the Register

Vol. 9 No. 6 • June 2008 Official IARFC Publication www.IARFC.org

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MD	20
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OH	20
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WV	12

Financial Planning Process™ has been approved for insurance CE with many states. We have also filed with the CFP Board. The Ethics Component by David Lawrence is approved for 2 units for CFP®.

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in this issue

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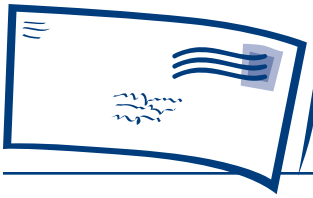

Register Letters

We welcome all your comments, suggestions, ideas and articles. Please direct correspondence to: ***editor@iarfc.org***

Letters may be edited for length and clarity.

Dear *Register*:

I thought the Royer's article "What's Better than Seminars?" was about the future of the Financial Services profession. As we all know the State and Federal Regulators have made it known that Seminars are the #1 Hot Button for their prosecution. Also I think we are also seeing the end of the Agent visiting the home of the prospects in the financial business model. I must say after 32 years in the Life Insurance Business this will be a big change for many agents and advisors.

But as we all know we must change to survive, so three years ago we bought into the relationship marketing program. I must say at first it was some what of a pleasant change for our office to be able to socialize with our clients. We found out that all our clients had most of the same traits, and the ones who do not did not say with us over two years.

We also have had the following client appreciation functions- RC Cola and Moon Pie Association Dinner and The Letterman entertainment plus formal dinner. Once a year we have a Historical bus tour of Charlotte, N.C. Once a Quarter we have a lunch and learn for any of our clients that want to attend. We have speakers on things that are of benefit to our Matured Clients. We have a Golf Clinic once a year with three retired Golf Pros, who are well known in our area. And we do a survey once a year to see if they want to do anything different next year.

The Baileys agree with the Royers that this will be the future of the Financial Service marketing programs. We have also added on top of that marketing program the IARFC Financial Planning program to enhance our value to our clients and their referrals. This has positioned us as well as the Royers as the boutique of the Financial Consultants.

Stephen, Jarod and
Stephanie Bailey, RFC®
Charlotte, NC

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Register Articles

You Can Write A Great Article for the Register

We are accepting articles of from 500 to 2,000 words on planning and practice management topics. Please submit your copy by e-mail, along with an electronic photo and a short bio statement of less than 100 words to: **editor@iarfc.org**

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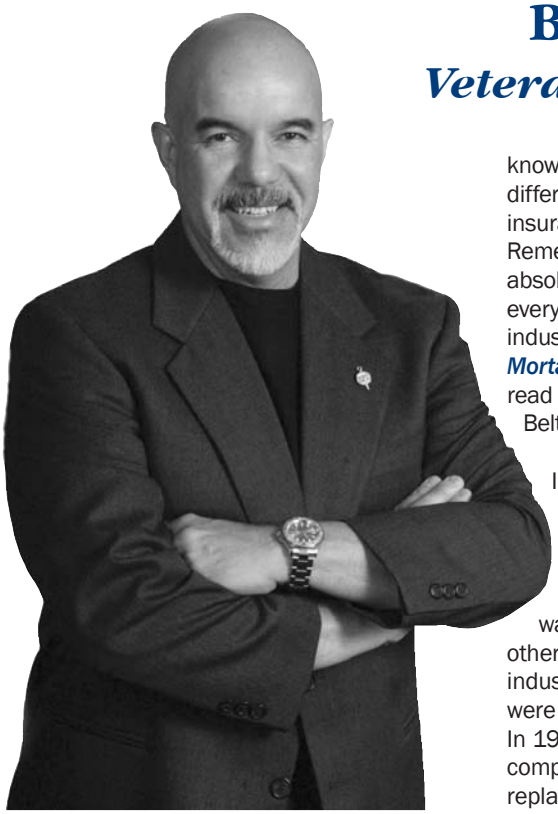
Burnett Marus

Veteran Financial Advisor



The Register interviews Burnett Marus, RFC® since our inception in 1984 and who served on our board for 12 years.

How did you enter financial services?

After completing military service in 1972, I found that being a Captain in the Military Police was not a hot topic (except with police agencies) in job interviews. I was recruited into the insurance industry by my agent, so there I was in 1972 selling insurance in Ann Arbor, Michigan.

I majored in communications at Eastern Michigan University, and was awarded with a scholarship in broadcast arts. Then I completed 30 hours of post graduate work in communications to 1977.

What jobs did you hold prior to this?

During college I worked for the Washtenaw County Sheriff's Department as a police dispatcher, and worked on air at WHUR-FM as a top 40 disc jockey. After graduation, I entered the U.S. Army Military Police Corps. Evidently, they needed MP officers more than broadcasters. I commanded a rapid deployment civil disturbance strike force in Germany.

You started as a life agent?

My first financial position involved the selling of life insurance on college campuses. I was successful primarily due to my selling skills rather than my technical knowledge. Soon, I was introduced to the differences between whole life and term insurance coupled with investments. Remember, this was 1973. I was absolutely passionate about learning everything I could about the insurance industry. I read Norman Dacey's ***"The Mortality Merchants"*** in one evening and read articles and books by Dr. Joseph Belth of the University of Indiana.

I became a insurance consumer advocate and began to specialize in replacement of insurance policies. In 1973, to the main line insurance industry, this was heresy at best. I was a "termite" and "twister" and the other nasty terms the traditional life industry gave me. However, my clients were happy, well-served and appreciative. In 1986, when the major insurance companies were now advocating replacement (for example, ITT Life had a $100 reward payment if they couldn't replace your policy with a better one) a client told me "we did this 10 years ago, you definitely were ahead of the times".

Financial services in the 70's were different than today. You either sold life insurance or you sold stocks. Financial planning was a new term and concept. I joined the IAFP in Southeastern Michigan in 1975. I remember there were about 12 of us at the time. My membership certificate was signed by **Vernon Gwynne** (current IARFC Director) and I still have it.

Part of my success was the addition of tangible asset management services to my practice. In 1975, Inflation was rampant and gold, rare coins, stamps and other collectibles were tremendously attractive as investments. I became a specialist in hard asset investing and later became a consultant to the rare coin industry in 1979, helping firms understand financial planners and their special needs. In 1981, I was recruited to head U.S. Tangible Investment Corporation, an affiliate of Heritage Capital Corporation one of the nation's largest rare coin dealers. For years, I worked with some of the brightest and best financial planners in the US and Canada, many of whom are very close friends to this day.

What influenced you the most?

The challenge at the time was to go beyond the sale of products and to incorporate an overall approach to what clients wanted to accomplish financially and what you could do to help them. I did everything for clients in that regard: plan for retirement, college funding, worked through divorces, accumulation programs, disability income, estate settlements and more.

I was able to introduce clients to other financial professionals such as trust attorneys and CPAs. When I left my practice in 1981 to come to Texas, I had a tax accountant on staff along with several agents and strong relationships with two law firms that executed the legal documents needed by my clients.

My success came simply because no one else was doing this. I was really performing like a financial "quarterback". Most of my competitors were insurance agents that would sell policies and sit back to collect renewals without ever contacting the clients after the sale, or stockbrokers that would trade stocks without a clear objective as to why each transaction or sale was justified.

The fact that 90% of my work came from referrals was a great influence. Evidently what I was doing with my clients was right. I had been indoctrinated with "100 calls, 50 contacts, 20 appointments and 10 sales". It worked but was not a lot of fun. With the new concepts that I was introducing to my clients, rather than "phone calling" techniques, I had "phone answering" techniques when prospecting. Some of these techniques I teach today in my marketing programs for financial advisors.

What were your major obstacles?

Initially, the insurance industry was less than helpful in providing information that was counter to the "whole life" emphasis of the times. I contacted the Enforcement Division of the Michigan Insurance Department. The Director, Jerry McGill (who later became Commissioner of Insurance) was very helpful in reviewing for me all the regulations involved in the sale of insurance. Dr. Belth was also helpful with his research. My conclusions were that whole life definitely had merit. However, there were alternatives for the consumer that were not being provided. I chose to provide

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more information to my clients to help them make a fully informed decision.

In addition, the learning opportunities in an unregulated industry such as rare coins were scarce. At the time, personal research followed by experience was the only method to learn. There were no courses, no examinations, no un-biased sources of information. The myriad of firms, stories, personalities and investment approaches made the learning daunting, time-consuming... and expensive. As of today, the two industries are still apart. The coin dealers do not want the headaches of working with investors and financial planners (collectors are easier and more cost effective). Financial planners and broker dealers really aren't interested in learning about another asset class (insurance and mutual funds are easier and more time effective)

To help other advisors, I developed for the financial planning industry several courses on tangible asset investing and management. These were registered with NASBA, the IARFC and other organizations and accepted for CEU credits.

Tell us about your current practice:

I retired from US Tangible after 24 years and began Burnett Marus Associates, a specialized marketing firm for the financial services profession. In my experiences with advisors, I found most were excellent planners, but lacked any marketing skills. I had helped several advisors with marketing issues and found that there was a need in the market for a specialist to work one-on-one with a client to help achieve his goals.

Many firms provide marketing advice on a mass market approach. They sell lots of brochures, CDs, DVDs, seminar systems and do a decent job in raising awareness. My approach is very specialized and focuses on the advisor. Often I spend three hours with the initial engagement interview after which we must both agree to continue the relationship. Either can opt out after this interview. With the amount of time that I spend with a client, I only work with 1 or 2 new clients a month.

At the request of many advisors I had worked with in the past, I founded Investors Rare Coin and Bullion Services. This is a private "concierge" service for the liquidation and acquisition of rare coins. For portfolio acquisitions, all material is acquired through major actions for a flat fee. The usual costs associated with mass market firms such as rent, computers, administration, salaries, advertising, etc are eliminated. The result is a much lower cost for quality material without the usual markups. This is not a time-efficient method and does not lend itself to mass market approach. Therefore I can only work with several dozen qualified financial advisors. My evaluation service CoinAnalysis.com is an affiliate that provides fee-based evaluation.

After 35 years in the business, 90% of my work comes from referrals. Others are new introductions made at conferences or professional meetings. I do not actively prospect for new clients since it would be difficult to provide service to many new clients.

What do you enjoy most?

The freedom of working on your own after being in corporate America for 24 years. Having started as an independent financial advisor in 1972, switching to a corporate position in 1981. I do not regret the decision at all, since I would not have had the opportunity to meet the many wonderful people across the world that I did in my corporate position.

What are your major frustrations?

Don't get me started. When I retired, I was relieved that I no longer had to deal with the morass of confusing information and regulations that has become the securities industry. In securities, it seems that when you become licensed, you are issued a bullseye target for your back. The regulators, in an attempt to make our industry safer for the consumer, have done this at the expense of retaining qualified, experienced financial advisors. I have met very many advisors who have given up their securities licenses due to the onerous and duplicitous regulations.

Add to this predatory law firms who sue brokers and representatives for losses in market turndowns — even though clients were provided all proper and required risk disclosures. It is a difficult industry today. All the regulations do not prevent a few miscreants in every profession. They need to be dealt with accordingly, but to cast a wide regulatory net over an industry makes the profession less attractive to consider as a life's work. Advisors have told me almost 80% of their time is now spent on administration and compliance. I am amazed at the incredible increase in the amount of paperwork required in the sale of a simple mutual fund. Talk to a broker dealer about a private placement and they make the sign of the cross and hang garlic on the door. My Hungarian friends will understand this analogy.

What attracted you initially to the IARFC?

The multitude of professionals with years of experience and their willingness to mentor. The association has always been more concerned about continuing education than other groups, and it provides a broader forum for topics that are inherent in financial planning. Most organizations cater to the deep pockets of mutual fund managers and insurance companies to fund their conferences and publications. The list of exhibitors of most association conferences are 95% mutual funds... the ad space in the magazines and the topical articles reflect this as well. The result is a narrow focus of financial services. From the IARFC conferences, I learned about marketing practices, philanthropy options for clients, practice specialization from some of the best advisors in the country.

What features of the IARFC has been of greatest value to you?

The evolution of the association is something that I have been proud to be a part of. Initially, there were about 400 RFCs in 1984. We were not regarded seriously and went through growing pains. It would have been easy to allow the association to just languish and become a minor organization. However, leadership, determination and vision has increased our membership to almost 10,000 and we have become a true "international" organization with the IARFC the largest financial planning organization in China, Taiwan, Malaysia, India, the Philippines and Thailand. I remember the National Conference in Middletown, OH that resembled a United Nations meeting with representatives from those countries as well as Canada, Ireland, Great Britain, Australia, Malta, Jamaica and Mexico. The cultural exchange that occurred was as beneficial as the knowledge exchange.

The ***Register*** magazine also has grown from a monotone newsletter to a publication of substance. And I would be remiss not to mention the wonderfully talented college students from Virginia Tech, Kansas State, Appalachian State and Texas Tech that have participated in the financial planning courses and the planning competition sponsored by the

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IARFC. The future of the profession is secure with these young people.

The leadership of the association is, without a doubt, the best with which I've ever been involved. Ed Morrow has done a magnificent job; the strides in Asia and the US are huge. I can only see more wonderful things ahead.

What would you like to see for IARFC?

Growth is nice. More consumer interaction in the United States much like what is occurring the in Far East. Consumers are the heart of an organization... the advisors are the soul. Without consumers being aware and recognizing organizations and their relevancy the organizations are soon rendered meaningless. No heart... the soul dies. In the early years the IAFP did not permit publication of membership. Great! A nice Code of Ethics but if I told you I was a member I would have to kill you.

What do you think will be the major trends in the financial services field?

Regulations will further restrict the product selection to mutual funds, long term care products, stocks and insurance. Anything with any degree of risk that isn't buffered by layers of disclosures and lawyers will not be available.

The "boomer" market will be bigger than ever. Health care, retirement income needs and increased longevity will lead to specialized planning for those looking to return to the workplace or begin their own businesses. Corporations are finding it easier to renege on promises of pensions and continued health care coverage for retirees. Many retirees are finding out that inactivity is not providing stimulation or satisfaction in their lives. In essence, we have value... we have vitality...we have skills... we boomers are definitely not "over the hill". Tax planning for the elderly, income shifting, philanthropy, and succession planning will be very important to boomers in the future. **Don Ray Haas**, RFC® of Michigan has recognized this and begun significant work in this area. He's in his 70's and is in his third career stage. I always said I wanted to be like Don when I grow up.

X generation members have morosely stated Social Security will not be available to them in the future. They are probably right, but as long as politicians get elected on promises there will be taxes enacted that will continue the program with some changes. The younger generation is facing newer challenges and more risk than their parents.

Corporate loyalty is no longer a viable issue. Most work relationships are much like professional sports today with free agency dictating who works with whom. The highest bidder wins. Planning for this group will involve different issues from those common to the boomer generation such as, "Will my company continue to pay my pension."

The majority of younger clients have their own self-funded plans that they take with them. Many companies have a long vesting period for any pension so many workers will move on to other jobs before vesting would take effect. In a recent article about career development, advice was given to change jobs every five years to gain experience and "freshness" which would help in consulting activities for future work. The "gold watch" and an "atta boy" back slap after 25 years is no longer in vogue.

Where will our economy be moving?

Economies change. They go up and down. I was around with the Crash of the Nifty 50 in the 70's, the hard asset bubble of the 80's, the Black Monday of October 1987, the S&L crash and bailout, the "dot-com" boom and bust, the stock market rise to 10,000, the "DOW at 36,000" mentality and the present recession.

What happened? Simply change. It happens. The simplest rule of buy low, sell high has escaped everyone. Last month, when Bear Stearns went broke and gold hit $1032 an ounce I actually had a doctor anxiously call me to see if I could purchase gold bullion on his behalf. I asked why...I was liquidating all my clients out of gold. He said gold was going to $2000. I refused. He said he would buy from someone else that day. Two days later, gold was back to $851.

Last August I was quoted in publications that gold would hit $900 an ounce by the end of the year. At the time gold was $661. I was roundly derided by some "experts" who thought I had lost my mind. Gold had only moved an average of $10-$20 a year, and here I was predicting a $250+ move in 5 months. Missed my predication by two weeks. The second week in January gold hit $932.

I mention this because during the previous 5 years less than 1% of financial advisors recommended gold as a part of a portfolio. This myopic indifference to an asset class is an area to be reviewed.

Burnett still loves to broadcast

Inflation will be an issue as well as higher energy prices, lower real estate prices, a continuance of bank failures and rising food and energy costs. It's not pretty, but we have dealt with similar issues in the past.

What will be the impact of technology?

The internet will be a source of more and more information. However, blogs that are anonymous will create more regulatory issues (pump and dump schemes, identity theft, phishing scams, and non-security investment scams). Knowing how these work and how to defeat them will save consumers billions. Advisors need to be aware of these pitfalls. Safe guarding client confidential information is also a major issue for advisors.

What have you done to brand your professional practice?

I maintained my integrity to my profession and my values, and never said "No" to a friend who needed help.

For someone who "retired" you are pretty busy. Is it all just work for you?

My favorite quote came from Bob Parsons, CEO and Founder of GoDaddy.com: "When it comes to retirement, I know my exit strategy: cremation." My "non-work" activities are announcing gymnastics meets in North Texas. I've done that for about 18 years and the experience is wonderful. Golf is also still a pleasure but I spend lots of time with my bride of 39 years, Shirley, who is the one that keep me young.

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Calendar of Events

RFC Accelerated Course — Texas
June 9-13, 2008, San Antonio

MDRT Annual Meeting
June 22-25, 2008, Toronto, Canada

PIFAAP Annual Meeting — Philippines
July 25, 2008, Manila

RFC Workshop and Graduation
July 26, 2008, Makati – Philippines

RFC Accelerated Course — New Jersey
July 14-18, 2008, Jersey City

RFC Accelerated Course — Ohio
August 4-8, 2008, Columbus

RFC Workshop Macau — China
August, 2008 Hong Kong

CE at Sea™ Cruise/Conference
August 16-23, 2008, Mediterranean

- Barcelona, Spain
- Nice and Villefranche, France
- Florence and Pisa, Italy
- Rome, Italy
- Naples and Capri, Italy
- Palermo, Sicily

Worldwide Chinese Life Insurance Conference
September 4-7, 2008, Singapore

NAIFA Annual Meeting
September 6-10, 2008, San Diego, CA

RFC Accelerated Course
September 8-12 & 22-26, Venue TBA

RFC Accelerated Course — Trinidad
October 4-8, 2008, Port of Spain

Financial Advisors Symposium
October 13-15, 2008, Chicago

MDRT Top of the Table
October 22-25, 2008, Austin, TX

World Financial Services Forum
October 20-31, 2008, Beijing, China

FPA — Australia
November 21, 2008, Gold Coast

SFSP Forum
Nov. 30 – Dec. 3, 2008, Las Vegas, NV

From the Chairman's Desk...

There is a phrase, "Let no good deed be unpunished" attributed to Roman commentator Petronius. I believe it has been adopted as the motto of those watchdogs of compliance and regulators. Many enjoy throwing out the baby with the bathwater.

Punish Crooks, Not the Innocent. Good financial planners and those who responsibly sell financial products are being punished with regulatory interference, rules and semi-rules, extensive forms, agreements and disclosures. Some make no sense whatsoever. For example, a representative is expected to place on his or her stationery the phrase, Member FINRA and Member SIPC. But the registered rep is not a member of either.

The broker dealer is sort of a member of FINRA. But that is a very remote membership. The NASD was created by the Securities and Exchange Commission, and while it receives funding by the securities firms, it is really a function of the government, a federal agency. Most of the broker dealers are totally dominated and controlled by FINRA.

Now, I do think that FINRA tries to do a good job representing both the consumers and the large and influential members. Historically it pays a lot more attention to the major wire houses than to independent planner broker dealers. For example, have they taken any action with regard to the major losses at well-known brokerage firms as result of the sub-prime loan debacle? If so, it has been very quiet!

How can the registered rep be a member of a corporation that he or she does not own any stock in? Shareholders are not really members anyway. If you are a shareholder of General Motors you are not a member. The SIPC was created in 1970 to protect investors against the failure of a broker dealer and the loss to consumers of securities held in the brokerage firm's account. Reps are not members. Like FINRA, the SIPC functions as a quasi-government agency.

Does placing those acronyms on the advisor's stationery serve to benefit the consumer in any way? Probably not, but lots of stationery is reprinted to include those references. And why is it that a registered rep doing business as a planning firm must indicate that it offers securities through a broker/dealer, and then must indicate it is not affiliated with it, when of course it is. Otherwise why are all the activities of the firm being supervised? Many financial advisors now have six or more paragraphs added to the bottom of every email message, which no client would ever read. How does that serve the public?

Agencies are fighting for Designation Turf. Both the National Association of Insurance Commissioners (NAIC) and the North American Securities Administrators Association (NASAA) are now proposing the regulation or restriction of designations that relate to those advising seniors. The camel has its nose under the tent. Maybe next they will segregate those who are advising boomers or genXers. Maybe they will decide to regulate those who market to Hispanics, widows, or farmers.

Within the NAIC, their Life Insurance and Annuities (A) Committee approved a "Senior Citizens Beware" consumer alert and an "Insurer and Producer Bulletin". These documents will now be placed on the plenary agenda for potential final adoption at the upcoming NAIC summer meeting. Currently they are focusing on designations like the CSA and they do not like "Free Lunch" seminars aimed at seniors. Who knows what will be next?

The NASAA has promulgated a Model Rule dealing with Senior-Specific Certifications and Professional Designations – which it is encouraging all of the various state securities organizations to adopt. The problem is that some states will re-write the model legislation and there will not be one universal standard.

How Does this Affect RFCs? Currently these do not appear to affect the Registered Financial Consultant designation. We are not senior specific, and we meet the other general qualifications for a designation, based on our requirements for education, examination, ethics, business record, licensing and continuing education. You can learn more about these at: **www.FINRA.org, www.SIPC.org, www.NAIC.org, www.NASAA.org**

Is This Doom or Boom for Advisors?

Some people are natural contrarians. When everything seems to be going down — they are looking up. As we are painfully reminded each day, the market is experiencing significant fluctuations. Experts are talking about recession, the price of oil is skyrocketing, the financial strength of several Wall Street firms has eroded, and investor confidence is low. But there are some who believe this is the best time to be a financial advisor.

"This is the greatest time to be in this business," said Mike Robertson, with Robertson and Associates in Houston. "It's when we really show our value." Robertson, who manages over 1 billion dollars brought in $100 million in new assets during the first quarter of 2008. That places him at the top at his broker dealer, First Allied, and as one of the top 5 independent advisors in the United States as rated by Registered Rep magazine.

For many of the nation's most successful financial advisors, volatile market times offer opportunities that don't exist at other times. Volatile markets push clients to make changes. Changes to their portfolio, changes to their long-term plan, and sometimes even changes to their advisors. For instance, if they are not hearing from their current advisor and are not sure that the advisor is paying attention to their accounts, they will make a change. Clients are hungry for something different than the bad news they are hearing and feeling. Clients are looking for you! The question is: Are you ready to take on the new clients and gather the referrals of those that are not satisfied with their advisor?

When the market declined in 2002 many advisors exited the financial services business. Empty desks and "for rent" signs could be found within the brokerage community as well as with independent planners. The number of clients didn't change, only the number of advisors. And, some top advisors had record years in 2002. "During the downturn of 2002, we brought on 63 new clients – our best year ever," said Mark J. Snyder, RFC® of Medford, NY, an advisor with Royal Alliance and one of America's top financial advisors as awarded by Worth Magazine. "We are on pace for the same this year."

Right now there are clients who are not hearing from their advisor. They are looking for you! Below are three proven strategies that top advisors are using to take advantage of the volatile market conditions and to serve investors who are in need advice and confidence more than ever.

Increase Your Marketing! ... Say What??

While many advisors are pulling in the reins on their marketing and spending, market volatility brings a perfect time to increase your exposure. Right now is the time to let people know that you are an advisor with solutions. Yes, it takes confidence to increase your activity in turbulent times, but it has proven to work.

"The same advertisement I run in the local newspaper in good times that brings us exposure in the community generates phone calls from interested prospects in volatile times," notes Mark Snyder. "We increase our advertising and marketing in these times to capture the clients that are looking for a change."

Marketing strategies that are working in volatile times include radio and newspaper ads, writing press releases commenting on timely issues, speaking at local organizations and hosting your own seminars for clients and prospects. All simple ways to raise your exposure when others are closing the curtains and buckling up for a rough ride.

Increase Proactive Communication with Clients... But How Much is Too Much?

It's hard to over-communicate with clients. Some advisors focus on instilling confidence in difficult times through well-thought out proactive communications with clients. When there is a significant period of market decline or in particularly volatile situations, a client communication plan is set into motion. The goal is to clearly let your top clients know that you are analyzing the current market conditions, viewing their accounts, and looking for any needed changes — daily or weekly. This proactive call is a powerful confidence builder and helps clients stay the course. Also, scheduling additional account review meetings with top clients and those that are especially nervous can be very helpful.

During these meetings, much of the time is spent on talking about the client's goals and showing them that their portfolio is prepared for this — rather than talking about, for instance, market swings, market history and facts about the subprime mess. They are primarily concerned about their accounts and how it impacts their situation.

These calls and meetings often bring referrals of others — without ever asking. It's all about the confidence you instill. It's surprising, but in volatile markets, advisors who are communicating regularly with their clients actually see their referrals increase over good market times. The reason may be that there is no better time than in volatile markets to reaffirm your value as an advisor and give your clients something to talk about.

Improve Your Website Messaging — People are Definitely Looking

Investors will go to your website before calling or meeting with you — even if they are a referral. Make sure your website describes you and your firm's personality — because it may very well be you that they are searching for. Share with website visitors your personal client communication methods including regular client reviews, proactive phone calls, and

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Is This Doom or Boom for Advisors?

market update conference calls. Offer your credibility by sharing the years you've been in business, your certifications and the awards you have won. But don't just list your credibility factors — speak them!

Some advisors are trying a feature that is relatively new to financial websites — video. Have a quick video recorded of you talking to your clients and prospects. Ask your webmaster to load it onto the front page of your website. When prospects come looking for something different than what they have they will see and hear you. Your voice, your firm information and your firm's personality will shine through — similar to how it does at a seminar. It may be just a brief 30 second clip, but it could be the turning point in getting the person to contact you.

The key is to get out there and let people know about you and your firm. Investors need you more than ever. According to advisors we have talked with, this is the best time to offer your services and build your client base. It may just be how you look at it.

Maribeth Kuzmeski, MBA, RFC®

***Maribeth Kuzmeski**, President of the consulting firm, Red Zone Marketing, works with some of the nation's most successful, million dollar producers to assist them in continuing to grow and systematize their practices. Maribeth has written 4 books including the bestselling book, "85 Million Dollar Tips for Financial Advisors." She is a national keynote speaker, has spoken at the Million Dollar Round Table and has created webinars, top advisor toolkits, and other products for MDRT and other industry organizations.*

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Compliance Review Procedures for the RFC® Designation

The Compliance Departments of many insurance companies and broker dealers are taking a strong interest in the matter of the qualifications that are claimed by their representatives. We feel that this is a very healthy activity, and one that can only be beneficial to the public and to the financial services profession.

The IARFC has a well defined procedure for providing information for any organization wishing to review the RFC designation. Our members can help in this matter, and we are soliciting your support.

1. A member advises us that his or her Compliance Department is reviewing designations and certifications. The member sends the IARFC an email message providing us with the critical information necessary for us to respond:
   - Reviewer's Name and title
   - Corporate Department
   - Mailing address
   - Phone number
   - Any related bulletin
2. We call the compliance person and verify the information, and inquire as to whether they have any special form or information that they are seeking.
3. The IARFC sends a substantial packet of information, including copies of our publications and a three page special memorandum that addresses the concerns expressed to us by the departments we have already been in contact with. This includes a personal letter to the Reviewer.
4. A copy of this first contact letter is sent to the IARFC member.
5. We place the Reviewer into our Practice Builder CRM system, and initiate the Compliance Sequence, which will trigger a series of additional follow-up letters and phone calls.
6. Each follow-up letter is accompanied by some brochure of the IARFC and a message that relates to our desire as a professional association to assist in the compliant behavior of our members.
7. When the Compliance review has been completed, we notify the member of the action.

At this point the RFC designation has not been disapproved by any Compliance Department. We have about 25 reviews in process at this time, and each one has recently been sent additional information, including a copy of the recent approval by Nebraska.

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Cato Comments – About Your Image...

Your Image Took Another Hit

Last April 13th, 2008, on a Sunday evening at 7 pm, **Dateline NBC** telecast a one-hour program on **"Unscrupulous sales practices abusing America's seniors by insurance agents and financial advisors."** I alerted my clients to watch this. The term "financial planner" was never used, not even once, during the entire program. The words "Registered Financial Consultant" were never used. But your image received another damaging hit because approximately thirty million people saw unscrupulous agents and advisors in action and the viewer's suspicions, doubts, and anger toward all agents and planners were highly raised.

In the first hour after the program aired six RFC members phoned me because they were concerned about the mistreatment of prospects or clients and they were worried about the negative image this created for those in the financial planning profession. Then the e-mails began to arrive after RFC's had thought about this.

Jack Gargan, founder of your IARFC, who was visiting me at the time, informed me, "**Dateline NBC** provided a genuine service to the American public by airing this expose. This is exactly the reason I founded the IARFC many years ago. There has always been this element. We have an enforceable **IARFC Code of Ethics** to weed-out abuses like these when they occur and are reported. Our screening process is so thorough this happens very infrequently with our members."

Steve Bailey, CEBA, RFC®, our IARFC President, was very sad to witness this network television exposure. Steve remarked, "Responsible financial professionals are appalled by unethical conduct. You can rest assured that your IARFC will take any and all appropriate actions. We are immediately following-up on this to learn if anyone holding our designation was involved."

Monroe M. ("Roey") Diefendorf, Jr., CLU, ChFC, CFP®, CIMA, RFC®, C3DWP, said, "I, for one, am glad that this kind of behavior is exposed. My dad said, 'If you do the right thing, you will never have to worry about money.' That has worked for me and for my clients."

A leading financial planner **Nick Royer, FMM, RFC®**, lamented, "I realize that this will negatively impact the industry. Although many will see this as a setback, I believe the **Dateline NBC** exposé will open new doors for responsible and ethical financial professionals. The quality advisors will have opportunities to set the record straight by giving direct, correct, complete, and honest answers, and generally do business far better, help more people, and never exploit them. I was disgusted by what I witnessed when I watched the TV program."

The unscrupulous person profiled for the longest period of time on this program was an agent who was reported to have multiple lawsuits against him. They caught him on hidden cameras performing in a disreputable manner. Only one person caught by the **Dateline NBC** cameras was dressed like a professional (wearing a suit and tie). Most of the agents and advisors profiled by the hidden cameras were using a form of backward or "hillbilly" talk. **Those profiled avoided direct, simple, clear, and correct answers to logical key questions.**

The program revealed how phony books and phony magazines (the kind a person pays to have their picture printed on the cover) are used. Eventually **Dateline NBC** personnel pointed out this absurd conduct and confronted the clowns. When confronted the clowns all became nervous and began to flounder. One began to curse rudely. These agents and advisors were shown being irresponsible (both inaccurate and incomplete) with the "facts" they were presenting.

The Society of Certified Senior Advisors was named, and some of their literature was shown, and they took another image hit — which I thought was unfair to the CSA. One of the clowns caught in the act cursed and acted belligerent toward the **Dateline NBC** person who operated the sting, after he revealed his true association with the TV program and indicated that the agents and advisors had been recorded on tape. **This was all caught on cameras making believable denials impossible.** But all denied any wrongdoing. The most shocking footage appears to have been telecast.

The **Minnesota Attorney General, Lori Swanson**, participated in the program and was highly critical of the agents and advisors profiled (they arranged to have agents invited to the home of an elderly person interested in annuities).

Joseph Borg, Director of the Alabama Securities Commission, also participated highly in the program. He too was hugely critical of the agents they "caught on video tape."

Both **Swanson** and **Borg** emphasized that **the agents all failed or refused to reveal or make known the high surrender penalties.** None of the agents would address this directly, accurately, and honestly, when asked over-and-over by the elderly man they were visiting in the senior's home.

A Sales Trainer Was Exposed!

Also, the **Dateline** narrator posed, "What type of training do these agents and advisors receive?" **Mr. Tyrone M. Clark** who runs **Annuity University** was captured on a hidden camera teaching a class and urging the agents attending to use fear, to treat the seniors like twelve year olds, telling them the seniors were ignorant and greedy, etc. He also bragged "I have made more annuity millionaires than anyone!" He came-off looking terrible. Last year ***The Wall Street Journal*** did an expose on him. Recently Tyrone M. Clark announced that he is going out-of-business. He is the author of ***Tyrone M. Clark's Sales Secrets***, a self-published workbook.

Noted financial sales trainer **Jim McCarty, CLU, LUTCF, RHU, RFC®**, told this writer, "Fortunately I did not see the program as it would have made me ill. These types of people make us all look bad. This program tarnishes all agents with the same brush, and their clients and us."

Lew Nason, LUTCF, RFC®, founder of the respected **Insurance Pro Shop**, explained, "I became sick as I watched this episode of Dateline NBC. I wanted to cry for the innocent people and the honest insurance agents and financial planners who are harmed by this low level of conduct. This type of activity always makes me very uncomfortable. It is easy enough to make an honest mistake. It is inexcusable to deliberately do wrong."

The program raised serious questions about a self-published guidebook for agents and advisors titled Alligator Proofing Your Estate. Mr. Clark's web site has been taken down. The Wall Street Journal article on his training is still on the Internet, just Google the words Annuity University.

Phony Image-Enhancing Products Were Revealed!

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Ten Obvious Questions RFCs Want Answered!

The same obvious questions jump out at each of us! Yet these questions remain unanswered year-after-year.

1. **Why do states allow these egregious products with 15%-20% (or higher) loads to be sold to anyone, regardless of age?**
2. **Who else, in what sales capacity, could charge such a huge commission on a single sale?**
3. **Why are annuity sales people allowed to do this?**
4. **Where were the "well meaning" regulatory people when these products were approved for the States in which they are allowed to be sold? A 15%-17% (or larger) load is unacceptable at any age!**
5. **Since the greed and compliance of insurance companies is obvious, then, why are the insurance companies involved not held accountable, by the regulators for this?**
6. **Who is really to blame for this? Of course there are unscrupulous individuals in virtually every industry. They operate with tacit approval of the home office of some bank or insurance company, which probably has knowledge of this sorry type of product presentation and agent or advisor conduct. The companies are strictly motivated by greed for profit, from this type of product. Otherwise the frequency of this kind of fraud by omission would be much less of they were held accountable.**
7. **Can the promoters of these products ever adequately police themselves?**
8. **Shouldn't we address the activity itself or those who tolerate and allow this type of activity?**
9. **What can we do — if anything — to better protect the public from the clowns out there who harm clients and harm well-meaning financial professionals?**
10. **When we observe these improper agents do we have a responsibility to notify FINRA and state insurance commissions?**

Our great professional organization, the IARFC, adheres to strict ethical standards and remains proud of our qualified and responsible members.

Dateline NBC explained how agents and advisors (possibly using very poor judgment, if not actually seeking to defraud) can get phony products to enhance their credentials. **Dateline** showed and explained phony radio programs (that are never really broadcast but are put on CDs) and the agent or advisor pretends that is a copy of one of their own radio programs. They did a segment on Response Radio which is largely-fake and used by agents and advisors. They revealed some of the many phony image building products presently available.

Dateline NBC showed a financial salesperson flipping through a large book, about one inch think, and naming the various designations or memberships they held. The pages contained, under clear plastic covers, many various certificates, all with impressive titles, but all of questionable worth if not outright fraudulently concocted. I never knew there were so many worthless organizations and so many worthless certificates and fake titles. I had no idea this was so huge.

Dateline NBC showed a magazine that places anyones face on the cover and an article bylined by them with their photo and bio-sketch inside. They explained how the agent or advisor can select from about ten articles that are already written. One sales person exposed by **Dateline NBC** had paid a few thousand dollars (ordered over the Internet) to have his picture printed on the cover of a simulated magazine with an article containing his photo and bio-sketch inside. The cover tag indicated he was a "leading financial advisor."

Dateline NBC briefly profiled the giant **Allianz** insurance organization, their huge home office building, and talked about all of the money they have been forced to refund to seniors due to these types of misleading, unethical, and dishonest tactics. Allianz has its U.S. headquarters in Minneapolis in the same sate as the Attorney General, Lori Swanson, who had decried.

Dateline NBC urged viewers to go to the program's website (**Dateline.NBC.com**) for more details — on how seniors can better protect themselves from this type of agent or advisor.

I noticed that the producers of **Dateline** missed many misrepresentations and abuses because they did not know what to look for. These were right under their nose yet they never noticed them and failed to follow-up on them. **Dateline** could have had a far more revealing, far more exposing, far more effective, and far more shocking program.

One week after this program aired, **The National Association of Fixed Annuities** released a written response to this **Dateline NBC** program.

Forrest Wallace Cato, RFMA, RFC®, arranges for financial advisors to serve on the boards of corporations, associations, foundations, and other organizations. He is former Communications Director of the IAFP, now FPA. Cato is former Editor-in-Chief of ***Trusts & Estates: The Journal of Wealth Management*** and ***Financial Planner*** magazine. He is International Editor of ***Advisers*** magazine in China. Cato is a senior fellow in Financial Planning Media Advocacy at the Al-Habtoor School of Business in Dubai (United Arab Emirates). He presents **The Cato Award** during the IARFC sponsored conference. Cato wrote the Introduction to the classic book ***How To Sell Your Way Through Life*** by Napoleon Hill. Cato is credentialed as a member of the media authorized to cover the U.S. Congress and the White House and he has interviewed five Presidents of the United States.

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Are You Recruiting?

Is it your goal to recruit or add associates to your organization? If so, the new course offering from the IARFC will be of interest. The ***Financial Planning Process™*** curriculum presents a very significant potential.

A Great Opportunity!

The financial advisors who represent the greatest source of candidates for an organization seeking to expand are **students**. Not college or graduate school students, but those who have enrolled in a professional education program.

Forty years ago these would have been enrollees in the Life Underwriter Training Council program. They would have attended classes for an extended period, gradually acquiring the skills of prospecting and presenting insurance solutions. These persons eventually received the LUTC Fellow (LUTCF) designation.

The original five part Chartered Life Underwriter program was also where the "fast-tracker" life insurance agents could be found, securing the CLU designation. They were mastering the business applications of insurance as well as estate planning.

Then the Certified Financial Planner program was offered by the College of Financial Planning — appealing to the persons who wanted to deliver a more holistic approach than just insurance or securities.

Eventually the CFP Board of Standards extended the CFP preparation course to over a hundred institutions, primarily traditional colleges and universities.

Instructors of these courses (LUTC, CLU and CFP®) had excellent opportunity to meet the brightest and most aggressive entrants into financial services.

What Happens to Students?

Some percentage of the enrolled students was destined to leave financial services. Notice I did not say they "failed". This was simply not the most appropriate field of employment for them. They went on to be very successful in some other career. That might have been 20% to 30% of the enrollees.

A very large number were with excellent companies. They were receiving effective support and offering good products. They admired their manager and company leaders. That might be 50% to 60% of the enrolled students.

However, about 20% of the students — be it LUTC, CLU, CFP® — were excited about the career of financial services — but they weren't in the right location. Maybe their company didn't have the right product mix. Maybe there had been a management change. Some had joined firms specializing in a market that was wrong for them.

Perhaps there was some type of ethical challenge. They were happy with the financial services career, but not happy with their current vendor relationship. They had to make a change — where would they turn?

How would they make the choice? Who would they turn to for career advice? The answer, of course, was the **instructor** of their professional education program.

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continued from page 12 **Are You Recruiting?**

Recruiting Prospects

Is part of your job to gradually build an organization of financial advisors? If so, then for you to serve as a professional instructor might bring to you four of five outstanding candidates every year. If you have been their instructor, then they will be turning to you! You'll already know how much they know, how well they can articulate financial concepts, and you'll know if they can do the job!

Do you recruit from the instructor's podium — of course not! That would not be appreciated by the leaders of the companies sending their representative to the course. No one appreciates a person who proselytizes in an inappropriate fashion. Such a person does not command respect.

However, if you are training 20-25 students how to operate effectively as a financial advisor then a reasonable number (perhaps four or five) will turn to you for personal career advice.

Recruiting Strength

There is another value to serving as the instructor of a professional education course: You will garner respect and admiration. During a recruiting interview when you tell a candidate you are the instructor of an important curriculum, you are indicating you are the type of manager or leader they are seeking. What better opportunity for them to get a rapid start in a new career than to be associated with an instructor of repute?

Instructors Strengthen Their Own Skills

As the primary course lecturer you'll be reading the manuals, and studying the PowerPoint, presentations. You will be returning to the marketing basics, and refreshing your own financial planning skills. No one learns as much as does the instructor!

Gain Recruiting Power

Most of the designation courses are no longer offered in classrooms. Many institutions have now migrated exclusively to distance learning and textbook, subject-based-education as opposed to classroom training and hands-on education.

The new ***Financial Planning Process™*** course developed by the IARFC can be presented in two venues. The first is an intensive five day class, followed by the completion of exams and the submission of a comprehensive plan by each. The second option is in the old LUTC format — physical classes one morning a week for thirteen weeks — primarily for recent local entrants into financial services.

As an RFC instructor you will to dramatically enhance your recruiting and increase your professional prestige in your market.

For further information on **Instructor Opportunities**, please contact Jim Lifter, MBA, RFC® at the IARFC: 800 532 9060 ext. 18 or e-mail: Jim@IARFC.org

Ed Morrow, CLU, ChFC, CFP®, RFC®

Ed Morrow *is the chairman and chief executive of the International Association of Registered Financial Consultants — (IARFC) and he speaks frequently at national and international professional conferences on topics related to his practice experience — and enabling financial advisors to increase their sales production and client services through effective presentations and client relationship management. The IARFC is now training financial advisors in 19 countries. The new* ***Financial Planning Process™*** *curriculum includes five software programs, twelve textbooks and ten CD-ROMs including the letters, agendas, checklists, forms fee schedules and agreements necessary for novice financial advisor to instantly into significant production.*

Contact: 800 666 1656 ext. 14
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2008 Mid-Year Tax Planning Memo & Letter

Ready-to-Use

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- ✓ You could research, write and fact check an article like this yourself — but wouldn't your time be more effectively spent face to face with your contacts?
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Creating a "Love Drawer"

Some financial professions believe that life insurance should be viewed as "love insurance". As cliché as it may sound, it certainly has a tremendous amount of merit. What better gift is there to give your loved ones upon your death than a large sum of money to be used for such things as income replacement, college tuition, retirement, debt repayment or estate taxes, charitable gifts, and much more? The last thing you would want to add to your loved ones at the time of their emotional loss and grieving is financial pressure.

Well, I have an even better idea. Why not instead of leaving a "love insurance" policy (which I firmly believe should be an integral part of most financial plans), leave behind an even better gift... a ***"love drawer"***.

What is a "love drawer"? Simply put, this is a drawer that **whoever you choose** can turn to when you pass and find complete and simple details, as well as your instructions, for **all** aspects of your financial affairs.

So what are some things to consider keeping in this "love drawer"? The following are a list of most, but certainly not all, of your money matters that will need to be addressed:

Estate Planning: First and foremost should be two things: The name, firm name, address, and phone number of your Estate Planning Attorney.

Your Will or Trust: If this is a copy, be sure to note the **exact location** of your original signed Will or Trust.

Whether you have an Estate Planning Attorney or not, creating a Will or Trust is the first and most important step in the planning of your estate, as it becomes the foundation for all of your financial affairs. One of the reasons this is a critical first document to have in your "love drawer" is because it spells out the details of your last wishes, also referred to as your last Will and Testament. Also, your Will or Trust states whom you have chosen to be your Executor or Trustee to govern your assets according to your wishes, as well as the person (or persons) you've appointed to be the Guardian of any children who may need assistance.

Insurance: The name, firm name, address, and phone numbers of **all** of your insurance agents including car, home, life, disability, annuities and medical insurance. (Note: If you do not have a

personal agent/representative for any of these policies or contracts, be sure to list the policy or contract numbers, copies of these policies or contracts, as well as the phone number for the home office of each company's policy or contract)

IRA's and Life Insurance: Be sure to not only list the company or your representative's name, account and policy numbers, and phone numbers... **but also be sure you have *currently* listed** contingent beneficiaries on **each** IRA and life insurance policy.

Investments: The name, firm name, address, and phone number of **all** of your financial advisors, including stockbrokers and financial planners. (Note: If you do not have a personal agent/advisor for any of these accounts, be sure to list all of your account numbers, the investment companies or banks who hold these assets, copies of your most recent statements, as well as the phone number for the home office of each company)

Employer: The name, address, and phone number for the Human Resources Department of your current employer.

Social Security: The name, address, and phone number of the Social Security Administration.

Debts: The complete details of all debts and their corresponding contact information; including mortgages, home equity loans, car loans, student loans, credit cards, or personal loans.

Important Documents: Copies of all important documents such as drivers license, passport, social security card, and birth certificate.

Deeds or Titles: Copies of important deeds and titles for assets such as houses, cars, boats, etc.

Burial Wishes: It is a good idea to note if you have any preferences regarding your burial, such as being cremated or buried, your preferred location, etc.

Love Notes: Although this is not necessary, some people (including myself) like to leave a personal "love note" to important people in your life, such as a spouse, parent, or child. There is no financial reason for this "love note", but some people find it helpful to leave behind their loving thoughts, words, ideas, and appreciation.

At least three people, that you love and trust, should be informed regarding the whereabouts of this drawer. This can consist of your spouse, parents, children, friends, or even your financial advisor or attorney. In addition, even though it may seem obvious, ask them to please respect your privacy and never open this drawer until it is absolutely necessary. These entrusted loved ones will be the ones who help ensure that someone will be there to step up promptly and act upon the details and instructions of this drawer.

This "love drawer" should be updated at least every two years. As all we know, each day that life and time passes by, things change. Because we have many moving parts in our financial lives such as

continued on page 16

RFC CLIENT ARCHIVE SYSTEM

As a member of the IARFC, we are making available to you a specially developed **Client Archive System**. This system is designed to be given to your clients at the time of engagement and will enable them to maintain a level of organization that is unsurpassed in our industry. You, as the financial professional, will ensure that they are able to accurately maintain their financial records for both their personal finances and their tax-related issues.

In this special member benefit from the IARFC you will receive two cases, one for Documents and a slightly smaller one for yearly Tax Records. You will soon be able to provide your clients an important value-added benefit that will enhance your status as their trusted advisor. We have recommended offering Archive Cases to qualified prospects as part of your initial presentation for a fee-based financial plan.

The RFC **Client Archive System** includes two archival storage cases, hanging file folders, pre-printed section labels, blank labels, customizable client labels, complete instructions for use, a script for the prospect presentation and a CD-ROM with templates for producing additional labels.

Subsequent Sets: When you order from IARFC, we provide you full assembly instructions and how to order the components directly from Staples and Office Max with special discounts negotiated by IARFC.

Complete the form below and send it back to us to purchase your initial RFC **Client Archive System** today. You may purchase as many sets as you wish at this rate. Then you can order the components directly from Staples and Office Max and reduce your costs.

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Your Signature:_____ Date: _____

FAX TO: 513 424 5752 **MAIL TO: IARFC, Box 42506, Middletown, OH 45042-0506**

continued from page 14
Creating a "Love Drawer"

taxes, estate taxes, family, age, health, wealth, our wishes, and on and on... we need to not only review and revise our financial affairs on a regular basis, but also our "love drawer. Therefore, you will need to update this drawer to reflect any financial matters that have been added, revised, or need to be removed.

A "love drawer" is not difficult to establish, and should likely take only a maximum of one day's work. Regardless of how much effort and time it may take, I think you will find that once you have created it, you will consider it to have been time well spent for both you and your loved ones. You will experience a tremendous **peace of mind** knowing that your loved ones can easily handle all of your financial affairs without financial pressure, confusion, or disagreements. **For your loved ones**, they will have the gift of being able to remember you in a way that we all want... kind, generous, giving, and thoughtful... and be able to focus on what's most important at such a difficult time, which is celebrating the wonderful memories of your life.

Christopher Hill, RFC®

***Christopher P. Hill**, RFC®, is a financial advisor in Tyson's Corner, Virginia. Chris started his career in financial services as a college intern assisting an experienced stockbroker. He was first involved in working in portfolio management and ultimately Vice President of Marketing and Sales. In 2001 he formed his own company and he has now built a team of professional specialists to provide superior customer service.*

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Creative Strategies

Make Long Term Care Insurance More Affordable

While everyone would like to have long-term care (LTC) insurance, many people still believe they cannot afford it. That is understandable, because LTC insurance is not inexpensive. A fairly typical benefit package ($200 per day for up to three years of paid benefits after a 30-day elimination period, with inflation protection) costs roughly $2,500 a year at age 60 and increases to $4,600 a year at 70.

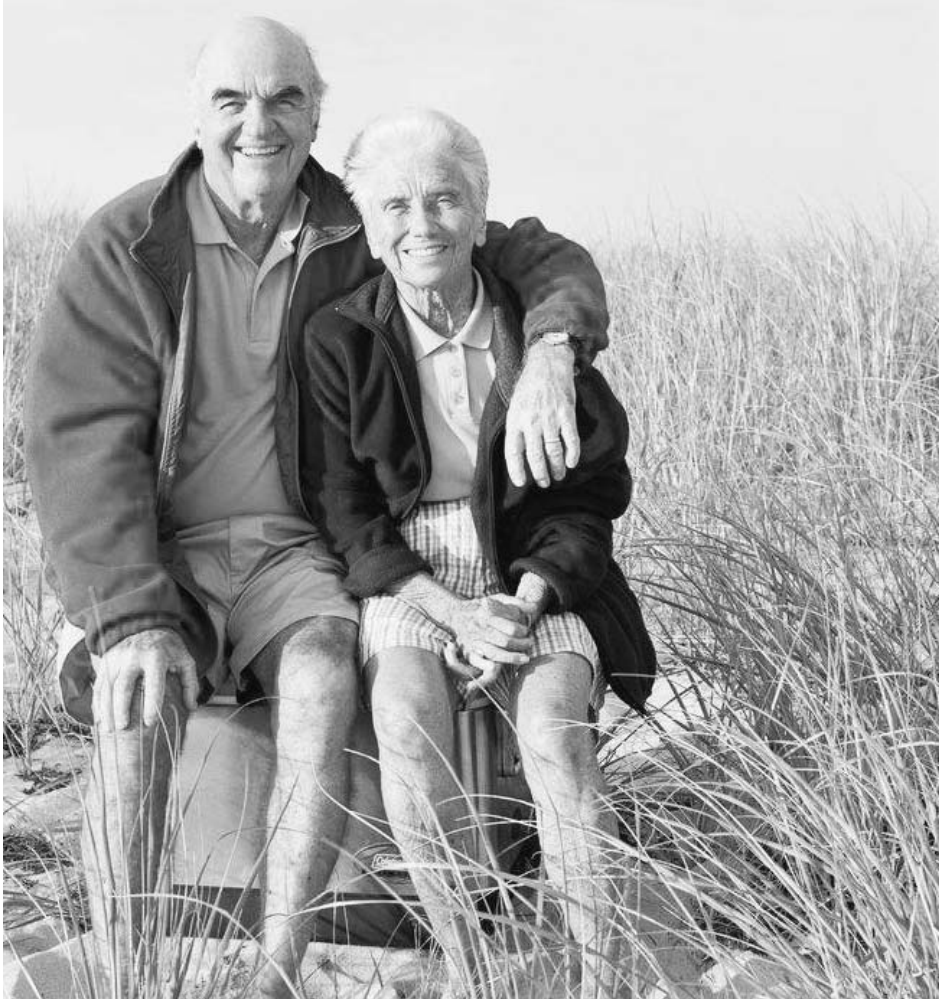
However, despite the cost, most people who think they cannot afford insurance actually **CAN** afford it. As an adviser, you must find a plan that fits your client's budget and then help the client find the money to pay for it.

To do this, you need to know how much money and income your prospect has to work with. Ask questions like, **"If a nursing home costs $6,000 a month, how long would your savings and investments last before you would need to think about selling your home?"** If the answer is about three years, that means your prospect has about $216,000. Then ask what interest rate he or she typically earns on those assets. A 5 percent return, for example, translates into $10,800 in interest annually.

Now, help your client to select a policy with a premium cost that is equal to a **portion** of their interest earnings, because most retirees need at least some of their interest for living expenses. You can compare premiums on different benefit packages and let them decide which plan best fits for their needs and their budget.

While a lifetime benefit could be the best, statistics show that most people do not need care for more than three years, so choosing a limited-benefit period is a viable way to save money. Be sure to provide several quotes for policies that offer an unlimited benefit and those with a two-or-three-year benefit period. Your client will appreciate your efforts and feel that they have several choices. The result will be that there will be no reason for them to 'shop' around with other advisors.

Another way to save money for applicants in their 70s or older is to omit inflation protection. This is a reasonable choice because they will most likely use their benefits within a few years. However,



with younger applicants, I always recommend buying inflation protection. It is too risky for the client (and the agent) to try to estimate the cost of care 20 or more years from now. Looking to save money by using a lower-rated company is also something I do not recommend. Stick with the A-rated companies like John Hancock, Genworth, MetLife, to name a few.

Lower benefit amounts and longer elimination periods also can save money. There is some inherent risk though by trying to find your client a 'Deal'. If you purposely show them a benefit that cannot cover the average cost of daily care in your area in 2008, then you're effectively underinsuring your client from Day One. Later on, when your client goes on claim, they won't remember the 'Deal'. All they'll see is that their policy does not cover their cost of care adequately. They could get angry, and their kids won't be happy at all.

If my client does not want to start out with a benefit on their new long term care policy that's equal to the cost of care today, then I will help them to evaluate the options of taking a portion of their resources and putting those into some type of investment that is set aside and earmarked to supplement the cost of their care later on. Once again, you'll be showing your value to the client by showing them the options for long term care coverage with an LTC policy, and/or finding another solution that fits for their long range plans.

There's no right or wrong solution. In the end, the client has to know what their options are and select their strategy carefully. In your client chart notes, be SURE to put in writing what you offered, what the client selected, and the reasons WHY. This will help you from a compliance standpoint if the policy is ever challenged by family members or an attorney.

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continued from page 17 **Creative Strategies**

Finding Money, Using Multipurpose Policies

Once you and your prospect or client have tentatively agreed on a budget and a plan for LTC insurance, you need to find the money to pay for it. You can find this funding by repositioning a portion of the client's assets so that they work harder and produce more after-tax income.

Some clients have money they do not realize they could use. For instance, people with substantial assets in annuities may not think about tapping those funds. Most annuities, however, let you withdraw up to 10 percent of assets annually without penalty. Annual withdrawals from an annuity can be used to pay LTC premiums, the withdrawal amount will be taxed, and the remaining money will continue to grow tax-deferred.

Remember that a portion of the premiums on a tax-qualified LTC plan will be considered a deduction on their medical expenses category when they pay income taxes each year too. If the annuity has been a mediocre performer, you might recommend exchanging it for a better performing annuity if it makes sense to do that.

The wise advisor considers the cost of care and his or her client's available resources, and then finds a policy that fits for that particular client. Often, I have spoken to people who were shown only a "Cadillac" policy they could not afford. When I show them a policy then can afford, they buy it. Listen to what your client needs, ask the right questions, and be sure to show them how to find the money to pay premiums BEFORE you show the proposals to your clients. This way you'll always avoid 'Sticker Shock' with your client or prospect. If you don't use this simple strategy, the client will never hear you afterwards when you're trying to show them the affordability of the new LTC policy you want to sell.

People are not aware of all the options they have to buy and fund LTC insurance. Be creative! When your new client sees that you have his or her best interests at heart, you will find that the LTC sale is just the beginning of a mutually rewarding relationship.

Wilma G. Anderson, RFC®

***Wilma G. Anderson**, RFC® Based in Littleton, Colorado, Wilma Anderson, The LTC Coach, is America's leading LTC sales trainer and a practicing producer who has sold over 7500 long-term care policies since 1989. She offers a personalized tele-coaching program for Agents, The System to Sell 400 LTC Policies Per Year (a manual/CD package that gives producers a step-by-step guide covering all aspects of marketing and selling LTC), workshops, DVDs and give speeches nationally on the subject of LTC and Critical Illness.*

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Think Right — Advice from Kinder Brothers International

Define the Key Issue

As a young Philadelphia printer, long before the American Revolution, Benjamin Franklin realized that he needed to get his own thinking straight if he was to have the success he sought. As a small printer in what was the largest city in the Colonies, he had not started out well. He was virtually unknown, and deeply in debt. He realized that the problem and the solution lay entirely within himself. He selected 13 subjects which he felt were necessary for him to acquire and master. Every week he focused on one subject. Franklin realized that only one week was not sufficient for him to cement new habits and customs. So he repeated the cycle four times for a year. The net result was the character improvement that made him an internationally famous writer, philosopher, legislator and diplomat — all from a young printer.

You Must Always Define the Key Issue

How can you get at the key issue? Encourage your prospects to talk. And listen very carefully. That is the tough part for persons with a sales background. As soon as your prospect gives you four or five reasons why they won't buy, and you try to argue each one, you aren't going to sell them.

However, if you just get them to keep on talking, they will help you sell them. Why? Because they will pick out of these four or five things, the one thing that is the most important, and normally they will repeat it several times. Now you know the key issue for motivating them to take the desired action. Stick to it. Sometimes, you don't have to say a word. When they get through, come back to that one point. Usually, that's the true one. The most effective method we know for uncovering the true objection is to use these two questions:

1. **Why?** That is all, just ask why? Or... **Why is that?**

2. **In addition to that, isn't there... ?** You might want to keep a record of objections raised by prospects, noting how often the initial objection is the real objection. You'll get better at determining which objections are the real ones and which objections just sound good.

Look at this illustration taken from Frank Bettger's classic volume, *How I Raised Myself from Failure to Success in Selling*.

While attending a national sales convention, Bettger heard William G. Power, a public relations executive of the Chevrolet Motor Company tell this story:

"I was about to buy a home in Detroit. I called in a real estate man. He was one of the smartest salespeople I have ever met. He listened as I talked, and after a while found out that, all my life, I had wanted to own a tree. He drove me about twelve miles from Detroit and into the backyard of a house in a nicely wooded section. He said, 'Look at those gorgeous trees, eighteen of them!'

"I looked at those trees; I admired them, and asked him the price of the house. He said, 'X dollars.'

"I said, 'Get out your pencil and sharpen it.' He wouldn't shade the price a nickel. 'What are you talking about?' I said. 'I can buy a house just like that for less money.' "He said, 'If you can, more power to you, but look at those trees — one... two... three... four...'

"Each time I talked price, he counted those trees. He sold me the eighteen trees — and threw in the house!

"That is salesmanship. He listened until he found out what I wanted, and then sold it to me."

Once you've identified the key issue, target it! Never try to cover too many points; don't obscure the main issue. Target the bulls-eye!

Carry this Reminder with you. It worked for Ben Franklin, and it will work for you. Read it several times a day. Memorize it. We believe you'll beat last year's performance!

REMINDER #5

The Key Issue

- Find the basic need.
- Find the main point of interest.
- Find the most vulnerable spot.
- Use "Why?" Use "In addition to that . . ."

When you identify the key issue — stick to it!

*Kinder Brothers International teaches sales and management professionals how to experience lasting success. Both **Jack** and **Garry Kinder** are members of the IARFC and authors of books and courses on financial services.*

*Their associate, **Bill Moore**, is a director of the IARFC and he delivers the Professional Patterns course worldwide and is developing the Registered Financial Manager workshop.*

Contact: 927 380 0747
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THE KBI GROUP
KINDER BROTHERS INTERNATIONAL
Since 1976

Would You Buy Stocks or Bonds in This Corporation?

Is this an enterprise into which you would place your own money? Would you advise your clients to purchase bonds or stocks issue by this company?

Well, we hope you said "Yes" because you already have a big stake. As you might have guessed, this is the United States Government and the numbers are in billions of dollars! We omitted nine zeros.

The negative cash flow is a bit less — $530 billion in 2007 versus almost a trillion dollars in 2005. It indicates some degree of progress, but the annual deficit is still half a trillion.

Note that the liabilities (otherwise known as the National Debt) has increased from $9,914 to 10,787 — almost one trillion more! In just two years.

The unfunded Contingent Liability has meanwhile increased over $5 trillion. That represents the promises of the Social Security System and Medicare.

Sub Prime loans are just a drop in the bucket. In 2007 we increased our national liability by $500 billion. Who loaned the United State of America this additional sum of money? Was it the citizens individually? Was it mortgage bankers or securities firms? Answer — recently most of the money was loaned to us by... China!

Source: the 2007 Financial Report of the U.S. Government — printed without audit and without opinion or assurance by the GAO — Government Accounting Office.

(zeros removed to increase clarity)

	2005	2006	2007
Total Revenue	2,185	2,440	2,627
Cost of Business	3,174	3,127	3,157
Net Cash Flow	(989)	(687)	(530)
Total Liabilities	(9,914)	(10,412)	(10,787)
Total Assets	1,447	1,496	1,581
Net Position	(8,466)	(8,916)	(9,205)
Contingent Liabilities Insurance & Retirement	(40,038)	(44,147)	(45,062)

Wouldn't You Like to Borrow $300,000?

Yes, you can have $300,000 for only $965 per month. Sounds attractive, doesn't it? The Sub-Prime Loans and Abusive Lending Practices are still going strong. This offer is from the colorful Internet advertisement of ConsumerLoanHelpLine.com which welcomes homeowners with these blandishments:

- Bad Credit Okay
- Simple 2 Minute Form
- Up to 4 FREE Offers
- Good News, Refinance and save, 000s
- No Fee, No Obligation!

Sounds So Very Good

That payment is less than $12,000 yearly for a $300,000 loan. But since it is advertised on the Internet, we know it must be true! It is naturally disclosed above in such a fashion that any consumer (even some of those currently brandishing weapons when being presented with foreclosure papers) will understand the terms, even if not so well educated. Is it possible there is more to the proposition? How many consumers will understand the small print explanation that follows? (Reproduced exactly as presented by the mortgage solicitor.)

The Devil is in the FinePrint

The $964.92 payment is based on a start rate for a loan amount of $300,000 based on the minimum rate of 1% where the minimum payment is fixed for 12 months. Even though the minimum payment is fixed for the first 12 months, the fully indexed interest rate will change after the first month. The fully indexed interest rate will thereafter be based on an index (in this case, the one month Monthly Treasury Average, or "MTA" index, which is currently at 5.011% as of 3/5/2007, plus a margin of 2.25 to 3.025%, with the index adjusting monthly. For example, if the loan funded had a margin of 2.55%, the rate for the first month would be 1.0%, but on the second and subsequent months, the rate is 7.561% (and an APR of 7.714%) based on the total of the index (assuming it had not changed from the first month) plus the margin. Since the payment is still based on 1.0%, it is possible that the accruing interest will exceed the minimum payment amount, resulting in negative amortization.

If the borrower selects to make principal and interest payments amortized over 30 years, the monthly payment will be $2,110.19. This example is based on first mortgage loans for a single family residence, a loan to value of 80%, and no lender risk adjustments. There are credit restrictions and other terms and conditions that apply. The borrower may choose between paying the minimum payment, interest only payment or a fully amortized payment during the Option Arm period which can be as long as five years or if the balance reaches 115% of the original loan balance. At the end of each 12-month period, for the first five years, the payment can be adjusted up 7.5% of the payment amount. The Option Arm period of 5 years and the payments for the remaining term of the loan are subject to terms and conditions as well as potential changes and limits contained in your loan contract, mortgage, or other agreement. You may not be matched with the lender(s) making this specific offer and some lenders may not offer this program in general or in certain states. Loans, rates, terms and conditions offered by lenders or mortgage brokers, in response to consumer's inquiry, are subject to the approval and qualification as defined by the lender and are subject to change at any time without notice by the lender. There are many products, rates, and terms available that may not be offered depending upon many factors, including but not limited to your:

1) Credit History,
2) Type of collateral offered,
3) Documentation of income and other items related to creditworthiness
4) Eligibility and availability for certain programs offered based on State or local laws, investor and lender product availability, and
5) other factors.

Interesting Questions

Do you really think this loan will close with no costs, fees or points?

How many applicants will get the very best rate that is quoted in the above example?

Will borrowers expect the ***best rate*** payment to increase (with the first year negative amortization) from the $965 to more than $2,236 per month in the 13th month?

If the interest rate moved from 7.65% to 9.5% the payment (not including taxes and insurance) would be $2,665! Do you think that would be a shocker?

Compliance-Friendly Marketing

Case Study — Multimillion Dollar Advisor Needs Marketing Plan

By Katherine Vessenes, JD, CFP®, RFC®

I have often thought most financial advisors would love to see what we see on a daily basis — peek inside the kimono of the multimillion-dollar advisor. Here is a case study of one advisor that we helped create a tactical marketing plan. Although his business model, may not match yours, the tactics could be used by any advisor. We changed the names and a few details to protect his privacy. All the other information is true.

Professional Background

Advisor: Michael Morrison is a good looking, charismatic financial advisor in his late 50s. His offices are located in the Chicago Gold Coast. Michael is an introverted intellectual. He prefers to put his brain around creating the business deals than looking for clients. He read our book, *Building Your Multimillion Dollar Practice*, and engaged us to create a business plan and a tactical marketing plan for him.

Business: He has a Series 7 and does most of his work through his RIA. He has two full time assistants, and two part time assistants. His wife, Patsy, who is an extroverted and willing entertainer, frequently will join Michael for social events with the clients.

Clients: He has 42 clients, all high net worth. He averages about $2.5 million dollars a year in fees. He brings on about 1 new client per year.

Differentiation: Michael primarily creates real estate investment opportunities for his clients. He does not do any comprehensive financial planning or insurance work.

Target Market: Business owners who are going to be cashing out of their business and have a large block of cash to invest.

Previous Marketing: Was very hit or miss, mostly miss. He would call prospects once a year if he thought about it! I was amazed he picked up any new clients at all.

My Mission: Survey his clients, find out why they really wanted to do business with Michael and use this information to create a compelling story, elevator statement and then a year long-tactical marketing plan to generate 3 or 4 new clients per year (a 400% improvement!)

Since his clients were all ultra-high net worth, I called them myself. This was an eye-opening experience for both Michael and me. I found that most of his clients were working with him because his returns were higher than they could get in the stock market. This is obviously good news/bad news. Good when his real estate investments were in an up-cycle and bad when they went down. Notice below how we handled this particular issue.

This group also liked to be "special"— they didn't want the same run of the mill investments that could be found anywhere — they wanted something unusual or "elite" for a chosen few. Finally, they hate paying taxes. You will see how these comments played out in the results below.

Here is what we created for Michael during our Marketing Retreat:

Step 1: The first place to start is always who is the ideal client or the target market:

Ideal Client

Our ideal client is a successful business owner who has cashed out of their business. They like being part of a small, select group of clients who receive the customized service of a boutique investment firm. They are so busy, they need to delegate the management of their financial affairs so they have more time to do what they do best: enjoy and sustain their lifestyle during retirement.

Step 2: We take the client's pain and write a short statement, usually about a page long, that describes how we fix that pain. We call this a compelling story. It needs to be so compelling that when your target client hears it, they want to rush to your office so you can fix their pain.

Compelling Story

Our client satisfaction surveys tell us, there are three main reasons our clients like to work with us:

First, they enjoy access to us 24/7. Focusing on a few dozen, not hundreds of clients, allows our staff to give them a personalized level of service that is not available elsewhere. Every client has my home number, my cell number and my private email account. I welcome their calls at any time.

Second, we don't look at performance the way most firms do. We don't compare returns to a standardized index. The reason is each of our clients successfully created their own wealth and they are so unique and individual they each have different goals for their money. Indexes are meaningless to this group — it doesn't describe them. Our focus is to consistently reach their personalized, target objectives for their wealth. In all of our client surveys, this is where our clients tell us we excel.

The third reason is our approach to tax effective investing. Many people think there are very few things they can do today to get a tax-advantaged return: muni bonds and life insurance. They couldn't be more wrong. In fact there are a number of ways we can shelter our clients' returns from taxes. Therefore, our highly disciplined due

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diligence process, frequently takes us to investments outside the stock market. This means our clients can get something special, something other than a "me, too" investment that is available everywhere.

In short, for successful business owners who have cashed out their businesses, we provide tax-advantaged returns that do not depend on the stock market.

Comments: You will notice we clearly identified the target client and what their hot buttons are. To get their expectations about returns more reasonable, we address that issue head on, and talk about the importance of returns that are customized to them and not to an industry standard that has no meaning to them.

Step 3: Edit the compelling story down to a short, succinct sentence that answers the question: what do you do.

Elevator Statement

So Michael — what do you do?

For successful business owners who have cashed out their businesses, we provide tax-advantaged returns that do not depend on the stock market.

Note the elevator statement clearly identified his target market (successful business owners who have cashed out of their businesses) and the pain factor that drives them to their favorite advisor (returns that are not dependent on the stock market).

Step 4: Create a tactical marketing plan. After some discussion, we decided to focus on 10 social events per year. A level clients would be invited to all 10. C level clients would be invited to a smaller number. The goal would be to extend invitations to A-level clients and their friends for each of these events.

In addition, each event would be accompanied by the usual on ramp/off ramp that we teach at Vestment Advisors:

1. Call to invite them to the event
2. A nice looking invitation
3. An email sending directions
4. A reminder call the day before
5. The event, complete with name tags and photos
6. A follow up thank you note the day after the event
7. The photo in a nice frame sent about a week after the event.

All in all, each social event generated 7 touches, times 10 social events per year, totaling a whopping 70 touches, not just for clients, but for their friends! He also recognized you have to market to your employees, so they did some events just for staff and family.

Events for the First Year

Jan	Museum tour of a local Billionaire
Feb	Small private party at the performing arts
Mar	Ski trip to their condo in Colorado. This was done over three weeks, so they would bring in clients in groups of three or four at a time for three days. It was not unusual for them to host 20 people or more. It also helped him justify tax write offs on the condo!
April	Box at sporting event/car racing
May	Open house at their office with prizes and info on the favorite charities
June	Horse races. This was fun because many of his clients invested in race horses. They took a tour of the paddocks, had a speaker on the event and really did it up in grand style.
Aug	Staff picnic on beach with families.
Sept	Boat Ride in yacht on Lake Michigan for clients/prospects. Strategic Planning session with staff at resort.
Oct	Wine tasting at a high end hotel, complete with lecture by wine ex pert
Nov	Fashion Show, this was a big hit because it was a high end fashion show, attended by many celebrities that was another charity event.
Dec	Holiday Christmas lights party. Renting a bus, he takes clients to look at the Christmas lights.

General Marketing Plan

Here was the marketing tactics/plan/vision that we created for Michael Morrison:

1. Goal would be 50 touches a year for most clients, which would be tracked on IAS/Optima, or a special spread sheet.
2. 10 client events throughout next year. We get these on the calendar at the beginning of the year and start promoting them to clients/prospects in person and by their newsletter.
3. Each event gets the on ramp/off ramp to increase the touches
4. Staff is taught how to work the event
5. Cheerleading is done whenever possible
6. Lots of photos — these are sent afterwards and used on their website and in newsletters.
7. We also recommended purchasing permanent name tags for their clients, with their name and "client since 1983 (or whatever date)"
8. Two staff events next year: a Christmas Party and a day at the beach. You are also considering a strategic planning session at a resort.
9. Also added: Client birthday, retirement, anniversary parties as appropriate throughout the year.
10. Newsletter. We recommended a simple newsletter, at least quarterly. This doesn't have to be fancy — but it goes over your brief thoughts about the economy, etc and then has pictures from your latest events. This can be done by email to save time and costs.
11. You will add photos of the events to your website.
12. Centers of Influence. This needs a separate marketing campaign. Our goal is to come up with 12 names that we can focus on and get 12 leads/prospects from them next year.
    a) At a minimum they will be invited to each client event — might as well ask them to bring a friend that they think would be a good fit
    b) At least twice a year you meet with them privately and run through the questions we listed.
13. Soon to Sell Club. This is a special group of entrepreneurs who are looking to sell their businesses in the next 2 years or so. Our goal is to get to this group before they sell and firmly establish you as the right person to manage the money afterwards. It would include quarterly or semi-monthly get-togethers with a speaker (possibly one of your clients) on issues that are important to them. The goal is a synergistic group that finds a lot of support from each other and comes to know, love and trust you.
14. Lunch and learns. These would be 6 meetings a year in your conference room on topics that are of interest to your group use on ramp/off ramp,

continued on page 24

continued from page 23
Compliance-Friendly Marketing

but eliminate photos unless the speaker is famous.

15. Your brochure is going to need to be updated with your new compelling story, photos, etc.

Did it work?

Michael was a great student and followed our directions. I lost track of him after completing his marketing plan, because as you can see, our goal is to give broker dealers and multimillion dollar advisors plans that can implement themselves.

This story did have a great ending though. About a month ago, one of Michael's friends, Brad, attended our Bumper to Bumper workshop. I asked Brad how things were going with Michael. "Michael is fantastic!" Our work more than paid off when Michael picked up a multimillion dollar account during just one event — the horseracing party. It must have been a big success; it was the reason Brad attended our workshop.

Katherine Vessenes, JD, CFP®, RFC®

***Katherine Vessenes**, JD, CFP®, RFC®, the creator of the No-Sell Sale™, uses her 20+ years of experience as a top financial advisor and consultant to help her clients achieve an easy, almost effortless sale. Katherine is "The country's leading authority on building the multimillion dollar practice" (Kaplan) and "America's best known authority on the legal, ethical and compliance issues of financial advisors" (Dearborn).*

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The market needed a boost so the Commerce Department announced that retail sales increased .3% in the month of January. Sure they did. Supposedly, the increase in retail sales came from 'higher auto sales and gasoline sales'. Sure it did. First of all, gasoline sales were up 23%. Gee, I thought our government has been trying to 'talk' oil down in price by claiming that demand was falling. Well, gasoline sales going up 23% kind of puts that lie to bed. Second, I thought I remembered what the car makers had said. And like most things the Commerce Department tells us, reality lives on a different planet. So I pulled January sales for the car makers. GM reported an increase in sales of 2.6%. Good so far. Ford reported sales were down 4%, Toyota was down 5.7%, Chrysler down 12%, Nissan down 7.3%, and Honda down 2.3%. In fact, car makers reported a drop in sales of over 5% for January. So auto sales increased, huh? Sure they did. That's why the Commerce Department is like the Laugh Factory. They have turned into a comedy club. They are an economic nirvana propaganda machine. Their 'data' seldom has anything in common with the truth. Oh well, that little tidbit instigated a nice 1% plus rally on the stock markets. To be fair, the Commerce Department said that the increase in auto sales reflects a .6% price increase. But, I thought the government wants us to believe the low inflation story! It seems a bit mendacious to me.

February 14: Bernanke appeared before Congress and said that 'the Fed's job would be complicated if people started to worry about inflation'. The 10-year US Treasury bond yield promptly rose by over 3% on the day to a yield just above 3.8%. But Bernanke still thinks he is cutting interest rates! In fact, the 10-year Treasury yield has risen from the late January low of 3.3% to the current 3.8%. This is the benchmark that most of our borrowing is based upon. And why should it worry the Fed if we all begin to worry our pretty little heads over such things as inflation? Doesn't the Fed have that under control? Surely the Commerce Department will continue to feed us inflation numbers that keep us comfortable. Why 'worry'? I have a suggestion. Instead of lowering interest rates on the Fed Funds rate so our friendly neighborhood banks can continue to rip us off by borrowing at the Fed window at 3% and all the while charging us 24% at the retailer's credit card swiping machine, why don't they just send us corn or wheat or milk? Worry? While big manufacturers like GM are cutting wages, the price of living essentials like food and energy are escalating. Forget medical care. A growing number of us can't afford that anymore, anyway. The good thing about that is that it makes us more efficient since less of our pay gets directed to medical expenses. Ditto for our long lost pensions. Worry? Our only worry is that the ever-increasing price of goods is getting a massive push from your perpetual motion monetary printing press. The more you print, the higher the price of our goods will go. While we all appreciate efforts to save the stock market and bail out the banks that have been running a ponzi scheme, the incessant money printing is surely raising the price of food and energy. May I make a suggestion? **Stop Printing So Much Money!!!! Here is another suggestion. Stop bailing out the lenders and wall street bankers that have spent the past five years scamming the public with pseudo loans and investment products!!**

Could we please just get back to a normalized market? Oh yeah, I guess if we did that, the stock market might take a nasty tumble and Bernanke is sworn to pump up the stock market at any bubblicious cost. The troubling part of all this is that the cost of everything is going up – even the cost of keeping the stock market higher. There can be no doubt that the **Plunge Protection Team** (PPT) is hard at work buying stocks and stock indices. Bernanke was summoned to testify before the Senate banking commission and he brought along his PPT pals, Hank Paulson and Christopher Cox. All this is wearing on poor old Ben. Just take a look at Bernanke. He is aging faster than the President. He looks tired and haggard. But I'll have to give it to him — Bernanke is one busy man. I still find it a bit amusing that whenever Ben testifies before Congress or makes a speech somewhere in the world, the stock market falls. Is it something that he says? Nah, he is just not standing at that monetary printing press pumping money into Wall Street. See February 14 as an example.

With everything going on with government lies, credit disintegration, economic slowing, and stock market weakness, it is interesting to listen to the bond market. Over the past 15 years or so, the yield on the 10-year US Treasury bond has descended to the 3.2% range only twice. Once in the 'magical' stock market year of 2003 (you will have to attend one of my

lectures to find out why it was so 'magical') and once again in 2008. Let's be honest for a moment. Rising interest rates are a sign of economic prosperity. Rising rates mean that the value of the currency is increasing. The reason is that in times of real prosperity, real money can be made from invested capital. Therefore, the demand for that money increases and like everything that enjoys a rise in demand, the price goes up! I won't rehash the 2001 – 2002 period in the stock market. We all remember very well the 80% plunge in the Nasdaq. In the Feds' eyes, we were plummeting towards the Great Depression II. Pensions, pension promises, and supposed 'guarantees' were dissolving like butter in a frying pan. The Fed's reaction was to lower the Fed Funds rate to 1%. However, the 10-year US Treasury bond yield only fell to 3.2%. S o here is the critical point.

There are several interesting points about the bond market that we should accept. First, if the 10-year US Treasury bond yield refuses to fall below the 3.2% or so level, then the Federal Reserve is already out of 'stimulus' bullets at their current 3%. Maybe they can help their banking buddies with a supply of nearly free money, but neither you nor I could borrow money at 1%. That level is reserved for banks so they can charge us 24% on our credit cards and keep the difference.

continued on page 26

Some of the largest banks and investment banks plowed money into the CDO and CMO garbage only to lose it all. It baffles me why so many people trust banks or even think they know what they are doing when it comes to investing!

Second, low bond yields are indicative of a low profit business world. Think about it. If you were running a business and you could make 15% profit if you bought new machinery, would borrowing money at 6% to buy the machinery stop you? Would 8%? Would 10%? However, if you could only make 5% profit, then you would not borrow at 5%. You would have to wait for rates to drop. This is the real value of money. Money is the tool to make more money. It is the hammer. If there are no nails to drive, you don't need the hammer. Look what is happening in the world. China and India are fast growing economies and their workers are making more money. The US is a slow growing economy as we are shedding jobs and cutting pay. GM, for instance, announced that they were going to 'furlough' 74,000 workers in hopes of hiring most of these positions back at a lower salary. Look what has happened to the airline industry. Look what Circuit City did. Lower salaries means the economy is fading and therefore, the demand for money (as an economic tool) is too.

Third, the bond market serves as a barometer of sorts to the health of the stock market and the overall economy. The bond market is the counter balance. If investors believe returns in the equity market are either muted or overly risky, they choose the safety of bonds even at low coupon yields. In other words, a 3% bond yield is better than a minus 10% return in equity.

February 19: Oil rose strongly to finish right at the $100 per barrel mark. The reason for the move was supposedly a problem in Nigeria that made oil traders think that supply might experience disruptions. On the other hand, OPEC was supposedly considering cuts in production because supply was too high. Which lie should we believe?

February 22: Once again, we witness a trading day defined by the newly named (by me) chart pattern we call the 'Bernanke Boost'. Yep, the markets of the world were slipping dangerously toward..., well..., I don't know what — they were just slipping into more negative territory. Since the destruction of capitalism-driven markets, the PPT has risen to the rescue of the markets in the last hour of trading on the NYSE. Today, the excuse for the intervention was that mortgage bond insurer, AMBAC, was being fitted with a bailout preserver. Slowly, all the players in the mortgage con game that bilked trillions out of millions are getting their just reward — a bailout for their actions. After all, the lending and mortgage industry had turned the economy around in 2003 with their 'everyone is credit worthy' shell game. And, it did allow for the printing of trillions of US dollars by our Fed. Now the scheme has disintegrated and instead of eating the crumbs of deceit, our government is figuring out how to make them fat again. Anyway, the AMBAC bailout amounted to (by my calculations) a $200 million dollar surge in their market capitalization by virtue of a 25% gain in their stock price (starting at the magic hour of 3:30pm). By my guess, the $8 stock traded about 8 million shares so all it took to spark this rally was about $64 to $80 million or so.

As the Fed would have it, they boosted all the markets of the world by 2% (again, in the last half hour of the day). At a world market capitalization of around $60 trillion, that equates to a wealth appreciation of about $120 billion. Did I mention that again, all this occurred in the last half hour of the day? Yep, capitalism and market forces are no longer in charge of setting equity prices. That is now the job of the Federal Reserve and the PPT.

Again, look at the charts and look at the volume that floods the market at precisely 3:30pm. The printing press is the driving force now. The stock market is now squarely in Bernanke's hands. I just hope he doesn't fumble! But it is, after all, the most pathetic development in the history of investing money. Interestingly, whether or not you either believe or know about the market manipulation, you could take this same chart of our Dow and simply change the name to any index any where in the world and the same chart would fit. That's right, at exactly 3:20 NYSE time, every index in every corner of the world rallied almost exactly by the same percentage almost as if someone with a printing press bought everything there was to buy. (I am now keeping a running chart history on my website of these obvious manipulation days.)

All this brings me to a point that I think is mostly lost on current investors. There is no doubt that our markets have changed. The rules and laws of economics have changed. They have been rewritten by a super elite group of shadow bankers, if you will, intent on pushing the Dow higher at any cost. As such, all previous definitions and characterizations of risk have been dissolved. Without true fundamentals, everything is equal. It is simply a bar fight. There are no rules. The only goal is to get out the door by any means necessary. So when investors think about 'suitability' of particular investments and 'risks' associated with certain investments, they think they are simply being prudent.

But in today's modern market, the Fed and their friends have purged the market of definability. In the new era, assets like gold are now somewhat calmer than former blue chip stocks. Traditionally, gold has always been thought of as an extremely hyperactive two-year old — all over the place climbing the walls! So, let's bury the word 'conservative' as it no longer applies to anything.

Barry M. Ferguson, RFC®

***Barry M. Ferguson**, RFC® is the President and founder of BMF Investments, Inc. an independent SEC registered Investment Advisory fee-based money management firm located in Charlotte, North Carolina. Barry has more than a decade's worth of experience in the financial services industry. He has a diverse background ranging from financial software consultant to registered representative of investment products to President of an Investment Advisory firm. His strong technology background has been beneficial in today's 'information age' market.*

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Business Mirrors Life

Risky Business: You May Not Be As Daring As You Think

I thought I was through with exams when I finished college. Then my wealth advisor (aka stockbroker) had me take a test to measure my tolerance for risk. He said, there were no right or wrong answers, but I knew better.

I was very weary of taking this "risk tolerance profile." As I expected the questions showed that I was a total "wuss" (In Pittsburgh, if you're 15 and a guy it means you always cover your ears in the winter).

A typical question — if your portfolio dropped 21.8% in one year, would you:

a. Sell all your equities.
b. Sell 1/3 of your equities and buy intermediate term tax-free municipals.
c. No change, staying the course.

I selected 'C', not because I believed in my strategy, but out of total fear.

And yet deep down, when it came to the important things in life I felt that I was a risk taker. I could be as much a risk taker as an F-16 fighter pilot, or an NYC undercover cop. However, no test ever asked the real important questions of life, the kind of questions that impacted my daily reality. Questions like:

You have to drive to the airport. You get in you car, turn on the engine, and the gas gauge is on "E." Do you:

a. Immediately fill up.
b. Drive to the airport but don't put on the air conditioning.
c. Drive back and forth without ever looking at the gas gauge again.

Ok, now let's add some real risk to the above question. What is your answer assuming your wife is in the car with you?

Let's deal with food instead of hedge funds. For example, for breakfast you like your bagels dark but definitely not burnt. You've just put a bagel in the toaster and it is just not dark enough. You put it in the toaster again, just nudging the dial to that optimum position; taking into consideration the heat already generated, and the level of darkness around the edges of the bagel. As you wait for your bagel, do you:

a. Stand there staring at the bagel.
b. Let the dog out.
c. Get your newspaper from the driveway and check the Knicks score.

How would your answer change if it were your last bagel?

Now let's deal with the most risky part of life — relationships: Its 11:30 pm, Thanksgiving eve, your wife is exhausted, having cooked the 24lb turkey and all the accoutrements, she asks you to place the turkey in the fridge in the basement. She reminds you of last year's fiasco when you forgot to refrigerate the bird. Do you:

a. Do it immediately; run upstairs to report to her that you completed the task. You then return to the basement to insure that you have closed the fridge door.
b. Leave a note for your teenage son to do it when he comes in after midnight.

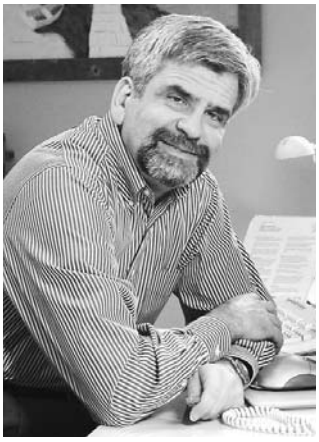
Now for extra credit. You get a call from your high school sweetheart. She asks to meet you for coffee in an hour. Do you:

a. Decline, and tell your wife about the call.
b. Decline, and not tell your wife about the call.
c. Ask your son if you can borrow his hair gel.

You get the idea. On this kind of test I would score very high. I would be a real risk taker — a hedge fund player! Arbitrage would be my modus operandi.

I figure once I fine-tune my questions, I could use this kind of questionnaire to screen professionals trying to give me advice. For example, my internist wants me to come in to review the results of my prostate exam and to discuss the different options and the risks involved with each course of action. I may surprise him and ask him to complete my questionnaire first. I want to see what kind of risk taker he is.

PS. My wealth advisor just took my exam. He failed. I am looking for a new advisor. Any recommendations?



Hesh Reinfeld

***Hesh Reinfeld**, an experienced journalist, passionately believes that a properly crafted bio or marketing profile will cause a prospective client to be sufficiently attracted to read it, and to feel, "I'd like to meet this person." Perhaps you would like Hesh to help you prepare a similar biography for you, or to assist you with writing assignments that will help you in your market.*

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A Message from the Founder

In a recent newsletter I touched on the fact that, as good as it is, there is a downside which makes beautiful Thailand not everybody's cup of tea. Today we'll explore more of those reasons, just so I cannot be accused of whitewashing the joys of living here.

But first, breaking news and an important announcement:

For all those good folks who expressed an unlikely, but still remotely possible chance that they would like to take me up on joining me here when I had the "formal" wedding ceremony, I've got disappointing news: It's already over! In typical Thai fashion, the mother of the bride, a devout Buddhist, saw that March 7th, 8th and 9th were good Buddhist "sign" days for the wedding. So, shortly after finishing my last newsletter to you guys on last Thursday about noon, we were advised that we would be having the ceremony the next day, Friday, March 7th as Pan (with me tagging along) was scheduled to attend a teacher's conference at Khon Kaen University the weekend of the 8th and 9th.

Unlike in America where months (or longer) are spent planning a wedding, sending out invitations and arranging the venues for the ceremony and reception, here, everything was accomplished in a matter of hours! Also in America where costs typically run into the thousands (sometimes just for the bride's gown), all it took was going to the local food market to buy a couple hundred bucks worth of food and drink (adequate for a sumptuous meal and plenty of hard and soft drink for all) for about 50 people (a relatively small, family and close friends type of wedding) and the "grapevine" took care of the absolutely last-minute invitations No need for the hassle and expense of choosing, engraving and mailing them out! It was a truly beautiful (and interesting to us non-Buddhist Westerners) ceremony. Sorry to disappoint anyone who might have been able to come here with longer notice.

Now, back to the downsides of Thai living:

In past letters I mentioned the great health-care system here. Hold on! It truly is "world Class" in Bangkok and the large cities (especially at private hospitals). Out in the countryside though much better than "third-world" countries, medical care still more of a "triage" system with even relatively small villages having a local clinic staffed by a nurse or two. Anything serious is outsourced to a more appropriate facility. The next step up is the district hospital like the one here in Ban Wang Phuem. About sixty beds, "dorm ward" style and maybe 4 or 5 air conditioned private rooms quite different to the private rooms in American hospitals, staffed by at least one capable MD and a reasonable staff of RN's and administrative types, plus one or two lab technicians. These local clinics treat the run-of-the-mill illnesses and accidents. Worse than that get transferred by ambulance to the regional hospitals more similar to the local hospital you may have in your hometown. The trauma, stroke and heart-attack and similar really serious stuff get sent to the really big and state-of-the-art centers like Khon Kaen (usually the Provincial Capitol city). It's all free, except at the private hospitals, but there is a serious hassle of getting fast treatment except for real emergencies.

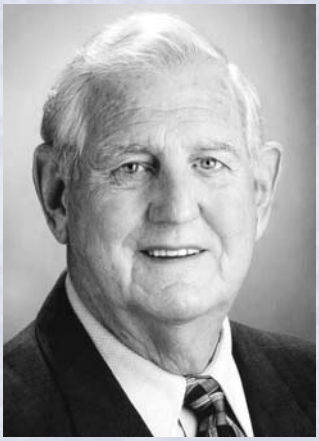
Another problem, especially out here in rural areas, is the not-totally-dependable water and electric systems. Matter of fact, while writing the last newsletter, the lights dimmed, then went off and on for several hours before full power was restored. Were it not for the battery reserve in the computer and the satellite server system, I would have had to suspend writing. And of course, when the power is off so is the electric pump, so we have no running water supply. Inconvenient to say the least, but no big deal as we depend on bottled water for drinking and have a bottled gas stove for cooking. It's not frequent or usually long-lasting, but common enough to be a real aggravating time for those with less of a pioneering spirit.

Then there is the fact that, especially in rural (most) areas, Thailand is a basically poor country. While at least three Thais made the Forbes' Billionaires list this year and there are many people here with incredible wealth, the average person living in the provinces is extremely poor by western standards. Of the 2,600 students and 96 faculty at Pan's school, she is the only one who has ever flown in an airplane, and that was not until recently! Everyone was excited for her and asking what it was like.

When I threw the "Thank You" party for Pan's family and friends for looking out for us during Pan's illness, it was the first time in their lives that Farmer Laap and his wife, Nao (our farm caretakers) had ever gone to a restaurant. And they are in their 50s! When the news got out on the grapevine that a number of trees were cut down here on our farm during the clearing and plowing of the rice fields and pasture, people showed up from miles around with their saws and pushcarts to haul off whatever firewood they could salvage from the debris. They cannot afford gas or electric stoves and practically everybody cooks on outdoor wood fires.

While all this may be good from the prospective of a foreigner coming here to retire in style on a fairly modest budget (but the government discourages all but the more affluent retirees), I want to stress Thailand, at least in the countryside where I prefer to live, is not Hometown, USA! This is not by any means a complete list of disadvantages. There are many more which I will comment on from time to time in future letters, but for now I just want everyone to be aware there are serious downsides to living here. So before you pack your bags, take a reality check!

Cedar Key Jack



Jack Gargan, RFC®

In 1984 ***Jack Gargan*** *formed the IARFC beieving in comprehensive planning and continuing financial education. About ten years later his career shifted to politics and he formed the Independence Party of America. A resident of Cedar Key, Florida, Jack was starting to enjoy retirement and relax. And then at the 2006 Forum where he presented the first Founders Award, he rekindled his interest in financial planning. Jack traveled to Thailand and fell in love with the people, the culture and the country. Now he lives in Thaoland starting all over again.*

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Guo-bin Zheng, RFC, China
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Yu-lai Zhu, RFC, China

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Referror of the Month
Michael J. Zmistowski, RFC

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David Moncur, RFC
Ed Morrow, RFC
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