the Register

Vol. 13 No. 4 • April 2012
Official IARFC Publication

www.IARFC.org

You Are The Product

Lester W. Anderson

Serving Financial Advisors Worldwide

Develop a New Market

Charge non-investment fees

Sell giant insurance policies

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Acquire new affluent clients

Fee-Based Business Planning Workshop

Identify and Prospect a New Market

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

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What attendees are saying….

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

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

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

Instructor

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

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

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

IARFC
INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

• IN THIS ISSUE •

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

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

This month's Round Up question:
What do you do to bring exceptional value to your clients?

In order to bring exceptional value to a client, one should:

- **V** Value our clients time and resources, we know that our success depends upon achieving cost-effective and exceptional results for our clients.
- **A** Action oriented, exceptional response times.
- **L** Listen carefully to our clients and align the right resources to best meet our clients' goals.
- **U** Understand in detail our clients history, current situation and future plans.
- **E** Earn our clients trust by delivering on our promises.

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

Be fully prepared well in advance for each meeting with a client or especially a prospect. Have all the prior reports and files, a notepad and pen, and the person's favorite beverage ready. Often these people will arrive early, and you do not want to be observed as unprepared. Create the impression that you would like if going to your attorney's office for a review of your prior will and trust agreement.

Edwin P. Morrow, IARFC CEO, CLU, ChFC, CEP, CFP®, RFC®
Middletown, OH

In our world of advisor support, exceptional value has to mean more than product access, a high commission and processing of the applications. At FFP our focus is on the Advisor and their practice. While we certainly perform all of the above tasks efficiently, the real value comes in helping the Advisor run their practice more profitably. This can entail prospecting support, business consulting services, training platforms and marketing expertise. Just as when an Advisor provides "exceptional value", there is an entire process. So is the case with a national producer group and the services we provide to our customer, the Advisor.

Ed Ledford, IARFC Treasurer, CLU, RFC®
Carmel, IN

I deep dive in to their B. A. V. I. "Beliefs, Attitudes, Values, and Information" that they hold as truths — whether it is true or not. Know thoroughly as possible, their hopes and dreams, requirements, hobbies, and opinions going forward. I learn if are they active or passive in the investment decision making process. I do this by talking to them and continually talking to them, more than once a quarter.

Les Anderson, IARFC President, MBA, RFC®
Dacula, GA

Most advisors have a good idea of what is exceptional value to the client. After doing focus groups for several companies with their clients, one thing stands out. There is no established benchmark of what is exceptional value to a client. Many things can mean differences to your clients. Very knowledgeable, promptly returning calls, knowing the current tax laws, understanding investment strategies are all exceptional value to the client, but if the client does not know what exceptional value is then the advisor is just like everyone else.

As an advisor you must establish with your client what exceptional value is because they really do not know. What do you bring that others do not should be defined in a letter of understanding. This letter defines what exceptional value is. It is a win-win for the advisor and the client.

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

Register Letters

We welcome all your comments, suggestions, ideas and articles. Please direct correspondence to: **editor@iarfc.org**. Letters may be edited for length and clarity.

Comments on Book Review, Vol 13. No. 3., Steve Jobs: The Biography, by Walter Isaacson

I liked the review of the Steve Jobs biography. I think having book reviews are great additions to the *Register*.

Hopefully, I'll see more.

Hesh Reinfeld
Pittsburgh, PA

P.S. Walter Isaacson is amazing… He seems to have the ability to write major books every few years and still do a dozen other things. I read parts of his Einstein biography. The most interesting story… Einstein was having a problem finding a teaching job after he got his Ph.D. (His faculty advisors did not like him because he questioned all of their theories). Unbeknownst to Einstein, his father wrote a letter to a Physics professor at a university in Belgium (?) suggesting that he hire his son Albert.

So, even Al Einstein needed some help form his dad to get his career moving.

NEW IARFC MEMBERS

Robert J. Bives, RFC®, TX
David Lee Cobb, RFC®, MI
Richard M. DeCrosta, RFC®, CT
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Kevin G. Garvey, RFC®, FL
Gregory G. Griffin, RFC®, NV
Andre Lereu, RFC®, NV
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Karen R. Morse, RFC®, IL
Ray M. Pilaro, RFC®, CA
Michael J. Reilly, General, CT
Anthony James Vlachos, RFC®, NY
Joshua F. Williford, RFC®, MD
Sean Charles Wintz, RFC®, VA

Members Who Recommended New Members

Referror of the Month
Steven M. Katz, RFC®

Isabel Cooper, RFC®
Tim Herbert, RFC®
Steven M. Katz, RFC®
Stephen Lawler, RFC®
Frank Lovaglio, RFC®
P. Christopher Music, RFC®
Lew Nason, RFC®
Gregg Pajak, RFC®
Anthony J. Sorrentino, RFC®
Christine Wessinger, RFC®

CALENDAR OF EVENTS

Business Owner Consulting Workshop
April 4, Saint George, UT (closed)

Business Owner Consulting Workshop
April 19, 2012, Middletown, OH

Business Owner Consulting Workshop
May14, 2012, Manila

IARFC CE@Sea™
Bermuda
(Holland America, msVeendam)
May 20-27, 2012

Business Owner Consulting Workshop
June 7, Charlotte, NC

MDRT Annual Meeting
June 10-13, 2012, Anaheim, CA

Business Owner Consulting Workshop
July 12, Las Vegas, NV

Business Owner Consulting Workshop
August 2, Denver, CO

IDA 9th Worldwide Chinese Congress
August 9-12, 2012,
Sydney, Australia

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From the
Chairman's Desk…

Your Association On The Move

As we celebrated our 28th year, the Board of Directors met in February for the traditional issues you might expect:

- Election of Officers and Directors
- Review of the Financial Reports
- Discussion of Current CE Programs
- Member Services and Benefits
- Potential Enhancements

On the day before the meeting we held a Business Owner Consulting Financial Workshop. The comments from the directors were unanimous — they appreciated how we had assembled a variety of powerful tools and organized a very concise CE program. Several were witnessing their second attendance and commented on how much progress had been made. Clearly this is an under-used and extremely valuable event.

That evening we had a reception at my home, which offered everyone an opportunity to become better acquainted on a personal basis.

At the Board meeting on the following day, we had reports from the staff, including:

Amy Primeau who handles domestic member services, and our response to membership inquiries. She delivered the statistical analysis of offshore IARFC members that was produced by Kathleen Ourant, who could not be present.

Susan Cappa, was widely complimented on her assembly of the workbooks and the CD-ROM that are part of our CE programs, and the dynamic PowerPoint revisions she has made.

Wendy Kennedy discussed the need for content for the *Register* and Board participation and the work being done on the IARFC website.

Mark Terrett explained the changes in the *Journal of Personal Finance*, and he responded to inquiries about the financial strength of the Association.

Starr Morrow (my sister) reported on the 2012 cruise to Bermuda, and the special Offshore Planning Conference to be held at Fairmont Princess Hotel, sponsored by Hank Brock's firm, Mutual Benefit International Group, the first major IARFC corporate sponsor. Incidentally this year, despite the financial malaise, the attendance has hit record numbers.

CE Program Development. The Business Owner Consulting Workshop will be split into two elements, which can be presented separate:

Business Debt Cancellation
Business Succession Planning

We are completing a new CE module on Branding and Image Building for the RFC advisor and his or her firm. Soon to follow will be a full day Workshop on Client Engagement, which will respond to the requests by members for more tools in helping them present financial services on a fee-basis (without being an Investment Advisor) and how to market this service to augment revenue.

Association Leadership. At the recent Board Meeting the following enhancements were made to the leadership ranks, in the organization's continuing efforts to increase effectiveness and member services:

Office of the President. This position was created to increase executive involvement, especially in the areas of association management. The President will serve a term of one year, and may be re-elected to a second term. Les Anderson of Dacula, Georgia was elected to this position, and he will be focusing on the development and solicitation of corporate sponsors. Les has served on the board for six years and was recognized by the board members as offering especially valuable advice and perspective.

Office of Vice President. There are two directors to serve in this capacity, each of whom will have specific assignments: Rosilyn Overton of Littleneck, New York and Jeff Rattiner in Scottsdale, Arizona.

Secretary. This position is filled by Bill Nelson of Dayton, Ohio who will be responsible that all records of the actions and elections of the Board and Membership are duly recorded.

Treasurer. Ed Ledford of Carmel, Indiana, will fill this position to overview the financial records maintained by Mark Terrett, IARFC Operations Manager and the IARFC tax returns prepared by Jim Hendrix, CPA.

Would You Like to Serve? All members of the IARFC, both in the US and elsewhere are encouraged to become personally involved. We will be looking for candidates for five positions on the Board of Directors to be elected at the February 2013 meeting.

Get Your Ball Rolling! Start by sending a short email that might include a comment on the particular aspect of the IARFC that you feel is most appropriate for your contribution. Accompany this with your professional resume if you like. If you are an author, please attach an article you have written. Or if there is an article in the general or financial services press that outlines a topic of interest to you, we'd be most interested.
Send these to:
info@IARFC.org

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

Markets' Solid Starts Bode Well For 2012

There is an old saw about the equity markets: As January goes, so goes the year. But like many old saws, there is a basis in fact for this one. Note that the S&P jumped 4.4 percent for the month, with the tech-heavy NASDAQ up 8 percent.

In addition, the "first five days" theory holds that the S&P has never fallen in a year when the first five days of the year see gains of 1.8 percent or more. In the first five days of 2012, the Dow rose 1.8 percent.

The Dow index has matched the direction of January performance in 92 percent of years since 1970. In 85 of the Dow's 114 years — 75 percent of the time — the January effect has held true.

Reasons for optimism have emerged. Most recently, the unemployment rate fell to 8.3 percent from 8.5 percent a month earlier and 9.1 percent as recently as August.

This is because net job creation in January was 243,000 — more than expected. Moreover, December job growth was revised upward, as was November from 100,000 originally to 157,000.

These jobs were created in the private sector; business added 257,000 jobs as the public sector continued layoffs. Small businesses added 95,000 jobs, while medium-size firms added 72,000. Large companies added only 3,000 jobs. Most Americans work at businesses ranging in size from small to medium; these are the ones that banks are becoming more willing to lend to.

Factory orders are up for the second consecutive month. Factory orders grew in Germany for the first time in four months. Orders also grew in Austria, Britain, Norway and Sweden. Northern Europe's numbers are a hopeful sign for a continent probably headed for a recession. The Institute for Supply Management numbers surpassed expectations — 56.8 to 53.1.

February is typically one of the worst months for the Dow, but it started this one strongly. When the jobs number was released, the Dow powered to its best closing level since 2008. The S&P pushed ahead 6.9 percent for the year, its best start since 1987. The NASDAQ turned in its best close since December 2000.

All these numbers are good for President Obama's chances for re-election. In the 16 elections since WWII, the period for which records were kept, where presidential terms saw job creation, the president was re-elected 10 times. Where job growth was modest, the race was close; and where job growth was negative, the incumbent lost.

It would seem that President Obama would have to exceed the rate of population growth. So, if an average of approximately 150,000 jobs were added each month between now and the election, he would be the favorite to win. Fewer jobs would cast his re-election in doubt.

The Federal Reserve has pledged to continue to keep interest rates low for at least another year, and maybe longer. It has shown its intention to do everything in its power to aid the economy.

When the Central Bank wields such a heavy bat, one has to take notice. The recent strong employment numbers could cause the Federal Reserve to alter its direction on interest rates and support for the economy. But sovereign debt problems continue in Europe and could erupt again at any moment.

In my view, emphasis should still be placed on equities, with fixed income for safety and security and to dampen volatility. Growth in the economy and earnings should continue to fuel equity investments. Tip the scale with equities over fixed income.

William Rutherford

William Rutherford is the founder and president of Portland based Rutherford Investment Management. Information herein is from sources believed to be reliable, but accuracy and completeness cannot be guaranteed. Investment involves risk and may result in losses.

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Reduce Insurance Costs!

Start helping your clients, friends and family to "Live Debt Free and Truly Wealthy."

As we discussed in last my article, one of the main reasons people are struggling with their finances, is they are over spending… spending money in the wrong places.

Isn't it our responsibility, as RFCs, to help families to spend, save, invest, insure and plan wisely for the future, to achieve financial independence? Shouldn't we be setting a good example, along with helping clients to find the money to save and invest? Can we help them to reduce their insurance costs?

Unfortunately, most insurance agents, financial advisors and financial planners out there want to sell the most expensive and most profitable products (for them) that they can get away with. If you want to help your client get out of debt and become financially secure, then they need to cut unnecessary insurance costs. But, it must be done wisely!

Increase Insurance Deductibles

Ask your client: If they had $100,000 in savings…

Could they afford to have higher deductibles on their Auto Insurance, Home Owners Insurance and Health Insurance policies?

How much money would they have saved in the past 30 years if they had higher deductibles on each of those policies?

The amount of money saved obviously depends on how many times they have used or met insurance deductibles over those past years. The fact is, that for most Middle American Families, the savings from increasing insurance deductibles would have been significant. However, it is something most insurance agents don't want their clients to know. Remember, agents generally want to sell the highest priced policy they can, because they receive commission on the policy premiums paid each year. Isn't it the same for all salespeople?

The amounts chosen for a higher deductible can vary by state and by company. But just increasing a deductible by $500 on Auto Insurance could save $100, $200 or more per year depending on the company. Over a 30-year period, that's a minimum savings of $3,000. If that amount was invested, that $100 savings each year at only 7% would yield an additional $9,446 at retirement. And, that's for just one car.

What about dropping collision and/or comprehensive coverage on older cars? If a car is worth less than 10 times the premium, purchasing the coverage may not be cost effective.

Disability Income Insurance and Long Term Care Insurance

Clients should also take a long look at their individually owned Disability Income Insurance and Long Term Care Insurance. Most agents, planners and advisors want to sell a policy with a 'lifetime' benefit, with all sorts of expensive riders. However, the average length of a disability or the need for long term care is generally less than three years. A three to five year benefit is probably all most Middle American families really need today. The difference in cost between a five-year benefit and a lifetime benefit is very significant. It's generally a savings of 50% or more.

Of course, if disabling health problems already exists, or there is a significant family history of disabling health problems, a longer benefit period on their policies may be appropriate to suggest.

Eliminate Expensive Riders

Evaluate all the riders on every one of the insurance policies. Many of those riders are nice to have but are they really necessary? Especially, if those riders are keeping your client from saving for retirement or their children's college education!

Consider eliminating riders such as towing and car rentals on Auto Insurance Policies or cost of living and inflation riders on Disability and Long Term Care Policies. Forget about any of those 'return of premium' riders, because there is an additional cost. In almost every case, the client can do considerably better by investing the additional cost of those riders themselves.

Twenty dollars here and thirty dollars there can really add up fast and make a big difference in the amount saved for the future.

Simplified Examples

The difference in premiums between a $250 deductible and a $1,000 deductible on an auto insurance policy averages about $350 per year with most companies. (And, that's just for one car) Utilize a higher deductible for 30 years and when put that $350 into savings each year for the next 30 years, even at a modest 7% return, it would accumulate to over $33,061.

Now, consider the yearly savings on two cars, homeowners insurance, health insurance, unneeded riders on those policies and any unneeded policies. How about money paid on service agreements on new purchases of large appliances and the insurance on credit cards? The list goes on and on.

If someone had saved only $1,500 per year for 30 years and invested that money, at 7% that money would accumulate to $141,691. That $141,691 would generate $9,919 per year during retirement.

Even if deductibles were used several times over those 30 years, how much better off would it be?

The problem is, that the low deductibles and expensive riders that most people have on their insurance policies is one of the major reasons why they have problems 'Finding the Money' to save for their future. That is why they don't have $100,000 in their savings account right now.

Again, we are not asking our clients to change their current lifestyle or take additional money from their pocket. We are suggesting that they just manage their money wisely.

Let's help our clients 'Find The Money' to 'Live Debt Free and Truly Wealthy'…

"A penny saved is a penny earned."
Benjamin Franklin

Lew Nason, RFC®, RTIA, LUTCF

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

Contact: 877 297 4608
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Attention Criminals!

Barry M. Ferguson, RFC®

Attention criminals. Stop what you are doing. Yes, I know that interest rates are at zero percent and as I have been writing for years, they will stay at zero percent forever and ever! How can I be sure? Well, we live on debt. Nations fund their existence through debt. We fight wars on debt. Debt gives us the illusion of wealth. If interest rates went up, we wouldn't feel wealthy, we couldn't fight wars, governments couldn't pacify their citizens with mirage entitlements, and we wouldn't be out at the mall every weekend exercising our charge cards. I think we have a better chance of seeing Rick Perry conduct memory seminars than seeing Bernanke raise interest rates.

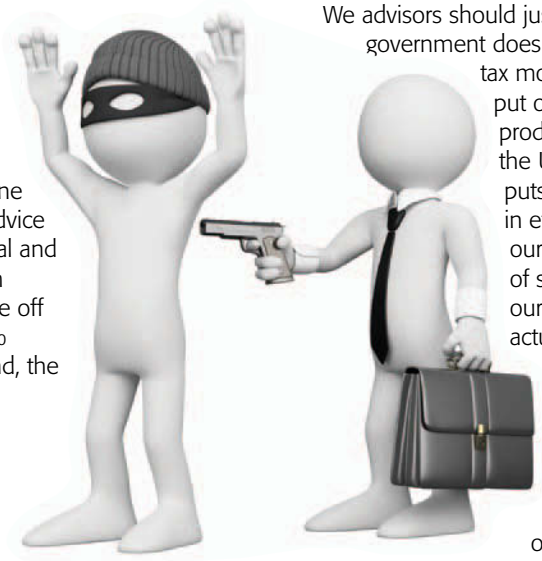
So what is an investment professional to do when clients want to earn some interest without risking principal? Sure, we have money markets and FDIC insured deposit accounts. There are FDIC insured CDs and gooberment-backed Treasury notes. But none of them pay very much in the way of an interest coupon and all of them are sure principal losers at maturity due to the inflation caused by the zero percent interest rates. Just as a disclosure, I am referring to the reality side of inflation like rising gasoline prices, rising grocery prices, falling wages, and rising utility bills. The central bank has another version of inflation that can be found between Hansel and Gretel and Jack and the Beanstalk. I assume that none of the readers of this article are wearing diapers, so I will not even address the utterly preposterous gooberment fairy tales.

In response to this zero interest rate environment, alternative income producing products have been introduced. Market-linked CDs come in a standard CD package for the most part and many carry FDIC insurance with maturities of 5 years or less. Their return is 'linked' to the return of some asset class like the S&P 500. Some even guarantee a minimum return and almost all guarantee a principal return.

There are also notes issued by banks that pay a return based on the spread between two different Treasury maturities times some multiple. For instance, Bank of America might issue a 20-year maturity note that pays a high first year interest rate every quarter (say, 10%), followed by 19 years of a formula based payout like '4 times the spread between the 30-year US Treasury note and the 2-year US Treasury note'. These are typically not FDIC insured and the risk lies with the financial security of the issuer. With these notes, we have been assured that the Federal Reserve will not let the big banks fail, the central banks will 're-capitalize' the big banks should they lose their money gambling with derivatives (as exemplified by what the ECB is doing in Europe with the banks owning Greek debt in default), and the big banks can pretend to make a lot of money.

By using FASB 'statement 159', banks profit no matter what happens to the value of the note after issuance. If the note falls in value, the banks count the drop as 'income'. If they rise, I suppose they count that as capital gains. Of course this is just 'statutory income' but that counts in the fantasy world in which we now live. And we investment advisors are criminals? Yeah, right!

Anyway, there are alternatives to give investors a chance to do better than a standard CD.
However, the regulators don't like these products. In fact, I just read an article that Finra was 'scrutinizing' these market-linked CDs that are sold to the public. First, everyone in the investment advice business is a criminal and advisors selling such products could make off with as much as 6% commission. Second, the regulator thinks that the public is just too stupid to understand these products. Third, the regulators don't think that advisors will explain the products correctly. Fourth, a regular CD just might beat one of these alternative products in the end. Yes, that is true. They might. But, it seems to me that investors are risking only one or two percent interest that they would receive from a standard 5-year CD should they choose a market-linked CD tied to the S&P 500 should the market-linked CD return zero over its lifespan. One has to weigh the possibility that the S&P 500 will return something better than 2% over the next 5 years. Will it? Who knows. Why don't we ask Bernanke?



The point is, we have to make some decisions to help clients. Of course we are not going to be right all the time but that shouldn't make us all criminals as we are apparently in the eyes of the regulators. Part of what clients pay us to do is find the best products for them. Personally, I don't like most of these alternative income producing products but there are some that make sense. Shouldn't I be free to recommend them to clients without fear of retribution?

Or better, allow me to make a suggestion. Since regulators are an arm of government, we should assume they know best. We advisors should just do what our government does with our tax money. We should put our clients in the same products that the US government puts our tax money. So in effort to reform us from our criminal behavior of suggesting ideas to our clients that might actually work, here are my proposals since the government knows best.

First, since the government leverages our spending

by borrowing trillions of dollars every year, we should suggest that our clients do the same. Borrow money to invest and leverage all assets. Risk is just a four letter word!

Second, the government makes our biggest investment in the Social Security program. By law, the money that goes into Social Security can only be invested in US Treasuries. How has that worked out? Oh yeah, the fund is running a deficit this year and most analysts believe it will go broke over the next decade or so.

Third, we should suggest clients invest money in housing for the unqualified residents in entities like Fannie Mae and Freddie Mac. They pay a good dividend, right? What's that? Oh yeah, of course they both lose some $3 billion dollars per quarter. Without constant reimbursement from taxpayers, both entities would be out of business today. In fact, when they were quasi-public companies, neither could remain solvent as the government had to absorb them.

Fourth, transportation is necessary so maybe our clients should put money in the government transportation system of Amtrak. What? They are bankrupt too? They also lose billions every quarter?

Fifth, maybe parcel delivery is where we should be. Maybe our clients could invest in the US Postal Service. No, don't tell me they are bankrupt too? Yes, they lose billions every quarter and they announced layoffs last month that might total 35,000 in number.

Sixth, maybe we should put our clients' money into a few high-tech green energy companies like Solyndra. That's where our government invested $500 million of our dollars. Am I to believe that they went bankrupt too? Get out! I thought our gooberment had all the right answers!

Seventh, well, there is always health care and the government puts our money in Medicare and Medicaid and if its good enough for the US government, it should be good enough for our clients. What? Both of them are bankrupt too? Insolvency will set in in a few years?

Eighth, maybe we should put clients in the same investments that federal employees are awarded through their retirement benefit program known as the FERS (Federal Employee Retirement System). Well, maybe not. By law, the FERS invests in US Treasuries and the US is drowning in red ink.

Really, what are we to do? What should we advise our clients to do with their money. If we invest like the US government, our clients would likely sue us all for incompetence. Yet, those who are most incompetent are our rule writers and judges. It should be more apparent to all of us that the government finds fault with almost everything we do. Yet, I would match almost any investment advisor's track record against that of the US government. Maybe those who regulate us should regulate themselves! Maybe those who wear the 'dunce hat' shouldn't write any of the rules! Maybe we are not all criminals after all!

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

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Avoiding the Whirlpool of Despair for Widows, Divorcees and Caretakers

Mary Belle sits across the table discussing the needs of Managing Matriarchs. She wears a knit hat to keep warm as she is recovering from breast cancer treatment. She is a widow making financial decisions on her own, and she is a caretaker for her aging mother. These are daunting events, yet there are hundreds of women facing these potentially overwhelming challenges right here in our community. Challenges of this nature cannot be evaded. They must be addressed and, thankfully, there are means to address these challenges.

As an expert on the financial planning needs of this group of women, I enter into extensive discussions concerning the challenges and solutions relevant to Managing Matriarchs. The definition of "Managing Matriarch," which I use in research interviews, discussions, and this article is: A women in her 50's or older who is organizing and administering her personal and family financial affairs. This could be because she is widowed, divorced, has not married, or, has a loved one such as a spouse or parent whose health is failing.

By integrating insights from local Managing Matriarchs, spiritual leaders, accountants, mental health professionals, and attorneys into my financial management expertise, I will address three major challenges.

First and foremost is the overwhelming prospect of making decisions in isolation. Sara Penny, a mainstay of the Orchestra of Southern Utah and a local Managing Matriarch through the decline in health of both parents and her grandmother, calls the feelings associated with these events a "whirlpool of despair." I have found that for many Managing Matriarchs, the thought of making decisions alone is overwhelming. This leads to inaction. Inaction leads to feeling guilty that not enough is being done. Guilt makes the decision even more overwhelming. This sinks the Managing Matriarch deeper into despair and starts the cycle of despair over again.

Anne Judd, another Managing Matriarch and mainstay in the arts community through her work with the Shakespeare Festival, told me of a widowed friend's comment, "Since my husband's death, the most difficult thing I deal with is making decisions alone."

Kent Corry's perspective as a local attorney is that there are two components leading Managing Matriarchs to be overwhelmed by their decision making responsibility. He said, "Not always, but often, it is the case that the wife wasn't given (or didn't want) the responsibility in decision making of the finances," yet upon becoming the Managing Matriarch they feel a tremendous "obligation to take care of what was accumulated as a family." This obligation, channeled correctly, can make Managing Matriarchs prudent and proactive, but more frequently I see it lead back into the "whirlpool of despair" cycle by making decisions appear even more overwhelming.

The second and third challenges are highly correlated: Having enough money to live on for life, and being able to cover rising expenses due to inflation. Managing Matriarchs and local experts that serve them recognize the major challenge of not running out of money. "We are a sandwich generation… because in our minds we were going to retire with enough to take care of ourselves, [but] now that money has to be spread out three ways," explained Gen Phelps, President of Delta Kappa Gamma, a society for key women educators.

The Managing Matriarchs I work with are in, or preparing for, retirement. They may also be financially helping adult or young adult children. Simultaneously, they may be physically and financially assisting a parent or spouse whose health is deteriorating. In that context, it makes sense that "Will my savings carry me through?" is the underlying unease that Community Presbyterian Pastor John Guthrie picks up from conversations with Managing Matriarchs in his congregation. In the current low interest rate economy, there is a legitimate anxiety that savings are being depleted just to cover living expenses. Add the additional expense of supporting a child or parent, and that anxiety becomes a justifiable threat to wellbeing.

Home Health Care and Hospice social workers like Craig Hansen and Kimble Weaver have a daily insight into this challenge. Kimble describes the multi-generation challenge that he is seeing in this way: "When I was a boy, 70 was old; now I have clients over 100. I think we are seeing changes we haven't had in society." In my practice, I see the societal changes such as lengthened life expectancies particularly for women and an increased divorce rate creating three generations of financial needs. The significant challenge is that all three generations may be looking to the Managing Matriarch for support. The effects of inflation tie in closely to this challenge of having sufficient savings.

From her perspective as director of the local Senior Citizens Center, Connie Lloyd sees the major financial challenge as "higher costs across the board." Insurance, housing, food, gas [all increase in cost, but] their income doesn't accelerate as much as the cost of those things." Inflation and outliving her savings creates a uniquely difficult financial challenge for a Managing Matriarch, because she is likely the sole support and the sole decision maker for herself and her family.

Managing Matriarchs can successfully navigate these challenges and achieve their key financial goals by using a systematic approach to arrive at informed decisions. To allow the Managing Matriarch to avoid the overwhelming nature of making decisions alone, yet come to an informed conclusion, the financial management approach must be consultative. The first step of a consultative

process is a mutual discovery meeting. A Managing Matriarch needs to be heard.

Cindy Jones, a local expert on the mental health needs of Managing Matriarchs, observes that a "skilled support system" is the most effective tool in reducing anxiety and making good decisions. The key skill needed by a member of a support system as agreed to by local experts and Managing Matriarchs is summed up by Robert Cox, a partner with Hinton Burdick CPAs, is the ability to "listen, listen, listen." In the case of a mental health, spiritual, legal, tax, and certainly a financial advisor, the professional's highest priority must be gaining an excellent understanding of the Managing Matriarch's situation and needs. Being heard and understood by members of the professional support group is the Managing Matriarch's first step toward making informed decisions and avoiding the whirlpool of despair cycle. A mutual discovery meeting facilitates being heard and understood.

The second step in a consultative process allows the financial professional support group member to present well-considered recommendations in an open format that allows for questions. After deliberately allowing time for the Managing Matriarch to consider the recommendations and ask additional questions, the third step is to mutually commit to implement the recommendations.

Local Managing Matriarch Mary Belle Royer explained, "[Managing Matriarchs] aren't aware they need to ask questions… and keep asking questions." A consultative process purposefully creates time for consideration, questions, and good comprehension. The fourth step in a true consultative process is follow-up from the professional support group member. This should occur soon after an informed decision has been finalized and continue through ongoing progress reports.

A Managing Matriarch should only select a financial advisor that uses this type of collaborative process. If she chooses not to hire a professional, a Managing Matriarch should take the same approach with herself. Managing Matriarchs face significant financial challenges, but the right consultative approach is the means to address their concerns and maximize the probability of achieving their goals.

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Profile Interview

Lester W. Anderson

You are the Product

Self-marketing is an awareness that you are always "ON"

How did you first enter financial services?

I was working for an Atlanta consulting firm that had a contract with The Delaware Group in Philadelphia to provide sales, marketing and presentation development training for their wholesalers. After about a year, the president of the company suggested they would save money if they hired me as a full time employee. My start date was May of 1987, the year of the '87 crash in the stock market. I have been a Registered Representative since 1987 and a Registered Principal since 2001.

What was your educational background?

Successfully completing an MBA program in 1976 was the highlight of my academic career. Initially I graduated from Waggener High School in Louisville, and then attended the University of Louisville – flunking out after one year. A four year break and service in the Marine Corp helped me get my priorities in order. I returned to school and graduated from the Securities Institute at the Wharton School of Business at the University of Pennsylvania. After returning several times to the Securities Institute to lecture, I received their Distinguished Speaker award.

What were your early job duties?

I was a Salesman, Sales Manager, Consultant and Speaker. This led me to teach "brokers" self marketing skills; more practice development than anything. Who should be the client? How do you find them? How do you position "you" with them? While employed at Delaware, I met Shelley Lee who helped me compile my speeches on marketing into a book titled ***You Are the Product***. It was well received by the securities industry, and led to speaking engagements in the USA, Canada, Europe, South America, Australia and New Zealand.

Were you successful at first?

I did not enter the securities business until I was in my forties, so I had a good seasoning before I found my special place in the financial business. I loved teaching wholesalers presentation and selling skills. Now that I have my own retail clients, my prior experiences have become a huge advantage for them.

What or who influenced you the most?

My four years in the US Marine Corps followed by seven years of direct sales (door to door) experience has had the most profound effect; then, Reis and Trout's two books ***Positioning: The Battle for your Mind, Marketing Warfare***, and Napoleon Hill's book ***Think and Grow Rich***.

What were your major obstacles?

Being a Southerner! It took years for some to listen to what I had to say. Many people have preconceived notions about many things; education, heritage, etc., so when something breaks or challenges that notion they tune out. I have matured, but I am still "me" whether I am with my mechanic or with the CEO of a major company. It is important to be yourself. TRUST is critical in our industry, not just regarding theft, but trust in competency.

Tell us about your current practice:

Presently, I have a client base of 30 households totaling approximately $8,000,000 of investment capital. I am assisted in this effort by my registered assistant and wife. We began our practice in 2002, encompassing nearly all types of investments and some limited insurance products.

How do you market now to acquire new clients?

Most of my clients come from referrals and opportunities that arise from social activities. Self-marketing is an awareness that you are always "ON", so you recognize opportunities from your activities. After all, it is the advisor

who investors buy, not products, services, yield or style.

What are your major frustrations?

First, my major frustration is that of the time constraints of having two professions — the age old problem we all face-balancing work and personal life. Secondly, the frustration in serving clients which evolves around the fluidity of the changing environment of products, services and regulations.

Tell us about your business continuation plan?

I am working with a great OSJ who schedules planning sessions monthly. All the brokers who work with him meet and discuss strategy thus giving all a chance to get to know each other and how they conduct business. I have transitioned most of my clients to fee-based accounts which will make it easier to transfer to the successor we will ultimately choose when I do retire.

What feature or benefit of the IARFC has been of greatest value?

Continual updates on tax law changes and the sharing of unique marketing practices is valuable information. Associating with other members and hearing their views on what is going on in this industry keeps me fresh and informed. I enjoy the availability of workshops that hone skills and techniques for various markets.

What do you see for the Association in the future?

If properly presented (the IARFC does a good job here) to the Broker/Dealer community, all types of practices (commission, insurance, fee-based) can be served. The IARFC may be the only association that does not discriminate on the type of business advisors do, just do it ethically and keep the best interest of the client as the first responsibility.

What should financial advisors be doing to give back to the community?

Mentoring young practitioners to develop their practices is vital. It is the responsibility of financial advisors to educate the general public to better understand financial planning and help them plan for their future and legacy.

What will be the impact of technology on financial advisors?

As advisors age, it becomes more difficult to keep up with and maintain competence in the realm of technology. This presents a real problem for "seasoned" investment advisors who possess the understanding of markets and investments and the advisors ability to execute appropriately the orders, allocations and issues required.

What do you advise an RFC to concentrate on?

Understanding client/prospects wants and needs. Sometimes these are in conflict. They want spectacular returns with little risk. As an Association, we should train and reinforce the skills to help advisors manage client expectations.

> "Vision will always separate the mediocre from the outstanding."

What's looming on the horizon for our profession?

While technology is challenging it is also the avenue to providing more, better and faster services to the clientele. It enables the financial professional to multiply themselves and their capacity.

What do you wish you had done, early in your career?

Invested more time on industry education.

What have you done to create a reputation in your professional practice?

The Marine Corps taught me four words to live by in all I do. DUTY, HONOR, CORPS, and COUNTRY" These have never failed me. A producer's good name is the most valuable asset he/she can have.

- DUTY: Put the client first.
- HONOR: Use the right product, not the highest commission product. Tell the truth and make everything transparent.
- CORPS: Be true to your company and your clients.
- COUNTRY: Do the right thing and promote free enterprise.

What are the outside activities that bring you pleasure and dove tail with your practice?

Earlier in my career I was into coaching, officiating, youth activities, sports, boy scouts, etc. As I have aged, I teach investments and how markets work, along with history lessons as to financial impacts beyond the normal "dump" that is fed to us by the press which cause unadvised investors to make inappropriate decisions regarding their assets. This can be seen by the seeds planted in the 1990's as the cause of the 2008 market crash and recession.

How do you create an investment vision of the future?

Many practitioners quote past performance, stats or ratings on the funds, stocks and other investments. That is the past and we will never go there again. The most successful practitioners I have encountered over the past 30 years have all had a forward look or feel of what is needed in the future. They have approached that with balance and judgment. Vision will always separate the mediocre from the outstanding.

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Market Perceptions — Market Realities

part one

Why the gold and silver bullion markets are having fluctuations in price when they should be accelerating strongly?

On Jan. 1, Japanese bullion dealers were required to start reporting bullion sales in excess of 2,500 yen, or about US $3,000, to the government. The fear of this new rule and threat of a new tax were enough to cause widespread liquidation by the public. Japanese bullion dealers were reportedly swamped. The window dressing issue results from portfolio managers taking year-end profits from their best asset class (precious metals) to cover or dress up the poor performance of the rest of the investment portfolio.

Portfolio managers in the US did the same from November 2011 through December 2011. We are living in the biggest debt bubble in the history of the world, and it has gotten even bigger since then. The "too big to fail" banks are larger now than they have ever been. Americans continue to run up credit card balances like there is no tomorrow. Tens of thousands of manufacturing facilities and millions of jobs continue to leave the country. We continue to consume far more than we produce and we continue to become poorer as a nation.

None of the problems that caused the crisis of 2008 have been solved and we are even weaker financially than we were back then. So why in the world are so many people so optimistic about the economy right now?

The answer is we are living in an age of perceptions and sound bites from the mainstream media. Everyone should be aware that I am not a conspiracy theorist, I simply look at what is occurring and make assumptions based on the reality that exists. For example, we are told inflation is low; I look at the prices of food, energy and healthcare and point out these are essentials that are **not included i**n the official index. For everyone, prices are rising dramatically; that is reality. We are advised the unemployment figures as improving. This is the given perception.

The reality is unemployment numbers are bolstered by part-time jobs and do not take into account the under-employed and those who have given up on job searches. According to U.S. Representative Betty Sutton, an average of 23 manufacturing facilities a day closed down in the United States during 2010. Overall, more than 56,000 manufacturing facilities in the United States have shut down since 2001.

Even many so-called "American companies" have been bought up by the rest of the world. The following comes from an article posted on Economy In Crisis:

RCA is now a French company

Zenith is a Korean company

Frigidaire is a Swedish company
The IBM Personal Computer Division — with its 500 patents — is now a Chinese company.

Westinghouse Nuclear Energy's major shareholder is Toshiba — a Japanese Company.

Lucent Technologies, a former research division of AT&T, along with all the patents acquired from the beginning of the phone system, is now a French company.

In 2008, Brazilian-Belgian brewing company InBev purchased the iconic American brewer Anheuser-Busch, makers of Budweiser.

With the sale of these manufacturing companies, the future profit and technologies all belong to foreign entities. We once had the greatest economic machine in the history of the world. Now it is being dismantled and bought up by foreigners.

The perception of the gold market is that it is an outmoded relic of the past. Since gold topped in September at $1,920, the Establishment has continued to disparage gold, nearly always warning of gold's volatility. The warning is valid. Gold is volatile because its price reflects the emotions of buyers and sellers. The warnings nearly always highlight gold's 10% drawback from its September high but rarely notes that gold is up 600% over the last ten years. And, it needs to be kept in mind that the same people who today dismiss gold told investors not to buy at $300. Proof of this is the minimal amount of gold that is recommended in pension plans.

Financial advisors are not aware of how, or in many cases not allowed by their firms, to sell **physical** gold or silver bullion to their clients. I recently had an advisor in Indiana tell me his B/D would not allow him to recommend gold or silver bullion as investments because they are securities. A classic case of a compliance officer who has no clue about what is or is not a security. Hint: physical gold or silver purchases where the client takes delivery is NOT a security.

Is this anti-bullion attitude by B/Ds due to the fact gold and silver bullion are bad investments? Look at the performance figures. No… the perception is that paper assets are more flexible and easier to transfer than physical gold and silver. The reality is although physical assets are more costly to transfer than paper assets, with paper assets the actual underlying asset (in this case, gold or silver) does not have to be present. It can be represented by gold stocks, gold mutual funds, gold ETFs and derivatives (all of these are securities). And therefore, more profit (commission) to the selling firms. These paper assets can be margined, collateralized, bundled and sold (yes, just like they did with mortgages).

Do As We Say… Not As We Do?

Contrasting the Establishment's negative position on gold is central bank buying. And, nothing is more Establishment than central banks. So, while the Establishment tells the investors not to buy gold, central banks buy. In the third quarter central banks, made their largest collectively quarterly gold purchases in four decades, adding 148.4 tons to their holdings, which puts central banks on track to buy more gold this year than in any year since the collapse of the Bretton Woods Agreement in 1971. Over the last two decades, central banks were net sellers of gold, led by the Bank of England's now infamous liquidation at the market bottom a decade ago.

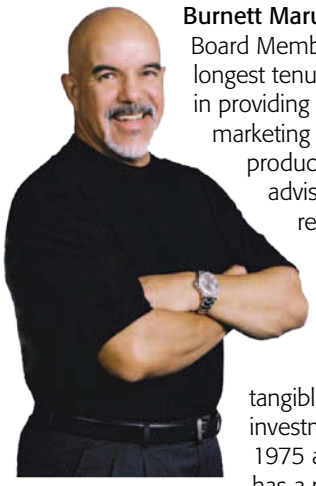
Last year central banks became net buyers of gold; this year they are set to buy record amounts. Central banks do not buy gold impulsively. They normally set targets early in the year for the percentage of reserves that they want to hold in gold; to achieve those targets, central banks buy dips as they occur. This, of course, puts an underpinning on the price of gold, and it appears that central bank buying provided the impetus for gold's strong price action in September, weeks after gold topped. Now, with gold recently selling off sharply, central banks are looking at another opportunity to buy cheap gold.

All this begs the question: Just how much gold are the central banks likely to buy? One would have to be omniscient to know that. However, we can look at the central banks potential for buying gold. The most likely buyers are those central banks with large reserves but whose gold holdings make up a low percentage of those reserves, typically Asian nations. Conversely, the central banks of Western countries that have high percentages of gold holdings are not likely to be buyers.

The unlikely buyers include the U.S. (75.5%), Germany (72.6%), Italy (72.2%), France (71%) and the Netherlands (61%). Other countries actually hold higher percentages in gold, but their total gold holdings are small compared with above mentioned countries. Those include Portugal (88.9%) and Greece (80%). *(Italy, Portugal and Greece are more likely to be sellers than buyers as they are members of the group of European counties that are facing serious debt problems.)*

The counties with huge reserves but low gold holdings are China (1.7%), Japan (3.3%), Russia (8.6%) and Taiwan (5.7%). Other notables are Brazil (.5%), which recently added gold reserves, and India (9.0%), which purchased 200 tons from the IMF in 2009. Additionally, Thailand is a recent gold buyer.

China's total reserves are some $3.2 trillion but gold makes up only 1.7% of its reserves. Japan's central bank has more than $1.1 trillion in reserves, of which gold makes up only 3.3%. Russia has $516 billion in reserves with only 8.6% being held in gold. (The Russians are important in the gold market because they have shown to be steady buyers of gold albeit quietly. India, also an important player in the gold market, buys quantities largly open transactions.) ▣



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How to Gain Trust – The Most Important Step

Want to see a sea of blank faces? Just ask a group of advisors how they can gain trust with their target markets. In their defense, it's difficult for people to build a procedure (how) to accomplish something you can't define (what). In other words, if you can't give a clear definition of trust, you surely can't identify the steps to achieve trust.

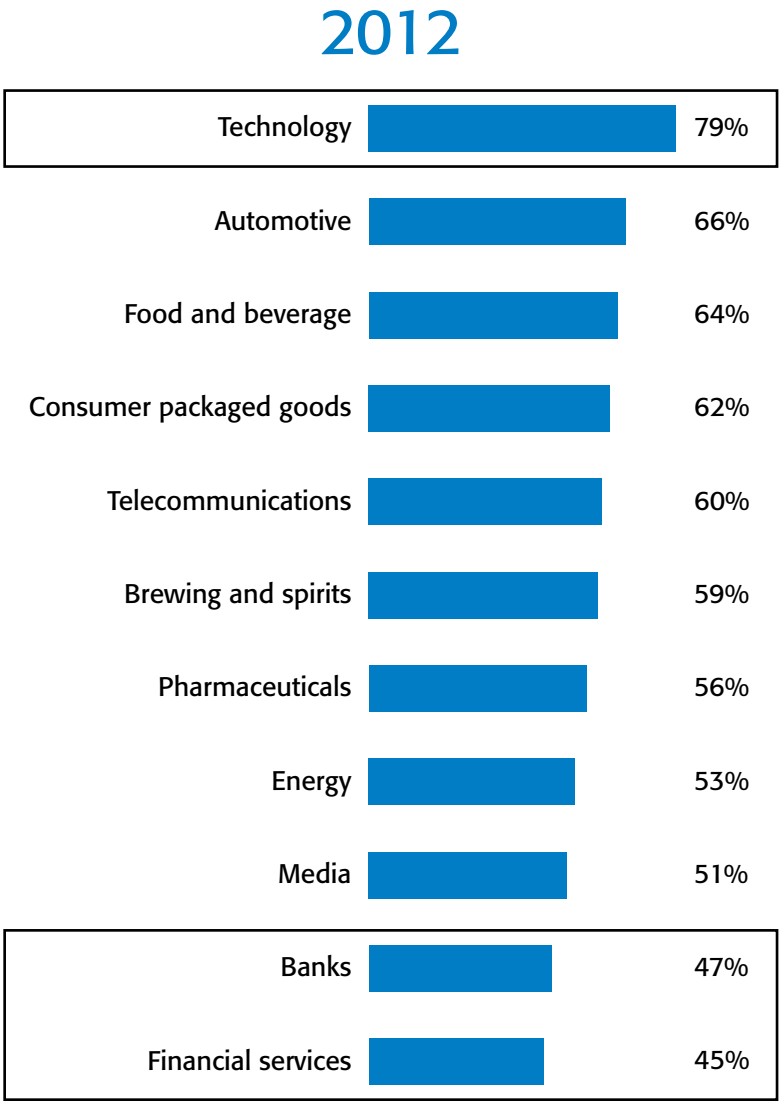
Worse, I've heard advisors ask, "What's the point?" when I've opened this topic in seminars. The point of gaining trust is that an entire financial practice can be based on it. The advisor who is trusted can generate referrals. That trust gives existing clients something to talk about. That is the Why of gaining trust.

Now, you have the logic behind the Why, What and How related to gaining trust. What's missing? Proof. Substantiation. Someone else who agrees with this. Let's see…

Proof. At the beginning of every year, the new edition of the *Edelman Trust Barometer* is released. It's a telling report on how consumers worldwide decide if a company or industry is trustworthy, or not. Last year, Edelman announced that the financial industry scored the lowest in all the years they've been releasing the report! In other words, very few people trusted the financial industry. But that was last year.

This year, financial services holds steady in dead last. Edelman uses this headline: "Banks and Financial Services Remain Least Trusted." The graphic carries the headline: "How much do you trust the following

The 2012 Trust Barometer



industries to do what is right?" Look way down at the bottom.

What is the immediate significance of this information to you and your business? It comes back to How. How you can you prove to prospects and alliances that you deserve their trust? Let's see what Edelman says:

"The 2012 Trust Barometer… finds that the factors responsible for shaping current business trust levels are largely tied to business competence… Listening to customer needs, treating employees well, placing customers ahead of profits, and having ethical business practices are all considered more important than delivering consistent financial returns — and indicate that the path forward entails continuing to do the basics well while also adopting shared values."

At the street level. What if you want to raise the bar for yourself? How can you show your target markets that you are a viable, credible organization worthy of their trust?

Edelman gives a list of sixteen "trust drivers" that you can use to score yourself. I've taken the liberty of culling the list down to ten, as the others are more appropriate to large corporations.

1. Has transparent open business practices.
2. Communicates frequently and honestly on the state of its business.
3. Has highly regarded and widely admired top leadership.
4. Is an innovator of new products, services or ideas.
5. Listens to customer needs/feedback.
6. Takes responsible actions to address an issue or crisis.
7. Places customers ahead of profits.
8. Treats employees well.
9. Has ethical business practices.
10. Creates programs that positively impact the local community.

The Most Important Step to Gaining Trust

Our recommendation this year is the same as last year – Communicate frequently. What does that mean? Consider calling all of your valued clients and simply engaging them in a conversation about the economy.

For our coaching clients who are still placing cold calls, we teach them to ask the prospects if they've heard from their current financial advisor lately. Most often the answer is No. So, that question invites a conversation. We ask our clients to list the ways they reach out and engage their existing clients. Typically, if they do anything, they send a generic newsletter that presents products their clients might buy.

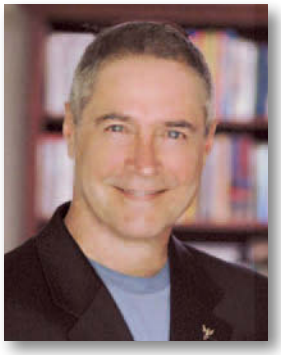
That's not communication; it's a sales pitch. If the best communication effort advisors can muster is more sales pitches, they're not actually communicating with their clients. The logical result is, the clients feel underserved. The logical result is, they don't remain loyal and they don't give referrals.

If you have the luxury of time, and don't need to take action immediately, develop a list of all the different ways you could communicate with your clients and prospects. See the list we refer to as the Credibility Marketing Hierarchy. Use it to develop a real communication strategy.

A financial practice lacking in trust is likely to be in a constant state of struggle. Without clear evidence of deserving trust, an advisor will have tremendous difficulty being seen as credible. The most important step to gain trust (and credibility) is to communicate openly and frequently with "stakeholders." If you see the value in that, let me know and I will send you our report: *6 Things You Can Do to Enhance Your Communication Credibility*.

Credibility Marketing Hierarchy

Action/Vehicle	Have Now?	Use Effectively?
Website		
Blog		
Social media conversations		
Radio show		
Published a book		
Licenses, designations, awards		
Organizational affiliations		
Community presence		
Been written about		
Published an article or white paper		
Client testimonials		
Case studies		
Company or third party credible publications		



Michael Lovas

Michael Lovas is the author of twelve books, mainly on Professional Credibility and Psychological Communication in the financial industry. He has been published more than a thousand times since 1986. All of Michael's work teaches professionals how to use simple, effective psychology to write more business and inspire their clients to love them. Michael also holds the distinction of creating "Credibility Marketing" in 1991.

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A Matter Of Choice

Imagine waking up one morning to trade in your favorite truck for the newer model only to find out that the dealership's name is now US CARS. Upon entering the dealership you learn that nationwide the federal government has taken over the manufacturing of all makes and models. In fact, a government employee within the dealership tells you you'll soon have to give up your truck for one made by US CARS. Why? Their trucks are safer because you must buckle your seatbelt otherwise the wheels remain locked. If you override this feature you're fined; plus the engine burns cleaner and achieves better fuel mileage, though it won't haul as much due to the smaller engine size. It's the right thing to do, you're told.

Perturbed, you head to the grocery store to pick up some items your wife asked you to buy on your way home only to find the store you frequent is now US FOODS. Upon entering, your choices are limited to a few pre-selected items that the federal government believes are better for you. Gone are your favorite potato chips and beer, not to mention the butter and beef. This is better for you, you're told.

Now, you're angry and you head to your favorite coffee shop for a donut and a tall cup of joe only to learn their name is now US COFFEE SHOP and your choices are limited to a small cup of decaf coffee, low fat milk, no sugar and they no longer sell donuts. Instead you can buy a low fat, no sugar, pastry filled with one type of fruit. Caffeine and those other ingredients just aren't good for you, you're told.

My guess is few of us would want these types of choices being made for us. I wouldn't because I want to choose what I want. Perhaps this scenario is extreme. However, this limiting of choices and making decisions for us are similar to what's being proposed by some giant 403(b) carriers. Their reasoning is there is too much choice for the average investor to make a sound and appropriate investment decision in their own 403(b) retirement account.

These giants, represented by their lobbyists and consultants, tell us there are too many investment choices, too many insurance companies selling annuities, too many insurance salesman selling high priced insurance products and too many financial advisors being paid a commission. Perhaps there are, but eliminating everyone but the giants isn't the answer either.

Historical Perspective

A brief stroll back in history may help us understand how we have arrived here with "too many choices." In 1958, all 403(b) plans became part of the Internal Revenue Code allowing annuities and custodial accounts or mutual funds as investments for public schools and certain 501(c)(3) tax exempt organizations. However, initially it was the insurance companies serving the 403(b) needs to these organizations. Why? Simple, they had a sales force that could be trained, compensated and who would personally meet with the employees at home or where they worked.

Why weren't mutual fund companies involved in 1958? Several reasons: No assets in 403(b) plans…yet, there were only a handful of mutual fund companies and these companies didn't have an outside sales force willing to meet with the participant either at home or work to explain the plan and complete the employee's paperwork. Remember, as it is now so it was then: investing in a 403(b) was and still is an individual choice. Regarding the available investment choices back then, there were three: a fixed account, a bond fund and stock fund typically in a front-loaded account.

As time moved on and 403(b) assets grew, others took notice. Attention focused and more investment choices were demanded, more choice was a good thing. More investment choices, more mutual funds verses annuities, the elimination of front-end sales charges because investors didn't want to pay a charge to deposit their money. Companies responded by changing their products thus offering more choices, a good thing. More fund choices across the various asset classes became available, also different share classes, a good thing. No load mutual funds and CDSC's arrived, more mutual funds wanted in, and this was a good thing. As the assets grew, more companies took notice, creating greater competition and everyone was vying for the share of the asset pie: more competition was a good thing.

Wall Street journalists and other financial pontiffs were attacking annuities as criminal tax deferred buildup in an already tax deferred account and espoused the virtues of a mutual funds rather than an annuity for retirement plans; educating the investors was a good thing. Despite annuities being legitimized by the IRC for 403(b)s, they were labeled a bad thing.

Still more investment choices were demanded and certain participants wanted to self-direct their portfolios; thus, a brokerage window was offered to that small percentage of influential participants, offering them even more investment choices and this was a good thing. As the assets continued to grow, the IRS began

making changes to the 403(b) Rules and Regulations making it unpopular for many mutual fund companies and some insurance companies to remain in the market and they voluntarily began withdrawing from it and some thought this was a good thing.

Simultaneously, or slightly before, professional third party money managers saw a niche opening for them and they entered the market; again, offering more choice for participants, a good thing. These are the events that have shaped the 403(b) plans of today and how come there is so much choice within them. So in the final analysis who really is saying there is too much choice and to limit choice which they initially supported and contended was a good thing? Deduction tells me, those who have the most to gain, the giants.

Throughout all of these five decades, giants, consultants, state defined benefit administrators and other parties of interest have chimed in about what is "best" in their view for 403(b) participants.

Today, if you are an insurance company, or annuity salesman earning commissions, this is a bad thing. They make this a categorical statement which it is not. If you are a no-load mutual fund company, not offering personalized service but offer toll free account information and a do-it-yourself website, for many, this is seen as limited choice and service, and not a good thing.

Enter consultants touting the benefits of unbundled verses bundled plans; unbundled a good thing, bundled a bad thing. Their opinion differs with the giants unless they have been retained by them. If you are a reporter or consultant, you select mutual funds with low fund fees, perhaps mostly indexed funds, and advocate one-size fits all. To validate your position, you point to the various white pages supporting too much choice is a bad thing because participants who are subjected to too much choice, might suffer from paralysis though analysis. Therefore, participants are unable to make any number of investment decisions; such as: How much money should I save for retirement or which investments to select or how do I create a diversified portfolio? In this case, their paralysis is a bad thing and too much choice, these giants declare, is the cause.

How About Some Proof?

If you are a financial reporter or consultant you typically believe that everyone can and should manage their own retirement money. This is plainly incorrect as few participants can, most can't. If you are the higher priced mutual funds, this is a bad thing. Enter target funds or lifestyle funds, a good thing. Enter specialty funds and non-correlated funds and these are a good thing too. And the giants that tout personalized service as their major strength for their participants either do not or cannot meet the demand for those coveted services.

Want proof? Take only their retirement plan assets and their number of accounts therein and divide that number by the number of financial advisors in their employ. If the number of accounts per advisor is over 350, how are their advisors servicing more than that many clients? They aren't and they don't. Typically, the participants that suffer are those that are not actively contributing to their account or have modest account balances thus remaining underserved.

Want proof? All one needs to do is ask these participants how often they have seen their advisor or receive service. The typical response will be: "I don't have an advisor" or "I haven't seen an advisor since I enrolled." Giants that are screaming "change" are screaming for a change that will directly benefit their business model.

Want proof? Let's propose to the giants to have the federal government manage all retirement plans types. I can assure you these giants will not embrace this proposal for change. But there is another way to test the giant's clarion call advocating change. Would these same giants embrace a true third-party platform? One where there aren't any direct proprietary relationships between or among any of the involved parties (mutual fund and insurance companies, consultants and RIAs, third party administrators and brokerage firms) and there is full transparency and disclosure of all fees and expenses to the investor?

A Novel Approach

Here's an example: use an independent record keeping platform (not an insurance company or mutual fund one), where all insurance and mutual funds can list their funds and fixed accounts. Allow any third party money managers and third party plan administrators to list their services on the record keeper's website. Offer all retirement plan types. Allow any financial advisor, independent or captured, to use the service on either a commission or fee based level. Eliminate all surrender charges. Hold the broker dealer responsible for vetting their advisors and for their advisors to meet the suitability needs of their clients. If an RIA, hold them to the fiduciary standard. But throughout this entire process, let there be full transparency and full disclosure of all fees and expenses from the company down to the advisor and let this be clearly and simply stated to the investor. How many giants are for this model of change? I suspect few, if any, as this is not the change these giants are embracing.

The ability for Americans to determine and choose what is best for them is demonstrated throughout our entire capitalistic system; competition and the ability for an American to chose what they want, is a good thing. However, one insipid and potentially dangerous aspect to capitalism is when giants want their own monopoly… a bad thing. Their marketing campaigns attempt to convince us of all the benefits their clients will receive precisely because the company can take advantage of certain economies of scale, unavailable to smaller companies, coupled with their years of business experience. A ruse.

The Real Agenda

But a peek behind these giant's closed door marketing meetings will reveal their not-so-hidden agenda and long range business plans, which undoubtedly are self-serving.

What they really want is to eliminate their competitors and acquire market domination. These giants in the 403(b) market assert a very feasible position: viz, 401(k)s have one company administering and servicing their plan and so should 403(b)s. Further, they reason, it's working in the 401(k) space (some say it isn't), therefore, it will work for 403(b)s as well. Limit the number of company choices for the plan sponsor and limit the number of investment choices for their employees and they'll all have a better retirement plan ultimately rewarding the participant with a higher account balance.

Not true. Here's why. *The crucial component to a successful retirement plan for the participant is their financial advisor.*

Just as life insurance is not bought but sold, so it is with financial advice. The major reason investors predominately chose to invest in their retirement plan is because of their relationship with their advisor, not because they have a relationship with the company or the investment or they like the plan administration. Financial advice is bought because a financial advisor, who the participant trusts, sat down with them to explain the plan, the process and helped them understand the decisions they were about to make by asking the right questions: Should I start saving for retirement today? How much should I save and how should I invest my money? This is what a financial advisor does, every day. The employee is not buying the giant but the advisor.

Where Are We Headed

As a financial advisor who has concentrated in retirement plans, specifically 403(b)s, since 1985, I have witnessed how the landscapes to all these retirement plan types have changed over the decades. Today we have a chance to make a real and substantial change to retirement savings accounts by making saving for retirement easier for all Americans by starting with the retirement saver first in mind.

Here is what I propose: collapse all plan types into the IRA, raise the contribution limit to $50,000/year and index it to the COLA because we all know, Americans need to save much more than they do for retirement. Do away with plan administration! Do away with calculating contribution limits! Do away with RDM's! Allow this plan to accept employer and employee monies! Keep the ROTH option! Don't allow loans! And most importantly, allow participates to work with their financial advisor of choice no matter how their advisor is compensated.

As an IRA, the investor will be responsible for their contribution amounts, their investment selections and all other account decisions. Their financial advisor and their broker dealer or RIA will be held to a suitability objective or signed fiduciary standard. The broker dealer will be responsible to vet their advisors.

We need to bring back true third party relationships and strictly enforce the 1933 Security Act, prohibiting fraud, misleading information and misrepresentation. Place the investor at the top of our priorities and all other parties are sub-serviant to them. Empower the saver. If there are abuses, theft or gross mismanagement of investor funds, committed by anyone within the firm hold them and their supervisors accountable by assessing jail time and fines and then make the investor's account whole. Now, let's see how many of these giants advocating their limiting of choice are for the limitation of this type of choice. Looking out over this new landscape, I see very few giants standing up.

Evan F. Cole, RFC®

Evan F. Cole, RFC®, with Gateway Financial Advisors has been working with people to keep their investments simple, easy to understand and successful since 1985. He is an investment advisor representative and registered principal of Cambridge Investment Research, Inc, specializing in retirement plans of all types for healthcare, public schools and non-profits. He uses annuities, mutual funds, third party money managers, alternative investments and insurance to meet the financial needs and objectives of his clients.

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COACHES CORNER

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

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

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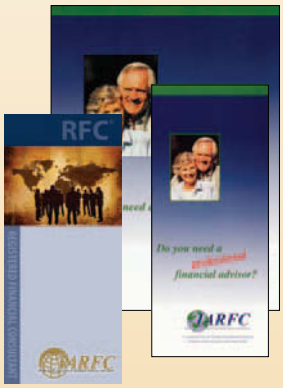

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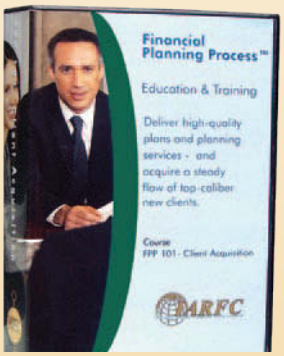

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FPP Course News:

Education is Always a Work in Progress!

Michelle Blair

In 2011, I began working at The Design Capital Planning Group, Inc in Smithtown, NY. My exposure to the financial business world was limited, but I had a business administration degree, a one year certificate in accounting and more than 30 years of small business ownership. So I thought How hard could this transition be? Well, I had to become immersed in new lingo, rules and regulations (think compliance) and the world of marketing. In my previous "life" I owned and operated an electronics company where my main focus was on the day-to-day needs of running a business, juggling customers with technicians, manufacturers with distributors, accounts payable with receivable, along with living and working with my husband, which we both enjoyed. We had a great 30 or so years in business together and then the electronics market changed and so did our business plans.

Both of us decided to move on to separate careers, which was something that I was very nervous about. Working together for so long was a habit I wasn't ready to break. I decided to take some time off from the fulltime grind and stay home for a bit, while my husband moved on to a job — with benefits! No more worrying about paying our own health insurance, making payroll, working nights and weekends on business "things" and consuming our life with the endless additional work needed when you are your own boss.

I was wrong — his new job was still in the field that we were both so familiar with that I took on the "homework" of his new position. I couldn't help it, I knew the business and was comfortable in it, and we were both happy about it. We were working together again, this time I did my work from home! What could be better?

After 3 years of being home, I finally decided to go out on my own and for the first time I put a resume together and got familiar with all the job websites. That in itself was a new experience. After posting my resume on a few sites, I was contacted by Design Capital and the rest is history, as they say.

In the year since I started my job, I have learned so much about many different areas of this business my head still spins. I feel that I have come a long way since I walked in the door, and I have received promotions and rewards for my hard work. My next step was to learn about the inner workings of the practice with more depth and understanding. I needed to know this so that the tasks that were part of my position would make sense to me.

That is where The Financial Planning Process course came in. A division of Design Capital is a privatized school (The Institute for Financial Education). This school teaches financial management courses and workshops to the public and other financial professionals. Coordinating and promoting the curriculum that leads to the RFC® designation was a project that I was deeply involved in, so I decided to take the course myself and get the exposure to what others would be learning, never thinking that I would really be able to absorb it all. I shocked myself with how much I really knew and remembered from being in the presence of some pretty smart financial professionals at Design Capital. It rubbed off over the year and I did well. Of course, I am learning from the ground up.

Now I am able to understand the "why" of the things that I have been doing and truly be involved with real input. Everyone in the class had a different level of background in the financial industry; some with many licenses, some with financial education, and others with administrative knowledge. Since we all bounced ideas off each other, the diversity of the class made for some very interesting breakout sessions.

Since taking the 6 courses, I feel that the vast amount of varied information has expanded my knowledge and added to my desire to learn more. Since no one can ever have too much education, I know that I will continue with my learning process in a field that was new to me a year ago.

Now that the classes are over and I have successfully passed all 6 tests (on the first try-I might add!), I am learning more and more each day. I am always in awe of the people and the knowledge that surrounds me every day. Before I started the courses there were 5 people at Design Capital that already held the Registered Financial Consultant® designation, giving me the incentive and encouragement to go for it!

I now see that The Financial Planning Process courses were an enlightening and worthwhile experience on my road to continue my education in progress.

Michelle Blair is the Director of Office Operations at The Design Capital Planning Group, Inc in Smithtown, NY. Training and managing the administrative staff, as well as coordinating and implementing the educational workshops and courses offered by The Institute for Financial Education. She promotes the continued appreciation for personal and professional growth.

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Business Mirrors Life

If a Future President Was a Financial Advisor, Would We Be Better Off?

Financial advisors have often dreamed of a future in which they could truly influence American government policy. But what if the pendulum were to swing too far in the other direction? In this column, our humor columnist Hesh Reinfeld imagines what a cranky op-ed writer might pen in the April 2028 issue of the Register. The views expressed are Reinfeld's alone — not those of this magazine or, for that matter, of any reasonable person.

The recent decision by the President to require all Americans over 18 to have a comprehensive financial plan exemplifies the current undue influence of the financial planning industry. I was in favor of the legislation that offered a tax credit to all Americans who completed a financial plan. I even accepted, reluctantly, the decision to require all retirees to obtain continuing financial education credits.

However, this time the President has gone too far. The White House is occupied by a man who is a trained financial advisor, a first for our great nation. And I thought he would have the knowledge and skills to lead us. Like most Americans, I was thankful that back in the 2016 presidential election, financial advisors pressured all candidates to release their financial plans. It was a breath of fresh air after years of being able to view only their doctored 1040s. I realized that if a presidential candidate couldn't plan for his future retirement, how could the nation expect him to plan for our country's future?

Also, it was slightly embarrassing (and funny) when then-President Hillary Clinton broke the news that her husband was on a strict budget, and his assets were now controlled by their daughter Chelsea.

But today our current President has crossed the line. By making the head of the Department of Financial Education a cabinet position and requiring all Americans over 18 to have a financial plan, he is abrogating our rights as free men under our constitution.

Does our President really believe that requiring every high school graduate to pass a basic financial literacy exam will result in a more economically healthy nation? Does he think having every kid complete a financial plan will stop the epidemic of Americans unable to retire because they are penniless?

Over the past decade we have witnessed the boondoggle created by the financial planning/industrial complex. As John Q. Citizen works overtime to afford his exorbitant "universal" healthcare premium, the government will now add a new burden: Everyone will be required to earn 20 additional hours of financial planning continuing education credits each year. (And no, you can't watch Suzie Ormon reruns for credit.)

Remember the good old days, when every retired Member of Congress opened a lobbying firm on K Street in Washington? Now, each one plans to open a continuing education storefront in his hometown. Historians are comparing this debacle to President Johnson's effort to create the Great Society in order to eradicate poverty. Sorry, it can't be done. And it especially can't be done by government.

Email your objections to the President. I can remember back only a decade or so ago when we welcomed financial planners as advocates for rational planning for our country's retirees. However, they have gone from being a group with a mission to improve society to being a power-grabbing special interest group.

Let's be sure planners retain some humility. If they assume that their power will never wane, they need only look back in history. At one time the labor union movement controlled the Democratic party and chose presidential candidates behind closed doors. Today they are a chapter in our history books. Yes, the same can happen to our power-grabbing financial advisors. They may look back on today's action as their Rubicon.

What can each American do today? Call your advisors and tell them you will take your financial planning business elsewhere (assuming we can find an "elsewhere"). Let's not forget that just a few decades ago, most Americans did not even have a financial plan. And those that did, often received their advice from a salesperson whose service was essentially free, because he worked on commission. America can return to those pristine days. So act now! Don't let your planner rule your life or this country.

Hesh Reinfeld

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

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