA-CREF, appears to give up on financial literacy, and takes the opposite approach, arguing that retirement plans like 401(k)s and 403(b)s need to simplify their options so that employees will be directed toward good decisions--and advisors should begin doing that as well. (p. 48)

"SEC Calling"

by Ken Fisher

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/sec-calling-2663453-1.html

Relevance: low

Fisher, a controversial figure in financial planning circles, is here offering his opinion that the SEC is right in contacting clients of dually-registered RIA firms directly; that this will somehow (this is not explained) validate the RIA firm in the clients' eyes. Most of the op-ed piece says the obvious: that embezzlers and Ponzi schemers can only ply their trade if they both manage AND custody client assets. (p. 57)

"The New Stocks"

by Don Korn

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/the-new-stocks-2663451-1.html

Relevance: moderate

See if this makes sense to you. The article points out that long-term corporate bonds have outperformed large-cap stocks over the past 20 years, 8.7% to 8.4%--which is a bizarre anomaly. Bonds lately have been delivering equity-like returns with less volatility than stocks.

So that means there will be a wicked reversion to the mean, especially with bond yields so low

these days, and stocks priced near-historical averages for the first time in decades. Right? But this article recommends that advisors looking for a smoother ride, with equity-like returns, invest in bonds.

There IS, however, some useful information here. The chief investment officer at Goldman Sachs says that there has been a shift, putting government debt and corporate credit into different asset classes, moving up and down in response to different economic stimuli. Analysts say the best bargains right now are the investment grade corporates and CCC-rated BB-rated high yields, which are yielding 500 to 800 basis points over Treasuries. (p. 65)

“Bad Match”

by Craig Israelsen

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/bad-match-2663452-1.html

Relevance: moderate

Does it seem like target-date funds are... Never mind. This article is a very long way of saying something very simple: that investors view target date funds very differently from the designers. Investors think that target date funds will “mature” the year they retire, that they will be insulated from dramatic losses in the years before retirement, and provide income from that date on. The funds that created target date funds, however, created the funds to last until the client dies--so that there are twenty or more additional years beyond the “target date” listed in the fund’s name.

The author reports that 2010 target date funds lost an average of 23.2% last year, with equity exposures ranging from 45.5% to 57.4%. There is a brief discussion of balanced funds, which were similarly hammered in 2008, suggesting that they broaden their asset class exposure to provide smoother returns. (p. 68)

“Record-Breaker”

by Stacy Schultz

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/record-breaker-2663441-1.html

Relevance: moderate

In the second quarter of this year, a remarkable \$40 billion in new money poured into equity mutual funds, and another \$90 billion dropped into bond funds. Money is flowing generally out of money market funds. China is up 80% for the year, and Brazil is up 70%. (p. 72)

“Risky Business”

by Henry Hubeler

Financial Planning, August 2009

http://www.financial-planning.com/fp_issues/2009_8/risky-business-2663450-1.html

Relevance: moderate

This end-of-the-magazine opinion piece by the author of J.K. Lasser’s *Your Winning Retirement Plan* says that every client has unknown crises in their future, emergencies, crises with children and elderly parents. So be conservative in your projections of income needs. (p. 88)