the Register

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Stephanie, Steve and Jarod Bailey
H. B. Financial Resources
Family Values, Business Success

Serving Financial Advisors Worldwide

IARFC

PRESENTS

THE EIGHTH ANNUAL

Financial Advisors Forum

May 15 – 17, 2007

Finding Security in an Uncertain World

Bally's Hotel ♦ Las Vegas

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INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

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in this issue

IARFC Financial Advisors Forum
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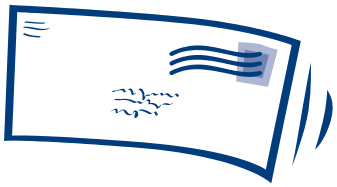

Register Letters

We welcome your comments, suggestions and ideas.
Please direct correspondence to: **Editor@IARFC.org**
Letters may be edited for length and clarity.

To the Editor:

Good Ethics Don't Make for Good Copy

Just last week an article was posted nation-wide about a group of brokers filing false insurance claims intended to get their clients (or potential clients) out of paying certain brokerage commissions. But how many articles detail how many millions of hours of "ethics" training registered representatives collectively participate in each year.

Another article smeared the trucking industry about how many needless fatalities "big rigs" cause each year on America's highways. Yet rare are the articles about the many truckers who receive awards each year for driving 250,000, 500,000, or even 1,000,000 miles without an at-fault accident.

In the opening lines of the movie Coyote Ugly, John Goodman's character states, "Oh look, four people murdered in The City last night," during a conversation he is having with his daughter about the perils of moving to New York City. He then comments that "shouldn't that headline read 'millions survive night in The City.'" Even the character that he is playing recognizes that any situation can be made to sound better or worse than it really is.

It is all about framing. But in the world of news, it is about attracting readership or viewership. In a quick scan of 31 international "headlines" proffered by CNN.com, 18 of them mentioned either the death or wounding of people and another four mentioned the battles in Iraq, Afghanistan, or Lebanon. In the U.S. news section there were articles about the "killing spree" in Indiana, about arresting foreign born students, and about a hospitalized anti-war demonstrator. So, what this journalistic emphasis says is that death and conflict makes for good copy.

With all of the ugly, wrongful, despicable acts that make up the news, how can the message that most brokers, truckers, and people make good, law-abiding, ethical decisions? Word-of-mouth advertising for most of us in the financial services industry has been the hallmark of the highly thought of professional. Without this form of advertising the people of the entire world would think about us in the same negative light as it does about the headline grabbing individuals that break the rules. However, we must also expose ourselves to the media in an effort to show our constituency that our practice models are worthy of praise and that are practitioners are ethical, forthright people. But we must also be cautious in our approach, as an astute member of the IARFC board of directors recently pointed-out, over emphasizing ethics can also send the wrong message.

Much has been publicized about whether or not the financial planning industry is a profession — with the definition of a profession being "a group of highly educated/trained people that are governed by a set of rules-ethics." Actually the definition of a society is what really should be applied here. Derived from the Latin word societas meaning a "friendly association with others," it has today come to mean a group of people who agree to abide by a certain set of rules or behaviors. This interdependent community then works for the good of all who belong. The long and short of it is that all members of a society must have the same ethical standards and agree to abide by them.

This agreement can take many shapes — oaths, codes of conduct, mission statements, etc., but how do we, as a profession, ensure compliance with these agreements. Unfortunately, no matter how hard we try — we can't — not 100%. Ultimately accountability is up to the individual financial professional. But, what we can do is laude, promote, and recognize those in the industry who, by all standards, uphold the values and principles we all hold so dear.

To change the news is never easy, face it — conflict sells. I would just love to one day read a national headline that reads "$60 billion changed hands today on the New York Stock Exchange without a single incidence of malfeasance." But I'm afraid for now that just would not make for good copy.

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Interview: Stephen Bailey
H. B. Financial Resources — Family Values, Business Success
Financial Planning Family Makes Transition

The president of the IARFC has been H. Stephen Bailey of Charlotte, North Carolina since 2005. He has served on the association's board since 1994. He is involved in all of the projects of the IARFC and works closely with the CEO Ed Morrow. Steve maintains a very successful practice as HB Financial and has been fortunate to bring both his daughter Stephanie and son Jarod into the practice.

We asked Steve Bailey, when and where he first entered financial services:

I had been working in the area of leasing trucks and truck trailers and finance leasing for ten years. During this period the interest rates rose and the company I was working for went into chapter 11 bankruptcy. I was "loaned" to the management consulting firm of Booze Allen and Hamilton during the bankruptcy. I was a liaison to explain in accounting terms how truck leasing operated. I got interested in how the principals of trucking corporations were able to pull so much money out of the corporation by using pension plan and life insurance programs.

When the leasing company was finally liquidated I needed a job so I went to work with Home Life of New York selling life insurance to small companies like those I had been calling on. Then I started offering small defined pension plans for companies with older owners.

What was your educational background?

Seeking a career as a pilot or aeronautical engineer, I attended Embry Riddle Air University (now in Daytona Beach). I was able to do some flying and studied Aerospace Engineering. After transferring to Southwood College I completed a Business Degree.

I enjoyed Home Life of New York because the General Agent, Ernest Barry, was known in insurance circles as having an unusually keen understanding of the life insurance contract and its advanced uses. Ernest Barry, Sr. had been a general agent for Home Life and now his son was following in his foot steps. Ernest, Jr. was a Phi Beta Kappa, so I felt I would get the best training in the Industry and I was not disappointed.

It is too bad the life insurance industry has discontinued its training programs. They fostered and groomed many of the current financial planners. The old Life Underwriter Training council combined a modest amount of education with training and practical sales assignments. Many great producers owe their success today to the old LUTC program.

Were you successful at first? What influenced you the most?

I had served as President of the Student Body of my College, so I felt that selling life insurance would be a snap. Well, after two months of friends crossing the street to get away from me, I found out the comments my GA made about trying to make a living by selling to all my friends had some sense.

So I started offering Home Life's "Planned Estates Program" and had good success for 14 years calling on older, more established persons. I qualified for Million Dollar Round Table for 12 years. The first two years of making the MDRT, I could not afford to go to the meetings, because selling to young couples and business owners meant low premiums.

What were your major obstacles?

Current cash flow was a problem but my GA backed me by giving me a draw against commission and he considered both the deferred first year commissions as well as the renewals. That evened out the cash flow, but it didn't really address the issue of how to get new high-caliber clients. I still had problems getting into the Charlotte "good old boys" group since I was from another part of the State. So I joined the Jaycees and became a very active member in their various projects becoming President of the local chapter and State Vice President. I started getting referrals from attorneys and CPAs.

Tell us about your current practice or position:

I have a practice where I am doing what I enjoy most, and that is working with matured adults. After my father shared the problems that he had with financial advisors, I felt I needed to be in this area of financial planning.

Our office is located in a Williamsburg style building that is very accessible for my clients to come to and once they get inside we have made it feel very comfortable. Our clients have remarked that they feel like they are entering someone's home. I never sit behind my desk when I meet with clients. We meet at a table where we can share coffee, soft drinks and refreshments and I always sit in my rocking chair. We often serve Moonpies with RC Colas, a common snack in our part of the country that many remember from childhood or young adulthood. For newcomers it provides a great introduction!

For the past several years I have hosted a weekly Radio program at 9:30 AM every Saturday, and this has helped establish our reputation and make us seem "accessible." Listeners are invited to call in with their questions and the radio show does secure new clients who call in to the office. The main value has been that it creates instant recognition when some other approach is made.

After writing articles for a senior focused newspaper for three years I decided that I could take the articles and turn them into a book. We have just published the first edition of ***"Dollar$ense, A Book for Matured Adults"*** which is being sold and also given out to get feed back as well as corrections. We hope to have a revised and updated version of the book published later this year.

What are you enjoying most about this position?

Due to stress, my physician suggested that I take up golf. So several years ago I

continued on page 4

started playing nine holes at lunch time, four days a week. I think my blood pressure may have increased! But I least I have the time to have some fun. I play regularly with a group of retired Charlotte businessmen. They've become good friends, and great centers of influence.

What are your major frustrations?

I can't get people to understand how much a Registered Financial Consultant can help them. The advice, service and products we deliver are essential to their financial comfort and independence. Our society grows more complex every year and the likelihood of a consumer developing and implementing a personal financial plan, without professional help, is pretty rare.

What attracted you initially to the IARFC?

I wanted to be a part of an organization that had room for all types of financial thoughts and would not dictate to its members. We welcome all designations and the board has made a consistent effort to welcome **professional** practitioners with a variety of backgrounds and work styles. I 'm proud of the fact that the IARFC is not dictating **how** an advisor should practice, but that he or she should do so on an **effective** and **ethical** basis.

What would you personally like to see the association accomplish within the next five years?

I am anxious for us to launch the RFC® course here in the United Sates matching many of the features that are working so effectively for us offshore.

This industry has hundreds of thousand of persons calling themselves "financial planners" but they cannot build a financial plan. They have studied academic subjects with the view of passing examinations — not learning how to serve their customers.

What I guess I'd like to see is something akin to the original LUTC classes. Acquiring knowledge was important, but learning how to apply it with customers was critical. The requirement of the production of an actual plan as part of the curriculum will be an important benefit to all new RFC® course graduates.

What do you think will be the major trends in the financial services field in the next five years — and how should Registered Financial Consultants be positioning themselves?

Baby Boomers have arrived better educated that any generation than has come before them. We must be able to offer them practical knowledge so they will be able to understand the issues. But, because they really can't do-it-yourself we must learn how to inspire their confidence in retaining our services.

Where will the economy be moving in the next 3-5 years, and what should financial advisors be doing NOW?

Our economy has changed with economic events in 2000, and as result of 9/11 and now with the challenges of steadily increasing oil prices. The Far East will play a greater role in a world wide economy, not just in cheap manufacturing, but in all types of services. We will see changes occur at an even more rapid pace then we have already seen in the past.

What will be the impact of technology on the practices of financial advisors?

The practice of financial planning will be less labor intensive in terms of plan production. However, we are already growing more dependent on communications through our computers. Computers will be how we learn, how we acquire most of our information, and how we communicate with our clients.

What three things would you advise the IARFC to concentrate on to have the greatest impact during the next three years?

I would like to see the association increase its visibility through public relations. For example, we can use Public Service Announcements to let the public know that there are more than two financial organizations. Perhaps we can soon be putting advertising in financial publications to help with membership recruitment. The launch of our own financial courses will be a major boost to our already successful membership growth. They all work hand in hand.

What prompted you to leave Home Life?

The company was bought out.

Why did you select First Financial Planners?

I was at Yale University for an IARFC meeting when I met Roy Henry, his son-in-law and daughter, Rob and Robin Rodermund. I was impressed that this was a family company much like the situation with Home Life where several generations of the Barry family had participated in the business.

What was unique about Roy Henry's vision as the founder of FFP?

Roy was one of the most visionary people in the industry. He introduced new concepts, tax strategies, etc. to the profession. He was the first to introduce money management to the smaller business. His advanced ideas placed him at the top of his profession.
He served as president of the IARFC. Roy's son-in-law and daughter kept FFP together after Roy's departure until a new board and president could take over. They both continue to play a major role in the company.

The company has recently changed hands, how is that working for the members?

It is too soon to tell. We will get an update and have an opportunity to discuss that at FFP's meeting in St. Louis in September.

Passing the Baton

H. Stephen Bailey was joined by his daughter Stephanie and his son Jarod. They sat down with us for a frank discussion regarding their plans as they prepare to face that challenge of transition of a family business.

Steve, you have been very successful at doing something many financial planners dream of — bringing your family into the business. According to the 2003-2004 Annual Report of the Family Business Center of the University of Wisconsin-Madison the greatest part of America's wealth lies in family owned businesses. The report states, "Today over 80% of the businesses in the United States are family owned including nearly one-third of the Fortune 500 companies... . Family businesses account for 70% of all new job creation, 60% of nation's employment, and 50% of the GDP."

The Raymond Institute, American Family Business Survey 2003 reported that 88% of family businesses said the family would continue to control the firm in five years. One of the survey's conclusions was that "Family businesses face the daunting

continued on page 5

challenge to incorporate the next generation. Only 3 in 10 are successfully passed on to the next generation."

What was your original vision for your practice? What do you envision now?

Steve: To develop a one stop shop financial practice for matured adults. At various times we have had CPAs, attorneys, etc. maintain office space in our building, but we have found it more advantageous to develop strategic alliances with those sorts of professionals and work closely together with them for our mutual clients' best interests. We now refer our clients to their offices as needed. With the inclusion of my children into the practice the vision has expanded to meet the needs of my existing clients' children and other younger investors. It is more critical now than ever before that individuals begin to plan for their retirement at an early age.

What are your plans for the future direction of the company?

Jarod: Growth toward a more versatile financial planning firm

Stephanie: To grow our individual client base while continuing on the foundation Steve has built.

The focus of your practice has been on matured adults. Has bringing your children into the firm broadened your client base to include younger clients, i.e. Generation X, the Echo Boomers, and Generation Y?

Steve: Yes, not only have they reached out to younger investors they have helped us provide a bridge from my existing clients to their children.

How did this come about?

Steve: Stephanie and Jarod often came to the office when they were children and helped with preparing mailings, filing and other office tasks. While I always hoped that they would eventually join me in the business, I encouraged them to follow their own dreams.

Stephanie: I got a degree in early elementary education and taught for 3 years before deciding that I needed a change. Steve invited me to come on board with the mortgage company and I became a licensed mortgage broker. Eventually I became licensed in securities (series 7 and 66, 24) and insurance (life, accident and health) and became a RFC®.

Jarod: Steve and I have always had a great relationship. In fact, he coached my soccer team and we eventually competed in England. I had always wanted to work with my father but he wanted me to get my work experience somewhere else. After Mars Hill College, I joined Mutual of Omaha. Steve offered me a chance to join him. I took a brief hiatus to attend computer school so I would be able to integrate new technologies into the business. I am a licensed mortgage broker in addition to my insurance license and am now studying for my securities licenses.

What are the benefits/disadvantages of having family members in the business?

Steve: There is a great deal of pride and satisfaction that comes when one's children embrace the same values and want to become part of the firm. The love and respect we share for one another allows us to work through any disagreements we might have.

Jarod: Benefits include trust, loyalty, communication. Disadvantages occur in communication when we sometimes take for granted that we are all on the same wavelength.

Stephanie: Seeing each other everyday is a blessing but it can sometimes be very tough working so closely with family members. It is important to make sure others feel included. It is also difficult to separate business from family matters.

Do you feel that your son and daughter share your same passion and commitment to the business? What direction do you see them taking the firm?

Steve: Yes. They both basically grew up around the business coming in to help during the summers and on weekends. They will continue the mission of the firm but will certainly have to adapt to changing technologies and markets.

What strengths do family members bring to the business? What responsibilities do they now hold and what will their future responsibilities?

Steve: Jarod trained as a certified Microsoft Systems engineer and that has been particularly helpful in implementing technology into our business. And he is a natural salesman. Stephanie is very analytical. Both relate well with our clients and in meeting their needs.

Jarod: Steve brings experience, knowledge. Stephanie brings a woman's perspective to financial planning.

Stephanie: Working toward a common goal. Steve has experience, I provide insight, and Jarod has fresh ideas.

Discuss family values and how they relate to business values.

Steve: The family values we share and that my wife and I imparted to our children are our business values. I would not choose an investment for any of my clients that I would not if in the same circumstances choose for myself.

Jarod: We were raised by the Golden Rule of "Do unto others as you would have them do unto you." In business we practice "Do for others what you would do for yourself."

Stephanie: One and the same, "Choose investments for our clients that we would only choose for ourselves." Our parents gave us a foundation and basis to work with others.

Steve, you have often said "Failure to plan is a plan for failure." What is your transition plan? What is being done to implement that plan? Do you have a written succession plan in place?

Steve: Whoa! I am not ready to be put out to pasture yet. While I am building a vacation/retirement home in the mountains of North Carolina and will be splitting my time between there and my home and office in Charlotte, I will still be meeting with my clients. I will be taking a less active role in the daily operation of the firm. Over the past few years, Stephanie and Jarod have worked with our business manager to gain an understanding of the business side of our operation and I have included them in meetings with our vendors and clients so they could become acquainted and learn what is expected of them. And they have been busy building their own client base. We do have a written transition plan in place and a timeline for implementation that will allow me to take an increasingly less active role while Stephanie and Jarod become more active in the business eventually taking over the operation of the firm.

continued on page 8

Where the IARFC will be represented:

L.IRT — 19th Annual Conference
September 9-12, 2006
Mumbai, India

IARFC Cruise/Conference
September 16-23, 2006 "Fall Foliage"
Through New England and Canada

Life School
October 3-7, 2006 Dayton, OH

MDRT Top of Table
October 18-21, 2006 Palm Desert, CA

Million Dollar Marketing Workshop
November 6-7, 2006, Minneapolis

Life School
November 28 – December 2, 2006
Dayton, OH

IARFC Accelerated Course
December 5-8, 2006 Brunei

IARFC Fast Start Workshop
December 15-17, 2006 Singapore

Heckerling Estate Conference
January, 2007, Orlando

APfinSA Conference
April 13-15, 2007, Taipei

IARFC Financial Advisors Forum
May 15-17, 2007, Bally's Las Vegas

MDRT Annual Meeting
June 10-13, 2007, Denver

International Dragon Awards
August 11-13, 2007

IARFC Cruise/Conference — Alaska
August 17-24, 2007
Vancouver, BC to Anchorage

To Join us at an IARFC Exhibit Booth contact: Director@IARFC.org

From the Chairman's Desk...

Graduation Malaysia. I have just attended the 2006 Graduation Ceremony for new RFCs in Kuala Lumpur, held in the Grand Ballroom of the Shangri-La hotel. For those Americans who have never been to Malaysia, this capitol city is the home of the twin Petronas Towers — until recently the world's tallest office buildings. Downtown K.L. is easily reached from the new airport — with access by car and by express train which is swift, silent and very accommodating.

The graduation was beautifully presented, under the leadership of our Malaysia chair, Ng Jyi Wei, RFC®. Dr. Jeffrey Chiew, the greater Asia chair for IARFC, and I presented certificates to all the attendees, followed by group photos and a lavish reception. The first four graduates received special distinction awards as having furnished the highest quality comprehensive personal financial plans.

A handsomely printed graduation booklet, with the gold RFC® key on the cover, listed the latest 140 recipients of the RFC® designation. Actually, there will likely be more graduates before the end of this year as enrollment continues for the next two classes. The current graduates, who completed the course and examinations, were all required to submit a comprehensive plan — in English, which is the predominant business language of Malaysia. The RFC® curriculum has been translated into Mandarin and classes will also be offered in the city of Penang. Eventually the curriculum will also be translated into Bahassa, the native language of Malaysia.

The ceremony was opened by the Scotch Band from a local High School. It seemed like a great kick-off as these uniformed musicians in their colorful green kilted uniforms, bag piped and drummed into the ballroom, followed in procession by the RFC faculty. All of the 140 graduates were in cap and gown for the ceremonial presentation of their RFC certificates delivered by me, and a gold RFC lapel pin presented by Dr. Chiew. Naturally, each of these presentations was photographed several times — in addition to small group photos of associates from many of the offices. And of course there was a master group photo of all the gowned graduates, the faculty, association leaders, Dr. Chiew and myself.

About 250 family members were in the audience to watch their spouse, dad or mom receive recognition for their educational achievement — and of course this generated the opportunity for many more photos with faculty and family members. In Asia program speakers are generally given very handsome corsages, but when donning our red and gold ribbed black gowns, we had to remove the beautiful flowers. We passed one on to a beautiful young girl in attendance to witness her mother's graduation. She laughed, smiled very widely, and ran away to show off her personal corsage to some of the other kids.

There was obvious pride showing in the eyes of these graduates — many of whom mentioned to me that their RFC® studies had already increased their business effectiveness and their personal income.

A New Member Benefit. In my remarks to the assembled graduates I briefly demonstrated to the audience a new PowerPoint presentation that has been developed to help them offer their planning services to prospective clients. It included presentation suggestions and a complete script. Some elements had been specially converted to Malaysia and the Ringit, rather than to the U.S. dollar. To my knowledge this is the first time a group of financial planning course completers has ever been equipped with a client presentation and script. This will enable them to instantly offer comprehensive planning and charge a fee for the extensive services.

The graduates will also receive a fast track guide in electronic format containing all the correspondence tools (letters, agendas, charts, forms, checklists, articles and procedures) ***How to Start Your Financial Planning Practice.***

continued on page 7

continued from page 6 **Chairman's Desk**

Fall 2006 Malaysia CE Event. Later this year the Malaysian IARFC will hold a full-day workshop for the approximately 650 RFC® members, that will also be attended by government regulators and company CEOs and compliance officers. Presenters will include a variety of financial professionals — and all the RFC® members will pick up their CD-ROM containing the PowerPoint, Word and Excel files. Each can print the user guide, checklists and scripts, and then edit the text to suit their operation and market.

2007 Malaysia Forum. In the fall of next year — perhaps in September, there are plans to hold a two-day RFC® Forum for members and prospective members — with an attendance goal of 2,500. This will be a similar format to Dr. Chiew's previous Worldwide Financial Planning Forums that had attendance approaching 3,000 — which was the introduction and launch of the RFC® movement in Malaysia. Since the program will be presented in English, financial advisors will be welcomed from across the globe.

Graduation Thailand. I feel like I'm becoming a citizen of Thailand — or at least a part of the family. The August 2005 International Dragon Awards were held in Chiang Mai, Thailand, which was a stirring event produced by IMM International, based in Taiwan and headed up by our greater China chair, Liang Tien Lung, RFC®. Following the IDA we had a grand opening of the RFC® courses in Thailand, with the cooperative effort of the Thai Life Underwriters Association.

Then in February I presented twice at the MDRT Experience in Bangkok which was attended by 7,500 Asians, and we had a CE session and graduation for the earliest RFC® graduates. In June we held another training session in Bangkok at the Royal Sports Club. In August we had another full day training session where the new advisor PowerPoint presentation was introduced. 22 of the new RFCs signed up to help with the translation of the presentation, the script, and all the supporting documents.

The following day we had a gowned graduation ceremony for the fifth and sixth classes. There were 35 present for the formal ceremony at the Siam InterContinental Hotel. The session was opened by Mr. Vachara Impitaks, Director of Life Insurance Office, Department of Insurance, Ministry of Commerce. There were also comments by Thai Life Underwriters president, Chanvit Maythachaivut, RFC®. There are now 130 RFCs in Thailand, and soon there will be a few more, since some have not yet submitted satisfactory comprehensive financial plans — a course requirement.

Following the translation of the new PowerPoint marketing presentation, there will be a brief training session in Bangkok, and also in Chiang Mai in the north. The seventh RFC® course was started in late August and there are plans to offer some company-sponsored classes and a session in the city of Had Yai in the south.

Worldwide Chinese Life Insurance Congress. The sixth bi-annual event was held in the central China city of Chengdu — a sprawling community of 11 million. There were 6,400 Chinese speaking agents from more than 17 countries. The four day event was held in the new Century City convention area. The attendees stayed in a newly opened luxury Holiday Inn, as the first guests in the new hotel.

The WCLIC was the first event held in the new convention area — occupying about one fourth of the giant facility. The plenary sessions in the morning had an incredible staging, resembling the gates of the Forbidden City, and 8 giant TV screens allowed all the attendees to see the speakers clearly. Breakout sessions were in the nearby International exposition center, a very futuristic structure. The entire complex of meeting facilities, hotels, apartments and shopping malls will accommodate over a quarter of a million people, and will be completed within two years. The buildings are magnificent artistically shaped glass and steel towers, nestled in a park setting with ponds, gardens and canals.

Most of the sessions were held in Chinese, including the presentation of the Golden, Silver and Bronze Dragon awards for over 750 leading producers. Simultaneously with the WCLIC there was a CEO Forum for the top executives of all the life insurance companies in Asia. These executives mingled with the agents in the morning, and in the afternoon had separate sessions where they shared problems and opportunities unique to company expansion and product development.

At one of the general sessions Liang Tien Lung and I presented the Loren Dunton Award to Jeffrey Chen, RFC® of Taiwan. Jeffrey has been responsible for the expansion of financial planning in Taiwan, where over a thousand have completed the course, examination and case plan preparation process. Courses continue in four cities, and there will doubtless be some additional private classes sponsored by major institutions.

China RFC Forum. A three-hour financial planning session, Achieving Success in a Competitive World, was presented in English to about 400 RFCs. Bill Moore, RFC® of Kinder Brothers International spoke on "Managing Your Practice, Your Staff and Your Agents." Stephen Rothschild, RFC® who is the current president of the Million Dollar Round Table, spoke on "Positioning and the Psychology of the Sale."

My topic was, "Preparing for the Evolution in Financial Services" and I had an opportunity to briefly review the new marketing presentation — which will certainly result in additional RFC® enrollment. We easily secured volunteers to convert the materials into Chinese for use in Taiwan, China and Hong Kong.

The audience was very enthusiastic. We were also a bit keyed up, since just outside the International Exposition was a 200 foot long, 60 foot high display wall featuring 8 foot photos of all the speakers. Two full pages in the colorful 116 page Congress magazine were devoted to our session. Additional RFCs who were among the speakers included Samuel Yung of Hong Kong and Frank Vuong, who is based in both the U.S. and Asia.

Closing Congress Speaker. Mehdi Fakharzadeh, RFC®, who had been the closing presenter at the first event, held in 1996 in Taipei, was again the closing speaker in Chengdu. Mehdi was translated for the audience, and he was a tremendous hit, just as he was at this year's Financial Advisors Forum in Middletown.

Shanghai and Guangzhou. Following the Congress in Chengdu, Mehdi and Sigrun, Stephen and Debbie and I joined a few other attendees on a four day cruise down the Yangtze River culminating at the enormous Three Gorges Dam — the largest earth moving project in modern times. I went on to Shanghai to meet with company leaders and RFC® members. Then I traveled to Guangzhou (formerly known as Canton) and there met company leaders and RFC® members.

continued on page 8

continued from page 5 **Interview**

How will this benefit your clients?

Steve: This will allow for a smooth transition, make our clients aware that their interests will continue to be well looked after, and most importantly make our clients feel secure and comfortable knowing that there will be a continuity.

Jarod: Allows us to offer our clients more options. We work together as a team to meet the needs of the clients without the stigma of competing for business.

Stephanie: Steve has made a point to introduce us to existing clients and have us sit in on appointments so that the clients know that we are here to help them too.

What is unique or different about your practice?

Steve: My own practice was traditionally focused on the matured adult. As Stephanie and Jarod have grown their practices within the firm, we find that we are meeting the needs of younger investors, many of them the children of my own clients. The practice extends across the generations.

Jarod: The relationships we build with our clients.

Stephanie: We are independent and accessible.

What advice would you give to other RFCs who may be considering inviting family members into the firm or transferring the firm to the next generation?

Steve: Be sure that they are genuinely interested in the business. That they understand your mission, share your vision and want to continue to serve the best interests of your clients and their own. But also encourage their ideas on how you can improve.

Jarod: It is important to have a good family foundation in order to work together. It can be difficult working with family and separating family and business matters.

Stephanie: Communicate! Share with your clients that you have a plan in place to continue to meet their needs and concerns regarding their investments and communicate to employees and other reps what the plan is and how it will affect them and company operations.

continued from page 6 **Chairman's Desk**

Afterwards I flew through Hong Kong to Taipei, since the Peoples Republic of China does not allow direct flights from the mainland to the Republic of China, better known as Taiwan. My hotel was close to the IMM offices, in the long shadow of Taipei 101 — the new tallest office building in the world (until the topping out of the Jin Mao Tower in Shanghai). In addition to meeting with company officials and a CE event attended by about 400 RFC® members, we had a press session with the Economic Daily — Taiwan's leading financial paper. This publication has devoted a lot of space to the RFC® courses and CE events, making RFC® by far the most recognized financial designation in Taiwan.

Continued Expansion. The RFC® courses and programs are now under consideration in other countries, and we will have more to report on in a later issue.

Standards and Ethics. This issue is heating up again, with the new proposals of the CFP Board of Standards, and articles in many magazines. They are not being well received by the wire house brokerage firms and the independent financial services broker dealers. One key issue is that of "fiduciary." The CFP Board, led by many fee-only practitioners, wants planners to clearly be identified as fiduciaries. Most brokerage firms do not.

Some have proposed an "opting out" approach where the financial planner would insert a clause into the client agreement that indicates he is not a "fiduciary" and will not be under obligation to place his client's interest above his own. But many advisors do not want to do so. The broker dealers feel that this "fiduciary status" is an expansion of their liability which until now has generally been limited by arbitration. And some feel that binding arbitration is not consistent with "fiduciary status."

Liability expansion is the primary issue to many advisors and brokers. It is pretty well accepted that an independent RIA is a fiduciary, just as is a trustee. But the big issue is: "How does this expand the liability and restrict the business practices for the 80-90% of the financial advisors who sell insurance or securities in addition to delivering plans and advice?" Some brokerage firms have been heard to say (off the record so far) that they will not permit their reps to execute anything or claim any status (designation) that makes them a fiduciary.

Meanwhile, as the tempers in the debate continue to grow, the FPA is persisting in its lawsuit against the so-called "Merrill Lynch rule" adopted by the SEC. The FPA has also issued public statements taking issue with many of the provisions of the CFP Board's proposals. On the other hand NAPFA thinks the new proposed standards don't go far enough.

Other Standards. Meanwhile the ISO 22222 covering the practice of personal financial planning has been adopted by the respected international body, and it addresses many aspects of financial advisor conduct — without creating the heat of the increased legal liability and the encouragement to plaintiff attorneys seeking someone to sue.

Another group, IFFSA, the International Federation of Financial Standards Associations also wants to weigh in — representing the interests of the consumer, the practitioners and the institutions.

Where does the IARFC stand? We solidly re-affirm our ***Code of Ethics***, which we feel is quite adequate. It is clearly understood by the consumer, and the advisor. We see no need for all this conflict, especially if it does, as Sarah Ball Teslik (CEO of the CFP Board and a former regulatory attorney) has indicated the new proposals will do:

Create a standard against which a (CFP) financial planner can be sued. We don't need to aggravate the current regulatory and legal environment, which is already bad enough. Most of the damages that have been done to consumers and investors have been done by crooks, not by persons wavering between what is perceived by some as right and what is "mostly right" or "sometimes best."

Have you done your research? If you want more reading on this debate, I would be happy to send you by e-mail about 90 pages that have been published. Perhaps you'd like to find out what your broker dealer thinks. Or your attorney....

Do you have an opinion? This is an important issue to all financial advisors.

We would love to quote your views in the next issue of Register — or reprint anything your parent or affiliated companies feels would positively contribute to this discussion.

A Clear Conscience Never Fears Midnight Knocking!

Peter E. Liu, OAM, RFC®

A profession is a calling, vocation, pursuit or occupation that requires extensive training and the study, investigation, research, command and mastery of specialized and complete knowledge. A profession typically has a professional governing body, code of ethics, and stringent process for certification and licensing. Some examples of recognized professions are law, dentistry, medicine, the military, accounting, engineering and the clergy.

What is a Professional? Classically, there were only three professions: ministry, medicine and law. These three professions each adhere to a specific code of ethics, and members are required to swear some form of oath to uphold the code of ethics, therefore ***professing*** to a higher standard of accountability. In addition, these noble professions provide and demand extensive training in the meaning, value, and significance of its particular oath in the practice of the profession. With the rapid rise of technology and occupational specialization in the 19th century, other bodies began to claim professional status, like teachers, nurses and architects, just to name a few.

There is one commonality among professionals and that is, "No individual ever attained excellence in any one art or profession without having passed through the slow, rigorous and painful process of study, together with comprehensive and extensive preparation."

Our Profession. Comprehensive financial planning is a very demanding discipline in terms of achieving the constant objectives of exceeding clients' expectations, keeping fully up-to-date with all matters related to our field of expertise, putting our clients' interests first, and complying with statutory requirements and ethical standards. It is time to be more reflective because I believe the issue confronting our industry, and is at the root of our struggle — particularly in Asia, is for financial planning to be recognized and accepted as a high level profession.

The basis of much of the criticism about financial planners can be best encapsulated in a simple question: ***Do financial planners have a conscience?*** This notion is usually raised within the context of conflicts of interest or some other similar type of issue. But, essentially, that is really the central question: Is there the presence or the absence of a conscience among financial planners within the fledgling financial planning industry in Asia and other parts of the world?

Ed Morrow, recognized as one of the fathers of financial planning in the USA commented during one of his frequent visits to our part of the world: "Integrity is a thing that should come from within and not something that is mandated by laws."

General Omar Bradley once lamented: "The world has achieved brilliance without conscience. Ours is a world of nuclear giants and ethical infants." Unfortunately, the quick-fix cure for what is perceived to be the absence of a conscience is usually more legislative and regulatory amendments. Rules, Codes of Conduct, Guidelines, Laws and Regulations are suitable mechanisms to control the conduct of business enterprises — but they are not entirely suitable guides for a profession.

Standards of Conduct. Professionals traditionally conduct their activities with independence and without intervention. They apply their skills and expertise guided by a conscience and not necessarily by rules and regulations. In fact, medical practitioners, members of the legal fraternity and accountants have an implied understanding with society and say: *"Let us apply our skills and let us take care of your needs. Let us perform our work on your behalf for a fee. And, in return for this privilege, you can trust us."*

In other words: *"If you give us authority to practice our skills and apply our expertise, we will cure the sick, defend you in court or manage your finances. We will do this not according to rigid rules and regulations, but rather, we will be guided by a conscience. We will be guided by expertise and mature judgment because this is what is expected by society of the relevant professional."*

Application to all Members. There is a collective ethic that guides professionals, whether it be medicine, law or accounting. And financial planning should be in the same category. Therefore, if financial planning is going to develop as a highly respected profession, we should be guided accordingly. If we are successful in articulating this to society, the net result will be that the investing public will be willing to place their trust and confidence in us. Otherwise, we deserve to be treated by the legislators as a business, with inflexible rules and regulations.

"Therefore, I put it to you that financial planning professionals do need a conscience."

What is a Conscience? A conscience is defined as the knowledge or the feeling about right and wrong. It is a power. It is a principle. It is a compulsion. And, when a conscience becomes an attitude, it motivates individuals to act positively. From a financial planning perspective, when it is suggested that our industry professionals need a conscience, what is being suggested is that financial planning professionals need a prevailing attitude for good, that is, the good of our clients' interests!

Knowledge Base. A conscience connects us with the accumulated wisdom of the ages and the wisdom of the heart. In fact, it is our inner guidance system, which prompts us to sense when we act or even contemplate acting in a manner that is contrary to pillars of professional principles. It also is productive of a sense of self-worth, accomplishment and satisfaction in the knowledge that we have our unique talents and skill-sets and in the fundamental importance of our mission.

The Honorable Judge David E. Ashton-Lewis made a profound observation when he said: *The traditional basis of the professional/client relationship is that of a Fiduciary nature. This simply places the*

continued on page 10

client's interests before that of the professional. If one is able to do that, then money, closing the deal, personal success, being right, looking good and being the best have no place.

Are We a Profession or Occupation? A profession has been defined as, ***An occupation, which is pursued largely for others and not merely one's self.*** It is an occupation for which the amount of financial profit is not the accepted measure of success. Once the public identifies these characteristics about any profession, then the public will be willing to trust its practitioners. Unfortunately, some sections of the media have been creating suspicion sometimes justified and at other times — perceived. As long as that suspicion exists, we have significant problems because suspicion is a ruthless destroyer — a powerful terminator of trust and carcinogen to credibility. A conscience is the best weapon we have in our fight to have our activities accepted as a true profession.

Woodrow Wilson, first the president of Princeton University and later the 28th President of the United States of America, gave some instructive advice to professionals when he said: *"You are not here merely to make a living. You are here in order to enable the world to live more amply, with greater vision, with a finer spirit of hope and achievement. You are here to enrich the world, and you impoverish yourself if you forget the errand."*

The quality of your professional life, the financial solutions, products, and associated services that you offer, depend on what happens in the space between stimulus and response. The raw nerve endings of a conscience keep fit and proper professionals far away from any potential conflict of interest.

Where Are We Headed? As I travel extensively throughout the Asia-Pacific region, I am constantly impressed with the quality of financial planning professionals and the members of the IARFC. They are pro-active, exceptionally hardworking, competent, and caring individuals totally dedicated to making a difference. The positive influence of their advice often extends beyond retirement to multi-generational wealth transfer.

In this part of the world, there is an increasingly important role for financial planning professionals because Asian society is based on the time-honored principle of self-provision rather than Government handouts. The quid-pro-quo is that the personal tax rates are much lower than where generous social welfare benefits are available. The net result is that people typically have a higher level of surplus investable funds and, therefore, need professional advice to ensure that they can maintain their lifestyle standards and meet the excessively high costs of medical care and tertiary education long after their earned incomes have ceased.

Retirement Issues. Retiring earlier and living longer is clearly problematic when it comes to adhering to the principle of self-provision. As Albert Einstein said: "The significant problems we face cannot be solved by the same level of thinking that created them."

Abraham Maslow, one of the founding fathers of modern psychology and humanistic theory developed a "needs hierarchy" in which he identified "self-actualization" as the pinnacle of human experience. However, in his sunset years, he revised his original theory and acknowledged that this pinnacle point was not "self-actualization" but rather "self-transcendence." In other words, existing for a purpose higher than one's self. That is precisely what financial planning professionals are required to do each and every day, absolutely without exception.

The greatest battles we fight are in the silent cavities, crevices, caves and chambers of our own souls. The good news is that according to ancient Chinese wisdom: ***A clear conscience never fears midnight knocking.***

Peter E. Liu, OAM, MBA, Grad. Dip. Corporate & Institutional Funds Management, Certified Investment Management Analyst CIMA (Ret), F Fin, RFC®, JP. Peter was awarded the Medal of the Order of Australia in the Queen's Birthday Honors List in 1993, for his meritorious services to Business, Commerce and to the Chinese Community in Australia. He has served as a founding father and National President of the IAFP (Australia) — now the FPA Australia and was the Chair responsible for the introduction of tertiary standards, code of ethics and disciplinary body for financial planning professionals in Australia. He has been involved in corporate management and securities throughout Asia, currently based in Hong Kong.
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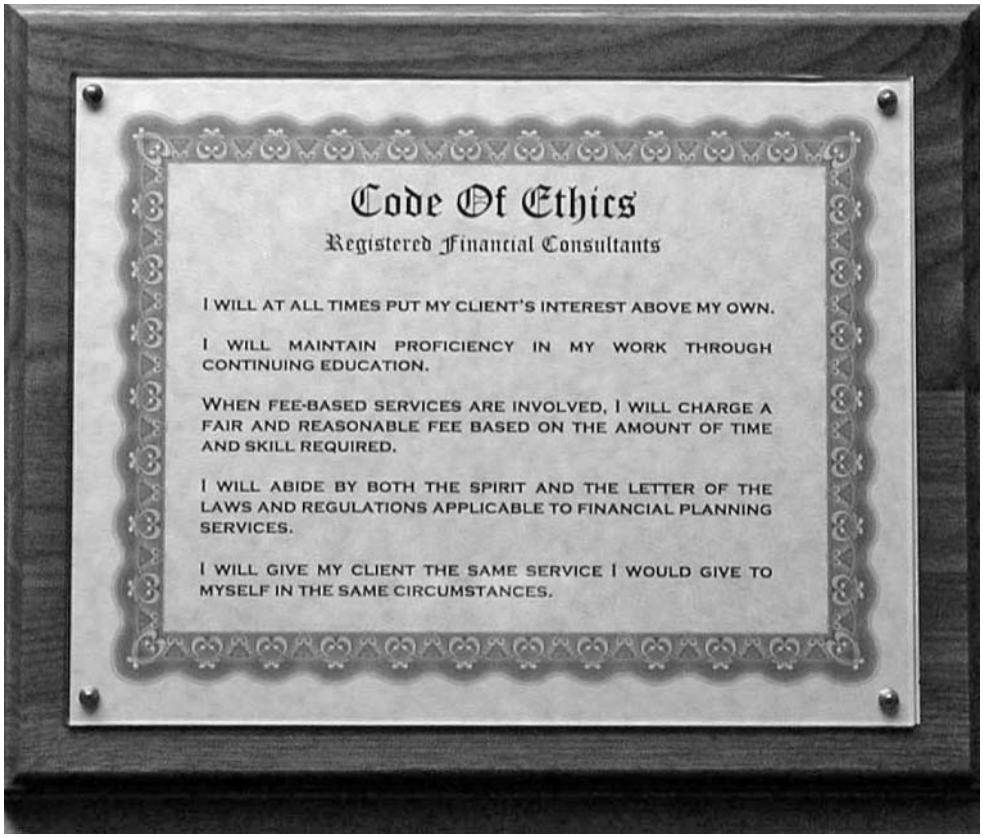

Using Client Newsletter to Turn On the Powers of Influence

Lisbeth Wiley Chapman

Many advisors spend a great deal of time and attention publishing newsletters for their clients. Whether it is printed and mailed, or you send an e-mail with a link to your web site, a client newsletter is a time-tested and useful mechanism for staying in touch with clients. Newsletters can be used in a variety of ways:

- Calm down the market volatility jitters
- Announce "Client Appreciation" events
- Give a heads up to changes in technology that may impact the client
- Allow you to feature your firm's charitable efforts in the community
- Arouse interest in seminar attendance
- Increase Top of Mind Awareness

Yet, a newsletter has a valuable additional function. It can be used to stay in touch with a select group of opinion makers by adding nothing except customized transmittal slips attached to the front of newsletters that are mailed, or to the e-mail message you send.

Consider sending your customized newsletter regularly to the referral sources for your practice — estate planning attorneys, insurance professionals, and CPAs. Invite those colleagues to "guest" a column in your newsletter. Volunteer to "guest" a column in their newsletters or for their web site.

When appropriate, mail or e-mail a copy of your client newsletter to the editors and reporters of appropriate publications. Don't think narrowly here! Think of all the national publications whose audiences should know that you are expert in specific areas. Attach a letter to the reporter, focusing on one story idea or point you make in your newsletter. Be sure to tell the reporter why the story is important to his or her audience and why you are an expert on the topic.

Be prepared when your client newsletter generates an in-coming call from a reporter. Always offer any resources you think would more fully answer a reporter's question. If you can point the reporter to a professional colleague who can also speak to the story idea, by all means do that as well, after checking with that colleague. Such media referrals to your colleagues who are in the right position to send business to your practice can help to establish you as a serious expert in your field.

Almost every publication these days has a web site where you can get contact information to develop your media list. Most publications also have a web publication that accepts material, particularly articles you may write yourself or have "ghosted" that is, written for you. The articles must not be self-serving in any way, but must meet the requirements of service journalism. Make certain your articles provide information not readily available anywhere else, and they must cover a topic thoroughly, with referrals to further resources on the same topic.

The client newsletter discussion would not be complete without examining the idea of an e-newsletter that is sent only via the Internet. It can go to existing clients or prospects as well as to your centers of influence. Don't hesitate to consider an e-newsletter. It is simpler for your practice, much less expensive, and just as easy for your clients to forward or send to their friends. An e-newsletter can be updated on your website, and archived there as well for any "stealth" visitors who might want more of your in-depth thinking.

An e-newsletter can include a question and answer column from its readers. When a subject comes up that requires a different expertise from your own, you have an excellent opportunity to contact your influential colleagues to ask them to participate in answering the question for your column. There is an old saying that "nothing happens outside a relationship."

Get Media Smart! Take advantage of each and every opportunity to use your newsletter efforts to drive your name and expertise in front of those centers of influence who can steer business to you. Strategic use of a good newsletter will help you build your practice through reputation, referrals and revenues.

Lisbeth Wiley Chapman of Ink&Air delivers clients and assets to investment advisory and financial services firms through a blend of media and web communications strategies. She is the author of ***Get Media Smart! Build Your Reputation, Referrals & Revenues With Media Marketing****. Lisbeth has been a featured speaker at the IARFC Financial Advisors Forum. For more information you may contact Beth at:* ***508 479 1033*** *or visit* ***www.InkAir.com***

Call for Papers

Reviews, and practitioner insights on the assessment and measurement of financial risk tolerance for a special issue

Journal of Personal Finance

IARFC Quarterly Educational Publication

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Get Involved: We welcome the submission of articles from IARFC practitioners. This is a great way to contribute to the profession.

Professional Articles: The Journal is seeking articles by practitioners that may deal with the application of financial planning techniques, marketing and practice management. These are expected to be very high level papers or articles.

Publicity Opportunities: Naturally, we encourage published authors to advise both their clients and the media of their being published by sending a press release.

IARFC Financial Advisors Forum 2006
Manila Philippines

Ralph Liew, RFC®

IARFC Philippines held its **Forum and Graduation on 8th July 2006** in an international hotel in Makati City in the Philippines. The Forum was organized by IARFC Philippines, as part of its commitment to provide continuing education especially for RFC® members in the Philippines. The speaker for the Forum was Ed Morrow, Chairman and Chief Executive Officer of IARFC, who flew all the way to the Philippines to deliver single handedly a one-day workshop on the subject of "How to Start a Financial Planning Practice." A total of 58 participants attended the Forum. They were delighted with the 55 pages of documentation on the subject. It contained educational notes, financial planning flow charts, sample letters and practices accumulated over many years by Ed.

The highlight of the event was the presence of the Insurance Commissioner, the Honorable M/s Evengeline C. Escobillo FASP, FLMI, accompanied by her two executive staff members and M/s Esther C. Tan, FLMI, CLU, ChFC, Chairman of Sun Life Financial. This also caused excitement among participants who took the opportunity to pose for photographs with the Commissioner.

It is a sure sign of the interest of the regulators and insurance CEOs on the subject of Financial Planning which is relatively new in the Philippines. Financial planning education and the RFC® designation were officially introduced into the country by Jeffrey Chiew two and half years ago. Since then it has created a much needed awareness for personal financial planning in the industry.
This is the first time that such a subject was ever taught in the Philippines and Ed Morrow did not waste any time sharing his vast experiences with the eager students. So much of the knowledge was new and never heard of in the Philippines. With such enlightenment, the Philippines RFCs are ahead of the competition, an edge that is very much appreciated with many thanks to the efforts and contributions of our ever energetic Chairman who has been responsible for the fast RFC® growth rate of membership in Asia.

In the evening, a separate event was organized to award the RFC® certificates to 60 RFC® graduates who were dressed in the caps and togas for the graduation ceremony. IARFC Philippines holds regular RFC® courses for the financial and insurance industries in Metro Manila and Cebu areas.

Ralph Liew, RFC®, IARFC Chair for the Philippines, who has also been instrumental in the development of the RFC® courses in Thailand, as well as the new E-Learning Academy that was recently accepted by the Malaysia Insurance Institute. Contact Ralph Liew by e-mailing him at: kilhk@myjaring.net

RFCs Marietta Gorrez, Gale Gaddi and Evangeline Joseph

Ralph Liew chatting along with Sunlife's CEO Ms. Esther Tan during the forum break

Insular Life's RFC Club members took a photo shot with Ed Morrow and Ralph Liew

The RFC member participation

Planning Your Fall Campaign for LTC Sales

What You Should Know About Direct Mail To Make It Work

Wilma G. Anderson, RFC®

With the passage of no-call laws, some agents and advisors are struggling with how to develop qualified LTC leads for their financial practice. Since you can't do telemarketing anymore, what can you do?

One answer is Direct Mail. People get tons of direct mail that they mostly ignore. To succeed in this area, your direct mail package must be so ***compelling*** and ***attention-getting*** that prospects will respond by calling or writing to You. When they contact you first, you can legally call them back because then you are not considered to be a telemarketer.

Let's look at how you can make direct mail pay. While this article focuses on marketing long-term-care insurance to your marketplace, the same principles can work for selling the other products or selling your advisory services.

Creating Compelling Direct Mail for LTCI. You can use an off-the-shelf direct-mail package to market LTCI or you can start from scratch and create your own direct-mail package. If you go the latter route, look for an advertising agency with a track record in healthcare direct mail. (An ad agency's experience in print and broadcast advertising doesn't necessarily carry over into healthcare direct mail.) Ask the agency if it has done direct mail for healthcare clients like hospitals or insurance companies, especially organizations that target senior citizens. An experienced agency should know what works best in your marketplace to get the attention of retirees.

Give the creative director, copywriter and designer at the agency guidance on what you want to accomplish. You can collect lead pieces from other organizations and point out the things that you like and dislike. This helps the creative staff in the agency know your preferences for language, motivation, offers, etc. Prepare a short, written profile of the desired client you are trying to attract: age range, affluence, income, occupation, location, special interests.

When I went through this exercise, we wound up with three variants. The background colors, the signatures (Wilma G. Anderson, W.G. Anderson, or Wilma Anderson), and the artwork were different for each lead piece they created. We test-marketed all three, sending each piece three times to specific zip codes, spaced six weeks apart, and gauged the response.

Surprisingly, the lead pieces all pulled the same response rate, and after the first three months, we got a 2.5% to 3.5% response rate — the percentage of recipients who mailed back the return postcard. This is quite high, as a 1% rate is considered quite acceptable. These lead pieces still get the same response rate, even though the market is now crowded with direct mailings about LTC insurance. One of the secrets to my own direct mail campaign has been the consistency of mailings to the same zip codes for the past 10 years. I buy a new mailing list every quarter to capture the names of those who have turned 60, and those who have recently moved into the zip codes I prefer to work in.

Building Response

The response mechanism is crucial. You have to have an easy way for people to respond and get in touch with you. A tear-off postcard makes it easy.

The aimed at LTCI postage-paid card should ask for the recipients' birth dates and phone numbers and offer to do a free comparative analysis of LTCI policies. Have the card sent back directly to your office instead of a third party so you can respond fast while the prospects still remember sending the card to you.

A simple direct mail strategy boosts response a lot. Have the mailing company imprint the name and address of each recipient on the return card, as well as on the outside of the folded lead piece. Then, when prospects send the card back directly to your office, they just have to fill in their ages and phone number. *Make it as easy as possible for the prospect to respond!*

I tested another lead piece offered to agents, which was made available by a major insurance company. It looked great, but prospects had to do more work. They had to fill in their name, address and phone number on the response card. Results? It got less than a 1% response.

Another trick is to have your lead pieces mailed from another state. It sound strange, but this really does increase the response.

Targeting Your Market — the Mailing List. Now that you have a great lead piece, you'll need a first-rate mailing list. Your list criteria must match the product or service you are selling.

Middle-income Americans 60 to 74 years old are the best prospects for long-term-care insurance. For younger people, long-term care seems like a more distant concern. But people 60 or better are starting to see their health change. They also know friends and family members who have become less vigorous. They see

continued on page 14

long-term care insurance as a necessary part of their retirement planning. It's a real, immediate concern to them. These are the prospects most ready-to-buy.

Middle-income retirees with $100,000 to $600,000 of liquid assets are the most motivated buyers. Don't rule out more affluent clients, but remember that there are fewer of them, and they're more likely to already have a financial advisor, and do not respond as readily to direct mail. The great American middle class is your best bet.

An experienced list broker can obtain a good mailing list for you. The list should be limited to people 60 to 74 years old who have more than $40,000 in annual income and live in single-family homes, retirement communities, or senior high-rises. Select specific zip codes in your area. Since your agents will visit prospects in person, you'll want to limit your mailings to people who are within driving distance of their offices.

Be selective about the filters you use. In much of the country, you might want to mail only to single-family homes. However, if you're mailing to Manhattan or parts of Florida, this filter would rule out too many prospects.

The Zip Code is another valuable filter. For various reasons, some Zip Codes produce much better results than others. The only way to find out which ones will work for you is to mail and test. In my agency, it took a year to figure out which 13 Zip Codes are the most responsive.

One mailing won't do the trick. Take a page from the big LTCI marketers, like GE Capital. They know that repetition is the key. Most people need to hear from you three times before taking action. It's best to mail once every six weeks to the same people; once a quarter is the minimum level for effectiveness. Over time, your response rate should climb. If you've done three mailings and still haven't gotten a good response, there's something wrong with your list or your lead piece, or you need to re-evaluate the zip codes you've been mailing to. A minor change in strategy can make a big difference.

Lists become outdated because people move in and out of the area and turn 60. Buy a fresh list every quarter to capture the new folks who've moved in and those who have recently had a birthday that now age-qualifies them for your direct mail program.

Respond Promptly. When the response card comes in, someone must call the prospect back as soon as possible — no later than 72 hours in any case. The people making the calls, whether agents or staff at your office, must identify themselves immediately. They should say something like this at the start: "You recently sent a card to our offices and asked for some information about long-term care PROTECTION plans." Once the representative has established the connection, he or she can set up an in-home appointment.

Direct Mail Programs for Annuities. With annuities, I recommend a quite different approach — because the annuity sale is more straightforward and less beset with emotional issues for the prospective client.

Mailing large (5" x 8") postcards is a simple, easy, inexpensive way to make sure your message is seen and read. When a large postcard arrives in the mail, it sticks out because its size. We all tend to pick larger items out of a pile of mail first, turn the card over and quickly read the message. When that happens with your prospects, you'll be winning the first battle to get their attention.

Consider a "drip" marketing program. It's called a drip program because it's repetitive. Send a series of large postcards, on quality paper, to targeted prospects. Even if they throw the card away after reading it, the message was sent, delivered and read, and an image was created in their mind. Often, you must mail the same person four, five or six or more times before you penetrate their armor and get a response. When you send a series of cards, you'll be creating and strengthening message while establishing an image — and building your response rate.

Send a series of postcards to investors 60 to 74 years old in targeted zip codes every week. The postcard includes a toll-free number for recipients to call and request a free booklet about annuities. Make sure the booklet and a letter from your office are mailed out within 24 hours.

A week later, have someone call prospects to make sure they received the booklet.

To the prospect's ear, this sounds like a service call and there won't be a tendency for them to hang up immediately. Since they called you first, this is legal. Ask them if they have a question about one of their current annuities that you can answer for them while they're on the phone. A trained salesperson can usually line up an appointment then.

Direct mail can be a win/win situation. It works for many of the products and services we sell. Grabbing the attention of our prospects with a direct mail piece about a product they need, or want can be the stepping stone to the 2nd, 3rd, and 4th product you can sell to each and every client. With each sale you'll be able to clearly show that client having an RFC® is the best choice as their financial advisor!

Wilma Anderson, RFC®, is known as The LTC Coach, and is America's leading LTCI sales trainer and a practicing producer in Littleton, Colorado. She offers personalized tele-coaching sessions, plus workshops, speeches and comprehensive marketing-and-sales systems. More information is available at www.TheLTCcoach.com or by contacting Wilma at 720 344 0312 or wilma@TheLTCcoach.com.

"Thank you for all your hard work on building such a great product. Of all the software vendors we have worked with over the past 20 years I believe my relationship with Financial Planning Consultants and Builder Suite has been not only the most pleasurable it is also the longest.

In our office we have a motto "Innovate or die!" and use it as a means of always keeping top-of-mind awareness that things are constantly changing and if we were ever to sit back and coast we'd be swallowed up in a very short time by our competition so innovation is a key to our success. It appears that your Builder Suite has also embraced the same approach in your business model."

Clint J. Struthers, RFC®, AAMS

Builder Suite has powerful tools that allow you to develop financial plans, get referrals, retain clients, maintain ***Top of Mind Awareness***.

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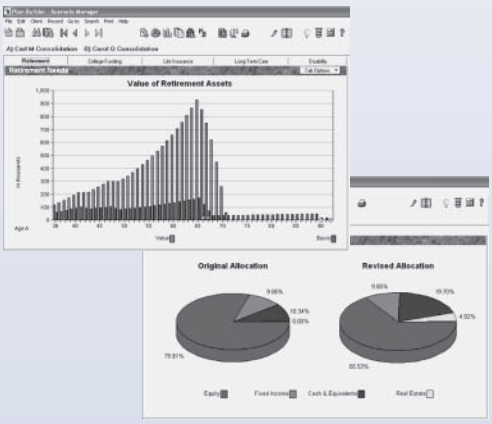

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- **Track** prospects, clients, **follow-ups**, **appointments**, and more
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The National Financial Literacy Commission

John W. Snow, former U.S. Secretary of the Treasury, recently issued the first report of The National Financial Literacy and Education Commission. The commission was created under the Department of the Treasury by an act of Congress. It was Title V of the Fair and Accurate Credit Transactions Act (FACTA) President Bush signed into law on December 4th, 2003. The law charged the commission, made up of 20 federal agencies, to improve the financial literacy and education of persons in the United States through the development of a "National Strategy." The Executive Summary lists the usual benefits of financial education. Some excerpts of the Quick Reference Guide are below.

Help people own a home, live a comfortable retirement, finance an education, avoid fraud and generally make the most of the numerous choices afforded by our modern marketplace of financial products and services. However uninformed choices can be dangerous. That is why the ultimate goal of this Strategy is to empower individuals to choose wisely.

The Strategy recognizes that the infrastructure of financial education can only be erected with the cooperation of three builders: the government, the private sector and the individual. Each of these "builders" has its role. The government can regulate the financial marketplace and provide information for consumers. The private sector, including for-profit and non-profit organizations, can use its expertise, resources and positioning to provide financial literacy programs. Individuals can take an interest in managing their finances and use the information and programs provided by the government and private sector to improve their lives and those of their loved ones.No one of these groups can succeed in assembling a financial education system alone. Yet mere cooperation without coordination is not enough. Therefore all three of these players must work together to assemble a national infrastructure for financial education under a common blueprint. The Strategy provides such a blueprint. The Strategy's blueprint is firm enough to give general direction, but flexible enough to allow different players to chose their own roles in enhancing financial education. The Strategy is a blueprint that is intended for the private sector, individuals, and government. The private sector can use the Strategy's definition of the challenges and the best practices as tools to focus and design future efforts. Individuals can use some of the resources listed to better manage their financial affairs. Government policymakers can use the Strategy to frame their analyses on financial literacy matters.

Each chapter recommends one or more ***Calls to Action*** *— proposals for next steps for further development of our financial education infrastructure. Most of the proposals call upon the Federal government to take steps to raise the level of financial literacy. Some of these proposals call upon the private sector to expand their involvement in financial education. Other proposals suggest steps individuals should take for themselves to enhance their financial knowledge.*

Purpose. Beyond meeting a statutory requirement, there are three major purposes to the *National Strategy*. First, the document is designed to identify issues within the field of financial education. This will assist policymakers and practitioners alike as they assess the national level of financial literacy. Second, the *Strategy* proposes solutions — in some cases by suggesting specific steps and in other cases by offering examples of programs with features that should be replicated by organizations wishing to spread financial literacy. Third, the *Strategy* seeks to advance the national conversation on financial education. Improving financial literacy requires first awareness and then action in government, in the private sector, and among individuals. Therefore, the *Strategy* is designed to serve as a discussion piece, an action plan, and, in time, a rallying point for those advocating for greater financial literacy in America.

Topic Areas. The *Strategy* contains 13 subject-specific chapters. The *Strategy* begins with an examination of general savings issues in Chapter 1. To transform the time-honored American dream of owning one's own home into an achievable reality, Chapter 2 of the *Strategy* addresses the topic of homeownership. As Social Security benefits alone may not allow Americans to maintain their pre-retirement financial standing, Chapter 3 addresses the need to properly attend to their future financial well being.

Chapters 4 through 7 of the *Strategy* address important financial applications such as credit, consumer protection, taxpayer rights, and investor protection. Chapters 8 through 10 focus on key audience sectors that require targeted financial education, including the unbanked and multicultural populations, and K-12 and post secondary students.

Finally, chapters 11 through 13 of the *Strategy* address important organizational and logistic topics, such as program evaluation and improvement, coordination efforts, and the international perspective.

Calls to Action. Each chapter of the Strategy calls for specific actions to improve financial literacy for all Americans. Each of these Calls to Action may be directed to the Federal government, the private sector, or to individuals. The 26 **Calls to Action** identify concrete steps that should be undertaken to meet the challenges identified in that chapter. Each Call to Action is associated with a tactic or tactics described below. These five tactics occur in different combinations and are broad methods or approaches for addressing the various financial education issues described in the chapter. In the *Strategy*, each Call to Action is found at the end of its respective chapter. A complete list of all the Calls to Action is included in the *Quick Reference Guide*.

As referenced above, the National Financial Literacy Commission found certain fundamental approaches to improving financial literacy that cut across subject areas. These five specific tactics are considered the "Who, What, Where, When, and How" of raising the level of financial literacy for all Americans.
The tactics are essential to replicating the success of the programs cited and

continued on page 19

Are You Pursuing the Wrong Market?

Ed Morrow, CLU, ChFC, CEP, CFP®, RFC®

Many financial advisors are aspiring to become **Wealth Managers**. There are various other terms used for this market and service segmentation, such as: Assets Under Management, Lifetime or Life Planning, Private Banking or Family Office Services. Those with an estate planning focus may use the terms Legacy or Inter-generational planning, but the primary compensation may still be from asset-based fees. Each term will have slightly different connotations in the way the advisor perceives the market and how he/she intends to pursue it.

This may be a serious error! It doesn't seem like that can be true. Being a "Wealth Manager" ought to be more rewarding, satisfactory and prestigious than providing services to just "average" people. We will explore the risks and obstacles in the "Wealth Manager" approach — but first let's explore what initially attracts financial advisors to this market including stock brokers and insurance agents.

Assets Under Management. This is the pot of gold at the end of the rainbow. Unfortunately, it can be nearly as elusive as driving swiftly to where the rainbow appears to arc back to the earth. As you approach it, the end of the rainbow keeps moving. Perhaps this is why few persons ever "strike it rich" with little effort.

Percentage Compensation. Let's assume that the advisor receives only 1% of the client assets under management. $1,000,000 at 1% = $10,000 per year.

Reality Adjustment. Few commission-based sales persons achieve an annual income of $1,000,000 — and those that do are nearly always very, very hard workers with little time for their families. However, they are often believed to be somewhat "lucky" or "well-connected." Personally, I know many million dollar producers and the reasons for their superior sales results are always hard work. Yes, they are often bright and creative, but rarely is sales excellence the result of family connections, "falling into a unique market" or being a very persuasive salesperson. The critical factor is nearly always, "hard work."

Percentages Aren't Flat. That 1% is not likely to be a constant figure. As the size of each account grows there's pressure for the percentage to decline. The larger the account the more it will reduce. So, the 1% may begin to average out at .9% or .8% or even less. When a client's account reaches $10,000,000 it is hard to justify paying the advisor a $100,000 annual fee.

The Client May Pay Over 1%. If the financial advisor is with a broker dealer and/or uses an asset management firm, the total amount the client pays is not likely to be only 1% — but perhaps 2%. The maximum amount would be 2.5%, but that rate may be charged only for small accounts. The larger the client's true percentage the ***more pricing pressure*** there will be. The media and competitors will send a constant message: "You can get more performance for less percentage." That may not be true, of course, but the perception will generate market pressure to reduce the gross client payment percentage, which of course reduces the advisor's net rate.

RIA Status Fee Reductions. Many brokers and agents become independent Registered Investment Advisors. This is somewhat like becoming a trust company without the requirement for walnut paneled offices in a bank tower. But this brings additional problems — and guess who acquires them? The new RIA.

True, there is no "hair cut" by a broker dealer, but the independent RIA is taking on a host of responsibilities:

- The need for some trustee or custodial services — which are not free.

Quickly we can multiply the effectiveness of this compensation basis:	
10,000,000 at 1% =	100,000 per year
50,000,000 at 1% =	500,000 per year
100,000,000 at 1% =	1,000,000 per year

- Legal structure and filing responsibilities with the SEC, state or federal.
- Periodic audits and the expenses involved with preparation and subsequent remedial actions.
- The cost and difficulty of obtaining Errors and Omissions Insurance.
- The absolute status as a fiduciary, with increased liability and performance responsibility.

Now all those services provided by a good broker dealer are looking pretty good - especially the shared liability.

Gross Isn't Net Income. This becomes a serious problem for the financial planner, stock broker of senior life agent who makes the transition to Wealth Manager. During the early stage the former status of being a commissioned sales person will retain some income. There are likely to be trailing, but diminishing, revenues as well as pre-paid overhead expenses.

However, as the Wealth Manger extends the size and wealth of clientele, the business expenses increase. Some clients will demand/expect very high tech support services, such as online conferencing and total Internet access to portfolio information by the client, and this usually requires extra staffing.

As the affluence level of the clientele increases the wealth manager is urged into a more expensive business status and lifestyle. This mean charitable and civic contributions. Active philanthropic involvement is expected of the high profile wealth manager. Likewise, personal lifestyle expenses will increase — homes, clubs, clothes, jewelry and even vacations in trendy spots — perhaps with wealthy clients.

One wealth manager was flattered to be invited to have his family join his biggest client on a one week vacation; location— Monaco. That meant first class travel for four, and new clothes, jewelry, luxury villa rental and entertainment expense. Plus, one can't visit the world famous Casino and not place a few wagers. The cost was staggering, as was the social pressure.

Moreover, it set a new level of expectation for his family.

continued on page 18

Office Overhead Also Increases. One can't expect to be a wealth manager and have modest offices. This means expensive leases, office furnishings, art work on the walls, and the very latest in technology. Nearby gourmet restaurants and private luncheon clubs may also be appropriate.

Office staffing must increase in order to provide the high quality, instant access expected by those who are accustomed to the finest service. This means having above average persons who also project the "right image" and that can be expensive, especially when employment longevity is desired.

Of course, all these issues require only time, attention and the principal ingredient, money! And cumulatively this can be a lot of money, which only compounds the impact of lower net percentage fees.

Percent	Total Number U.S. Households	This Group's Minimum Income	This Group's Average Income	Total Income Earned By This Population Group
U.S. Household Income Distribution				
1.5	1,699,000	250,000	438,338	744,736,000,000
1.2	1,325,000	200,000	219,882	291,343,000,000
3.2	3,595,000	150,000	168,707	606,501,000,000
9.8	11,194,000	100,000	119,410	1,336,675,000,000
21.1	23,897,000	60,000	78,657	1,879,666,000,000
41.4	46,876,000	20,000	38,663	1,812,367,000,000
21.7	24,559,000	0-20,000	10,965	269,306,000
100.0	113,146,000		60,528	6,848,000,000,000

Source: U.S. Census Bureau, based on 2004 data.

Calculating Your Net. What will overhead expenses be? 40% to 50%. Don't be lulled into thinking you can do it for less. Law firms and accounting firms that cater to the affluent clientele consider their operations to be very well managed if they can keep overhead to 45% — leaving 55% for principal payout. There is no logical reason to believe that when you manage the wealth of the wealthy you can do any better!

Foregoing Commissions. Many advisors moving into the wealth management circle often experience pressure or need to shift to a fee-only approach. This means the loss of commission for insurance products and securities trades. Even if the sales licenses are maintained, the wealth manger is often painted into the "no product sales corner."

What About the Rest? If providing wealth management to the wealthy is losing the some of its bloom of promise, what does that leave?

Imagine if you will that the population of the United State is some what like a pyramid. It is not so precisely shaped and angled as the pyramid of Cheops. In other countries this pyramid of wealth may be currently somewhat distorted. But as the changes in industry, technology and the benefits of free trade continue their expansion even to the farthest reaches of Asia, Africa, and Eastern Europe then population distribution will also begin to resemble that of the U.S. and Europe.

The shape of the U.S. population by income is actually more like a pear with a smaller base, a large middle segment and a very small component at the top.

Asset Versus Income Distribution. The U.S. Census Department measures and tracks income, rather than net worth. But for most households this would arrive at a similar distribution with a few exceptions e.g. many farmers have far more assets than the net income they would report. The following chart separates the U.S. society based on 2004 income data, the most recent available — for 113 million households and a population of about 295 million — average household 2.6.

U.S Household Income Distribution.

- The top 1.5% of U.S. households, 1,699,000, has an average income of $438,338. This represents 10.9% of all income earned by individuals.
- The next 1.2% of U.S households, 1,325,000, has an average income of $219,882, which represents only 4.2% of all income earned.
- The next 3.2% of U.S. households, 3,595,000, have an average income of $168,707 and collectively this represents 8.8% of all income.
- The next 9.8% of U.S. households, 11,184,000, have an average income of $119,410 which collectively represents 19% of all income.
- The next 21.1% of U.S. households, 23,897,000, have an average income of $78,657, which collectively represents 27% of all income in the country.
- The largest group, that with an income ranging from $20,000 to $40,000 has an average income of $38,663. But collectively it accounts for 26.5% of all personal income in the country.
- The lowest group, with income under 20,000 represents 21.7% of our society. However, this lowest quarter is accountable for only 3.9% of all income in the U.S.

The top three groups account for 5.9% of our population — a total of 6,619,000 households. This group is **not uniformly** distributed: It is bunched in several areas:

continued on page 19

continued from page 18 **Are You Pursuing the Wrong Market?**

Highly compensated employed persons. These will be found in larger cities, especially state capitals and in the northeast and western coastal perimeter.

- Retired persons with above average wealth, to be found in the popular retirement areas such as Florida and the Southwest.
- These persons are already being aggressively pursued by banks, brokerage firms, accountants and financial advisors.

The next two groups, those with income between $60,000 and $150,000 represent 25,091,000 households. They earn over 3 trillion $3,216,341,000,000 or 46% of all the personal income in the country. For many financial advisors, they represent a far more valuable market:

- They are to be found in every area of the country.
- They are not so likely to have an existing relationship with a qualified financial advisor.
- Some are aggressive savers and investors and have far more money available than their earned income might suggest.

Actually there is probably an excellent opportunity for financial advisors who focus on the largest group of our society — the 46 million of households that account for 1.8 trillion of earnings. However, this group which has an average income of $38,663 must be marketed to differently:

- They will not be as accustomed or inclined to paying a fee for planning. Therefore the presentation must be carefully structured and the fee kept to an affordable level.
- There is very little competition within this group from truly qualified advisors who are well organized.
- Many of this group are on a career path that will find both their earned income and accumulated wealth increasing. If well served they will remain loyal to the financial advisors who diligently provide planning and product service.

Examine the demographics. Ask yourself whether or not you believe in the commissionable products. Most important, you need to answer this question. With which group of society do you have the most in common and do you feel most comfortable with?

The Wealthy Constituency. Wealthy investors are 67% likely to already have advisors, according to the seventh annual Wealth Survey by Phoenix Investment Partners, a unit of the Phoenix Company of Hartford, Connecticut.

Wealthy was defined as those with $1 million or more in assets and most of this group wanted to achieve a position of "comfortable standard" by age 57.

Of those wealthy investors who have advisors, many think that their advisors aren't proactive in their planning approach and are hard to reach. Although 73% of those surveyed said they received investment advice from their advisors, just 49% said they received help with asset allocation. Meanwhile, 47% said they received help with retirement planning, and 33% said they received help with tax planning.

Wealthy investors are most concerned about retirement security, estate planning and their relationship with advisors.

Many of those do not give their current advisors stellar ratings, according to the survey.

Clients who are looking for an advisor with a planning approach, and once they find a person, they are very loyal to them," said Walt Zultowski, senior vice president of research and concept development at the parent company.

Consider Growing Into Wealth. Rather than immediately pursuing the top two or three income categories ($150,000 or more) perhaps you might feel more comfortable and enjoy greater success with the next two or three categories ($20,000 – 150,000 of income) and helping them purchase products wisely, invest regularly, and allow time for these practices to grow into wealth — for your clients and for yourself!

Ed is the Chairman and CEO of the IARFC. He specializes in enabling financial advisors to increase their sales production and client service, by building their practices through effective client relationship management. For information on presentations and workshops: 513 424 1656 ext. 11 e-mail: Edm@IARFC.org

continued from page 16 **Consumer Focus**

to implementing the *Strategy's* Calls to Action.

For the complete, detailed commission report, please visit: www.mymoney.gov/pdfs/ownership.pdf

For the Quick Reference Guide of commission report, please visit: www.mymoney.gov/pdfs/QuickRefGuide.pdf

How Can Advisors Use This? After your review of this *Register* article you should print and read the detailed Commission report. This further study will prompt ideas for gaining local media attention.

Prepare a civic organization presentation. You could summarize the important points, such as the 13 Chapters and the 26 Calls to Action. Then prepare a few examples of both poor and good money management. Then prepare an **offer to speak** and send it to community organizations. If you get speaking request, which is quite likely be sure each organization sends a press release about your talk.

You could prepare one or more consumer-focused articles and offer them to local newspapers or business courier publications. Many of them are "copy hungry" and will welcome your article — which of course should include your complete firm and contact information.

You could also provide one or more articles or papers to your clients. Having you as their advisor would mean they don't need this knowledge and background on financial literacy — but their children or grandchildren might. Your offer of this information will be well received and you'll be perceived as an expert with a wide variety of knowledge and a true "service focus."

The author, Paul Richard, RFC® is the Executive Director of the ICFE, founded by Loren Dunton. Paul is also the author of the ***Certified Credit Report Reviewer*** *and is a highly regarded identity theft prevention specialist.*

Compliance-Friendly Marketing

Lessons Learned From Rogue Brokers

By Katherine Vessenes, JD, CFP®, RFC®

Katherine Vessenes, JD, CFP®, RFC®

Recently, I chatted with two men that have handled literally hundreds of cases filed against financial planners and advisors. One is Bud Bigelow, of the Cambridge Alliance who is the agent that represents First Specialty Insurance, a popular Errors and Omissions (E&O) carrier for financial advisors. The other is David Markun of Zelle and Larson in Los Angeles, an attorney who has represented over 200 financial planners and advisors in arbitrations and in court. These gentlemen were kind enough to share with me some actual cases they have handled and the lessons we can all learn.

Advisor Number One: He had a knack for picking securities that went bust. Unfortunately, he always went along. He had two different securities which got him into trouble, both of these he had also purchased for his own portfolio. It seemed in both cases the companies went bankrupt when the principals started embezzling funds. One company went down about four years ago and the second one just this last year. Unfortunately, **Advisor Number One** had a client who invested in both firms. By the time the second case went down, the client was ready to sue. She had lost about $400,000 which amounted to approximately one quarter of her portfolio. (The client, a healthy 35 year old had inherited a large amount of family money.)

Advisor Number One took detailed notes during every client meeting, dutifully sent a prospectus, and had a signed prospectus receipt in the file. In short, he did everything absolutely by the compliance book. Both companies were on the New York Stock Exchange and they were not exotic. The advisor had absolutely no way of knowing that the principals were going to take the companies to the cleaners.

Prediction: although this case is still pending, Bigelow anticipates his insured, **Advisor Number One** will have a successful outcome.

Here is his reasoning: There is absolutely nothing the advisor could have done to prevent this disaster, other than more diversification in the portfolio. The front end documentation is excellent. There is no negligence involved. It was impossible to foresee that the principal's unethical and illegal behavior would bankrupt both companies. This was an unforeseen event. Finally, and most important, suitability at the time the investment was made was not only appropriate, but was well documented.

Advisor Number Two: This was as a former Prudential rep who sold millions of dollars of Prudential limited partnerships before he moved to another broker dealer. **Advisor Number Two** made numerous mistakes, he performed absolutely no due diligence on the limited partnerships. They were not consistent with the client's needs. He recommended partnerships during a time period when most people thought they were very poor investments. He had only two pieces of paper in each of the files, the buy and sell orders. There was absolutely no documentation or proof that he "knew the client." Not a single file had any written record of client objectives. Nor, could he prove that he had delivered a prospectus. Unfortunately, **Advisor Number Two** had 19 lawsuits filed against him and absolutely no defense. With a $500,000 limit on his E&O policy, his legal expenses were $325,000 and this left only $175,000 to split as damages between the 19 claimants. Not only were the claimants dissatisfied with the outcome, **Advisor Number Two** went personally bankrupt in the process.

Advisor Number Three: This financial consultant had the misfortune to meet twice with a wealthy couple who had over $30 million in combined assets. The couple later divorced. The wife hired a barracuda attorney, and sued the advisor for conspiring to move her investments off shore in an effort to deprive her of the assets. Her lawyer, a graduate of the "I will be as obnoxious as possible and get an early settlement" school of law, daily faxed up to 15 requests for discovery to the defense lawyer. This served to not only frustrate the defense lawyer, it ran up **Advisor Number Three's** legal bills to the hilt. Out of the clear blue, in family court, the wife's lawyer dismissed the complaint against **Advisor Number Three**. The barracuda attorney later confessed that he never actually thought he would get very far against the advisor — because of course there was no case! He just did it to get the husband's attention in the divorce case. Cost to poor **Advisor Number Three**, $35,000 in legal fees, most of which were covered by his E&O policy.

Advisor Number Four: It is becoming increasingly popular for non attorney's to file NASD arbitration cases against advisors. One person who has been in this business was actually a former stock broker who was barred from any securities business by the NASD due to his unethical and illegal activity. He has now found a very lucrative profession by going after unhappy investors and representing them in NASD arbitrations for a percentage of the settlements. His tactics are so unsavory and unethical and illegal, one law firm actually successfully sued him on the grounds that he was practicing law illegally. I will call this former broker "Mr. X." Mr. X brought a case against **Advisor Number Four** on behalf of a son who had inherited his deceased mother's estate.

Mother had approximately $250,000 all in public and private limited partnerships. To make matters worse some of the private limited partnerships had actually been sold away from the broker dealer. Surprisingly, **Advisor Number Four** completely prevailed and had the case dismissed. The advisor had meticulous records all corroborated by detailed notes. The complainant had no one there alive who had actually met with the advisor. The complainant had no witnesses to the conversations between his mother and the broker. If the **Advisor Number 4** had no

continued on page 21

notes or acted like a slick salesman, he would have been completely unbelievable and lost the case.

However, **Advisor Number 4** knew the products inside and out and **Advisor Number 4** was very articulate in explaining the risk and how it could be managed by the general partners. He explained each and every partnership to the arbitration panel and why they made sense. In the end he won a complete exoneration, because he was able to document and articulate why he recommended each product and how the risk was to be managed.

Advisor Number Five: In this situation the investor was an elderly person with a fourth grade education. All of his investments were in one Real Estate Investment Trust (REIT) which went bankrupt in 1991. **Advisor Number Five** was able to testify before the arbitration panel that this investment had had a fantastic track record from 1973 to 1989. He also stated why, in the mid 80's, the REIT was still considered a very good investment with a lot of diversification. In short, **Advisor Number Five** had a reasonable basis for recommending this investment, including its excellent track record. Another key factor, the advisor did not come across as a salesman, but was able to articulate his reasoning in a methodical and believable way. **Advisor Number 5** walked away from the arbitration panel completely exonerated.

Advisor Number Six: Although Markun usually defends advisors, in an unusual change, he represented an investor against a large mid-western broker dealer. The investor had been in a number of industrial accidents and unfortunately could no longer work. His portfolio was somewhat diversified between bonds and equities.

Over a nine to ten month period, all of the client's investments were funneled into one stock: a pasta company. The supervising principal did not discuss the inappropriateness of these recommendations with the broker. Instead, the broker dealer, doing some litigation prevention, sent a series of "happiness letters" to the client. The letters advised the client that there was an unusual amount of trading in the account, and the client should be aware of this fact. The client even signed for receipts for some of the letters. The client lost $20,000 due to churning.

Markun succeed in getting a $1.08 million award against the broker dealer, which included $750,000 in punitive damages. Lessons to be learned from this case:

1. You cannot always rely on "happiness letters" or the client signing off on investment activity.
2. Great documentation will not save you when there is a clear case of wrongdoing.
3. Supervisors need to get on the telephone to assess the sophistication of all investors and blow the whistle on rogue brokers.

Lessons to be learned from all six cases:

- There is no substitute for a well documented file.
- Make sure that at the time you recommend an investment, you can prove in writing that it was suitable and why it was suitable.
- Even if you have done everything absolutely correct, you can still be sued. Make sure that your files will stand up to even a barracuda in court.
- Before making any recommendation, picture yourself before the arbitration panel, how could you succinctly make an argument on why this recommendation is suitable and how the risk can be managed.
- Acting like a "slick salesman" can defeat even the strongest case.
- You can not always rely on a well documented file to get you out of trouble. Well documented files will not work when there really is significant wrong doing, as in the case of advisor number six.
- It is important to know what is going on in each and every account under your control. Good supervisors need to get on the phone periodically just to assess the sophistication of the investors and their degree of understanding of the trades being executed.
- Do your own due diligence on all investments and document your files with your findings.
- Every file should contain evidence that you "know" your client. Good data gathering forms are a must!

"If the world were rational, I would be out of a job," said Bigelow.

Katherine Vessenes, JD, CFP®, RFC® has the greatest job in the world. She helps advisors become multimillion dollar superstars. The Million Dollar Workshop is presented quarterly and there is a discount for IARFC members. For information on seminars, books or consulting: contact: VestmentAdvisors.com or phone: 952 401 1045, e-mail: Katherine@VestmentAdvisors.com

8 "Fast-Track" Success Steps That Leave You Acting Like Sherlock Holmes

Phil Calandra, RFC®

Interest in success is a subject that readers of the ***IARFC Register*** all have in common. Success is something we all feel strongly, but differently. After all, success is a combination of many ingredients. Although we all want success, that success has different meanings for different **RFC**s. Thus success may often be subject to various interpretations and escape precise definition. Still, success remains one of your top concerns.

Generally we tend to view success as an attainment resulting in part from motivation, work, preparation, discipline, etc. In some cases a "concept of success" can be very limiting. This may be the case when we think of success as a certain milestone in our life or career such as a specific income, a big house, a new car, or whatever. In some cases success objectives are never attainable as we keep moving the goal posts when we get there. We may want something more, bigger, or what we now picture as ***more successful but still not yet achieved***.

1 – Imagine Success

For this reason it is very important to remember the old maxim that success is a journey rather than a destination. With this in mind my recommendation for **IARFC** members is to simply **deduce that you are a success now, proclaim yourself successful, then get on with your experience of dedication to your clients**. This may help you acquire a "success consciousness." Now you can think of yourself as a productive person serving the best interest of your clients first and foremost. Having done this we can proceed by taking a look at a few ideas to help increase your major accomplishments more quickly when you act like Sherlock Holmes. Sherlock Holmes was highly dedicated to serving his clients best interest. Sherlock was determined to deliver the results they desired.

2 – Take Notes

Years ago, the late Rev. Dr. Norman Vincent Peale gave me some excellent advice. Dr. Peale said, "Remember, there are two kinds of genius. Those who are born a genius and those who take notes." Dr. Peale added, "Since I can't rely on you being in the first category, I suggest that you be in the second." This was one of the best pieces of knowledge I ever received. I try to pass this on during my talks helping other financial professionals who attend **The Insurance Pro Shop**. Step two is **take notes and review your notes**. Sherlock Holmes helped educate many people, i.e., his clients, victim's families, police, friends, innocent suspects, etc.

At Pinnacle Financial Services we help educate and empower the clients we serve. We accomplish this with knowledge that helps them obtain the financial objectives they seek — each person starting with unique circumstances. We believe that tax planning, retirement planning, and estate conservation strategies should be top priorit for individuals and families of all ages and income ranges.

Forrest Wallace Cato, Editor-In-Chief of ***The Inspirator International*** magazine asked, "Having taken your notes, what do you do with them, for example, when you leave a meeting? Do you file your notes away never to be seen again? Do you throw them away? That seems rather wasteful. Here is an alternative that will make your notes work for you time-and-time again."

Cato adds, "As soon as possible after you write your notes — while everything is still fresh in your mind, go over your notes. Take out the important points and transfer them onto index cards. Keep these cards in an open file or box on your desk."

Cato concludes, "Invest five or ten minutes each day looking at your index cards, reading one and putting it at the back, reading the next one and placing that at the back, and so-on. This way you will continually get the benefits until eventually, through repetition, the ideas may lodge themselves in your mind, ready to the be used whenever the situation requires that you take advantage of them."

Sherlock Holmes was an avid note-taker. *He often reviewed his notes. He found this mentally stimulating and helped him "keep on track."*

3 – Act Now

Mehdi Fakharzadeh, one of the world's most successful financial advisors asks, "Will a great or good idea help you grow your success? No, not if you just decide that you have a clever idea and then tell your colleagues about it. But yes, if you decide to take correct action now and use the idea. Remember the cliché, 'It is not what you know, it's how you use what you know.' **Act now to build upon your great or good idea."**

Some of what you read in this ***Register*** article may be familiar, but that is O.K. If you have heard something useful and you are not using what you know, then perhaps you need to hear it again. Mark Twain wrote, "The man who does not read good books has no advantage over the man who cannot read good books." Forgive me if I get rather simplistic here, but today you may read meanings differently, thus you may see them differently, causing you to feel differently from yesterday. We are all often in a different state of mind from day-to-day, or even from hour-to-hour.

Perhaps you are more receptive, or more positive, at this moment. Maybe something you did not quite understand last time will fall into place on this occasion. But whatever your reason, you may perceive it differently. Maybe, just maybe, as a result, you will act upon it differently.

We all know of super-successful individuals, like Sherlock Holmes. We've seen them, read about them, or met them. You know the type, achievers who are productive and make rapid progress toward their objectives. They apparently overcome rejection, difficulties, obstacles, etc. They do not appear to have financial problems. Such people may appear to be lucky but they actually cause their luck to result. **Sherlock Holmes acted upon his ideas to create his own "good luck."**

continued on page 23

4 – Prepare Continually

Do you believe some people are just plain lucky? I believe that we can all be equally lucky or fortunate, provided we understanding how to create our own luck. My definition of luck is as follows: "Luck is what happens when preparation meets opportunity."

The reason achievers appear to be lucky is that they make sure they are prepared when the opportunity arises. They work at causing luck to result. They make far more opportunities than they find. Like Sherlock Holmes you can create your own luck.

You may remember Sebastian Coe. Sebastian was one of the most successful middle distance runners of all time. He was "lucky" enough to be Olympic and World Champion. He broke world records at 800, 1,500 meters and the mile. Sebastian is a classic example of preparation meeting opportunity. Moving forward with your plan means you **continually prepare and advance toward your desired objectives**.

When Sebastian Coe lined-up with world class runners, on a field in front of an enthusiastic crowd, Sebastian was prepared. Sebastian told reporters that for every minute he spent on the track he did sixty hours of training, a ratio of 3600:1. No wonder Sebastian was lucky! Possibly he heard Henry Ford's comment: "Before all else, getting ready is the secret of success."

Here's another cliché: "If you keep doing what you have always done, you will keep being what you have always been." You must be prepared to break out, and to change. Change is not easy, because nobody likes change. Without change you are denying yourself your true potential. Without change there is no life or growth. Try something different once in a while!

Seeking to improve his results, Sherlock Holmes often changed and left his comfort zone. Often this eliminated whatever was holding him back. By making these changes he was preparing to better meet opportunities.

I am not suggesting that you change just for the sake of change. Remember the aborigine who bought a new boomerang because the new model looked better. But the aborigine discovered he could not throw the old boomerang away. When something works successfully, keep it. Let's not deceive ourselves about the factors that are not working for you — factors that you may be keeping because they are in your comfort zone.

5 – Eliminate Belief Barriers

Break out of your comfort zone, move with the times, upgrade your thinking, and get rid of whatever it is that holds you back. Often these limitations are merely your beliefs.

A limiting belief is a mental barrier, just as strong, and often even stronger, than any physical barrier. A limiting belief tells us we can not do this or that, often without any real foundation. "I can't do as well as him because he's had far more training." "I can't learn to fly because I don't have access to an aircraft and trainer." "I will never be able to operate a computer because I don't have access to a state-of-the-art computer." "I can't be a model because I'm too short."

These and similar limiting comments are nonsense! You can do whatever you want to do. Here comes some more well known, but highly proven, Napoleon Hill advice. "What the mind of man conceives, and believes, he can achieve." Of course that is Napoleon Hill's most famous quote. Your reality is also aptly stated with these two remarks by the great Norman G. Levine, RFC, "You can do whatever you want to do. You can be whatever you want to be." Don't allow anyone to tell you otherwise. All you have to do is pay the price. Pay the price to learn to fly, to become computer qualified, or to be a short model.

On May 6th, of 1954, at the Iffley Road Track in Oxford, England, Roger Bannister did the impossible by running the fastest mile in history and braking the four minute "barrier." The next day, Roger Bannister's time of 3:59.4 was flashed around the world and reached Australian John Landy, (Bannister's main rival) in New York. Landy's reaction was positive. He noted, "If Bannister can do it, I can do it!" Instantly Landy dismissed his previous limiting belief. Six weeks later on June 21, 1954, Landy knocked one and a half seconds off Bannister's record time.

Speaking on the 40th anniversary of his record breaking run, Bannister explained, "I was confronting more of a psychological barrier than a physical barrier." Within three years over a hundred athletes achieved less than the four-minute mile, all refusing to accept limiting beliefs about their abilities and possibilities. Why were they able to do this? Not because they were more conditioned, or stronger, or physically more capable, but because the "barrier" was not prevailing. What was previously considered undoable was now possible and was no longer a limiting belief. **Banish your limiting beliefs!**

After Sherlock Holmes dismissed his limiting beliefs he was able to attain breakthroughs that helped him solve the mystery.

What limiting beliefs are holding you back? Often parents around the world instill limiting beliefs and diminished expectations in their children. These limiting mental factors can have life-long influence and effect. Again I ask, what limiting beliefs are holding you back? This is a question I often ask audience members when I am speaking to a group of sales professionals. More often than not I find people answering with these five comments: "I don't have enough experience." "I don't have enough time." "I'm too old." "I don't have the money to do this." "Now is not the right time."

Get your negative thoughts and beliefs out of your mind. What you are does not hold you back. What you think you are holds you back, or moves you forward. Think: "I am a successful and productive person! I can!"

6 – Vow to Act

To again quote Henry Ford, "Whether you believe you can or you can't, you're right." That being the case you might as well believe you can. By so doing you will discover that the more you do, the more you can do. As your performance and results improve, your potential increases.

You must be prepared to take positive "Fast-Track" action now that will move you forward in the direction you want to go. So, **believe you can!** Become a "can do" person.

Which Group Are You In?

At Pinnacle Financial Services in Kennesaw, Georgia, we divide all people into three basic groups: **(1)** Those who take action, **(2)** those who talk but take no action, and **(3)** those who neither talk nor take correct action.

My recommendation is that you get into (and remain in) the first group. There is far less competition in this first group.

continued on page 24

When you get over the horizon what do you see? Of course your answer is "another horizon." **How you view your horizons is what matters!** Do you see them as challenges and opportunities (as Sherlock Holmes did), or do you see them as limiting obstacles that discourage any further effort? When you rid your mind of limiting beliefs your horizons will all become opportunities which you will cross one after another.

7 – Pay the Price

You will either pay the necessary cost for your success or you will not pay the necessary price for your success. **Pay the necessary price for your success!** If you really want your objective you will pay whatever the price may be. Be certain you truly want it. The real winners all paid a real price.

People often ask me, "Who is your hero?" One of my heroes is a person who is prepared to do what it takes, an incredible lady by the name of Denise Smith who was a recent ***London Sunday Times*** Sportswoman of the Year in the UK.

Denise is not like most of us. Denise spends her life in a wheelchair with no feeling from her neck down. When I said she was the UK Sportswoman of the Year, I meant Sportswoman, not Disabled Sportswoman.

Having contacted polio at age four she was advised to take up swimming as part of her physiotherapy. She did and before long she was competing with other children, and winning.

As if polio was not enough, when she was in her early twenties a drunk driver crashed into her and broke her back. At this point most of us would probably have resorted to self-pity. Not Denise! She made a conscious and positive decision that she would only allow the drunk driver to take away one part of her life. She explained to me, "You can't control the accidents in your life but you can be positive about your recovery."

As if to emphasize the point, she decided to take up athletics, opting for the multidiscipline pentathlon where she soon became one of the best in the world. Denise represented Great Britain at the Olympics. Incredibly, at the same time she was achieving considerable success in both wheelchair marathon and swimming.

This would be enough for most people, but again, as ***Register*** readers know, Denise is not like most people. Next she moved to winter sports and took up skiing. I do not mean gliding gracefully down gentle slopes. One day, ascending a particularly steep run, the ski tow failed and Denise crashed into a snow bank. She broke her neck and crushed her spinal column leaving her without any feeling below her neck. Even Denise decided to call it a day, at least so far as snow skiing was concerned. She next turned to water skiing. Three months later Denise was skiing across the English Channel.

Denise even won another world championship, then qualified as an instructor. Having successfully defended her championship three times. Denise has now establishing ski schools in Singapore, Australia, and Ireland.

Do you believe Denise expelled her limiting beliefs and paid the price necessary to achieve her goals? Do you think she views horizons as limiting ends or as opportunities? Was Denise prepared to do whatever was necessary? Did she take "Fast-Track" action?

8 – Stay the Course

Ed Morrow, CEO of the **IARFC** explains, "In many ways you are already like Sherlock Holmes. He solved problems. You solve problems. He got leads. You get leads. He followed-up. You follow-up. He paid attention. You pay attention. Holmes kept his mind on track and you do also. Sherlock stayed focused. You stay focused. He looked for clues and observed details carefully. You do the same. And there are many other similarities. Now, if you will just be even more like Sherlock you can and you will **resolve all of the mysteries, problems, and challenges that confront you as you progress toward your objective."**

Whatever obstacles might appear to be in your way, whatever your limiting beliefs are, I believe they pale when compared to those Denise confronted. You can record your steps for greater success on notes and use them, just as Sherlock would. You can stay the course.

My greatest pleasure is when people like you come back-stage after my speaking and training appearances, or when they write me, to tell me they have achieved specific goals and objectives by using the Sherlock Holmes methods I advocate for best serving your client's best interest. I hope to learn about similar results you accomplish. You too can amaze the Dr. Watsons in your life.

Phil Calandra, RFC® founded Pinnacle Financial Services in 2004. Despite his youth, Calandra has almost 15-years of successful experience in the financial products and services industry. Phil specializes in private wealth accumulation, management, protection, mortgage management, and arbitrage. He is a member of the National Association of Independent Mortgage Bankers and a founder of the Southeast Institute for Mortgage Education.
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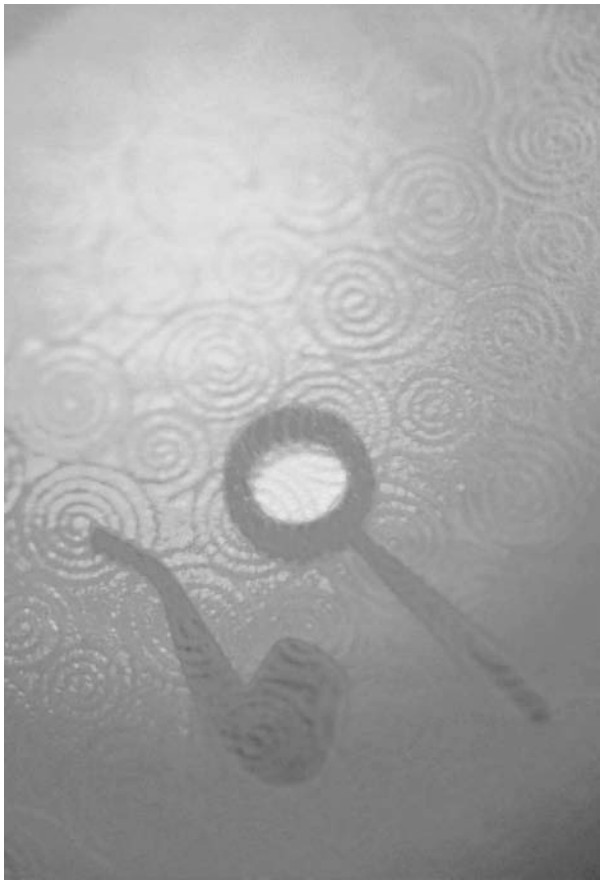

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