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American Institute of Certified Public Accountants (AICPA)

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THE PLANNER

THE NEWSLETTER FOR THE AICPA PERSONAL FINANCIAL PLANNING DIVISION

Increased Activity in Financial Planner Legislation

Accountants, lawyers, and certain other licensed professionals have generally been excluded from the definition of investment adviser in state securities laws and, therefore, not subject to investment adviser registration, if their investment advisory services are incidental to the practice of their profession. Financial planner organizations have been trying to eliminate that exclusion. They are lobbying state legislatures to amend securities laws (1) to broaden the definition of investment adviser to include financial planners and (2) to add a provision that the exclusion does not apply if the accountant or lawyer holds out as a financial planner or as providing financial planning services.

Georgia Law

A Georgia law that becomes effective on April 1 applies to anyone who holds out as a financial planner, or something comparable, or to anyone who uses financial planning or a similar term to describe his services. The law contains no exclusion for accountants. Requirements include registration, fees, special record-keeping, and an examination. Planners in practice on April 7, 1988, who register before October 2, 1989, can apply for an exemption from the examination requirement.

Maryland Bill

Proposed legislation (HB-712) to amend Maryland's investment adviser law contains an unusually broad definition of investment advisers subject to registration. It includes persons who provide financial and investment counseling or advice or who hold out as a financial or investment planner, counselor, consultant, or use any similar title. The bill would also apply to anyone who provides the following services:

- Gathers information relating to investments,
- Establishes goals and objectives,
- Processes and analyzes the information gathered, and
- Recommends a financial plan.

The bill also provides that the accountant's exclusion does not apply if the accountant holds out as an investment adviser.

The language in the Georgia and Maryland documents is so broad that there is concern that, in addition to CPAs providing PFP services, it may be construed to include practitioners providing management consulting, estate planning, and income tax planning services.

Other States

Numerous other states have introduced proposed PFP legislation since January 1 or are preparing to do so. Some states have appointed

DIVISION NEWS ALERT

Division's PFP Technical Conference—
Orlando-November 13 and 14, 1989

Bimonthly PFP column
Journal of Accountancy—Look for it in even-numbered months: February, April, and so forth

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WHAT'S INSIDE

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groups to study the need for legislation regulating financial planners. That legislative activity is described below.

Alabama—The Director of the Securities Commission is expected to introduce amendments to the state's securities law that are based on NASAA's amendments to the Uniform Securities Act of 1956. The draft bill would revise the definition of investment adviser to include financial planners.

Colorado—The Colorado Bar Association has appointed a securities subcommittee to perform a global review of securities laws and develop recommendations. As a result, the Securities Commissioner's committee has deferred its study of the need for investment adviser legislation until the bar association issues its report.

Connecticut—A bill (SB-151) requiring that financial planners be licensed by the Department of Banking was introduced. It was referred to the Committee on Banks on January 4.

Hawaii—The Legislative Auditor completed a sunrise analysis of the proposal to regulate financial planners. The analysis concluded that the state legislature should not enact two bills (SB-2144 and SB-2145) introduced in 1988 that would require financial planners to register and be licensed. In their place, it recommends better enforcement of existing laws. A public hearing is scheduled to consider whether to accept that conclusion.

Illinois—The Financial Planners Subcommittee of the Illinois Securities Advisory Committee is drafting an amendment to the state's securities law that would regulate financial planners. It is expected that the amendment will be based on NASAA's amendments to the Uniform Securities Act of 1956, but may include additional requirements as well.

Massachusetts—The Senate Banking Committee has considered and rejected a state investment adviser bill several times. An investment adviser bill (SB-107) introduced on January 4, however, was referred to the Committee on Commerce rather than to the Banking Committee. It includes financial planners in the definition of investment advisers. The bill includes an exclusion for accountants.

New Jersey—A bill (SB-3001) requiring the registration of financial planners under the Uniform Securities Law was introduced in October 1988. The bill was referred to the Senate Labor, Industry, and Professions Committee for consideration. It is identical to Assembly Bill 351. Both bills carry over to the 1989 session.

New York—The state attorney general's office held a hearing in December on Assembly Bill 7528-A. That bill would include financial planners in the definition of investment advisers and would give the Attorney General the power to regulate financial planners. The Assembly Codes Committee amended the bill for comments made at the hearing.

North Dakota—A bill (SB-2246) was introduced to revise the state's securities law to include NASAA's amendments. The bill was referred to the Committee on Industry for consideration.

Washington—A bill (SB-5085) was introduced in January that would amend the state's securities law to include financial planners in the definition of investment advisers and to require all those who hold out as financial planners to register as investment advisers. Licensed CPAs whose investment advisory services are incidental to their practice of accounting are excluded from the definition of investment adviser. It has been approved by the committee and is ready for a floor vote.

Article Describes CPAs Concerns About PFP Legislation

Be sure to read Curtis Verschoor's article in the January *Journal of Accountancy*, entitled "Don't Get Caught in the Regulatory Trap." It describes the concerns of many CPA financial planners about proposed state PFP legislation that could be detrimental to CPAs—requiring them to be subject

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to dual registration and regulation. It lists twenty-four states to watch for regulatory activity in 1989 and describes the role interested CPAs can play in the legislative process. If you missed the article, call the PFP Division at (212)575-6588 for a copy.

Soloing Successfully as a Financial Planner

Michael Markiewicz, a sole practitioner from Lebanon, New Hampshire, has an accounting practice that is 50-percent tax and 50-percent personal financial planning services. His PFP engagements range from focused consultations, such as helping a client cope with an unexpected cash windfall, to retirement planning and comprehensive planning for wealthy individuals. Mike has developed this practice in only a year and a half. He attributes his success in attracting financial planning clients to his continued marketing efforts.

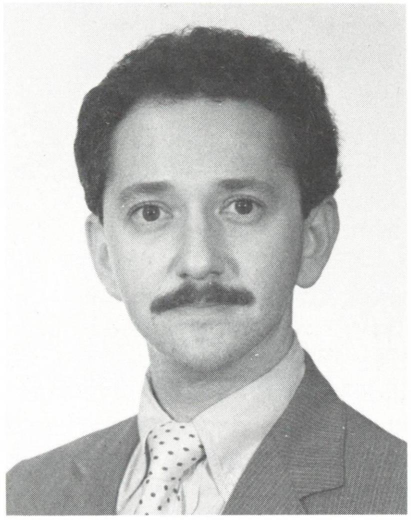
As soon as Mike opened his doors he advertised in local newspapers and state and local business journals. He doesn't believe the advertising was overly successful, but it was necessary, because he wanted to let the business community know he was starting a practice.

Mike's most successful marketing method has been speaking at seminars. He accepts as many speaking engagements as possible. One seminar was a particularly good source of clients—the Hanover Area Financial Planning and Estate Planning Seminar. Co-sponsored by Dartmouth College and the Dartmouth National Bank, the seminar attracted a pool of potential clients—not only the participants, but also the speakers.

Mike sponsored his own seminar last fall. He invited targeted members of the community and his clients to an evening program about financial planning. The presentation included an overview of financial planning, a description of the services provided by his firm, and a comparison of his services to those of commissioned planners. He discussed recent changes, including developments in estate tax law. Fall proved to be a good time to schedule such a seminar.

Another effective marketing tool is maintaining an accurate contact list. Mike's list includes names of local attorneys, bankers, trust officers, stock brokers, and investment advisers. The targeted list proved useful in planning his seminar.

The people on Mike's contact list receive *The Markiewicz Letter*, a bimonthly client newsletter. Mike writes the newsletter, gathering information from various sources, including *The Planner*. *The Markiewicz Letter* increases his name recognition and serves as a regular reminder to recipients who are in a position to make referrals, such as attorneys and trust officers. It also reminds Mike's tax clients that he offers financial planning services. They are more likely to consider new services if they receive regular reminders about relevant PFP issues and how the firm's PFP services can help them get better control over their own financial situation.



Michael Markiewicz, CPA financial planner from Lebanon, New Hampshire, chairs his state society's PFP Committee.

Mike developed a brochure for his firm that is both an informative explanation of financial planning and a marketing tool that describes his background and the firm's services. When Mike opened his practice he included the brochure in letters to prospective clients. He also includes it with his tax clients' tax returns.

Mike believes clients come to him for several reasons. Many clients realize that they have a need for personal financial planning assistance. Few CPAs in the area provide PFP services. Most of the other local financial planners also sell products. His clients generally prefer plans that are not centered around specific products.

Mike's marketing plan for the future includes developing contacts with the local media as a financial planning expert. Although writing articles for business journals is time consuming, he believes it is important to enhance his reputation.

Mike lends his expertise to the New Hampshire State Society by chairing their PFP committee.

CPE Programs for Financial Planners

The AICPA CPE Division will hold conferences on financial planning topics in May and June. "Tax Strategies for High Income Individuals" will be held on May 11 and 12 in Chicago and June 1 and 2 in Orlando. "The National Conference on Divorce and Related Tax Planning" will be held on June 1 and 2 in Las Vegas. To obtain additional information or to register for the conferences, call (800)242-7269 [in New York, call (212)575-5696].

The Pennsylvania Institute of CPAs will hold its PFP conference on May 22 and 23 at the Hershey Hotel in Philadelphia. The registration fee is $250. For additional information, or to register, call (215) 735-2635.

The Missouri State Society of CPAs is sponsoring a personal financial planning conference on May 25. For information, call (314)997-7966.

Self-Study Courses

The AICPA CPE Division has two self-study courses of interest to financial planners. *The Technical and Miscellaneous Revenue Act of 1988 (TAMRA)* covers several financial planning topics, such as education savings bonds and investment-oriented life insurance products. The course provides 8-hours of CPE credit and includes two cassettes and a copy of Prentice Hall's *Explanation of the Technical and Miscellaneous Revenue Act of 1988*.

Executive Writing, Speaking and Listening Skills provides 14-hours of CPE. It teaches verbal and nonverbal communication, effective interview techniques, and presentation skills. For additional information about these courses, call the AICPA CPE Information Hotline at 800-AICPANY [in New York, call (212)575-5696].

Economic Forecasts Into the 1990s

While there is never complete agreement among economists, there do seem to be some recurring themes in this year's economic forecasts. Most sources expect economic growth to be stronger in the first half of 1989 than in the second half. Economists generally agree that a recession will occur, although they are uncertain about when it will begin. In general they believe that the inflation rate and the Federal Reserve's reponse to it will determine whether the recession develops in late 1989 or early 1990, or whether it can be postponed further.

The consensus view of the forty-four economists polled by the *New York Times* on January 6 is that recession is unlikely before 1990 or 1991. Twenty-seven percent predict that the next recession will not come until 1990 and 40 percent see no recession until 1991. *BusinessWeek* (December 6, 1988) agrees that a recession is unlikely before 1990.

Inflation

Business International Forecasting Services, a data base included in Citibank's *Global Reports*, made the following inflation forecasts on December 29, 1988:

Consumer Price Index

1989	1990	1991	1992
5.3%	4.3%	4.0%	4.0%

Other inflation estimates for 1989 tend to be lower than Business International's 1989 estimate, but are higher than its projections for inflation in the 1990s. A *BusinessWeek* survey of thirty-eight economists produced forecasts ranging from 3.2 percent to 6.7 percent. The consensus was 5.0 percent. The chart below summarizes some year-end forecasts.

Source	Date of Forecast	Estimate of 1989 CPI
BusinessWeek	12/26/88	5.0%
Changing Times	1/89	4.0%-5.5%
Fortune	1/16/89	5.5%
Merrill Lynch	*	5.0%
Morgan Guaranty	*	5.2%
Prudential Bache	*	3.5%
Salomon Brothers	*	5.0%
UCLA Business Forecast	*	4.6%

*Reported in *The New York Times* on December 27, 1988

Interest Rates

The Federal Reserve promises to control inflation by edging up the discount rate. Economists expect that to continue at least during the first half of the year. Those higher rates are likely to slow the economy and pave the way for lower interest rates in the second half.

Surveys conducted by The *Wall Street Journal* (January 3, 1989) and The *New York Times* (December 27, 1988), revealed that economists forecasts of 1989 interest rates vary widely.

	3-Month Treasury Bills Average	Range
The New York Times (6 economists)		
1989	7.4%	6.5% to 8.9%
The Wall Street Journal (38 economists)		
6/30/89	8.29%	7.25% to 9.50%
12/31/89	7.69%	5.2 to 10.0%
	30-Year Treasury Bonds	
The Wall Street Journal		
6/30/89	9.25%	8.25% to 10.50%
12/31/89	8.81%	7.70% to 11.0%

At the end of December, Business International made the following forecast for the rate over the next five years:

Prime Rate

1989	1990	1991	1992	1993
9.5%	8.5%	8.0%	8.0%	9.0%

Stocks

According to the January issue of *Changing Times*, Standard and Poor's 500 Index will climb 5 to 8 percent in 1989 and the stocks will have an average yield of 3.8 percent. *Money* and *Business Week* predict that some foreign stock markets will do better than the domestic market.

GNP

Forecasts for the 1989 gross national product vary. They are, however, generally lower than the actual GNP in 1988. *BusinessWeek's* survey of thirty-eight economists produced forecasts ranging from no growth to 3.7 percent growth, with an average of 2.5 percent growth.

	1989	1980	1991	1992
Business International (12/29/88)	2.3%	1.5%	2.5%	3.0%
BusinessWeek (12/26/88)	2.5%			
Changing Times (1/89)	2% to 3%			
Fortune (1/16/89)	2.5%			
Merrill Lynch	2.4*			
Salomon Brothers	3.4*			
UCLA Business Forecast	2.0*			

*Reported in *The New York Times* December 27, 1988.

College Costs

The American Council on Education has developed the following estimated ranges of college inflation for the 1988-1989, 1989-1990, and 1990-1991 academic years:

All colleges	5% to 9%
Public colleges	4% to 8%
Private colleges	6% to 10%

Inflation tends to be less for public colleges because of the subsidies they receive from state and local funds. A College Board survey found that college costs increased 7 percent for the 1988-1989 academic year—5 percent at public colleges and 9 percent at private colleges.

The 1990s

In its September 26 issue, *Fortune* provides a longer term perspective by forecasting the economy of the 1990s. Its information sources included the WEFA Group (Wharton Econometrics), DRI (Data Resources), government agencies, and others. Compared to the last half of the 1980s it foresaw slightly slower growth, somewhat higher inflation, and lower real interest rates. The following are its long-term forecasts:

	1990s
GNP	2.3% to 2.6%
Inflation	4.5% to 5.0%
Real interest rates	3.0%

New PFP Seminar Available

If you've been putting off giving a seminar on personal financial planning, you might not want to wait much longer.

A new slide presentation, "Financial Planning in a Complex World" is now available to members. Produced by the PFP Division, this 40-slide presentation and script provide an overview of the PFP process and explain why financial planning is so necessary today. It is directed toward a general audience. Users can tailor the script to suit individual audiences. "Financial Planning in a Complex World" can be ordered for $100.00 through the AICPA's toll free number 1-800-334-6961. Please specify product number 015293.

If you are giving a speech on financial planning, but you don't need any visual aids, you might want to take advantage of a new speech entitled "Shaping Up Your Future with Personal Financial Planning?" Written for general audiences, the 20-minute speech is available from the AICPA Order Department for a $3.00 fee. It can only be ordered prepaid, through the mail. Please specify product number 890644.

Marketing Your Financial Planning Services—By H. Stanley Jones.

A book review by James H. Wilson, CPA/APFS, Partner, Hickie & Wilson, CPAs, Bristol, Tennessee

CPAs have traditionally avoided the concept of marketing. Many feel it is unprofessional; others, aware of their lack of marketing expertise, have avoided it. Today, however, competition is keen. Most of us are uncomfortable in an aggressive marketing environment, but we have to face the fact that the good old days are gone. If we acknowledge that only the market-oriented firms will prosper, and if we join the group that wholeheartedly adopts the marketing concept, we will find that we can compete honestly, cost effectively, and aggressively in the marketplace.

H. Stanley Jones addresses the topic of marketing professional services—specifically PFP services—in his book, *Marketing Your Financial Planning Services: A Guide for Professionals* (John Wiley & Sons, Inc., $24.95)

Jones' message to professionals is that their failure to enter the marketing arena results in business lost to untrained opportunists. This is a disservice to ourselves and our clients. On a more positive note, the book leads us through the marketing process, which it compares to the PFP process. Topics covered include

- Development of a strategic marketing plan.
- Effective delivery of services.
- Successful interaction with clients.
- Overcoming common consumer problems.

It takes Jones several chapters to arrive at his subject. The early chapters define personal financial planning services; examine the external environment of legislation, regulation and ethics; and explain how to determine if PFP is the service for you.

Jones describes the perceived strengths and weaknesses of the various professions and industries in performing PFP services. CPAs' strengths include their (1) built-in client base, (2) reputation for integrity and objectivity, and (3) analytical abilities. Their weaknesses are attributed to the perception that (1) their knowledge base is too narrow, particularly in the areas of insurance and investments; (2) they are specialists rather than generalists; (3) their services are expensive; and (4) they lack an aggressive approach to planning.

Although Jones describes professional organizations, designations, and educational programs for financial planners, he does not refer to the PFP Division, the AICPA's Certificate of Educational Achievement Program in PFP, the Accredited Personal Financial Specialist designation, or the proposed changes to the AICPA code of ethics— all of which go a long way towards alleviating the perceived weaknesses. Nevertheless, the public's impression of CPAs' limitations as financial planners does substantiate the thesis of Jones' book—capable financial planning professionals need to aggressively promote their financial planning strengths.

Jones distinguishes between selling and marketing. He correctly points out that selling is production-driven while marketing is consumer-driven. The three elements of the marketing concept—client orientation, integrated effort, and profitability—are highlighted. Marketing is an ongoing process because, after goals are set and strategies developed and implemented, the plan needs continuous monitoring as well as adjustment to changing circumstances. The need to understand market segmentation is also stressed and explained.

He describes in detail the process, decisions, and considerations required to develop a strategic marketing plan. He distinguishes different market segments and explains how to structure services to a particular segment of the market. Worksheets are provided to assist in the development of each part of the strategic marketing plan.

Jones provides practical advice for developing effective marketing tactics to assist in the implementation of the strategy. His recommended tactics include brochures, bulletins, newsletters, videos, and public speaking. He also describes how to benefit from interacting with other financial professionals through networking, referrals, professional organizations, and breakfast meetings. Tactics are described for expanding your client base through seminars and teaching.

The book's usefulness is not limited to the marketing of a specific professional service. Its advice is applicable to the marketing of all professional services. It was not written specifically for CPAs and many recent developments in our profession are not addressed. The style is sometimes unnecessarily wordy and redundant. The author, however, explains all the elements needed to develop and implement a strategic marketing plan. A careful reading will motivate planners to begin developing their own strategic plan.

Division's National Awareness Program

The PFP Division has resumed its advertising program in national business magazines. The ads feature the headline, "Some relationships require complete trust. Financial planning is another one." They appear in certain issues of *Fortune, Forbes,* and *Sylvia Porter's Personal Finance.* The visual is an eye-catching photograph of either two mountain climbers on a high cliff or William Tell's son standing poised with an apple on his head. PFP Division members can obtain camera-ready ads for their own use by calling (212) 575-5417.

CPA financial planners have received recent media attention in numerous periodicals, including the *Washington Post*, Sylvia Porter's syndicated feature column, *Sylvia Porter's Personal Finance, Financial Services Week*, and *Roll Call*. A CPA financial planner also recently appeared on the Financial News Network (FNN) "Money Talk" program.

Update on the APFS Program

On September 30, 1988, 173 members sat for the accredited personal financial specialist (APFS) exam. There were 147 successful candidates. The 1989 exam will be given on September 22 at regional locations throughout the country. Exam sites will be listed in the June/July issue of *The Planner.* For additional information, regarding the APFS program, call (212)575-3860.

Changes in Requirements

The Specialization Accreditation Board changed several qualification requirements for the APFS designation. Candidates had previously been required to submit six references before they could sit for the written examination. Beginning this year, the references will be required only after the candidate has passed the exam. In addition, the Board has dropped the requirement that the candidate's CPA license be confirmed in writing by the state regulatory agency.

Exam Format

There will be a change in the exam format. The exam will consist of 50-percent objective questions and 50-percent case-study questions.

Internal Practice Review Questionnaire

In December, 1988, holders of the APFS designation were asked to complete the Internal Practice Review Questionnaire (IPRQ) for reaccreditation. The purpose of the questionnaire is to evaluate whether the specialist is adhering to professional standards, guidance in authoritative literature, and recommendations in practice aids. The completion of the IPRQ is one of several reaccreditation requirements. The questionnaires will be reviewed by the AICPA Accredited Personal Financial Specialist Subcommittee. Several specialists, chosen on a random basis, may be asked to submit documentation to support their answers to the questionnaire.

The IPRQ has been developed to help practitioners improve the quality of their PFP practice. Because it is a useful tool for any CPA who provides PFP services, a copy will be sent to all PFP Division members as an update to their *Personal Financial Planning Manual*.

A Public Relations

A task force of the Specialization Accreditation Board is developing an advertising program in conjunction with the AICPA Communications Department, to inform the public about the APFS designation.

Commissions Not Here Yet

The AICPA has been awaiting FTC review and tentative acceptance of the proposed order regarding commissions and contingency fees. The review had not yet taken place as of February 1. Consequently, the commission and contingency fee rules in the AICPA's Code of Ethics remain as they were before the AICPA entered into the proposed order, although enforcement of those rules will continue to be deferred. After the FTC tentatively accepts the proposed order it will take several more months before the order is finalized and the AICPA's rules are changed.

Most state Boards of Accountancy currently have rules that prohibit the receipt of commissions and contingency fees by CPAs licensed in the state. When the AICPA rules change, each state will have to decide whether to change its rules. That process may take over a year in some states. CPAs, of course, must comply with their state rules, regardless of whether the AICPA rules change.

If state commission and contingency rules are changed to conform to the proposed FTC order, CPAs will still not be able to accept commissions from clients (1) for whom they are performing attest services—audits or reviews, or compilations if third party reliance is expected and there is no disclaimer for lack of independence—or (2) during the period covered by any historical financial statements involved in attest services. Consequently, before accepting a commission, the CPA will have to consider whether he also performs attest services for that client as well as the effect it will have on his ability to accept future attest engagements for the client.

Another consideration when deciding whether to accept commissions is whether the CPA's professional liability insurance will cover services that include the receipt of a commission. Some policies specifically exclude such coverage.

CPAs who decide to accept commissions in connection with clients' purchases or sales of securities will, of course, have to comply with federal and state securities laws, including the due diligence requirements to uncover errors and other omissions in the offering materials describing the investment.

In spite of what we read in the financial press, CPAs in most states are not permitted by state board regulation to receive commissions and it may be some time before the rules change so that they can do so. In the interim, they should consider the ramifications of accepting commissions, especially for financial products. They will want to determine their state board rules and the availability of professional liability coverage, become familiar with applicable securities laws, and consider the effect of accepting commissions on client relationships and on the firm's attest services.

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