

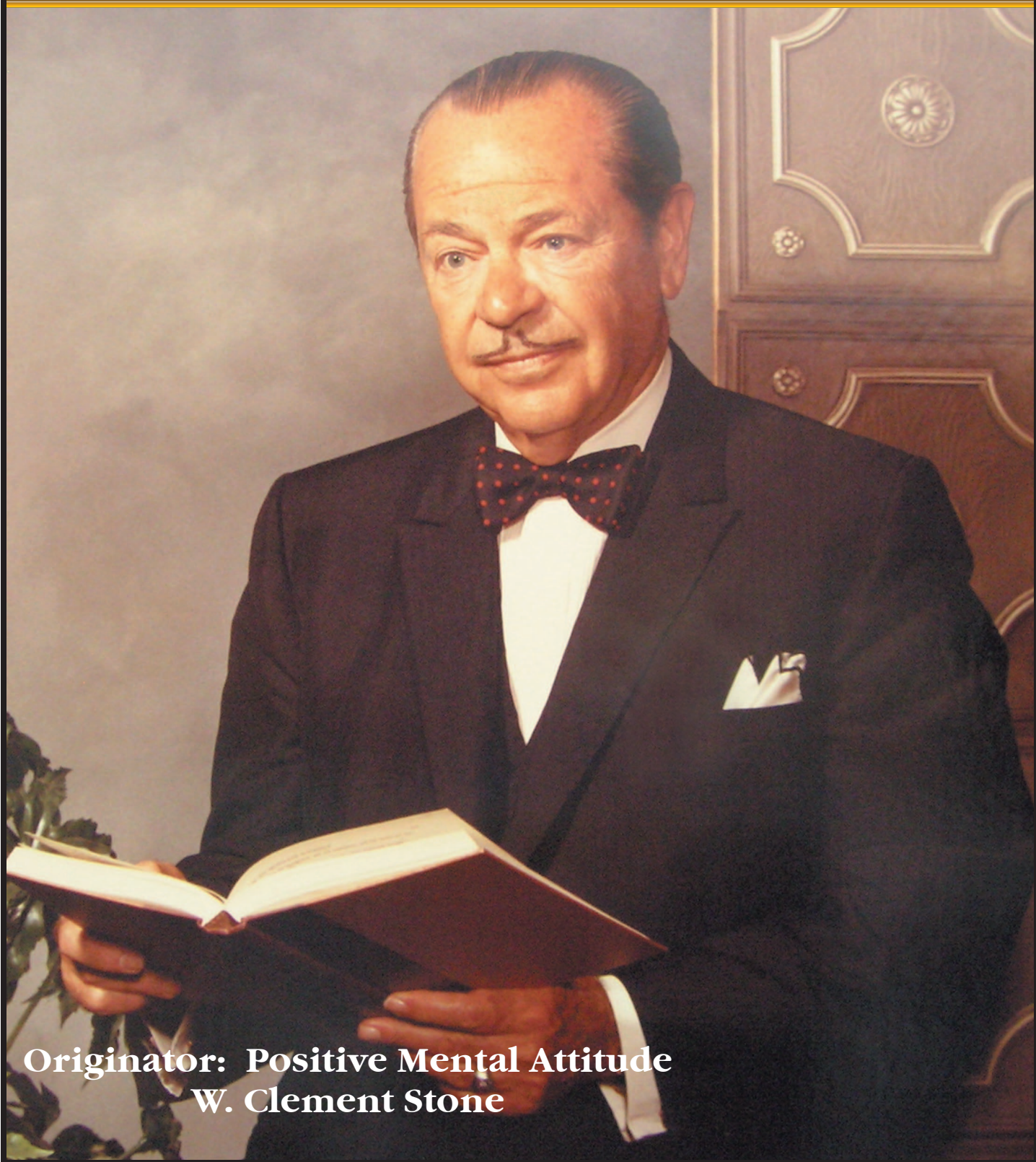
# *the* Register



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**Originator: Positive Mental Attitude**  
**W. Clement Stone**

**Serving Financial Advisors Worldwide**



# IARFC Philippines Graduation Ceremony – July 8, 2006



RFC® graduates, pictured above, donned caps and togas for the graduation ceremony upon completion of the Philippines RFC® course. The IARFC Philippines regularly conducts RFC® courses for the financial and insurance industries in Metro Manila and Cebu areas.



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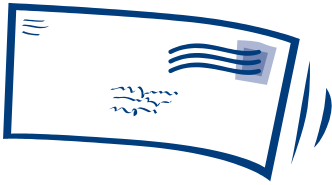
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## Register Letters

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

To the Editor:

The July 2006 *Register* alone was worth far more than the cost of our annual dues! In "Cato Comments — Clowns Who Want To Sell 'Services' To You", Forrest Wallace Cato has done it again. Cato is one of the few super-talents who has the courage to speak the simple and quite obvious truth even when the myths are prevailing. For over 33 years I have been in this profession and I have never seen writing like this in any other financial association publication or any financial advisors magazine.

During my years as a financial professional I learned to sell myself first, needs second, and then resolve as many problems as I could. When I see the "in-your-face" ads, or the screamers on DVD, I just move on. My reaction is: "If your methods are so much better, then why aren't you using them instead of selling them to us?" This should be obvious even to those who actually believe "There must be an easy way. And this must be it."

As long as there are lazy people in our profession — there will be a market for these endless ways to riches for agents and planners — especially for those folks who don't care what they sell. Any alleged quicker, easier, and better way, offered by any guru, for the lazy or for those who are deficient in common sense, is a sure sell for the many gurus.

I work one at a time with families but I am not interested in getting any wooden blocks. I use stories, analogies, and life's experiences to find our common ground. My easy-to-understand but honest strategy helps sell — me, needs, and solutions. This is not rocket science and this is not likely to eventually blowup on you!

Earl A. Thompson, RFC®  
Houston, TX

Register correction: It has come to our attention that Vol. 7 Issue 7 page 23 article by Lisbeth Wiley Chapman was incorrectly titled. The title of this excellent article should have read: **Make Your Media Kit Available on Your Website**

The IARFC Register would appreciate articles of 300 to 1,500 words. Submit via e-mail, along with any charts or graphs and an electronic photo and short bio of less than 100 words to: [Editor@IARFC.org](mailto:Editor@IARFC.org)

To the Editor:

The June 2006 Edition of *The Register* once again provided very valuable information to readers regarding increasing income and productivity dramatically.

The suggestion by Katherine Vessenes to throw a top client surprise retirement party was ingenious and certainly would be a profitable venture. In addition, Theresa Easler's quote "7 Communication Strategies for Doubling Your Sales in Half the Time" was direct and to the point when she stressed incorporating a call to action in the sales process. Those two articles alone are worth my membership fee.

Jim McCarty, RFC®  
Daytona Beach, FL

To the Editor

Once again the *Register* hit the nail on the head with an excellent issue. The picture of Jack Gargan on the cover and the complete story was very informative. I'm not sure his predictions of financial doom will occur...("probably within three to five years")... as quickly as he envisions. However, he is right to be so aware of the financial problems endemic in the U.S. economy. The balance of payments, national debt and a congress that continues to overspend. All forward thinking financial planners should balance their thinking with a respect for the financial problems the U.S. faces and not continue to write the same plans as years ago. Congratulations to Jack Gargan, a great American.

I was glad to see the Prudent Bear Fund's attendance at the last IARFC annual meeting.

Vernon Gwynne, RFC®  
Jacksonville, FL

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# The Last Interview with Financial Industry Legend: W. Clement Stone (May 4, 1902 – September 3, 2002)

The sales legend is gone, long live the sales legend! Known world-wide as “Mister Positive Mental Attitude,” Stone started-out with nothing, saved a hundred dollars as a young man, then went on to be the founder of Combined Insurance Company a subsidiary of Aon Corporation, which today has agents and employees worldwide.

In the process of achieving major success with insurance he became both a tycoon, and a philanthropist, plus an inspiration for the entire fraternal industry. He became a friend to Loren Dunton (founder of financial planning) and such **IARFC** members as Mehdi Fakharzadeh, Lew Nason, Norman G. Levine, Phil Calandra, Jack Gargan (the founder of IARFC), Ed Morrow (**IARFCs** current CEO), Les Anderson, Vernon D. Gwynne, Joseph A. “Big Joe” Clark, and other RFCs. When W. Clement Stone died, after reaching the age of 100, he was highly respected in much of the world and a beloved American citizen.

## Mr. Stone’s Funeral

The limousines discharged prestigious passengers at Stone’s funeral, in solemn processions, one after another. Dignitaries from around our globe entered the First Presbyterian Church in the Chicago suburb of Evanston, on September 6, 2002. They came to mourn the death and also to celebrate the life of the great man, a world famous insurance magnate, book author, and a life-long disciple of Dr. Napoleon Hill.

Throughout his life, Stone continually credited the self-help teachings of Napoleon Hill for his success in the highly competitive insurance industry. Stone served as Chairman of the Board of The Napoleon Hill Foundation for over 40 years. Stone credited the principles contained in Dr. Hill’s classic best-selling books, *Think And Grow Rich* and *How To Sell Your Way Through Life* for his ability to grow a \$100 start-up company into a two billion dollar insurance empire.

During his life, Stone lost track of the number of copies of *Think And Grow Rich* and his famous best-selling book *How To Sell Your Way Through Life* that he gave away to individuals, organizations and financial planners.

Attending Stone’s funeral were people from all financial disciplines, e.g., financial planners, insurance agents, bank trust officers, broker dealer executives, tax lawyers, accountants, estate attorneys, mutual fund managers, etc. From all walks of life, people across the nation mourned when they learned of his passing. Many considered “the late (positive mental attitude) **PMA** advocate” to be a beloved influence in their lives and careers.

The final services were conducted by Rev. Dr. Robert H. Schuller, Senior Pastor of The Crystal Cathedral. Also present were top officials from the former Nixon Administration, radio commentator Paul Harvey, and others, both known and unknown. Among the mourners was Don M. Green, Executive Director of the Napoleon Hill Foundation.

## Stone Gave Away \$277 Million Dollars!

Clement, married for 78-years to Jessie, loved to talk about self-help, inspirational guidance, and personal motivation. He enjoyed dancing and motivating others to greater achievements. During his lifetime he gave away over \$277 million to civic groups, charities, and worthy causes, including money to help the needy. Stone enabled large numbers of children to complete their schooling. For over 50-years he was associated with the Boys Clubs of America and the Girls Clubs of America. He requested that, at his death, in lieu of flowers, memorial contributions be made to the Boys and Girls Clubs of Chicago.

He gave one million dollars to Rev. Dr. Robert Schuller to begin construction on the now world-famous Crystal Cathedral. When the church was completed, Rev. Schuller invited Stone to be first to speak as a lay person to those attending. Stone told the congregation: “You need to read **Success Through A Positive Mental Attitude**. I will get each of you a copy.” Later a truck delivered over 7,000 copies of this book co-written by Napoleon Hill and W. Clement Stone.

The Napoleon Hill Foundation teaches Dr. Hill’s success principles, and also licenses them to be taught around the world. Stone’s financial legacy still supports the foundation. This writer was especially

proud of the fact that W. Clement Stone was a regular reader of *Financial Planning*, a magazine I formerly edited.

Stone contributed significantly to The Napoleon Hill Foundation and directed the foundation’s operations for forty years. Today The Napoleon Hill Foundation accomplishes worthy objectives world-wide. Judith Williamson, Director of The Napoleon Hill World Learning Center, explains, “Courses such as the distance learning course, the home study course, and the “live” courses taught at Purdue University Calumet and the University of Virginia, College at Wise, all contribute greatly to the dissemination of Hill’s success philosophy.”

Ms. Williamson adds, “Specialized courses offered at correctional institutions by trained onsite counselors help enable inmates to turn their lives around prior to, and more importantly, after release. Prisoners generally are people who do not have the needed skills to make a good living. Many prisoners can barely read at the standard 6th grade level. Research shows that people who cannot read have the odds for success stacked against them.”

According to Williamson, “Studies continually indicate that ninety percent of people lose their jobs because of inability to get along with other people. It is pitiful that so many people go through life and don’t learn the elementary basics for succeeding.”

Napoleon Hill was commissioned by Andrew Carnegie in 1908 to research and distill the principles of personal achievement. The industrial magnate wanted to learn why many failed, yet others without advantages achieved success. Accepting the commission, Napoleon Hill spent over twenty years compiling the material for his inspirational best-sellers *Law of Success* (1928) and *Think And Grow Rich* (1937). These and other works by Dr. Hill earned world-wide acclaim and many credited Dr. Hill’s philosophy as the blueprint for achieving goals and success.

It was W. Clement Stone who stated, “Regardless of what you are or what you

*continued on page 4*

have been, you can still become what you may want to be.” This vision of further success in the future was the reason W. Clement Stone coaxed Dr. Napoleon Hill to come out of retirement.

Because of Stone’s strong insistence that Dr. Hill’s work was not yet complete, this well-proven and highly respected philosophy has since spread to private schools, corporations, associations, prisons, and college and university classrooms both nationally and internationally. Japan, Malaysia, China, South Korea and India are just a few of the international associates that support the instruction conducted by the Napoleon Hill Foundation. Additionally, the Foundation maintains a unique self-help library that houses multi-volumes owned by W. Clement Stone and donated to this library that bears his name.

### **New Musical Play Based on W. Clement Stone and Napoleon Hill**

A special Open House Week was held at Purdue University Calumet in May 2003 in honor of W. Clement Stone in appreciation for his involvement in The Napoleon Hill Foundation. Stone’s many friends and associates in the financial services and fraternal industry were invited to attend. The insurance agents, financial planners and financial advisors, numbered in the thousands.

The week honoring Stone began with the world premier of a new musical stage production called *Nap!* on the evening of May 4th. *Nap!* is a full-length new musical play that showcases Napoleon Hill with his famous ‘bookends in life.’ The playwright was O. J. Stutte, and the director was J. Allen Johnson, Executive Assistant to the Chancellor of Purdue University Calumet. An additional luncheon/matinee performance of *Nap!* was held for invited trustees and guests from Japan, Malaysia, China, Thailand, Canada, England and Korea.

W. Clement Stone is featured very visibly in *Nap!* as Stone’s character develops a significant part of the musical. The drama builds upon the comprehensive understanding of the relationship of Napoleon Hill and W. Clement Stone, and the importance of Andrew Carnegie to both of these now-famous men.

### **The Napoleon Hill Center**

For free, no-obligation details about the Napoleon Hill courses and services, plus

their benefits for Registered Financial Consultants, all offered nation-wide, contact Judith Williamson, Director, The Napoleon Hill World Learning Center, Hammond, IN, phone 219 989 3173, e-mail [nhf@calumet.purdue.edu](mailto:nhf@calumet.purdue.edu) or visit [www.naphill.org](http://www.naphill.org)

The famous line, “*Whatever the mind of man can conceive and believe, the mind of man can achieve, through a positive mental attitude.*” was created by Napoleon Hill and later embellished by W. Clement Stone.

### **The Last Interview With The Great Insurance Sales Pioneer W. Clement Stone**

**Forrest Wallace Cato: What does PMA mean today?**

**W. Clement Stone:** Those letters still stand for positive mental attitude. At the age of six, I sold newspapers on 31st and Cottage Grove in Chicago. Today I am Chairman Emeritus of a vast insurance group. There is a relationship between the newsboy and the chairman. Experience, know-how, and sales activity knowledge! It is also true that a successful president, or financial planner, insurance agent, executive, teacher, lawyer, professional speaker, doctor, inventor, scientist, philosopher, or artist is not born to success. Each is self-made! Each is measured by the results he obtains in achievements. There are relatively few true geniuses.

Every normal person has a brain and a nervous system and is, therefore, endowed with great mental capacities. Few use and develop their natural abilities sufficiently to reach the many goals they could achieve. They don’t or won’t pay the price to learn the art of motivation with a positive mental attitude. This applies to many of us. You can develop your abilities more fully in the future if you are motivated to pay the price. This is what **PMA** means today!

You can begin right now to acquire the necessary activity knowledge. **Your price? Regular investment in study, thinking, and planning time, plus following through with action work!** Given the necessary experience of doing the right thing the right way, you get the right results consistently. And when you do, work becomes fun. This I learned from experience.

**Cato: Would you explain your theory that every problem has a solution?**

**Stone:** As a paper-boy, I learned a lot that helped me later as a salesman, sales manager, and executive, even though I didn’t realize it at the time. I know now that I began to learn then. I tried to sell papers at 31st and Cottage Grove, then a very busy intersection. The newsboys who were older and bigger than me beat me up to keep me from interfering with their sales. That’s why I walked into the old Hoelle’s Restaurant and completely sold out my stock of newspapers. I did not experience a personal defeat.

**Cato: What is a personal defeat for a typical reader of *The IARFC Register*?**

**Stone:** A personal defeat may be a final end, a stepping stone, all according to the way you accept it.

**Cato: Can you tell *Register* readers more about your work as a paper-boy?**

**Stone:** As a paper boy, I also began to learn how to **overcome fear through direct action**. I learned **the value of persistence**, and how to sell by using a method others were afraid to use! Cold canvassing! Calling on business people in business places without an appointment. That’s the way I sold newspapers.

### **How Stone Sold Insurance!**

That’s the way I sold insurance! And that’s the reason I sold as many accident policies in a single week as many insurance men sell in months. Why? Because I had learned how to recognize the principles of a given activity, relate them to the needs of a different activity, assimilate them into the new circumstances, and apply them effectively.

**Cato: Do you think the principles you learned long ago still apply to RFC’s today?**

**Stone:** As a paper boy, I was motivated by necessity. I had borrowed the money to buy the papers. I had to sell them to repay the loan and make a profit. Later as an executive, necessity became a wholesome motivating factor in the solution of problems. In many of my business activities, I have been able to apply the principles I learned between the ages of 6 and 14, selling newspapers.

Here are a few examples: As a newspaper boy, I had borrowed money and paid off my loan. As a businessman, I borrowed

large sums from banks and, like the newspaper boy, I recognized the value of repeat business and returned to Hoelle's Restaurant daily.

As an insurance man, I called back at the renewal date of the accident policy to service my customers and sell them additional insurance. I realized the value, as a newspaper boy, in selling crowded places of business, and I applied this knowledge later. As a paper boy, and as a business man, I always made it a practice to get the money at the time of sale.

**Cato: Register readers may wonder, is a financial sales career worth it?**

**Stone:** When endeavoring to come to any decision concerning your future, you may ask yourself whether it is worth it. This is an especially trying vocation. Is it worth it? A traveling salesman may ask himself whether he is doing poorly or well financially. This applies to executives, too, at all levels. I know from experience.

Many years ago I was selling in Macomb, Illinois. I awakened at three o'clock in the morning. The idea of being away from my family was particularly disturbing. "Is it worth it?" I asked myself.

In my thought process that night, I saw that I could achieve wealth through building an organization and saving money. Money could do a great deal for my children, my wife and me. Also, we could be benefactors to others. I realized that within a specific period of time, when my debts were cleared and the business arrived at a given point, I wouldn't have to make the sacrifices. On weighing the disadvantages and the advantages, I decided that yes, it would be worth it. And it has been.

**Cato: What tips or advice would you like to leave for those in financial planning?**

**Stone:** There are six important keys.

1. Direct your thoughts, control your emotions, and you ordain your destiny!
2. You can develop your abilities more fully in the future if you are willing to pay the price.
3. Use your mind power to achieve high objectives through developing your PMA and eliminating your negative mental attitudes.
4. Learn how to use the greatest

machine ever conceived, so awesome that only God Himself could create it; your brain and nervous system.

5. A part of all you earn is yours to keep, and if you cannot save money, the seeds of greatness are not in you.
6. Set a definite major goal. When you set a definite major goal, you are apt to recognize that which will help you achieve it.

**Cato: How did you acquire your philosophy of success motivation?**

**Stone:** When I was twelve years old, I did not realize it then, but the fifty or more Horatio Alger books I read that eventful summer had a lasting, wholesome effect upon me. They stimulated my imagination. They subsequently motivated me to desirable action.

The theme was constant in each Horatio Alger book: **From Rags to Riches**. The principles in each: The hero becomes a success because he was a man of character, the villain was a failure because he deceived and embezzled. The poor boy could go from poverty to wealth, from failure to success; he always strove to do the right thing because it was right.

The teenager of today has personal problems. As a high school freshman, I did too. And because I had personal problems, I wanted to develop self discipline and will power to acquire good habits and eliminate those I felt were undesirable. But I found no books in our library that would inform me how to do what I wanted to do. There were plenty that told me what to do but not how to do it! However, when you know what you want you are apt to recognize that which will help you get it.

Because I knew what I wanted, I recognized what might help me get it! A coupon advertisement in a Chicago newspaper promoted The Power of Will by Frank Channing Haddock; I bought it. This was my first inspirational, self-help, action book. **The Power of Will** gave me insight into the functioning of the human mind. More importantly, I began to see the principles that are so obvious they aren't generally seen.

What a thrill it was to know that I possessed the greatest machine ever conceived, so awesome that this machine could only be created by God Himself — a

brain, nervous system, and the undefinable human mind!

And even more exciting to know how I could operate and use this machine effectively to deliberately direct my thoughts, control my emotions, and achieve a worthwhile goal that didn't violate the laws of God or the rights of my fellow man. I learned how to motivate others and how to motivate myself, at will, through such simple techniques as the use of suggestion and self suggestion!

**Cato: What is motivation?**

**Stone:** Motivation is that which induces action or determines choice. It is that which provides a motive. A motive is an urge within the individual, such as an instinct, emotion, habit, impulse, desire, or idea that incites him to action. It is the hope or other force that moves the individual to attempt to produce specific results.

**Cato: What are these principles of success?**

**Stone:** It isn't necessary to think as you read. But it is imperative to think, study, and learn how to consciously use your brain power to motivate yourself and others to desirable action. If you do, you can achieve anything in life you may desire that doesn't violate the laws of God or the rights of your fellow men.

To motivate yourself to desirable action in the future, prepare yourself now. Be ready to recognize and grasp each opportunity when it comes. To be ready, decide now whether it is worth it to you to pay the price to think, concentrate, understand, comprehend, and relate to yourself the principles applicable to you.

Do this as you read self-help literature, be it an inspiring poem, story, newspaper article, a feature in the **Register**, a book, or when you listen to a motivating cassette, lecture, sermon, the advice of an expert of proven experience who is trying to help you!

**Cato: How does a Registered Financial Consultant motivate himself or herself?**

**Stone:** By learning how to better use the greatest machine ever conceived! The machine that is so awesome only God Himself could create it — your brain and nervous system!





**Where the IARFC will be represented:**

**Worldwide Chinese Life Insurance Congress - RFC Congress**

August 12, Chengdu, China

**Money Concepts Annual Regional Planning Congress**

August 16-19, San Antonio, TX

**RFC Workshop**

August 19, Shanghai, China

**MarketShare Symposium**

August 20-22, Indianapolis, IN

**RFC Workshop**

August 21, Guangzhou, China

**RFC Workshop**

August 23, Taipei, Taiwan

**NAIFA Annual Meeting**

August 26-30, San Francisco

**IARFC Cruise/Conference**

September 16-23, 2006 "Fall Foliage" Through New England and Canada

**MDRT Top of Table**

October 18-21, 2006 Palm Desert, CA

**Million Dollar Marketing Workshop**

November 6-7, 2006, Minneapolis

**Heckerling Estate Conference**

January, 2007, Orlando

**APfinSA Conference**

April 13-15, 2007, Taipei

**Financial Advisors Forum**

May 15-17, 2007, 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

**If you are going to attend any of these events, please let us know.**

**From the Chairman's Desk...**



**Featuring Pioneers.** The IARFC is fortunate to have as our advocates and as members persons who have and who are shaping financial services.

Unfortunately, many organizations pay no heed or homage to those unique persons. Their loss!

This month's feature article on W. Clement Stone, is not because of his incredible rise from a newspaper boy to multi-millionaire. Nor because of the giant corporation he created. It was because Stone rose to success by embracing the success and concepts of others. Yes, he was an original thinker — but he built his empire and his beliefs on the business and mental achievements of others. He never said, "I'm a success because of me!" He sang gloriously of the mental stimulation he received from other writers and thinkers. He was proud to stand on the shoulders of giants — and that made him a giant.

You can forget his millions — or even the hundreds of millions he gave away. What Stone really created — and gave to the world was the capacity of Positive Mental Attitude — PMA.

No — he was not a planner — but he was a personal friend and strong supporter of Loren Dunton who established the original institutions of financial planning in the U.S.

No — he was not a Registered Financial Consultant — but in the last years of his life he was a reader of our *Journal of Personal Finance* and the *Register*. It is sad that we did not publish his thoughts in those years. However, veteran journalist and media advocate, Forrest Wallace Cato did interview him.

Readers of the *Register* would not be aware of this, but Cato is the literary agent for both the Napoleon Hill Foundation and the literary archives of W. Clement Stone. When he interviewed Stone — Before his death at age 100 in 2002 — Cato asked Stone many critical questions, and some related to Registered Financial Consultants.

On a worldwide basis few men have had the impact of Andrew Carnegie, Napoleon Hill, Frank Channing Haddock and W. Clement Stone. You probably don't recognize Haddock's name — but his book, *Power of Will* was the predecessor and thought stimulator for *Success Through a Positive Mental Attitude*.

**What determines success as a financial planner?** It would be easy to say — knowledge, training, organizational systems, software, and technology. But the real answer is probably, mental attitude.

- Negative — you'll be a failure
- Positive — and you're a success!
- Neutral — you barely get by

Other leaders have incorporated the principles of W. Clement Stone. They are extraordinarily successful financial advisors. They may not be of the wealth status of Stone — but persons who have achieved noteworthy success in their market niche, in their community.

Every reader of the Register can achieve these levels of success. If a destitute newspaper boy like W. Clement Stone can build a financial empire and a thought movement, you can exceed your goals. ☐



Master the art of **tapping into the power of your subconscious** through your conscious mind regarding emotions, instincts, feelings, tendencies, moods, the formation of desirable habits, and the neutralizing, or elimination of the undesirable.

Learn how to use your mind power to achieve high objectives through developing **PMA** and eliminating negative mental attitudes.

**Cato: Do you have instructions for RFC's who want to achieve this?**

**Stone:** Memorize the self motivator "Do It Now!" When "Do It Now!" flashes from your subconscious to your conscious mind concerning desirable matters, small or large, act immediately!

The habit can easily be established by repeating "Do It Now!" several times in the morning, several times in the evening for a week or ten days to indelibly imprint the suggestion in your subconscious mind.

Memorize the two self motivators that have helped countless thousands motivate themselves to desirable action:

"What the mind of man can conceive and believe, the mind of man can achieve for those who have **PMA**." **"Aim High!"**

**Cato: Do you believe PMA is essential for RFC's success?**

**Stone:** A positive mental attitude is necessary for achieving worthwhile success. Achievement is attained through some combination of **PMA** and definiteness of purpose with one or more success principles. **PMA** is the right attitude in a given environment. We in America know what it is for us, for we have inherited the tenets of the Judeo-Christian faiths on which our Constitution, laws and customs have been based. A few illustrations on how you can develop **PMA**:

Strive to understand and apply the golden rule, be considerate and sensitive to the reactions of others, be sensitive to your own reactions by controlling your emotional responses to environmental influences.

Believe that any goal that doesn't violate the laws of God or the rights of your fellow men can be achieved.

Develop what are understood to be effective habits of thought and action.

**Cato: Is more required? I mean, what comes next?**

**Stone:** Definiteness of purpose combined with **PMA** is the starting point of all worthwhile achievement. Some authors use the term "singleness of purpose" to indicate definiteness of purpose. However expressed, it means that you should have one high, desirable, outstanding goal and keep it ever before you.

You can have many goals that are non-conflicting which help you to reach your major definite goal. It is advisable to have immediate, intermediate, and distant objectives.

**Cato: After PMA and definiteness of purpose, what is needed?**

**Stone:** A burning desire suggests a compulsive intent, an ardent, intense feeling. An effective way to turn a want, wish, or desire, into a burning desire is to write down your goal — and each day review it to constantly keep your goal before you. As you develop successful habits and learn through experience, an evolutionary process will take place whereby you will be warranted in selecting higher goals. Aim higher and higher with each achievement.

#### **Your Extra Miles Bring Your Success As A Financial Planner!**

**Cato: What is essential for achieving financial goals?**

**Stone:** Have **PMA**. To achieve any objective, or goal, including that of creating a burning desire, it is imperative that you go the extra mile. You must apply extra concentrated effort in your thinking and planning time with regularity! Establish desirable goals by learning how to tap the power of your subconscious mind through the conscious!

Learn and apply successful techniques that motivate you to action at will! And engage in personal inspection with regularity to determine whether you are on the right track and headed in the right direction so that you don't deviate from the path that leads to the achievement of your objectives.

**Cato: What is the new dimension in going the extra mile that will prove most beneficial?**

**Stone:** It is the deliberate application of additional effort to think and act in order

to achieve worthwhile goals for self-development through the use of your mind powers, to establish desirable habits of thought and action in following the principles of universal law pertaining to your mind and body. You can do it. You can prove it. You can start right now.

**Anything in your life worth having is worth working for, and anything worth working for is worth praying for.**

Many authors in the inspirational self-help action field, such as Dr. Norman Vincent Peale and the great Napoleon Hill, encourage people to visualize the achievement of the goal they sincerely desire.

To guarantee success, engage in daily study, thinking, and planning time with **PMA** regarding yourself, your family, and how you can achieve your definite goals, and learn how to use the power of suggestion to influence others and self suggestion to influence yourself as well.

**Cato: What are the two most important self motivators that you advocate for RFC's?**

**Stone:** The two additional self motivators applicable to those who like RFCs control their destiny are:

**'With every adversity there is a seed of an equivalent or greater benefit for those who have PMA'**

**'Success is achieved and maintained by those advisors who try with PMA.'**

**Cato: Is personality important?**

**Stone:** To think and grow rich it is imperative that you develop the habit of being sensitive to your reactions to individuals, circumstances, and events, and to the reactions of individuals and groups to what you say, write, or do. To acquire the true riches of life, it is essential that you develop a pleasing personality, pleasing to yourself and to others. And when you sense your personality is displeasing to yourself, you can make a change for the better by developing inspirational dissatisfaction.

**Cato: Do you advocate any 'self-tough love'?**

**Stone:** Yes! Why always argue, or try to prove another person wrong, regardless of

how foolish his or her logic may seem to you? In the words of Frank Bettger, in his book, *How I Raised Myself From Failure To Success In Selling*, "Oh Lord, help me keep my big mouth shut!"

When you have a problem with another person, client or prospect — instead of always blaming him or her, start with yourself. Analyze what you can do to bring about harmony, friendship, respect, and desirable results. It's an interesting phenomenon: Those individuals who are insensitive to the feelings and reactions of others are generally persons whose own feelings get hurt the easiest.

To effectively be sensitive to the reactions of other persons, memorize the essence of the golden rule as a self motivator. Repeat this many times daily until this becomes indelibly imprinted in your subconscious mind and flashes to your conscious mind in time of need: Do unto others as you would have others do unto you, and don't do unto others that which you wouldn't want others to do unto you. The last portion contains the principles that will help you become sensitive to the reactions of others.

**Cato: What are "cosmic habit forces?"**

**Stone:** Cosmic habit forces are the powers that you apply with **PMA** when you use universal laws or principles. Cosmic habit forces are employed when you use your mind powers whether they pertain to your conscious or subconscious mind. This is how you think and grow richer or achieve anything in life you desire (in principle) that doesn't violate the laws of God or the rights of your fellow men.

In reading inspirational self-help action material, don't be like the editors of a publishing company who must read self-help books from an editorial viewpoint — but who don't recognize, relate, assimilate, or apply the principles that could change the course of their own lives for the better.

Also, the essence of perfection is never reached, but you become more perfect by striving for it.

**Cato: How important are habits or patterns for financial planners?**

**Stone:** Habits? Patterns? You already have them. All financial professionals have them. Everyone has them. Some habits are good! Perhaps others habits are bad!

Many of you are aware of them, but some that are undesirable you are blinded to. Each begins in your mind consciously or subconsciously, and each can be developed and neutralized or changed at will through the proper use of your mind powers. **You have this power.**

In school we are taught deductive and inductive reasoning and the fallacy that will result in starting with the wrong premise in the one instance and making the wrong inference in the other. Accurate thinking and common sense are in part the result of experience. You can learn from your own experience as well as that of others when you learn how to recognize, relate, facilitate principle, and apply them in order to achieve your goals.

**Cato: What is the price an RFC® must pay for mega success?**

**Stone:** For mega-success you must pay the price — this means you must recognize, understand, comprehend, relate, assimilate, and apply the following universal truth to our advantage and to you client's advantage. Use a dictionary if necessary, and check on the synonym of any word that does have a synonym.

You are the product of your heredity, environment, physical body, conscious and subconscious mind, experience, habits or patterns of thought and action, plus your particular position and situation, and direction in time and space, and something more, involving powers known and unknown.

**Cato: If a RFC® could ask you, "Who is responsible for my success?" What would you answer?**

**Stone:** You are! You are responsible for your own success. Every RFC® is responsible for his or her own success!

**Cato:** Starting When?

**Stone:** Starting now!

**Remember Your Enthusiasm For Helping Your Clients!**

**Cato: Does every person really have the ability to become successful?**

**Stone:** Yes! Absolutely yes! Yes, most certainly! You have the power to affect, use, control, or harmonize, with all of the unique elements I just mentioned. You can direct your thoughts, control your emotions, and ordain your destiny. You

can do it. You can do it starting now. For you are a mind with a body.

Applied faith means action, specifically, the habit of applying your faith under any and all circumstances. Faith in your God, yourself, your fellow man and the unlimited opportunities that are available to you in America.

Football coach Lou Holtz says, "**The first ingredient that I believe is absolutely necessary for a successful, efficient, and competent individual is enthusiasm.**"

Coach Holtz also explained, "Enthusiasm comes from Greek words. Let's look into the root of this word, into the basic, fundamental, and original meaning. The first is **Theos**, which means God. The other words are **En-Tee**, which in the early usage of this term of the Ancient Greeks literally meant 'God within you.' Further, no battle of any importance can be won without enthusiasm."

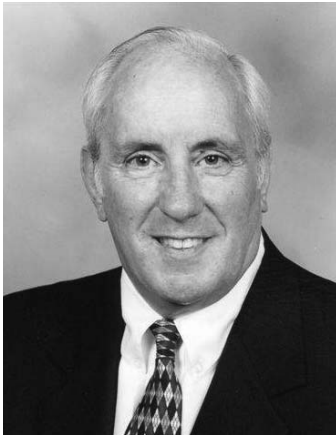
To become enthusiastic for achieving a desirable goal, keep your mind on your goals day after day. The more worthy and desirable your objectives, the more dedicated and enthusiastic you will become. Understand and act on William James's statement: "The emotions are not always immediately subject to action." As Frank Bettger reminded us, "To be enthusiastic, act enthusiastic!" ☐

**Cato's Note:** I conducted this interview with W. Clement Stone not long before his death. When transcribing my notes I thought that it did not have an end — the punch line you might expect from "Mr. PMA." But in fact, it does. Stone ends, just as he started his life — building on and crediting others. If the Register readers can capture his concentration of purpose, and his enthusiasm, they'll achieve great personal heights — just as Stone did....

This article was prepared for the Register by Forrest Wallace Cato, who regularly prepares his Cato Comments column, "About Your Image" for the Register. Cato, former editor of *Financial Planning* and *Trusts & Estates* magazines, is author of the book **Sales And Success Secrets of The Great Motivators**. Cato can be reached at: Intergroup II/Atlanta, Inc., phone: **770 516 9395**, e-mail [wcato7@juno.com](mailto:wcato7@juno.com) or visit website: [www.CatoMakesYouFamous.com](http://www.CatoMakesYouFamous.com)



# The Secret of Prospecting – Create A Board of Advisors



I. David Cohen, CLU, ChFC, LUTCF, RFC®

At approximately 8:30 am on June 10, 1958 I attended my first training session as a brand new life insurance agent. I was twenty-three and a college graduate in the school of business. The training supervisor explained the difference between whole life and term insurance. He covered everything from non-forfeiture provisions to the convertibility of term insurance. I was excited to learn so much about our products.

At the end of our two hour session he asked if we had any questions. As you might expect there were the usual questions concerning the product features but no one in class asked the most important question, so I did: “Who do I sell these policies to and how do I get to them in order to have a meaningful discussion?” His response was what I later found to be the norm – we will get to that next time!

As you might guess the next time never came. I quickly found that very few, if any, in our profession are truly experts on prospecting. It occurred to me from that first day that if I didn't determine how to find prospects, all the product knowledge would mean absolutely nothing. Therefore, I decided that I was going to spend most of my efforts not on product knowledge, but on prospecting. It worked! Some 48 years later I am still here and still thriving.

**Action Steps.** Let's take a look at an idea that you can put into place today to enable you to sit down with qualified prospects. However, you first need to:

- **Identify your Target Market.**
- **What are this market's primary needs and wants?**
- **Have a deep understanding of your**

**products and services.**

- **Understand how your products and services help your clients.**

Once you have identified your market the age old dilemma rears its head – how do I get to see these people and businesses under favorable circumstances?

**Create a Board of Advisors.** Companies, universities, and non-profit organizations have boards of advisors, directors, or trustees – it's required by law. Why? The answer is simple: accountability. After all, leaders in positions of power can not have absolute power. They must answer to someone – especially in situations where the leaders are responsible for managing assets that belong to others (such as publicly held companies and non-profit organizations).

There is a process of checks and balances that occurs in effective boards which creates a sense of accountability that holds senior management's feet to the fire. This is one important value of creating a personal board of advisors. A group of three to five (or more) centers of influence who share your vision and want to see you succeed. To this end, your advisory board should be available to give you:

- **Advice**
- **Counseling**
- **Encouragement**
- **Pressure to follow through on your commitments**

**To begin,** ask three to five of your best, most influential clients to serve on your board. Why clients? The answer is simple – only a client can truly grasp and understand the value of what you offer.

## **Organize to work with your board.**

You share your mission statement and business plan with your board. Their commitment is to meet with you as a group two to three times a year. This is not a new concept. In his book “Love The Work You're With”, author Richard Whitely describes six key “jobs” that together can make up an effective board of advisors.

## **Mentor.**

Your mentor should care about your success and have ownership in your future development.

## **Strategist.**

A person who can anticipate future

challenges and opportunities, and can then alert you to them.

## **Solution Provider.**

Someone who would be focused on the present.

## **Coach.**

It's someone who helps you stay focused on what you need to achieve and how you are going to achieve it.

## **Butt Kicker.**

He or she can motivate you to challenge yourself in ways you never imagined.

## **Cheerleader.**

A person who always reinforces a positive attitude.

Your board of advisors should be “elite” members of your centers of influence. They may or may not have a professional relationship with you. They can be suppliers, clients or work associates. Once you have created your board of advisors you need to make certain that each person takes their role as your advisor seriously. They need to see that you mean business. Follow these steps and I assure you that you will have plenty of qualified prospects to see!

**Getting leads or nominations.** This will come naturally. As your board members see you grow and develop your services they will voluntarily suggest persons you should be calling upon. ☐

*I. David Cohen, CLU, ChFC, LUTCF, RFC® David has written a text book and curriculum course entitled, “Prospect or Perish”. The purpose of this effort is to help financial service professionals enhance their prospecting skills so that they can achieve the results they desire. The IARFC is planning to incorporate this into the new RFC® course within the Client Engagement part of the curriculum. The Prospect or Perish materials have been adopted by NAIFA – Ohio as part of a program to be presented by association leaders. David has been a member of MDRT since 1962 and has been a popular instructor of LUTCF and estate planning programs. You can obtain his book or inquire about instructing courses in your community. Contact David at: e-mail address: rkicidc@columbus.rr.com or 614 258 0444*

# Compliance-Friendly Marketing

## Lake Wobegone meets Starbucks – the Model Client Experience

By Katherine Vessenes, JD, CFP®, RFC®



Katherine Vessenes, JD, CFP®, RFC®

No matter where we live, we are all from Lake Wobegone – where all the men are good looking, all the women are strong and the children are all above average. The stark truth is: We generally think we are doing a whole lot better than we are. I call this the Lake Wobegone effect.

Frankly, we have all been spoiled. Who spoiled us? Starbucks for one. We all know we could make coffee at home for about 50 cents a cup. We could also get it in a restaurant for about buck. Why do we spend 3 or 4 dollars at Starbucks? Because of the experience.

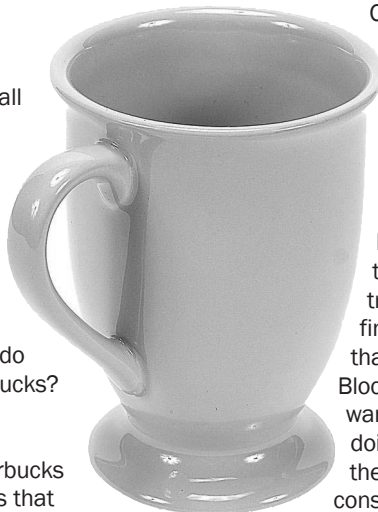
How would you describe the Starbucks experience? Here are the words that come to my mind: consistent, predictable, comfortable, warm, friendly, secure, safe, and a way to pamper myself.

I think Starbucks has done something few companies have done – they have thought about the experience their clients would want to have – and then they delivered it. They have taken a commodity, something that costs about 50 cents, sold it for \$3.50 and made us crave it, almost become an addiction. We can't wait to get back.

This is exactly the same experience every Financial Advisor should be creating for their clients. Why? For a number of reasons. First, clients who are wildly happy with your experience, will not only stick with you, they will send you many

wonderful referrals. Also, it makes the selling process so much easier. If your prospects are having their expectations met at every step of their relationship, your closing ratios will increase dramatically and the sales process becomes so painless, I call it the No-Sell Sale™. There is no selling – you just systematically deliver exactly what the client wants at every stage. Net result? A life time relationship with a happy, satisfied client.

We were hired over two years ago to create the model client experience for H & R Block Financial Advisors. Our firm, Vestment, fixes broken companies, or takes healthy ones to the next level. I have the privilege to be in business with my husband, Peter.



Over two years ago, the president, Brian Nygaard called us. His problem: H & R Block had bought a discount brokerage firm a few years before and they had been having a difficult time making the transition into a financial services firm that meshed with Block's tax base. They wanted to move from doing transactions over the phone to face to face consultations.

I'll never forget what Nygaard said to me: "I am concerned about the client experience. What does the client expect from us?" The question was simple but profound. What he was really asking is "How do our clients want to feel, experience and act because they are doing business with us?" One thing Nygaard knew for sure, it had to be consistent across the country. They have 100,000 tax pros and 1,500 financial advisors – they all had to be on the same page, delivering the same message.

Part of our engagement was to create the Client Experience Model for H & R Block Financial Advisors, which they are just now starting to roll out to 10 markets nationally. Regrettably, creating the

Starbucks experience is not always fast, but it is a sure way to improve sales and create clients who become raving fans.

All this process has a lot of moving parts and can take a long time to execute. However, in its most basic premise is incredibly simple. What do you want your clients, to experience by being in a relationship with you? If your clients are having Starbucks – like experiences that rate an 8, 9 or 10 at every stage, it is highly likely that you will not only make the initial sale, you will create a raving fan that refers many more clients.

If the experience is only a mediocre Lake Wobegone, 5, 6 or 7, it will be much harder to close the sale and even more difficult to generate referrals. If your clients are experiencing a 2, 3 or 4, you could be looking at investors who are so unhappy, in the best case they will leave you and in the worst, they will be looking for an attorney to make them feel better.

Here are the steps that we take to help our advisory clients or broker/dealers, create the ideal client experience for their investor clients. I call this the Secret Decoder Ring, because once you have the Ring, you can look at all of your client touch points and determine if you are creating the experience you want your clients to have.

*Meet with your staff and coworkers and brainstorm on these questions:*

**1. What do your clients want in their relationship with you?** It is likely to be a lot like being in Starbucks: A consistent, predictable, comfortable, warm, friendly, secure, and safe relationship that helps bring them a sense of peace about their financial future.

Make a list of the most common attributes your clients desire because you will use this to evaluate your entire service continuum. This is the secret decoder ring for your firm. Once you have identified the secret decoder ring, use it to evaluate all aspects of your firm.

**2. Compare client touch points with the ideal client experience.** Next make a list

*continued on page 11*

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of the major touch points your clients have with your firm in chronological order and evaluate them from the clients' perspective with your secret decoder ring. It may look something like this:

- a. A marketing presentation in a seminar or brochure
- b. An initial meeting in your office
- c. Follow up meetings
- d. Client appreciation events
- e. Quarterly reviews
- f. Service requests

At each point, think about what the client would want at that stage in their relationship with you. It may be helpful to physically walk everyone in your firm, even the file clerks, through the office, covering each step in your process, with the secret decoder ring. Make sure they are thinking like a client.

Let's take the first initial meeting in your office as an example. In working with one of our financial advisory firms, I was having some trouble getting the concept of the Model Client Experience across to the financial advisors and field managers. Finally, I took the managers out into the parking lot and said, "Let's pretend you are a brand new prospect to the firm and this is your first visit here. You are standing in the parking lot. How are you feeling about the firm so far? On a scale of 1 to 10, how would you rate your experience?"

Their answers were very insightful: The signage was poor so it made it difficult to find the firm. They recognized this would make a prospect uncomfortable because they may not be sure they are at the right location. A little stress makes the sales process more difficult. On the other hand, the parking was easy and close to the office. The outside of the building was neat and clean. The parking lot score was an 8; so far so good. What happened after we got into the reception was more disturbing. The receptionist was AWOL. The space was dark, dingy and messy. There was no artwork or plants. The chairs were uncomfortable and there were no reading materials. They offered their prospects water served in a Styrofoam cup.

The advisors and managers scored this part of the experience a 4. I thought they were being too generous! In my mind it was a 2. They had just taken their score from an 8 to a 2 in less than 50 feet! This made their entire sales process more difficult. All the other prospect contact points would need to be 8s or above, to

have a good chance at solidifying a relationship with a new prospect, and to make up for the bad initial impression.

We then went through a few other steps: what the entire office looked like as the prospect walked back to the financial advisors office, meeting the other staff and then sitting in the advisor's office.

Everyone said the same thing to me: "But Katherine, this is so much better than it use to be!" My response: "That may be true, but does a new prospect know that or even care?" They had not yet gotten used to looking at everything through the secret decoder ring of the client's perspective. These FAs were still thinking about the office from what suited the advisor.

My recommendations on the reception area: clean the place up! Change the paint color from insane asylum white, to something rich and warm, like, camel or even navy. Order some better furniture. Make sure the lighting is bright and cheery. Provide decent reading material. All of this would get the score to a solid mediocre, Lake Woebegone 5.

**If you want to get up to a Starbucks 9 or 10, then you should add these extra touches:**

- Go to Tuesday Morning or Home Depot and get an oriental carpet for the floor. (Cost: about \$250)
- Buy a small toaster oven and refrigerator cookies. Make sure every client and prospect gets a fresh baked cookie when they arrive. (Costs about \$60.)
- Also offer cheese and fruit for those on the South Beach Diet.
- Serve juice, bottled water and coffee in crystal glasses, or china cups. These are available at Mikasa for about \$3 per glass. Make sure you use a tray and nice napkins.
- Play soft music. Not elevator music, but soft jazz or classical.
- Teach the receptionist to say: "You must be Miss Jones, we have been expecting you."

Note the expensive part of this process was just getting to Lake Woebegone. It was the paint and furniture that cost the most money. Creating a Starbucks experience was not expensive; it just took some planning, and making sure every one in the office understands they are in Starbucks, not Lake Woebegone. I happened to be in a field office of one of our b/d clients during a firm wide



conference call. To free up the advisors, one of the sales assistants was answering the phone. It was painful to watch him deal with clients who called in with service issues. He was short tempered, rude and far from helpful. You could tell he did not think responding to service requests was part of his job. Clearly this did not even come up to Lake Woebegone. Forget about getting referrals from this client. They had gotten a level 2 experience and after enough of them, they will be looking for another advisor.

Unfortunately, this situation could have been easily resolved with little to no cash outlay. By bringing the assistant into the model client experience discussions, he would have known his job was to love up clients, and go beyond the service provided by other firms. Like everyone in the firm, he was responsible for making every contact a client has with the firm, a Starbucks experience.

Once you have looked at all the client touch points in your office through your secret decoder ring, start to think about your ads, marketing materials, seminars, and telephone staff. These, too, will probably need to be reworked to match your model client experience. Over time you should notice happier clients, easier sales, and a more referrals. ☐

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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*

# A New Way of Planning for Your Retirement



Bruce Helmer, RFC®

**When the topic is money, few things command more attention than retirement planning. Despite all the time we spend thinking about our retirement income, most Americans are very poor at saving and planning for retirement.**

Most discussions of retirement planning begin with an estimate of how much income we will need to survive. Many so-called experts would have us believe that we need 70% of our working income to live on at retirement. I do not believe in planning for a minimum “need”. I believe in planning for “want”. Why limit yourself to your perceived need rather than realizing your full potential? I believe that 100% or more of your working income may be possible at retirement.

## How to Determine Your “Want”

Instead of planning to meet your needs based on some percentage of your working income, ask yourself what you want from life. What life have you imagined? What is your dream?

Few people hesitate when asked about their dream. For some the dream is an early retirement with the time and good health to enjoy family and friends. Others imagine the opportunity to pursue their passions: art, music, travel. Some dream of chasing that infuriating dimpled white ball or landing the wily walleye.

Perhaps you dream of assisting your children and grandchildren with their education or helping your son or daughter to start a business. It could be that leaving a legacy in your community and

improving life for future generations is your goal. Your retirement plan begins with your dreams, because they are the true currency of your life.

Once you have determined what you want in retirement, you have made a good start. You at least know where you want your retirement plan to take you. But, how do you determine the most efficient way to achieve your objectives? And, how do you know how much is enough?

## How Much is Enough?

In the face of this great unknown, efficient retirement planning requires you to consider three phases of your financial life: accumulation, distribution, and legacy or transfer of wealth. Nearly everyone focuses on the first phase, accumulation, and ignores the others until they are at or near retirement. In reality, a single-minded focus only on the accumulation of assets is not much better than not planning at all. It is a bit like jumping in your car to start your vacation, your money tucked in your pocket, but without any idea where you are going.

Accumulation concentrates on gathering and growing assets. There are many ways to accumulate wealth: saving what you earn, being the beneficiary of a life insurance policy, receiving an inheritance, investing in stocks, bonds, and real estate that appreciate in value, or building a business and increasing its value – just to name a few. During the accumulation phase your asset allocation should be focused on growth investments.

There are also many different types of plans or strategies like 401(k), SEP, IRA, Roth IRA, Simple IRA, 403(b), 457 plans, etc. Determining which investments and plans that make sense for you requires self examination. Here are some of the many questions you should ask yourself. What is my time horizon? What is my risk tolerance? What is my desired rate of return? What date should income start? How much income will I want?

## Keys to Good Distribution Strategies

Distribution focuses on how you spend your assets when the time comes that you no longer live from your wages. There are several keys to good distribution strategies, including an estimated cost of living adjusted for inflation, the order that you tap into various assets, tax deferred

investments, tax advantaged investments, legal tax avoidance techniques, and certain types of insurance products.

The key to efficient distribution is to maximize your income while minimizing your tax liability. You also want to make sure that your distributions do not cause you to run out of money before you run out of breath. To be successful at this requires a different asset allocation on your investments than what you had in the accumulation phase. During distribution you are less concerned with growth and more concerned with income and protection of your principle.

## What Happens When You're Gone?

Legacy or transfer addresses what you ultimately wish to do with your assets when you leave this world. I am presuming you will not spend your last dollar the day you take your last breath. What happens to what is left? How do you get it where you want it to go? How do you make this transfer of wealth go smoothly, quickly and with minimal tax impact?

There are investment tools and also legal documents that can be drafted to assure that this phase of your planning goes smoothly. Many people choose not to go through the extra effort. Ultimately, it is up to you and how much effort you are willing to put forth. Your decision again will be impacted by your dreams and visions and probably someone that you love very much. ☐

*Bruce Helmer, RFC® is the author of the new book [Money and the People You Love: A New Approach to Financial Planning Based on What Matters to you Most](#) (Syren Book Company). He is the host of the popular radio show called [Your Money on WCCO radio serving Minneapolis-St. Paul](#). This article is written for the consumer, of course, rather than for advisors. We included it because it would be very effective reproduced for your clients. You can go to [www.IARFC.org](http://www.IARFC.org) to access the Adobe PDF file of this issue and print just the pages you wish. Bruce is president of Wealth Enhancement Group, a financial consulting firm. For more information, go to [www.brucehelmer.com](http://www.brucehelmer.com)*



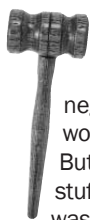
# Courts Upholding Higher Standards



Peter E. Liu, OAM, RFC®

Susan Field, a British citizen living and working in Hong Kong, was an inexperienced investor, so she turned to a local advisor for professional assistance. She used the services of a firm called Barber Asia to advise and assist her to set up a “conservative” investment portfolio. This was done initially with a Sterling dominated conservative portfolio. However, a few months later, Barber Asia recommended that she “gear up” her existing portfolio with a Japanese Yen loan.

Unfortunately, in the months that followed the Yen appreciated against the Sterling, and Ms. Field was required to provide added security for the loan. Without further assets to provide such security Ms. Field was eventually forced to cash in other assets to pay the required sums due under the loan, and practically lost her entire investment.



Normally, that would be the end of the matter. She, like many other investors receiving negligent and inappropriate advice, would simply lose all her money. But Ms. Field was made of sterner stuff — she filed suit. A complaint was entered against Barber Asia Ltd, a private financial advisory firm, claiming she lost a significant amount of money owing to investment advice she received from her financial advisor, Andrew Barber.

In 2003, Susan Field, she won her case against Barber Asia. The judge found that **although Barber did not violate professional standards as written, he did violate a professional's duty of care.**

The Field vs. Barber Asia Ltd. decision was the first time in Hong Kong a financial advisor was held liable for giving negligent

advice. The gravity of the situation rested on the fact that Field, a relatively inexperienced investor, who desired a low-risk strategy, was advised to enter into a risky scheme unsuited to her stated objectives. The High Court concluded that Barber should compensate Field for her loss.

**The Court of First Instance.** In a landmark 92-page judgment, Deputy High Court Judge Aarif Barma, SC, awarded Ms. Field damages for Barber Asia's negligence in the sum of £219,890.25 plus interest and costs. It is now the case that in the modern era of sophisticated and complex investment schemes, the burden is upon investment advisors to ensure that products introduced by them heed to the real intention of the investor. A mere general introduction is no longer enough to discharge their duty of care.

#### **Duty of Care for Investment Advisors.**

The court found that an investment advisor owes a duty of care in tort to their client, the investor. It confirmed that where an investment advisor:

*“assumes the responsibility of providing advice to a plaintiff (Ms. Field), and knows or ought to know that the Plaintiff is likely to rely on that advice, a duty of care is likely to arise. Pertinent factors to take into account will also include the relative skill and knowledge of the parties, the context in which the advice is given, whether the giver of the advice is doing so completely gratuitously or is getting a reward, whether in some direct or indirect form, and whether or not there are any express disclaimers of responsibility (which would negate any assumption of responsibility by the defendant).”*

*“There can be no doubt that Barber Asia, as professional investment advisors, were in possession of special skills and knowledge which Ms. Field, a wholly inexperienced investor, did not have.”*

*“It seems to me ... that Mr. Barber and Barber Asia considered themselves to be financial advisors to Ms. Field. Barber Asia did fall short of the standard of care to be expected of them in a number of significant respects.”*

#### **Appellate Review of the Field Case.**

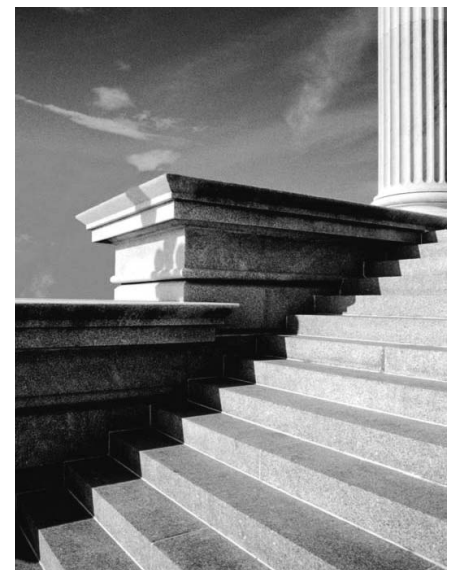
Despite the findings of the Judge at first instance, Barber Asia proceeded to appeal the Judgment and the hearing of

the appeal has taken place. The Hong Kong Court of Appeal dismissed Barber Asia Limited's appeal with costs, affirming the earlier Judgment where Barber Asia was found to have been negligent.

The Hong Kong courts concluded and clarified a financial advisor's duty of care to investors. It was previously thought that so long as financial advisors complied with the regulatory rules that govern them, they would not be liable for losses an investor suffers in a fluctuating market. **This is no longer the case.**

**Observations of the Court.** Barber Asia breached its duty of care, as it had failed to warn Ms. Field of the particular risks involved in gearing, which were seen to be contrary to Ms. Field's “conservative” investment strategy. The obligation to warn of such risk is reasonably expected from a prudent investment advisor. It is not sufficient for the investment advisor to merely bring such risk to the attention of the investor. This is so even when Barber Asia had complied with all the regulatory rules and Ms. Field signed all the application forms, explanatory document, declaration and risk disclosure statements. The Court noted “... it seems to me unlikely that a detailed explanation of the various risks involved was provided ...”

After the hearing, Ms. Field, said “I am overjoyed at this result. It has been a very hard fight but I felt that it was the right thing to do. I would have preferred not to take this matter to Court but Barber Asia left me with no alternative. I was very



**continued on page 14**

fortunate in finding Ian De Witt of Tanner De Witt, Solicitors, to represent me in this matter. The firm has supported me throughout, in what has been a very traumatic time and I cannot thank them enough."

Solicitor Ian De Witt commented, "We are of course very pleased with the outcome, which we feel is the correct outcome. It is unfortunate that sometimes investment advisors do not take their duties seriously enough and that these matters have to come before the Courts."

**Implications of the Field Case.** This type of media coverage encourages more investors who have lost money to seek a legal remedy, both in Hong Kong and elsewhere, because the Field case has achieved international notoriety. At worst, it makes our profession look bad. Prevention is better than a cure. We must do whatever we can to raise the bar of standards.

**The Response of Advisors.** What message does this ruling send to financial professionals in Hong Kong, elsewhere in Asia and the rest of the world? Does it indicate more supervision, detection, and enforcement at the regulatory level? Clearly, this case has far-reaching impact on the commercial relationship between investment advisors and investors. The Field case has even been covered by the Harvard Review, so it is not simply an issue for Hong Kong.

**Ethics and Training.** Since the standard of performance is clearly being elevated, advisors of all backgrounds are going to have to respond — or they risk their personal assets and also their relationship with the firms they represent. Better quality training is the answer, and institutions like the IARFC play an important role in education and setting standards which are acceptable.

It was previously thought that so long as financial advisors complied with the regulatory rules that govern them, they would not be liable for losses an investor suffers in a fluctuating market. This is not the case, and will probably not be so in the future. Had this been an inappropriately invested Unit Linked (variable) Life Insurance policy or Annuity, the likelihood might well have been the same. □

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# Bankruptcy Awareness

When the new bankruptcy law passed in 2005, critics vigorously attacked the legislation. Consumer advocates, bankruptcy attorneys and some lawmakers blasted the act as unfair and anti-consumer. But supporters of the Bankruptcy Abuse Prevention and Consumer Protection Act, which went into effect in October, counter that the law's demands are reasonable and address a mushrooming problem with bankruptcy fraud that was costing consumers billions of dollars.

"This bill would not have gotten anywhere if it was as extreme as the critics are trying to make it out to be," says Pete Lawson, director of congressional and public affairs at the U.S. Chamber of Commerce in Washington, D.C. Others argue that it is too early to evaluate the law's impact since it is less than a year old. "Those who would have been adversely affected by the law most likely have filed prior to the law going into effect," commented Todd Zywicki, visiting professor of law at Georgetown University Law Center.

**The cause for filings.** Consumer advocates argue that most bankruptcies are caused by medical problems, unemployment or divorce. Proponents of the new law acknowledge these factors play a role, but say they are greatly overstated. A national bankruptcy database identified no correlation between bankruptcy rates and unemployment rates, but it found a close correlation with a number of other factors. Among them were the percentage of adults who were divorced, the percentage of the population not covered by health insurance, overall consumer debt levels, ages, nearness of gambling casinos, lawyer advertising, minimum auto insurance coverage requirements by state and growth of adjustable-rate consumer debt.

The bankruptcy database compares bankruptcy rates in local areas to other available economic and social statistics from the Census Bureau, the Bureau of Labor Statistics and other sources. You can search for which economic and social data actually correlated with high or low bankruptcy rates. Zywicki argues that there are other factors that play a significant role: unemployment has been low; divorce rates have been falling and interest rates are relatively low. "We've had 20 years of economic growth, yet

people are filing because of economic distress. What seems to have changed is the willingness for people to file. Bankruptcy laws have previously been so generous that they have provided people with greater incentives to file."

Secondly, the change in social norms and social stigma have reduced or removed the degree of disapproval of bankruptcy. This seems to be the largest examples given the lack of other economic variables. Stuart Feldstein, of SMR Research says, "The database has shown that once a place develops a very high filing rate, it typically stays high no matter what improvements occur in the local economy. Memphis is a prime example. The only possible explanation was loss of stigma attached to bankruptcy. That is, once bankruptcy becomes very common and everyone knows someone who has filed, a bankruptcy filing no longer seems very mysterious, embarrassing or shameful."

**Misuse of the law.** Supporters of the law frequently cite fraud as the catalyst for change and point to findings by the Federal Bureau of Investigation, which estimated that 10 percent of bankruptcies have involved fraud, with "hiding of assets" as the most common type. Feldstein believes that percentage is an understatement based on bankruptcy petitions his researchers have examined. He says the researchers found numerous incidents where the person's income was actually much higher than stated. "A man on one petition we read owed a single large debt for the purchase of a hot tub," says Feldstein. "He sought to have this debt and others expunged, but he also claimed he no longer had the hot tub, so it could not be repossessed and sold. He claimed it had been stolen. We found that claim stretched credibility, since a typical hot tub contains about 400 gallons of water, weighing about 3,200 pounds, takes several hours to drain, and even when drained requires at least six men to lift and move. You would need a team of thieves, a large truck and a full day time to commit this theft."

Many advocates for the reformed bankruptcy law argue that consumers "gamed the system" too often. In testimony from the American Bankers Association before the Senate Committee



on Banking, Housing and Urban Affairs on March 25, 1999, a banker from New York said that a lawyer in his area advised clients to pay their non-dischargeable debt with credit card cash advances and then file Chapter 7. The credit card balances, which are unsecured debt, could then be discharged. "The system had gotten to a point where, some wealthy people were using it as a financial planning tool," says Laura Fisher, spokeswoman for the American Bankers Association, which represents financial institutions. The American Bankers Association estimates that 5 percent to 10 percent of bankruptcy filers under the new system will have to pay more of what they owe.

**Tightening credit terms.** Proponents say costs resulting from the abuse ultimately mean higher down payments, higher interest rates and higher costs for goods and services. Mallory Duncan, lobbyist for the National Retail Federation in Washington, D.C., says a lot of retailers extend credit to customers. When a customer files for Chapter 7 bankruptcy the retail cards get wiped out. "When a customer wipes out the two or three hundred dollars, that isn't going to hurt the local retailer. But if tens of thousands or even if millions of people are doing it,

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that adds up," she says. Those costs are ultimately passed on to all customers.

**Eviction.** Jeanne Delgado, vice president of property management for the National Multi Housing Council in Washington, D.C., says that the eviction of a resident for lawful reasons, such as failure to pay rent, illegal drug use or property destruction, is a time-consuming and expensive process when you consider court fees, lost rent and utility costs. She says prior to the bankruptcy reforms, the automatic-stay provision in the law, which stops collection efforts, created problems. "While the automatic-stay provision applied to all creditors, it imposes more hardship on apartment owners because while the stay is in effect, not only can the owner not seek back rent, but they must continue to, in a sense, grant credit in the form of free housing, something credit card companies or retailers are not required to do."

Steve Bartlett, president and CEO of The Financial Services Roundtable, a trade association of consumer credit and finance companies, says abusive bankruptcy filings have negatively affected responsible consumers. "It has been estimated that, before bankruptcy reform, every U.S. household paid, on average, a hidden \$400 annual 'tax' for abusive bankruptcy filings." That estimated "tax" has been cited by congressmen and lobbyists repeatedly in congressional records. However, opponents of the law have referred to the "bankruptcy tax" as a myth and say there is no evidence to support the number.

**Combating abuse.** Financial organizations and researchers have listed many ways they believe the new bankruptcy law combats consumer fraud:

- A petitioner's lawyer must agree to review all financial claims and must sign off on the accuracy of the claims.
- Both lawyers and petitioners can be penalized for fraud.
- Petitioners must file copies of their recent tax forms. This filing eliminates falsification of income and rids the bankruptcy system of criminals and other persons who don't file income tax returns.
- The U.S. Trustee program, which regulates bankruptcy laws, will contract with a third party to conduct audits for at least one out of every 250 bankruptcy filings in each federal judicial district.

- Mandatory bankruptcy credit counseling before filing provides debtors with alternatives to bankruptcy.
- It's designed to deal with "bad-apple debtors' attorneys" and "bankruptcy mills" that push people into bankruptcy without telling consumers all their options.
- The required counseling after a debtor files is intended to cut down on repeat filers. In addition, the counseling provision adds an additional paper trail for fraud investigators.
- The means test measures whether consumers can pay off their debts. The test assumes that debtors can repay debts if they earn more than the median income in their state and have more than \$100 per month left after taking out basic living expenses and other important payments.
- Repeat filers are obstructed by lengthening the minimum time between bankruptcies. The minimum time between sequential Chapter 7 discharges has gone from six to eight years. If they want to file for Chapter 13, they will not receive a discharge within two years of a previous Chapter 13 discharge and within four years if they were discharged from a Chapter 7, 11 or 12 bankruptcy.

The ability of debtors to "load up" on luxury items before filing bankruptcy is limited. Consumer debts that surpass \$500 for luxury goods or services incurred within 90 days of filing are non-dischargeable, which is more restrictive than the previous limits of \$1,075 and services incurred within two months.

- The law revises the automatic-stay provision to recognize that when an apartment owner has obtained a default judgment, which is the final decision where the judge rules in favor of the apartment owner in an eviction proceeding, the resident can't file a bankruptcy petition to further delay the eviction. Thus, the owner can proceed with removing the resident.

**Caps placed on homestead exemptions.** Wealthy filers attempting to protect millions of dollars from creditors by purchasing pricey homes in a state with an unlimited homestead exemption now will face an additional hurdle. The new law states that debtors are bound by the homestead exemption of their prior state



of residence until they have lived in the new state for two years.

**Child support and alimony payments have higher priority.** In addition to stopping the abuse, Zywicki says the new law protects consumers, "It's got a number of consumer-protection provisions, such as greater restrictions of debtors to reaffirm debts and penalty provisions for creditors that don't accept good-faith efforts for debtors to repay voluntary payment plans." Bartlett believes the new bankruptcy law forces better decisions and earlier choices and is ultimately about responsibility for creditors, consumers and the legal system. "The legal system has the responsibility to protect people in need, while at the same time offering vital safeguards for consumers," he says. "The industry has the responsibility to provide educational information to support consumers' financial education, and the consumers have the responsibility to honor their debts when they are able and to be aware of their options so that bankruptcy is a last resort."

**Future changes.** It is likely that Congress, the bankruptcy interests, and attorney and major credit or groups will closely watch the impact of the new laws for five years. If the new legislation reduces bankruptcies without harshness, then you can look for more tightening.

**Application to your clients.** Hopefully the clients of financial advisors will never need to consider bankruptcy — but strange events might cause it to happen. However, some clients may have family members who are considering bankruptcy. Or your clients may have loaned money or sold a property on terms to someone about to declare bankruptcy. Therefore, we recommend you save this article for future use with those applications. ☐

# It Tastes Expensive... And Is.



Ed Morrow, CLU, ChFC, CEP, CFP®, RFC®

One of the world's most successful advertising campaigns was built around this message. You can employ the same psychology and techniques in your practice — to elevate it to another level.

First, you'll want to know how this ad message was used to change the marketing of bottled spirits, in particular Kentucky Bourbon Whiskey.

In 1943 a young man returned from military service intending to join the family's T.W. Samuels distillery. The family enterprise traced its roots back to the earliest recipe for Kentucky Bourbon whiskey, traditionally made from a mixture of grains — primarily corn, with some rye, wheat, malt, barley and yeast to promote fermentation.

The manufacturing process, the same now as it was then, requires storage in charred oak barrels for four or more years. The result depends on many factors — the grains, the recipe, the sour mash which includes portions previously cooked, the limestone naturally filtered water, the charred oak barrels, the rise and fall of temperatures during storage and the selection of the ideal time to decant the

product. There are no artificial ingredients, whatsoever. The longer the whiskey barrels are stored and rotated in ricks, the more expensive it becomes. Every year there are heavy property taxes to be paid, and gradually some of the whiskey evaporates. But the longer it ages, the smoother the taste.

Historically distillers always compromised, making trade-offs of quality versus cost. Young Bill Samuels realized that many persons were seeking the **highest** quality and price was not a consideration. He set about producing the **finest** bourbon whiskey without any consideration of price. So he left the T.W. Samuels Distillery and started developing a new recipe, based on locally grown maize (corn) and malted barley coupled with winter wheat, not the harsher rye.

Samuels bought and renovated a small distillery located on Star Hill Farm in the central Kentucky town of Loretto. His family and other Kentucky distillers may have worried about his sanity — or at least about his judgment, because purchasers had always been presumed to be concerned about the price of a drink.

Of course, there were other products that had been successful with an approach based on quality, not price, such as Rolls Royce and Rolex. However, marketing this highest price whiskey was presumed to be flying in the face of tradition — and tradition counts for a lot in the South.

To make his whiskey package unique, his wife Marge designed a new rounded square bottle format that had never been used. Then the top of the bottle was dipped in hot red wax, similar to fine French cognac, as if to seal in the superior flavors. The label bore his unique mark, his suffix as the fourth in line with the T.W. Samuels name, IV. The IV was embossed

with a circle, with an "S" and a star for Star Hill Farm — thus being his unique "Maker's Mark."

The name, the bottle, the red wax and the mark were all very unique, as was the superb quality of the deep cherry-colored whiskey — and the higher price. How could this whiskey be sold against the traditional brands of Jim Beam, J.W. Dant, Old Crow, Old Forester and Seagrams? The first bottle of Maker's Mark was dipped, sealed and introduced in 1958 — priced at \$7 per bottle, well above the market.

Samuels and the family came up with the slogan that bragged about the price — flaunting the consumer with an assertion of quality!

The first billboard ads appeared in 1965. All they showed was the distinctively shaped bottle of whiskey with the red wax top and the slogan, "It tastes expensive...and is!" What was the implication? A discriminating drinker and host would buy Marker's Mark, assuming, of course he or she could afford the higher price. Prestige would be acquired simply by paying the highest price and serving the best. It was a way of saying "I can afford it," and also implying that the guest was highly valued.

Sales rocketed. The small distillery of Star Hill Farm in Loretto could not make enough to satisfy demand. They had to raise the price. In 1968 they ran the identical ad in magazines. Competitors caught on and produced new or modified brands with improved quality and higher price. So Maker's Mark, to stay the most expensive, further raised their price.

Fifty years later the little distillery in a very small town keeps its high standards and high price — and sells all it can make.

Now, you might be asking yourself, "What has this got to do with financial services?" The answer is, "A lot!" What's more, I can prove that to be true. Having entered financial services in Louisville Kentucky in 1963, I soon drove past the billboards promoting Makers Mark... the distinctive bottle... the



**continued on page 18**



red wax, the IV maker's seal and the slogan. And, yes, I enjoyed sips of Maker's Mark when I could afford it.

When I started to charge fees for financial plans in 1968, and was worried that consumers would not pay me for what others claimed to offer for free, I recalled this slogan and I realized, **Financial Planning is not price sensitive — it is a matter of quality and perception!**



My plans had to **look good**. They had to have **distinctive features**. The Maker's Mark bottle might have cost a little bit more than those of other brands — but that wasn't the point — the

shape was different than standard round bottles. It implied a higher quality. The red wax didn't seal in the flavors any better than any other bottle top — but looked it like it might. The star "S" IV seal implied that the maker was proud of his product and that he was personally going to offer me the best "sipping whiskey" in the world.

So, I worked on making my financial plans look unique. We found high quality vinyl binders and printed very attractive tabbed dividers. I used distinctive colors of paper and printer ink. I placed a gold seal on the plans — my version of a "maker's mark."

In my initial presentations to prospective clients, I would always say, "Financial Planning isn't price sensitive — it's all about quality. If we do a great job for you, the impact on your future will be many, many thousands of dollars — far above the fee we charge."

We all know that the highest quality products come with some type of guarantee. Either "money back" refund or some guaranteed exchange. Such vendors, whether their product be appliances, clothing or cars, always command a superior price and they sell to the more discriminating customers.

So I told my clients, "We guarantee 100% Plan Satisfaction." Notice I did not say "guaranteed investment results" or "guaranteed return." What we guaranteed was that they would be 100% satisfied with our financial plan — or we would refund their planning fee.

Since this guarantee could be easily misinterpreted later, we developed a Guarantee Certificate. When we got to that portion of the initial presentation, we would pull out the Guarantee Certificate and sign two copies with a flourish. And we'd have the client sign both copies — keeping one.

Naturally we worked very hard to produce accurate and attractive plans. Every plan clearly identified the client's **Problems** (shortcomings) and the **Solutions** (recommendations) with an **Implementation Checklist** (action items).

If a plan wasn't right we re-did it. And a few times we had to postpone the plan delivery interview because we hadn't done all the research or analysis or because we found errors and had to revise the plan.

But, in 35 years we never had to return a fee. We had each client sign the second half of the guarantee — a similar, one-page "Plan Satisfaction" agreement, which reduced our liability for the plan itself, since the client accepted it in writing.

Furthermore, I have never heard of any other financial planner who offers a Plan Guarantee ever being requested to make a refund of the fee.

But, what if a client did request the refund because they considered your plan to be inadequate in some respect? Well, first of all — this isn't a client. If someone isn't very pleased with your plan, they will never buy products from you or place their assets under management with you! Furthermore, if there are any doubts on their part, it would be better to refund the fee and quickly close the relationship.

Did everyone agree to pay the fee I quoted? Of course not! There were a variety of reasons, and I'll list them in the order of likelihood:

- Some weren't ready to reveal all of their facts and express their personal fears and dreams. This could have been due to a strong sense of privacy, or reluctance to expose debt levels.
- Some truly thought the fee was too high. A few of these people came back later, after visiting with other financial advisors. One said, "Your plan costs \$4,000 and the brokerage firm charges \$275, but we want it done right!"

- A few weren't ready — maybe they had job insecurity or were having some marital or family discord, and they just weren't prepared to express the true reason. They might use the "fee" as the reason for not moving ahead, but it was merely the stated excuse.
- A few were seeking "Something for Nothing!" They were what car salesmen call "tire kickers." They liked to talk about planning services and personal finance and wanted "free advice" and wouldn't ever pay for it. Nor would they have had any retention loyalty for product purchases. Good riddance!
- Some prospects just don't bond with the financial advisor. It could be the "chemistry" just isn't right. Or they might have some prejudice about such as the advisor's age, education, sex, race, hair color or being from a small town sandwiched in between two large cities.

It doesn't matter why a prospect objects to the planning fee: the rejection just saved the work and the disappointment when they would fail to implement based on our well-considered recommendations. I would guess that about 80-85% of the persons to whom we presented, hired us to produce a plan. And 100% of them followed through on some or all of our recommendations.

For discriminating purchasers of fine Kentucky Bourbon I recommend you try Maker's Mark — available all over the world — at a very high price. Please don't mix it with Coke, soda or fruit — just a few cubes of ice and a splash of water — and sip it gently. As you think of your professional practice — remember to be distinctive, maintain the highest standards, never compromise your integrity, charge the highest price — because the quality of your service, "Tastes expensive... and is." ☐

*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*

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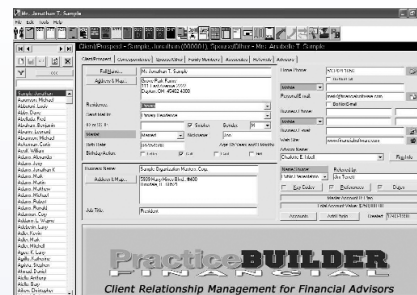
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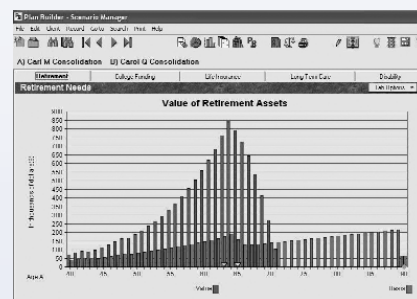
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# Intriguing Introductions



Teresa Easler

It's been said that the fear of public speaking is the number one fear, followed by that of death and an IRS audit! It's for that reason that, last year, I was excited to launch my second book, ***A Guide to Breakthrough Presentations***, with the intention of helping ease any fears you might have regarding public speaking.

In this article, I will share with you some of the guidelines from my book. Apply them to your next presentation and you will experience the joy of getting in front of an audience and speaking.

## Creating an intriguing introduction

You may be asking yourself, "What do introductions have to do with easing my fear of public speaking?"

Well, I can't stress enough the importance of an effective introduction, whether you are the one being introduced or the one doing the introduction. The person making an introduction is essentially the opening act!

You may have had the experience as a speaker, when the individual introducing you does not know you personally, and may have been introduced to you moments before they are to introduce you to the audience. You may also have been put in this awkward position. The tendency in this case is for your introducer to read the resume as the introduction – boring!! We've all sat through these types of introductions. Most of the time we tune out, shuffle through our papers, engage the person next to us in conversation, or mentally go through our To Do list. The

only thing we're not doing is listening to the introduction.

An introduction of this kind will leave you, as the speaker, with the difficult task of having to **re-engage** a distracted audience. This can start you off feeling more nervous than you already were.

When making an introduction, there are three important responsibilities:

- I. **To establish the credibility of the speaker.**
- II. **To introduce the speaker's topic.**
- III. **To begin building the relationship between the speaker and the audience.**

When you are the speaker, you should take four steps:

- ▶ Find out who will be introducing you as far in advance as possible.
- ▶ Prepare an introduction for them that includes information that is relevant to the audience.
- ▶ Then, have a conversation with that individual, either on the phone or in person, so they have a sense of you as a person. If you want to be referred to as "Bill" rather than "William" or as "Mr. Smith" then be sure to clarify this in your conversation and your intro script.
- ▶ You can even have your introducer provide the audience with guidance on what you would like people to know or remember about you, like, "Usually audiences find him or her to be fun and energetic."

Following these suggestions will accomplish two things. First, it will give the person introducing you a chance to get a feel for you as a person. Secondly, you'll be able to craft an introduction that is more engaging, begins to develop the connection between you, as the speaker, and your audience. Most important creates anticipation and interest in the topic you are going to discuss.

Your introduction is every bit as important as your presentation in establishing relationship with your audience. Remember that you have a small window of opportunity to engage them so

take the time to create an effective, intriguing introduction. ☐

*Teresa is the creator of The Power to Connect® workshop, author of the book, A Guide to Breakthrough Presentations, co-author of the book The Power to Connect® – Creating Communication that gets Results and co-creator of the Bravo Presentation Coaching® program. She has helped groom many successful professionals to extend their speaking capacity and has personally addressed many associations, including the MDRT and CAIFA. You may learn more about their services at: [www.cvcomm.com](http://www.cvcomm.com), and you can contact her at: 416 696 2020 or by e-mail: [info@cvcomm.com](mailto:info@cvcomm.com)*

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## *For Veteran and Active Duty Service Members* **Credit Monitoring is a Feel Good Answer, But a False Sense of Security**

**Veterans, Active Duty Service Members and Consumers** whose personal information was stolen have been offered a salve — credit monitoring — which is a feel good response, but provides a false sense of security. Credit monitoring is to identity theft, what bumper stickers are to politics, not very much.

Despite the hype, when it comes to identity theft prevention measures, relying on credit monitoring is similar to placing only one smoke detector in a three story home

This alert is for potential victims to carefully review and understand the limitations of credit monitoring. Credit monitoring will not alert the consumer if someone has obtained a driver's license, birth certificate, Social Security card, or used their name during interactions with law enforcement, resulting in arrest warrants or erroneous criminal records.

Many ID theft services companies actually claim that their service "protects" or even "guarantees against" identity theft. This is a marketing claim proven wrong time and time again and also one that is clearly disputed by privacy experts and consumer advocates alike.

### **Credit Monitoring Services Limitations**

Most credit monitoring services only monitor one bureau. Some services provide an initial three-bureau report on the first order, and then revert to monitoring only one. Consumers should carefully read the fine print before signing up. While major accounts such as home and auto loans are typically reported to all three bureaus, non-major account creditors often report to only one bureau. If the service only monitors one bureau, it will show only what is reported to that bureau and may miss anything and everything else.

Many creditors report to the bureaus only once per month or quarter, and credit bureaus only report what is reported to them. Expensive daily or weekly

monitoring may provide early notice of inquiries, but many potential credit grantors regularly make inquiries for pre-approved offers, and inquiries often are not differentiated or explained. If an account is opened, it may still be some time before it is reported. In cases involving in-store or utility accounts, the account may never be reported until after it has been sent to collections.

With very rare exceptions, credit monitoring does not monitor specialty-reporting companies, such as ChoicePoint, or check verification companies.

Credit monitoring will not alert the consumer if someone has obtained a driver's license, birth certificate, Social Security card, or other such documents in their name. It also will not alert the consumer if someone has used their name during interactions with law enforcement, resulting in arrest warrants or erroneous criminal records. Credit monitoring will not report to the victim in a timely fashion, if at all, when an identity thief has taken a job using the victim's name and Social Security number — in some States, this type of employment fraud approaches one-third of all identity theft cases, and causes significant financial cost, **unexpected tax consequences, and embarrassment to the victim.**

**Conclusion:** Credit monitoring may be useful to alert the consumer that an account has been opened in his or her name, but afterwards the task of disputing the accounts and resolving the matter still falls squarely on the consumer's shoulders. In most cases, experts contend that consumers may be far better off ordering their reports themselves, and staggering their requests throughout the year. FACTA-mandated free reports are available in all fifty states, so this may be performed for free. If the consumer is a victim of fraud, or has been denied credit due to information on their credit report, he or she can also obtain a copy of their report for free.

**Other options available include "opting-out" of pre-screened credit offers, "Fraud Alerts", and credit "Freezes".**

Fraud alerts are statements that may be included in the consumer's credit report intended to alert potential credit issuers that the consumer is or may be a victim of fraud. A fraud alert is temporary, 90 days in length, it may be extended, however, at the consumer's written request for up to seven years. Fraud alerts are sometimes completely ignored, but an alert can stop many instant credit applications. The alert should include a request for potential credit grantors to contact the consumer directly at a specified number to confirm the legitimacy of the application before granting credit.

Where available, credit freezes are a powerful tool that essentially prevents third parties from accessing the consumer's credit file, until he or she instructs the credit bureaus to unfreeze or "thaw" the report. This request can be general or only for specific companies. **To be effective, the consumer should place a freeze on their file at each of the three bureaus.** States permitting all consumers to request a credit file freeze are California, Colorado, Connecticut, Florida, Illinois, Kentucky, Louisiana, Maine, Minnesota, Nevada, new Hampshire, New Jersey, new York, Oklahoma, North Carolina, Utah, Vermont, and Wisconsin. States that permit only ID theft victims to request freeze are Hawaii, Kansas, South Dakota, Texas and Washington. ☐

*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.*

# Will Federal Regulators Shut Your Seminar Down?



Larry Klein

If you have not heard, the SEC, the NASD and some State insurance departments are after seminar promoters that target seniors. **Could your whole marketing approach disappear?** While the regulators cannot ban freedom of speech, they can make your disclosures so onerous that you will not be able to attract attendees. For example, the **State of California requests that insurance agents disclose on their invitations:**

“[an]advertisement for an event where **insurance** products will be offered for sale may use the terms “seminar,” “class,” “informational meeting,” or substantially equivalent terms to characterize the purpose of the public gathering or event unless it adds the words “and **insurance sales presentation**” immediately following those terms...”

**Here are tips on how to give a clean presentation so that the public is served and regulators are satisfied:**

**1 If you are an NASD licensee**, realize that the NASD regulates your behavior, not just products. So even if you give a presentation about fixed annuities, your presentation must meet the NASD guidelines as fair and balanced and provide adequate disclosure. You cannot say “fixed annuities are guaranteed.” You must add “by the claims paying ability of the insurance company.” You cannot say “You cannot lose money” because it is possible to lose money when surrender charges are subtracted. Note that the presentation materials provided you by an insurance company do not necessarily meet NASD guidelines so don’t automatically use slides, presentation materials or seminar

invitations until you have had these reviewed by your broker dealer.

**2 If you use visual aids (e. PowerPoint)**, it is not sufficient to provide the necessary disclosure as a hand-out. The disclosures that the NASD requires must be on the slides: annuities have surrender charges and fees, they are illiquid (the NASD requires this even though it’s not accurate), there is a penalty for withdrawal prior to age 59 1/2, annuities are long term commitments. If you miss any of these disclosures on your visuals, you risk regulatory problems for you and your broker dealer. Do not even think about giving a presentation that has not been reviewed by your broker dealer even if securities are not mentioned.

**3 Do not mention securities if you are not an NASD licensee or registered investment advisor.** What you believe may be a harmless comment like “many seniors want to get away from the volatility of mutual funds and that’s why fixed annuities are a good choice” could be construed as the solicitation to transact securities without a license. Therefore, an unregistered person should omit mention of stocks, bonds, mutual funds, variable annuities or any security.

**4 Don’t be one sided.** Always mention the pros and cons of every opportunity (you’ll get more appointments that way also as the public is not interested in a one-sided sales person; they want a consultant). For example, if you speak about immediate annuities, then explain that this would be a good choice for someone who wants to maximize their income during their lifetime and not a good choice for someone who wants to leave the maximum amount to heirs. Also make clear that there is nothing left at the end of the annuity term. If you try and hide what you perceive as a “negative” feature, you could lose your license.

**5 Know the definition of a security which includes “investment contracts”:** and is defined as: [1] a contract, transaction or scheme whereby a person invests money, [2] in a common enterprise, [3] and is led to expect profits [4] solely from the efforts of the promoter or a third party. The following items are investment contracts in most states and if you don’t have a securities license, you cannot offer them: promissory notes,

automatic teller machines, pay phones and viatical settlements.

**6 Regulators look for suitability.** Are you making a presentation and using your seminar to make suitable comments and recommendations? Bank of America was forced to refund investments in variable annuities to people age 78 and higher. To my knowledge, no state has a rule about age limits on products and you might wonder why the regulators don’t just make a rule so you don’t need to guess what is “suitable.” It’s a good idea to make the following comment at the beginning of your presentation and also supply a hand-out:

**“Nothing in this presentation is designed to be a recommendation. We cannot make recommendations because we don’t know your circumstances and any financial transaction can be recommended only by a knowledgeable professional who knows and understands your financial situation.”**

Such a disclosure won’t get you off the hook if your presentation is still a sales pitch.

**7 Don’t give a product presentation.** The best type of seminar is conceptual — ideas for saving taxes or increasing income. Its okay to mention product categories e.g. fixed annuities, but don’t mention product names or company names. That crosses the line into a sales pitch for a specific item which may not be suitable for many members of your audience.

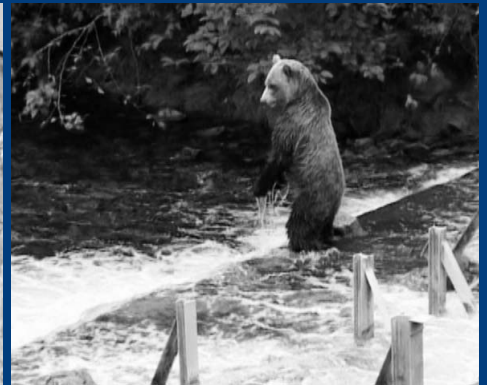
**8 Don’t bait and switch.** Don’t get involved with a living trust seminar that’s really designed to get you in the back door to sell an annuity. Professionals use the front door.

**Think like a regulator** that makes and enforces rules to protect the public and is under political pressure to do so. Get out of your mindset of what you believe to be right. Yes, you may think the regulators are sometimes off course but do what complies and you’ll keep your license. ☐

*Larry Klein CPA/PFS, CFP®, Certified Retirement Financial Advisor™, is president of NF Communications, Inc. Over 20,000 financial advisors use NF Communications NASD reviewed and compliant seminar and marketing systems. Details at: [www.nfcom.com](http://www.nfcom.com).*



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**Ketchikan.** Is the ancestral home of the Tlingit Tribe, and the departure point for seaplane excursions bound for the wild 2.2 million acres of Misty Fjords National Wilderness. Also visit the Saxman Native Totem Village, featuring the world's largest collection of totem poles.

**Pre-Cruise** — bus or train east of Vancouver from the cowboy city of Calgary to Banff, Kamloops and Whistler.

**Juneau.** Alaska's capital city boasts Mendenhall Glacier, a meandering river of compressed blue that is 1.5 miles wide and hundreds of feet thick. It's fed by a 1,500-square-mile ice field located outside Juneau.

**Skagway.** With its saloons and dance-hall review, has managed to preserve a strong connection to its historic Gold Rush days and the legends of Jack London.

**Icy Strait Point.** Fifty miles west of Juneau and at the mouth of Glacier Bay. Travelers have the unique opportunity to experience Tlingit culture, superior wildlife viewing opportunities, and years of Alaskan history.

**Hubbard Glacier.** The one glacier in the world that does not move at a glacial pace. This — the largest tidewater glacier on the North American continent moves an average of 5.5 feet per hour. Keep a watchful eye as you sail through the Yakutat Bay.

**Post Cruise** — from Anchorage past Mt. McKinley, the highest point in the Americas through the fir forests of Denali Park and perhaps the slow train on to Fairbanks near the Arctic Circle — the land of the midnight sun.

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Brian P. Austin IN  
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Bernadette Veronica Bowman Canada  
Keith Ralph Callender Trinidad  
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