the Register

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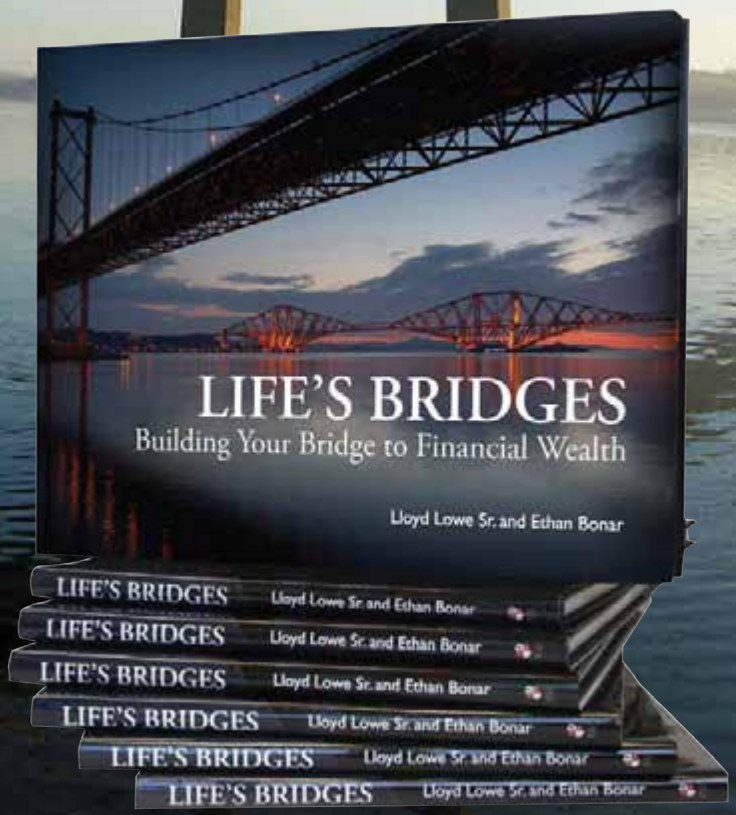
Make a Book Work for You

Lloyd Lowe Sr.



IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

• IN THIS ISSUE •

On the cover:
Life's Bridges

The Register is published monthly by the International Association of Registered Financial Consultants ©2012, 2507 North Verity Parkway, Middletown, Ohio 45042-0506. It includes articles and advice on technical subjects, economic events, regulatory actions and practice management. The IARFC makes no claim as to accuracy and does not guarantee or endorse any product or service that may be advertised or featured. Articles, comments and letters are welcomed by e-mail to: Wendy M. Kennedy, Editorial Coordinator, Editor@IARFC.org SSN 1556-4045
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Register ROUND UP

IARFC Leaders and Financial Industry Experts were asked for their insight and advice on issues facing consultants in today's economy.

This month's Round Up question:
What are you doing to foster the growth of the associates in your office?

To help my associates expand their knowledge and learning: Each staff person can attend two continuing education programs per year at my expense. Once they have taken the course, they must give a presentation at our monthly staff meeting 'Lunch & Learn' so that the rest of my staff can learn more about the subjects their co-workers are interested in.

Wilma G. Anderson, RFC®
Littleton, CO

The best thing you can do for younger associates is to lead by example. You must teach them how to prospect, we must always remember this is a contact business.

Dr. Bill Moore, Pharm D., CLU, ChFC, FIC, RFC®
Dallas, TX

We have a program of "LIFE LONG LEARNING" in our practice. This includes a mandatory "Book of the month" reading, in which associates have to share what they have learned. We also have the MOST IMPROVED ASSOCIATE AWARD to motivate them yearly. Besides this, to ensure continuous growth, we have regular meetings, conferences and clinics. All members are encouraged to attend MDRT annual meetings, MDRT Experience, APLIC and others.

Additionally, I would like to share our hiring practices. We do hiring through advertisement, word of mouth, employment agencies, personal observation and networking. First we identify our staffing needs. Then the type of skills, attitudes and habits required for the job description. Second, we make use of the above sources to get the right candidate. My first staff associate was easy choice. I am basically a macro person. As such I need a staff associate who can take care of micro. That way it was a perfect match. I also look at the employment history of the staff associate. It tells you alot about their future with you.

Dr. Jeffrey Chiew, DBA, CLU, ChFC, CFP®, RFC®
Kuala Lumpur, Malaysia

It is critical for succession planning, company expansion and improved customer service to continuously mentor, train, support and coach new associates. This fosters sustainable development and as the Japanese would say Kaizen or continuous improvement. Always schedule during your work week time to invest in your associates which will pay handsome returns in the future.

Inshan Meahjohn, BA Hons Mgt, MABE, RFC®
Port of Spain, Trinidad

COACHES CORNER

The IARFC is pleased to provide contact information on persons who offer coaching, mentoring or tutoring services.

Some extend free time or a discount to IARFC members. This listing is not an endorsement or guarantee — as RFCs are qualified to judge who can help them in the areas where services are most important. This roster is alphabetical by last name.

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CALENDAR OF EVENTS

Business Owner Consulting Workshop
October 3, 2012
Harbor City, UT

Business Owner Consulting Workshop
October 25-26, 2012
Indianapolis, IN

Business Owner Consulting Workshop
December 6, 2012
Tampa, FL

RME Sales & Marketing Super Cruise
January 17-21, 2013
Tampa, FL to Cozumel, Mexico

Business Owner Consulting Workshop
February 7, 2013
Tampa, FL

IARFC Board Meeting
February 22, 2013
Middletown, OH

Business Owner Consulting Workshop
March 22, 2013
Middletown, OH

IARFC CE@SEA™ Venice Italy to the Divine Mediterranean
May 25 – June 1, 2013

NEW IARFC MEMBERS

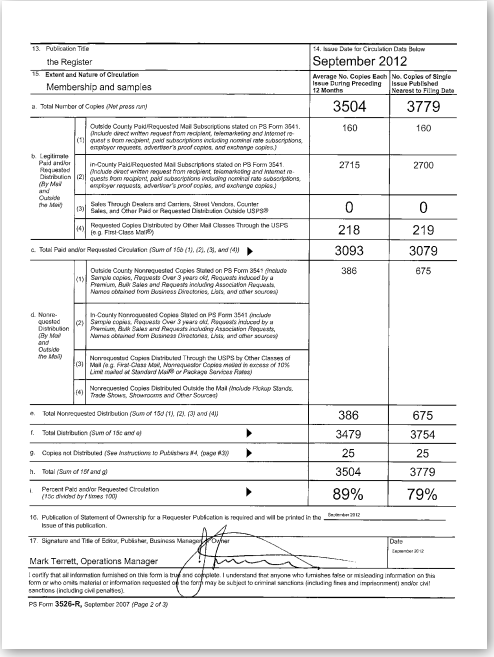
Donald Fortney, RFC®, WI
Eric A. Jacoby, RFC®, CA
Hiromi Matsuda, RFC®, NY
Sandra D. Propst, RFC®, TX
Alfredo G. Rios, RFC®, TX
Mark J. Sheahan, RFC®, IL
Bradley A. Stewart, RFC®, CA
Jacob P. Sybrowsky, RFC®, UT

Members Who Recommended New Members

Referror of the Month
Albert F. Coletti, CLU, ChFC, RFC®

Albert Coletti, RFC®
John Kwasny, RFC®
Ed Morrow, RFC®
Jim Moss, RFC®
Lew Nason, RFC®
Ruben Ruiz, RFC®

Register Statement of Circulation



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	(2) In-County Paid/Requested Mail Subscriptions stated on PS Form 3541. (Include direct written request from recipient, telemarketing and Internet requests from recipient, paid subscriptions including nominal rate subscriptions, employer requests, advertiser's proof copies, and exchange copies.)	2715	2700
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	(4) Requested Copies Distributed by Other Mail Classes Through the USPS (e.g. First-Class Mail®)	218	219
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	(2) In-County Nonrequested Copies Stated on PS Form 3541 (include Sample copies, Requests Over 3 years old, Requests induced by a Premium, Bulk Sales and Requests including Association Requests, Names obtained from Business Directories, Lists, and other sources)		
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16. Publication of Statement of Ownership for a Requester Publication is required and will be printed in the December 2012 issue of this publication.

17. Signature and Title of Editor, Publisher, Business Manager, or Owner: Mark Terrett, Operations Manager — Date: December 2012

I certify that all information furnished on this form is true and complete. I understand that anyone who furnishes false or misleading information on this form or who omits material or information requested on the form may be subject to criminal sanctions (including fines and imprisonment) and/or civil sanctions (including civil penalties).

PS Form 3526-R, September 2007 (Page 2 of 3)

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From the Chairman's Desk…

Financial Plan Competition

Once again, the IARFC has launched this competition for undergraduate students enrolled in a curriculum for personal financial planning. The hard and soft data has been assembled and tested, and the competition materials are now being distributed to those schools that have decided to participate.

Why is this important to you?

Many financial consultants tell us they would like to have one or more entry level persons join their organization – but they have no candidates. Of course there are perhaps as many as 3,000 persons enrolled in an undergraduate financial planning curriculum in the US. However, our members do not have an internal human resources director to conduct a local search, evaluation and negotiation.

Many of these students, who will graduate in 2013 or 2014, are quite interested in an internship opportunity or perhaps a mentoring relationship. Others are seeking entre to a local firm with the idea of an ultimate succession arrangement. Over the years we have discovered several factors that can or may impact your successful search:

Prejudice against commissions. This comes about from two sources: (1) many faculty members (who are all on salary) disdain commissions and pre-condition students to seek only a position with guaranteed compensation. (2) Career placement officers and articles emphasize high starting salaries as opposed to long term equity and results-based compensation. This focus is short term and ignores the very substantial income enjoyed by many persons who sell annuities, insurance or securities.

Inability to produce a plan. Despite enrollment in a course of personal financial planning, many of the students are incapable of personally producing a comprehensive plan. Yes, they might have built some spreadsheets, but this does not equip them to produce a high quality plan on a cost effective basis.

Unwillingness to make phone calls. Many financial consultants have not stayed in touch with their clients nearly as often as they should. These persons need to be contacted by phone, email and mail, but undergraduates are often conditioned against making phone contacts and especially cold calls.

Inability to edit a website or use social media for business. These are skills that would be immediately valuable to a financial consultant — who may not be so adept at either, but recognizes their importance in creating higher visibility.

Plan Design Requires Tools

The development of good plans requires exhaustive fact finding and the input of data into a software program to identify and measure the extent of the problems. This can be done very effectively by an entry level associate – provided they have the tools and know how to use them. Each of those students participating in the IARFC Plan Competition will receive the Plan Builder software, which they will use to prepare their submission. Using this software, they should be able to quickly produce the framework for a financial plan that would justify a plan fee.

- Gather all the family and financial facts
- Assemble documents and written information
- Enter data and print "Current Situation" reports
- Measure the extent of the shortcomings

The next step is to determine the solutions to be recommended and evaluate the results of those recommendations. This is where the experienced financial consultant delivers the value of his or her experience. Recommendations come from experience and knowledge of what clients will respond to favorably.

Does the financial consultant have preferred software? Most do, and they will want to have plans performed using that program. A student who has mastered one software will more easily adapt to a new package than one who has never produced a plan. Sometimes there is a need for two programs that meet different planning scenarios.

Diversity of Clients. One financial consultant serves about 40 clients that are now focusing on the investment of their life's earnings into a managed portfolio. These clients are generally about 70 and have investible funds averaging $2-3 million.

His goal is to reach down to the next generation and acquire them as planning clients, so as to retain the assets when the parent's estates are distributed. These younger clients do not need extensive and labor intensive asset-based software. What they need are plans that can illustrate insurance needs and modest investments — quickly and graphically. So, two software programs fit this practice quite well.

How You Move Forward

Meet and Greet the Students. University professors really enjoy having experienced financial consultants visit their classroom and describe their practice and the primary ways they serve their clients. You can meet qualified students and also "sell" the opportunity of interning or mentoring with you and considering appointment in your firm.

Sponsored Evaluation. There will be a presentation of the two best plans by the student finalists at a special meeting of the IARFC in June of 2013, and you can meet the students and their faculty advisors. However, you really want to start increasing your contact now with local universities.

Ask an interviewing student to bring a financial plan to an employment interview. Quiz them on the extent of the problems and the solutions they have recommended. Discuss how the quality of that plan compares with what you are seeking to deliver. The student's ability to articulate their plan and the solutions will provide a good basis for candidate decisions.

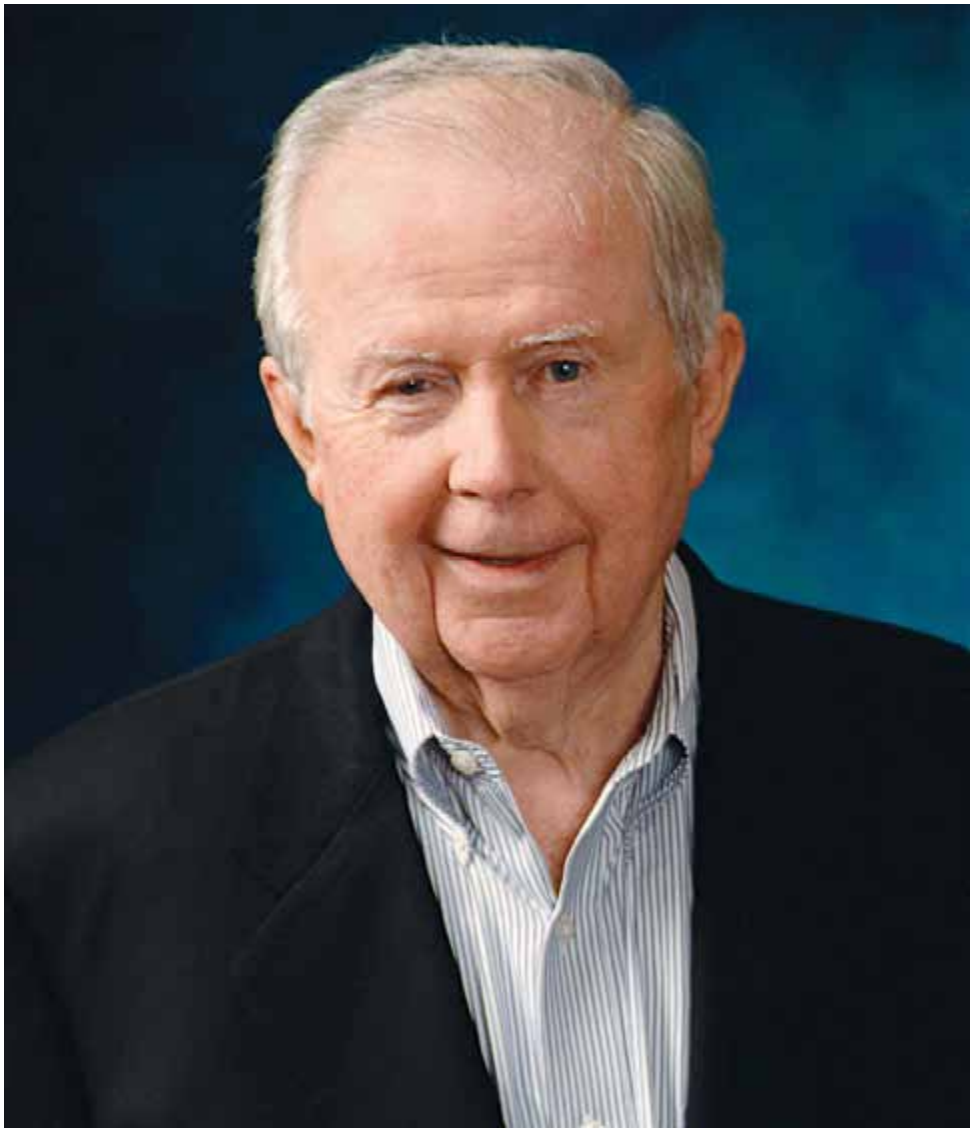
Your Participation. If you'd like to be involved in the IARFC Plan Competition visit: www.IARFC.org/FinancialPlanCompetition for more details. or call the IARFC today.

Contact: 800 532 9060
edm@iarfc.org
www.iarfc.org

The IARFC is proud of our members and in reverence we would like to remember our passing member: Jack P. Walsh, RFC®

Passing of a True Financial Pioneer

Jack Walsh, RFC® passed away recently after a long fight against the ravages of Parkinson's Disease. A true pioneer in Financial Planning, Jack was the **Founder & Chairman of Money Concepts International,** and one of the most significant contributors to the profession.



Born in Chicago, Illinois Jack was the first of five children born to the late Denis P. and Theresa Walsh, immigrants from Ireland who became American citizens. Jack was a natural salesman from the start. When in the 1930's the diseases of childhood quarantined Jack to the back yard, he sold his brothers the idea that cardboard boxes were airplanes. In Oklahoma City, he convinced his younger brother that the long street car rides to and from school were trips to exotic lands. Jack began his business career with a wagon. There was money to be made pulling heavy grocery bags home for lady shoppers. Next came door to door sales peddling the *Saturday Evening Post* and *Ladies Home Journal* magazines. Taking advantage of his business acumen, he trained his first ever franchisees, his brothers, to take over the wagon and the magazines.

In 1942, Jack's parents moved to Detroit where Jack attended Jesuit High School and became an Eagle Scout. After graduating high school in 1945, he joined the U.S. Army and served in the Occupation of Japan. A few years later Jack attended the University of Detroit and began his adult career in sales.

In 1959 he joined Franklin Life Insurance Company. He broke all sales records and was named General Agent of the Year in his first year. He was later brought into the home office as the youngest Vice President in company history. In 1969, Jack joined American Bankers Life as Executive Vice president, and was elected President in 1973. During his tenure, American Bankers Life experienced their best growth. However recognizing the increasing need for personal financial planning, Jack had a vision of independently owned and operated financial planning centers based on a franchise model.

That vision became Money Concepts International which today has grown to over 700 offices worldwide. In 2007, he was awarded the **Loren Dunton Memorial Award**, the industry's highest achievement. Because of his business success he was able to fulfill his youthful wanderlust of exotic places by taking his family on dozens of adventurous vacation excursions. Jack's greatest passions were his family and helping his associates succeed. Thousands of families have been impacted by his efforts to recruit and train financial advisors how to deliver high quality advice, service and products.

Jack touched the lives of thousands of families through his leadership and his humanity. All of his business associates respected him, and were enriched by his integrity, perseverance, ethics and dedication. He was a beacon of moral conduct in his business and personal life — and Jack's impact will continue forever.…

Providing A Lifeline

85% of hands-on caregiving is done by family

Only 10% of siblings feel the burden is equally shared

80% of caregivers say it has stressed their marriage

Caregivers decrease their life span by 3 years

70% of the elderly have never talked about finances with family

50% of nursing home expenses are paid out-of-pocket

70% of elderly parents will need some long-term care

$300,000 is lost in wages/benefits by the caregiver who makes work adjustments

Sources: AARP, National Alliance| for Caregiving

In a previous article, Michael Lovas discussed Psychological Marketing. "Traditional marketing appeals to the rational side of the mind. Unfortunately it is not the side of the brain where decisions are made." As an eldercare expert, I have been suggesting to advisors that the most effective way to sell to the adult child caregiver of elderly parents is through the overwhelming emotions connected with caregiving.

Universal Theme. Some of your clients will want all of the data and logic involved with a financial plan. However, many others will connect with you because of the emotions and conflicts involved with caregiving and families. One of my universal themes of caregiving is that even good families become dysfunctional during caregiving. You can be the one to provide the emotional support and essential information that caregivers need.

So, as Lovas suggested, the pictures on your website should reflect the real difficulties with caregiving — fatigue, frustration, and being overwhelmed. It will demonstrate that you understand their situation. Happy faces and people hugging are not the reality for most caregivers. Many sites talk about planning for the unknown and life's transitions. Yet, many times there is no discussion about one of the longest and most overwhelming of life events — taking care of Mom and Dad.

Driving Force. One of the driving forces behind Boomers is that they are panicked they will repeat the same mistakes their parents did. These caregivers do not want to do the same thing to their kids! They want to have a plan — to have everything in place to decrease the family conflicts and emotions. To learn how to age gracefully.

Connecting with all 3 generations of a family is possible when including values, emotions, and relationships. This is the way to distinguish yourself from the rest of your competitors. When clients are stressed, they need your strategies, tools, and support.

Benefits. By providing support and information, you greatly enhance client engagement and customer loyalty. Utilize books, DVD's, and weekly 2 minute website caregiving tips, thus repeatedly driving people back to your site. Your brand is expanded as the go-to advisor. By adding robust caregiving events, you can grow and attract new clients. Because all of your existing clients know or are caregivers, you have a built-in marketing base. You can provide them with a lifeline!

Barbara McVicker

Barbara McVicker's very successful national Public Television Special "Stuck in the Middle: caring for Mom and Dad" and her 3 books have made her an acclaimed eldercare expert. Her lively, engaging, and empowering presentations focus on caregivers, financial/sales advisors, and HR managers. She's been featured in many national media outlets.

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Seven Vital Tips For Aspiring Entrepreneurs

The term entrepreneur was coined in France over 200 years ago. According to Wikipedia "an entrepreneur is a person who has possession of a new enterprise, venture or idea and assumes significant accountability for the inherent risks and the outcome".

The challenges that faced entrepreneurs in the 1800's have not changed significantly. There any many who chose this path and failed, as well as, many who chose not to try. However, there are many who have succeeded, improved their standard of living, introduced innovation, new products and services, provided jobs and significantly catalyzed economic change.

From my observation of and interaction with successful entrepreneurs, I discovered seven characteristics they all have in common:

Vision

Every one of the successful entrepreneurs that I have had the pleasure to meet all had a clearly defined vision. Once they defined this vision, they were all able to articulate, share it, sell it and live it.

Sometimes this vision or idea comes to you in the shower or when you are asleep. It hits when you are least thinking about it. Learn to pay attention to your subconscious, keep a note pad handy, so you can capture thoughts, inspirations, or ideas.

In order to be a successful entrepreneur you must recognize your vision and be willing to commit to it!

Bold

To be a successful entrepreneur, you must be bold. According to Captain Kirk of the Star Trek Enterprise you must "boldly go where no man has gone before".

Bill Gates was an entrepreneur who was bold, one who left Harvard before graduation to form Microsoft, and to create software such as Windows.

He could have chosen the safe path, graduated, found a highly paid job and been "successful", but because he was bold, he chose another path and became one of youngest self-made billionaires in history.

Willing to Risk It All

Every successful entrepreneur has been willing to risk it all. You must be willing to lose in order to make quantum leaps.

I am not suggesting that everyone mortgage all his assets to start a new business, but I have noticed that most, if not all, of the successful entrepreneurs took significant personal financial risks in order to make their vision a reality.

My suggestion would be to seek professional advice, build a business plan, financials, conduct market surveys and select a strong and experienced support structure before you venture out.

Passion

I had the pleasure of interacting with Michael Lee Chin, one of the richest black men in the world. He has many entrepreneurial attributes, but the one that stood out for me was his immense passion for the financial services industry.

He told me a story, of when he first started out in the 1970's, in his suit, with his Jamaican accent, going out to farmers in the outskirts of Canada to convince them of the benefits of financial planning. That took passion! Soon after he was able to purchase his first Rolls Royce and eventually he was added to the *Forbes* and *Fortune* lists. He has had many challenges, but is still passionate and that will continue to play an important role in his success.

If you feel truly passionate about anything that you can turn into a product or service, you have one of the qualities of success.

Commitment and Sweat Equity

When we look at successful people, we sometimes take a snapshot of their current circumstance and pay attention to all of the trappings of success. However, what is not always evident, are the countless hours of working night after night, day after day, staying the course in order to achieve their vision.

I once heard a story of a sculptor who needed a smaller portion of very hard rock to complete his masterpiece. He studied the rock carefully, took up his hammer and started to hit at one spot, over and over. Many days passed and the task seemed impossible, but he tirelessly continued and one day, the entire rock split just as he wanted it to.

Like him, we must choose a niche in the market, something we are passionate about, and with pin-point precision, be committed to it and like that sculptor your commitment and sweaty equity will be rewarded.

Innovation and Creativity

In order to be a successful entrepreneur you have to be creative and innovative. I was driving past one of the embassies in my homeland when I observed an excellent example of creativity. In order to get a visa, many persons needed passport-sized photos, but usually forgot this requirement. On arriving at the office, they had to find somewhere close by to get the photo or lose their precious appointment.

Opposite to this embassy was a parking lot, with a small booth for the parking attendant. She observed the problems of obtaining a photograph. Quickly she purchased an instant camera, and catered to their needs. She was able to make 20 times her income as a car park attendant by being creative and innovative.

I am sure if you take a look at your community, you can find many examples of innovation and creativity of successful businesspersons. I challenge you to push fear aside and allow your ideas and creativity to flow.

Leadership

I recently was a support facilitator of a youth entrepreneur program in my country and had

the pleasure of interacting with approximately 30 young entrepreneurs. Each one of them had business cards with titles such as Managing Director, Owner and CEO. I was pleased to observe their self-perceptions as leaders and their ease in assuming their roles.

As a successful entrepreneur, you must be mentally, emotionally, and socially ready to lead. You must be prepared to make tough decisions and take full responsibility for the outcomes.

Leaders maintain a positive outlook in the face of challenges and difficulties and keep forging forward to achieve their vision. This quality quickly attracts your team, who will work side-by-side with you to continue to build your dream. Leadership is vital to the achievement of entrepreneurial success!

For all those entrepreneurs that have shared with me your experiences, I say thank you. Keep forging ahead, breaking barriers and making the world in which we live a better place.

My hope for the aspiring entrepreneurs is that the seven tips in this article will give you an insight into what is required to be successful!

Inshan Meahjohn, BA, MABE, RFC®

Inshan Meahjohn, BA, MABE, RFC®, is a qualified, experienced, performance driven executive with many years of success in executive management and finance. He is a true "versatilist". Over the years he has consulted with many financial institutions throughout the Caribbean and internationally in the areas of banking, finance, business development, leadership and training. Inshan was one of the youngest insurance agency managers in the Caribbean at Life of Barbados, and is the IARFC Trinidad Chairman. He is now also serving on the IARFC board.

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Equitable Divorce:

Creating a Specialty Niche By Knowing the Rules

"You take the house. I'll just take these non-performing investments!" That's what I heard after meeting with a new recently divorced client who was promised a quick and painless divorce. After all, there was $1,200,000 to divide up, and the house was worth about half and the investments were just about equal to that. Well, what ended up happening was that the wife received a house with a cost basis of $40,000 and the husband received investments with a cost basis of $750,000. It turns out that she had to pay tax on the house since she sold the house shortly thereafter and was only able to exclude $250,000 as a single individual thus creating a huge tax bill.

What should you know about helping divorcing clients? You may be asked to become involved in a client's divorce and answer questions about property division, QDROs, business interests, valuation of assets, income splitting, appropriate levels and duration of alimony, life insurance, real estate and conflicts of interest. As with any financial planning engagement, you should acquire an understanding of the divorcing client's financial statements and future intentions. This article will raise awareness of some of the complex issues that may arise during the divorce proceedings.

Property Division

Section 1041 of the Internal Revenue Code provides for non-recognition of gain or loss on transfers of marital property between spouses pursuant to a divorce. IRC Sec 1041 is very broad and straightforward and includes tangible and intangible property. This rule applies even if the property is encumbered by debt.

However certain restrictions do exist. Specifically, nonresident aliens are excluded. Alien status is determined at the time the property transfer is made and disregards whether the alien is subject to federal income taxes in the year of transfer.

Also, under Sec 1041, the transferee will receive the same attributes the transferor had in the property. These include basis, holding period, and potential recapture of previous tax attributes.

Property includes such assets as the family house, rental property, art, cars, antique collections and other items. It also includes bank accounts, cash surrender life insurance, IRAs, and retirement plans. Property may be acquired during the marriage or brought into it separately, or by gift or inheritance. Traditionally, a married couple's lifestyle has been based on the husband's earnings. Note that property is divided once while career assets continue to linger on.

The rules of property division are dependent on your state of residence. Some states deal with community property laws where the distribution of property is on an equal basis. Other states deal with equitable distribution, where distribution of property is to be fair and equitable but not necessarily equal.

Furthermore, each state has numerous exceptions, and these exceptions may deal with property owned at the time of the marriage, property acquired by gift or inheritance during the marriage, gifts between spouses, and other differences. The important point is that state law varies and that the law of one state is not necessarily the law of another state.

Dividing Retirement Plans — The Use of a Qualified Domestic Relations Order (QDRO)

The QDRO is an order from the court to the retirement plan administrator spelling out how the plan's benefits are to be assigned to each party in a divorce. These are strict filing requirements contained in ERISA and prevailing state domestic relations law. Retirement plans that are divided by a QDRO include defined contribution and defined benefit plans.

Example: Matthew needs additional income beyond the maintenance he will receive. He is 52 years old and is the alternate payee pursuant to a QDRO on his ex-wife Keri's defined contribution plan. The plan provides that he may receive distributions at any time after the QDRO is accepted. Any retirement funds distributed from the plan will be subject to regular income tax but will not be subject to the 10% excise tax on early distributions.

A distribution pursuant to a QDRO may be rolled over into another qualified plan or an IRA, thus excluding the income from taxation. Taxable portions of the distribution must be rolled within 60 days of the day of receipt. To avoid a 20% withholding tax on the distribution from the qualified plan, the transfer to the successor qualified plan or the rollover IRA should be in the form of a direct transfer from trustee to trustee.

Example: Brandon chooses to receive $250,000 directly from his ex-wife's Stephanie's defined benefit plan rather than using a trustee to trustee transfer. The plan administrator is required to withhold $50,000 (20% of the $250,000) for taxes. Within 60 days, Brandon rolls over the remaining $200,000 into an IRA. Brandon will be taxed on the $50,000 withheld as a distribution. The balance of $200,000 will be a tax-free rollover. If Brandon had deposited $50,000 of his own funds with the $200,000, totaling $250,000, there would be no taxable distribution.

A spouse's interest in an IRA cannot be transferred pursuant to a QDRO. However, during the dissolution of a marriage, such an interest may be transferred tax-free. The trustee will need a copy of the settlement agreement or divorce decree requiring the transfer. The transfer should be performed by a trustee-to-trustee transfer, or it can be completed by an assignment of interest and a change of name.

Business Interests

A closely held business can represent a marital asset of significant value. Therefore, you need to look at sufficient books and records to provide the expert witness, perhaps a certified public accountant, or other experienced valuator, with complete financial information. The type of business and level of financial activity will be the determining factors as to the extent of the request for production. Among the documents you should ask for include the following:

- Past three years of federal and state tax returns
- Past three years of financial statements
- Loan applications or loan packages previously presented to financial institutions
- Journals and ledgers covering the same periods as the financial statements
- Pension and profit sharing funding schedules and plan descriptions
- Detail of loans and notes between business and owners
- Existing buy-sell agreements
- Copies of insurance policies
- Listing of all owners and percentage ownership
- Notes, mortgages, and other evidence of indebtedness

Date of Valuation

With regard to all assets at issue, it is important to fix a date of valuation. The most common date is the divorce petition. However, many states have laws fixing such a date. The following items warrant addressing:

- Cash — All summary documents relating to cash should set forth all bank information, including account number, location of bank and balance, and maturity dates for CDs.
- Stock and marketable securities — Look at any financial paper and get a price quote on the divorce petition date.
- Notes and loans receivable — These often overlooked assets, should be presented in summary form to the courts at fair value. This is determined by comparing the note interest rate to the current market rate of interest. Also, the ability of the debtor to repay should be considered.
- Valuable collections — These items include jewelry, furs, collectibles, antiques, etc. Bring in a competent appraiser to perform a valuation who is also willing to testify.
- Retirement Plans — Most states recognize that retirement plan assets are an economic resource subject to division. Guidelines for these rules are established by the Retirement Equity Act of 1984 (REA). REA rules give way to qualified domestic relations order (QDROs) (discussed later). For an employee who is covered under a pension plan, the valuation of the interest is generally a present value computation based on life expectancy. Find out about the date the retirement plan assets become available and the duration of the payments can be established.

- Real Estate — Usually the largest single asset, this includes the family home and other properties acquired during marriage. Seek an appraisal from a qualified real estate appraiser who is willing to testify. Also, take into account the tax effect if the house is sold.
- Insurance Policies — Review the policies annually for the cash surrender value based on statements sent by the home office. If unavailable, call the insurance broker.

Income Splitting

You should determine who benefits most from the deduction and then provide for those deductions accordingly.

Example: John and Mary are getting divorced after 15 years of marriage. They have two children. If John is in the 31% bracket and Mary is in the 15% bracket, John should file head of household and take the dependency exemption on their two children and provide Mary with some additional payment equal to what she could have received had she taken the exemption instead. Perhaps John can split the savings with Mary $1,000 thus enabling Mary to share in the deduction. **Chart 1**

The opposite is also true. Let's say Mary's income is $400,000 and John's is $100,000. If Mary decides to take the personal exemption, because of her income, the deduction would be completely lost. However, by providing it to John, both parties stand to benefit, especially if John shares part of the savings with Mary.

Alimony or Maintenance

Alimony or maintenance is a support payment that is made to a former spouse upon an order of the court. The payor receives a deduction for the amount paid while the recipient has taxable income in the amount received. To be considered alimony, the payments must meet all of the following:

- All payments must be made in cash, check or money order
- There must be a written court order or separation agreement
- The couple may not agree that the payments are not to receive alimony tax treatment
- The couple may not be residing in the same household
- The payments must terminate upon the payor's death
- The ex-spouses may not file a joint return
- No portion of the payments may be considered to be child support since these payments have no income tax effect.

How much alimony is appropriate? Remember that the purpose of alimony is to "rehabilitate" the spouse who needs a "jump start" in the marketplace. The monies can be used for education or training so that

Chart 1	**Mary**	**John**	**Difference**
Adjusted Gross Income (AGI)	$20,000	$150,000	
Personal Exemption ($3,800 x 2)	(7,600)	(7,600)	
Tax Bracket	15%	31%	
Tax Savings	$1,140	$2,356	$1,216

individual can earn a living in the marketplace. Perhaps looking at the cost of attending school and making arrangements to run the house during that time, so added pressure is minimized. Certainly, any involvement by the recipient of helping the payor arrive at the level he or she is at with regard to their career or other outside opportunities should be considered. It is in everyone's best interests that both parties are able to be self-sufficient members of society.

Recapture of Excess Front-Loading of Alimony Payments

The recapture rules were designed to prevent nondeductible property settlements from being deductible as alimony. Only three consecutive years are considered, starting with the first year any deductible alimony is paid. If the annual payments drops by more than $15,000 from year one to year two or three, or from year two through three, "excess alimony" is gross income to the payor in the third year and deductible to the payee.

Real Estate

If neither spouse plans to keep the home, it may make sense to sell it prior to the final divorce since both parties can still use the $500,000 capital gains exclusion on the sale of the home. Otherwise., if one party sells it afterwards, that amount gets knocked down to $250,000. Also, consider the tax consequences of the sale if the seller's gain goes above the exclusion.

Life Insurance

It is common for the alimony recipient (payee) to forego life insurance coverage. This type of coverage is essential given the fact that if the payor dies, then future alimony payments will likely cease. What you need to encourage your client on is to include a life insurance policy as part of the settlement. If the court orders the payor to purchase insurance to cover maintenance or child support, then those premiums are treated like alimony for tax purposes and are then deductible by the payor and income to payee. If the court doesn't address this, then the payee should own a policy on the life of the payor (since there still remains an insurable interest). Otherwise if the payor owns it, he can then cancel it after the divorce and the payee loses coverage.

Conflicts of Interest

A problem arises when you began working with both individuals and now have a situation where one of the individuals wants you to represent them with advice. I find it usually pays to withdraw from the engagement if both parties were your original clients and you worked with both of them from the onset. If you knew one of the parties well as a previous client, that may be different. However, I would urge you to let them know that if the soon-to-be ex-spouse approaches you with questions on his or her behalf, that withdrawing may be the only fair thing to do.

Conclusion

As you can see, there are significant issues concerning divorce. You need to become actively involved in preparing your clients before this occurrence or during the reality. The bottom line is that you have an obligation to your client to do what's best for him or her. Your client is counting on you.

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Jeffrey H. Rattiner, CPA, CFP®, MBA, RFC® has been a fixture in the personal financial planning profession for more than 25 years. As a leading educator, author, practitioner, and industry organization executive, he has experienced financial planning from a perspective most of us have never seen up close. He worked at three of the major membership and licensing organizations for our profession and runs a small tax and financial planning practice. Jeff keeps himself very busy. He has written many books, edited industry trade journals and newsletters, been featured as a columnist in various trade publications, and has been a featured speaker for many years on a host of very important topics in our profession.

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Create A Private 'Family Bank'

Here is a great idea for your clients who need life insurance, want to make their 'safe money' work harder for them, and are tired of paying interest to others when they borrow money.

Imagine if instead of borrowing money from a bank, you have your own private stash (of your money) that you could borrow from, for whatever and whenever you need. Then when you make a loan, you pay yourself the principal and interest. Instead of the bank making money on your money and the interest you're paying... you're keeping all the money.

How much better off would you be?

That's the basic premise behind the "Infinite Banking Concept", as introduced by Nelson Nash in 1994.

How the Concept Works

Simplistically, you sock away as much money as you possibly can, as quickly as you can, into a good participating whole life policy (dividend paying). The money is then funneled into the whole life policy for five to seven years. You over-fund the policy to just below the Modified Endowment Contract (MEC) guidelines. Then, whenever you need to make a big purchase (such as a car) you can borrow the money from yourself, instead of borrowing from the bank (or a credit card company). Now you pay the loan back to yourself, plus the interest that you would have paid to someone else. You make the big profits the bank would have normally made.

The Basic Concept Isn't New

It's a great concept. However, the basic concept isn't exactly new. The top financial advisors have used variations of this concept for at least 30 years, to help their wealthiest clients. Thirty plus years ago, these top advisors would tell their clients that the money they put into their participating whole life policy could be used for emergencies, to take advantage of business opportunities, to fund college, to buy a car, and much more. However, if they take money out prior to age 65 (retirement), they'll want to pay the loan back, plus the interest, so they will have the retirement funds they planned on.

It Works Better Today

As well as the concept worked 30 years ago, it works much better today, because of the paid-up additions rider that was introduced in the late 1980's. Today, using a paid-up additions rider, you can dramatically over-fund a participating whole life or universal life policy and make it an exceptional wealth accumulation vehicle – what we call "investment grade" life insurance.

Understanding the Concept

This concept, simply put, is funneling all the money you possibly can into a participating whole life insurance policy, as quickly as you can get it in there. And, then you use that investment grade life insurance policy as your own private family bank. The reason you use a participating whole life policy is that it offers several unique benefits that other investment vehicles don't offer…

1. You can put in as much money as you want… based on the size of the policy, which you can make as large as you need. (Not so, with qualified plans.)

2. All the money you put into the cash value of a life insurance policy builds tax deferred. You avoid paying income taxes every year, so your money builds faster.

3. You can borrow the money from the policy tax free, without contractual withdrawal penalties. And, there are no early withdrawal penalties by the Federal Government. (Not so, with qualified plans or annuities.)

4. There are minimum guaranteed interest rates.

5. You have a disability waiver of premium rider that will put the money in for you. This makes the plan self-completing. (Only life insurance offers this unique benefit.)

6. Life insurance provides a death benefit that gives your family the money you intended to save in the event you can't be there.

7. Life insurance cash values do not count as an asset when applying for college financial aid.

8. Life insurance contracts have asset protection features in many jurisdictions.

The Fallacy Behind the Infinite Banking Concept

There are several problems that I see with the concept…

1. It is designed to be used only with very high income earners! The concept is for people with a lot of discretionary cash who are willing and able to put away large sums of money. Unfortunately, this severely limits the amount of people it can work with and help. (The concept can and does work with Middle American families - only if advisors would help them 'Find the Money'.)

2. The concept only works with a good participating Whole Life Policy! (Possibly, because it is Way to recruit agents, planners and advisors to sell products, so they can make money on those sales.) The truth is, this concept works equally well with a good Universal Life Policy. And, in some cases a Universal Life Policy will work much better than a traditional Whole Life Policy because it offers much more flexibility.

3. Paying off your mortgage, as soon as possible. The fact is, in many cases, this is giving up one of the best ways to get started using this concept…plus one of the best ways to reduce income taxes

and accumulate a fortune. (The 'Missed Fortune' concept.)

The real beauty of the "Infinite Banking Concept" is that with some small modifications to Mr. Nash's ideas, almost every Middle American family can use this concept… to 'Find the Money' to 'Live Debt Free and Truly Wealthy'!

Making The Concept Work

As stated earlier, to make this concept really work means putting all the money possible, into a good investment grade life insurance policy. (Participating Whole Life or Universal Life.)

'Creating Your Own Family Bank' In A Nut Shell

To fully understand the value of the 'Family Bank' concept you must first understand how a bank works. Consider, everyday money flows from the 'world money pool' through our hands to meet our needs - but somewhere in the process it all ends up back into the banking system. It is all a matter of "how much of the banking function do you control as it relates to your needs." The 'Family Bank' concept is all about how to create your own private banking system so that you can control 100% of your needs.

Let me give you one little powerful example of how a bank works:

- You walk into a bank and borrow $1,000,000.
- The bank borrows the money from the Federal Reserve at 3% and lends it to you at 9%.
- How much does the bank make?
- The bank tells us it only earns 6%
- That's not the whole truth!
- If you bought a coffee mug for $3 and sold it for $9, how much did you make?
- Well $6, but as a percentage you made 200% of the $3 cost.
- It gets even better; when the funds are repaid they can be lent out again at 9% and now there is no 3% cost basis associated with it.
- Since the bank was only "re-lending" the money it got from the Federal Reserve, its return was infinite — provided all the loan principal was repaid.

Now what if:

- You could recapture all the money you paid for a car?
- You could recapture all the interest you paid on financing it?
- You could make the same profits as the banking institution that would have financed it?
- And you could do it all on a tax-free basis!

How it works:

The 'Family Bank' concept is based on stock piling as much money as you possibly can, as quickly as you can, into an investment grade life insurance policy for say 5 years. The investment grade life insurance policy then becomes your own private bank. Now, whenever you need to make a large purchase you borrow the money from yourself and you pay yourself back the money and the interest you would have paid someone else.

A simplistic example:

For 5 years you pile everything you can into your own private family bank. (say $1,396.68 per month @7% after expenses) At the end of 5 years, you have $100,000 sitting there, earning 7.0% per year. Now you need to spend $20,000 for a car. You have three basic options:

1. You could take the money out of your private bank and pay for the car. Your cost is $20,000 plus the 7% of interest you lose each year on the $20,000 ($1,400 per year). **In five years you've spent a total of $27,000** ($1,400 x 5 years + 20,000 = $27,000). And you still have $20,000 less in your bank and you continue to lose $1,400 per year. **In 5 years, the value of your $80,000 account at 7% has only grown to $112,204.**

2. Or, you could take out a 5-year auto loan and pay 10% interest. The payment would be $425 per month. **In 5 years, you would have paid out a total of $25,500. In 5 years, the value of your $100,000 account at 7% has grown to $140,255.**

3. Or, you could borrow the money from yourself and pay yourself monthly what you would have paid on the auto loan. **In 5 years, you would have paid into your account a total of $25,500. In 5 years, the value of your account at 7%** (less the policy loan interest) **has now grown to $144,709.**

By using option #3 you are maximizing the growth of your savings… by making the same profits as a banking institution!

Even if you never saved any more money or borrowed from your account again, your $144,709 at 7% would grow to $559,978.17 in 20 years.

The beauty of the 'Family Bank' concept is that you are able to see the value of putting a lot of money away in a very short time period. *With no long term commitment…*

And, if this is done every five years as your own banker, you can accumulate millions, one piece at a time.

It works because of the unique, superior income tax advantages of life insurance:

1. Money grows tax deferred.

2. Money can generally be withdrawn or borrowed tax-free.

3. There are no penalties for withdrawals prior to age 59½.

The problem with creating the 'Family Bank' is that you have to **find the money** to fund your bank and then **have the discipline** to put all of that money away in a short time. I recommend reading the first few chapters of the 'Infinite Banking System' to truly understand the basic concepts and value of the 'Family Bank'.

"It is easier to prevent bad habits than to break them."
Benjamin Franklin

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Lew Nason, RFC®, RTIA, LUTCF, with his sons Jeremy Nason, RFC®, and Will Nason, are the creators of Found Money Management™, a complete 'Turnkey' marketing and sales success system dedicated to helping Middle Income Families to 'Live Debt Free and Truly Wealthy.'

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Are You Misrepresenting Your Priorities?

The next time you go to answer a relatively low-priority email instead of returning a phone call to one of your clients, consider your motivation for doing so.

Weigh the importance of each task and reflect on why your instinct is to tackle the easy email first, rather than follow up on voicemail messages. Track how many times you have acted similarly in other situations and identify any trends in how you manage your daily responsibilities.

Chances are, you are procrastinating by being "productive" — keeping busy with rote tasks rather than devoting the time necessary to take on the bigger, more complicated demands of the day.

In the past, we've discussed how entrepreneurs and other highly capable individuals can sometimes get so wrapped up in minor details that they are unable to address the tasks that demand their level of expertise and attention. Psychiatrist Edward Hallowell summarized this problem as an "attention deficit trait" in his 2005 piece for the *Harvard Business Review*. Another potential cause could be a separate form of procrastination, identified by management consultant Rory Vaden, who recently wrote a widely circulated article for the OPEN Forum blog called "Priority Dilution: The New Procrastination."

Vaden argues that high-level executives and managers are usually not the type to openly procrastinate — in fact, he calls them overachievers. Yet they allow themselves to become burdened with less important duties because those seem to be more urgent. Essentially, they are substituting their "to-do list for emergencies," which hurts their effectiveness, does not help their teams accomplish goals and may damage their business's revenues.

At The Covenant Group, we often meet financial services professionals struggling with this same problem. They are too busy managing the small details of running their organizations (tasks that could easily be delegated to lower-stratum employees) to step back and gain a long-term view and understanding of their businesses.

Take an hour to jot down some of the roles that no one but you can fill in your organization. Those should be your priorities. Do you notice that you are always addressing those items at the end of the day, or putting new "emergencies" ahead of the tasks on your to-do list? Start following a system that allows you to complete your most important tasks at the beginning of the day, or work them into your schedule, leaving some unassigned time to incorporate the smaller, lower-priority obligations that inevitably pop up throughout the day.

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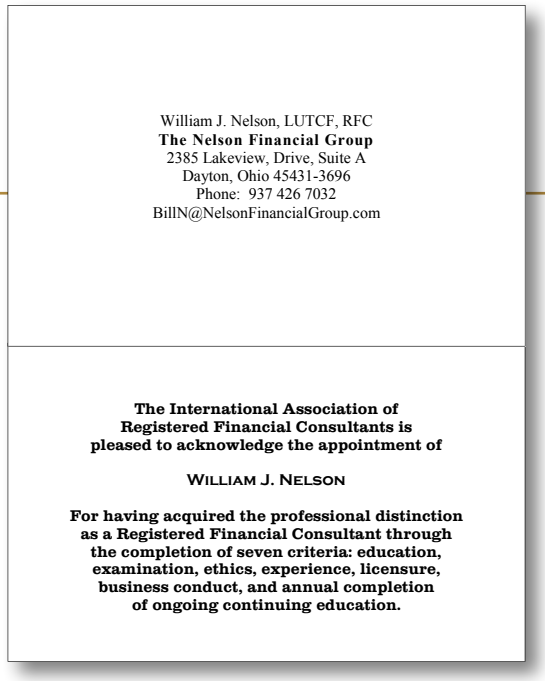

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Mental Marketing

The 2 Biggest Problems with Financial Seminars and What To Do About Them!

Very few people in our industry have ever been exposed to the psychology that makes a seminar successful. As a result, many advisors commit terrible mistakes throughout their presentations. To help you understand, let's look at the two biggest mistakes advisors make during seminars. Why are they the biggest? Because if you botch these, your presentation is more apt to fall on its face.

Problem 1— The Mount

You walk to the center of the stage and say, "Let's take care of some housekeeping first. The restrooms are around the corner. There are drinks in the back…"

What's wrong with that? One word — boring. Your entrance is called the "Mount." You have several types of mounts available to you. Why would you want to select the one that ruins your credibility? When it's time for you to mount the stage, if you don't do it with confidence, with drama, with meaning — then, you give up all your power. You can "own the room," or not. And, if you don't take ownership, you lose it to your own audience.

This seemingly simple event sets the stage for the entire presentation. A speaker can "blow" his credibility right here. Or, he can set up the appropriate state of mind to carry him and the audience throughout the program. Here are a couple of ideas for you to consider:

Idea One — Outrageous!

Here's a technique that is guaranteed to add drama to your opening. Do something unexpected — even outrageous to snap the audience out of their comfort zone and grab their attention.

True story — I was one of several speakers scheduled to speak at a conference, and I was about to take the stage. But, as I was being introduced, I realized the audience had been sitting for a long time and had just about dozed off. I needed to shake them up, wake them up and open up their minds so they'd take in my information. I had to take control and take ownership of the room.

Since they were not yet aware of my presence, I casually, reached over and took a spare chair with me. I got to the stage just as the announcer said, "Ladies and gentlemen, Mister Michael Lovas!" That was my cue, and I threw the chair across the stage. Every person in the room was immediately wide awake and focused like a laser on me. I had a serious responsibility — I had to give them a pay — off equal to that degree of drama. As I crossed the stage, looking intently at the audience, I said very boldly, "If you are like most advisors, that crash represents your marketing!" I hit them where they hurt. I had their undivided attention.

Idea Two — Hindsight!

Want to show that you're different? Start your program from the back of the room, or from the side of the room, or from a seat within the audience. Ever hear of a speaker who forgot to turn off his microphone while in the restroom? As those unmistakable sounds were being broadcast to the audience, their attention was turned 100% to him, right? So, consider starting your program out of the room — although, not necessarily from the restroom.

Think of the terrible financial seminars your prospects have attended. Now, save your audience from a repeat of that torture; do something totally different. If you don't, your "performance" will say, "I'm absolutely no different from anyone else, but in spite of my lack of creativity, I hope you buy from me." Why should they?

Problem 2 — The Flow

The flow of information during a presentation is vital to helping your audience understand your points. The right flow also saves them from getting confused. Unfortunately, many presenters start their program by flashing a slide of the market movement since the great depression. Or, they show a three-legged stool. Both have their place, but it sure isn't at the beginning of the program. Why? Because this is where you demonstrate your relevance to your specific audience. There is only one way to do this.

How to deliver information the right way. Your objective is to give your audience the information they want in the best way for them to take it in. This is a 3-step process that will appease most people in any audience.

Step 1. Name the problems the audience experiences. This is the relevance connection. If you do not do this, you're making the most awful mistake outside of insulting your audience. For example, you might say to your audience:

"Do you know anyone who can relate to this: Failure? Bankruptcy? Foreclosure? How about fear and terror? I wonder if you find those things uncomfortable enough to make sure you avoid them."

Step 2. Explain the solutions. This is how you demonstrate your knowledge and wisdom. In other words, it's the credibility connection. For example, you might say to your audience:

"There are resources, tools and research-based strategies that can help you solve those problems quickly and more effectively!"

Step 3. The pay off. Explain the significance of the results gained from implementing your solutions. Who wants to implement a solution that carries no benefit? You might say this:

"What's the result of following my advice? A giant step into financial freedom. That's what people ache for - to be free, to feel completely free of worry!"

How to make it all work together.

Most advisors I've met want to rely on data and logic to make the case to a prospect or audience. Unfortunately, prospects are not moved to make a decision based on data and logic. What does move them are visuals that appeal to their emotions.

Most seminar presenters use Power Point slides. But, they fill the slides with words. A slide is NOT a data-presentation medium. It's a visual medium. So, create a limited number of slides and fill each one with a provocative or intriguing visual that is relevant to your audience's experience. Hopefully, their experience is also relevant to your program.

Here's an example. Every couple of years I rummage through the sale bin at a book store. I'm looking for those big coffee table books of photography. And, I'm looking for large photos that I can use as metaphors that illustrate points I often make.

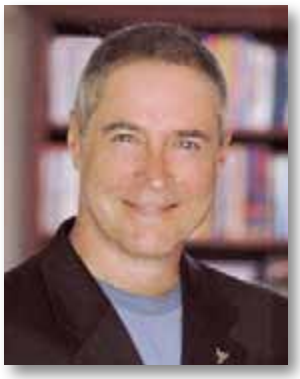
For example, I've used a terrific photo of Lance Armstrong grimacing up the Alps. That can be a metaphor for effort and sacrifice. I've used images from the Great Depression. They can illustrate what can happen with too much risk. If your audience is small and intimate, you can hold up the (laminated) photo and talk about it. If the audience is large, you can show it as a slide in your PowerPoints.

The keys here are to use images that: 1) can clearly make your points; 2) are not too generic or general; 3) are as relevant as possible to your prospect or audience.

In Conclusion

This process is the result of applying effective psychology to financial seminars. It's based on three simple things: 1) how people take in new information; 2) how to show yourself as relevant to your audience; 3) how to move them from skeptical to motivated quickly and effectively.

Your IAFC Reward. If you like this type of information, copy this paragraph into an email and send it to me at: michael@aboutpeople.com. I will send you my report "Psychological Secrets of the Seminar Stage." My gift to you.



Michael Lovas

Michael Lovas is the author of twelve books, mainly on Professional Credibility and Psychological Communication in the financial industry. He has been published more than a thousand times since 1986. All of Michael's work teaches professionals how to use simple, effective psychology to write more business and inspire their clients to love them. He is also the cofounder and a principal of AboutPeople, a unique consultancy focused on helping advisors build credibility and relationships with thier chosen target.

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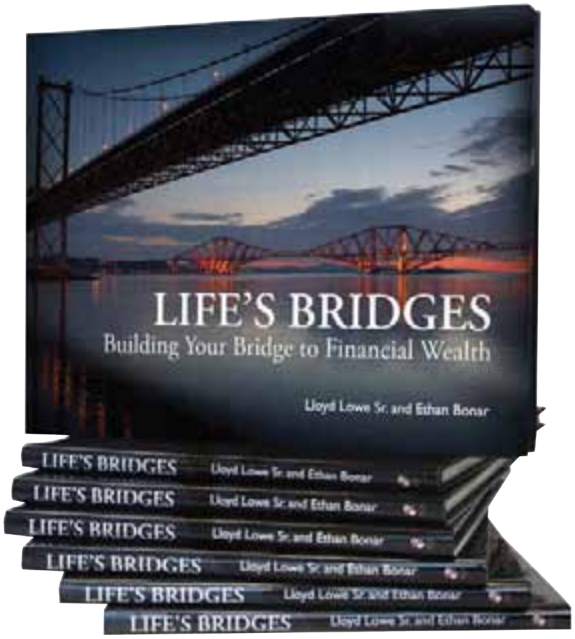
Profile Interview

Make a Book Work for You

Lloyd Lowe Sr., an RFC from Dallas, Texas, was profiled in the May issue of the Register. Shortly thereafter he addressed IARFC members during the CE@SEA™ event aboard the msVeendam. His presentation on the book he authored "Life's Bridges" engendered so much interest on the cruise that we interviewed him again for this issue. These questions may help you understand his publishing effort and the process that led to his success.



Can you describe what first came to your mind when you envisioned writing a book?

Having worked with a number of clients over the past two decades, I discovered that most of them didn't know where to begin their planning. I felt it was important to help others by giving them guidance about the process and helping them understand *how* to plan. The book is structured to provide a simple, step-by-step guide that not only helps identify the destination, but provides the roadmap to get there.

In addition to wanting to help others by sharing what I know about planning, I felt it was also important to consider what greater impact this book could have on our community. My wife, Cinda, and I are both passionate about supporting the Vogel Alcove, a Dallas-based non-profit organization that is the primary provider of exemplary childcare, developmental and social services to the children of homeless families in the greater Dallas area. This amazing organization helps support some of the most fragile children in our community, ensuring they have the foundational skills necessary to succeed in life. So, we decided to donate the proceeds from the sale of the book to Vogel, and to date we've donated more than $10,000 to the organization through this effort.

As you started the process, who helped you the most? What resources did you value the most?

Not unlike the clients I mentioned above, I found that the hardest part of writing a book is getting a good start! My junior partner, Ethan Bonar and I worked with a copywriter who started with our notes to develop the original manuscript. In addition to the copywriter's guidance, we had input from the executive editors on how to develop and present the book. The help these individuals gave was invaluable at the beginning of the project.

How long did the whole process take? Was the effort more or less than what you first envisioned?

From beginning to end, the process took approximately one year, which was more than I originally envisioned, but less than I feared.

How did you pick the subject matter for the book? Was the bridge theme one you had already been using for your marketing or was it a wholly new concept?

We had used the bridge theme before in our firm's messaging, because it is a great visual representation for the journey of achieving your retirement goals — you are always bridging from one point in your life to the next. The subject matter was based on the things we had learned over 20 years of wealth management and financial planning experience.

Did you contemplate the next book at the same time? How has that thought process changed now based on this first book?

Yes. I did consider a second book at the time ***Life's Bridges*** was written, and the success of this first book has encouraged me further.

Is Brown Books Publishing group still your preferred vendor? Would you change that process now? Did you employ ghost writers, editors?

Yes, they are. I would not change the basic process we used. The editors, graphic artists, copywriters and proofreaders were all invaluable in helping us bring a collection of thoughts on paper to life in a well-written, well-designed and very professional package.

Lloyd Lowe Sr.

When we increased our public relations effort related to the book, we saw a positive response from our clients. Overall, the general perception of our expertise has been elevated and we have been able to position ourselves as thought leaders and experts through this effort.

What would you do differently now?

I would have worked with a marketing/PR firm to develop a promotional plan for the book before we published. While it has been successful — particularly when you consider we've collected more than $10,000 in donations to date — I can only imagine the impact we could have achieved over the same period with better promotion.

Has the effort been worthwhile? How have you sold the books?

We made an effort to get a copy of the book in the hands of every client as a gift from our firm. Many of those clients encouraged friends and family to buy the book, or bought additional books themselves. We did do some press release promotion initially, and we have kept the book front-and-center on our website, which has helped drive sales. Within the past few months, we've increased our focus on promoting the book through media efforts.

Have other benefits accrued?

When we increased our public relations effort related to the book, we saw a positive response from our clients. Overall, the general perception of our expertise has been elevated, and we have been able to position ourselves as thought leaders and experts through this effort.

Put another way: Can you quantify the hard costs and the hard benefits? And more subjectively, the soft costs and rewards?

The up-front investment of writing and publishing a book professionally has a hard cost, certainly. As the author, you bear the cost of the copywriting, design, production and printing of the book, and you recover those costs through sales. For us, those hard costs actually translate into a donation to the Vogel Alcove rather than recouped income. Ultimately in terms of a return on our investment, I'm most pleased that our results have helped not only increase the awareness of LD Lowe and our services, but also increased our credibility.

You described that you could see the change in clients' feelings and perspective — can you expand on that?

The response from our clients has been very positive. We have a good relationship with our clients and we communicate with them on a regular basis, so they know the level of expertise we have, especially as it relates to their specific situation. Now the third-party credibility of publishing the book and donating the proceeds, combined with the positive media exposure we have generated, has really impacted the perception our clients have of us in a meaningful way. It helps to reinforce they have made the right decision in trusting our firm for their needs.

What would you recommend to other financial advisors who feel they "have a book in them?"

I would tell them to do it! But, I add to that — do it professionally. Don't self-publish. The help of the outside firm in developing the professional presentation of a book is critical to success.

How does someone purchase the book?

It is available through a link on our website at www.ldloweplan.com as well as through Amazon.com.

How would you say your thoughts about the book have changed from when you started to now that you have seen the results?

Not much. I always believed in the project and felt it was the right thing to do in order to help people really understand that they can achieve their dreams if they plan correctly. By adding a charitable component, we managed to exceed our own expectations by helping a cause that is very important to all of us at LD Lowe Wealth Advisory. The outcome we have achieved confirms the original idea.

Lloyd Lowe Sr., CSA, RFC®

Spanning over 20+ successful years in financial planning, Lloyd partners with his clients to help fulfill their dreams. He has a strong foundation in business that provides him a practical understanding of the balance that must be maintained to achieve investment results and long-term financial wealth for his clients. He has helped thousands of clients meet their financial goals and retire. His firm has been recognized by many publications including *Investment News, Frisco Style Magazine, Texas Monthly, Forbes, Worth* and *Barron's*.

In his personal life, Lloyd and his wife Cinda are active in the community and love to travel. They spend time with their family, spoiling their young granddaughters Tatum and Blakely and go for long walks with their three rescue dogs, Hoot, Callie and Ralphie. Hoot often accompanies Lloyd to his office.

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Market to Businesses

How to Market Your Financial Planning Services To Local Business Owners and Professional Firms

Prospecting activity is normally thought of as various ways to approach individuals for planning, insurance or investments — hopefully all three! However, there are many other categories of prospects:

- Government agencies
- Non-profit organizations
- Professional associations
- Trade associations
- Educational institutions

But by far the largest, most profitable and most approachable group are business owners and professional practices. A dental clinic or a medical office with several physicians, nurses and staff members are all business entities. They have needs similar to the local tool and die company, restaurant owner, contractor or a lighting distributor.

Businesses are owned by individuals and they are often used by the principal owners to acquire their income, benefits, capital gains and accumulate wealth — on a tax favored basis.

However, they not only have more employees — they have more problems and more money with which to solve those problems. They are better and bigger prospects!

Business owners are accustomed to paying fees and many financial consultants observe they are more trustful of an approach that has a fee — than one that is without any fee — implying that the purveyor of service works for free. Business owners become suspicious when someone offers to give advice and service that claims to be both free and objective.

Since a business can be a more profitable client, let's review how you can market to them — on a cost-effective and remunerative basis.

Your goal is to arrange private appointments with qualified enterprises — to discuss the

financial planning issues that confront these firms. When that appointment has been set, then your attention should shift to conducting an effective Introduction Meeting. The focus is on planning for the business. However, sometimes this will be superseded by issues of personal planning such as retirement or estate planning for the firm's principal.

The Cost of Marketing Efforts

There are costs for marketing, of course. Some activities are quite expensive in terms of outlay — while others require more effort than cash. The key is to assign a value to your time – and consider how to use your innate marketing skills and those of key associates. Then look for the cost/benefit ratio. One reason you should strongly consider pursuing business owners is the expected benefit is much higher:

- Initial fees for planning
- Commissions on products
- Ongoing retainer fees
- Subsequent product sales

There is even a cost for non-marketing. If you make no efforts to approach suitable new business clients, are you likely to acquire any? No — of course not!

However, many financial consultants somehow believe that if they are knowledgeable and qualified, or have somehow obtained the intellectual tools by attending a course, clients will "come to them". That does not happen. So the cost of not marketing is the revenue you might have earned had you implemented an effective marketing plan.

When you evaluate the marketing options open to you, you must factor in several costs. Before you look at a Cost Analysis Sheet, let's examine the types of costs:

The first are your **direct costs**: what you pay to other parties, such as for mailer design, printing, list purchase, mailing services and postage.

The second are **event costs**: a seminar meeting room and setup, snack and beverage services, full meal of buffet if you are offering an event-based seminar of some type. This would also include any materials you distribute, such as a book on business planning, a favor (gift) or door prizes of some type.

The next are your **indirect costs**: the time spent by you and by staff members to market your services, in all the ways that

you are considering. This could include planning review, presentation and follow-up actions with identified prospects.

And the last are **stress costs**: which are almost impossible to measure. For example, you might feel extremely uncomfortable circulating around tables, chatting up attendees at a seminar dinner or, you might not enjoy making a presentation to 30-40 very successful business owners on why they need your services. Some consultants have no objection to making cold calls on area businesses, while others would slit their wrists before entering a business unannounced and asking to speak with the CEO. However, just because you are stressed does not mean you would not do well, or even come to enjoy the marketing procedure after you have done it several times.

Marketing Options

There are many methods of attracting the interest of a business owner or a professional (such as a practicing dentist, physician, chiropractor, attorney or architect). You will want to evaluate them and select those that seem to fit your market, your pocketbook and your personal style. Here are some basic vehicles and strategies:

- Advertise – free listings in directories
- Advertise in local newspapers and business tabloids
- Advertise in state magazines or association journals
- Ads or postings on blogs or business websites
- Direct mail – flyers, brochures with response forms
- Letters to CEOs
- Phone calls
- Seminars (public and invited)
- Presentations to organizations
- Presentation handout or guide
- Articles (reprints) for distribution
- Radio spot ads and talk shows
- TV spot ads
- Social media
- Brochures
- Response cards
- BRM postage-paid envelopes
- Website for you or your firm
- Website sections on other sites
- Your listing on association websites
- Internet mailings
- Book giveaway

A word of advice: before you start even basic marketing, make a plan. What are your target markets? Your goals? Your timeline? What can you delegate? An outlined plan will help you meet your goals faster and keep you on track. Spend the time upfront planning your marketing attack. It will be worth it in the long run.

How to Get Started

Most financial consultants are reluctant to start marketing before they have "brushed up" their knowledge and analytical skills. This is commendable — and the best way to avoid malpractice. But it is a form of procrastination. In a fast moving, challenged economy, he who procrastinates on essentials will be lost. Effective marketing is essential for a growing practice.

Your Professional Studies

When was the last time you truly studied the **issues** and **solutions** within the business owner market? Are you up-to-date? Are you waiting for the magic webinar or email that will skyrocket you into this profitable market?

What is your most effective form of study? Yes, online learning saves you time and transportation, but do you do it consistently? My guess is that the way you were introduced into profitable business activities in the past was by taking an intensive class, presented by an experienced and successful practitioner, where you also received actual tools you could use, such as:

- Letters, agendas, checklists
- Flow Charts and certificates
- Calculation and illustration software
- Well organized printed material
- Instantly usable electronic files.

Academic Studies

Probably the best knowledge-based course would be #HS331 from the American College. This is a distance learning program focusing on tax and legal aspects of businesses and professional practitioners. Cost, including text, is $645 plus a matriculation fee of $140. www.theamericancollege.edu or call 888 263 7265

The other option is the marketing-focused Business Owner Consulting Workshop offered by the IARFC for $395 which includes a 260 page manual and a CD-ROM with 110 files — over 600 pages of support materials ready for use. www.IARFC.org or call 800 532 9060

Ed Morrow, CLU, ChFC, CFP®, RFC®

Ed Morrow is the chairman and chief executive of the IARFC and has been a practicing financial advisor for forty years. As the CEO of the IARFC he is one of the developers of the Financial Planning Process™ course and a frequent instructor, both nationally and in many countries.

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Are You a FINRA Fan?

Sense on FINRA Cents

Larry Doyle, RFC®

The following commentary is an excerpt from the column Sense on Cents by Larry Doyle. Since most of the IARFC members are being regulated now by FINRA, or there are proposals that would extend regulation to them in the near future, we thought you might be interested in this. It points out just how well FINRA has been doing, since it was created from the ashes of NASD.

The **Financial Industry Regulatory Authority, Inc.**, or **FINRA**, is a private corporation that acts as a self-regulatory organization (SRO). FINRA is the successor to the National Association of Securities Dealers, Inc. (NASD). It is directed by a Board of Governors of its own elected "members" but operations are primarily directed by the CEO, currently Richard Ketchum, and previously Mary Schapiro. FINRA has 3,200 employees, but has requested funding for an increase of personnel. Though sometimes mistaken for a government agency, FINRA is a non-governmental organization that performs financial regulation of member brokerage firms and exchange markets. The government does however also have a regulatory arm for investments, the Securities and Exchange Commission.

Who is running the FINRA show? The FINRA By-Laws provide that the FINRA Board of Governors must consist of the Chief Executive Officer of FINRA, the Chief Executive Officer of NYSE Regulation, eleven Public Governors, and ten Industry Governors, including a Floor Member Governor, an Independent Dealer/Insurance Affiliate Governor, an Investment Company Affiliate Governor, three Small Firm Governors, one Mid-Size Firm Governor, and three Large-Firm Governors. The Governors are elected by "members" of FINRA according to their classification as a Small Firm, Mid-Size Firm, or Large Firm.

Sense on FINRA Cents — By Larry Doyle

Wall Street's self-regulator FINRA just celebrated its 5 year anniversary. Congratulations to them. Sympathies and condolences to the rest of us.

The *Securities Technology Monitor* highlights FINRA's birthday with a grandiose slideshow presentation entitled, **The First Five Years; FINRA's Top 25 Enforcement Cases.** While those at FINRA might be celebrating the anniversary with cookies, cupcakes, and lemonade, let's take a more critical review of Wall Street's industry-funded private police detail.

In the five years since, the independent regulator of brokers has brought 6,291 disciplinary actions and levied fines totaling $254.1 million. 6,291 disciplinary actions brought over 5 years equates to 1,258 cases per year. With approximately 250 business days per year, FINRA has brought 5 cases for every business day during its existence. Strikes me as a busy organization.

$254.1 million in fines levied over the course of 5 years equates to $50.8 million per year. What do we think of that? $50 million in fines levied per year for Wall Street's private police. Not exactly a significant number. In fact, for an industry the size and scope of Wall Street, $50 million in fines levied on an annual basis is little more than a rounding error. Could very well be the boys and girls on Wall Street make that as a donation in the 'tip jar' at the industry sponsored summer barbecue. Not all fines levied are equal, though, so let's take a harder look at FINRA's biggest "tickets".

1. **UBS Securities LLC. — $12,000,000**

The firm mismarked millions of sale orders in its trading systems at various times. Extrapolating from the quantified violations indicated that the firm likely mismarked tens of millions of sale orders during the relevant period. Many of these mismarked orders were short sales that were mismarked as "long," resulting in additional significant violations of Reg SHO's locate requirement.

This violation zeroes right in on the multi-billion dollar incredibly destructive practice known as **naked short selling**. FINRA's #1 fine relative to revenues generated via this practice is little more than a small digit after many zeroes to the right of a decimal point. Not good. Additionally, UBS was not the only bank involved in the naked short selling practice.

2. **Goldman, Sachs & Co. — $11,000,000**

The firm did not have adequate policies and procedures governing Trading Huddles between its analysts and clients, "despite the substantial risk that the Trading Huddle process could lead to the dissemination of material non-public information concerning the analysts' published research to the firm's clients."

What is going on here? **Goldman's Trading Huddles** were a core part of the firm's business model to favor selected clients. In reality, the Trading Huddles were a vehicle for the promotion of front running and perhaps insider trading. $11 million fine? I would be willing to bet that Goldman made more than that on many individual transactions resulting from this practice.

3. **Deutsche Bank Securities Inc. — $7,500,000**

"In prospectus supplements for six subprime securitizations worth approximately $2.2 billion that DBSI underwrote and sold in 2006, DBSI negligently underreported the delinquency rates, or the percentage of

underlying loans that were delinquent at the time of the creation of the trust, for the loan pools which served as collateral for these securities. As a result, DBSI violated NASD Rule 2110.

DBSI also negligently underreported the historical delinquency data, or static pool information, in connection with 16 subprime RMBS securitizations that it underwrote and sold in 2007."

A violation of NASD Rule 2110? This practice by Deutsche Bank strikes me as a clear violation of **Rule 10b-5**. At that point in time, Deutsche Bank was likely generating approximately 1 point on these transactions. That margin would equate to $22 million in revenue on these transactions alone. Thus, this fine equates to approximately a third of DBSI's profit margin. **What A Joke!** But this is FINRA's 3rd largest fine levied. Are you starting to appreciate why I have railed so hard on this organization over the last three plus years? Let's continue as a real favorite of mine is next on the docket.

4. **Suntrust Robinson Humphrey Inc. — $4,600,000**

"Beginning in late summer 2007, SunTrust RH became aware of stresses in the auction-rate securities market that raised the risk that auctions might fail. As these stresses increased in the late Fall 2007 to early 2008, the firm made misrepresentations and omissions of material facts relating to the safety and liquidity of ARS by inadequately disclosing to its sales representatives SunTrust RH's increased concerns about its ability to support SunTrust RH-led ARS issues, or whether SunTrust RH could or would continue to support these SunTrust RH-led ARS issues, as it had in the past. As a result, certain sales representatives continued to sell these ARS as safe and liquid."

If SunTrust RH became aware in late summer 2007 of stresses in the auction-rate securities market that raised the risk that auctions might fail and that these stresses increased in the late Fall 2007 to early 2008, are we supposed to believe that FINRA itself was not aware of the same stresses? Stop It!

Self-Dealing in the Markets it Regulates

Yet what did FINRA do during this time period?

We know that FINRA owned and liquidated ~$647 million in auction-rate securities from its own internally managed investment portfolio during that same mid-2007 time frame. Regular readers are well aware of how long and hard I have banged that drum. I highlighted FINRA's liquidation in writing, **"FINRA Is Supposed to Police the Market."** I believed then and more strongly believe now that the industry funded cops at FINRA themselves engaged in front running/insider trading within the ARS market.

Have you read enough? I have.

FINRA likes to promote itself as Wall Street's cops. If investors were to accept that description and believe they are truly protected, then they would also have to accept that the meter maids writing tickets along your local streets will be an appropriate line of defense against real criminal activity.

Do not take my word for that aggressive evaluation. Just look at FINRA's record for the last 5 years. If this situation were not so pathetic and destructive, it might be comical… BUT it is not.

Industry funded, self-regulation of Wall Street is filled with such massive conflicts of interest as to make the entire system little more than a charade. On that note… be very careful and navigate accordingly.

Larry Doyle, RFC® is the founder of Sense on Cents — you may subscribe to get his daily observations on the strange events and future performance of the markets.

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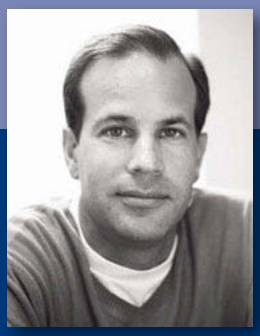
States Are Forcing Insurance Agents to Become Securities Licensed



Roccy DeFrancesco, Jr., JD, CWPP™, CAPP™, CMP™

All advisors are familiar with the SEC trying to regulate Fixed Indexed Annuities (FIAs) when it introduced **151A. 151A freaked out** insurance-only licensed advisors who thought they might **lose the ability to sell FIAs.** When 151A failed, most advisors forgot about it and went back to business as usual.

Have you ever heard the term **"source of funds"** (SOF)? If not, you should. State regulators (insurance and/or securities departments) are trying to, in a back-handed way, do what 151A could not. They are trying to **force insurance-only advisors to obtain a securities license.**

What is SOF? It is simply asking where did the money come from to fund a fixed life or annuity contract (what is the source of funds?). If the money to fund a fixed insurance product came from the liquidation of stocks, mutual funds, etc., you may have a real problem if you don't have a securities license. This includes money in IRAs.

The following developments should be very scary:

Arkansas. The Arkansas Insurance Department and the Arkansas Securities Department **are joining together** to go after insurance agents who are not securities licensed.

The following is a statement from the Department of Insurance **Bulletin NO. 14-2009:** The recommendation to replace securities such as mutual funds, stocks, bonds and various other investment vehicles defined as securities under the Arkansas Securities Act **is the offering of investment advice**. It is **unlawful** to offer investment advice **unless one is registered** (licensed) with the Arkansas Securities Department as an investment adviser or investment adviser representative (emphasis added).

Fines Can be Levied!

Check out the language from the notice on fines: The Insurance Commissioner has the authority to take action, including fines up to **$5,000 per violation**, against insurance producers who improperly engage in transactions involving securities. Additionally, the Securities Commissioner is also able to levy fines, up to **$10,000** in most cases, or **$20,000** when a senior citizen is involved.

Regulatory actions? Sure. Both the Department of insurance and the Securities Commissioner can also bring an advisor up on charges that an advisors is violating the state insurance and securities law (have fun paying for and defending these claims).

Iowa. The recent Iowa Department Insurance **Bulletin No. 11-4** has a list of seven items that a non-securities licensed advisor can't do and they all are slanted towards preventing insurance-only licensed advisors from moving money from stocks, bonds, etc., into fixed life or annuity products.

Where Are We Headed?

This is **NOT a good trend** in the industry if you only have a license to sell fixed life and annuity products.

What does the future hold? It is my belief that over time every state department of insurance will follow suit and will issue the same type of bulletins. If you live in Arkansas or Iowa, you already have this headache to deal with. If not, you have a window of time to get ready for the inevitable.

While the securities-licensed advisors get a chuckle out of the SOF problem it poses for insurance-only licensed advisors, they really should think twice. The consequences of the SOF problem will be that thousands of advisors are going to obtain some kind of securities license. When that happens, it will create more competition in that space.

Bottom line – if you are only licensed to sell fixed life and annuity products, the writing is on the wall. I predict that eventually you will have to obtain a securities license of some kind. My recommendation is that advisors obtain their Series 65 and become and IAR (Investment Advisors Representative) and work under an RIA (Registered Investment Advisor) that specializes in working with IARs. Becoming an RIA is an option, but one that's very expensive.

You don't have to agree with the source of funds angle the state regulatory bodies are taking. Unless you feel like litigating this issue with them, it will be prudent to deal with this coming reality and protect your livelihood.

If you would like to check out a firm that specializes in working with IARs, go to www.pomplanning.net.

Roccy M. DeFrancesco, Jr., JD, CWPP™, CAPP™, CMP™, is the Founder of The Wealth Preservation Institute, and the Co-Founder of the Asset Protection Society. Roccy is the Author of *Bad Advisors: How to Identify Them; How to Avoid Them©, Retiring Without Risk©, The Home Equity Management Guidebook©, The Doctor's Wealth Preservation Guide©, The Home Equity Acceleration Plan (H.E.A.P.)©*, and the Editor of: *Wealth Preservation Planning: A "Team" Approach©*, by The National Society of Accountants.

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Leading financial consultants and Top of the Table insurance producers have long recognized that the solution is to **go where the money is!** The more successful the business, the greater the need for objective assistance from a third party advisor — LIKE YOU!

Acquire All the Tools

PowerPoint presentation, fact finder, letters, agendas, checklists, forms, motivating articles, plan text and easy-to-use calculation spreadsheet that motivates business owners to immediate action. Approach local businesses using tested letters, articles, sample plans, certificates, agreements and a proven professional system fully scripted. Also: Why and how to insure all business debts.

Close the Sale

Maximize this workshop experience. Practice the initial presentation, business evaluation and funding analysis — so you can immediately see revenue results.

What attendees are saying….

I thought I knew the corporate market, but this workshop taught me I still need to make positive changes. The workshop equipped me with all the tools.
— H. Stephen Bailey, RFC®

The most valuable day I have experienced in years. Great information and how to add new cllients to my practice.
— Warren L. Hahn, RFC®

This event took me by surprise and opened me to a whole new avenue for helping business people with real solutions. The workshop equipped me with the knowledge and hands on materials that I took and implemented immediately.
— Nicholas A. Royer, RFC®

Instructor

Ed Morrow, CLU, ChFC, RFC®
Chairman & CEO of IARFC

As a financial advisor Ed used these concepts to acquire long term clients, charge Non-RIA fees and sell millions of life insurance.

This workshop will prepare and motivate you now to provide succession funding, estate planning and debt cancellation insurance for the most profitable class of clients — business owners!

Business Owner Consulting Workshop

Sign Up Today or Call Us
Find out why you cannot miss this opportunity!

- Approach small to medium sized businesses and professional practices.
- Sell life insurance in large volumes — whole life, indexed, UL, dividend paying or term coverage.
- Cover bank debt and lease obligations, signed personally.
- Offer incentive compensation and retention plans.

Deliverables for you:

- PowerPoint Presentations
- Presentation Scripts
- Meeting Agendas
- Marketing Letters
- Business Fact Finder
- Calculation Spreadsheet
- Sample Reports
- All the Engagement Tools
- Case Studies

Venue Locations: 9am to 5pm

☐ Salt Lake City, UT (Utah Valley University) – Oct. 3

☐ Indianapolis, IN (Money Concepts) – Oct. 25-26

☐ Tampa, FL (Response Mail Express) – Dec. 6

☐ Tampa, FL (Response Mail Express) – Feb. 7, 2013

☐ Cozumel, Mexico – Feb. 15-19, 2013

☐ Middletown, OH (IARFC Offices) – Mar. 22, 2013

For a complete list of dates visit the IARFC Calendar at:
www.IARFC.org or call 800.532.9060

REGISTER NOW

7 RFC® and CFP® approved CE credits for workshop attendance; 15 additional RFC® CE with post workshop study & exam completion.

Please print or type information below.

☐Mr. ☐Ms. ☐Mrs.

First Name Last Name

Firm or B/D

Street Address

City State Zip Code

Phone

E-mail

Workshop Tuition: $395

1-Day Special Workshop, including all the tools:

IARFC Member & Non Member **$395**

Total: _____

Payment Information:

☐ Credit Card ☐ Check made payable to IARFC

Credit Card # (Discover, MasterCard, Visa, AmEx) Exp. date

Signature

Registration Deadline and Cancellation Policy:
Workshop attendees may register or cancel up to 3 business days prior to the event date. Cancellations will receive a full refund, less a $20 processing fee.

PLEASE MAIL OR FAX THIS COMPLETED FORM TO IARFC

IARFC
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