the Register

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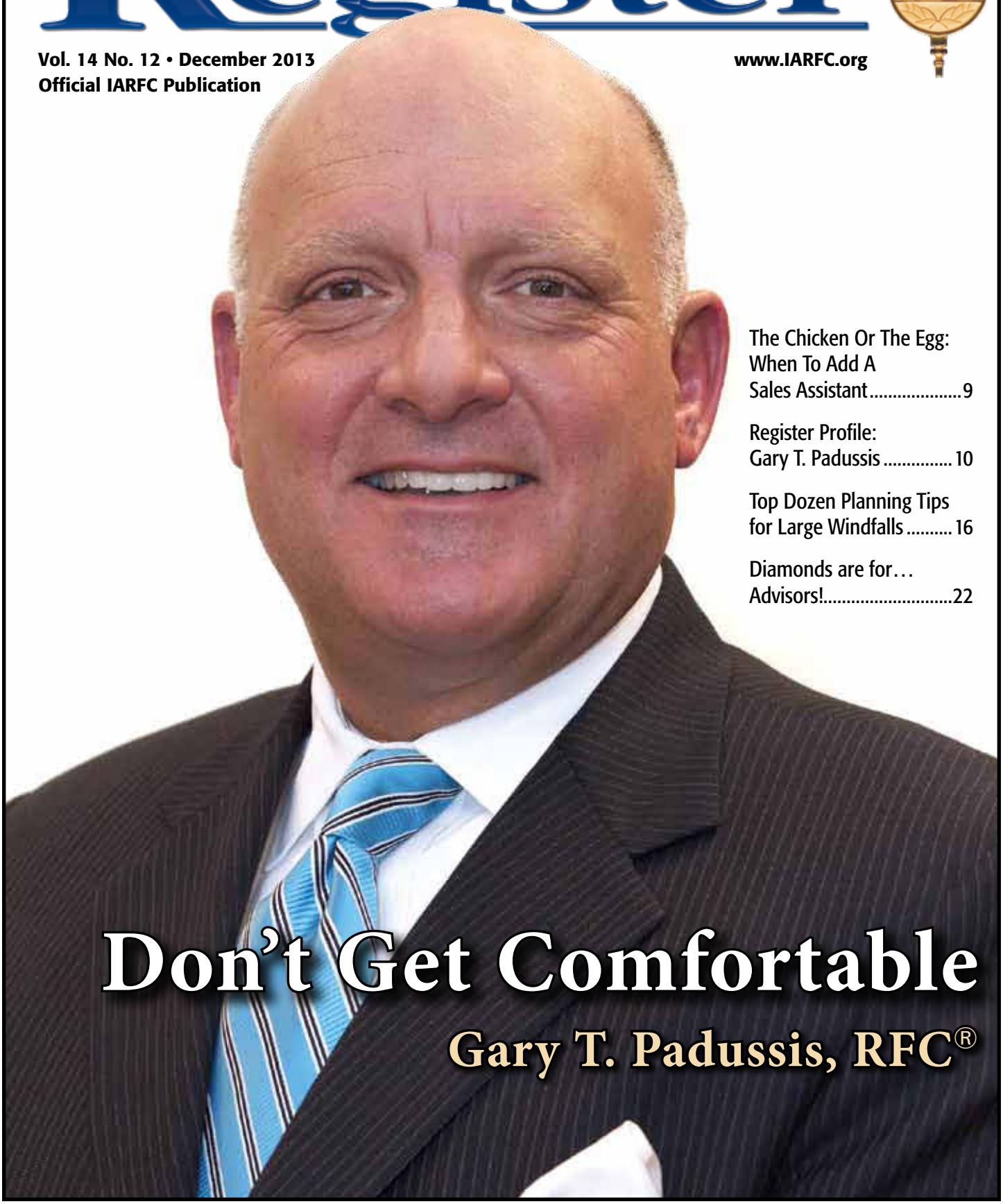
Official IARFC Publication

www.IARFC.org



Don't Get Comfortable

Gary T. Padussis, RFC®

2014 IARFC
National Financial Plan Competition

Featuring

William L. Moore
CLU, ChFC, FIC, RFC®
Sagemen

Jon M. Rogers
Ph.D., ChFC, CLU, RFC®
Rogers Financial Group

Les Anderson
MBA, RFC®
Cetera Advisors

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

NEW YORK, NEW YORK • LAS VEGAS HOTEL & CASINO • MAY 1, 2014

The Educational Process Begins with You!
Join the 2014 Financial Plan Competition.

- Receive recognition as a National Judge of the Competition Finals.
- Learn from industry expert, (guest speaker to be announced.)
- Attend our Pre-Event, April 30 – Impact Branding workshop - Discover and build your own personal brand.
- Network during the welcome reception. Mentor future financial planning professionals.
- RFC Continuing Education Credits available – Impact Branding (3), Competition Process (3), Feature Presentation (1).

Visit
www.IARFC.org/
FinancialPlanCompetition

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Cetera™ ADVISORS LLC
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Produced by
IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

IARFC 2014
National Financial Plan Competition Registration

New York, New York Las Vegas Hotel & Casino

Step 1 Check your events

Schedule of Events

Please check appropriate box:

Impact Branding Workshop

☐ 4/30/14 2pm – 5pm

Welcome Reception

☐ 4/30/14 6:30pm – 7:30pm

National Financial Plan Competition

☐ 5/1/14 7:30am – 3pm

For complete agenda and details visit:
www.IARFC.org or call 800.532.9060

REGISTER NOW

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

Step 2 Figure your pricing. Don't forget to take advantage of Special Packages for more than one event.

	Price*
Impact Branding Workshop	$225
Welcome Reception	$20
National Financial Plan Competition	$95
Special Packages	
Impact Branding & Reception	$225
Workshop, Reception & Competition	$275
Reception & Competition	$105

*Travel and Lodging are not included in the price. The IARFC has negotiated discounted room rates starting at $60 per night at New York, New York Las Vegas Hotel & Casino, registration details will be available November 15, 2013.

***Registration Deadline for Events: March 31, 2014**

Step 3 Put total event price on the Total Payment line, fill out form below and and return to the IARFC.

Total Payment: _____

Payment Information:

☐ Credit Card ☐ Check made payable to IARFC

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

Signature

7 RFC® approved CE credits
Continuing Education Credits available - Impact Branding (3), Competition Process (3), Feature Presentation (1)

Registration Deadline and Cancellation Policy: Workshop attendees may register or cancel up to 30 days prior to the event date. Cancellations will receive a full refund, less a $20 processing fee. See New York, New York Las Vegas Casino & Hotel cancellation policy, which is separate from IARFC. Note: Program Subject to Change

PLEASE RETURN THIS COMPLETED FORM TO IARFC

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IARFC Domestic and International Directory

INTERNATIONAL WEBSITES

China — www.iarfc.cn

Hong Kong — www.iarfc-hk.org

India — www.iarfcindia.org

Indonesia — www.iarfcindonesia.com

Philippines — www.iarfcphils.org

Taiwan — www.iarfc.org.tw

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the Register

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2013 Plan Comp participants
University of the Incarnate Word,
San Antonio, TX

IARFC Calendar

December

Business Owner Consulting Workshop
December 3, 2013
Tampa, FL

2014

March

Semi Final Judging
March 6, 2014
Middletown, OH

IARFC Annual Board Meeting
March 7, 2014
Middletown, OH

May

Branding Workshop
April 30, 2014
Las Vegas, NV

National Financial Plan Competition
May 1, 2014
Las Vegas, NV

June

CE@SEA™ Western Caribbean Cruise
June 15-22, 2014

IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

New IARFC Members

Domestic Members

Jorge I. Blanco, RFC®, FL
Adrian L. Brice, RFC®, NY
Paul A. Coles, RFC®, UT
Nicholas H. Helgeson, RFC®, ID
Vasilios A. Manios, RFC®, MI
Theodore R. Meyer, III, RFC®, AZ
John C. Oldham, RFC®, AZ
Virginia Shelby, RFC®, FL

International Members

China	501
Philippines	7
Taiwan (R.O.C.)	56

Members Who Recommended Members

Peter D'Arruda, RFC®
Michael Moffa, RFC®
Donald Moore, RFC®
Daniel Pinkerton, RFC®
Charles Sawyer, RFC®

Referrer of the Month Recognition
Michael Moffa, RFC®

Members In the News

Rogers recognized

Jon M. Rogers, Ph.D., ChFC, RFC®, a seventeen year IARFC member from Charlotte NC, was proclaimed a 'Foundation Knight' by the Million Dollar Round Table (MDRT) Foundation, a philanthropic arm of the MDRT in outstanding commitment to serving the community.

In Memoriam

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

Register contributing author:
Michael Lovas
Colbert, WA

Subscribe to the IARFC Blog: http://iarfc.org/iarfc-blog
Contact Susan@IARFC.org for assistance with IARFC Blog

The IARFC Blog brings you the tools, ideas and techniques you need to build a successful practice.

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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.

Note: Responses are printed in no particular order.

Q: *Are you creating a financial plan for your clients? What is your method of delivery?*

A: Yes, I create a financial plan for my clients. Each client receives a customized method of delivery.

For example, the young single person starting out with low income, few assets, and no debt seeking counsel for a career requires understanding of their personal financial statements with advice for a better education and/or occupation. The early-career professional with a moderate income, assets, and some debt seeking advice for college education for the kids, debt elimination and retirement at a reasonable age requires a modular approach with counsel and assistance to prioritize objectives, allocate assets, and manage assets and liabilities with prudent risk management. The high producing business professional with substantial income, a healthy debt to equity ratio in their independent practice seeks to maximize revenue, minimize expenses, while managing risks associated with employee benefits and succession planning.

Chris Bryant, RFC®
Longview, WA

A: Our firm creates a written Financial Plan as part of The Financial & Management Planning Service, a monthly retainer arrangement that requires quarterly meetings with clients in order to properly address their financial affairs. We have used this system for decades & find it to be an extremely effective way to spread financial decision making over time without creating pressure to make important decisions spontaneously.

The system allows a year to build relationships that might otherwise be short lived. Most often, the system endures for decades & is referred to future generations by parents. We currently serve three generations of clients who may have been working with us for 10-40 years.

Al Coletti, RFC®
Smithtown, NY

A: The answer is Yes, we do very comprehensive lifetime written financial plans and strategies for every member of our ideal client community.

We deliver on that through a process called "The Greatest Probability Strategy", which is a step-by-step implementation plan-of-action describing every action item envisioned by our best-in-class deliverables team of subject matter experts resulting from the comprehensive lifetime written financial plan.

It is a simple chronological list of action steps required to create the greatest probability that our Ideal Clients will stay on track with their financial plans over the years.

The "Greatest Probability Strategy" is a repository of every action item and recommendation for our clients from every Subject Matter Expert on our combined deliverables team. Every recommendation for the remainder of their lives is documented here. As a result, we have a process that ensures that every Ideal Client has their "Financial House" in order and a process to keep it that way forever.

Dominique Vercaemert, RFC®
Charlotte, NC

A: Yes, I am creating a financial plan for clients. I deliver the written plan during regular meetings and then provide annual updates.

Lloyd Lowe Sr., RFC®
Dallas, TX

The ideas and strategies you receive from this and other sections of the *Register* may inspire you to send us your answer to one of our future *Register* Round Up questions. If you would like to share your tips and techniques with other RFCs, please do not hesitate to send in your response to editor@iarfc.org.

Our next issue will ask this question:

How have you assisted your clients in defining and implementing their financial resolutions?

What we are looking for are several sentences, although more are welcome. This may entice you to submit a short article on the current proposed *Register* Round Up question. These questions are sent out via email, contact us to join the list.

You can also send us a short article for the *Register* or suggest additional topics for future issues. Remember, our goal is to make this magazine an even more valuable resource for you and the clients you serve.

From the **EDITOR**

Thank you! That is how I would like to start out this editorial. Many times we go by without acknowledgment of the support we receive. You as members have contributed to the *Register* by submitting your comments to *Register* Roundup section, reading and sharing the magazine with other professionals and clients. Recognizing the time and effort we receive from our contributing authors is the life blood of the magazine and I wish to take a moment to thank all of you collectively. Finally, I want to mention our printer SunGraphics, month after month the effort they work on cost effective ways to help the IARFC and most notably add to the *Register* graphically.

With the 2014 Editorial Calendar in place we hope to assist our authors and gain a greater range of contributors please take moment to review the calendar on the inside back cover. We are very excited about the new bimonthly distribution beginning with the January/February issue, and the new focus on the Profile articles.

I am spending the month of December focusing on cookies, grandchildren and decorating. Yes, that is personal; you must know the truth about me. However, anyone who works at the IARFC takes their work home and spends a great deal thinking about the membership. Weekly, we are taking time to have a team meeting to review projects have open discussion and work on projects at hand. We are hopeful our renewed team efforts will pay off in benefits to you and to the growth of the Association. The team I work with here at the IARFC is tremendous and I want to mention the great skills and organization and work ethic of: Susan Cappa, Program Coordinator, Charlotte Isbell, Operations Manager, and Amy Primeau, Domestic Membership. The titles they hold do not begin to describe fully the responsibilities and efforts these wonderful people take on. My wish is for our membership to get to know all the IARFC team members and work with them on building the Association and development of benefits for you.

Wendy M. Kennedy, *Editor*
the Register magazine
editor@iarfc.org

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.

Wilma Anderson, RFC®
Long Term Care & Critical Illness
www.CriticalIllnessCoach.com
WilmaAnderson@q.com
720 344 0312

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Comprehensive Business Consulting
www.MaxBolka.com
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800 472 3288

Connie S.P. Chen, RFC®
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www.theife.org
acoletti@designcapital.com
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Roccy@TheWPI.org
269 216 9978

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Kerry Johnson, MBA, Ph.D.
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208 773 6924

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Katherine@VestmentAdvisors.com
www.VestmentAdvisors.com
952 401 1045

Paid advertisement, contact wendy@IARFC.org for details

From the Chairman's Desk…

Future

Participate in National Plan Competition

On April 30 and May 1 the IARFC will present a singular event in Las Vegas. On Wednesday we will have a session tailored to advisors on Impact Branding. What are the steps that will make major enhancements in your image and add profitability to your practice? This will be a three hour workshop, and you'll receive a detailed manual and a master checklist for your implementation. On Thursday we will have the finalist teams of the 2014 Financial Plan Competition will personally present their plans to the judges. Who will be the judges for these plans? You…and other experienced advisors. The event will be at the famed New York, New, York Hotel and Casino.

Do you want to expand? You'll get to meet the best in the class of 2014 and also have access to the professors and students that will be participating in these finals. In prior years experienced planners said even they learned new techniques and plan production procedures. The cost will be minor and you will enjoy mixing with bright students and the highly qualified financial planners who are there, like you, to be a "Plan Judge". Your media release for hometown distribution will be an excellent way to "polish your image." Set the dates aside and register now.

Enhancing RFC Communications

When we initiated the *Register* magazine in 2000 it was 12 page newsletter. Gradually it grew in size and format, adding a second color, then full color. The issues slowly grew in length, and the praise of the readers likewise increased. Now we are growing again and expanding our focus. Effective with the January issue, we will expand the number of pages and reduce the frequency to bi-monthly.

Every publication requires a space allocation for organizational data — officer listing, table of contents, etc. When we increase the number of pages, our article space will increase. Furthermore, the increased time between issues will enable us to be more selective on submissions. The IARFC staff has developed the editorial calendar for 2014 which is available to anyone who wishes to submit an article. Specific topics are defined along with ideas for your input.

The IARFC's academic publication *Journal of Personal Finance* was initiated in 2002 and our goal was to distribute four issues yearly. The first issue, edited by John Grable, Ph.D. was 68 pages. Excellent content but it became difficult to maintain the planned frequency. One reason was that many academic papers and planning solutions are developed in a larger size and to reduce them to the 9" x 6" format was very time consuming.

This size limitation became very apparent when we considered publishing portions of the winning financial plans submitted in the 2013 Plan Competition. We couldn't just scan the pages as they were submitted. So we will phase into this with future issues in 2014. This will enable us to have up to 80 internal pages — more content space. So soon you'll be receiving a *Journal of Personal Finance* in the larger format.

Disability Protection Bulletin

Naturally you raise this issue with your clients and strive to bring their level of protection to the point of adequacy. And if that is their wish and you have been an effective communicator, they take action. After all, the premium is only a tiny portion of the benefit. When someone is disabled their financial house begins to crumble. But generally, you are successful. Why? Because most of them have a high limit group disability plan.

Long Term coverage is the third phase for corporate employees and non-profit professionals:

Phase #1 is salary continuation for one or two months
Phase #2 is Short Term Disability on a Group Basis
Phase #3 is Group Long Term Disability

What about you? Here are the results of a recent informal survey of Registered Financial Consultants — who have been in practice for over 10 years, expressed in percentages:

Have Salary Continuation from a third party 8%
Have Short Term Disability (30–80 days) 40%
Believe that coverage amount is adequate 10%
Have Individual Long Term Disability Policy 25%
Believe their coverage amount is adequate 5%
Have Group Long Term Disability Coverage 35%
Believe total coverage amount is adequate 20%

Then we asked these members of the IARFC the following question, *If you could buy more long term disability protection, on a group discount basis, through a top-rated carrier — would you do so?* Well over half the group raised their hands! Surprise — this coverage is already available to you now!

Furthermore, for a small premium you can cover your staff members. They would become a staff associate or general member of the IARFC and qualify for very low cost protection. What would you do if your long time personal assistant had an accident or medical crisis?

Do nothing? Just express your sorrow? Pay their full salary? If so — for how long? Give them a small stipend? How much? How long?

The IARFC has been working with Chris Roberts with Advisor Group Benefits to develop coverages for our members, for your staff members, and eventually for you to offer to your clients. This is not a commissioned product — it is a member benefit. The amount of benefit available is substantial, and the rates are astonishingly low. To read about the plan visit: www.AdvisorGroupBenefits.com or call Chris at 800 385 9401 Ext 12.

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

On The Path to Accreditation

CE Changes

As professional financial advisors, we are often taught that one of the most important things we can do for our practices is to remain current in our knowledge. This serves to enhance the practitioner as well as the client, and leads to a stronger relationship between the two parties. With that in mind, and as part of our work toward accreditation, the IARFC has updated their continuing education program for our designees.

The IARFC is committed to supporting its members and enabling them to stay on the cutting edge of financial services education. In that vein, we have adopted some new policies for our members and their requirement for maintaining their continuing education each year. Currently we require our members to achieve 40 hours of CE each year. Beginning in 2014 we will require that four (4) of those hours each year be dedicated to the study of ethics and ethical behavior. The IARFC is well aware of the multitude of issues that have plagued the financial services industry and we are attempting to stem the tide of problems going forward with this slight but very important adjustment to our policy.

In addition to the change in the hours allocation, we have had to update the various methods by which CE credit may be earned. Our former policy allowed for a dozen different methods of CE attainment, which was far and away a much higher number than similar organizations. With the advent of accreditation and an eye toward making our designations more valuable to our members and the public, we have had to tighten things up. Going forward, we are limiting the CE methods to those listed in the new CE Record Keeping Form that each designee receives annually. While this change is necessary, we don't think that it will have any major negative impact on our members.

We understand that this change might be difficult to accept, but it is a necessity if we wish to gain the accreditation from a third-party source. With accreditation comes change and with change comes, for many of us, a feeling of loss. But, do not despair. The IARFC is making these and other changes with the sole intent of making your practice better and your value greater in the minds of your clients and prospects.

One of the things that you will notice has not changed is our broad range of topics for which you will receive CE credits. We are dedicated to providing our members the greatest opportunity to learn the latest and the greatest information that will enable them to improve their practices. To this end, we have also begun to offer various workshops that are designed to make our members' practices even stronger. Each of the various workshops provide hours of education that count toward the CE requirements for each member. We are happy to provide this ongoing service to our members and strongly urge them to review the workshops available.

On the whole, the changes to our continuing education requirements are for the better and will serve to enhance the practices of you, our most important asset, our members. Questions about the changes in the CE requirements can be answered by myself or someone in the membership department. We look forward to continuing to serve all of your education needs.

Jim Lifter, MBA, RFC®

Jim Lifter, MBA, RFC®, IARFC Education Director, has an undergraduate degree from Ohio State University in Marketing and an MBA from the University of Dayton. Jim is responsible for coordinating the development and distribution of the IARFC educational courses.

Contact: 800 532 9060 x 312
jim@iarfc.org
www.iarfc.org

The Chicken Or The Egg:

When To Add A Sales Assistant

Financial advisors often struggle with the question of when to add a sales assistant. When should advisors add an assistant? How big should their business be before they hire an assistant? If they have an assistant, when should they add a second assistant? The internal dialogue goes something like this:

"I am swamped! I don't have time to see enough clients and prospects, because of all the paperwork. And with client service and compliance added in, I'm spending all of my time at the office. There's no way to get ahead! If only I could produce more, I'd hire an assistant."

If this is a conversation you are having with yourself, the answer is obvious; it's time to add an assistant.

According to Mark Ellwood, President of Pace Productivity, Inc., the average sales rep spends 23% of his or her time doing administration and 12% processing orders. In a 45-hour workweek, this means that almost 16 hours are spent doing work that could be delegated to a sales assistant.

A financial advisor is defined as a professional (engaged in business to make a profit) who renders financial advice and assistance to others. It follows that any time spent engaged in activities other than creating value and generating revenue can and should be delegated to others. How much is this time wasted on essential non-selling time costing the average financial advisor?

In a study of financial advisors it was found that they spent 20 hours each week meeting with clients and doing case preparation that only they can do. Using the Pareto Principle, (also known as the 80-20 Rule), if they spent 80% of the 45-hour work week engaged with clients, they would be spending 36 hours each week creating value and generating revenue. How much additional revenue does this mean to the advisor?

If the advisor delegated 16 hours of administration and paperwork, and spent an additional 16 hours per week meeting with clients, creating value and generating revenue, the advisor stands to gross an additional $200,000 in annual gross income!

So what is the cost of adding an assistant?

According to the "2014 Salary Guide" published by OfficeTeam, a Robert Half Company the projected cost of a sales assistant is $29,250 – $39,250, while a marketing assistant will be $30,250 – $39,750. (A receptionist will earn $23,250 – $31,250.)

You don't need a Harvard MBA to see that it is worth spending $30,000 to $40,000 to generate an additional $200,000 in gross production!

So what is your break-even point if you add an assistant to your business?

Let's assume you were in the middle of the range, and paid an assistant $35,000 per year. Using $250 per hour as the worth of a financial advisor from above, you would need to save 140 hours per year to pay for the assistant. That's only 12 hours per month! What you choose to do with those hours is up to you. You may use all of them to increase prospecting and selling time or you may choose to take more time off over the course of the year, or some of both!

If you have an assistant, when should you add an additional member to the team?

When an assistant is tasked with sales administration and marketing, sales administration and paperwork will always expand to fill the assistant's hours, days, and weeks. If you want your assistant to be responsible for sales administration and marketing, and the marketing isn't happening, it is time to hire a second assistant. At that point, split the roles. One person does administration, and the other is responsible for marketing. (Hint: If you love your existing assistant, and if they are able to fill either position, give them the opportunity to choose the role they want to assume.)

When you analyze the ramifications of adding an assistant, the choice may be easier than you think!

Michael Roby

Michael Roby is a sales and marketing strategist, writer, author, business coach, and noted professional speaker with almost 40 years in financial services. He is also a Regional Director for Money Concepts International. He is the author of "The Ultimate Small Cap Business: Building a Financial Advisory Practice."

Contact: 512 309 8345
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Profile Interview

Gary T. Padussis, RFC®

Don't Get Comfortable

Gary T. Padussis, RFC®
President of Cape Investment Management, LLC., in Towson, MD. Gary has over 28 years in the financial services industry. His services are offered through Cetera Advisors LLC, Member FINRA/SIPC.

The *Register* invited Gary to the roster of IARFC Member Profiles.

Why did you choose the financial services industry?

I believe the financial services industry chose me in an ironic way. With a Biochemistry degree, and advanced degrees in genetics and chemistry, I had planned to study medicine with the goal of becoming a doctor. My father was a severe diabetic who lost both his legs due to the disease from an accident. My father micromanaged his business, so there was no contingency plan in place if something were to happen to him. I was asked to take over the business from both my parents. So, I did.

From childhood, I had helped my father in the business, working there during the summer months and winter break from college. However, I had never been put in a management position. I remember the first month running the business I had borrowed a business book from one of my friends to learn accounting and finance. When the company accountant contacted me and said he had the quarters "P&L" ready, I thought he was talking about some type of litmus or other chemical test.

After two years of operating the business, I had tripled the sales revenue and had lost the desire to continue studying medicine. When my father sold the business, I had an education in learning how a business runs from the ground up.

Running a business sparked my interest in the financial industry as I had studied the company vendors my father used for his products. Many of them were public companies. I began to purchase their stock and read quarterly reports. I enjoyed trading stocks in my own account.

When a local brokerage firm offered me a position as a "Salesman" I took it.

What were your first years like and what challenges did you have?

My first years in the business were no different than those of anyone else. You study and pass the series 7 and are then given a "telephone and phonebook." My personal challenge was I had already begun thinking of a holistic approach to investing in the 80's when most "stockbrokers" were taking positions in stocks and trading them. I truly wanted to encompass the client's total financial picture and guide them toward their financial goals.

How did you overcome those challenges?

My firm allowed for advisors to purchase their own financial planning software. I purchased financial planning software from a company that I found in *Registered Rep* magazine and began to offer financial planning to my clients. I also purchased, incorporated and trained on the Bill Good system to build my practice. All this was done on my ancient IBM 8088 computers. I was the only advisor in my office with four computers.

In addition to financial planning, I believed in a fee based platform. I wanted to take the "sales and commission" approach out of my practice. I wanted my clients to know that I am on the same side of table in managing their assets. Only a fee based approach could offer this to clients. They knew that when I had any advice to offer them, it was not sales or commission based. The only way I could make more money is if I increased the value of their portfolio.

Now that you've been doing this for 28 years, what would you say are the top 3 keys to your success?

The 3 keys to success are in my opinion no different than any other service industry.

1. Listen to the client(s) and focus on their particular goals. Don't take the cookie-cutter approach to investing and financial planning. Every client is different and has various financial goals in life. Treat each client as if they were your only client.

2. Keep learning. Yes, you have to learn about new products and market trends in your chosen field. However, I try to go outside the world of investing and read and attend lectures as to what is affecting our society and the world as a whole. What psychological and social factors are clients experiencing outside of investing.

3. Evaluate your business principals and practice each quarter. Ask yourself and your staff; are we incorporating new ideas and services for our clients or are we becoming complacent in our success. We need to continue to provide innovating ideas both within the practice and to our clients.

So let's talk about the first key, why has focusing made such an impact on your business?

I am a very personable person and enjoy learning about the lives of my clients. What is going on inside them is important to me. Clients do not have the same personality. Some are willing to tell you everything at once, others tell you bit by bit, while still others you have to really dig to get what is important for proper financial and life planning. I ask pertinent questions and then remain quiet, asking follow up questions when the client has finished. I do not have a pad and pen taking notes. I ask the client if it is ok to record the meeting and most of the time I have someone from the staff taking notes of what the client is saying. This way I can stay focused on them and not have to be concerned if I am getting every word they are saying on paper.

That evening if possible, I contact the client and thank them for the meeting. Clients are giving their advisor personal information. It is important to communicate with them as soon as possible after the initial meeting and on-going meetings. Some question or thought might have entered their mind that could be bothering them. They can tell you then if there is any additional information you may need or something you did not address at the meeting that may be of concern to them and you as their advisor. You are assuring them by making the call that you are truly dedicated and focused on helping them in their life goals.

The next day, I review the notes both written and recorded. I then write a letter to the client discussing what transpired during the meeting. I record any notes on their personal file in my computer. By sending a follow-up letter the client can review what is written and tell me if something is incorrect or if we missed something that should have been discussed. They know that I am focused on them even after their visit to my office.

You said learning was the second key. Why is that?

"Evaluate your business principals and practice each quarter. Ask yourself and your staff; are we incorporating new ideas and services for our clients or are we becoming complacent in our success? We need to continue to provide innovating ideas both within the practice and to our clients."

Our business is extremely regulated and there is a lot of competition out there. There are other firms and individuals practicing financial planning in my area that are very competent in what they do. I have to assure myself and the firm that I am keeping up with the market and financial planning trends to remain competitive. I also want to give myself and the firm an edge, by going far beyond what other firms in the area may not be doing to attract and retain clients.

Let's talk about the last key, evaluating your practice and business principals. Why does this make your top 3 keys to success?

As stated previously, there is a lot of competition out there for client's assets. In addition to client meetings, communicating with them and offering concierge type service; a financial advisor has to remain at the top of his or her game.

My staff is given internal video programs to review about new products and services our broker/dealer provides and advances to our software programs. Everyone must watch these programs and is tested on their knowledge on what they have learned. At our weekly meeting, staff members are asked how we can incorporate these new services or products into our practice. Some work, some don't. The basic question asked each time is: "Would it enhance the lives of our clients in any aspect of service we offer."

If we have lost any clients during the quarter, the lead financial advisor is asked the reason why the client left. Was it the FA/Client relationship? Was it the firm and the services we offer or don't offer? Was it someone else in the office?

We then attempt to make sure it does not happen again in that manner.

On a more positive note, I ask each FA how they brought in new business. There are many questions asked about this, but of most importance is why the client chose us over some other advisor and firm.

Before I go on, I have to say that we have our problems each and every day like everyone else in this business. We are not by any means the perfect financial planning firm.

After 28 years though, I have a good grasp as to what works and what does not in the business. What I try to do is to be open to new ideas, services and methods of financial planning. Many advisors after many years in the business I found get complacent and will not accept new approaches to financial planning.

What do you do to spread the word and your firm and be able to meet and help the most people?

I believe in giving back to the community as do many others. Every person in the firm is asked to volunteer to a non-profit organization that is important to them. We also make a monetary donation to the organization on their and the firm's behalf if possible.

We have a website. But do websites really do anything for our business? We use the website as a marketing tool that we "really exist." We use it for people to find us on Google, Yahoo, etc.

We have a Facebook and LinkedIn page. We also use other social media such as Twitter to grow our social media awareness.

When there is a significant event that affects the markets, I am the go-to person for a local TV station. This gets the firm and me some exposure.

One thing I do but cannot take credit for the idea is that once a month each of the FA's in the office including myself invites one client to a lunch. We limit it to five clients of either gender. The client is also asked to bring someone with them. They know we are asking to meet potential new clients. But how we go about it is different.

I choose a topic to discuss at the lunch. The topic being discussed is given to the client a few weeks prior to the lunch. This topic has nothing to do with our profession. Some topics used in the past were: What would you like to teach your grandchildren that you might have failed with your own children? What is a tradition from another culture that you admire? Is it necessary to spend so much on space exploration? Should military service be obligatory? Do video games contribute to a youth's violence? Does cloning have any benefits?

Many clients and prospects ask to choose a topic at the next lunch. We cannot drift from the topic. We also cannot choose a topic that includes discussion about the market, politics or religion.

It works and is used both for retention and to introduce ourselves to prospects in a different manner.

All in all, our business is mostly referrals and we do ask for them. We have a reputation that we are not everything to everyone in the services we offer clients. We inform prospects from the beginning that we are a fee based practice and that we must have a complete understanding of their finances. We inform prospects and clients that all their financial assets do not have to be held with us, but that we have to know what assets they hold for proper guidance.

Financial planning asks one simple question for people who have a (401)k, other financial assets, so on and so on and that is: You are saving all this money, you have purchased all these appreciable assets during your accumulation years of life…. What is it all for?

What other things do you do to grow your business and help more people?

We are investigating at this time adding new services and products. One thing that I have been considering is offering mortgage advice and service.

One significant product clients have inquired about is the reverse mortgage. At this time, we are looking at educating ourselves about this product and if we should incorporate it as part of our services offered to clients.

What are your biggest frustrations?

The frustration is that I am also running a small business and as such have to watch the bottom line each and every day.

What do you like best about being a financial advisor?

Giving peace of mind to a couple about their finances in the retirement years is important to me and what keeps me going. It bewilders me that I have clients who are doctors, engineers, bankers, etc. and they do not have any idea about preparing for their retirement.

It makes me and my staff members feel good when we have taken a client through the financial planning process and see the smile on their face when they know they are going to be ok.

What we also find is the children of the clients are also happy that we have helped their parents plan for retirement. They feel it is a burden they do not have to be concerned with when their parent's age as we address all aspects of the

retirement years including long-term care and the possibility that one spouse might outlive the other by many years. We prepare them for every obstacle they may face in retirement.

Where do you see yourself and your firm in 5 years?

What do they say "A baby boomer is turning 65 every 5 seconds?" I am going to be doing a lot of the same thing 5 years from now. What will change are the markets, the software and the products we offer.

I would like to open another office and bring on financial advisors who share the same philosophy as I do in the management of a client's assets.

What do you think most financial advisors need to do, but generally aren't?

I first want to state that I believe that the advisor of today is so much different than when I first entered the business. They are better educated and are trained to properly guide clients in financial matters than to sell them a product or service.

Advisors need to understand not to be complacent in the business. It is so easy to train your clients to your method of investing, but are you as an advisor giving them the proper guidance?

We as a whole need to continue to educate ourselves on the services and products of the industry and to keep our clients informed of any changes

When I ask our FA's why a client left the firm, the answer normally is a lack of communication, the receiving firm offered the client more services, and so on.

It really had nothing to do with the performance of their portfolio.

What new technologies are you using in your practice to make things easier?

I am using Emoney software as a tool for my clients to have better control of their finances. I also give my clients with this service their own personal website and create a vault where they can digitally store private documents such as passports, birth certificates, etc.

Although I believe the company website is only for recognition, the younger people in the office want to make the website more interactive for clients and to build on our social media company awareness.

I have to go along with it as it might do the job they said it can do.

When you meet with new people and clients, what do you think are the biggest mistakes they make?

It is not a mistake really but an often occurrence. A couple comes into our office for the financial planning process. What I find interesting, many have no idea what the other person wants to do in retirement. This could be a couple who has been together for a number of years, raised or are raising kids and have substantial financial assets.

Many times it is brought out during our meetings and that is fine. It is part of the process of them and us properly focusing on their goals. It may take a significant part of the meeting getting them to agree with each other. Often, it is amusing what one thinks the other one is thinking with the result being totally different.

We all have to go to conferences and take hours of continuing education each year. What would you say are a couple of the biggest nuggets you've learned at one of these events?

This may seem different than any other response you may have received on this question, but I admire the people in my industry the most. I admire their devotion to learning and how they approach the financial planning process. Yes, you learn from the speakers, and the materials handed to you. But, to get face-to-face and break bread with your peers is something that cannot be duplicated.

Discussing your practice and learning about theirs is important. Maybe they are doing something you aren't and should. Vice Versa.

Don't stay in your office and accept that what you are doing is what everyone else is doing or should be doing. Get out there and talk to your peers. Read the many journals published for our industry.

Do whatever is necessary and proper to make yourself the best in the industry. In that manner our industry as a whole will flourish and our profession respected.

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Why Friends Prefer Doing Business with Friends

As the early December snow falls softly across the parking lot, you relax in anticipation of tonight's holiday party at the Chamber. Your manager stops by to drop off your 2014 business plan she just completed reviewing. "Good job. You know where you want to be and how to get there." Before they leave you stop and ask: "I know lots of people who could be great clients, but they've never approached me. Do friends really want to do business with people they know?"

Six Reasons

Your manager sets down their papers and relaxes in your side chair. Many do and for lots of reasons. As a longtime friend, you have lots of factors working in your favor. Some are so obvious it's worth spending time reviewing them. Take out a pen and start writing:

First, you have earned their **Trust.** This is a huge factor in your favor. Trust is earned incrementally in small bits over time. You can move backwards and forwards along the scale. You have already earned their trust. When the public is surveyed about what they most value in an advisory relationship, trust is right up there, regardless of market conditions.

Next, you **understand the context** of their lives. I've heard it best described as a tapestry because it's complicated and detailed. Let's consider their children — are they proud or disappointed? How about their marriage? Are they planning to stay together forever or are there dark clouds on the horizon. We do pretty extensive financial planning when opening a new account, but no planning document ever asks these questions. They know that you understand them inside and out. This is another huge benefit people value when choosing a financial advisor.

Some benefits are actually misconceptions. Let's consider **personal attention**. It's a virtue and a value. They know you work in the financial services industry. They often have a stockbroker stereotype in mind. They assume you have a client list, ranked from largest and most important downwards. They assume when a good idea comes up you start calling names at the top of the list and work your way down. Because they are close friends they assume they will be near the top of the list even if their asset level dictates otherwise. They don't realize it's largely a managed money business today with professional managers making decisions on the client's behalf. They think you still work from a list — and that's a benefit.

Your manager shifts in her chair and adjusts her glasses as you write furiously. Let's not forget you are a **known quantity**. Let's assume they are shopping for an advisor, they are a private person so they don't ask around. What do they do? They walk into a firm's office and stop at the receptionist. They are directed to the broker or agent of the day, they are a walk in. Will they hit it off? Is the other person on their way up or the way out? It's a hassle. Your friend knows you. Your personalities fit together. You get along.

Unbiased, objective advice plays a big role. When you have a professional relationship with an advisor you barely know they often choose their words carefully to avoid offending you. Sometimes important messages don't come across. When friends talk with friends, they can tell them the straight story, the things they need to hear. The message doesn't need sugar coating. Friends tell it straight. They value this trait.

Finally, we get to the most important point. **They like you**. People prefer doing business with people they like. They will go out of their way to make this happen. This can also be a huge benefit in competitive situations."

What Next?

You stop writing and look up. "You make a good case, but if I have all this going in my favor, why haven't they approached me? What should I do?"

Your manager pauses before answering, "Everyone should have the opportunity to say no. If you politely talk about what you do and they decline, that's fine. Just don't make the decision for them." She taps her pencil on the desk and looks into your eyes, "Remember the first and most important point, **Trust**. You've earned it. They have probably already thought about you in a professional capacity and made their decision. Consider everyone as waiting to be asked, because they have their answer ready."

Why You Must Act

You glance at the clock and realize you still have time before you must leave for the party. "I'm still uncomfortable about asking. If they've been ready, where's the sense of urgency?"

Your manager leans forward and smiles. "Let's assume they want to invest. Let's even assume they approached you and you explained you don't do business with close friends. They are going to invest with someone else anyway! It's not as if they will stay out of the stock market because you said no. Let's assume they got bad advice and big problems developed down the road, maybe they lost 70% of their principal. What do you suppose happens next? They come back to you, their friend, a trusted advisor. They show you the wreckage and ask you to help them get back to where they started. Think about it. If you are going to be brought in after everything has gone wrong, shouldn't you get in on the front end and do your best to avoid a bad result?"

How Do I Treat Them?

You pause then reply: "That makes sense. Do I treat friends differently from my other clients?" Your manager taps the desk with her pen and responds: "I heard a seasoned advisor in New York explain it best. Give them the same service you provide for your best clients. Discount only slightly and only if you consider it absolutely necessary."

You stand up and smile. "Got it. Everyone should have the opportunity to say no."

Bryce M. Sanders

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Top Dozen Planning Tips for Large Windfalls

Bonanza! You're expecting a large sum of money soon — maybe millions of dollars. It may be a lottery, a large commission, a business or asset sale, an inheritance. Federal income taxes may eat up 39.6%, Medicare surtax another 3.8%, and state or even local taxes perhaps another 5-10%.

Some windfalls have different opportunities for deferring tax. Business owners collecting earned income have different options than lottery winners or beneficiaries. A planned sale that is not finalized offers more opportunities for planning than a "done deal". Some windfalls, like a personal injury proceeds or most gifts and inheritances (except assets such as deferred compensation, qualified plans, annuities, IRAs) are not taxable income. Some proceeds, such as income that would be capital gain from an investment, would be subject to the new 3.8% Medicare surtax, and some may not. Here are the top planning tips to consider:

1. Find Trusted Advisors! In one recent case, a $168 million lottery winner trusted his fortune to two attorneys/insurance agents, who allegedly churned him through $100 million and $600 million insurance policies that coincidentally paid enormous commissions to said attorneys/agents, and led him into other bad investments that landed him in a load of debt. http://www.courthousenews.com/2013/09/24/61414.htm. Bad investments and fraud can destroy a fortune faster than taxes. If you win a lottery or other publicly known windfall, take the proceeds in a blind trust with a reputable corporate trustee with deep pockets – this ensures better privacy and security and keeps most fraudsters from even learning of the transaction.

2. Pay attention when to pay taxes. Don't put off planning until April 15th of the following year! If you don't plan correctly, you may owe "estimated tax" penalties. For instance, for a large payment subject to income tax paid in September, an estimated tax may be due January 15th of the following year, not April 15th. Paying attention and planning for the estimated tax issue may save you from even worse tax penalties than the top rates mentioned above. Not to mention some of the techniques below that require actions before the payment is received. For example, many payments generating deductions, such as state/local income tax or real estate tax liability should be made in December of the year the payment (even if not due until April 15 of the next year). Such deductions may be worth a lot less in the following year due to the alternative minimum tax (AMT), or simply that you're in a lower bracket.

3. Investigate whether you can split the receipt of the funds between this year and next. Some windfalls may be eligible for installment sale treatment if structured properly, which allows for splitting the income into multiple years. There may be several advantages: deferral of tax, soaking up lower tax brackets, and, if the income is "earned income", enabling higher pension contributions. Never voluntarily do this when the buyer/payor is at all shaky in their own finances – deferring the payment is of no use if the payment never comes!

4. Maximize retirement plan contributions. Of course, a traditional IRA contribution of $5000 or so may only be a drop in the bucket, and not even be deductible for someone receiving a large windfall. However, if the payment represents earned income, such as a commission due to you as an independent contractor, consider SEP-IRA, solo 401k, or even better, add a full blown pension plan. The tax deduction, usually saving state as well as federal tax, can be enormous and often shocks people into disbelief. A 55-year-old may be able to contribute (and deduct) half a million dollars to such a plan, sometimes more. Furthermore, pension plans have been around for decades, have substantial creditor protection and clear, longstanding rules surrounding them.

5. For larger business owners with substantial operations receiving a windfall, consider creating a captive insurance company. This essentially allows funds that might be considered as a sinking fund to cover potential liability to be deducted if transferred to the captive insurance company instead. The transfer of funds to the company to purchase the policy is deductible, but your insurance company can receive as much as $1.2 million before incurring an income tax. While these are more expensive than pension plans and generally require a larger company with bona fide liability exposure to be economical, they can be outstanding tools to reduce liability insurance premiums and costs, enhance asset protection and estate planning goals, as well as achieve better income tax results.

6. Make charitable gifts to offset tax. Usually, this will not offset state income tax, or the new Medicare surtaxes. Large charitable gifts may be made in kind with appreciated securities — donating stock with a basis of $100, valued at $300 will usually generate a $300 deduction without triggering the capital gains tax. Many larger charitable gifts are structured as trusts, for

additional tax benefits. If the prospect of choosing among different charities in the short term is daunting, don't worry — you can get the tax deduction today and choose the ultimate charitable recipients later through using a donor advised fund at a local community foundation or private foundation. A charitable lead trust (CLT) can also create a large deduction and offer the additional advantage that assets remaining at the end of the term are paid to the family in trust, outside of the estate tax.

7. Make a charitable gift to offset AND defer tax. Depending on the nature and timing of the windfall, it may be possible to transfer the underlying asset BEFORE the taxable income is received to a charitable remainder unitrust (CRUT). For instance, you might have a few buyers lined up and interested to buy your patent or business, but there is no final deal negotiated yet. If the stock is transferred before the sale is finalized, it can be transferred to a CRUT, which then sells the stock. The CRUT pays no income tax. It may pay you 10% of the corpus for the next 20 years, for example, with any remaining at the end of the term going to your designated charity. Even though the charity does not receive assets until 20 years later, you get a partial tax deduction now. While some of those 20 years of payments are taxable when received, this essentially defers the income tax from the windfall, somewhat similar to an installment sale. There are also variations that pay for one or two lifetimes rather than a set term, and variations that pay a predetermined amount every year (called a charitable remainder annuity trust, a variation not as commonly used when interest rates are low as in recent years).

8. Put a portion of your investments into asset categories that generate a tax deduction. An oil or gas drilling partnership typically results in a deduction of 100 percent of the investment. Of course, a great tax deduction is no great benefit if you lose all your money! Similarly, investments in real estate involving agriculture can give some advantage due to the tax benefits granted to farmers. Investments in real estate might generate some deductions, especially if components of a building are eligible to be segregated for faster depreciation.

9. Sell other assets for a capital loss. The amount of savings depends on whether the windfall you anticipate will be a capital gain or not (and, of course, whether you have assets you can sell for a loss!). Capital losses can offset capital gains plus, to the extent they exceed gains, up to $3,000 of ordinary income. If you think the loss asset is still a great investment, be careful of the wash sale rule that would deny the capital loss if you purchase the same security within 30 days of the loss sale. You might, for example, purchase an equivalent amount of stock and then wait 31 days to sell the initial lot.

10. Move! Washington, Florida, Texas, Nevada, South Dakota, Wyoming and Alaska have no state income tax, and Tennessee and New Hampshire only tax dividend income. Depending on the nature and timing of your windfall, this planning move may be too late, or unavailable (for instance, selling a business or building may be taxed in the state of location regardless of where the owner resides). However, it may save a nice chunk of tax for others.

11. If you don't want to move yourself, consider moving your trust! If you fund a certain kind of trust (called an irrevocable non-grantor trust) in a state that does not tax trust income, you may be able to escape your state's income tax, perhaps even on the windfall itself, depending on the nature and timing of the payment. In addition to the above listed states without any income tax, many other popular states for trusts, such as Delaware or Ohio, only tax trusts if a beneficiary is a resident of the state or the income results from a sale in that state.

12. Plan for state and federal estate tax. It's hard to think of death when you're expecting a great windfall, but for many people this may give them an estate above the exclusion thresholds for the first time. The federal estate tax is 40%, but only applies to accumulated gifts/estates over $5.25 million (in some circumstances, couples can exclude twice that, $10.5 million). Approximately a dozen states have additional estate/inheritance taxes between 12-16%, but the exclusion amounts are much less - anywhere between $675,000 and $3.5 million, with most at $1 or $2 million. There are many techniques that can alleviate or even eliminate these taxes if planned ahead of time.

Other extreme solutions may include renouncing citizenship/residency or even, horrors, getting married. Be leery of any advisors offering "constitutional law" trusts that avoid tax or other too good to be true schemes. When you receive a windfall, review these concerns and planning tips with a competent team of credentialed advisors. Like any extreme medical diagnosis, a second opinion can't hurt either.

Some people prefer to keep it simple and avoid any complexity. That's not irrational, as long as the pros and cons are weighed and considered. Others would rather save tax wherever possible, to preserve capital for family, charity or additional security. If you are in this camp, many of the above solutions may offer additional relief.

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Making Sense of "Powers of Appointments"

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The client may wish to grant others certain "powers" as they pertain to the distribution of property. These "others" would be given the power to make decisions or carry out the instructions of the grantor. These powers are known as "powers of appointment". A power of appointment gives the client an alternative to the warranted concerns of establishing an irrevocable trust. The power of appointment does not possess the inflexibility and the inability of the grantor to change his mind at some point in the future.

A holder of a power of appointment has differing amounts of flexibility, depending upon whether the power is general or limited. General powers allow anyone, including the holder to exercise the power in any manner they desire. Limited powers allow the holder to exercise the power in favor of the persons or classes of persons specified by the transferor. Limited powers also allows the client to retain some control in that the trust assets would not go to certain persons or institutions that are unacceptable to the donor.

A power of appointment is an interest held by a person which gives the holder the ability to determine who shall enjoy, use and possess the property subject to the power. It can be designated by will or deed to those persons (appointees) who shall receive beneficial interests in the property. The power of appointment can be held by the holder in the holder's lifetime, by the holder's estate or can be exercised by the holder as a post mortem power.

The power of appointment makes it possible to postpone the timing of a decision as to the ultimate disposition of property until a date when all the relevant facts affecting that decision are known. It also allows the grantor to establish the marital deduction and provide for asset management through a trust and determine a beneficiary of the property. It can also be given in the form of a non-cumulative power to withdraw a specified amount of trust corpus annually for whatever reason.

The wording of a power of appointment is critical to the estate tax consequences that will result. The planner should consult an attorney who has specific expertise in drafting these documents. A well-drafted power designates who will take the property if the holder fails to exercise the power. These persons are known as "takers in default." The court will ultimately determine whether the words used in the will or trust manifests an intent to create power. The ability to consume or invade a trust lends itself to be a power of appointment.

If the holder can exercise the power without any conditions or restrictions placed upon the ability to exercise the power, the power is known as a general power of appointment. If the holder can exercise the power only under certain conditions, only for a special group of beneficiaries, or only for a limited period of time, the power is known as a limited or special power of appointment.

General Power of Appointment

A general power of appointment is one that enables the holder to appoint the property to himself, his creditors, his estate or the creditors of the estate. There are no restrictions on the identity of the appointees. Thus, a general power is virtually the same as outright ownership of the trust assets. Code Sec 2041(a)(2) includes in the decedent's gross estate the value of all property the decedent had, at the time of death, a general power of appointment.

There are three exceptions to the inclusion of property in the decedent's estate. First, property subject to a general power of appointment created before October 22, 1942 is not includable in the decedent's gross estate unless the power is exercised (Code Sec. 2041(a)(1). Second, a power is not considered a general power if the power is exercisable only with the consent of the creator of the power or a person having a substantial adverse interest (Code 2041(b)(1)(c). Third, a power is limited by an ascertainable standard relating to the health, education, support, or maintenance of the power holder and is not a general power of appointment (Code Sec. 2041(b)(1)(a).

Examples of general powers of appointment include "exercised for the holder's comfort, welfare and happiness", "exercised for the holder's health, maintenance and welfare", "exercised in favor of the holder's happiness and well being or comfort"; or "exercised in favor of the holder's creditors, holder's estate, or creditors of the holder's estate".

Special (Limited) Power of Appointment

A special or limited power is one that the donee can exercise in favor of persons other than himself or his estate. These persons must be specified by the transferor. To qualify as a special power of appointment, the power to appropriate property for the benefit of the decedent must be "limited by an ascertainable standard relating to the health, education, support or maintenance of the decedent" (IRC Sec 2041(b)(1)(a))". The power holder is deemed not to possess a general power because his gross estate does not include the trust property.

The regulations also state that the holder must be limited in his power to consume or invade the income or principal for his own benefit by a standard "reasonably measured by his health, education or support". These items are supposed to consist of the "necessities of life". However, the regulations specifically exclude any provisions or appropriations for the "comfort, welfare, or happiness of the holder." These conditions would not be considered "limited" when measured against the standard and would

result in the power being considered a general power of appointment. This would make the property fully includable in the value of the gross estate of the holder at death.

Special powers of appointment are items that are ascertainable standards. Safe harbor phrases that are specifically included in the exception regulations include "support", "maintenance in health and reasonable comfort", "education, including college and professional education", "health" and "medical, dental, hospital and nursing expenses and expenses of invalidism". To qualify the power as limited or as a special power, verbatim use of any of the above phrases insures compliance with the statutory limitations required by IRC Sec. 2041. A power held jointly with the donor or a person having an adverse interest in the property is an exception under IRC Sec 2041(b)(1)(c) and would not be a general power of appointment. Other examples include being in favor of the holder's children, in the holder's accustomed manner of living, in favor of the holder only with the consent of the creator of the power, or for support in reasonable comfort.

Tax Consequences

The major tax consequences of the possession or exercise of powers held by someone other than the donor are: First, for trust income tax purposes, the holder of a power that is exercisable at present solely by the holder and that enables the holder to vest income or principal in himself is taxable as the owner of such income or principal (Code Sec. 678(a)(1)).

Second, for estate and gift tax purposes, the possession, exercise, or release of a general power of appointment created after October 21, 1942 is ordinarily treated as if the holder had owned the property subject to the power and had transferred such property (Code Sec. 2041(a)(2), 2514(b)). It does not matter whether or not the power was exercised.

Third, for generation skipping tax, a limited or special power does not subject the holder to any adverse tax consequences, regardless of whether the power was exercised, unless the holder previously held and partially released a general power (Code Sec. 2041(a)(2),678(a)(2)).

Fourth, although a lapse of a general power is ordinarily treated as a release, there is a limited exception for purposes of estate and gift taxes for lapses of power of withdrawal during the life of the holder (Code Sec. 2041(b)(2);2514(e)).

Finally, joint powers exercisable in favor of one or more of the power holders may be treated as general powers for estate and gift tax purposes, but not for trust income purposes (Code Sec.678(a)(1), 2041(b)(1)(c),2514(c)(3)).

There are four instances in which a limited power of appointment may result in a taxable gift to the holder. The first instance is where the exercise of the power is a result of a general power of appointment that was reduced to a limited power of appointment. The second instance is where the exercise of the power creates another power. The third instance is where the limited power of appointment is exercised over the corpus of the trust in which the holder has the right to receive and enjoy income from the property; and finally where the special power of appointment is exercised by the holder of a general power.

Distinction Between the Two

The distinction between these two powers is an important one. Under the general power of appointment, property is included in the gross estate of the holder, whereas it is not included in the gross estate under the limited power of appointment. A general power of appointment is a power over the disposition of property which is exercisable in favor of the decedent, his estate, his creditors, or the creditors of his estate. (IRC Sec 2041 (b)(1)), with certain exceptions.

Powers of appointment that are not general powers of appointment are known as special, limited or nongeneral powers of appointment are the exceptions to the general rule (IRC Sec 2041) of estate inclusion. Exercise or release (other than by disclaimer) of a general power of appointment is a transfer subject to gift tax under IRC Sec 2514.

One way the planner can differentiate whether a power is general or limited is by determining if there are any "strings" attached. This encompasses any restrictions placed by the holder on the power. If such "strings" conditions or requirements exist, the power is limited. If the power is exercisable in favor of the holder, it is a general power or appointment.

Exercising the Power

When the holder of a power of appointment chooses to use it in favor of one or more beneficiaries, the holder exercises the power. The exercise of a general power of appointment in favor of someone other than the power holder results in the power holder making a gift to the person he designates to receive payment. The exercise of a limited power does not constitute making a gift.

The holder would exercise a power in order to remove the property from the holders dominion or control. If the holder exercises a general power of appointment in favor of the holder's children, the power in effect shifts the property out of the holder's estate in favor of the holder's children. Consequently, it is treated as a completed gift of property to the children. The property subject to the power will be treated as an irrevocable gift and such a transfer follows the general rule that gifts made within three years of death are not added to the gross estate of the holder.

The Use of A Disclaimer

If the client does not wish to incur gift tax implications on lifetime transfers, they may wish to consider the use of a disclaimer. A disclaimer would allow the holder to refuse all or part of the interest in property without creating a further taxable transfer under the gift tax provisions of IRC Sec 2514. This would not be considered a "release of power", and therefore would not be taxable.

Drafting Considerations

Determining whether to create a power of appointment is a question that can be answered only after considering and answering a series of other questions. The planner and the client should therefore discuss the flexibility that powers of appointment offer. The planner should then be aware of the language used in the document in order to avoid qualifying a special power as a general power. In addition, the planner should make a mental note of answers to the following questions. Included among them are:

1. Is the power to be general or limited?
2. Is the donor to have the power to appoint during his lifetime or only at death?
3. Who are the beneficiaries?
4. If the power is limited, is it to be exclusive or nonexclusive?,
5. In what form of estates may the property be appointed?,
6. What is required to exercise the power?,
7. Does the holder wish to avoid the rule of perpetuities?

The Power of Appointment (Marital) Trust

When the donor wishes to transfer property to a surviving spouse and have the surviving spouse retain post-mortem control over the property, a power of appointment or marital trust can be established.

The marital trust provides an income stream to the spouse, qualifies in the decedent's estate for the marital deduction, is included in the survivors gross estate, gives the surviving spouse the right to invade the trust corpus, makes the surviving spouse the ultimate beneficiary of the corpus when the trust terminates, requires that the trust must distribute its income annually, provides the surviving spouse with a general power of appointment over the trust, and allows for the trust to be used in combination with other trusts. It does not allow income to be split with any other beneficiaries.

Code Sec. 2056(b)(5) provides an exception to the terminable interest rule for a bequest for power of appointment trusts. As such, property placed in the marital trust qualifies for the marital deduction in the gross estate of the decedent. Although it is included in the gross estate, it is not subject to estate tax. The value of the property will be included in the surviving spouse's estate, unless the property is consumed or given away through a lifetime gift or made the subject of a charitable bequest.

When to Use Power of Appointment (Marital) Trusts

The marital trust may be appropriate when:

1. The decedent does not want to restrict or control the surviving spouse's use or enjoyment of the property;
2. The decedent has confidence in the management abilities and financial expertise of the surviving spouse;
3. The decedent wants to qualify the property for the marital deduction;
4. The decedent has confidence in the ability of the surviving spouse to provide for minor children and other beneficiaries.

As consultants, we need to know when proper use of powers of appointment are necessary. The enormous flexibility added by its use permits the donee of the power to alter the donor's estate plan long after the plan was first designed.

Jeffrey H. Rattiner, CPA, CFP®, MBA, RFC® has been a fixture in the personal financial planning profession for more than 25 years. He worked at three of the major membership and licensing organizations for our profession and runs a small tax and financial planning practice.

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Diamonds are for… Advisors!

I was rambling around my office proofing my latest seminar mailer and thinking about what I could do to get more high net worth folks out to my seminars (I do 50 per year) when I saw on the boardroom TV monitor that a diamond heist had been perpetrated at an ultra-luxury hotel in Cannes, France. I dropped what I was doing to watch as a famous gang The Pink Panthers overpowered the French security and vanished with approximately $125 million in high grade diamonds! The setting, the intrigue, the diversion was welcomed, but alas I returned to my day.

It must have played on my subconscious, because I Googled and found myself talking at length with Todd Lilleberg a Business Development Agent at Diamond Market, LLC. in Hollywood, FL. He immediately saw how this asset class could increase my firm's appeal to the HNW investor and help meet that insatiable thirst to bring value added products to my current book of business.

Todd provided me with a virtual landing page that properly educated me in the field providing all the expertise to back me up in my new venture. I launched the venture on my long running radio show ***Retire Right Radio***, and it was a hit, so much so that Todd agreed to fly up to tape ***Retire Right TV*** on Fox and ABC in my market. The result was stunning. During that week at one of my seminars Todd presented (with real diamonds as props) a riveting 15 minute Power Point on the history, investment sense, and due diligence. Attendees were blown away with this truly unique topic!

I saw an immediate spike in post seminar appointments and subsequent seminars have borne fruit via increased numbers and higher net worth individuals and couples. Needless to say, this has become a standard in my practice and I continue to build knowledge with the help of Todd and his entire staff.

Implementing a new profit center into your practice is always exciting but diamonds have been more so for me. Talking about them on the radio and doing a TV show is great, instructing at a seminar is even hotter, but the real belief system lock-in for the advisor occurs when you take a client through their first design-build of their heirloom diamond acquisition.

I am primarily an annuity advisor specializing in qualified income planning. My first diamond transaction, as an example, amounted to a zero net cost to the client, who extracted a 10% free withdrawal from an annuity, on which she had made 12% with the carrier. The stage was now set for a design-build with Todd.

When the $30,000 in funds was processed, a stunning necklace arrived at my office via secured Fed-Ex for delivery to my client. I have a salon adjacent to my boardroom and prior to the seminar had purchased a jeweler's form to place the necklace on prior to client viewing it. I instructed my assistant to obtain a decorated bottle of Champagne and a greeting card to complete the delivery experience.

When the couple arrived, they looked at the revolving jeweler's form for a moment and then hugged. The man trembled slightly while placing the diamond necklace that they had designed together around his wife's neck. To say this was the most poignant delivery I had made as an advisor would be an understatement. On balance, these clients have 7 figures of assets with

The Diamond Market

We sell jewelry custom-crafted from the rarest materials available – Fancy Color diamonds. And all pieces are certified by the GIA (The Gemological Institute of America).

We source our materials for the build out and design of our products from all over the globe, Antwerp, Tel Aviv, and Hong Kong to name a few.

We offer our products exclusively through approved jewelers, licensed insurance and financial professionals, and they must apply and be appointed to offer our products to their existing clientele.

We deliver all products direct to the consumer and do not hold or store any jewelry pieces on behalf of our agents or clients.

We are dedicated to the highest standards in the products we produce, and the integrity and ethics of our owner and employees.

"Specializing in Quality, Rarity, & Excellence"
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my firm, but the diamond experience topped off our relationship like none other.

My vision now as an early adopter of this asset class to my advisory practice is to share my journey with the readers of this publication and allow and encourage entire populations of producers in the IMO/FMO platform to get the diamond story out to their clients. Christmas and Valentine's Day are obvious, but clients are seeing a home for a hard asset with an impressive history of appreciation to be heirloom storage of some of their wealth in a very volatile and uncertain world.

The Diamond Market, LLC. (on the web at TheDiamondMarket.com) is a resource provider of exquisite rarities and product supplier for financial advisors, insurance agents, and other financial professionals, as well as the jewelry industry. It presents select professionals a great opportunity to offer their respective clients alternative products that may not be readily available otherwise.

Historically, fancy color diamonds were limited to an elite few — only those who had wealth and access to diamond dealers had the opportunity to own these extremely rare treasures. Now, because of the value, access and selection provided by this service, owning a fancy color diamond is an option available to discerning investors and those who simply appreciate their rare beauty.

Fancy color diamonds have proven themselves to be a top performing asset class for decades. These rare gems have generally retained their value, even in today's volatile global economy. In fact, many fancy color diamonds have produced record results, showing remarkable appreciation at recent auctions. Fundamentally they can provide the perfect potential hedge against unstable paper currencies and depreciating assets.

As one of the world's most concentrated forms of wealth, fancy color diamonds offer unsurpassed portability, privacy, and flexibility. In a world where privacy is a luxury and securing your wealth in hard assets would seem a necessity, I have found that The Diamond Market, LLC. provides you with both the means to financial privacy and ability to own such hard assets.

Furthermore, you have the opportunity to purchase one of the rarest, most beautiful, most desired and most revered objects in the world.

Patrick D. Munro, RFC®

Patrick D. Munro, RFC's affinity for investing and financial matters began more than 20 years ago with business education and service throughout the ranks of the banking, insurance and brokerage industries. Patrick has provided highly personal service to clients all over North and South Carolina helping them to identify tax savings through various safe financial products and utilizing the various tax strategies available to seniors to protect their assets. In addition, Patrick has helped many clients eliminate the financial threat of long-term care and ways to avoid the unnecessary difficulties of probate court.

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Drip marketing warms up your prospect, attracts their interest in the topics presented and builds their respect for your knowledge. Gradually Drip Marketing will develop a bond with the prospect that motivates them to grant you an appointment to make a presentation.

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Our workshop reviews the purpose and goals of Drip Marketing. You will learn ways to approach Drip Marketing to make it more effective, how to get started, basic setup information that applies no matter which CRM you are using, and then the practical application once you get the appointment.

Sequence Included
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1/2 day
3 RFC CE Credits

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The competition for your clients is increasing. A strong brand projects your passion and commitment to clients and prospects. Brand loyalty is reinforced by continued efforts to positively project a favorable image. You don't have to be a big company to promote your own brand. We help you discover what it is and how to build it.

How are you Perceived?
You will learn that first perceptions are a result of how you brand yourself. We review the cumulative cycle of branding and how it effects every aspect of client interaction from before the initial approach through your follow up service.

Step-by-Step Checklist
Much discussion is given to a real world checklist for you to start building your own identity. This list breaks down your branding journey in manageable tasks and time.

1/2 day
3 RFC CE Credits

For more information:

www.iarfc.org/workshop

Annuities Make Sense for a Portion of a Retirement Plan

With life expectancies greater than ever, retirement could very likely be the longest phase of our client's lives. Therefore, it is absolutely imperative for retirees to have a plan in place that;

- Provides the ability to spend and enjoy their money in retirement and
- Protects them from "living too long" and outliving their income.

Since retirement income planning is an extremely important and complicated process, this is something retirees should not attempt to do on their own. In addition to the risk of large investment losses and outliving their assets, there are other major challenges and considerations such as taxes, inflation, stock market and interest rate volatility, rising healthcare costs, taxes, and much more.

Why Consider an Annuity?

1. **Growth Potential** – Clearly every retiree wants their money to grow over time. The reason growth is so important is not only to accumulate more wealth, but also to fight against the aforementioned many "money predators."

Most retirees will tell you they prefer not to spend their principal, and would rather live off the income generated from their principal.

Therefore, in order for their income to keep pace with things like inflation, most annuities offer a well-diversified array of investment options to choose from which offer the potential to keep pace with one's changing lifestyle and income needs over the long term.

2. **Safety Provisions** – By far, the two biggest financial fears for most retirees are: losing money and running out of money.

The fear of losing money and/or running out of money is not only understandable, but also extremely critical. In fact, I firmly believe that ***"90% of a financial professional's job is avoiding large losses".***

If your clients are taking income from their retirement assets and suffer significant losses (particularly in the early years of their retirement and income distribution) this can be extremely devastating and sometimes irrepairable. In other words, the combination of large losses and withdrawing income can dramatically increase the probability of running out of money.

Therefore, annuities provide an alternative and solution, since most contain contractual guarantees that can insulate your clients against outliving their income, even if they suffer large investment losses.

3. **Tax Efficiencies** – I always jokingly say that my least favorite uncle is "Uncle Sam". I have yet to meet someone who truly enjoys paying taxes. And of course, taxes come in all flavors; ordinary income tax, capital gains tax, taxes on dividends and interest, state taxes, estate taxes, and more.

John D. Rockefeller once said; *"The fastest way to accumulate wealth is to make sure you never pay tax on income you don't use."* That may be one of the most brilliant statements I've heard aside from Einstein's theory on compound numbers.

Annuities can offer two unique advantages with regards to taxes. First, while non-qualified monies are accumulating inside an annuity, they are growing tax-deferred. Put another way, a client's monies are not subject to tax consequences such as capital gains, dividends, and interest. Second, many annuities offer clients with non-qualified monies the ability to provide tax-advantaged income when they are in the distribution stage.

Since we can't beat the unbeatable opponent (the IRS), annuities provide our clients with options to minimize or avoid many forms of unnecessary taxation for non-qualified monies – where applicable and appropriate.

4. **Income You Cannot Outlive** – Given the exponential growth of the baby boomer generation, and the advancements made in modern medicine, life expectancies today are greater than ever. For example, when Social Security was first enacted in 1933, the average life expectancy for a male was approximately 59 years old…and yet Social Security didn't start paying benefits until age 62!

Since males today have an average life expectancy of approximately 85 years old, it is easy to see why we are having such a tremendous battle with Social Security benefits. Many studies show that by the year 2030, more than 2/3 of the U.S. population will be above the age of 60.

So the message here is clear. Given the fact that today's retirement plans are demanding a much longer period of income distribution, annuities are becoming increasingly popular alternatives.

5. **Income Growth Potential** – If a retiree needs their income to grow, their assets obviously need to grow at a rate that exceeds their withdrawal rate. Since many retirees have little to zero risk tolerance, annuities can provide a greater "peace of mind" to invest a portion of their monies in the stock market.

Back when interest rates were much higher, many retirees thought they could accomplish an adequate amount of retirement income by simply investing in bonds and CD's. However, most retirees found that these vehicles alone were simply not enough. After factoring in things like investment fees, inflation, and taxes, utilizing income-producing investments is usually solely capable of accomplishing income growth potential. Of course, this is especially true considering today's historically low interest rates.

Given the many features, benefits, riders, and guarantees of an annuity, they can sometimes increase the willingness for a retiree to invest their retirement monies more aggressively than other investment options. Of course, this varies on a case-by-case basis.

6. **Maintain Control** – As mentioned earlier, one of the essential ingredients of a successful retirement plan is not only providing the income needed, but ensuring that income never runs out.

Although annuities did offer the promise of a fixed amount of income for life, clients no longer had the ability to choose how these monies were invested nor access to anything other than their income.

Many of today's annuities offer clients the ability to maintain total control over their assets, both during the accumulation and the distribution phases of their retirement, so they can still choose how and where to invest their hard-earned monies.

7. **Maintain Access** – Something also very important to most retirees is having access to their monies in the event that they need it. Although every retirement plan should include setting some monies aside for unexpected events or emergencies, sometimes life brings about severe changes that no retirement plan is fully prepared for.

Today's annuities can also allow retirees the opportunity to access their monies during retirement, above and beyond just their income. Note: It is important to note that, depending on how each annuity is structured, there can be penalties if larger amounts of monies are taken out in the earlier years.

8. **Full Transfer** — Another common request among retirees is helping them to create a legacy. Therefore, it is very important for retirees to ensure that whatever monies are not spent will pass on to their spouse, heirs, and/or charities as efficiently as possible.

Annuities can offer several benefits to help with legacy planning. First, they offer a "guarantee of principal" feature. This means that, assuming no withdrawals are taken, the full amount of what you put into an annuity is guaranteed to pass to your heirs – regardless of the investment performance of the monies. In addition, many of today's annuities offer the ability to purchase an additional "rider" which offers the ability for a client to "lock in" and leave behind their highest annual value.

9. **Professional Support** — One could argue that retirement is a long and wonderful vacation. A time when someone gets to spend and enjoy all of the wealth they have accumulated over their working years.

Some of the most popular retirement activities include traveling, dining out, buying nice things, gifting, spending more money and time with families, donating, etc.

One of the last things many retirees should be focusing on in their retirement years is worrying about their money, their retirement plan, the stock market, and their income. When you consider just about every important aspect of our lives, we have professionals out there to help.

Annuities are largely purchased through financial professionals. Although most annuities are owned on a non-discretionary basis (meaning no changes or investment decisions can be made by a financial professional without a client's prior approval and consent), financial professionals can serve as a valuable resource by making themselves available for their investment opinions and recommendations.

10. **Consolidation** – Upon retirement, most clients' preference is not to have lots of different accounts, nor do they wish to receive multiple statements from various companies. Having a consolidated financial life in retirement can not only lead to less stress and worries, but also greater success.

Most annuities have a large variety of investment options and mutual funds (which are referred to as "sub-accounts"), such as growth, growth and income, international, small-cap, mid-cap, large-cap, bonds, government securities, money market, etc.

Given this wide variety of investment options most annuities offer, they can serve as an excellent option to consolidate one's retirement nest egg. This helps retirees to minimize the number of statements they receive, have the large majority of assets in a limited number of places, as well as have their income generated from a smaller number of sources.

Annuities are NOT For Everyone

Yes, annuities offer multiple features, benefits, and advantages, most of which other investment options simply cannot offer. However, we have all heard the statement that "anything good in life usually does not come free or easy".

Annuities are very complicated investment vehicles, usually carry higher fees, and are clearly not the best fit for every retiree. My strong advice is to perform extensive research, review and understand all of your options, and of course, know your client – to determine whether an annuity is a good fit.

Christopher P. Hill, RFC®

Christopher P. Hill, RFC®, is currently the President of Wealth and Income Group, LLC, with offices located in the Washington DC area. For more than 20 years Mr. Hill has been nationally recognized as a speaker, editor, seminar expert, and MDRT Top of the Table Member.

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Get Your Money's Worth!

Your membership in the IARFC and other professional associations could be a poor investment for you — or a very positive influence on your professional career. It takes only a little attention and a small investment of your time and money to maximize the benefits.

What is your attitude? That makes a world of difference! Is your mindset stuck on "What will this association do for me?" After you obtain a designation, do you sit back and wait for the recognition to filter in from the public or from your prospects and clients?

You know that will have very little impact!

Remember John F. Kennedy's statement — that can be paraphrased to apply, "Ask not what your association can do for you, but what you can do for your association!" When you reach out to participate in the organization and give of yourself — Surprise! You will derive more personal benefit.

How can you make sure that when you sign up and spend your time and money — that your membership will work for you? The answer is simple — **INVOLVEMENT!**

For maximum value, you will need to:

- Attend meetings
- Accept committee responsibilities
- Become an officer or director
- Participate in association projects
- Write for association magazines
- Participate in association blogs
- Become or find a mentor
- Share presentation opportunities
- Coordinate with allied organizations

INVOLVEMENT could give you greater experience in making presentations and being a leader. You could jumpstart your writing career or perhaps volunteer your time as a financial service professional — in community events — and see where it takes you.

You can easily make friends with respected business people who share your interest and who just might expand your thinking. There is a very wide selection of RFC members — and someone may have already been where you want to go. Their experience and advice would enhance your practice and save you a lot of effort and money.

This is especially valuable if you expand your knowledge or your circle of professionals. For example, one RFC decided to conduct seminars aimed at upscale members of his community. He served on a Chamber of Commerce committee with an accountant from a highly respected local firm. He invited the accountant to be a co-speaker at his seminars and they would both invite clients and prospects. Both of them acquired new clients and the professional image of each benefited.

INVOLVEMENT translates to benefits… **YOUR** benefits. The knowledge and skill acquired from associations can have a major impact on your income and your own personal growth. Make your professional association work for you not just in the letters behind your name, but as a continual life learning experience.

One experienced RFC was not well known in his community. He was (by his own admission) a bit of an introvert. His practice was marginally successful, because his weakness was marketing. No one in his community knew him. He was stimulated by an IARFC *Register* article to start writing articles aimed at the upper middle class — his target market.

Some of these were suitable for use in the *Register* magazine. Then when he called his local county paper, they were very pleased to accept articles that had previously appeared in a professional publication. The local editor used his name and contact information and highlighted his website as a source for more information. During the next two years he averaged more than one new customer each quarter from this source. Being a "published" author helped him acquire more status. He also benefited when local attorneys and accountants commented on his articles that had appeared locally.

It is your **INVOLVEMENT** that really counts. How can you make your IARFC membership into a **SUCCESSFUL** investment? Go back to the nine areas where the association can benefit from your efforts. Which fit your personality and practice the most?

Listen to Video Series at IARFC.org

Ed Morrow, CLU, ChFC, RFC®

Ed Morrow is the chairman and chief executive of the IARFC and has been a practicing financial advisor for forty years. Visit IARFC.org and access this month's video, Association Memberships, terrible investment or GREAT decision.

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What's the Issue?

As time progresses, the more I realize that Nike has it right: "Just Do It!"

Too often in today's society regardless of our role it becomes apparent that procrastination has taken an unfortunate foundational place in our lives. Even with technology at our fingertips, too many of us fall short in engaging those "great ideas" in a timely manner. Delay, even after enhanced affirmation of needed action, seems to be relevant. Could it be fear due to a limiting belief or past experience? Could it be a lack of self-confidence or regretfully, simply "laziness" that causes our hesitancy? Whatever the issue, it can cause us to sit idly by.

Regardless of how we place it, unless we are willing to step forward on our ideas, plans or dreams, we will never know what can be. Action makes the difference. Even the Bible states in Ecclesiastes 11:4: "If you wait until the wind and the weather are just right, you will never plant anything and never harvest anything." Thus, hoping won't make something happen, do something now!

So how do we in essence build "courage" to engage? What will it demand of our personal demeanor for us to put plans into action? Experience has provided the following five steps that should assist even the most senior executive with insight on how to better, "just do it!"

First, believe in you and your abilities. This is "the" critical beginning that must be in place for any chance of action to be confirmed. Too often inner fears, limiting beliefs or assumptions cause us to lessen our internal reality. We hold ourselves back from demonstrating our strengths and talents. In essence we are crippled by allowing our mind to paint false pictures. One must be brave and have confidence in oneself in the same manner that a tightrope walker has as he pushes a wheelbarrow over a deep gorge along his tightrope line with his son or daughter sitting in it. As cofounder of Amway Richard M. De Vos said, "The only thing that stands between a man and what he wants from life is often merely the will to try it and the faith to believe that it is possible." Taking the first step to believe in ourselves and abilities will enable us to insure that action becomes a daily part of our life's work.

Second, discipline yourself with a plan. We do what makes us feel good or provides us with some level of satisfaction. Just as we had to direct ourselves to learn how to drive a car or to tie our shoes enabling us to travel and to be able to walk on various surfaces, discipline comes to play. Discipline helps us to get better. Without it, we fall short.

A plan provides the reason to do what we do. It in essence keeps us going in the right direction. In the circumstance involving our taking action, it is that unique force that allows the eye to see and the mind to control what we must focus upon not only in the moment but in future as well. Build the plan and visualize its payoff in your mind. When you see the end result in your minds-eye, the plan becomes a part of you. Combined with discipline, it then enables us to accomplish what we must obtain in order that we reach our goal or satisfy our heart's desire.

Next, find a commitment partner. In order to effectively achieve what you desire, it often demands extra attention. Even though one has strong personal belief and builds a sound plan, it can be invaluable to share the goals with another who when asked will hold you to your commitment. Having that individual who will not bend under pressure but will tell you what you need to hear not what you want to hear will further your potential to complete your task.

A commitment partner will not do the work for you but will see to it that you do the work and take the action to move your promise to reality. Choose an individual who can understand your needs and empathize with your challenges but will direct attention to the task at hand. Though the interaction may become tense at times, the outcome will insure that you remain steady in your original decision.

Fourth, prepare yourself to confront challenges. As the Law of TINSTAAFL proclaims:

"There is no such thing as a free lunch." Most efforts of engagement are often haunted by adversity. One begins to see those limiting beliefs come forth denoting that the job is too tough or that one is underserving. Further there is the arena of fear: fear of falling short but also fear of succeeding. Finally, the calls from the crowd or in simple terms, the critic who either laughs at your attempt or professes the doom of trying.

Stay motivated. Seek solutions when challenges arise, don't sit there and praise the challenge's reality. Remain excuseless. As noted nursing great Florence Nightingale once said, "I attribute my success to this: I never gave nor took an excuse." If you prepare and perform, then challenges should never be an obstacle.

"Just Do It" is more than a slogan in reality, it is the life-blood for the next great idea or the end of a complex situation. You never win the lottery unless you buy a ticket. You never hit a home run unless you step up to the plate. You catch no fish unless you put a hook and line in the water. You never achieve your dreams or goals unless you take the action to begin. As former Chrysler CEO and famed business man Lee Iacocca once proclaimed, "Apply yourself. Get all the education you can, but then, by God, do something. Don't just stand there, make it happen."

Use the five steps to taking action to get you off and running. Believe in yourself! Discipline yourself with a plan and visualize its completion! Find a commitment partner! Prepare yourself to confront challenges; and, Make it happen! As Master Yoda of "Star Wars" fame conveyed, "…there is no try, there is either do or not do." Make it happen, "Just Do It!"

Herman L. Dixon, CLU, CLF, LUTCF, LTCP, MBA, CPC, ELI-MP, RFC®

Herman L. Dixon, CLU, CLF, LUTCF, LTCP, MBA, CPC, ELI-MP, RFC®, President & CEO of Think Big! Coaching, has been a noted leader in the insurance and financial services industry for over 30 years. He has been highly active in four of the industry's professional organizations having served on boards of directors and held state, national and international offices.

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Should I Do Traditional or Roth IRA?

For most people, we think that the Roth is a better deal. The choice is between a one-time tax deduction on your contribution to the IRA and tax-deferred accumulation or tax-free accumulation for the rest of your life. The only time that the one-time tax deduction makes sense is if you think that you will be in a lower income tax bracket in the future (when you will use your IRA fund) than you are now.

Since I am personally of the opinion that income tax rates are more likely to go up than down in the next 20 years, the chances of being in a lower bracket when you take the money out are slim indeed. For 2013, the maximum amount that you can contribute to either kind of IRA is $5,500 – $6,500 if you are over 50.

First, you may not even be eligible for either kind of IRA contribution. It depends on your marital status, modified adjusted gross income, and whether you are covered by a retirement plan where you work. The adjusted gross income limits are the same for both Roth and traditional IRAs. If you have a retirement plan where you work, are single and make more than $69,000, you are not eligible for a deduction.

If you are married and file jointly, if your combined adjusted gross income is more than $95,000, you are not eligible. And, if you are married filing separately, and make more than $10,000, you are not eligible! If you or your spouse is not covered by a retirement plan at work, you can contribute up to your contribution limit regardless of your Adjusted Gross Income unless (you guessed it) you are filing separately.

If you are not going to get a tax deduction, there is no reason to do a traditional IRA. If you put the same amount of money into a Roth IRA, then you will never again pay tax on that money or the income or growth that you earn with it. In a traditional IRA, you will still pay tax on the income or growth when you take money out. And, you will have to keep records forever, to avoid paying tax on the after-tax contribution you made again.

There is another reason to choose a Roth. A Roth IRA gives you more control over when you have to take money out of your account. If you are young, it may be hard for you to believe that you would not want to take money out as soon as you can, but people often get to age 70 ½ and have enough money put away that they want to continue deferring taxes, using money from their taxable accounts for current expenses. With a Roth, you can do this. With a traditional IRA, you must start taking distributions at age 70 ½.

So, to keep control over when you want to use your money, and to let your money accumulate tax-free rather than just tax-deferred, the Roth beats the traditional IRA hands down.

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The Un-Comfort Zone

WAIT! Is There a Better Problem?

"If I were given one hour to save the planet, I would spend 59 minutes defining the problem and one minute resolving it."
Albert Einstein

On the 4th of September in 1957, amid great fanfare, Ford Motor Company introduced the Edsel line of automobiles to the American public. It immediately stalled. Just over two years later, the product line was officially closed on November 19, 1959.

A number of reasons have been posited for Edsel's spectacular crash including: its name was unusual; its design was considered ugly; its marketing was over-hyped which led consumers to expect something revolutionary when it was not; and the mild recession of 1957. But none of these are the actual reason consumers did not buy it. The consumer was not interested in the Edsel because Ford failed to find the right problem to solve.

In this column I have written about the importance of innovation; and how we are driven to create for a number of reasons. Frequently it is an emergency or crisis that forces us to think outside of the box. Other times we are motivated by curiosity. However, the top reason people innovate is to make money. When you boil it down to its bare essentials, innovation is all about solving problems or satisfying needs. If a company wants to successfully develop a new product or service, they must first find the right problem that needs solving. As Thomas Edison put it, "I find out what the world needs. Then I go ahead and try to invent it."

The problem that Ford executives thought needed a solution was that young rising professionals wanted a transition line of cars that would bridge the gap between Ford and Mercury and between Mercury and Lincoln. Unfortunately for Ford, their target audience did not see a need for a transition line. The price between the highest-end Ford was equivalent to the lowest-end Edsel, and the highest-end Edsel was equivalent to the lowest-end Mercury (this was also true for the Edsel models priced between Mercury and Lincoln). In short, no gap existed, and consumers were confused.

Only 116,000 Edsels were sold; and Ford lost $350 million (the equivalent of $2.7 billion in 2013 dollars). The loss nearly put the company out of business. It was a high price to pay for ignoring the most important component of innovation. If the company had conducted just a little market research, which may not have yielded the right problem to solve. It would have tipped them off that they were pursuing the wrong problem, and saved them all of that money.

Ford isn't the only company to suffer a huge loss for failing to solve the right problem. There was McDonald's Arch Deluxe (a hamburger targeting adults sold by a restaurant geared toward children lost $100 millon), and Heinz EZ Squirt ketchup (a purple and green ketchup that was assumed would appeal to kids, but grossed out the parents who controlled the purse strings).

On the other hand, there are companies that were trying to solve the correct problem, but simply failed to come up with the right solution. Coca Cola's "New Coke" was a formula change that attempted to solve the problem of rising sugar costs, but failed the taste test. Frito Lay's "WOW Potato Chips" was a failed attempt at solving the fat content problem of potato chips with a chemical called olestra which brought on diarrhea.

Innovation takes time, and if the goal is making money, then the biggest part of that time should be devoted to finding a problem which satisfies the greatest number of people. If your goal is to develop a new product, a new service, or a new process for your business, the most important place to begin is by rigorously defining the problem you're attempting to solve. You must know why it is important and to whom; and it must align with your core business strategy. Otherwise you will waste valuable resources and time which could cause you to miss vital opportunities.

Whether your idea is to improve your business or change the world, it all begins with identifying the right problem. That is where you want to spend your creative time.

Robert Evans Wilson, Jr

Robert Evans Wilson, Jr. is an author, speaker/humorist, and innovation consultant. He works with companies that want to be more competitive and with people who want to think like innovators. Robert is also the author of the humorous children's book: The Annoying Ghost Kid.

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International UPDATE

by Ed Morrow

Having just returned from Asia, I have some excellent news to share with our American IARFC members. All of us are concerned with the U.S. economy, and many are frustrated that our elected politicians (of both traditional parties) are not performing responsibly. Well, our offshore brethren have the same concerns. After all, we are the world's largest importer and our purchases support their prosperity. One even commented to me, "Do you have a way to vote "No" for all the candidates?"

I thought that was a great idea and I am sure my local Congressman, John Boehner, will introduce this measure. Right!

As you know, the U.S. dollar has long had the prominent position as the world's reserve currency (essential to most international transactions). Our financial profligacy as a nation places added pressure on offshore governments, corporations and also investors. Years ago many persons specifically invested in USD based insurance, annuities and securities. Well, the bloom is off that rose.

Sounds like bad news… but actually it is making non-U.S. citizens appreciate the sacrifices we have made in the last century to bring peace and justice to the world. Not perfectly, but diligently and at a terrible financial and life expense. One Chinese businessman said, "Our country is really benefitting from all of the U.S. peacekeeping efforts, humanitarian aid and open education opportunities — which are not major expenses for us."

The Asians I talked with (in Hong Kong, Macau, China and Taiwan) all seem to feel that gradually the reserve currency issue will change, with some new basis that is international in nature (incorporating other strong currencies, such as from China, Germany, England and the Middle East (based on oil). Will this be good? Certainly if it discourages our repeated international conflicts and all the military and humanitarian aid previously given freely to questionable recipients!

The Asians I talked with seemed unconcerned about the economic and military aspects of the current world events. They focus on lifestyle for themselves and their family. Our IARFC associates are diligent in proposing life insurance solutions to individual financial planning. The population has little confidence in banks (which often pay no interest), in mutual funds or stock securities, and there have been high fluctuations in real estate. There is no packaged way to invest in real estate, such as REITs or real-estate based mutual funds. The huge number of city-dwellers who have migrated in from the farms have little interest in establishing or investing in local small vendors (food shops, convenience stores, service providers) Annuities are not a factor in Asia at the present. They do not have available the flexibility of the U.S. annuity products. There is a great opportunity for U.S. annuity specialists to partner with Asian life companies.

The prominence of the RFC designation grows in Asia, due to the excellent staff of our partners, IMM International which has been in business of 30 years, has 12 offices and over 350 employees. They coordinated my addressing 12 audiences with 1,920 RFCs physically in attendance, plus over 10,000 registered on an internal network at a hundred offices of Nan Shan Life. My presentations were multi-lingual. The PowerPoints were in dual English and Simplified Mandarin, and my verbal commentary was translated by Kai Tu Yuan, RFC who has been associated with us for 14 years. In 2014 over 1,000 will attend RFC courses in China alone.

The *Register* Editorial Calendar 2014

Issue	Theme	Possible Topics to be covered
January/February	A Fresh Look	Resolutions/Setting Goals for 2014 Federal Employees/Veterans — Uncovering Hidden Benefits Health Legislation, Saving techniques, Social Security
March/April	Your Practice	Marketing, Working with Technology, Remote Office, Internships, Succession Planning for your Business, Funding your Loan Cancellation, Personal/Professional growth
May/June	Life Changes Good and Bad	Plan changes triggered by Marriage, Divorce, Birth of Children, Graduation, Preparing Children for their First Jobs, Promotions, Disability, Death…
July/August	Future of the Industry	How does the new advisor affect the industry, Mentoring, Social Media presences, What forms of compensation are most desirable
September/October	Meeting Special Needs	Trusts, Wills, Caregivers (children/parents), Eldercare, Medicare/Medicaid, Handling home office, Introducing clients to other professional to meet their needs if you can't
November/December	Assessment & Moving Forward	Philanthropic Giving, Evaluation of financial growth this year, Budget Planning for 2015, Set up for next year

Register Round Up

The *Register* is running a column that features responses from industry leaders to just one specific question. What we are looking for are several sentences, although more are welcome. This may entice you to submit a short article on the current proposed *Register* Round Up question. These questions are sent out via email, contact us to join the list. Remember, our goal is to make this magazine an even more valuable resource for you and the clients you serve.

Submitted pieces are subject to editing and proof reading by the IARFC staff. The IARFC Register reserves the right to reject any article and/or advertisements. Content in the Register is subject to change without notice.

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November/December	September 15

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