the Register

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Norman G. Levine

A Career of Professional Service

Serving Financial Advisors Worldwide

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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.

Estate Planning is a Key Element in Financial Planning

One of the first things I do when I receive the *Register* is read it from cover to cover. I know I am prejudiced on the subject but I believe it is one of the best journals for financial planning in the world.

I was especially delighted to see the article from Ed Morrow "From the Chairman's Desk…" on estate planning. As I travel and speak around the United States, I see more and more Financial Planners and Estate Planners going back to their clients to make sure the plans are concurrent with the Federal tax laws. One planner told me he has added 31 new clients in the last 6 months, not as much for full financial planning but for Estate Planning. He went on to point out that several of his clients have financial planners, but they had not been in contact with them in several years. "Call all of your clients for Estate Planning updates," he recommends.

Again, great article from Our Chairman.

Bill Moore, CLU, ChFC, RFC®
Dallas, TX

What a first quarter it has been. The market collapse has had hard dollar impact on all aspects of our economy, from many corporations viabilities being questioned; to individual retirement planning being turned upside down; to current employment concerns. Important to our membership, every advisor's practice is going through a transformation right now. The question is how will individual advisors respond?

Looking into the future, are there lessons to be learned from the generation that survived the Great Depression. I think so. While the negative impact on most consumer's investment portfolio has been severe, it has not been as tragic as the 1930's. What I believe is similar, (and a bigger problem long term for us as advisors) is the trust in the system that has been violated. If we are to learn anything from the past, it is that consumer behaviors will change. While I do not expect people to bury coffee cans of cash in the back yard, everyone carries some scars from the past six months. No longer will the promise of returns based upon past performance or a neighbors good fortune be reasons for clients to take action. Now more than ever we should communicate with our clients to discuss their expectations and re-evaluate risk tolerances as it relates to their plan.

Ed Ledford, CLU, RFC®
Carmel, IN

Well of course the Treasury paid too much

Much has been made over the Treasury purchasing illiquid "toxic" assets; and even more is being made over the Fed purchasing Treasuries and essentially monetizing the debt. However, neither entity would be in this position if other purchasers would step up. Now the investing public is nervous over the true "value" of these assets — wondering "did the Treasury… and now the Fed pay too much." Well the simple answer is, of course they did.

But as with any market, auction or other sales situation, the highest bidder gets the good, or in this case the maybe "not so good." So why should this be a surprise? Top bidders at auctions consistently have several commonalities.

First, they typically have the most money, or put into corporate finance terms, the least capital constraint. So given that the Treasury is the only bidder that can print its own money, CHECK.

Second, they typically have the greatest appreciation for the purchase. So given that the Treasury should place the greatest social benefit (beyond the intrinsic value) on the purchases, CHECK.

Third, if the first two commonalities fail, then they typically have the longest time horizon before sale which loosely correlates (often incorrectly so) to perceived risk tolerance. So given that the Treasury predates all other existing corporations and will, at least hopefully, survive longer too, CHECK.

Fourth, and this correlates to the third commonality. Time horizon also correlates to patience. Anyone who has studied utility curves knows that patient investors are more likely to invest their money in the current period then spend it. Said another way, their required rate of return is the lowest. So again, CHECK.

So why is it that people seemed to be surprised that the Treasury overpaid, given that the bidder who came in second to the late John Hay Whitney in the 1950 auction in which he purchased Picasso's Boy with a Pipe for $30,000 most likely thought the same thing. Although as anyone in the art community will attest it turned out to be a pretty shrewd purchase.

Beauty is in the eye of the beholder and only time will tell. But until we know how this whole program plays out it is tough to believe that anyone thinks that in the near term the Treasury will "underpay" for anything. After all, the Treasury is trying to HELP the economy while trying to MINIMIZE the total (financial and social) impact on the citizenry. They're not trying to maximize NPV or IRR, they're trying to bail out the US.

To this end, obviously they overpaid. The banks willingly sold these assets to the Treasury so the Treasury valued the assets at a price that was greater than the market valued those assets. Had the Treasury only paid what the market was willing to pay then the banks would have been insolvent. That is exactly what the Treasury was trying to avoid.

Finally, in any market there is a liquidity premium, the more liquid the asset the lower the premium. In normal market conditions, the buyer pays a liquidity premium, by accepting a lower rate of return or paying a higher price. However, in abnormal market conditions, one in which other investors would seek an illiquidity discount, the Treasury was willing to still pay a premium although the liquidity was eroded. Therefore it stands to reason that either because of time horizon or social benefit, the Treasury was both willing and able to over pay for the asset.

Derek Klock, MBA, RFC®
Blacksburg, VA

The IARFC is proud of our members and in reverence we would like to remember our passing members:

Ray B. West,
Ft. Lauderdale, FL

Michael J. Palmer, RFC®,
Manchester, NH

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• IN THIS ISSUE •

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Register Interview – **Norman G. Levine**

A Career of Professional Service

In World War II, I served as a foot soldier in the European Theater of Operations and experienced the value of solid training. After the War, I returned to finish my college education at the University of Wisconsin. I was a nature freak and majored in Biological Science and specifically Wildlife Ecology and Bird Study. Very few people knew what the word ecology meant and there were no jobs available. Also, I was an outdoor person and had no proper suits, shirts and ties. I couldn't see myself working a 9-5 day in a traditional job. I had worked for the Wisconsin Conservation Department while a student and taught some classes when teachers were in short supply because of the war.

My uncle was a multiple line insurance person and knew of my concerns. He suggested that an insurance career would give me independence as an entrepreneur. Using the G. I. Bill of Rights, I studied for my Property & Casualty and Life Insurance licenses, and began an insurance career working out of my parents' home. The early days were very difficult. I was not a trained salesperson, didn't completely understand the insurance business, and I had no natural prospects.

My college education was in Wisconsin, my folks lived in New York, and I had spent the previous years out of the New York social world. During those struggle days, I needed supplemental income so I picked up a Fuller Brush line of cleaning products and cosmetics. I did door-to-door selling along with my modest insurance income in order to survive. The turning point came when Aetna introduced me to their career life insurance agency system and offered me a proper office with the necessary training to build a professional insurance career. My experience of aggressive door-to-door selling with Fuller Brush made it possible for me to not only survive, but also prosper as a life insurance specialist. That was the beginning and I am now in my 62nd year, operating as a total financial service advisor.

However, having done it the hard way for 7 years, the best education I got was the "School of Hard Knocks", which taught me people skills. I have since learned that ***skills*** are more important than the ***education*** usually available for professional practitioners.

How did your career as an Advisor move forward?

As I struggled in those early those years, I always believed I would obtain success as a life insurance agent. However, after achieving reasonable success I realized being a specialty salesperson in life insurance was not providing my clients with all the advice and planning they really deserved. My life insurance training effectively addressed what happened if people died too soon, but only marginally examined what happened if they lived too long. I had to find a way of providing full service financial advice and planning – to address the three major risks facing every human being: if they died too soon, if they lived too long, and how to address the inevitable hazards that occur along the way.

So I knew I had to change my operation from life insurance specialist to a total diversified financial advisor. I reached this conclusion in the 1960's long before any company had diversified products. In fact, most life insurance companies would terminate an agent if they even had an SEC or NASD registration. What I decided to do, and it took a few years to accomplish, was to create a brand new organization, the "Levine Financial Group." It encompassed all of the different financial products and we addressed total financial advising for our clients. This was fully operational by the early 1970's and some of the materials I still use today were created in the mid-70s.

What association activities have been of greatest value to you?

I have been an industry activist from the very beginning. I love this business and its potential of helping individuals achieve their dreams and aspirations. Because of that, I have been active in almost all of the life insurance organizations. My first exposure was with Life Underwriters Training Council (LUTC) and I became the NYC Chairman in 1955. This was specific training for my fellow professionals who wanted to excel in the life insurance business. Eventually I became National Chairman of LUTC, which provided basic training in hundreds of cities.

From the first day I became a full-time agent I have been a member of NALU now known as the National Association of Insurance and Financial Advisors. I was president in New York City, and then state president, and eventually became the national President of what was then the 140,000 members.

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Because I expanded my career to include management, I also became active and eventually president of the NYC General Agents and Managers Association (GAMA) and, then became National President. Those organizations were primarily directed at the life insurance business, so I searched for an organization that also represented the true totally diversified financial advisor. Happily, I found the IARFC, which represents the entire diversified financial service area. It is extremely effective and provides wonderful meetings and educational materials.

All of these professional organizations, and some of the study groups I have participated in, have contributed more to my development in this business than any company-training program or other educational institutions.

What were your major career obstacles?

In my early years, my greatest problem was lack of prospecting and sales skills. Eventually I developed techniques and methods that solved both of those problems and which are addressed in several of the eight books I have written and are still in print. In mid-career, I became frustrated by my inability to properly address the overall needs of my prospects and clients who were at risk of dying too soon, living too long, and the hazards along the way.

There were no available options in those areas when I became concerned with them, so I had to create a corporation, which was unique and very expensive. My associates and I were pioneers in the total financial service industry. There were few other sales organizations at that time that addressed all three problems and had all the diversified products available along with the necessary services.

Since then, of course, almost all companies in insurance, investments and banking have expanded their portfolios and services to incorporate all products and total financial services. But these institutions were, and still are, lagging behind the direction of individual producers.

Having just completed my 61st year in the business, clearly I am on the downhill side of the slope. During my career, I have been a practitioner, a constant member of the Million Dollar Round Table and an occasional Top of the Table qualifier, while concurrently earning the GAMA Master Agency Award. At this point in my life I am not working nearly that hard any longer. I am, however, totally dedicated to financial services. I no longer run a large organization, but continue to offer personal planning for my existing clients while concurrently writing and speaking for financial service companies in insurance, investment and banking. I have also produced videos and CDs to help my fellow professionals overcome the obstacles all financial advisors have that keep them from being as good as they can be.

Tom Wolff and Norm Levine at a LAMP meeting

What are you enjoying most?

I love this business and have dedicated my entire life to not only being personally successful, but to contribute to the success and well-being of thousands of other practitioners. But I admit to being utterly frustrated by the deterioration of the quality and quantity of others in our profession. For example, when I spoke to organizations 20 years ago, the great majority of the large number of attendees

Norm, Bob Savage and Mehdi Fakharzadeh

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Ben Feldman, Ethel Feldman and Norm

Norm being presented the John Newton Russell Award for a career of significant service in 1986

were young and often the average age of the group would be in their 30's. Today when I speak to these same types of organizations and companies the audience is significantly smaller and the average age is frequently in the 40's and 50's and on occasion even older.

When I speak to producer groups, I ask three different questions to get a feeling for the audience.

First, I ask how many interviews they have in a week. And though I start at the number 30 and go down from there, over half of the audience has not yet raised their hands when I get down to 5 interviews a week!

My second question is how many in the audience complete a fact finder every time they begin a planning procedure. Rarely do more than 20% of the audience raise their hands.

Finally, I ask how many in the audience get 70% or more of their commission earnings from a single product line such as life insurance, annuities, or some form of health insurance, investments, or property and casualty. Almost without exception, the majority of the audience raises their hands.

My reaction is, "How can a professional practitioner claim to be a full-time career financial advisor when they have seen less than 5 people a week, they are not getting data sheets to begin the process, and they are mostly selling only the product with which they are most comfortable?" The meeting attendees are ignoring the need for diversity and not covering the three different risks that are required to do an adequate planning job for their client.

What attracted you initially to the IARFC?

As I've already indicated, we desperately need a quality organization dedicated to total financial advising, not just exclusively specialist oriented organizations. I have known Ed Morrow from my industry involvement for many decades and have always totally respected him for his capacity, integrity and commitment to our common cause. An organization whose mission it is to fulfill my own dreams and aspirations and one that is led by an extraordinary industry role model made membership in the IARFC most attractive.

The IARFC is constantly growing and improving. Its benefits are self-evident and are in part reflected by the existence of the magazine you are now reading, The Register. Further, I've been to the RFC meetings, which I found to be outstanding, and now with classes and training opportunities; this sharing of the knowledge necessary to be extraordinary financial advisors, all under the umbrella of the IARFC, makes membership and participation extremely valuable.

But, I must ask all the readers, "Are you contributing your time and talent to the IARFC and are you taking advantage of the member benefits and the new RFC course?"

What are the major trends in financial services?

The financial meltdown that is now global has affected people all over the world. My own personal experience is obviously most reflective of the situation here in the U.S. The evils of the financial world can be attributed to the impact of the deterioration of ethics, the motivation of greed, and the loss of the basic principles of opportunity in the free enterprise, system. We blame the financial institutions, the government or greedy self-serving financial leaders. Without any doubt, they are all significantly responsible for the meltdown.

However, the consumers who are most adversely affected must in part blame their own greed — because they did not have a sound, solid and practical financial plan in place. People bought things they shouldn't have bought, they spent money they didn't have, they demanded compensation beyond their productivity, they wanted something they could have earned eventually, but they wanted it yesterday.

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They didn't have a truly diversified portfolio, and I'm not just talking about diversified investments. I'm talking about all the products, such as insurance, annuities, guaranteed savings and real estate without excessive debt. So in effect, in no small measure, the consumers did it to themselves.

If we had an army of qualified professional financial advisors, not only influencing what people bought, but also teaching sound financial planning, the pain currently being experienced would have been significantly modified or perhaps even eliminated. This experience may turn out to be a lesson for financial advisors and the institutions they represent. We must develop many more financial advisors and provide better training and methodology to build safe, sound financial plans. The next five years might cause a transition to a new attitude on the part of the typical consumer accepting personal responsibility and using professional assistance.

How should RFCs be positioning themselves?

The RFCs of the future should build their practice on the principles that I have already recommended. Also, they must be part of, and personally help, to build organizations to bring quality, ethical new advisors into the profession. They must share with them the methodologies and their expertise to do the high caliber job required.

How will technology impact the practice of financial advisors?

People skills trump technology by a wide, wide margin. From my frame of reference, technology makes planning simpler, makes record keeping a lot easier, provides hard copy for the client, and improves consumer comprehension. But none of that will change the attitudes and implementation of plans.

In order to reach the prospect and get clients to do what they are not instinctively inclined to do, you need strong interpersonal relationships and they must be backed up by practitioner expertise.

Where will the economy be moving in the near future?

Though I was alive during the end of the great depression, I was too young to fully appreciate its significance. In any case, I don't think it is a fair comparison to the global meltdown of today. I believe, we will overcome the mess we are now in and all aspects of the economy will, in time, recover. However, I admit I am not 100% certain. In the U.S., Social Security and Medicare admits to being under funded by 85 trillion dollars. Our national debt, with a lot of the money being lent to us by other countries who would like to eat our lunch, is now in excess of 10 trillion dollars. To put that in context, the total budget of the U.S. before this current fiscal crisis was slightly over 3 trillion dollars.

You don't have to be an economist or a mathematician to figure out that with Social Security and Medicare under funded by 85 trillion dollars there is no way for our government to provide the benefits which the typical citizen expects for their own retirement or economic well being.

There is still the expectation from many citizens of "I want it now," "I want it yesterday," and "I don't want to pay for it." People are demanding more entitlements, which will increase our national debt even further. Recently the Wall Street Journal suggested that the great majority of the Fortune 500 Company pension plans are grossly under funded. In some instances by as much as 80%. The overall picture indicates that the great majority of the people in our country are over-estimating what they can reasonably expect in the way of corporate and government benefits in their latter years.

With all of that as background, the financial advisor should be teaching sound financial planning. In effect, help their clients build a safe, secure, self-funded financial plan and consider any corporate or government benefits as possible, but not guaranteed. We can't count on governments and corporations any more!

Advisors should also be teaching how the private sector and the free enterprise system built the richest and most powerful country in the world and how the self-serving entitlement attitudes of today have almost destroyed 200 years of growth and prosperity.

What is looming on the horizon for our profession?

Our future is almost like walking through a minefield. No one can predict where the financial world is going, but certainly, we need more qualified financial consultants. We need better training and greater effectiveness from that group and we need things beyond our control like the overall economic situation to work through this period and become more stable and more secure. Looming problems notwithstanding, the individual practitioner must keep his or her cool, live one-day and one client/prospect at a time, and contribute to professional associations and continue self-development.

If you are not contributing to the growth of our profession, then you must consider whether or not you are part of the problem!

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Norm lecturing at an IARFC Forum in Middletown, Ohio




Short But Sweet

"Short but sweet" can refer to many things, but in our business, it most clearly defines the time we have to engage a client and get them moving down the road to a successful planning session. That short time frame is the key to a successful engagement and is the key to maintaining a healthy and vibrant practice.

The Financial Planning Process™ course recognizes the need for advisors at all levels to learn how best to move individuals from suspect to prospect to client to the ultimate position of key member of your referral action network; the people who will make your life easier by sending you more clients than you could ever imagine. These are the people you create by having a professional engagement process that clearly sets out the expectations for all of the involved parties.

When we look at the client engagement as an element in the financial planning process, it is clearly the stepping stone to future success. It is this step which lays the groundwork for the rest of your planning processes. That is why this is such an important topic for even the most experienced financial advisor. No step along the financial planning path is possible until we have engaged an individual to hire us and pay us a fee for producing a financial plan of some variation, whether it is a full comprehensive plan or a shorter, yet just as valuable, modular plan.

What then are the keys to a successful engagement? What do we, as financial professionals, need to be aware of to make sure that we gain the trust and comfort from those that we seek to make our clients? The answer is not rocket science, but it is all too often overlooked as we struggle in our daily battles in the arena we call our office.

There are several elements that we will address in this and subsequent articles. Each of these is discussed in great detail during the Financial Planning Process™ course, and has been noted to be of great value to the attendees. Both new and experienced advisors have found value in the materials delivered during the client engagement section of the course, and I have no doubt that readers of this and future articles will concur.

The keys to any successful engagement can be grouped into four basic categories:

- Communication
- Trust
- Collaboration
- Predictability

The first of these, Communication, is perhaps one of the most important tools that any financial advisor can have in their arsenal. The ability to communicate effectively can mean the difference between having to really work hard to get the engagement and having the engagement practically create itself for you.

When it comes to the communication skills, we must keep in mind that we are talking about a combination of both verbal and non-verbal. What you don't say, may be every bit as telling as what you do say during the client engagement process. For the sake of this article we will focus on the verbal communication skills discussed during the Financial Planning Process™ course and how they are developed for the financial advisor who wishes to improve their standing with clients and prospects.

The initial example of communication skills that must be honed and developed by the advisor is the use of an elevator statement or ten-second commercial. This is the first real opportunity you will have to show off your verbal skills and make the prospect or suspect into a true client. Many articles have been written about this subject, and many of us have taken a stab at producing an elevator statement, but how many of us actually use them on a regular basis? How many of us can answer the centuries old question of, "What do you do?" and do it in such a way as to make it an effective communication tool?

The basic truth behind an elevator statement is that it is used for only one purpose. It is designed to get the other person to say something like "tell me more" or "how do you do that"? Someone who is intrigued by your elevator statement has shown interest and is primed for an appointment, at which time they will learn the process by which you make other clients loyal, happy, and financially successful. The elevator statement is also designed to get the person with whom you don't wish to work to walk away without feeling neglected or insulted. Perhaps then it has two real purposes, to both engage and disengage people. Knowing how to craft a statement that does both comes from time and practice. Both of which the students in the Financial Planning Process™ course get in abundance.

When the students walk away from the course, they have an elevator statement that has been reviewed and reworked countless times. They have a comfort level with their elevator statement and have internalized it so that it rolls from their mouths naturally and with a sense of confidence. This is the key to using an elevator statement successfully. They have learned what goes into an elevator statement and just as important, what does not. All too often we are focused on adding more and more to our statements and we forget that sometimes, ***Short and Sweet*** is the best way to go.

For more details on the Financial Planning Process™ course and what we do during our four days together let me know. I'd love to see you in class and help you discover the path to added success. ◙

Jim Lifter, MBA, RFC®

Jim Lifter, MBA, RFC®, the IARFC Education Director, has an undergraduate degree from Ohio State University in Marketing and an MBA from the University of Dayton. He holds the RFC designation and will be responsible for coordinating the development and distribution of the new RFC courses.

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CALENDAR OF EVENTS

MDRT Annual Meeting
June 7-11, 2009, Indianapolis

RFC Accelerated Course
June 22-25, 2009, Middletown

IPS Workshop Found Money
June 24-25, 2009, Atlanta area

RFC Accelerated Course
July 20-23, 2009 Middletown

IPS Workshop Fact Finding
July 29-30, 2009, Atlanta area

International Dragon Awards
August 6-9, 2009, Taipei

Pacific RFC Conference
August or September, 2009,
Australia & New Zealand

NAIFA Annual Conference
September 12-16, 2009, Orlando

RFC Accelerated Course
September 21-24, 2009 Middletown

IPS Workshop Fact Finding
Sept 30-Oct 1, 2009, Atlanta area

RFC Accelerated Course
Oct 19-22, 2009, Trinidad

Financial Advisors Symposium
November 9-11, 2009, Orlando

Critical Illness Insurance Conference
January 6-8, 2010, Taipei

Critical Illness Insurance Conference
January 6-8, 2010 , Bangkok

From the Chairman's Desk...

Ed Morrow

TOP 10 PRACTICE MANAGEMENT TIPS

Courtesy of the Million Dollar Round Table

Attitude: Remember that your attitude influences everything in your practice. With each challenge, use your emotional intelligence.

Persistence: It takes most top producers ten years or longer in the business to reach the peak of their profession. Never give up.

Confidence: Nurture it, leverage it, borrow it from others. Most importantly, protect it. With confidence, just about anything is possible. Without it, you fail.

Prospect: Keep your prospecting antenna up and tuned in. The difference between an average producer and a top performer is the quantity and quality of their prospects.

Education and Experience: Make sure after ten years of business, you haven't repeated the same production each year. Build upon each experience. We need to be perpetual students to add value to our clients.

Physical Health: Take good care of your body. Without physical health it is extremely challenging to succeed in business.

Goals: Lifetime, yearly, monthly, weekly and especially daily goals will keep you focused and motivated. Put them in writing and share them with others.

Enthusiasm: Act enthusiastic and you will be enthusiastic. Make it a special habit to do this, especially when you don't feel like it.

Smile: It lifts your mood and the mood of others around you.

People: You win with people. Your clients, colleagues, suppliers and fellow association members are all members of your team. Take good care of them and they will take good care of you!

About the MDRT

Established in 1927 as a conference of top U.S. life insurance producers, it has transformed into a worldwide organization that embraces the concepts of ethical needs-based product application and advisory services. More than 31,000 members from 491 companies in 80 nations and territories participate in the projects and meetings of the association. The Annual Meeting and MDRT Experience Conferences are attended by as many as 11,000 financial professionals. Membership requirements include multiple forms of financial compensation and membership in an organization that has a firm ethical posture and compliance screening, and this includes the IARFC.

The above suggestions were provided by Ralph Antolino, JD, CLU of Columbus, Ohio.

Many members of the IARFC have been active members and leaders of MDRT. The IARFC will be represented at their Annual Meeting June 7-11 in Indianapolis, and I am honored to say I will be addressing the organization for the seventh time: *Making a Profitable Transition from Agent to Advisor*. If you are planning to attend, please drop by Sponsor Booth #509 and our Domestic Membership Chair, Amy Primeau, will place a gold RFC Key on your name badge, to help spread RFC participation among the MDRT members.

Do Your Homework to Get the Ink You Want

Letters, faxes, press releases, story pitches, seminar invites — there are many types of communications financial professionals send out every day to reporters, editors and producers. But how many of those communications are getting into the right hands?

Before you send any information to the media, you first need to do your homework. You must answer the following questions about the media outlet — and the reporter — you want to target with your information:

1. **Does the outlet usually cover the issues in which I am an expert?**

   Let's say you want to pitch a story on long term care to your local paper, but it is a small publication with a limited staff, so they may not write about the issue. However, they may consider offering you a guest column on the issue as you're an expert on the subject and you're local.

2. **Does the outlet have someone who covers my area of expertise?**

   If the publication does cover your area of expertise find out which reporter covers that beat. Do not take the shotgun approach and send a blanket e-mail to the entire editorial staff. Taking the time to find out who's responsible for covering the issue will work to your advantage.

3. **Does the reporter want to receive information via fax, e-mail or mail?**

   This is a very important question to ask. Reporters are inundated with information on a regular basis, but if you are not sending the information in a way that will capture their attention you may be missing out. Know if the reporter prefers to receive information via e-mail or fax, then consistently follow their preferred mode of communication.

4. **Does the reporter mind a follow-up phone call?**

   With deadlines so tight in the media world, it is best to avoid a follow-up phone call if possible. Sometimes they won't mind, but if you call at a time when they are trying to wrap-up a column, you will be doing more harm than good. If a reporter is interested in your story idea, he or she will call you.

5. **How does that reporter usually angle certain stories?**

   Knowing how a reporter will position topics is as important as the topic itself, so it's important to read the reporter's articles. Only by reading the articles will you get a taste of how he or she will position that issue. For example, if the reporter writes about variable annuities, wouldn't it be important to know if he or she is a proponent of the product?

6. **Has the reporter written about this specific issue before? How long ago?**

   By reading the publication and following the reporter you will know if he or she has already written about the story you are pitching. If you try to pitch something that was recently covered, you need to present a more unique angle to the issue. Otherwise, set that story idea aside and come back to it after a few months have passed.

7. **When is this reporter's deadline?**

   This is the single most important thing you can know about a member of the media. If you don't know anything else, at least know when the reporter is on deadline. If you know the time of day or month that is bad for him or her, do not call them during these difficult times.

   Deadlines for reporters are tight and frequent. If you show them respect and avoid contact during deadlines, you will win points. If you are unsure of the deadline, simply ask, "Is now a good time to talk or would you prefer I call you back?" Do not waste their time if they don't have it to spend.

These may seem like commonsense questions to ask, but too many people don't ask them and end up with little or no media exposure. Do your homework sooner so you can get more coverage later.

Benjamin Lewis

Benjamin Lewis is president and founder of Perception, Inc., a leading full-service public relations firm specializing in generating awareness for financial companies and professionals. A graduate of Bradley University in Peoria, IL, Ben has spent the past 15 years in the financial, political and non-profit arenas. Ben has appeared as a guest columnist for numerous consumer and industry media outlets discussing the importance of media relations. He has also been a featured speaker at many regional and national conferences and conventions on topics ranging from building rapport with reporters to leveraging new media in your practice. Ben is also founder of Rapportica, Inc. (www.Rapportica.com), a new web-based public relations platform for the financial services industry which connects financial advisors with the financial media — virtually.

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A Well-Kept Secret

If you ask an elderly Veteran if they are aware that they may qualify for an additional pension from the VA, they probably will tell you "I'm not eligible because I wasn't injured in the War". This is a common misconception which keeps many Vets from tapping into a benefit that they deserve. The fact is elderly, or disabled Vets and their widows can qualify for large sums of money, but they have to apply for the funds. There are several Veteran pensions, but the pension designed to help elderly Veterans and Veterans' widows pay for costly home care or Assisted Living expenses is **Special Monthly Pension with Aid and Attendance (SMPAA)**.

The SMPAA is the government's best kept secret. I cannot tell you how many seniors have told me that they called Veterans Affairs and were told that this pension does not exist, or that they do not qualify. The pension really does exist, but learning how to qualify your client or prospect for this benefit takes careful planning. To qualify for this pension, Veterans must be disabled, or age 65, served 90 days in active service with at least 1 day during a declared time of War (World War I, World War II, Korean War, Vietnam War, and the Gulf War), and have been honorably discharged.

Currently there are two marketing groups here in the U.S. that are training agents and advisors how to market and prospect to Veterans about this special pension and showing those Veterans how to then apply for the benefit.

What's in it for you as a Financial Advisor and why should you investigate this?

1. Of the over 3 million Vets in the U.S. who could qualify for this benefit, only approximately 153,000 are now receiving the pension.

2. Success is all in the paperwork. Both programs will inform you about the application paperwork that is necessary and guide you with the information which is necessary for the Vet's application to be complete. Done right, the application should be approved in 90 days. If done incorrectly, the Vet has to wait one year to re-apply. New to the Veteran's Administration, there are now 10 project areas which are targeting rapid approval of these applications. Currently the average wait is usually 8 months for approval but the first check will be retroactive to the month the application arrived at the VA. Upon completion of the project, expect the rapid-approval process to be implemented across their entire system.

3. **Most Vets who have resources will be in one of 2 situations:** Pre-planning for the application for this Aid & Attendance Pension, or Crisis planning where they need the benefit NOW due to their current costs for home care, medications, or Assisted Living Expenses. No matter which situation your client or prospect is in, financial qualification for the benefit is necessary. And that's where You come in.

To financially qualify for this Aid & Attendance pension, the Vet needs to have $30,000 to $80,000 in assets and show that the expenses they have for care of themselves or for their spouse exceeds their monthly income. There are special forms to fill out which will need to be completed and sent in with the application to indicate the monthly and annual expenses, along with a doctor's report, and/or a facility report which reports the expenses charged to the Vet and their spouse, or to the Veteran's widow.

Many Vets have assets and financial resources which far exceed the limits the Veterans Administration requires. The Agents who work this program can work with the Vet and his/her family to reposition the current assets, change the ownership of those accounts, plan for burial expenses etc. which will allow the Vet to financially qualify for the benefit.

This can produce significant income for the Advisor. And, it also is providing a community service to the Vets who do not have income because you will be guiding them to the application for this additional pension which they probably did not know even existed. Special to the VA, and important to you and the client, there is no look-back period to qualify for the benefit. **Just be sure to complete work with the Vet's assets BEFORE submitting the application for the Aid & Attendance pension**, or they may be disqualified by not meeting the financial requirements of the VA.

A word of caution! One of the marketing groups encourages and trains the agents and advisors to complete the application to the Veterans Administration for the Vet. While this may be a service you would like to perform for the Vet, a **January 3, 2007 directive from the Department of Veterans to all its Regional Offices and Centers** indicated that the actions associated with representation for a VA claimant who is applying for benefits is **prohibited**. Representation may include counseling on Veterans benefits, gathering information necessary to file a claim to file for benefits, preparing claim forms, submitting information to the VA, and communicating with the VA on a claimant's behalf. The other marketing group which is promoting the program for Vets will give you specific information and guidelines to assist the Vet or his/her family as they complete forms. It's a much easier and safer way for you to avoid any snafus with the VA and its employees. And, it will save you a tremendous amount of time as you continue to work with the Veterans in your area. **Most importantly, don't put yourself at risk with the Veterans Administration by representing a claimant through the application process, as is outlined above.**

Marketing to the Veterans in your market area can take several forms:

1. Ask to speak at local VFW meetings.

2. Contact the American Legion groups in your town.

3. Give a workshop one morning or evening at a local church that has a large elderly population.

4. Speak at local Rotary groups.

5. Contact the Assisted Living Facilities in your area and give a morning or afternoon seminar to the residents. This

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benefit could help those folks be able to afford to stay at the Assisted living facility for a longer period of time before their money runs out.

6. Direct mail to the Vets in your town. One of the marketing groups has a very cost effective mailer to use (1,000 pieces for $425, with a 3-6% response)

Remember that your talks will be to individuals who are in either a Crisis mode or in a Pre-planning mode for this pension benefit. Your approach can be the same but some will not feel the urgency to apply for the benefit right now. You can still re-position their assets in preparation for that time when they will need it. And for those Vets who are in the Crisis mode, your work with their assets can begin immediately.

Yes, there will be Vets who do not have many assets to work with. Some may not even have enough money to last a few months. These folks need your help too, and for them, finding out about the Aid & Attendance pension may be a real God-send. In those cases, give them the outlines to complete their application and they'll be so glad they heard about the pension information from you. Even better, ask them for a referral to their other Veteran friends who may have financial resources and who can become your next clients.

Aside from the income and the services you will be providing, there is also a special service called **Dignity Memorial (1-800-DIGNITY)** which is the Homeless Veterans Benefit program. This program serves eligible homeless, indigent Veterans with no family, providing burial in a VA cemetery or a Dignity Memorial network cemetery. Services include, but are not limited to, transfer to the funeral home and cemetery, staff to coordinate and oversee the cemetery service, casket, chaplain, services and ceremonial honors as available in the community. And it's all FREE.

Yes, the Aid & Attendance benefit has been one of the government's best-kept secrets. Until Now. Here's a way to benefit your community, still be involved with long term care… and it opens up a whole new market for your financial practice. Hooray!

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Efficient Technology

Efficient Productivity Tools

Gadgets have always fascinated financial advisors. However, gadgets can be a two-edged sword. On the one hand you have a clever device that can save steps, increase productivity and/or improve communication. On the other hand, there is the possibility that an advisor who pays too much attention to gadgets can be distracted to the point of inefficiency and a loss of productivity. All gadgets require a learning curve; time to learn the way it works and how to apply that functionality to a financial firm's needs.

At the recent Technology Tools for Today Conference in Dallas, much attention was given to the latest technology used by members of the financial profession. The obvious issue repeatedly voiced by attendees is the apparent conflict between the new functionality and the enormous time demand to master that technology. What follows in this column is a discussion of several of the technologies discussed at this conference.

Nuance (www.nuance.com) recently unveiled its latest version of Dragon Naturally Speaking, Version 10. This version is a major upgrade, with many new features and increased voice recognition accuracy. Even though this software was discussed in the last issue, among the new features unveiled at the conference is the ability to control program functions with your voice. Also new to the software is integration with desktop and web search engines, permitting the user to speak a search term and find missing files, or information on the web without the use of a keyboard. Make searching the web faster and easier. Just say a command containing your desired search words, such as "Search the web for financial management resources," or "Search maps for Italian restaurants in Burlington Mass.," and Dragon will use the default search engine and web browser to enter your dictated term(s) in the search field and return the results. You can also search specific sites or search the web for a specific type of information using commands such as "Search Wikipedia for George Washington Carver," or "Search eBay for Bluetooth headsets." Sites supported by Dragon Voice Shortcuts include Google, Yahoo, eBay, Wikipedia, YouTube and more. Search your computer as directly as the Web, by dictating the word(s) to find documents, emails and web browsing history. For example, you can say, "Search computer for launch plans," and Dragon will complete the search using Google Desktop or Windows Vista desktop search. In addition, commands such as, "Find an e-mail about the Robinson report" directly open the top email containing the dictated keywords. Searching the computer has never been faster — or easier.

Plantronics. One of the keys to using Dragon Naturally Speaking effectively is having a high quality input device (i.e. headset, Bluetooth or wired). One such device is a Bluetooth headset offered by Plantronics (www.plantronics.com). In the car, on the street, at your office or in an airport, be heard above the noise with the Plantronics Voyager 835 Bluetooth headset. Dual-mic AudioIQ noise canceling technology provides clear sound by separating and enhancing your voice to minimize distracting background sounds. Windsmart technology reduces the wind noise your callers would otherwise hear. A comfortable, contoured ear tip channels sound directly into your ear, so you can focus on what's important — your conversation. Plantronics QuickPair technology lets you easily pair your headset with your Bluetooth® phone and multipoint technology lets you stay connected with two Bluetooth® devices — like a smart phone and a Bluetooth enabled laptop — all from one lightweight headset.

PhraseExpress is a keystroke reduction software that is a real timesaver, especially for those who use common language and phrases in sending out repetitive e-mails or text messages (www.phraseexpress.com). Phrase Express recognizes what you are starting to say and either prompts you to select stored paragraphs, phrases or other, or automatically inserts the content for you. This can really speed up your e-mail production as it seriously cuts down on keystrokes, improves spelling and has a high degree of customization.

RoboForm is a multi-use software that can save and remember passwords and log you in to websites (www.roboform.com). It can also fill in forms, encrypt passwords, generate random passwords, synchronize passwords between computers and works with multiple computers and mobile devices. Roboform2go allows you to load the software on a USB memory stick and then transfer the data to any computer device. The best news is that it is free. You can purchase RoboForm Pro for $29.95, though.

LogMeIn is a GoToMyPC clone that allows you to connect remotely to a computer (www.logmein.com). The cost is lower than GTMPC for the basic product, but contains some reduced functionality such as not being able to drag and drop files across computers. However, for basic use, it is a worthy competitor. The LogMeIn Pro version has all the functions you might need at a somewhat higher price. However, they were offering a special 5 PC price promotion at $19.75/month, about the same price as GTMPC offers for only one computer.

Carbonite is a nifty online backup utility that works seamlessly in the background (www.carbonite.com). Carbonite installs a small software program on your computer that works quietly in the background looking for new and changed files to back up. It looks and feels like part of your computer, and is integrated with your desktop, so there's nothing new to learn. Carbonite takes data privacy and security very seriously. They encrypt your files twice before backing them up securely offsite, using the same encryption techniques that banks use. Files remain encrypted at their secure data centers, so only you can see them. When your computer is idle, Carbonite automatically backs up new and changed files. You don't have to do anything! When you're using your computer, Carbonite goes to sleep so it will never slow down your computer or internet connection. At $49.95/year, it is a completely automatic, secure and encrypted solution for backing up all of your important files and information.

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Google Calendars was another tool discussed for time management at the conference. (www.google.com/calendar). Surprisingly, firms are using Google Calendar for Business in cases where it is not economically feasible to purchase or create a network environment. Google Calendars offer many of the same features you might find in such systems at virtually no cost. You can sync calendars automatically with Outlook or other calendar programs and have access to your schedule from any computer, anywhere.

Maximize Your Time and Focus

Granted, these are only a few of the many hardware and software programs that were discussed at the conference. Yet, the overriding theme is to check these out in light of how you work, your style of working with technology and whether any of these fit that style. It is not enough to simply have the latest, most leading edge technology. You need to commit to a process of fully utilizing that technology and integrating it into your daily work pattern. Otherwise, there is little point in tying up money in technology that you might seldom use.

David L. Lawrence, RFC®, ChFE®

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Fraternally Yours

A Look at the Benefits of Offering Your Clients Fraternal Company Products

"Fraternally yours" is a phrase that may conjure up thoughts of a secret handshake. From the sender it communicates a bond, a privileged relationship. Every recipient of this special greeting that I have encountered responds in a similar fashion: a knowing smile that acknowledges that indeed they are "members" with certain benefits that cannot be purchased anywhere.

Does this sound a little like a private club or an exclusive organization?

Well, like a club, a fraternal organization offers select benefits to members. But, unlike a private club, it is an affiliation most everyone can now enjoy. What are we talking about? Insurance companies that are fraternal benefit societies. If you haven't taken a look at what fraternal insurance companies have to offer lately, it is high time you did, for your clients' benefit and for the development of your practice.

Let me start by sharing my experience as a 31-year industry veteran. I am a fraternal novice having only been exposed to this world two years ago. Sure, I remember answering questions many years ago on my state license exam regarding the structure of fraternal benefit societies, but never really paid much attention to these organizations. I was very satisfied marketing products offered by mutual and stock companies. The few times I ran into competition from a fraternal insurance agent, they were generally restricted to selling only that society's products and their product lines were fairly limited. Policy values were generally not as competitive as other products I had at my disposal. If this mirrors your experience, believe me it's time to take another look.

There are many fraternal benefit societies in the marketplace today. Several now work through independent agents and advisors making their unique value proposition available to producers who, previously, have not had that access. About 75 percent of all sales by fraternal societies are now through independent agents in the fraternal life business. In addition, product offerings can be very competitive with traditional insurers and there is the built in advantage tied to complimentary member benefits that fraternals provide to eligible members.

While most fraternal organizations share common attributes, for the purposes of this article I will use examples from my experience with the Independent Order of Foresters (Foresters), a fraternal benefit society headquartered in Toronto, Canada. Foresters is rated "A" (Excellent) by A.M. Best and is domiciled and supervised by the Insurance Department of the State of New York. I chose Foresters because the organization distributes its product portfolio through independent producers and is non-denominational, meaning membership is available to any of your clients.

From a product standpoint, Foresters recently introduced new term and guaranteed Universal Life products that are highly competitive with products available through traditional independent brokerage companies. This marks a dramatic change in strategy as Foresters builds membership through independent marketing channels. You will continue to see fraternal benefit societies put more resources into updating their product portfolios. After all, if the products are equal in death benefit and cost, it would be hard for a client to ignore the additional benefits available when they make a purchasing decision. And, since the distribution system in the independent marketplace is not fully developed, the advisor who introduces this differentiated coverage to their clients will separate themselves from their competition. (in addition to other products and services)

The Common Bond

A basic premise behind a fraternal benefit society is that members share a common bond. Some of these organizations share a the bond through a church affiliation and may require a member be affiliated with a particular church. In Foresters case, their fraternal mission is based on the principles of mutual aid and community service with a focus on the well-being of families and the communities where they live. Foresters and its members fulfill this mission through financial and volunteer support of various children's charities, including its long-term partnership with Children's Miracle Network., serving young persons with terminal illnesses.

If you are unsure, whether this membership privilege will resonate with your clients and prospects, ask a few people if they know a family who has a "Miracle Child" and needed the help of Children's Miracle Network. You may be astonished at how many people know a family that has benefited from the work done by this great organization. As a financial advisor, your affiliation with this and other local charities can only enhance your practice. Foresters has a variety of resources to leverage its community good works and your reputation in the community.

How Does Fraternalism Work?

Let's focus for a minute on how the fraternal benefit society structure can be advantageous to your client. Besides membership in a local lodge/branch system, members and their families enjoy specific complimentary benefits that are offered in addition to their insurance coverage. These are known as benefits of membership. As a not-for-profit fraternal organization, Foresters and others are exempt from corporate taxes. However, the organization shares its financial strength with communities and its members, who are customers, through complimentary life, health and education benefits that help eligible members and their families.

Foresters offers a unique suite of member benefits. I'll briefly highlight three of these benefits:

- Scholarships for family members: 350 competitive scholarships of $8,000 each were awarded to member families last year;
- Orphan Benefits: children of members who are orphaned automatically receive college scholarships of up to $24,000 per child and $300 per child monthly until they reach age 18. These benefits are granted in addition to any life insurance proceeds payable to the beneficiaries.

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- **Critical Illness Benefit:** a $4,000 one-time lump sum payment upon the initial diagnosis of stroke, heart attack, life- threatening cancer or multiple sclerosis. These benefits extend to any member of the immediate family in addition to the insured life.

Fraternal benefit societies have a history of helping individuals in times of need. According to the National Fraternal Congress of America (NFCA), an organization that represents 73 fraternal benefit societies in the U.S. and Canada, fraternals raised nearly $17 million in the wake of September 11 and more than $17 million in donations and materials for the victims of hurricanes Katrina, Rita and Wilma.

Foresters provide disaster relief support to members and their families, including those who were displaced as a result of natural disasters such as the California wild fires and gulf hurricanes.

While you will not find many fraternal benefit society names hanging from the side of a sports stadium, these organizations provide real tangible benefits to their customers and communities. Fraternal benefit societies also offer members opportunities to make a difference through community service and volunteering. In 2006, fraternal benefit society members donated nearly 95 million volunteer hours, helping communities in need.

I believe that a prospect, given the option of sending an insurance premium to a traditional for-profit company that provides the same insurance coverage but does not offer the benefits of membership provided by fraternal benefit societies, will appreciate your introducing them to one of these unique organizations. By taking a long hard look at the opportunities described in this article, you too may start closing your letters with, "Fraternally yours."

Ed Ledford, CLU, RFC®

Edward J. Ledford, CLU, RFC® is Vice President of Business Development for Foresters Financial Partners, (FFP). FFP is an Independent National Marketing Organization that helps producers and IMO's grow their business profitably using unique carrier relationships. Ed is also a Registered Representative of Foresters Equity Services, Inc. ("FESCO") a registered broker-dealer, Member FINRA, SIPC and a registered investment advisor located in San Diego, California. FESCO is a wholly owned subsidiary of the Foresters. For more information regarding "Fraternally yours", you can reach FFP at 866 587 0626

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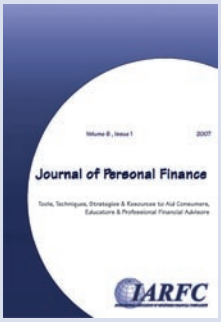

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Tax Issues for Investors In Alleged Ponzi Schemes

The flurry of recent scandals involving alleged Ponzi Schemes or other financial frauds have important federal income tax implications for taxpayers who invested in such so-called investments. The Bernie Madoff case in New York City and the Stanford Financial cases are examples of such schemes.

High Visibility and Prominence

Madoff founded a Wall Street firm, Bernard L. Madoff Investment Securities LLC, in 1960 and claimed that he had an "unusual and secret method" of achieving excellent returns. Because of his high visibility as a philanthropist and his position in the securities industry Madoff was able to use his high profile to attract large sums. Those who orchestrate this type of fraud tend to be "high rollers" of some type. It seems to go with their defrauding personality.

Bernie was active in the Financial Industry Regulatory Authority (FINRA, formerly the NASD), the self-regulatory securities industry organization. His firm was also one of the five most active in the development of the NASDAQ. He has served as the Chairman of the Board of Directors and on the Board of Governors of the NASD. He sat on the Board of Directors of the Securities Industry Association, which merged with the Bond Market Association in 2006 to form SIFMA.

Madoff was also a prominent philanthropist who served on the boards of several nonprofit institutions, many of which entrusted his firm with their endowments. He is a former National Treasurer of the American Jewish Congress. The freeze of his and his firm's assets have had effects around the world on businesses and charities, some of which, including the Robert Lappin Charitable Foundation, the Picower Foundation and the JEHT Foundation have been forced to close as a consequence of the fraud.

Incidentally, the former Chairman of FINRA, Mary Schapiro, the person who oversaw the institution that ignored the letters exposing Madoff's activities, has just been appointed by the new president as head of the entire SEC, causing some persons to imply that the "fox is now guarding the chicken house."

Financier R. Allen Stanford and his company's chief financial officer, James M. Davis, have been served papers for operating a massive Ponzi scheme. In carrying out their deceptive activities, the SEC claims that Stanford and Davis misappropriated billions of dollars of investors' money and falsified Stanford International Bank's records to hide their fraud. "Stanford International Bank's financial statements, including its investment income, are fictional," the SEC said. The SEC has alleged a fraud that could total $8 billion.

The life of Sir Allen Stanford is a case study in how to buy respectability and influence. In his adopted island nation, Antigua and Barbuda, where he was knighted and where his offshore bank is located and employs many, Stanford established his method of building up confidence and exceptional influence. By spending on local sporting such as cricket and polo events and charities, he cozied up with island politicians who let him run his fast-growing bank in relative peace.

In the U.S. from Memphis to Houston and Miami, money flowed from the financier and Stanford Financial Group to political campaigns, golf tournaments and art museums. His apparent goals? Less regulation of offshore banks and a quickly built philanthropic reputation in cities where the company had business. Thousands of trusting investors acquired $8 billion worth of what authorities say are fraudulent certificates of deposit.

Most corporations pursue a public relations strategy for similar ends — building trust, influencing regulation and raising money from investors. However, Stanford is notorious for the length he pursued his allegedly fraudulent operation. "It can backfire, but it is standard operating procedure for money to buy influence and potentially skew public policy," says Sheila Krumholz, executive director of the Center for Responsive Politics (CRP), a watchdog group. "This guy is part of a very elite set of Americans that can afford to do this."

Political contributions were a key part of Stanford's strategic giving strategy. Since 1999, Stanford and his companies gave more than $2.4 million in contributions to federal candidates, parties and leadership political action committees, according to CRP. The company also reported that it has spent $4.8 million on lobbying efforts. Stanford hired influence peddlers to lobby the Financial Services Antifraud Network Act in 2002 about a computer network linking the databases of state and federal banking, securities and insurance regulators to curb financial fraud. The legislation died in the Senate. According to the blog Talking Points Memo Stanford also paid an outside lobbying firm for "issues related to banking" in 2007, the same year the Stop Tax Haven Abuse Act, which would have closed tax loopholes and required businesses to disclose more information on their offshore operations also failed to pass.

Politicians distanced themselves from Stanford immediately after the SEC investigation was announced in February. Democrat Bill Nelson (former insurance commissioner of Florida) now a member of the Senate Committee on Finance was the top recipient of Stanford-tied cash. He says the approximately $45,000 he took will be going to charity, echoing a move by Senator John McCain, Representative Charles Rangel and others.

Philanthropy was another way Stanford and his company built trust and gained influence giving heavily to non-profits in the cities where they had the most business, especially Houston and Memphis. The financial group's website trumpets its dozens of charitable commitments, including millions of dollars given to the St. Jude Children's Research Hospital in Memphis, the Museum of Fine Arts in Houston, the Kiwanis Club of Little Havana Foundation in Miami, and the Pan American Development Foundation in Washington, D.C.

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The effects of the SEC investigation are already being felt by dozens of charities that accepted money from Stanford. The Houston Arts Alliance just put its Stanford Financial Excellence in the Arts awards on hold; Playhouse on the Square in Memphis isn't sure if a promised $175,000 will come in; and the National Civil Rights Museum, also in Memphis, doesn't expect any more funds from James Davis, Stanford's CFO, who is on their board.

The Stanford game plan was to go into each city and help the nonprofits, becoming a part of the community. Sports sponsorships also helped Stanford build his brand among wealthy potential investors. The financial group put their name and logo on sports teams and stadiums in the markets that mattered to their business, focusing on the sports favored by the wealthy: golf, polo, tennis and sailing. Stanford sponsored golfer Vijay Singh as well as two tournaments, LPGA Tour's Stanford International Pro-Am in Houston and the Stanford St. Jude Championship in Memphis. There are advertising signs in NBA arenas in Houston and Miami and Stanford is a host sponsor of the 2009 Sony Ericsson Open in Key Biscayne, a major tennis tournament. There's even "Stanford Field" at the International Polo Club in Palm Beach.

To promote his alleged frauds, Stanford linked marketing and giving. "Companies that cater to the ultra-high net worth tend to make donations to the kinds of organizations and causes that their clients are most involved in," says Melissa Berman, president and CEO of Rockefeller Philanthropy Advisors, a consultancy to donors.

Spotting these Schemes

There are several guidelines for investors considering anything that offers unique returns:

Very High Return. Especially when the investment manager is claiming that his or her techniques are unique. "If it is too good to be true, it probably isn't true!"

Only Available to a Select Few. This allows the investor to feel that he or she has a unique opportunity to be allowed to invest and should not spend the time to check it out or question the assertions.

Social Prominence as a Donor. Normally this is seen as taking an activist role in accepted causes and recent donations, all made in a very public fashion.

Political Prominence as a Donor. Madoff and Stanford only repeated the prominent giving of the "Keating Five" donations of the savings and loan tycoon, Charles Keating.

The **Keating Five** were U.S. Senators accused of corruption in 1989, igniting a major political scandal as part of the larger Savings and Loan crisis of the late 1980s. The five senators, Alan Cranston (D-CA), Dennis DeConcini (D-AZ), John Glenn (D-OH), John McCain (R-AZ), and Donald W. Riegle (D-MI), were accused of improperly intervening in 1987 on behalf of Charles H. Keating, Jr., chairman of the Lincoln Savings and Loan Association, which was the target of a regulatory investigation by the Federal Home Loan Bank Board, causing it to subsequently back off taking action against Lincoln. Lincoln Savings and Loan collapsed in 1989, at a cost of over $3 billion to the federal government. Some 23,000 Lincoln bondholders were defrauded and many elderly investors lost their life savings.

What is a Ponzi Scheme?

This fraud is named for Charles Ponzi, who became notorious for using the technique after immigrating to the United States from Italy in 1903. In the land of capitalism and opportunity, he was first hailed as using new European techniques known only to the wealthy. However, Charles Dickens' described a Ponzi scheme decades before Ponzi was born, in his 1844 novel, *Martin Chuzzlewitt*.

His operation took in so much money that it was the first to become known throughout the United States. His original scheme was touted as being based on arbitraging international reply coupons for postage stamps, a "unique opportunity" for profit. However, it diverted the new money of investors to support payments to earlier investors and of course to elevate Ponzi's personal wealth.

A **Ponzi scheme** is a fraudulent investment operation that pays returns to investors from their own money or money paid by subsequent investors rather than from profit that is genuinely earned. The term "Ponzi scheme" is used primarily in the United States, while other English-speaking countries do not distinguish colloquially between this scheme and other pyramid financial frauds.

The Ponzi scheme usually offers abnormally high short-term returns in order to entice new investors. The perpetuation of the high returns that a Ponzi scheme advertises and credits require an ever-increasing flow of money from investors in order to keep the scheme going. The funds of new "investors" are required to fund any withdrawals of earnings or principal.

The system is destined to collapse because the earnings, if any, are less than the payments. Usually, the scheme is interrupted by legal authorities before it collapses because a Ponzi scheme is suspected or because the promoter is selling unregistered securities. As more investors become involved, the likelihood of the scheme coming to the attention of authorities increases. However, regulators frequently ignore warnings, due in part to the "prominence" of the investment firm.

Knowingly entering a Ponzi scheme, even at the last round of the scheme, can be rational in the economic sense if a government may be likely to bail out those participating in the transaction, such as the FSLIC and FDIC have done with sums invested in savings and loans and banks. But this is a very risky move.

Income Tax Implications

Typically the investors have received some form of statement, crediting them with huge dividends, capital gains or interest payments. These are reported on federal and state tax returns, and thus the investor paid increased taxes.

Although many taxpayers may be considering multiple avenues of civil recovery, tax refund claims and theft loss deductions may provide important additional sources of potential financial relief. Investors should take prompt actions to claim all available income tax refunds and theft loss deductions, and to evaluate the tax implications of any potential exposure to ***clawback*** claims.

Tax Refund Claims

In a number of these scandals, it is likely that little (if any) of the income reported to investors actually existed. Accordingly, investors who reported such "phantom income" on their tax returns for earlier years should consider seeking refunds of taxes paid on that phantom income for all such years still open under the statute of limitations.

Investors may not currently know whether and to what extent any previously reported income actually was phantom rather than

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real. In those cases, however, investors should nevertheless consider filing timely "protective" refund claims for earlier open years to stop the running of the statute of limitations, and then supplementing those protective claims when additional information becomes available.

Theft Loss Deductions

Refund claims for previously reported phantom income may provide only limited relief for investors. Additional tax relief may be available in the form of a "theft loss" deduction. The IRS and the courts historically have allowed victims of alleged Ponzi schemes and other financial frauds to claim "theft loss" deductions, even if the thief has not been prosecuted or convicted, so long as the thief committed a crime under state or federal law. The IRS, however, may seek to deny theft loss deductions for investments intended to avoid federal income tax (which might include Stanford's bank located in Antigua) or for investments involving offshore accounts which were not reported for tax purposes.

The timing of any theft loss deduction is a critical and fact-intensive issue. An investor is typically allowed to deduct a theft loss in the year the theft is discovered, but only to the extent the investor does not have a reasonable prospect of recovery (from the thief, insurance, or otherwise) at the end of that year. It may be difficult to determine whether there is a reasonable prospect of recovery at the close of the year of discovery, because little hard information may be available about the sources and amounts of potential recoveries.

Potential sources of recovery may include the Securities Investor Protection Corporation, suits (or claims in bankruptcy or receivership) against the promoter of the scheme, suits against intermediaries or advisors, or even claims against home insurance policies.

In light of this uncertainty, investors may want to consider claiming the theft loss deduction in the year of discovery, while recognizing that the IRS may contend the deduction should instead be taken in a later year. Important considerations are whether to claim the theft loss deduction on an originally-filed return or on an amended return (to avoid potential interest and penalties), as well as preserving the ability to claim the theft loss deduction in any later year that may ultimately be found to be appropriate.

The Giant Ponzi Scheme

Ponzi was crediting earnings and happily paying funds to his investors, because they were so pleased to applaud the wisdom of having invested. His reputation soared, and recipients of funds helped endorse him. The balloon was destined to burst because it would have been impossible to continue the accelerating payments required to support dividends and redemptions.

In 1935 another plan was established that is now reaching critical positions. The flow of new money is shrinking in proportion to the payments that must be made. The initial funds, that were supposedly paid into a ***Trust Fund***, have actually been withdrawn to support the lifestyle of excessive governmental spending. We are referring to **Social Security**, which is actuarially unsound. If it were a private insurance company, it would be declared insolvent.

The U.S. fund has also been imitated by many other countries, especially in Europe. The dramatic increases in longevity, coupled with escalating benefit payments, are accruing an enormous pyramid of unpaid and woefully underfunded future liabilities.

Governmental alternatives exist. Many Asian countries require that large contributions be made into specific accounts for each citizen, and the funds are not available to the government for spending. In the U.S. there is a "fiction of funding" as the Congress exchanges IOUs in the form of government notes for cash with the Social Security Trust Fund. In Asia, the Employee Provident Funds purchase securities and in most cases the worker can elect where a major portion of their account is placed. Many have called them "mandatory 401 K Plans." The account values can fluctuate wildly, but whatever is in the account is presumably all there (unless it was invested in U.S. mortgage-backed securities).

In addition to issues surrounding the availability and timing of the theft loss deduction, issues may also arise as to the amount of the deduction. The IRS may attempt to limit the amount of any theft loss deduction to the actual net cash investment, excluding any phantom income the investor may have thought was reinvested in the scheme. The IRS has also indicated that at least in certain circumstances it may allow theft loss deductions from such schemes only to the extent they exceed 10% of the investor's adjusted gross income. Other important issues investors should consider are the nature and extent of any carry-back or carryover of excess deductions.

Clawback Issues

Investors who withdrew funds from their investment accounts may ultimately be required to return all or a portion of those funds under federal or state law. Investors may be able to claim a deduction for those amounts, that are extracted by regulators or courts, depending upon the specific facts and circumstances involved.

In any event, investors in Ponzi schemes should seek immediate tax counsel, to preserve what may be their only remedy — some income tax relief.

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10 Things You Should Know
When Considering Reverse Mortgage

As the global financial and credit crisis worsens, many seniors today are turning to federally insured reverse mortgages to tap into their home equity and, in some cases, to prevent foreclosure.

As the name implies, reverse mortgages enable a person who is age 62 or older to convert their home equity into an income stream without selling their home or losing ownership. The older the person is, and the larger the value of the equity in the home, the more money they can borrow.

Even though this market is a small portion of the overall credit market, demand for these types of mortgages among seniors and retirees has been steadily increasing. Many seniors and retirees who thought their retirement plans were on auto-pilot are now finding out they might not have the resources to weather this "perfect financial storm".

It should come as no surprise since the credit market has dried up, the economy is in a deep recession, unemployment is rapidly approaching 10%, inflation is on the rise, and the stock and bond markets have caused the large majority of retirement savings plans to drop 40-60%.

However, even more surprisingly, this strategy is becoming increasingly common among the wealthy homeowners… and often for good reason. Instead of letting this equity sit in their home and provide no tangible value while the real estate market plunges, even the wealthy homeowners have found a variety of reasons to use this equity and cash. Sound and common strategies for the wealthy include using their home equity to pay the taxes due on converting a Traditional IRA into a Roth IRA, purchasing second homes, distributing assets for estate planning purposes, gifting, purchasing insurance policies, funding grandchildren's college savings plans, or using the extra cash to travel, spend, and enjoy their early retirement years more freely.

Although this can often be a sound strategy for many types of seniors and retirees, there are also some key issues to be aware of and possibly avoid. For example, because the fees are usually much higher than regular loans, this strategy should not be used unless there are plans to stay in the home for at least several years. Other big mistakes to avoid when using a reverse mortgage are spending the money too quickly or misusing the cash by investing the money into risky or illiquid investments.

Below are ten Frequently Asked Questions I believe financial professionals should be prepared to consider before using a reverse mortgage strategy:

1. **Who owns the home?** Even though you are taking out a loan and cash from your house, because you are still the homeowner you will continue to maintain ownership and full control of your home. In fact, the title will always remain in your name, and you can always choose to sell the home any time you wish.

2. **Can you lose the home?** As the homeowner, you can never be forced to move out of your home simply because you have a reverse mortgage. Of course, you must still make sure your property taxes and homeowners insurance are satisfied, and the house must also be your primary residence at all times. However, you do not have to repay this loan as long as you live in the home.

3. **Can you get a reverse mortgage if there is an existing loan?** Provided the amount you can borrow is equal to or greater than the existing loan on your home, you can qualify for a reverse mortgage. In fact, using the equity or cash to pay off your existing mortgage is one of the most common uses of a reverse mortgage.

4. **Can you end up owing more than the home is worth?** There are several safeguards for reverse mortgages, mainly the fact that these loans are always non-recourse loans. This means that a homeowner can never owe more than their home could sell for, and both FHA and Fannie Mae guarantee these reverse mortgage products.

5. **Are there restrictions on how the money can be used?** Absolutely not! Many of the common strategies for using a reverse mortgage include:
   - ✓ Paying off an existing mortgage
   - ✓ Paying off credit card debt
   - ✓ Paying for long-term care
   - ✓ Paying for healthcare
   - ✓ Providing a security cushion
   - ✓ Home repairs and improvements
   - ✓ Purchasing a new car, boat, or second home
   - ✓ Living a more comfortable lifestyle
   - ✓ Help your children with a down payment on their home
   - ✓ Give to your church, university, or favorite charity
   - ✓ Take more vacations
   - ✓ Help children and grandchildren through gifting, college planning, etc.

6. **What are the tax consequences?** One of the most attractive benefits of a reverse mortgage is that the proceeds are always received on a tax-free basis. The reason this is the case is simply

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because you are using the equity in your home to pay yourself now versus later.

7. **Do you need a certain level of income or credit rating to qualify?** There are absolutely no income, asset, credit, or employment requirement qualifications when applying for a reverse mortgage. The reason this is the case is because there are never any repayments due on any portion of this loan as long as there is at least one homeowner, age 62 or older, living in the home.

8. **How will this affect your spouse, family, and inheritance?** As long as both spouses are age 62 or older, listed on the deed of the home, and part of the reverse mortgage, there will never be a change in this program even if one spouse should pass. The reverse mortgage only becomes due once all borrowers permanently leave the home, sell the home, or pass. Your family and/or your heirs will receive 100% of the value of the home minus the value of the reverse mortgage balance at that time.

10. **How much money can you receive?** The amount of money that is available to you depends on your age, the value of your home, and the current interest rate. Generally, the older you are, the lower the interest rate, and the higher the value of the home, the more money you can receive.

11. **What options do I have to receive the cash?** A reverse mortgage provides many choices and options for receiving your money, such as:
    - A single lump sum cash payment
    - A line of credit or a specific dollar amount
    - A monthly payment for a specified period of time
    - A monthly payment for as long as you live in your home
    - Any combination of these options above.

Also, payment options may also be changed upon request to reflect your changing needs. And remember, all of these options listed above provide cash on a tax-free basis.

Benefit Summary

Other advantages of a reverse mortgage include the fact that you cannot lose your home, you can always pay off this debt any time you want to, and it does not affect your Social Security or Medicare in any way.

Like any strategy, it is not right for everyone, and you must be very careful with your choices with the cash. Also, you are required to discuss, either by phone or in person, your decision, with a counselor from a government-approved non-profit counseling agency.

Assuming this is the right fit, and the money is used properly, this can be both an effective and safe strategy for seniors and retirees to consider. By using a reverse mortgage, you always remain the homeowner with full control of your home, as well as have the ability to protect yourself against potential future housing market declines. Also, it is safe because the Federal Government stands behind this program and guarantees that you will receive all of your scheduled payments on a tax-free basis.

Advisor Issues

Certainly, a Reverse Mortgage does not fit many clients. But when I does, it offers significant benefits, and should receive careful consideration by every financial advisor.

Christopher Hill, RFC®

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Doorway Products for Online Marketing

One of the greatest challenges with Internet marketing is to appear in search results among the exploding universe of web pages, blogs, and social media. While local pay-per-click advertising can get quick results, the competition increases daily. Search Engine Optimization (SEO) tactics to help your web site rank high in "free" organic listings still work, but these all take time to show results.

Then, of course, there is the big question of whether high rankings actually produce new clients and revenue. Let's step back a moment from some of the big issues surrounding Internet marketing, and return to some basic principles of marketing, in general. We all know how important it is to know who your target market is, and to offer those prospective customers something they want or need, with some value-added benefits or compelling offers to better position yourself against competitors. Sales activities and marketing communications both play huge roles. Your potential customers must know about you and your offers.

Think Small

The online world, as a marketing channel, is no different in the basic fundamentals, from other, traditional channels. It is definitely expanding, as companies switch larger percentages of their marketing budgets away from print advertising and other traditional media, redirecting more dollars to online marketing. Yet despite the massive activity, one of the smartest approaches a small business can do in the big, bad world of the Internet is to think small. Think local. Think one product.

If I were to establish a financial services business, I would pick one product, try to find an available dot com domain name (website address) that includes that product in the website address, and optimize it for local search within my city. I actually did this once, as a test, at www.goldkeylongtermcare.com. This site was created several years ago as a fictitious company, to serve as a demonstration site. If you search Google for "long term care insurance Lafayette CA," it still comes up on page one.

Even if your company offers a wide range of financial products, it is easiest to start your online marketing with just one product. Think of it as a "doorway product." Once you have someone contact you regarding that product, you will always have opportunities to promote other products or services. The web is a great way to build a database of prospects with whom you can stay in steady contact as you build trust and credibility.

A Basic Strategy

The search engines do not index web ***sites***. They index web ***pages***. So a good basic strategy might be the following:

1. If you already have a website, create a new page that is focused on a single product or service. If you still need a site, check out www.iarfcwebsites.com.

2. Add content to the page that has the important keywords (search terms) frequently used throughout the page.

3. Add the name of your city several times throughout the content, perhaps including surrounding cities.

4. Write title and description tags for the page that include the important keywords and major city name.

5. Put a free compelling offer on the page that will persuade a visitor to fill out a short form to receive the offer.

6. List your page on Google Maps and Local Yahoo. There is no charge for this. Include the important keywords in the listing information.

7. Then continue, over time, to optimize the page with other SEO tactics like online press releases.

Your webmaster or website host (if you have an IARFC website) can insert the title and description tags into the web page code. They can also assist with the form that sends the visitors' responses to you in an email. Using a template-based financial website is a practical and low-cost way to implement this strategy.

The primary goal is to capture visitors who fit the profile of your ideal prospects, to build your database for follow-up sales and marketing activities. If you can slowly build a list of email addresses of people interested in receiving useful information from you, your list is worth gold, and can become the foundation of much of your marketing and sales efforts. This is why e-mail newsletters and free reports on useful topics are such popular business tools. They allow you to stay "top-of-mind" when a prospect is ready to move forward with financial advice on a specific topic.

A Narrow Focus Simplifies Everything

Even though your business probably offers advisory and planning services on a wide range of financial products, you run the risk of diluting your online marketing efforts if you try to promote it all. The "title tag" on your web page, mentioned earlier, is an amazingly effective way to get a high search ranking in Google. But it can only be about 12 words long. This "real estate" is so valuable, that some companies don't even put their company name in the title tag, leaving room for the important search terms that people might use to find them.

Here's an example. If I were a financial advisor in Dallas, Texas, I would focus on 401k rollover advice as my "doorway" service. I would purchase the domain name 401krolloverdallas.com. (It's available; I checked at godaddy.com). I would subscribe to an IARFC financial website (even if I already had an existing overview website), and would have a title tag that says: "Expert 401k Rollover, IRA, and Retirement Planning Advisory Services for Dallas Texas area residents." I would repeat the keywords in the description tag, adding my company name and a bit more information. The content on the home page would be primarily about 401k rollover topics. I would mention Dallas and surrounding cities,

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DOORWAY PRODUCTS

emphasizing my connections within the community. I would offer a free report on an interesting 401 rollover topic for instant download after the visitor provided their name, phone number and email address.

It would take a couple of months before Google would index the site for the most important keywords (401k rollover dallas), but once it hit, I am quite confident it would work its way up to page one, even if it started several pages down. I have used this strategy with other sites, and have seen it work.

Sylvia Todor

Sylvia Todor is a partner with Silverado Press, offering Internet marketing resources for financial professionals. She was formerly the Marketing Director for Financial Visions (a Smarsh, Inc. company), an IARFC technology partner that offers hosted website services at www.iarfcwebsites.com.

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The Real Cost of LTC

Unforseen landmines being uncovered in the current financial crisis

There are many aspects of our current financial situation that are yet to be realized. One of these is the possible loss of long-term care insurance due to the inability of policy owners to continue to pay premiums. We are starting to see that the financial downturn is causing owners, through no fault of their own, to realize that financially they cannot maintain their current life style. This leaves them with painful decisions to make, one of which may be whether or not to continue to pay Long Term Care (LTC) premiums. Risking that their premium could be increased to a point that they would be forced to let their policies lapse is something that the vast majority of people never considered.

In some cases this was always an unavoidable risk as many people who purchase LTC have no other choice but to pay for their premiums on an annual, quarterly or monthly bases. But for all those people whose intent was to pay for LTC from funds generated by their investment or retirement portfolios, there was an alternative that would all but eliminate this risk.

The sad but true reality is that the producers who sold traditional health based long-term care policies had other options that they could have shown their clients. In many cases, their clients wouldn't face this kind of dilemma had those other options been considered.

Choice is Important

Life and Annuity based long-term care coverage has been around for over twenty years and yet these alternatives are still offered by only a fraction of the producers. I am not completely sure why this should be, but after years of asking this question to hundreds of LTC producers, I believe there are three primary reasons:

The most common is that many LTC producers are captive agents with companies that don't offer life or annuity based LTC and as such they are not allowed to offer those options to prospects.

Somewhat more disturbing, are those producers who aren't even aware these alternatives exist. This of course is an entirely different problem for the industry in general; people marketing and selling LTC who have never taken the time to become educated in the market creates problems for all of us.

We come to the last group: Some producers are aware of these alternatives, but for whatever reason don't offer them. Closer inspection of this group reveals that they don't offer these alternatives because they don't fully understand how they work, or can't explain how they work to prospects. Thus aren't comfortable asking for the much higher dollar amounts these alternatives require.

Whatever the reason producers don't make these options available to their clients those who suffer are the people who are never given the choice. It is only fair to acknowledge that not every prospect should consider life or annuity based LTC. Fortunately, there is an easy way to address this issue with any prospect so that not only are they provided with all the options possible but also can be a very positive component of any LTC presentation.

Gathering the Information

The best way to have the client work through this process with you is to start by asking the prospect to complete with you a long-term care calculator. This will give you a starting point for how much coverage they need. (You can find the LTC calculator in an earlier issue or e-mail me for one.)

Once you have established the dollar figure needed you can run a health based LTC quote.

Payment Options

Then you can ask how they would pay for that premium. In all likelihood the response to this will be "from income" which gives you a great opportunity to explain to them the difference between ***paying*** a premium and the cost of ***maintaining*** a premium.

Here is where you have the opportunity to stand out from the crowd. Whereas most LTC sales people use generalities and averages a true professional takes the time to calculate real numbers. As a result, they can offer their clients a much higher level of service.

The difference between payment and maintenance is the understanding that premium is the dollar amount required to keep an LTC policy in force, whereas the cost of that premium on the other hand is the dollar amount of a portfolio required to generate that premium. In order to find this you use a simple yet powerful formula **(C = P / ATRR)**. In English, the cost of maintaining a premium can be determined by dividing the premium by the after tax rate of return of the investment being used to generate that premium.

Here is an example as to how this works…

David and Judy are 62 and 61 respectively. After completing an LTC calculator, we determine that they each need $4,000 a month in LTC coverage. Because they are relatively young, we also agree that they need to put a 5% compound inflation rider on that coverage and should have four years of coverage for each of them. With all discounts taken into consideration, David's premium will be $2,471 and Judy's will be $2,306 making a total of $4,777.

They have a little over $500,000 in savings and $290,000 in retirement accounts invested in income producing funds, which generate $10,750 in annual income and $210,000 in invested growth vehicles. This income, in addition to $2,150 from Social Security and $1,310 monthly from a pension, combined provides them with a monthly income of $3,998, which at this time is enough to maintain their desired standard of living. So what we have here is a retired couple with an annual income of $47,970, which seems like it affords them a comfortable retirement.

C = P / ATRR

The problem becomes apparent when we consider that they have LTC insurance

CONTINUED ON PAGE 26

and paying a combined annual premium of $4,777 represents 10% of their present annual income. If they turn to the growth portion of their portfolio to produce that required premium they will have to generate at least 2.27% after taxes out of their annual gains or if they don't have at least $4,777 in gains, the premium will have to come out of principle.

Let's load this data into our formula, but first let's take into consideration that their top federal tax rate is 15%. Therefore, to produce 2.27% after tax they need to generate 2.67% in pretax gains. (2.27 / .85 = 2.67)

In dollar terms, $5,620 must be generated from which $843 is due in taxes leaving the $4,777 needed for the premium.

P / ATRR = C

Premium $4,777 divided by After-Tax Rate of Return 2.27% equals a portfolio cost of $210,440

On its surface, this doesn't appear to be a problem; after all, they do have $210,000 set aside for growth. However, what the professional advisor knows and makes sure their LTC clients and aware of is that over time this might not be in the clients' best interest.

Consider that if David and Judy live for twenty years and never use long-term care, they will have paid $95,540 in premiums and $16,860 in taxes for coverage they never used. Of course that is more than offset by the reality that if either of them ever did need long-term care services, every penny they paid in premium and taxes to have that coverage would have be well spent.

Better Planning Options

It is important to remember that there are other options: Annuity and Life Insurance based Long-Term Care policies. In this case, I couldn't find an Annuity LTC plan that made sense, but that doesn't mean they aren't out there. However, I did find a life based LTC policy that from my point of view is a much better option for David and Judy. In this plan, they would make a deposit of $90,246, which would give them a life insurance policy with a death benefit of $200,000 from which both would be entitled to 2% of that death benefit monthly for LTC coverage. Individually, that's $4,000 but combined the monthly coverage is $8,000. These long-term care payments would come out of the death benefit.

As such it is possible that over a relatively short period of time (25 to 50 months) one or both of them could reduce the death benefit to zero.

This is where advanced planning comes into play. That $90,247 also purchases an additional guaranteed-renewal non-cancelling rider that will continue to pay long-term care benefits for the life of both David and Judy after the base policy is depleted. In addition, this lifetime rider benefit also includes a 5% compound inflation component. However long David and/or Judy live, any portion of the base life insurance policy that isn't paid out in long-term care benefits will go to their designated beneficiaries in the form of a death benefit.

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Estate Planning and Tax Havens

While our new president struggles to find cabinet appointees who are not also tax challenged, he has sent unmistakable signals as to his intent that the rest of us "pay our fair share". As an estate planning attorney, I have guided many millions of dollars of client money into offshore trusts over the years. The reasons are usually asset protection and tax efficiency. In all cases, they fully comply with U.S. tax and regulatory law. Nothing goes unreported, no tax is evaded.

Nonetheless, there is considerable evidence that not all who employ world markets take the same approach. Some 20,000 U.S. persons have apparently rat-holed money in accounts with Union Bank of Switzerland (UBS), and were revealed only when a departing employee spilled the beans. IRS is now in the process of recovering that list, and plans to run the miscreants to the ground.

Legislation Proposed in 2007

The political rhetoric is unsurprising: we should be cracking down on "abusive tax havens." More than 30 countries "peddle secrecy" and "cloak tax evasion and other misconduct." Then-Senator Obama co-sponsored the ***Stop Tax Haven Abuse Act*** in 2007. It never passed, but his staff indicates that it will be considered early in his administration as President.

The Brits are piling on, as well. England's Chancellor Alastair Darling announced in his pre-budget report that the United Kingdom will commission an independent review of British offshore financial centers. The review will focus on their role in

CONTINUED ON PAGE 27

both the global economy and long-term business strategies. These are "code phrases" for tax reduction practices. Every multi-national corporation in existence has a tax department whose primary purpose is to arrange the company's affairs to lawfully minimize the tax burden wherever it operates. Nothing unlawful here, since no one has an obligation to pay more than is owed. Nonetheless, the difference between the rates paid elsewhere and those that would be in the home jurisdiction, absent the offshore financial centers, is coveted by the taxing agencies of the industrialized world.

The language of the 2007 legislation co-sponsored by President Obama, while serving as Senator, contains some clues as to what we can expect. They include (a) a rebuttable presumption that transactions through offshore financial centers are taxable, (b) increasing the reporting/withholding requirements on institutions dealing with offshore financial centers, and (c) increasing penalties for tax evasion through those jurisdictions. Note that tax ***avoidance*** is lawful, while tax ***evasion*** is not.

The new administration believes tax revenue may be increased by some $50 billion in this manner, and that increase is seen as a way to fund other current tax breaks and spending programs. The rebuttable presumption stands on its head our ***constitutional presumption of innocence***. It imposes on the taxpayer the task of proving that the transaction is taxed — or not — in a more favorable way than is asserted by IRS.

The list of "tax havens" includes all those that have provided safe and responsible environments for business operations since the early part of the last century. Sure, they compete for business with high-tax industrialized nations, just like one dry cleaner competes with another two blocks down the street. They offer lower ship registration fees, for instance. Lower taxes mean more competitive insurance products, lower trust administration fees, and lower transaction costs. That's the capitalist system in action.

Reporting Requirements

Much is made of "lax regulatory oversight" in the offshore financial centers. False! Offshore financial center regulation is more often tighter and more effective than that of the complaining nations. For instance, our Securities and Exchange Commission looked the other way while senior management of public companies ripped off shareholders with back-dated stock options, insider trading, and outrageous bonuses (the last, often while losing billions), not to speak of pooling bad mortgages for resale masquerading as highly-rated securities.

Congress also looked the other way while a minority advocacy group pressured government-sponsored agencies to make home loans to people who could not afford to repay, then protected the bureaucrats who did the politically correct thing by enabling lenders to make those loans. This continued despite warnings from wiser members, until the securitization of mortgage debt became so tainted with bad loans that the worldwide market collapsed, taking the U.S. economy down with it. And now we are going to throw rocks at how ***other*** nations regulate their business affairs?

Reporting requirements are to be increased. Right now, with a trust established in a foreign grantor trust country, you file a ***Form 3520*** when establishing the trust. Each time you add to it, a ***Form 3520-A*** showing trust income, expenses, and assets on hand each year, a ***Form TD F 90-22.1*** each year for each bank account of the trust, a ***Form 5471*** each year for any foreign corporation owned directly or indirectly. In addition, each bank and asset manager dealing the trust or corporation must obtain your ***Form W-9*** explaining to IRS your relationship to the account or entity.

In addition, every major offshore financial center has an exchange of information agreement with IRS. This appears to give the Service all the tools necessary to be and remain informed about taxable interests. If the foreign trust is of the ***non-grantor*** variety, those used with foreign private annuities, for example, the ***Form 3520*** — once — is the only filing required.

Penalty Provisions

Nevertheless, the new administration remains dissatisfied. It is possible to create a foreign non-grantor trust, one not taxable by the U.S. except for certain U.S.-source income. The administration proposes to attribute to the U.S. person who created the trust all the rights and powers of a trust protector. A trust protector — usually a non-resident, non-U.S. person — is one to whom is delegated the power to fire the trustee, make changes to the trust, change beneficiaries, and move the trust to another jurisdiction under certain circumstances. The person who creates the trust may keep the power to fire the trustee and replace it with another independent trustee, all without becoming the deemed "owner" of the trust for income tax purposes. When these ***other powers*** are deemed reserved to the creator, however, they lead to tax attribution. Hence, if the law is changed in this manner, flexibility in dealing with life changes will be lost.

As to penalties for failure to comply with today's rules, Sen. Carl Levin characterized them as "Like a jaywalking ticket for robbing a bank." As a co-sponsor of the 2007 legislation, he advocates doubling the time in which to complete tax audits, authorizing "John Doe" subpoenas for use in audits, and cutting off the right of noncompliant offshore financial center banks to deal with U.S. banks. In addition, a 40% penalty would be imposed on under-payments of tax resulting from transactions lacking in "economic substance" as defined by IRS.

The administration has shown little inclination to back away from the tactics described above, the current economy notwithstanding. These tax-raising schemes are instead seen as revenue-raisers needed to pay for the stimulus package. Time will tell.

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Cato Comments – About Your Image…

Why You Are Treated the Way You Are Treated

Once I attended a small dinner party where **Warren Buffett** was one of the guests. Because of his image I understood why he held the group's full attention whenever he spoke. Then others present started asking him about gardening, shoes, and even plumbing. I could not figure out why all of his opinions on these various subjects were treated as if having great validity since these topics were unrelated to his specialty. I concluded that his image as a wealthy man, and as an astute financial advisor, caused any thought he expressed to be received as if of sovereign and profound value. ***Warren Buffett's image causes him to be treated the way he is perceived.***

On another occasion in London, England, I was among a small British group when **Queen Elizabeth** arrived at our gathering. I was the only Yank in the bunch. The Queen attempted to make her usual dignified and respectful appearance but her arrival quickly became a "grand entrance" as those present began elaborately and repeatedly bowing, backing-up, becoming quiet, and then staring. I noticed that many of the adult men and women quickly began tearing-up. Apparently they were so full of pride and honor upon seeing their Queen that they became emotional. These well-intentioned folks made her "job" more difficult by not remaining "normal" and by not being more at ease with their social etiquette. ***Queen Elizabeth's image causes her to be treated as people perceive her to be.***

At a packed hotel café in Atlanta, while seated at a table with **Zig Ziglar**, we were interrupted twenty-three times during a period of less than thirty minutes. People came up and told **Zig Ziglar** how much they appreciated him. ***Zig Ziglar's image causes him to be treated as he is perceived.***

Your image causes you to be treated as you are perceived!

Day-after-day **Queen Elizabeth, Zig Ziglar,** and **Warren Buffett** pay careful attention to create, establish, maintain and communicate their desired images. This also applies to anyone in the financial products and services industry who has a well-established image that is highly beneficial. This also applies to all top producers because every top producer has an ongoing image-building program. The top people in any profession have ongoing image-building programs. ***Years ago Napoleon Hill explained to us that image maintenance was necessary.*** Today most professionals should know this.

You are treated according to how you are perceived. Your image determines how you are perceived. So how can you ignore your image?

You can be perceived as "just" another financial planner, or as an average insurance agent, or as a typical financial advisor. (Most likely this is how you are thought of – except in your own office or home.) Or, you might be perceived as unique, special, and even precious because of your leadership position that resulted because you helped many people in your market. The image you have is up to you. Who is taking care of your image?

Like everything else, if you are going to be positioned as the market leader in your area then you must invest some time, effort, and a small amount of money to accomplish this. ***The largest market share in your area will always go to the person who has the best image-building efforts working for him or her!***

Fortunately for you the average financial professionals (where you are) remain ignorant about the use and value of their image. They do not even understand that they are treated according to how their image positions them. They lack faith, confidence, and courage in themselves. These factors work to your advantage.

You can cut a much greater figure in your market area.

Ignore your image and do not make any special efforts to position yourself as the leader in your market area if your goal is to remain among the little-known who are considered routine, typical, or average.

I have developed a list of some of the projects you could use, starting right now, to help build your image as the leader in your market area. This is not a complete list. Half of this list – if well executed and continually exploited – could easily establish you as the local celebrity financial pro, the area money authority, the top personal financial planner, the leading regional economic advisor, or the area professional who helps the most people.

These items listed can convey what is unique, special, and precious about you. If you are not defining yourself then you are being defined by your competition. And your competition defines you to their advantage, not to your advantage.

How many of the listed items are you using? Is your image working effectively for you right now in your market? Are you presently being positioned as the market leader where you work? The days of the aged self-promoting financial planner clowns, using embellishments, misrepresentations,

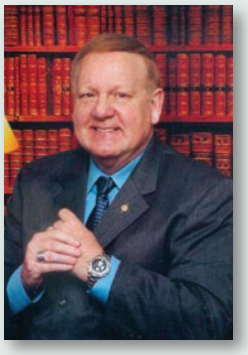
Items That Help Make You Famous In Your Market©

- Your listing in Wikipedia (the Internet Encyclopedia)
- Your Short Bio-Sketch
- Your Slogan
- Your Mission Statement
- Proclamations from Your Mayor, Governor, President, All Honoring You
- Your Media CD (Replaces Press Kit)
- Your Interviews And Quotes
- You Take A Trip On Air Force One
- Your Hollywood Walk-Of-Fame Star
- Your Endorsement by Respected Celebrities (Includes Local "Big Shots" in Your Area)
- You On The Radio
- You Helped By Influence Centers
- Your Legitimate Book (Not Self Published)
- You Earn The "Prudent Man" Award
- You As State-Wide Charity Spokesperson
- Your Long Biographical Information
- Your Speaker Introduction
- Your Theme
- Your Elevator Speech
- American Flag Flown over US Capitol (Honoring you by Joint Resolution)
- Your customized Web Site
- You On TV As An Authority
- Your Name On Times Square/ Broadway Lights
- Prestige Speaking Engagements
- Your Regular Column Established
- Your Articles In Magazines
- You Speak At The White House
- Your Key Role In Financial Associations
- You As Chairman Of A Governor's Committee (That You Created)

CONTINUED ON PAGE 29

and even lies, are fast coming to a close now that the public is outraged over the massive greed and exploitation throughout the financial industries.

Regulatory bodies are today being forced to do their jobs. Far greater accountability, transparency, and simple honesty are now demanded. In these economic times, consumers want, more than ever, an advisor who is honest, known, acclaimed, and recognized. You really can cut a greater figure in your market area! ***Isn't this the time in your career – when you should become far better known, more acclaimed and better recognized?***



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Cato is an award-winning editor, including ***How To Sell Your Way Through Life*** by ***Napoleon Hill*** and ghostwritten for such luminaries as ***W. Clement Stone, Norman Vincent Peale, Napoleon Hill, Robert H. Schuller, Charles "Tremendous" Jones*** and ***Mehdi Fakharzadeh***. Cato is credentialed as a member of the media authorized to cover Congress and the White House having interviewed five Presidents. His services have made substantial increases in the image and client attraction rates of financial advisors coast-to-coast. His presentation on ***"How to Become Famous"*** has been very well received by financial advisor audiences in the U.S. and Singapore. He is developing an ***Image & Branding Workshop*** for annual conventions of broker/dealers, insurance companies and independent marketing organizations.

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Business Mirrors Life:
A Mother's Day Tribute

"Mom don't you want to pay for dinner?" Now that is what, on *Law and Order*, they call a leading question. As soon as I said it, my wife kicked me under the table.

I just couldn't be discreet any longer. For years we had gone to the Ritz Carlton Hotel in town for dinner on Sunday nights. Mom just loved the place. The waiters still wore white gloves; and she would order her beloved whiskey sours, usually, two of them.

What made matters worse was that my kids were now old enough to drink. My son always ordered the most expensive beer. Imagine paying $8.75 for a beer. My daughter was no better. She always had to have the chef make her an organically grown tossed salad. They were happy to comply. You know that is the Ritz Carlton motto — except it was $13.50 for the organic grass.

My wife told me not to complain, at least our kids were willing to go to dinner with their forgetful savta (grandma in Hebrew). Most of their friends would've been too embarrassed. True my kids are great with my mom and I am grateful. But couldn't we eat dinner at Napoli's pizza joint around the corner?

For years mom picked up the check. Of course she was always discreet about it. She'd pass a hundred dollar bill to me under the table, and I'd pay. Actually, it was a lovely tradition. Mom would go to the bank on Friday and get two one-hundred dollar bills, one for dinner on Sunday and one for her personal petty cash for the week.

Then it stopped. The money part that is. Either she'd forget to go or she'd go but only withdraw a roll of quarters for bingo. And yet she still remembered dinner at the Ritz. Like an atomic clock she would ask me on Sunday mornings if the kids would be joining us.

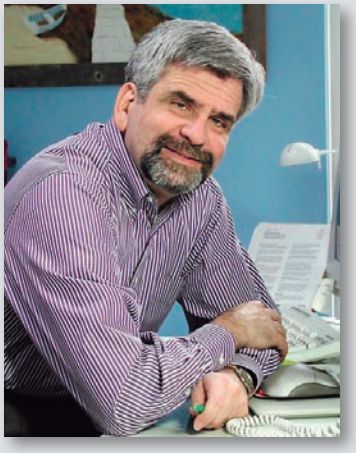
Now that they had graduated from college and were back home they looked forward to the fancy dinner. For me it was simply an extravagance I couldn't afford. It no longer cost a hundred. It was more like a hundred and fifty, and growing. And mom always wanted me to leave a big tip like dad used to do.

I had choices. I could use her credit card and sign her name. I did it when I shopped for her. But somehow this was different. And then there was my brother in-law in Tulsa. He was a CPA and had convinced my sister that she should get copies of all of mom's bills. Why? He said she had a fiduciary responsibility as co-executor of her estate. I think it was because the jerk thought I would use mom's money to pay for my yearly trip to Vegas. (Mom did pay for it one year. It was my 40th birthday. So I guess you could say that I had a precedent.)

I once tried switching restaurants. Mom caught on immediately, I tried bribing my kids not to come, but they just had to have dinner with their savta.

This year mom stopped asking about Sunday dinner. I take her anyway. I have to remind her that she loves to drink whisky sours. It's Alzheimer's and as my teenage son says "Hey dad, it just sucks."

I know it isn't funny. But it is real. Happy Mother's Day Mom.



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IARFC Caribbean Cruise Conference

September 6 – 13, 2009

CE at Sea™

The Caribbean. From snorkeling and swimming to shopping and golf, the Caribbean is the ultimate outdoor playground. What better way to acquire CE at Sea™ and relaxation time than to be surrounded by white-sand beaches, turquoise waters and the most beautiful islands on earth? Casual networking can open new opportunities and a new outlook — just when needed!

Freedom of the Seas. Climb a large rock-climbing wall, with eleven routes and a central spire you can swing around; and play golf on board. Extensive WiFi capabilities and connectivity for cell phones are also available, as well as flat-screen TVs in every stateroom. You've got to see this ship to believe it.

Ports of Call — 7 Night Caribbean Cruise

6-Sep **Port Canaveral, Florida.** The gateway to Central Florida, Port Canaveral provides access to the wonderful theme parks and entertainment complexes of Orlando, the spectacular wonders of the Kennedy Space Center and the natural habitats of the alligator and Florida manatee.

7-Sep **Coco Cay, Bahamas.** Surrounded by the gentle, translucent waters of the Bahamas chain lies the secluded island of Coco Cay®. With its white-sand beaches and spectacular surroundings, Coco Cay® is a wonderland of adventure.

8-Sep **Cruising — CE at Sea™ sessions**

9-Sep **Charlotte Amalie, St. Thomas.** An idyllic vacation spot with a history. In the 18th century, the island was at the center of a bustling pirate culture, as swashbuckling pirates such as Blackbeard and Drake traded stolen wares in the port of Charlotte Amalie.

10-Sep **Philipsburg, St. Maarten.** Dutch heritage in its architecture and landscaping; offers endless stretches of beach, beautiful landscapes and great shopping.

11 & 12-Sep **Cruising — CE at Sea™ sessions**

13-Sep **Port Canaveral, Florida.** Be sure to learn more about this exciting port.

For questions, please call:
IARFC CE at Sea™ Director Starr Morrow
423 741 8224

Professional Continuing Education. The presenters and the attendees will be among the most elite in the financial services profession: authors of many books, articles and popular speakers. You will spend seven exciting days and evenings in the company of the world's leading professional advisors.

Conference Fee: $100 per advisor only, covers registration, CE and conference materials.

Airfare is not included in any of the quoted cruise prices. (suggestion: use Frequent Flyer credits)

Deposit of $500 per person due upon registration to secure your space availability for a stateroom. Final payment is due May 15, 2009.

Cruise and IARFC Cancellation Policy.

Days Prior to Sailing	Cancellation Fees	Date
67 – 30	$250 per guest	July 1
29 – 8	50% per guest	Aug 8
7 – 0	100% per guest	Aug 30

You can purchase insurance to cover unforeseen medical circumstances requiring trip cancellation. In addition, there will be a $50 administration fee for any and all changes made.

Port Charges, Cruise Gratuities, Government Fees and Airport Transportation. Port Charges are presently $159; Cruise Gratuities are $68.25, Taxes $53, per person. These charges are subject to change and beyond the control of IARFC or Royal Caribbean.

Attractive Rates!

per guest, *based on double occupancy*

Number of Adults in your party: _____

Number of Children in your party: _____

❑ Superior Balcony cabin $781 _____

❑ Oceanview cabin $690 _____

❑ Interior cabin $500 _____

Port & Arrival Fees $159 _____

Pre-paid Gratuities $68.25 _____

Government Taxes $53 _____

❑ RFC Conference Fee only $100 _____

Subtotal: _____

Less Deposit: _____

Balance Due: _____

Deposit $500 per person

❑ Interested in Cruise Insurance

❑ Interested in Airport to Pier bus

Name *exactly as it appears on Passport* _____ Address _____

Companion Name *exactly as it appears on Passport* _____ City, State, Zip _____

Phone _____ Country _____

Your Preferred Salutations — for our Name Tags _____ E-mail _____

The International Association of Registered Financial Consultants

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Fax: 513 424 5752
E-mail: info@IARFC.org
www.IARFC.org

Method of Payment

❑ Check payable to the IARFC ❑ Visa

❑ Discover ❑ MasterCard ❑ American Express

Credit Card Number _____ Expiration Date _____

Signature _____

Cruise rates are in U.S. dollars, per guest, based on double occupancy. Government taxes, fees and air transportation are additional.

My signature indicates that I have read the cruise/conference policies and fully understand my name will appear in CE at Sea publicity and conference listings. I fully understand the charges involved, and if requested above, I am authorizing the amount indicated to be charged to my credit card. I agree to the terms and conditions of the IARFC Cruise/Conference refund policy.

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800 532 9060

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IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

Financial professionals helping people do a better job of spending, saving, investing, insuring & planning

IARFC Caribbean Cruise Conference

The IARFC CE-at-Sea™, the premier conference for professionals in the Financial Services Industry will be held on Royal Caribbean's Freedom of the Seas, September 6-13, 2009 under the IARFC conference theme: "Guidance for Smooth Seas!"

The success of the IARFC CE at Sea™ is greatly reliant on your contribution to the various presentations and conference events. The IARFC is inviting you to be a part of the outstanding event. By networking with other successful advisors you will learn what has worked best for them and how to apply this knowledge on your behalf.

CE at Sea
Guidance for Smooth Seas

PORTS OF CALL

Port Canaveral, Florida

Experience the wonders of the Kennedy Space Center with the whole family. See, hear and touch NASA's glorious past, inspiring present and exciting future. Stroll through the Rocket Garden, home of Apollo and Gemini-era rockets, board life-size replicas of the space shuttle Explorer and see spacecraft that have actually orbited the Earth.

Coco Cay, Bahamas

While you're on Coco Cay®, don't miss the opportunity to take an exhilarating ride in the skies on a parasailing adventure. Soar 400 feet above the island and take in the spectacular scenery. You'll get a bird's-eye view of Coco Cay® as well as the surrounding islands. It's definitely a flight worth taking. Otherwise, just enjoy the glistening sand beaches.

Charlotte Amalie, St. Thomas

While the beaches and ocean are beautiful, there is one thing that really sets St. Thomas apart — shopping. Browse through the shop-lined streets of Charlotte Amalie and find out why St. Thomas is called the "duty-free shopping capital of the world." Shop for duty-free goods and bargains on everything from liquor to imported china and crystal. Visitors can bring home $1,200 in merchandise with no duty — twice the limit of most of the Caribbean.

Philipsburg, St. Maarten

Compete in an actual race on an America's Cup shortened course. Grind a winch, trim a sail or just sit back and enjoy. Professional sailors will give you a quick lesson, then you're off to compete on Stars and Stripes, one of the most famous sailboats in the world Magnificent beaches and excellent shopping abound in this jewel of the Caribbean.