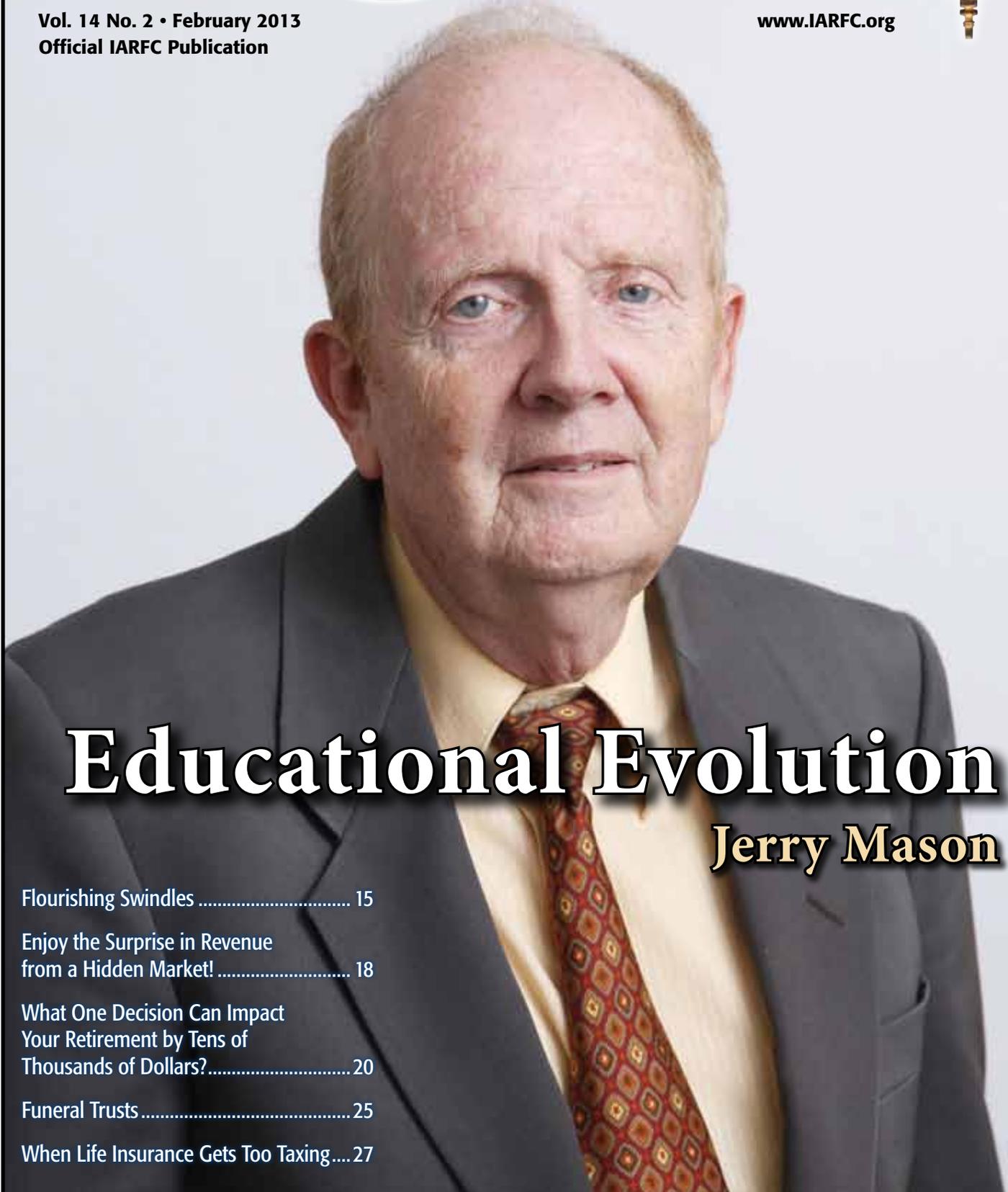


the Register



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Educational Evolution

Jerry Mason

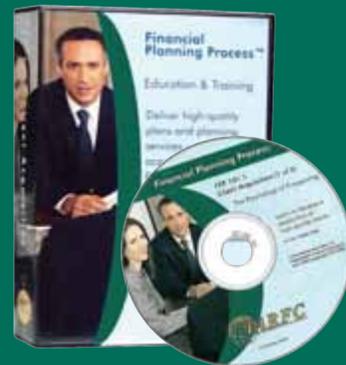
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COMPLIANCE, TECHNOLOGY, AND YOUR PRACTICE HOW DO YOU MANAGE IT ALL?

MAREE MOSCATI, CEO, COPYTALK



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Transcription as a Documentation Solution

With increasing FINRA regulations, documenting all client interactions is essential to managing regulatory compliance. Every moment you or your staff spend preparing documentation is time lost from prospecting, direct customer service, managing portfolios, and an endless list of other essential tasks.

To maintain the thorough documentation their business requires as efficiently as possible, many advisors are turning to transcription services like Copytalk (www.copytalk.com/IARFC). Given that most people speak around four times faster than they can type, the time investment falls drastically once "talk time" is all they need to make room for during their already-full day.

Features to Consider

Once you've made the decision to allow technology to enhance your time, efficiency and compliance regulations, you will want to find a transcription service that sets industry standards within the world of financial services.

Affordability is the most obvious element an advisor will consider. A transcription service frees up you and your advisors to spend more valuable time doing revenue-generating work.

The value of your documentation is directly proportional to the accuracy of the documents. Make sure the service you are considering is a business solution and not a simple consumer one. For example, are their transcriptionists trained to understand your common terminology?

Availability is another important factor to consider. Ideally, your transcription service can receive dictation without interruption. A service that allows you to dictate on the go is even better, allowing you to call in from a mobile device as you drive between meetings or wait for a client to arrive. The most efficient service is one that works on and with your own

schedule. And, of course, one of the primary reasons for documentation is compliance. Always assess the security of any transcription service.

Security Concerns

When evaluating any service — especially one that is low cost or "free" — you should consider the value of your dictated data and whether that data is being used to subsidize the service. Ask how dictated information is used to process your transcription, and make sure it cannot be accessed for other uses by the service's staff or other partners.

Transcription services often involve the dictation of personally identifiable information or potentially protected health information, all of which may carry with them legal or regulatory requirements. Here are some questions to ask a potential transcription provider:

- Where are your transcriptions processed?
- Who is processing your dictations?
- Is the service HIPPA compliant? Gramm-Leach-Bliley?
- Does the service have systems and processes in place to ensure your dictated data remains confidential?
- Does the service have a privacy policy that protects you, or one that allows expansive use of your data?
- Will the service be responsive to your company's security requirements?

Make sure you choose a business grade solution that meets all of your requirements.

Maree Moscati is CEO of Copytalk. Copytalk is the leading mobile transcription service within the financial services industry. Maree holds FINRA Series 24, 7 & 63 licenses and comes from 23 years of service within the Financial Services Industry.

Visit <http://www.copytalk.com/IARFC> or call Mike O'Neill at 267-9825 ext 427 or mike.oneill@copytalk.com



2013 Events Calendar



FEBRUARY

IARFC Board Meeting

February 22, 2013
Middletown, OH

MARCH

Business Owner Consulting Workshop

March 21, 2013
Middletown, OH

April

Business Owner Consulting Workshop

April 9, 2013
Charlotte, NC

UVU Spring Banquet & Advisory Board Meeting

April 4 & 5, 2013
Orem, UT

MAY

IARFC CE @ SEA™ Venice Italy to the Divine Mediterranean

May 25 – June 1, 2013

For IARFC event speaking or sponsorship contact: 800 532 9060

NEW IARFC MEMBERS

Stevan H. Labush, RFC®, RI
Joseph J. Massar, RFC®, CT
Andrzej Mendela, RFC®, MI
Wesley P. Sykes, RFC®, IN
M. L. Strickland, RFC®, FL
Zachary F. Longley, RFC®, ME
Samuel H. Schiffer, RFC®, NY
Daniel Roberts, RFC®, CA

New International Members

Philippines 3

Members Who Recommended New Members



**Referrer of the Month
Jon Harrison, RFC®**

Harvey Fuchs, RFC®
Jon Harrison, RFC®
Lew Nason, RFC®

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

*Val Wheeler, RFC®
Ardmore, OK*

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Contact mark@IARFC.org for assistance with IARFC LinkedIn Group



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Like us at [facebook.com](https://www.facebook.com/IARFC)

Contact wendy@IARFC.org for assistance with IARFC Facebook

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From the EDITOR

Our Consumer Focus column reviews products and services that help consumers financially navigate and survive in these confusing and dynamic economic times. Our first contributor (December, 2012) Christopher Hill, RFC®, a top producer with 24 years of experience in the financial services industry, focused on the differences of Term vs. Whole Life. IARFC Board member and contributor Jeffrey H. Rattiner, CPA, CFP®, MBA, RFC® writes for this current issue. His first article is entitled: "The Baker's Dozen of Using Section 529 Plans" on page 31.

Due to the influence of the retiring "baby boomers", there will be a number of articles on Social Security scheduled for the first six months of this year. Brian D. Johnson, RFC® begins with his article entitled: "What One Decision Can Impact Your Retirement by Tens of Thousands of Dollars?" Christopher Hill and Tony Filippone will be contributing on the topic also. If any of you wish to submit an article, please do so.

Another informative column appearing on a bi-monthly basis is Tech Tips – Technology Impacting the Financial Advisor. Written by our in-house technical staff, it helps advisors understand new technology available to the financial advisor and how to make an educated decision. The first "Tip" (December, 2012) discussed Windows 8. In this issue Randy Kriner writes "Where Are You When the Phone Rings?" on page 8.

Many of the above articles, especially the Consumer Focus ones, can be easily reprinted and made available to your clients. Send an email to editor@iarfc.org, with a subject line that includes: the *Register* volume, number and article name. We will send you an Adobe PDF electronic copy for your distribution. Consumer Focus articles can be viewed on the IARFC website at: iarfc.org/consumer_articles.asp.


Wendy M. Kennedy, Editor
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Journal of Personal Finance

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Get Involved: We welcome the submission of articles from IARFC practitioners. This is a great way to contribute to the profession.

Professional Articles: The *Journal* is seeking articles by practitioners that may deal with the application of financial planning techniques, marketing and practice management. These are expected to be very high level papers and/or articles.

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IARFC Domestic and International Directory

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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: *What is the best new marketing/sales program or strategy that you implemented this past year that has made a significant difference in your practice revenues? Tell us what has worked or even what has not.*

A: Getting Pre-Qualified Referrals Who Are Expecting Your Call. Qualified means ready, willing and able. No more cold calling. Plus you get instant credibility. It's the number one way top Advisors get new clients, because it's the number one way Clients find a new Advisor.

Max Bolka
Asheville, NC

A: We continue to have great success by hosting retirement parties for clients that retire with our firm. These are strictly focused on the client with no sales activity, visual signs, banners, give aways, etc. We are there only as hosts and friends. The client invites 5 of their closest friends who we get to meet at the event. Invariably during the following twelve months, 80% of these guests contact us and become clients.

Lloyd Lowe Jr., RFC®
Dallas, TX

A: Have a professional office, with a professional staff. Also never go to a client's home or place of business unless the client cannot get to your office. Remember you are a professional.

Steve Bailey, RFC®
Charlotte, NC

A: During 2012 Flack Advisory began earnestly "transitioning" our clients to a better investment product that offers LOWER internal fees and charges and a BETTER rate of return – due to a guarantee in place. As a direct result, we have employed 1 1/2 more staff and we have improved our revenues. One of our strongest assets are our clients who provide us with so many "Word of Mouth" referrals. During the festive season (Dec 12) we know whether we have done a good job for our clients or a not so good job for them simply by the influx of cards, gifts, and well-wishes. This year we have been completely overwhelmed by such kind gestures – obviously from very well-satisfied clients.

George Flack, RFC®
Eaglehawk, Victoria, Australia

A: I've blended VA and Medicaid planning services to attract the prospect/client who has \$100–800,000K of assets and needs long term care. With this addition of services, the results were a 42% increase in per client revenue in 2012.

Wilma Anderson, RFC®
Littleton, CO

A: The Financial Advisors in our Values-Based Financial Planning Turn-key Business Model program have done 2 things to improve their business in 2012:

1. They have become much more refer-able. Your future clients are some other advisors existing clients. You won't attract them away by offering the same value proposition or claiming to be better at doing the same thing other advisors do. A key step to getting more referrals is to be more refer-able. Be more refer-able by being more valuable to your existing clients.
2. They have implemented a step-by-step process for getting referrals, orchestrating an effective introduction and following up consistently and professionally.

Bill Bachrach
San Diego, CA

A: My best marketing idea is we quit asking for referrals! Yes, I know some folks will find that hard to believe given all I have lectured on this topic. What we did instead was just provide a WOW level of service our clients can't get elsewhere. This worked really well for us and now over 30% of our new clients come to us via referrals. Part of the reason this works so well is we limit our client base and most of them work in the same buildings. My guess is when you are seeing the same folks every day for lunch, sooner or later you run out of things to talk about and eventually our name comes up. The closing ratio on this group is much higher. I can only think of one we did not pick up who was referred to us.

Katherine Vessenes, RFC®
Chanhassen, MN

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 April issue will ask this question:

What are your biggest prospecting challenges and how did you overcome them?

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 Chairman's Desk... Moving to Deliver

As your practice moves on, gradually seeking to exceed the economics of the USA, the IARFC is moving to deliver training, tools, techniques and opportunities to help you.

The Students are Planning. Across America undergraduate students at 20 universities are preparing their financial plans for the IARFC Financial Plan competition. As the submission deadline of January 30 has passed, plan evaluations are now underway. This year (and hopefully next year) we have had sponsorship by the Cetera Group.

Business Owner Consulting Workshop. We had an excellent course event in Tampa, with a training room offered generously by RME (now known as Response Marketing Excellence). Most of those in attendance were extremely interested in using RME to fill the seats for a group presentation to business owners and professional practitioners.

RME does more than just mailings. They arrange concierge meetings with affluent individual clients as well as business owners. What's a concierge meeting? It is where you are one-on-one with a highly qualified prospect. For individuals this may be someone with more than a million of investible funds, or an employer with more than 50 employees. You get to know them and determine if there is a fit with their needs, philosophies and willingness to purchase services and products. Contact: josh.danielson@rmeleads.com

Expanding Your Marketing Options. Our Business Owner Consulting Workshop focuses on explaining the need for financial consulting to business owners and marketing this on an individual basis. However, many attendees have indicated a strong desire to make presentations to groups of prospects. The IARFC is developing a seminar for a public group of business owners with a target of 30 persons. The statistics of RME overwhelmingly validate that this should be held in an upscale restaurant. Not to attract the "plate lickers" but to extend the relationship through the event in an upscale location and offering very upscale

refreshment. Think of a Ruth's Chris Steakhouse or Morton's. Results are achievable and have often been exceeded:

Invitations distributed:	6,000
Number (1%) registered:	60
Appearing at the seminar:	48
Express interest in the service:	30
Presentations ultimately made:	20
New quality clients secured:	8

If you decided to repeat the cycle 4 times per year, you would be acquiring 32 new clients. Now, ask yourself this question:

Did I add 32 new high-quality affluent individual or business owner clients last year – regardless of the marketing techniques?

You don't need to be an outstanding public speaker. You do need a process, a PowerPoint presentation, a suggested script, closing tools and the capacity to follow proven techniques. Business owners are great prospects for financial consultants and are very underserved.

Services Making an Impact. Recently I attended the Pinnacle Conference offered by the Covenant Group headed up by Norm Trainor. In short, it was tremendous! Norm attracted a number of highly qualified financial service professionals, many of whom are RFC. One attendee commented to me, "As a result of some operating improvements, I make more money now – but that is not the key. I feel better about myself and about the better level of services I now deliver to my clients." Having written a book on coaching for financial advisors, I was inclined to be a bit skeptical about how much impact the Covenant Group would have on those they coach, but I was really convinced they offer great service. Contact: shauna@covenantgroup.com

Some of the presenters at the Pinnacle Conference offered unique services to the attendees, but no one got the feeling they were being "sold."

Exit Planning. Entrepreneurs are great prospects, and many have built companies

that are now worth a lot of money. Few have an exit strategy. How do you learn how these people think and the best way to approach them? You might investigate the Business Enterprise Institute, which provides guidance to advisors and business owners on exit planning strategies. www.exitplanningforadvisors.com

Risk Analysis. I learned that the economic value of all the computer-related identity thefts was now a greater sum than trade in illicit drugs! Why don't we read about this? Because many big companies that have had to pay damages to clients don't want the publicity! How do they avoid this? If their data encryption exceeds a certain standard, they just have to pay the damages, not make a public acknowledgement.

A Toronto based firm, No Panic Computing, suggests a very high performance HP laptop that has been specially configured to make total backups to a cloud-based archival vault and provide a high level encryption. How effective is this in protecting your clients and you? They have a \$1 million dollar insurance coverage and have never had a claim. One customer dropped his computer while on a business trip and within a few hours had a replacement with all his programs and files restored!

If your client data was penetrated (whether on a cloud-based system or your laptop or desktop) can you be up and running in a few hours? Have you installed a 100% back-up and are you using high-level encryption. www.nopaniccomputing.com

The Risk is Real. Are you skeptical about the true extent of economic and electronic crime? Then I would suggest you visit the Economic Crime Institute at Utica College where they educate persons in this field, but maintain an incredible "In the News" listing of major crimes.

www.utica.edu/academic/institutes/ecii/ 

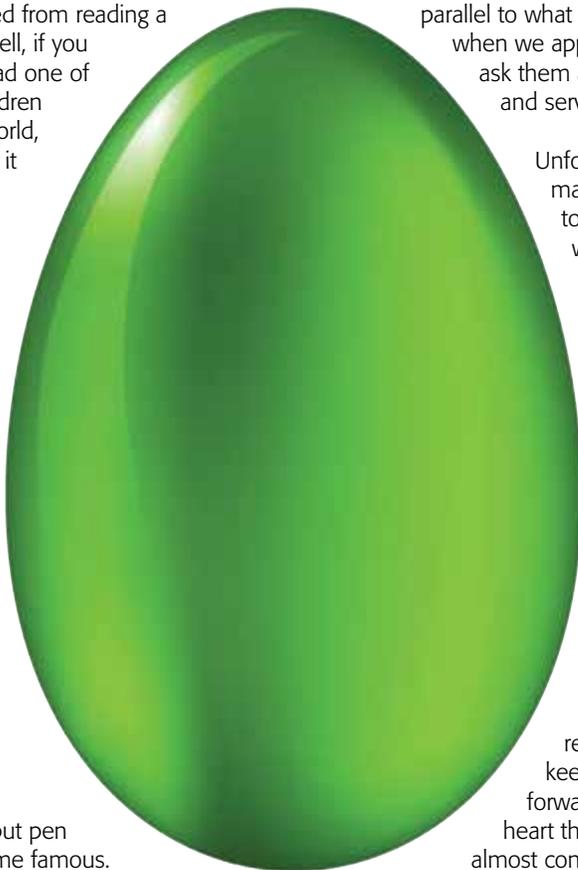
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Green Eggs and Ham... and Prospecting?

What can be learned from reading a children's story? Well, if you take the time to read one of the favorites of children from around the world, you can learn what it means to be a salesperson in today's world. Dr. Seuss's *Green Eggs and Ham*, though written for children over fifty years ago, still holds out as one of the best books for teaching perseverance. With fewer than fifty different words, Dr. Seuss managed to show a wonderful insight into the world of selling. Perhaps he was himself a financial advisor before he put pen to paper and became famous.

The lead character, Sam-I-Am, is the epitome of sales persistence. He never gave up his effort to share his love of green eggs and ham with those around him. From Sam's very introduction, we learn that he is as accepted by the other character as one would expect from a recent lottery winner being sought by a newly discovered distant relative. It only takes Dr. Seuss three paragraphs for the prospect to indicate his dislike of this salesperson, "That Sam-I-am, that Sam-I-am! I do not like that Sam-I-am." What a way to start a relationship.

Nevertheless, this clear disdain does not stop our protagonist from attempting to engage his prospect in conversation. Ever aware of the pressing need his prospect has for this incredible food, he is not disheartened and simply moves forward by asking "Do you like green eggs and ham?" Does this sound familiar to you? This is a



parallel to what we do every day when we approach people to ask them about our products and services.

Unfortunately, the majority of us tend to walk away when we receive a negative response. We react with feelings of hurt and disappointment that belittle us and the good works that we are attempting to do on a regular basis. We are not being Sam. When faced with a litany of negative responses, Sam keeps on pushing forward, never taking to heart the rejection he gets almost constantly. Is Sam being blind and deaf to the pleas of his prospect or is he truly showing perseverance? Well, the answer depends on your point of view.

Some of you who read the story find yourselves falling on the side of the poor prospect. You feel for him because no matter what he says Sam is not going to give up his quest whether that quest takes him to a house or a box or involves a mouse or a fox. He has managed to make it very plain, even if it involves a train; he just does not want what Sam is selling, he wants away from all that yelling.

Others will find themselves rooting for Sam; hoping against hope that he will wear down his prospect and finally get him to agree to a meeting. This is the person who will be successful at prospecting even in the face of negativity. The key to being successful in prospecting is simply to do it

and to keep on doing it even when things are looking bleak. The number one reason that people leave our industry is because they do not know how to prospect, or they prospect poorly.

Take on a Sam-I-am attitude with your work and you can be sure that your successes will come. As Sam's prospect discovers at the end of the story, "I do so like green eggs and ham! Thank you! Thank you, Sam-I-am." Your prospects will be thanking you as they become your clients and they discover that the things you have been saying all along were right on the money and they are better for it.

Want to learn more about perseverance and how to improve your prospecting? Would you like to be in a boat? How about with a goat? Would you do it in the rain, in the dark, or on a train? Well, it is easier than that. Just give us a call or check our website and let us show you the Dr. Seuss way to better sales with the Financial Planning Process™ course. [📞](#)



Jim Lifter, MBA, RFC®

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

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Where Are You When the Phone Rings?

I did something incredible the other day. I decided to work from home instead of from the office. Like me, you have probably done the same thing and you're now thinking, "So what?"

This is the incredible part. I took my telephone from my office desk, carried it home and plugged it into my internet router connection there. Immediately, I could make calls from my office as if I was there. If you had called me — dialed the IARFC office and my extension — you might not have known I was lounging at home in my sweats!

The technology that makes this possible is VoIP, Voice over Internet Protocol. This technology has been around for a while and at the most basic, it uses your high-speed Internet connection to deliver your voice transmission and reception. There are many vendors in the marketplace now and they are pitching services to everyone from home users to small and medium size businesses. Service used to be sketchy, erratic and generally not up to the Ma Bell standards. That has changed of late and our experience at the IARFC may lead you to consider a similar change for your office.

Years ago, Lucent sold to us a sophisticated "Partner" system. It was probably state-of-the-art at that time and it served our needs well. However, over the years our needs seemed to expand beyond the system capabilities. Lucent changed to Avaya, the vendor we purchased from migrated to a different firm and service was not as available as before. We had already lost some of the



"ports" on the system but the larger fear was that one day it could crash and we would be out of business for an extended time while we sought repair or replacement.

No one ever wants to replace a fundamental system under duress, so we started examining options. The dedicated T-1 lines that supplied our telephone and our internet network were also up for review. We wanted to improve it all. The on premise PBX system that we were used to was option one. Not only had the technology made great strides — so had the price! When we started looking at VoIP, we were surprised at how inexpensive it is. Prices were so low that we were forced to ask ourselves how can the quality be anywhere close.

Research, checking references and online reviews finally led us to realize that, yes, we can do more with less money, much less! Here is where we are now:

- ISP Upgraded to Fiber Optic for more speed and reliability
After all — our internet connection now carries data and voice
- Hosted VoIP System from Vocalocity with Cisco phones

True cloud based system where the only equipment on premise is the telephones on the desk connected to internal Ethernet

- Multiple Virtual Receptionists — for every business in the building and for some envisioned for future expansion
- Unlimited long distance and local calls
- Automatic Call Forwarding (internal and external)
- Unified Messaging
Voice Mail to e-mail
Integrated Digital Fax
Call Follow Me
- Digital integration with other systems like MS Outlook or Google
- Dashboard and Desktop for easy PC Integration and Monitoring
- Conference Calling
- Call history logs
- More virtual phone numbers to use any way we want

- Disaster proof solution — we can connect anywhere and our system is safe and redundant in the cloud
- Much more service and capability for about 20% less than we were paying with our traditional on premise system.

We looked at different options and talked with many different vendors. One comparison site we particularly appreciated was www.voipreview.org. There you will see many vendors listed, rated and real reviews posted.

However, like most decisions, finding the right vendor was as much about people as it is about hardware and price. We found Chloe at Vocalocity (chloe.lebaron@vocalocity.com) to be one of the best representatives for her firm and just the right balance of technical skill and you can do it attitude for cautious and wary users about to switch from Ma Bell to this new fangled VoIP! And, as we often find, a great salesperson like Chloe is supported by diligent and effective support people to complete the installation and transfer.

So do not delay — there is plenty of ground to be gained by switching your phone system. If you talk to Vocalocity, mention Chloe's name and you will find out exactly how easy it is! ☐



Randy Kriner

Randy Kriner has been a software support specialist for Financial Planning Consultants, Inc. since 2007. Randy has over 28 years experience with computers, including hardware and software support. Randy is a lifetime resident of Middletown, Ohio.

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randy@financialsoftware.com
www.financialsoftware.com

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.com
 720 344 0312

Max Bolka
 Comprehensive Business Consulting
www.MaxBolka.com
Max@MaxBolka.com
 800 472 3288

Connie S.P. Chen, RFC®
 Chen Planning Consultants, Inc.
CPCinc@ChenPlanning.com
 212 426 1910

Roccy M. DeFrancesco
 The Wealth Preservation Institute
www.TheWPI.org
Roccy@TheWPI.org
 269 216 9978

Mark Gremler, RFC®
 Billion Dollar Mentoring
www.BillionDollarMentoring.com
Marketing@BillionDollarmentoring.com
 877 736 7492

Donald A. Hansen
 The Ark Group
www.ArkGroup.com
DHansen@ArkGroup.com
 866 725 0777 x201

Kerry Johnson, MBA, Ph.D.
 Performance Coaching
www.KerryJohnson.com
Kerry@KerryJohnson.com
 800 883 8787

Maribeth Kuzmeski, MBA
 Practice Management & Marketing
www.RedZoneMarketing.com
MK@RedZoneMarketing.com
 847 367 4066

Michael Lovas
 Practice Marketing Psychology
www.AboutPeople.com
Michael@AboutPeople.com
 847 367 4066

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Profile Interview

Jerry Mason

Ph.D., ChFC, CLU, CFP®, RFC®



Educational Evolution

In 1970 there was no recognized profession by any name similar to financial planner. There were sales persons — and in a limited number of universities, there were academic courses on actuarial science, insurance, investments and economics. But there was no curriculum or profession known as financial planning.

However, as we know, the profession staggered into existence in the early 1970's led by Loren Dunton and an initial group of "true believers" who supported the science of personal money management. There was only one institution, the College of Financial Planning in Denver, which had been established by Dunton and others just to design and award the CFP designation.

Then a few universities began to mold existing courses into a major — that of personal financial planning. This occurred in two areas of curriculum — the Business School on some campuses or in the Schools of Human Sciences often referred to as home economics — but without the food and garment aspects.

Naturally there were a number of university professors who participated in this educational evolution and one of those who has added his unique perspective is Jerry Mason. Not only did he develop curriculum materials, but he took all the designation courses in his quest to appreciate what many universities still do not recognize — the need for student internships.

Jerry Mason was born and raised in California. No doubt some of his high school teachers, if they gave any thought to it, probably did not expect Jerald (as he was known then) to graduate from high school. However, he did. In the course of events he graduated from Brigham Young University with a degree in economics. Not one of the most marketable of degrees, so he decided to go to MBA School. A former girl friend had been highly impressed with Stanford University, so he applied and miracles of miracles, was accepted.

After he earned his MBA, Proctor and Gamble in Cincinnati hired him on as the junior member of the marketing team responsible for selling Charmin toilet paper.

Jerry was embarrassed to be playing a role in that activity, so after ten days he quit and took a job teaching reading to high school drop outs. For nine years he tried a variety of jobs including working for Wells Fargo Bank and Hewlett-Packard as an accountant. Eventually he worked for his father's importing firm. At the age of 36 he decided to earn a Ph.D. so that he could live the "good life" only working nine months a year teaching college students how to better manage their money. The closest course to personal money management was in Family Economics — offered at the University of Missouri in Columbia. His first job after graduation was at Oneonta State in upstate New York.

When he later heard that Brigham Young University had started a financial planning program, he applied for a faculty position and moved his wife and five children to Utah. He stayed at BYU for six years until most folks recognized the program as the best in the nation, at which time the university dumped the program and Jerry.

His next stop was Atlanta where he spent

three years as the Director of Education for the IAFP (now FPA). During this time he finished the courses and designations for CLU, ChFC, and CFP. He missed the good teaching life, so in 1990 Jerry and his wife and their now six children moved to Lubbock, Texas so that they could live in the middle of nowhere, enabling Jerry to teach financial planning at Texas Tech. When he had fun at Texas Tech, it mostly involved helping students find internships and jobs.

In the spring of 1999, his friend Ed Morrow talked Jerry into applying for the position of VP of Education with what is now the National Association of Insurance and Financial Advisors. Once hired, he moved his wife and the last of the six Mason children to Fairfax, Virginia. In 2003, Jerry published a book *Financial Fitness For Life*, which he claims, "few buy, and no one (including my children) reads." A few months later, Jerry became an RFC and attended his first IARFC sponsored cruise/conference. His talk on how financial advisors can tap into the pool of talented students for internships was wildly applauded.

Following the short term infatuation of NAIFA with financial planning, that organization reverted to its life insurance focus and Jerry did writing and editing for six years for Ric Edelman, RFC® and assisted with the copy for Edelman's weekly TV show and newspaper columns.

From 2007 to 2011, he was Associate Professor at the School of Business, College of Saint Rose in Albany New York. He also served as a personal financial counselor for the Department of Defense – providing workshops around the country. He didn't improve their marksmanship, but they certainly learned that bigger money awaited them in civilian life.

In 2011 he returned to Utah – and now he teaches Personal Finance, including Capstone Course, plus supervises internships for Utah Valley University in Orem. At UVU Jerry has helped create an advisory board of very qualified and experienced financial advisors. The program reaches out to local and national practitioners, including several members of the IARFC.

As you might expect he is a strong believer that the Capstone Course at a university such as Utah Valley should require the students to produce high quality plans – plus get a taste of the market place as interns. His goal is that graduates at UVU have interned with a financial services organization.

Under Jerry's urging, the students at UVU have enrolled to participate in the IARFC Financial Plan competition and have already forwarded their submissions. Utah Valley has an association with Southern Virginia University and there may be an opportunity of the two institutions to partner with IARFC in offering a unique program to Asian financial consultants and entrepreneurs.

Getting to know Jerry

We asked him a series of question and his answers are particularly significant due to his wide spread experience.

How did you first enter financial services?

In 1968 I passed the State of Oregon life insurance exam and the Federal series six so that I could sell mutual funds. I was not a great success as a life insurance salesperson, so I only lasted for about three months. But I can truly appreciate how difficult it is to prospect for financial service clients.

What were your major obstacles?

When I went back to earn my Ph.D., Joyce and I had four children at the time. I told her she would not have to work, and she

didn't of course. She would say, the term is "employed" since mothering children is work. Getting a Ph.D. was a lot of work, but I held on to the end.

What benefit of the IARFC has been of greatest value?

My 30 plus years of friendship with Ed Morrow. Right now IARFC sponsors a case study competition and my Capstone students have just finished their cases.

What do you see for the Association in the future?

I think it will play an even more important role in serving its members, especially those that live overseas. As FPA continues to decline, IARFC will pick up much of the slack.

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

Work to get quality personal financial education into public schools in the K through 12 grades.

Like the legal profession, offer pro bono work for a minimum number of hours per week.





Handing over the boutique practice to a new junior partner. There will be more international residences — both outside of U.S. and of non-citizens into the U.S.

Having an increasing number of ex-patriots as clients.

Increasingly complicated taxes as the AMT bites more of our clients, more deeply.

What are the most important non-professional things you have done?

Married Joyce Hurst, fathered six wonderful children, and earned my Eagle Scout award.

Responsible for the bronze cougar that sits next to the BYU football stadium and served a two year mission for the Church of Jesus Christ of Latter-day Saints.

With Ray Lowey, back in 1959, started the Greyhound bus program that safely delivered thousands of BYU students home and back at Christmas time — the program finally died out in the mid 1980s when college students became rich enough to fly home.

What are the most important professional things you have done?

Helped turn the BYU financial planning program into the best in the world.

Helped turn the TTU financial planning program into the best in the world.

Helping now to turn Utah Valley University's financial planning degree into the best undergraduate degree by 2016.

Held the conference at BYU in 1983 that resulted in the creation of the Association for Financial Counseling and Planning Education.

Spent two years launching the Accredited Financial Counselor certification program.

Helped hundreds of students find paid internships and jobs.

As director of education for the IAFP created the educational sessions at national financial planning conferences for five years. 

Contact: 801 863 8236
Jerry.mason@uvu.edu
www.uvu.edu/

Promote community events such as the local PBS station by answering phones, etc.

Do volunteer work at a homeless shelter.

Become a financial planning merit badge counselor.

What will be the impact of technology on financial advisors?

Technology, meaning both software and hardware, will enable advisors to improve the services they offer their clients and providing long term support and guidance.

RFCs will be able to offer new services to individuals, families, wealthy family groups and business owners.

Hopefully someday software will be able to optimize the numbers in a plan instead of maximizing client goals.

What do you advise an RFC to concentrate on?

Ethics. For example do you display the RFC ethics plaque and also hand an ethics certificate to all new clients?

Providing the best services for the money paid by clients.

Make sure all recommendations are in the client's best interests.

Get all the education available. Many RFC members should be pursuing master degrees and even a doctorate. Education increases your status as well as your knowledge.

What's looming on the horizon for our profession?

Increased competition from large financial service firms and multi-national banks.

COMPLIANCE-FRIENDLY MARKETING

The Tax Control Triangle

How smart tax strategies can save you money now and in the future.



Katherine Vessenes
JD, CFP®, RFC®

When I first started financial planning, we all had one basic assumption — push taxes into the future. The general thought was our clients would be in a lower tax bracket for taking distributions from their retirement plans. About 12 years ago, I had an “aha moment”. What if that assumption was false?

If it were untrue, then we had done our clients a great disservice. Instead of paying their taxes now, when the rates are historically low, we would have pushed them into the future, when they are likely to be higher, a lot higher.

In fact, in order for a client’s tax rate to be lower in retirement, two things must happen:

1. They have to be taking less income. Out of all of our clients, I have only had three, who said they would be happy living on a lot less money in retirement. Most people want exactly the same lifestyle in retirement that they are living now.

2. The other alternative is Congress will reduce the tax rates. The recent elections have shown that this is highly unlikely for the foreseeable future.

Given these options, we believe it is doubtful your clients will be in a lower tax bracket in retirement.

Here is where the tax control triangle can give you a framework to discuss these concepts with your clients.

Here is how it works:

There are only three ways your clients’ income can be taxed:

1. **Taxed now** in non-qualified accounts. Or as Ed Slot says, this is really a tax forever account because the earnings are subject to tax every year. Some assets that would fit in this bucket include:

- Savings accounts
- Mutual funds and investments held in the clients name

- Income from real estate
- CDs and money market accounts

2. **Taxed later** in a tax-deferred account. Here are a few of the type of accounts that allow for a tax reduction this year and to defer taxes until retirement:

- 401(k)
- 403 (b)
- 457
- IRA
- SEP
- SIMPLE IRA

3. **Tax free.** There are only a few ways to get tax-free income:

- 529 plans if used for college costs within the U.S.
- Muni Bonds
- Roth IRAs
- Certain kinds of investment grade life insurance

We tell our clients there are pros/cons with each of these buckets:

1. For the Non-Qualified accounts:

Pros:

- The funds are liquid and available on a few days’ notice.
- There are no penalties for withdrawing the funds.
- It is very important to have emergency funds in this bucket.

Cons:

- With these accounts being taxed forever, the tax burden really reduces the rates of returns.

2. For the Qualified/Tax Deferred accounts:

Pros:

- Clients can reduce their income for this year and their taxes by the amount that is contributed. So a client who maximizes his 403(b), could invest \$17,500 and not have to pay any taxes on that money. For those in the highest tax brackets, it might

save them as much as \$7,000 or more in taxes this year — money in their pocket.

Con:

- Unfortunately there will come a time in the future, where the client will have to pay the piper — the taxman. In retirement, all the funds in this bucket will be taxed as ordinary income.
- Clients with a lot of money here face two big unknowns: they don’t know how much their funds will grow between now and retirement and they don’t know what the tax rates will be.
- There are also steep penalties for pulling the money out of the accounts before age 59 1/2.

3. The Tax Free/Tax Advantaged accounts.

First a little background. For retirement purposes, there are only three choices: Muni’s, Roths or certain types of life insurance. We don’t usually recommend Muni’s to our clients due to poor returns, and in some states the real risk of defaults. That leaves Roths and life insurance. For clients whose joint income is over \$180,000, Roths are not usually an option. That means for many clients the only way they can get tax-free income in retirement is through cash value life insurance.

Pros:

- For either Roths or investment grade life insurance, the client invests the funds in after tax. The accounts grow tax free and can be withdrawn free of tax if done correctly. For Roths this would be a direct withdrawal after age 59 1/2. For life insurance it is usually done in the form of a loan.
- Certain types of life insurance have some guarantees that are appealing to clients.

Cons:

- For Roths there are steep penalties for withdrawing the funds prior to age 59 1/2 (except for the basis).

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- Depending on the type of life insurance used, there may be surrender charges if the client decides to surrender the policy early. These charges would reduce the amount of funds the client could access.

Here is what we tell clients:

It is important to have some money in each bucket, because that gives you more flexibility in retirement. If tax rates are high when you retire, then you can take the money out of the tax-free bucket. If they are low, you will want to take them out of the tax-deferred bucket. This way you have options. Unfortunately those folks who just blindly invested all their money in the tax-deferred bucket could wake up to some very unpleasant tax bills in retirement.

Our strategy:

1. First, we fund the non-qualified bucket to a level that the client feels comfortable with for emergency funds or liquid savings.
2. Next we look at their tax-deferred options. For most clients we recommend they invest at least to the point of matching. For some high-income earners we recommend they max out their contributions, always explaining the consequences in retirement.
3. Finally we look at the tax-free bucket and use Roths if available or investment grade life insurance. Sometimes we use a combination of both.
4. Ongoing savings are used to fund the non-qualified bucket and the tax-free bucket in a ratio that the client feels happy about.

It is our belief that the tax consequences of your client's investments will have a much greater impact on their future than even investment returns.

Feel free to use this tool to help protect your clients' tax future. ☐

Katherine Vessenes, JD, CFP®, RFC®, has the best job in the world. She gets to help advisors, broker-dealers and insurance companies get their businesses to the next level. Known for fun and content rich training programs, she is an in-demand public speaker. Author of *Building Your Multi-Million Dollar Practice*, she also has her own private practice in Rhode Island.

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Flourishing Swindles



Most American consumers today are leery of Wall Street operatives. A majority of Americans citizens currently do not think highly of many of the giant banks. In fact, you and your neighbors are most likely now afraid of unknown insurance agents or unknown financial advisors. And rightly so!

We must all be super cautious because scams are now flourishing across our nation in record numbers. As most *Register* readers well-know, Carlo Ponzi, an Italian immigrant to the USA, changed his name to Charles Ponzi. In the 1920's, he bilked millions of dollars out of thousands of hopeful small investors. His crime became known as "a Ponzi scheme." The "Ponzi scheme" is very much alive today and flourishing.

These are times of cynicism and pessimism for most Americans now struggling with financial issues. Even those who are well employed are worried about economic threats and personal money-related factors. Rising numbers of our citizens are stressed over government spending, lack of real influence in Washington, rising taxes, increasing debts, cost of living increases, and the list goes on.

At this time we are also experiencing major changes in the lifestyles we have always known. For example pianos and hard-back books may be largely disappearing from the American scene, as did typewriters, vinyl records containing music, and many other products that are now obsolete in this digital age. Book store chains are vanishing. The huge Baptist and Methodist publishing houses have closed their book retail stores coast-to-coast. Newspaper circulations are rapidly declining. Plus we now live in an era where deceptive packaging is a constant that we frequently encounter.

Today mom and pop investors, people nation-wide, know that the federal government is "owned" and even "controlled" by the money laden special interest, i.e., banking industry, drug industry, medical industry, etc., etc. They load the pockets of the corrupt congressmen and senators and they get any law or regulation they desire passed so that they can further exploit you and other citizens.

Thus financial regulation, like all and oversight and regulation, has been deliberately highly weakened. Greater controls and protections are not even considered today as the special interest is so powerful and the federal government is so corrupt, or so unresponsive, or so dysfunctional. The lobbyist with cash to buy influence has real representation. As common citizens, you and your clients, have "pretend" representation!

More and more you must guard and protect your client's money as there are countless organized efforts attempting to get increasing amounts of that money, including the federal, state, and local governments, all of which have growing powers over you. Everyone needs professional financial planning! But, it is estimated that there are over 100 financial planning designations and the majority of these are worthless and not recognized by most states. Many require no training, no qualifications, and no continuous education or oversight. Nor do they enforce standards of conduct.

Frequently people go on the Internet seeking ways and means for evaluating and selecting a personal financial planner. They proceed with caution. Your IARFC website "Find a Member" section becomes more important for you daily, so make sure your listed info is accurate and up-to-date.

The Kitchen Table Meeting Is Still Sacred

The kitchen table "family money meeting" is sacred. As a financial advisor, when I am invited to sit at a mom and pop kitchen table I consider this a distinct honor. To discuss with them their money concerns and options is a privilege, plus a heavy responsibility. I always strive to protect mom and pop to the fullest extent possible. They usually become my long term friends. Their best interest is always first and foremost and this can most effectively be served by urging them to be more cautious and to carefully triple check everything and anything relating to their financial conduct and decision making.

David Massey, President of the 90-year-old North American Securities Administrators Association (NASAA), recently stated "There is a standard scam script with blanks, and people just fill in the blanks with whatever is hot." My friend Rodney Ballance of The Financial Academy, says, "Even Ponzi schemes may be at a record high. The recessive economy is causing crooks to pop-up everywhere."

Financial criminals are actually exploiting the economic uncertainty, volatile markets, self-serving on Wall Street, and daily negative economic coverage in the media. The growing numbers of financial criminals take advantage of the fear and self-interest of unsophisticated and often financially vulnerable investors. Often their real objective is to steal a "client's" life savings. The pressure is now on your clients, more than ever before, to control their "money emotions," remain realistic, use common sense, do fact checking very carefully, and never make instant decisions!

I urge you to get on the free e-mailing list of our state securities commissioners and

other appropriate associations such as the SEC, FINRA, NAIFA, IARFC, NASAA, FPA, and other respected related consumer protection groups.

Often total frauds include “opportunities” to get in on the ground floor of a new technology, a “just can’t fail” energy drilling project, or a “mirror trading” scheme that offers the “valuable” chance to participate in the real-time trades of a “highly skilled professional” third party.

Promote the Circulation of This List

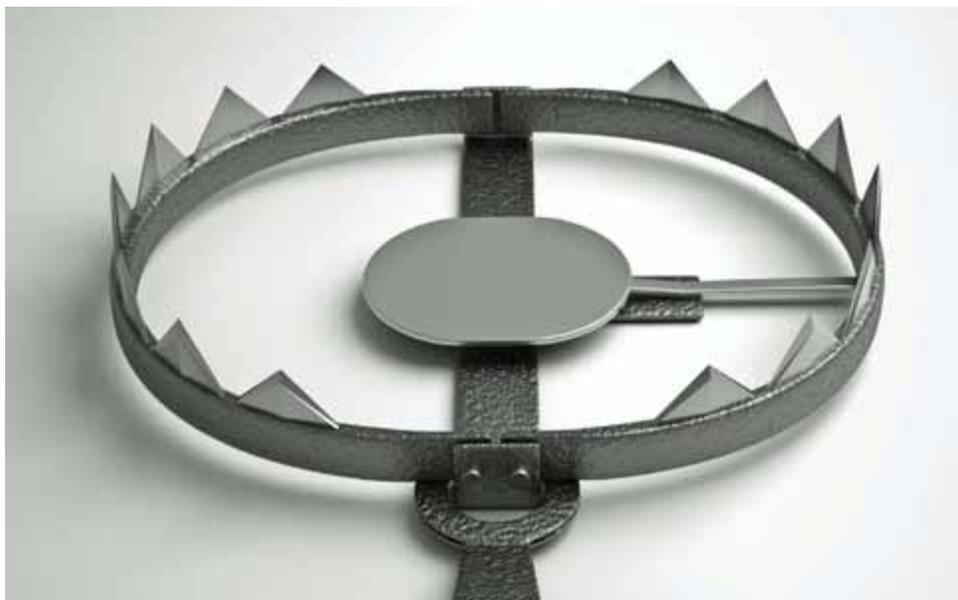
Most of the financial con victims are people like you. Most of my clients are people like you. I urge everyone (both consumer investors and financial professionals) to circulate the list below as being better informed may help motivate middle class investors to use more common sense, to be more selective about who they work with, and to do some responsible due-diligence checking, before making decisions and acting. Often a simple toll-free call or e-mail to a state or federal agency could have saved their life savings by encouraging them to investigate more thoroughly. Or they may be warned in advance by you.

The most abundant cons today involve distressed real estate schemes, energy investments, gold and precious metals, promissory notes and securitized life settlement contracts. The NASAA reports rampant scamming practices involving affinity fraud, bogus credentials, mirror trading, private placements, and investments offered by unlicensed representatives.

In most cases the fraudster is selling his or her alleged expertise in buying properties, trading commodities, or assessing energy projects. In many of their sales pitches they offer “guarantees” or “guaranteed returns.”

According to the NASAA, a 73-year old man in North Carolina raised \$18.5 million dollars from more than 100 small investors that he knew from church and other civic or social activities. He promised high returns and used new money to pay off the earlier investors.

The old cliché remains truer today than ever before: **“If it sounds too good to be true then it is.”** My feeling is that the risk is high when dealing with tangibles (gold and silver) people. Of course they are not all crooks but many of the “newer” precious metals and coin sellers are borderline crooks and former stockbrokers who were kicked out of Wall Street. This specialty has little regulation and such trading requires sophisticated skills. Often the mark-up is so



high that your investment is not likely to increase for a long-long time.

The below NASAA list of the 2012 most common financial swindles is not by any means complete. But this list should be read by all individuals who must now manage money prudently and by retail market advisors participating in the offering of financial products and services.

The Most Abundant Financial Swindles

Entertainment Investments: These have assumed glamour and implied excitement but it is not fun to be defrauded. These are largely unregistered investments and they include a variety of projects. These entail movies, infomercials, radio programs, TV productions, internet gambling, pornography, web site “companies,” and others. While offering little disclosure or risk, they promise high returns.

Gold Bullion and Currency (Coins)

Scams: With the high price of gold and silver, investors should beware of scams in which the seller offers to retain “purchased” gold in a “secure vault” and promises to sell your gold later as it gains value and you direct a sale. In many instances the gold does not exist. Similar are the many forms of foreign exchange (forex) trading schemes. Successful trading in foreign currencies requires resources far beyond the capacity of most mom and pop investors. There are high commissions involved and in most such situations there are no trades. Your money was most likely stolen immediately!

Leveraged Exchange Traded Funds (ETFs):

This relatively new financial product has

been offered to mom and pop investors who may not be aware of the risk these funds carry. The funds, which trade throughout the day like a stock, use exotic financial instruments, including options and other derivatives, and promise the potential to provide above market returns as the value of the underlying assets rise or fall. Because of their high volatility such funds are generally not appropriate for most individual retail investors.

Life Settlements: These are called “viaticals” and state securities regulators see a “red flag” when they are mentioned. These were subject to a recent Congressional investigation. While the life settlement transactions have helped some people obtain needed money for medical expenses and other purposes, those benefits come at a high price for investors, particularly senior citizens. Wide-ranging fraudulent practices in the life settlement market even include “Ponzi schemes,” fraudulent life expectancy evaluations, inadequate premium reserves that increase investor cost, and false promises of large profits at little risk.

“Ponzi Schemes”: This major scam will always trap and fleece investors because the deception is so skillfully perpetuated. It is almost impossible to detect in the early stages. Awareness of this crime is high due to Bernard Madoff’s multi-billion dollar fraud and the 150-year prison sentence he received. Madoff “pulled this off” with all the “trappings” of proper “checks and balances.” This house-of-cards con continues, high returns are paid to initial investors out of funds from current investors who eventually end up losing all or most of their money to the thief. Madoff’s may be the largest “Ponzi scheme” yet inflicted.

Private Placement Offerings: Private placements provide businesses the opportunity to raise capital by selling securities to a relatively small number of investors as opposed to a public offering made through national securities markets. A fast-growing numbers of these that are proving to be fraudulent, especially those executed under a federal registration exemption (Regulation D, Rule 506). Companies using this exemption can raise an unlimited amount of money without registering the offering with the SEC as long as they meet certain lesser standards. This exemption attracts con artist – and those who have been barred from the securities industry. There are legitimate private placements but these must be confirmed.

Real Estate Investment Schemes: During recent years NASAA has documented a huge rise in various real estate scams disguised as offers to help homeowners caught up in mortgage trouble. Major numbers of banks and mortgage companies have been responsible for crimes but go unpunished due to their strong influence with Washington lawmakers. The “save your home” plans for a fee paid in advance are usually a quick profit for the con artist and provide no service of benefit to the victim.

Seniors are often attracted to “reverse mortgages” that are not suitable for them and the resulting lump sum home equity payment often makes them an attractive target for con men offering worthless investment products.

Short-Term Commercial Promissory Notes: Many seniors have lost their life savings by investing in these notes that are nine months or less in duration. These notes are often touted as being “insured” or “guaranteed.” But the insurance companies generally are located outside of the USA, are not licensed to do business in the USA, and lack the resources necessary to deliver on the guarantees. Promoters of these often offer products that are exempt from registration. Very high commissions are provided to those who sell these.

The Investment You Are About To Make: Is what you are about to do with your money prudent? Is this really safe? Is the product even legitimate? Is this in proper compliance with the law and regulations? The more complicated you “deal” or “your investment” is – the more likely it is to be fraudulent! New products are for venture capitalists who know how to assess the risk. Is this truly an appropriate investment for

your retirement money? Should the promise of “high returns” cause you to not check any further? ☐



Ron Campbell, CFP®, RFC®

Ron Campbell, RFC®, CFP® is President of Campbell Financial Services and Anne Arundel Financial in, Glen Burnie, MD. He is an avid golfer, and collects annually for Toys for Tots. Ron is a member of the Insurance Pro Shop® Advisory Board and is joined in his firm by two of his four daughters.

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Wilma G. Anderson, RFC®

Just over a year ago someone told me to take a long hard look at how to blend Medicaid and the VA Aid and Attendance Pension Benefit Planning into my practice and then think about how to make those 2 programs workable when Obamacare becomes a reality in 2014.

Look at Medicaid as a source of practice revenue? Are you kidding me? I listened with half an ear and quietly thought "Why on earth would I want to focus my practice on individuals who had no \$\$?" I was in for a BIG surprise....

A Long Term Care History

As many of you know, for the past 18 years I've focused on long term care benefits for consumers. Four years ago I developed a program here in Colorado that marketed the **Aid & Attendance pension benefit** to war-time Vets over the age of 65 who were planning for long term care costs in the future, or who were in crisis and needed the benefit ASAP to help pay for their care. The benefit is FREE, there's no policy to buy, and there are product sales/revenue for almost every client who wants to apply for the benefit from the Veterans Administration.

The program I developed was hugely successful. Morning workshops put me in front of **50-60 prospects a month** to talk about the Aid & Attendance benefit and how it worked. We got the VA's approval for material content in the Power Points, and then gave these workshops every month in different sections of Denver. To help those Vets financially qualify for the benefit, it was usually necessary to reposition or retitle the client's assets to fit into the VA parameters. **Product sales were spectacular each and every month!**

Long term care is still a subject that the consumer doesn't want to think about



though. When a family is in crisis with a family member that needs care, then long term care and the monthly cost will stare them in the face. It's not unusual to hear the family gasp as they think about paying for care. **No one ever expected long term care to cost as much as it does today.** That's where the Aid & Attendance benefit can make a big difference in the affordability of care, the parents' monthly cash flow, and also in the place they select for their family member to receive care.

Many times the adult children see the prospect of an inheritance slipping away as the monthly costs of care for their parents or their spouse are paid out. As our population ages and lives longer, the need

for good advice from a Financial Advisor about how to plan for and pay for care will always be there. *But... if you don't look any further than this benefit and how to plan for it, you'll be missing a potentially HUGE additional revenue stream for your practice.*

What about Medicaid planning?

Medicaid is a program funded both at the Federal level and at the State level. As Advisors we need to help families examine the VA benefit to help pay for care, but in some situations we also need to plan for Medicaid as an alternative for either now or for the future. But do those folks have to be penniless to qualify for Medicaid? Does

your client family have to run out of money before they can apply? **NO!**

As most of us already know, in most states Medicaid has a 5-year look-back to financially qualify for the state to pay for nursing home care. **If your client is receiving the VA Aid & Attendance pension and is rapidly depleting their financial resources, you may need to suggest Medicaid to help pay for ongoing care.** When your client gets approved for Medicaid, at that time the VA monthly benefit will decrease immediately to only \$90 paid per month to the Vet. They can no longer receive the Aid & Attendance pension benefit since Medicaid will be paying for most, if not all, of their care costs when they're approved.

The BIG problem for us as Advisors is that VA and Medicaid planning are completely different in regards to your client's money. If you effectively plan and help your client to be approved for the VA Aid & Attendance pension, that planning could also create a huge penalty for months and months of Medicaid approval and future benefits to your client.

So what do you do?

1. **Take a complete inventory of your client's financial resources.** If your client is a couple, BOTH of them must reveal their resources on either the VA or the Medicaid application, even if this is a 2nd marriage and the resources have been kept separate.

2. **Does your client already have a long term care policy?** The benefits paid from those LTC plans will count as **INCOME** on the applications for either benefit. **Check to make sure that any new policies you sell can pay out benefits for at least 5 years.** Why? Medicaid may be needed later on and with a long term care plan the cost of care can be paid for 5 years. Meanwhile, the client's financial resources can be repositioned in Year One and protected after Year Five when they apply for Medicaid.

3. **If your client is in crisis NOW** and needs long term care, we've developed a questionnaire and software that tells me as an advisor whether the VA or the Medicaid planning is appropriate and **WHY.**

4. **If Medicaid is the most appropriate long term avenue for a client, we overcome the stigma of Medicaid by repositioning assets** to meet the state guidelines in Colorado. This type of planning usually **creates a 12-month penalty** for the client, but we also plan for

12 months of private pay to the facility from the financial resources the client has with a customized one-year SPIA. By doing that, the client family can assure the nursing facility of their choice that at least 12 months will be private pay for their services. With this strategy, if the client goes on Medicaid later on, the facility cannot, by law, require that your client (the patient) be asked to leave, or be dumped out into a Medicaid-only facility.

5. **We use other strategies for the remaining assets** so the client can leave part of their estate to their family members or chosen charity. The choices we give to a client all meet the state's guidelines and best of all, our client does NOT have to be penniless to use Medicaid as one of their long term care planning tools.

6. **The average client for this service has between \$100,000 to \$800,000 of assets.** With the planning fees and average product sales per client, our revenue averages \$20,000 per client.

Now, when someone mentions Medicaid planning to you, don't shudder or walk away. Take the time to get specific knowledge about Medicaid in your state. Take some training and learn how to blend planning strategies to best suit your client and his/her personal situation. Like me, see your practice revenues **IMPROVE** in 2013! For 2012. I saw a **42% increase in per client revenue.**

Now THAT's worth thinking about! 

Wilma G. Anderson, RFC® has over thirty years of experience in healthcare benefits, financial products and personal services, Wilma shares her knowledge and insight with people and organizations all across the country.

She has developed specialized workshops for the public focused on the unknown Veterans Benefit called "The Special Aid & Attendance Pension" for war-time Veterans and their spouses. She has authored an E-book for insurance agents about Critical Illness Coverage, and developed programs for Care Insurance Information & Sales. Her booklet for consumers about the different types of Annuity Investments sold out all 5 printings. If you're a consumer, Wilma will make any complicated situation easy to understand.

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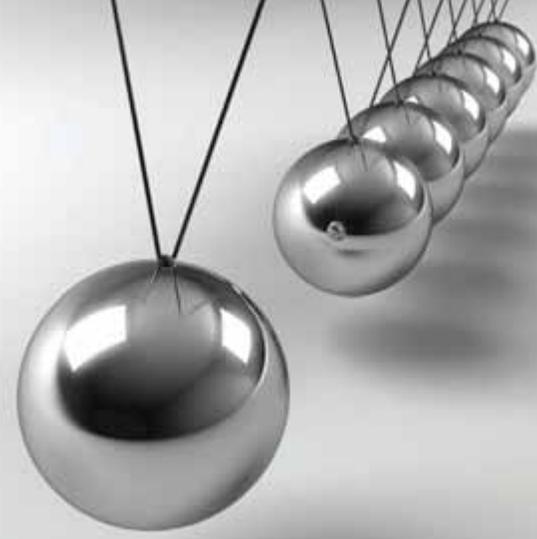
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What One Decision Can Impact Your Retirement by Tens of Thousands of Dollars?



Choosing The Right Social Security Election May Be The Most Important Decision Of Your Retirement!

How much you receive from Social Security depends on three primary factors:

1. Your earnings record
2. When you elect
3. How long you expect to live

Since you can't go back and change your earnings record, and you have minimal control over how long you live, calculating an expected lifetime benefit largely hinges on when and how you elect benefits.

In theory, if you elect early, you will get a smaller benefit for a longer period of time. If you elect later, you will get a larger benefit for a shorter period of time. Single people can do a simple "break-even" analysis to determine whether to take early or wait. But for married couples, the decision is much more complex.

For a Married Couple you need to analyze all 81 combinations.

Married Couples:

A Simple Break-Even Analysis May Give the Wrong Answers & Cost You Benefit Dollars!

Why? Because Social Security offers three distinct benefits for married people:

1. **Retired Worker Benefit** — Based on your own earnings record.
2. **Spousal Benefit** — Provides your spouse with a benefit once you claim your own benefit.
3. **Survivor Benefit** — Provides your spouse with a benefit after your death.

Virtually all of the simple break-even calculators in use today ignore the spousal and survivor benefits. Complex planning software includes spousal and survivor benefits but only for one combination of election ages. In short, neither tool offers a thorough analysis.

So "What's at Stake?"

The difference between the best and worst possible decision of when to elect Social Security can be well over \$100,000!

What if a mistake resulted in you leaving more than this \$100,000 on the table? Will losing that amount of money have a large impact on your retirement? Could it force you to change your life-style? Or spend down the money you thought you could set aside for your children? Will it raise a question in your mind? Will I run out of money? What could I have done differently?

First, before we get into any solutions, we need to understand the strategies that can be used.

Social Security offers three distinct types of benefits for retired workers and/or their spouses:

If you file prior to full retirement age, you are deemed to have filed for all benefits for which you are eligible. At full retirement age and beyond, you have several options to elect a limited benefit for a period of time, and then convert to a larger benefit at some point in the future.

The Switch Strategies™ approach takes advantage of two basic techniques: the "restricted application," and the "file and suspend." When you go to the Social

Security office, the individual you meet with has been trained to help you identify the highest benefit you can get today, not necessarily over your lifetime, and definitely not over the joint lives of you and your spouse. As a result, you are unlikely to hear about these techniques during a typical visit.

Restricted Applications

Once you reach normal retirement age, you have the option to restrict your application to exclude certain benefits. If a benefit is excluded, it will continue to build delayed retirement credits. As an example, a higher-earning spouse, who may want to wait until age 70 to collect his own benefit may be able to file at 66 for only the benefit available under his spouse's work record, while still allowing his own benefit to build delayed retirement credits. At age 70, he would switch to his own benefit. Alternatively, a lower earning spouse could restrict his or her application to only spousal benefits while continuing to claim delayed credits on his or her own earnings record.

File and Suspend

The second technique is the ability to file and suspend. Spousal benefits are not available until the primary earner has filed for his or her own benefits. The Senior Citizens' Freedom to Work Act of 2000 allows a worker to earn delayed retirement credits after filing for benefits if he requests that he did not receive benefits during a given period. As a result, a higher-earning spouse can file for benefits, then immediately suspend the benefit and continue to earn delayed credits. In the process, he will have made his spouse eligible for spousal benefits under his earnings record.

There are Many Possible Combinations

It is important to note that Social Security benefits are completely gender-neutral. In other words, any technique that is available to the “primary earner” is also available to the “secondary earner.” Certain combinations of the two techniques are also allowed. For example, the higher earner could file and suspend to make a spousal benefit available to the secondary earner, who could then file a restricted application for only spousal benefits. This would allow both earners to earn delayed retirement credits on their own earnings records while one spouse still collects benefits now.

Take the situation of a typical couple, Jim and Jill. They are both retiring in 2012 at age 62. To maintain their lifestyle in retirement, they will need \$65,000 a year in after-tax income adjusted annually for inflation. They have saved about \$600,000 in IRAs (Individual Retirement Accounts) but have no additional savings accounts or other assets besides their home. They have many options at their disposal for electing to take their Social Security benefits, but in this example, we’ll examine two possible scenarios.

In **Example 1**, Jim and Jill both elect to state claiming benefits early at age 62.

In **Example 2**, they both follow a planning process in order to maximize their family Social Security benefit.

Example 1: Both Elect at Age 62

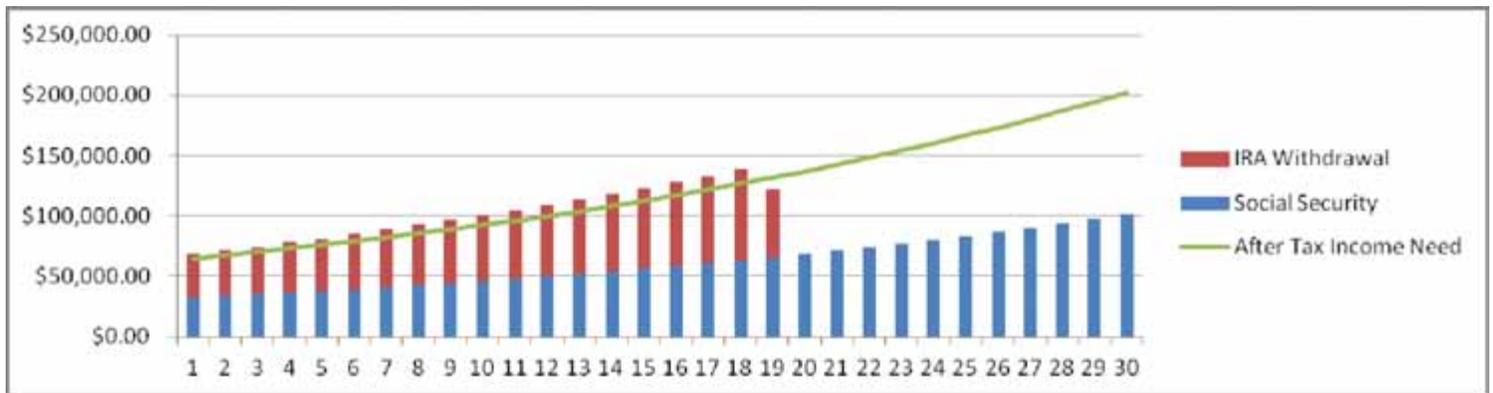
If Jim takes his benefit at age 62, he will get \$1,544 per month based on his lifetime earnings record. If Jill takes her benefit at 62, she will get \$1,163 per month based on her earnings record. Assuming their IRAs continue to grow at an average of 6% and inflation grows at 4%, Jim and Jill will fully exhaust their IRAs by the time they reach age 80, leaving their Social Security to provide them with only 50% of their needed income each month thereafter to live on. This is not ideal – they will be forced to curb their lifestyle and alter their financial plan dramatically.

Example 2: With Proper Planning

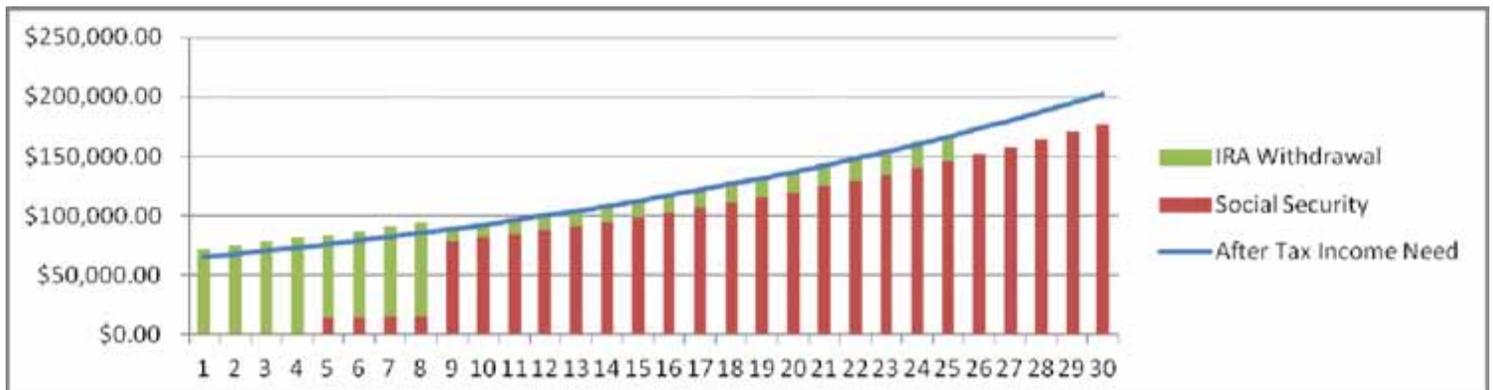
We will look at one idea to show a possible plan. Let’s say that rather than electing to take their Social Security

benefits early at age 62, instead Jim and Jill begin spending down their IRAs, which will allow them to delay taking their Social Security benefits. Jim then files for benefits when he reaches his full retirement age of 66, and immediately requests to suspend his benefits. Meanwhile, Jill files a restricted application for spousal benefits only of approximately \$1,204 when she reaches her full retirement age of 66. Then, when she turns 70, she will switch over to her own benefit, which by then will have grown to approximately \$2,800 per month, and when Jack reaches age 70, he then reinstates the benefit he had voluntarily suspended, which by then will have grown to about \$3,718. By following this example, they will have used up most of their IRA savings, depleting it to about \$170,000 by the time they turn 70. But they will also have “found” about \$61,000 in spousal benefits that would otherwise have been lost had they both elected to start collecting Social Security at 62, and they will have increased their own benefits to a total of approximately \$78,000 per year.

Example 1: Both Elect at Age 62

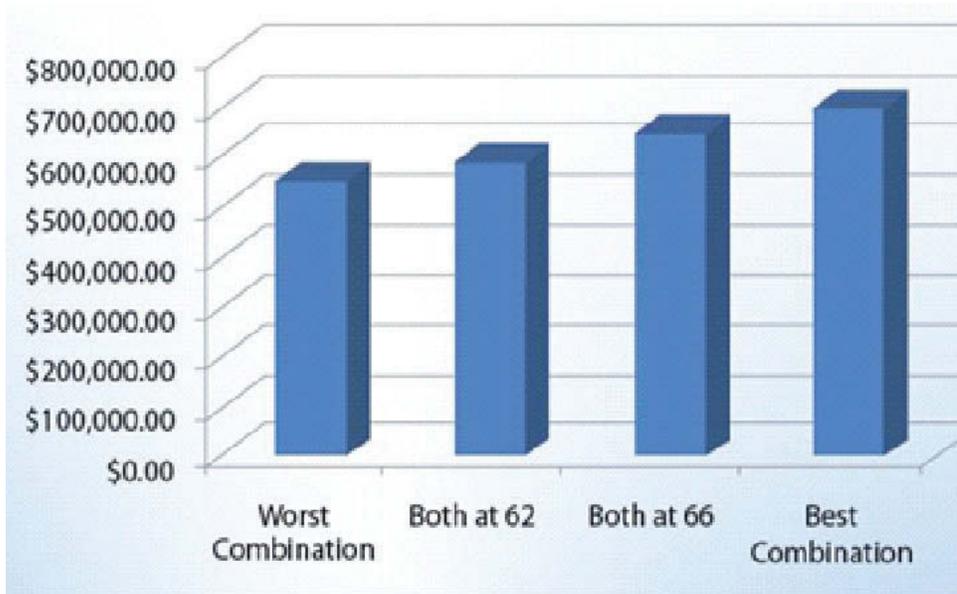


Example 2: With Proper Planning



Source: Dean Barber at Barber Financial Group and the Host of America’s Wealth Management Show

Chart: Summary of the best, worst and two common election strategies Source – Social Security Timing software.



In all, by spending down their IRAs first rather than claiming their Social Security benefits early, Jim and Jill will have increased their total monthly Social Security benefit by 76%! Assuming they live to age 90, implementing this strategy would result in finding an extra \$285,000 in additional benefit income for each of them over the exact same life expectancy, from the exact same Social Security system – all because they made Social Security planning a priority in their financial plan. Furthermore, as a result of this planning strategy, their IRAs will now last them until age 87. And even if they spent the entire balance in those IRAs, they would still have almost 88% (rather than 50%) of their required income coming in each month from Social Security.

Family Benefits Analysis

Using software analysis, we examine 81 possible combinations, including possible age combinations across nine possible election strategies and find the one option that offers the highest expected lifetime benefit based on your goals and life expectancy.

We provide a summary of the best, worst and two common election strategies. See chart.

I would highly recommend Social Security Timing – www.socialsecuritytiming.com for your Social Security Planning software as it calculates all the different claiming strategies possible so you can discuss them with your

clients and apply the strategy that best fits your client's retirement plan. ☐



Brian D. Johnson, RFC®

Brian D. Johnson, RFC® is the owner of Midwest Financial. Mr. Johnson is an Investment Advisor Representative with ING Financial Partners, and he has also been recognized as a qualifying member of the Million Dollar Round Table.* Mr. Johnson has been financial speaker at many events in Iowa including the National Association of Insurance and Financial Advisors. He is a co-host with Dean Barber on "America's Wealth Management Show" as a financial commentator aired on 540 KWMT.

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Mental Marketing

How to Use Your Wisdom to Attract New Business



Key word here — “Wisdom.” It’s different from your credentials, expertise and knowledge in one significant way — wisdom requires relevance. And, the relevance is determined by the other person.

In other words, before you write or utter a single syllable, float out of yourself and get inside the mind of your prospect or target market. Determine what is important to those people. Only then should you begin your message.

For Example. Let’s say you and I meet at a Justin Bieber tribute concert. You ask me if I’ve heard his newest hit, but instead of answering your question, I launch into a recitation about the intricacies of verb usage. You yawn, but I push on: active verbs, passive ones, noun forms — blah blah blah. All that data is meaningless — until I make it relevant to you.

How might I do that? By connecting verbs (or whatever) to what is important to you. I might explain that the verbs you choose are the single most powerful single element in your marketing and selling. Verbs are like a Hobbit’s magic ring — they determine whether someone will reach out to you or disappear. Not so dull now, eh?

What about you? You have years of training and decades of experience. In your

mind, all that information is probably relevant. But, how does your target market see it? For example, advisors tend to talk about products. “Mike have you thought about derivatives?” I give you a glazed look and reply, “You mean like country music? That’s derivative, right?”

In other words, products are relevant to you, but probably not to your clients. Products become relevant only when they become viable solutions to a problem your client wants to solve.

So much for the philosophy lesson. How can we make this information relevant to you? How can you use it in your business?

Step 1. Take a hard, critical look at your website. If I were a prospect, would I feel comfortable while on the site? Would I find information that tickles my values? Most financial websites are off-putting and lack the magic ring — relevance.

Step 2. Fix your website, or start over. The last thing you want is a website that looks like thousands of other sites. How does looking like a clone serve you? It doesn’t. Why would someone want to do business with an advisor who looks like thousands of others? They don’t.

Step 3. Add a blog to your site. Why?

1. It is probably the only thing that will change on your site.
2. It is the only way you can demonstrate your wisdom (relevance).
3. It is how you get your target market to feel more and more comfortable with you.
4. Since so few advisors even have a blog, it’s how you can show that you’re different and better.

We find that advisors take three typical approaches to blogs:

1. They hire a vendor to provide pre-approved content. Nice idea, if only they provided value. Unfortunately, such content reads like it was written by a compliance attorney — dullsville.
2. They write their own content. Big mistake. Most credentialed advisors write in an academic style — more dullsville. Also, advisors tend to sing praises of specific products. If that’s what your target market wants, then you’re on the right road. However, unless your target market is other advisors, that’s most likely a road to the dark side where no one lives.

3. They hire a young writer to generate the content. Young writers are affordable and literate, but they tend to have little life experience and cannot relate to the financial needs of middle-age families. Thus, they can't speak the appropriate language. As a result, their content might contain valid facts, but it often lacks relevance and connection to the target market. Where's the value in that? And, how does that represent your credibility?

Which way did he go? While there are many other things wrong with those common approaches, perhaps the worst is that they all ignore the same ingredient — the prospect. What does the prospect want to know? What would incite the prospect to re-visit your website? What are the prospect's financial problems? And, what do those add up to? Relevance. When you fail to include the prospect's perspective from the get-go, you lose track of the relevance.

What's the solution? Speak to your target market about topics important to them, and in the language they understand. Doing that would separate you and distinguish you from the vast majority of other advisors (on the financial side as well as the insurance side).

There are two primary ways you can demonstrate that you speak the consumer's language:

1. **Your conversation.** Ask poignant questions and write down the answers. Then, use the same words the prospect uses. Let's say Bill tells you that his investments are not producing income like they used to, and he asks if you can help. You say, "Well, let's look at developing a comprehensive financial plan and then put you in a truly diversified portfolio..." See the disconnect? You and Bill are NOT speaking the same language. In Bill's mind, you're not even talking about the same things.

2. **Your blog.** Don't have one? Uh oh — big disconnect. Consumers look for blogs that discuss topics that are relevant to them. Consumers also look for language they can understand. OK, imagine you're in Somalia and you step into a bank to get some cash. Five bankers jump up, eager to help, but no one speaks English. Which of the five do you trust?

The issue of using the language that's appropriate for your target market is worthy of close attention. So, let's look at some examples of language to use, and some not to use:

Tax Example

Consumer language: One of the most impassioned discussions throughout America focuses on taxes. What's fair? Do too many people get away with paying too little? And, if so, how do they do it?

Advisor language: Tax breaks can greatly reduce a taxpayer's liability. Deductions are expenses that can be subtracted from gross income to reduce taxable income; credits reduce tax liability dollar-for-dollar and have a greater impact than deductions; exemptions occur where a tax for a certain item or type of income is reduced or eliminated.

Social Security Example

Consumer language: Social Security is confusing. Remember, it's a government program that has changed over the decades. Thus, it has become more and more complicated. The point is, the most costly mistake people make with their Social Security is to not ask questions and get good, accurate, clear advice.

Advisor language: A major decision in retirement planning is identifying when to begin withdrawing Social Security retirement benefits. If you begin receiving benefits before your normal retirement age, you receive a smaller monthly benefit, but with a longer life expectancy (resulting in more benefit checks received); if you delay until after normal retirement age, you get larger benefit with a shorter life expectancy (resulting in fewer benefit checks received). Which strategy is optimum?

Investing Example

Consumer language: Investing simply means putting your money to work for you. It's like having a motivated employee who works 24/7 to make more money for you. As simple as that sounds, it's foreign to many Americans. Most of us were taught that we attained money by working for it. But, we can only work so many hours in a day. Thus, we're not making money when we're not working. And, that is where investing comes in. Your investments are supposed to work for you when you're asleep.

Advisor language: Almost everyone has some sort of long-term dream or goal they want to achieve in the future. Whether those dreams include a new or second home, a business venture or some other long-term goal, it's always important to have

a plan. A plan can help you diversify your portfolio by designing a personalized strategy to help you stay on track and to achieve those goals that you've been dreaming of.

In Conclusion. The best way to attract new business is to demonstrate your wisdom. The best way to do that is in your face-to-face meetings and your blog. The important points for maintaining a successful blog are:

1. Write it from your target market's perspective.
2. Use the type of language your target market uses.
3. Write about topics that spike their interest.

Your IARFC Reward. Want to find out what's important to the prospect? Give her a list of words and ask her to check the ones that best describe her. The list is called "Words that Guide Minds." If you'd like a copy of it, just let me know. My gift to you. ☐



Michael Lovas

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

Contact: 509 465 5599
michael@aboutpeople.com
www.aboutpeople.com

Funeral Trusts

An Excellent Opportunity to Help Families Plan AND Pay — For Their Funerals — While They are Alive!



Christopher Hill, RFC®

After suffering through the grief and loss of my mother's passing on Thanksgiving Day of 2008, it became increasingly apparent to me that **End of Life Planning is a missing piece of a financial puzzle.**

It has also become a passion and inspiration for me to help educate financial professionals regarding the win-win opportunity to help our clients and their families prepare their end of life plans and preferences, in advance.

A great quote that I always reference when meeting with clients or hosting workshops is from the legendary football Coach Vince Lombardi, who said:

"The main difference between failure and success is the amount of planning and preparation put into preparing for the future."

The financial services industry frowns upon using the word guarantee when speaking with clients or prospective clients (excluding volumes of disclaimers). Yet if you think about it, **every client and prospective client we meet is guaranteed to die at some point.** Of course we all hope and pray we die later versus sooner. Unfortunately life is not a linear journey. Rather, it is filled with constant changes, moving parts, and unexpected critical events.

In addition to the grief and loss we know our clients and their families will experience, why do we overlook and ignore planning for their funeral? Seriously, why?

Two Most Common Funeral-Related Questions:

Almost every family will ask these questions after losing a loved one:

1. How do we pay for the funeral?
2. What did their loved one want for their funeral?

Weddings and Funerals

If you think about it, a wedding and a funeral have many things in common. Both family events usually include:

- Church, Synagogue or a public facility
- Flowers and decorations
- Pastor, Priest or Minister
- Food, music and speeches
- Love, emotions, and special memories
- Notifying all family, friends, relatives and co-workers
- Planning and travel accommodations

However, here is one major difference between a wedding and a funeral:

- Weddings are usually planned over **6-12 months**
- Funerals are usually planned in about **6-12 hours!**

Funeral Facts:

- **90%** of Americans believe pre-funding a funeral is a good idea
- **10%** have actually pre-planned and pre-funded their funeral
- According to a recent National Funeral Directors Association study (NFDA), the most appropriate time to pre-fund a funeral was:
 - 80% — When afflicted with a serious illness
 - 71% — With their trusted financial or insurance advisor
 - 61% — When planning for retirement
 - 9% — When solicited by a Funeral Home

- Each year there is approximately \$2.5 billion of revenue that is pre-funded through funeral homes. However this is a small portion of the 12 billion of total costs.
- Average funeral cost is \$7,500, but with grave site and modest monument, the current grave site and modest monument, the current cost exceeds \$9,000.

What Is a Funeral Trust?

Here are some of the most common features and benefits of a Funeral Trust:

- An End of Life Plan that prearranges all the details of final plans and preferences
- Contains an insurance policy that pre-funds the entire plan
- Guaranteed to be fully paid for, regardless of time or inflation
- Usually guaranteed issue from ages 0-99
- Benefit amounts typically range from \$500-\$50,000
- Payments options vary from single pay to 1,3,5,7, or 10 years
- Benefits paid are income and estate tax free
- All excess funds are paid to a beneficiary or their estate
- All proceeds are:
 - Protected from creditors and lawsuits
 - Exempt from medicaid spend down
 - Portable to any funeral home
 - Payable immediately (No Death Certificate required)

Key Advantages of a Funeral Trust

Which of the following **pays benefits directly to the Funeral Home?**

- Savings Accounts? NO

- Investment Accounts? NO
- IRA's, 401k's, Annuities? NO
- Traditional Life Insurance? NO
- Funeral Trust? YES

Which of the following are **protected from probate**?

- Savings Accounts? NO
- Investment Accounts? NO
- IRA's, 401k's, Annuities? NO
- Traditional Life Insurance? NO
- Funeral Trust? YES

Which of the following are **protected from lawsuits and creditors**?

- Savings Accounts? NO
- Investment Accounts? NO
- IRA's, 401k's, Annuities? NO
- Traditional Life Insurance? NO
- Funeral Trust? YES

Which of the following are **protected from income and estate taxes**?

- Savings Accounts? NO
- Investment Accounts? NO
- IRA's, 401k's, Annuities? NO
- Traditional Life Insurance? NO
- Funeral Trust? YES

Which of the following are **protected from Medicaid Spend Down**?

- Savings Accounts? NO
- Investment Accounts? NO
- IRA's, 401k's, Annuities? NO
- Traditional Life Insurance? NO
- Funeral Trust? YES

Options to Fund a Funeral Trust

- Cash or CD's
- Bank, Savings or Checking Accounts
- Investment Accounts
- Dividend or Interest Income
- Annuities (Either via income or 10% annual "free" withdrawal)
- Annuities (New interest bonuses)
- Life Insurance (1035 Exchange)

A New Opportunity Exists RIGHT NOW:

By discussing an End of Life Plan with your clients, there are a wide variety of benefits which will clearly make this a win-win scenario. Below is a brief list of just five of the excellent opportunities that directly benefit you, your clients and your future practice:

1. Value-added benefit for all existing and prospective clients
2. New door opener for prospective clients

3. Excellent networking opportunity
4. Enhance existing relationships and identify new opportunities
5. Add an all-important missing piece to the financial lives of the families we serve, which is largely overlooked and ignored

How Do You Begin Such a Difficult Discussion?

Through extensive research, study, and expert help from the Death Care Industry, the following are some helpful questions to consider when beginning this difficult discussion:

- If there was a recent death in your family, can you tell me what you would you be doing right now?
- Do your spouse and/or heirs know your final plans and preferences? If not, do you want them to face the burden of burying you after you are gone?
- Have you left instructions for your spouse and/or heirs which specifically identify which assets to use to fund your funeral?
- How much do you think it would cost for one of your loved ones to be laid to rest today?

- Would your family know what to choose for your funeral, such as; What type of memorial service? Which church? Which funeral home or cemetery? Burial or cremation? Type of casket? Funeral flowers? Program guides? Who delivers your eulogy? Obituary details?
- If you were to die today, do you feel like your current plan gives your spouse and/or heirs the type of financial future you would want? 

Christopher P. Hill, RFC®, started his career in financial services industry in 1986, working as a college intern assisting a veteran stockbroker. Chris now has more than 24 years of experience as a top producer in the financial services industry as a nationally-recognized speaker, seminar expert, and MDR Top of the Table Producer. He is also the Founder of FuneralResource.com, the Internet's leading educational Resource Center for families and funeral directors. Also he received the IARFC Cato Award in 2008 for his contributions to the *Register*.

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When Life Insurance Gets Too Taxing



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We've all been told that life insurance rarely has any income tax associated with it. That's a significant selling point when making an appropriate recommendation. In fact, under IRC Section 7702, life insurance death proceeds are received income tax free by the beneficiaries. But there's another side of life insurance that you need to become familiar with. In fact, planning for life insurance without giving way to the income tax consequences associated with it could prove disastrous. There are living benefit and death benefit issues. More particularly, they correspond to the treatment of modified endowment contracts and transfer for value issues. This article focuses on what you need to do to be aware of some of these more complex issues.

Living Benefit Issues – Modified Endowment Contracts (MEC)

Income taxation became an issue when too many insureds decided to use certain types of life insurance policies as tax sheltered investment vehicles. For instance, the sales of single premium life insurance policies increased by 800% during the four-year period that ended in 1988. Part of this increase was due to the elimination of many tax advantages for investments as a result of the Tax Reform Act of 1986. Coincidentally, many of these sales took after the creation of this Act. Insureds were funding these policies not so much for pure insurance purposes, but rather, to hide monies under the tax-deferred growth mechanism.

That all changed on June 21, 1988 with the enactment of The Technical and Miscellaneous Revenue Act of 1988 (TAMRA) and the creation of Modified Endowment Contracts (MECs). The objective of this tax law change was to discourage the use of high premium life insurance policies as short-term investments. MECs are life insurance contracts that were

enacted under IRC Section 7702A for policies issued on or after June 21, 1988. Policies issued prior to this date were grandfathered from MEC provisions. As a consultant, you need to be cognizant of any universal life policy replacements for policies issued prior to that date since it will terminate the grandfathered status, and that an unnecessary taxable event can occur without proper advanced planning.

The test to determine whether a policy is a MEC is called the seven-pay test and works in the following manner. If the accumulated amount of premiums paid at any time during the first seven contract years exceeds the sum of the net level premiums that would have been paid on or before that time if the contract provided paid up future benefits, then all distributions will be taxed as income first under the "LIFO" method of accounting (last in first out). The seven level premiums are determined at policy issuance, and the policy death benefit is taken to be that of the first contract year, irrespective of any scheduled benefit decreases. In a nutshell, policies that fail the seven-pay test because too much money has been paid into them within the first seven years are considered MECs. Therefore, MECs differ from other life insurance policies regarding the federal income tax treatment of amounts received during the insured's lifetime.

If a policy is materially changed after issuance, the seven-pay test must be applied taking into account the cash value prior to the change. A material change is any increase in benefits or any exchange for another policy. There are three exceptions if benefit changes are due to (a) premium amounts necessary to fund the lowest death benefit during the first ten years, (b) dividends or interest, and (c) certain cost of living increases. Certain living benefits payable under a MEC are taxed more as an

annuity than as otherwise qualifying life insurance. The income tax treatment of death proceeds is unaffected by whether the policy is a MEC.

Loans against the cash surrender value, or from the assignment or pledge of any portion of the contract, are treated as distributions. Dividends and policy loans directly paid by the insured to pay premiums are also treated as distributions. Furthermore, a 10% penalty will apply to the taxable portion from a MEC if the insured/owner is under age 59 ½.

For example, your client Keri Mandone has \$80,000 of cash surrender value in her policy with a basis of \$50,000. She tells you that she wants to borrow \$42,000 from the policy. What she didn't tell you was that the policy was considered a MEC. Keri will have detrimental income tax consequences as a result of the borrowing. Keri's taxable gain resulting from the loan is \$30,000 (\$80,000 cash surrender value - \$50,000 policy basis). Assuming Keri is in a 36% income tax bracket, that transaction will cost her \$10,800 (\$30,000 x 36%), plus not to mention a \$3,000 penalty resulting from the 10% early withdrawal tax on the taxable amount (\$30,000 x 10%) since she's under age 59 ½. One side note, all amounts included in Keri's income are added to her cost basis.

One more key point about loans. Loans from a MEC increase the policyholder's basis only up to the amount of the taxable portion of the loan. In other words, the nontaxable portion of the loan has no effect. For example, assume your client Brandon Matthews has a basis in a life insurance policy of \$13,000. He takes out a \$10,000 policy loan. Within the policy, there is a \$6,000 untaxed gain in the policy (where cash value exceeds premiums paid). The effect of that \$10,000 policy loan is to treat the \$6,000 as a taxable distribution with no



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affect on the remaining \$4,000. The \$6,000 is then added to the original basis of \$13,000 to arrive at a new basis of \$19,000.

Death Benefit Issues – Transfer for Value

An exception exists to the rule that says all life insurance proceeds paid by reason of death are received by the beneficiary income tax free. Under IRC Section 101(a)(1), if a life insurance policy or any interest in a policy is transferred to another person for a valuable consideration, the death proceeds lose their income tax exempt status, in whole or in part. The amount of the consideration paid plus all net premiums paid by the transferee (the person to whom the policy was transferred) may be recovered income tax free on death. The excess of the gross proceeds over the consideration paid plus net premiums paid would be taxable to the beneficiary as ordinary income.

Most of these transfers involve the sale of policies, but it doesn't have to be. Also, it doesn't matter what type of policy was transferred. This rule is deeply grounded in acceptable public policy and is designed to prevent a tax-free windfall that might come about from speculation of insurance policies. As the consultant, you must ask whether a transfer did occur and will the transferee pay any type of consideration for that transfer. Depending on how the transfer to another beneficiary is structured will determine whether a transfer for value took place.

For example, your client Joan Mitchell sold her \$200,000 policy to Linda Ritter for \$10,000. Joan dies five years later. By that time, Linda paid \$20,000 in premiums (net of dividends). Linda would ultimately receive the \$200,000 of which \$30,000 would be a tax-free return of capital and \$170,000 would be taxable as ordinary income.

Not all transfers are subject to this rule. Under IRC Section 101(a)(2), if your client desires to transfer a policy for a particular purpose or to a particular beneficiary, it may be exempt from the rule, which means that a taxable transaction would not occur.

The following transfers would be exempt from this rule since they are not motivated by profit, but rather, for personal or business reasons. These include a

1. Transfer is to the insured
2. Transfer is to a partner of the insured
3. Transfer to a partnership in which the insured is a partner

4. Transfer to a corporation in which the insured is an officer or shareholder.
5. Transfer in which the tax basis of the policy in the hands of the transferee is determined by reference to its basis in the transferor. A transfer pursuant to a qualified domestic relations order (QDRO) or divorce; and a transfer pursuant to a gift would be examples of such transfers.

For example, if I decide to transfer a policy I bought on my daughter at age two to her now at age 18, I would fall under the first exemption, and thus not incur a taxable transaction.

A twist to this rule exists when a transfer is initially "tainted" but can remove that "taint" from future transfers that involve one of the above five exemptions. For example, your client Bill Jackson is a shareholder in BJ Corporation. He sells his policy to Murray Hampton, who is also a shareholder in BJ Corporation. This transfer is subject to the transfer for value rule because it falls outside the exemption. Subsequently, Murray forms a partnership with Jill Doe and contributes the policy to her under exemption number two. That subsequent transfer can remove the "taint" from the transaction and thus fall under the transfer for value rule exemption.

However, be aware of certain transactions that smell like a transfer for value rule, look like one, but aren't one. For example, if your client Robert sells his life insurance policy on his life to a corporation in which he is a member of its Board of Directors, the exemption wouldn't apply since he must be a shareholder or officer of that corporation.

MECs and transfer for value issues can put a significant damper on would be routine life insurance transfers if you are not careful in orchestrating these issues. The best advice to provide is to analyze the transactions before they occur to minimize or possible eliminate any problems that can arise. ☐

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How is Your Brand?



We are all familiar with brands that have created a strong image. Statistics indicate that in 76% of consumer purchase decisions the brand is a strong consideration. Who has a powerful brand today? Certainly we would include the following:

Apple	IBM
Mercedes	Ford
McDonalds	Pizza Hut
Sara Lee	Levis
Coca Cola	Michelin

Often we think of the advertising emblem or logo. But in many cases that brand carries with it certain presumptions. With Apple, don't you think of some important characteristics, such as creative features, reliability, security, unique packaging, and also the Apple Logo? Some of those were intentional branding steps, such as the Apple logo. Others are part of the reputation.

If someone were to mention your name (assuming you do financial business as an individual) or the name of your firm (that is your organizational entity) what is the instinctive response of the type of person you want to do business with?

Your brand is important in retaining the client relationship with all your customers. If your client is called on by another financial advisor with a much more powerful brand, then they will be likely to grant them an appointment – and your relationship is now at risk. If that competitor is really effective, you do not know you have lost a client until records are being transferred.

Your brand is important in securing the first appointment – to convince a prospect there is sufficient reason to tell you enough about themselves or their business to determine if there is an opportunity for you to serve them. If your brand is strong, it helps you over that

first hurdle – securing an appointment to discuss the services you offer.

Your brand is important with other professional advisors. When you call a local estate planning or business attorney, if you have a strong and favorable brand, they will be inclined to work in harmony with you. This will increase the tenure of the client relationship and the amount you will eventually earn.

A brand is not merely a logo (like the Apple) or some unusual type (like Coca Cola) or a symbol of strength (the Michelin Man). Often it is several items. The greeting card giant Hallmark has used a crown over the word Hallmark, and its original slogan "When you care enough to send the very best" is now joined by "Life is a Special Occasion!" In fact many persons receiving an attractive card (or even their grim reaper April 15th card) will turn the card over to see if it is a Hallmark card. It is also positively identified with its 70 year old TV and movie programs, "The Hallmark Hall of _____." I wager you could complete that advertising/promotional/branding phrase.

What is Your Brand?

Chances are, you don't have one, or if you have made some efforts, they have not been powerfully successful. You can test this by asking some persons in your market, "What is my brand? What does my identity say to you? What are the words you think of?"

What do You Want to Brand?

Do you want to brand your name? This might be very effective if you are a writer and lecturer and your services are centered around your special acumen. Google "Ed Slott" to see how effectively this can be done. It helps if you have been a prolific writer and have a unusual name.

Do you want to brand a firm? Google "Money Concepts" to see how their branding and website use the history of the firm, and logo, help provide positive identification for their reps.

Some branding is done to re-direct a prior image when you are adding new services. Or perhaps you are merging several firms or practitioners. Before sending a media release, you need to get your new branding in place. This especially applies to your listings and website – since many persons will use the internet to check you out.

A Quick Enhancement

Go to the IARFC website and examine your personal Member Profile: www.IARFC.org Look at a few others. You will note many have never inserted free image and branding terminology. Do you have a good photo posted? You need one that is relatively current and which makes you "look like someone your target client would like to do business with." Have you entered text about your services?

Search for Bailey and will see the listing for Steve and his two children, Jarod and Stephanie. All they would need to do is say to someone, "You should never trust your money to someone you have not verified. Go to this website – the professional, non-profit International Association and check us out!"



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Yes, this is not a big step. It is quick, easy and will cost you nothing (unless you need a new photo).

Your Competition is Increasing

There are lots of organizations, institutions and persons just like you that would like to have your clients. They might even like to re-write the insurance and investments you have sold. Your strong brand will help protect you, especially as you send new evidences of your brand to your clientele.

If you have no brand, it is likely you will be placed in the category of a "pushy salesperson of insurance or investments." A well-developed brand will emphasize that you are:

- Customer, not product focused
- Advice oriented, not selling
- A credentialed advisor
- An ethical practitioner
- A fee-based professional

Please... do not form the opinion that branding will be time-consuming and expensive. The first steps will be to simply remove or replace any image that is not consistent with how you want to be regarded. (Sorry, that means taking down all production awards and taking all your product-focused magazines out of the client's view.)

You know Ethics is important. Have you ever watched that frightening show, "American Greed" Your prospects and clients are concerned about your ethical posture, but will not say it, because if you say, "Sure I'm Ethical!" that will have no credibility. But erecting an Ethics Certificate or plaque implies that you are concerned about ethics. Of course, it does not make you ethical. But your brand just burned a little brighter...

Good branding banishes your competitors, strengthens your self-respect, reinforces the favorable image of you held by your clients — and will ultimately lead to more referrals. ☐

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

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The Baker's Dozen of Using Section 529 Plans

The Best Education Funding Vehicle

For example, if you don't like the way your account is performing under its existing structure, you can move it to another plan sponsor and change the allocation to fit more of your current needs, or simply just keep it allocated in the same manner just under another provider.

\$200,000, chances are slim anyway that they would qualify for financial aid. However, if the parents have more than one child in college at the same time, it could make a difference. Grandparents can own the account and the funds will not be included at all on the financial aid form.

We have much to be thankful in planning for education. Section 529 plans are hands down the vehicle of choice for those parents looking to fund their children's college.

Here is a brief listing of reasons why you should consider the 529 plan.

1. **Tax Deferred Growth.** Section 529 monies grow federally and usually state tax-deferred.
2. **Tax Free Benefits.** Qualified distributions will be received income tax free by you as long as you use those funds to pay for college.
3. **Withdrawals.** There is no maximum cap on the amount of withdrawals you can remove from the account. However, all withdrawals must be used toward qualifying education expenses.
4. **Investing.** 529 plans can be invested in any combination of equities, fixed income and cash.
5. **Rollovers.** Once a year rollovers to another state's 529 plans are permitted.

6. **Expanded Family.** The definition of family member extends outside the immediate family to include "cousins". For example, if a grandparent wants to change the beneficiary, he or she can move the funds to another family member, such as a cousin or any other immediate family member.
7. **Penalty for Noneducation Use.** There is a 10% penalty for withdrawing amounts not used for education. This penalty works just like the 10% early withdrawal penalty imposed on retirement plans. As such, qualified withdrawals due to death or disability can waive the penalty as well as a scholarship awarded to the student.
8. **Dual Contributions.** Contributions can be made to both a Section 529 plan and an education (Coverdell) IRA in the same year without giving way to the excise tax on excess contributions.
9. **Access to Financial Aid.** Assets in 529 plans are generally treated as an asset of the account owner rather than a child's for purposes of determining financial aid. Under financial aid formulas, a child's assets count toward determining the expected family contribution (EFC), which is currently at 35%, whereby the parents' assets are counted at 5.6%. The U.S. Dept of Education indicated that when the parent is the owner, 529 plan assets are treated as other parental assets for financial aid purposes. If the parent earns

10. **Creditor Protection.** Judgment creditors cannot access 529 plan assets.
11. **Estate Tax Issues.** 529 plans can also greatly reduce the size of a client's estate for singles contributing up to \$70,000 or married filing jointly taxpayers contributing up to \$140,000. No gift tax liability will be incurred since each of the above gifts would qualify as five annual installments of \$14,000 (or \$28,000 if gift splitting) and thus qualify for the annual gift tax exclusion. From the moment of the transfer, the money is removed from your gross estate, unless you or your spouse dies within the five-year period of the gift. If that occurs, the amount of the gift is prorated.
12. **Contribution Limits.** These limits depend on the state sponsored plan. Generally, the amount is determined by what it would cost to send a student for five years of undergraduate and two years of graduate education at the institutions with the highest cost of attendance per year in that state. Some plans allow as much as \$350,000 to be contributed per account beneficiary.
13. **State Tax Deduction.** Some states may also offer a state income tax deduction or credit. 

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author Jeffrey H. Rattiner,*

The Un-Comfort Zone

Here's Why Advertising
During a Recession is Good Business



A few years ago when my wife was expecting our second son, we realized it was time to move our first born out of the nursery and into a regular bed. So, on a Saturday afternoon, we retrieved my old bunk-beds from my parent's attic. All we needed to do was buy a couple of new mattresses. The following morning, as we lingered over coffee and the Sunday paper, my wife pointed to several ads and exclaimed, "Look at all these sales. We picked the perfect time to buy a new mattress!"

Being in the advertising business, I chuckled, and said, "Honey, that's the beauty of advertising. Mattresses are always on sale, but no one ever notices that until they're in the market for one."

Once buyers are ready to enter the market for a particular item, their attention to advertising for that product is heightened. It's information they want, and the questions on their minds are: "Who has the best product? Who has the best price? and Where can I buy it?"

This phenomenon is known as Ready-to-Buy and occurs at different times for different people. If a company is not communicating with them when they enter the market, then that company will not be considered in the buying decision. This fact is just as true during a recession.

Sometimes we need to remind ourselves what the short-term benefits of advertising are — during good times or bad — it creates sales immediately; it generates added business from current customers; and it brings in new leads and prospects.

Then there is the long-term benefit of advertising: it works cumulatively. The more

familiar people become with a brand, the more favorable they feel toward it, and the more likely they are to buy it. In other words, people don't like to do business with strangers. And since the owners and staff of a company can't personally meet all their prospective customers in advance, their advertising must do this for them.

Maintaining brand recognition should be considered an on-going business investment. The moment it stops, it begins to lose power immediately and future sales are in jeopardy. Studies have shown that it takes four to six months to see the results of an advertising program. Cutting back during a down-turn is like throwing away your investment. Maintenance today costs much less than rebuilding tomorrow.

This doesn't mean advertisers shouldn't change anything. In fact, they should work to get the most out of their advertising dollars by eliminating emotion-based, image-building advertising and using instead informative ads that demonstrate their product's superiority.

Perhaps the best reason to keep advertising during a recession is that it may actually provide an opportunity for companies to dominate their market. Many businesses make the mistake of assuming that because money is tight everywhere, customers will be spending less and therefore money spent on advertising will be wasted. Another false assumption is that it's safe to reduce the advertising budget if the competition is reducing theirs. However, research has revealed that companies maintaining or increasing advertising during periods of economic slow-down will boost market share. Some companies will even see an increase in sales over their competitors who decrease advertising.

Advertising is a shield against adversity. Even if your business is located in a combat zone, you need to let your customers and prospects know that you are still operating. The only way to do that is with advertising.

As we weather the current economic challenges of recession, unemployment and inflation, you can already see many leading companies increasing their advertising budgets. The benefit is clear. When fewer competitors are advertising, the ones that continue or increase their advertising become more visible to the consumer, and that could be — you! 

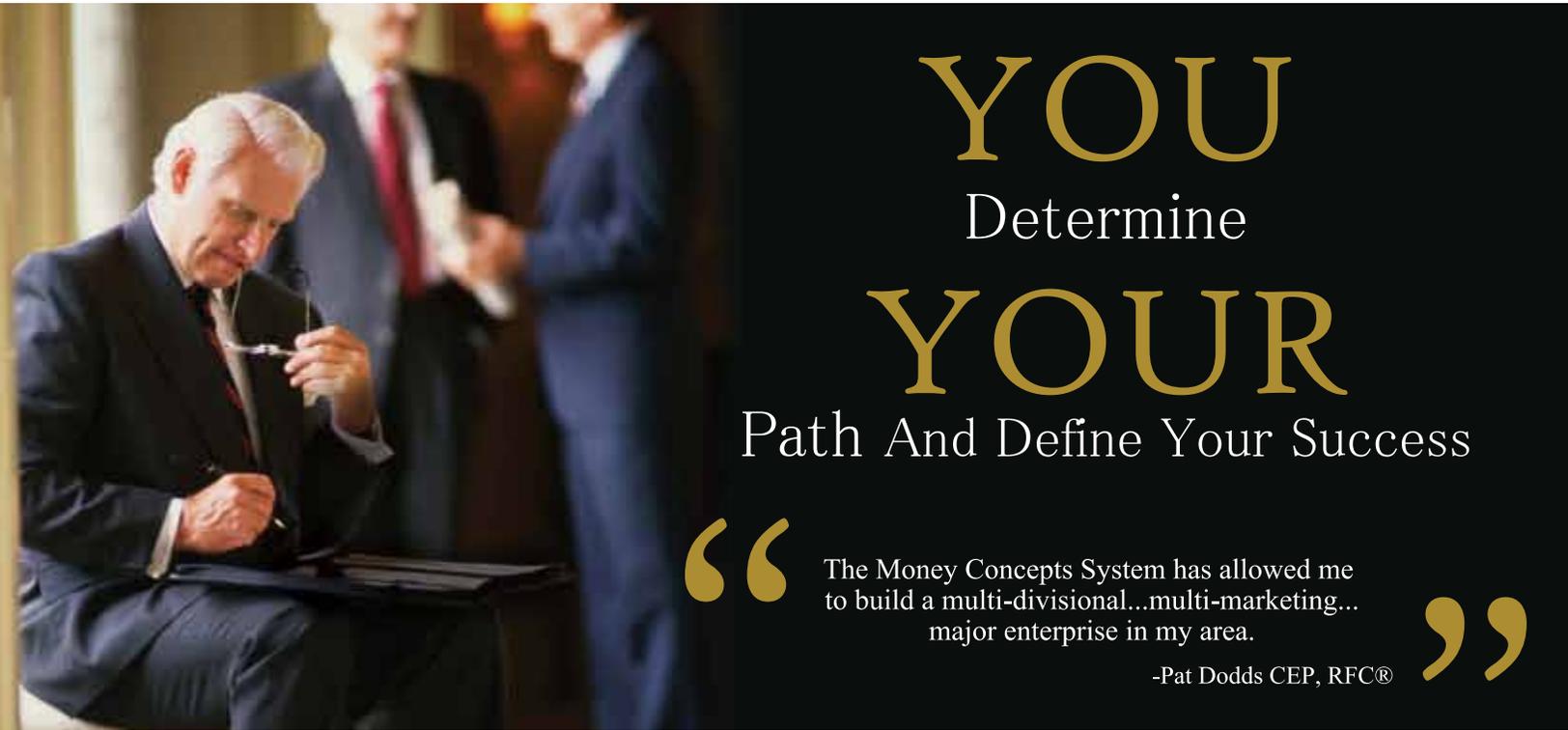


Robert Evans Wilson, Jr

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