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American Institute of Certified Public Accountants (AICPA)

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PLANNER

Ideas From Leading Experts in Financial Planning

TrendWatch

Helping your clients be probate-free means larger legacies for their beneficiaries. There are four strategies to minimize probate costs: (1) have life insurance proceeds payable directly to the beneficiaries; (2) bequest property held in joint tenancy with right of survivorship to surviving joint tenants; (3) establish intervivos trusts; and (4) make lifetime gifts. The efficacy of each strategy depends on the client's age, tax bracket, financial reserves necessary for support and types of properties owned and whether the client's spouse is alive. For example, an intervivos trust is suitable for illiquid assets while joint tenancy with right of surviviorship is suitable for real estate. *Best's Review Life/Health Insurance*, "How to be Probate-Free," February 1993, pp. 76–79.

Are your retiree-clients singing the blues about the lack of high-yielding bank CDs? With declining interest rates, retirees are concerned about finding safe but high-yielding investments to replace their high-yielding bank certificates of deposit that have matured or are soon to mature. There are other alternatives for your clients to consider: (1) money-market funds; (2) short-term bond funds; (3) intermediate-term bond funds; (4) U. S. Treasury securities; (5) pooled-income funds; and (6) immediate annuities. For example, in a pooled-income funds, a client makes a gift to his or her favorite charity and receives income produced by the gift for the rest

Continued on Page 2

From the Chairman's Corner: A Four-Star Rating for the PFP Technical Conference

By Stuart Kessler

Stuart Kessler, CPA/PFS, Chairman of the American Institute of CPAs Personal Financial Planning Executive Committee, shares his personal observations about the 1993 PFP Technical Conference.

I am basking in the afterglow of the success of the 1993 Personal Financial Planning Technical Conference held in Coronado, CA, while bemoaning the fact that many of our members, including my close friends, missed a wonderful opportunity to learn and to network with fellow CPAs. Although it began on Monday, January 11, there were activities that preceded the conference. On Sunday, the PFP Executive Committee hosted its eighth annual State Society PFP Committee Chairpersons Roundtable meeting. Executive Committee members and state society PFP committee chairpersons and representatives exchanged comments

Continued on Page 2

What's Inside

State Society PFP Committee Chairpersons and PFP Division Leaders Hold Roundtable Meeting

The American Institute of CPAs Personal Financial Planning Division held its eighth annual roundtable meeting for State Society PFP Committee Chairpersons on January 10 in San Diego.

This year's meeting was chaired by James A. Shambo, Vice Chairman of the PFP Executive Committee, and was attended by state society chairpersons and representatives and key Division leaders. Twenty-one state societies were represented. Every year the Division sponsors this meeting to learn how it can help state society PFP committee chairpersons be more effective in representing their members. At the same time, chairpersons discuss their concerns, exchange ideas and share what their committees are doing to serve their mem-

Continued on Page 8

TrendWatch

Continued from Page 1

of his or her life. Income is paid out on a pro rata basis to all donors — somewhere between 6 to 8 percent depending on the charity institution's investments. The client receives steady income and a charitable deduction for the gift. If the gift is appreciated property, the charity rather than the donor pays the capital-gains tax on the appreciation. *Bottom Line*, "Alexandra Armstrong's Safe Alternatives Now to Maturing CDs," April 30, 1993, pp. 5–6.

Are "spiders" overtaking index funds? In January 1993, the American Stock Exchange introduced "spiders," formerly known as Standard & Poor's depository receipts, and sales took off. A spider portfolio tracks the performance of an index, such as Standard & Poor's composite of 500 stocks. Spiders represent units in a trust that owns shares of stock, and are traded like common stocks. Spiders offer diversification and flexibility. Although investors are enthused about spiders index fund, managers caution investors that spiders are more costly to acquire and are suitable for speculators who use short-term trading strategies. For example, index funds are sold at their net asset value, whereas spiders are sold with bid/asked spread. This means the buyer may pay a premium. Spiders trade continually so investors can track market movements and profit from those movements during the day. After weighing the pros and cons of spiders, the real question is whether spiders are suitable for your clients' portfolios. *The New York Times MONEY*, "'Spiders' Take on Index Funds," February 28, 1993.

From the Chairman's Corner

Continued from Page 1

and ideas on how to provide legislative, marketing and technical support to state society PFP committees. (See page 1 for more information.) In the evening, the Executive Committee hosted a dinner for the media people attending the conference to explain why CPAs are the preeminent providers of financial planning services. Apparently, the dinner was effective because, thereafter, several articles about the conference and its speakers appeared in various publications around the country.

On Monday, a sunrise breakfast meeting was held for Personal Financial Specialists attending the conference. Nearly 100 PFS practitioners crowded the room to network with their colleagues and to hear how some have used their designation to expand their PFP practice.

Jonathan Pond, the conference keynote speaker, kicked off the sixth annual conference attended by nearly 350 CPAs. This year's theme was "Wealth Creation and Preservation: Where to be in '93." Pond explained that planners can no longer rely on the traditional techniques for creating wealth and proceeded to share 21 ways financial planners can create and preserve wealth for their clients and themselves. Following the keynote address, attendees were offered a selection of 44 concurrent sessions covering a variety of topics. See page 6 for conference highlights.

Spouses and guests also had the opportunity to learn about wealth creation at the annual spouse/guest breakfast. Irv Rothenberg, Executive Committee member, discussed family wealth planning. Many of the spouses and guests also enjoyed touring the San Diego area.

Every facet of the conference set a record at the conference, including the fourth annual fun run/walk. An amazing number of runners and walkers showed up at 6:30 A.M. despite the cold temperature and the threat of rain. Frank Butterfield, last year's first place winner, broke the course record by running the two mile course in ten minutes with Dan Boeckerman, 1991 first place runner, right behind him.

> *"CPAs are the preeminent providers of financial planning services."*

I apologize to those CPAs who were turned away from the conference. An unexpected record number of CPAs registered, but limited space precluded the Division from accepting everyone's registration request. Because of the growing interest in PFP and the conference's reputation, I would not be surprised if next year's conference is a sellout also. In fact, John Tully and Brian Woods, who travel every year from Dublin, Ireland, to attend the conference, are not taking any chances. They already reserved their places for next year. If you are planning to attend the 1994 PFP Technical Conference, start making plans now. The conference will be held at the Hyatt Regency Westshore in Tampa, Florida, on January 10–12, 1994. Be on the lookout for the early-bird registration form this June and take advantage of the discount offer.

On a personal note, I left the conference with a number of practice tips and more in-depth knowledge in various technical areas. My wife, Isabel, and I enjoyed the camaraderie of friends we have met over the past five years. Although the weather left a lot to be desired, the warm feelings I received from our PFP colleagues more then made up for the time and effort required for a successful conference. I look forward to seeing you in Tampa next year. ◆

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PFP for the Financially Strapped Client

By Jack Salomon and
Murray B. Schwartzberg

Jack Salomon, CPA, partner at Grant Thornton, New York City, and Murray B. Schwartzberg, Esq., technical manager in the American Institute of CPAs, Jersey City, NJ, conclude their discussion on how CPAs can help their clients recover from being financially strapped through bankruptcy. This is the conclusion of a two-part article.

Part I of this series investigated techniques for solving the financially distressed clients' problems as painlessly as possible (see December/January 1993 issue of the *Planner*). This article investigates how to keep clients in control of their financial rehabilitation by using bankruptcy.

Keeping your client in control of his or her financial destiny is a key concern when working with the financially distressed. If creditors are allowed to take the initiative, your client becomes a puppet on a string: work continues, money is earned, but strangers with their own agenda are pulling those strings. Yes, your client will have sufficient funds from the earnings to survive, but every move will be subject to review by a creditors committee or a court.

Using the Bankruptcy Alternative

When all else fails, and before the creditors take action, seeking protection from the Bankruptcy Court may be the best solution to your client's financial problems. But bankruptcy is not an easy out. It will require the client to overcome the psychological impact and stigma of declaring bankruptcy. While supporting himself or herself, the client will have to repay creditors. Importantly, the client will still be able to retain control of his or her financial rehabilitation.

When the client enters bankruptcy, all creditor collection and other dunning activities cease. The Bankruptcy Court puts all collection activity against your client on hold so that creditors can file their claims in an orderly and controlled fashion. Thus, those creditors who would not give your client breathing room to make repayment are now forced to do so.

The Bankruptcy Law establishes the "pecking order" of the creditors. Instead of the pre-bankruptcy chaos that your client faced (all creditors demanding to be paid first), order is restored. The creditors now have to fall into their allotted slot and, generally, will have to wait to get paid.

What Bankruptcy Does for a Client

Bankruptcy provides time and breathing room for the client while clearing up debts. Under the protection of the Bankruptcy Court, the client is literally given a fresh start. The pre-bankruptcy debts become the debts of a new entity, the bankruptcy estate. And except for certain debts that cannot be discharged such as certain taxes, the client will move on without encumbrance and will eventually be able to obtain new credit.

However, if the client had business debts, for which he or she was personally liable, there may still be a problem. When debts are settled for less than 100 cents on the dollar, the old creditors may be reluctant to provide new credit. However, because the old debts have been either paid, compromised or forgiven, new suppliers may be willing to take the chance that the client should be able to meet new obligations. A further inducement is that the client cannot seek the protection of the Bankruptcy Court for six years.

Moving Through Bankruptcy

When the bankruptcy proceedings start, the CPA will start planning the client's financial path to rehabilitation. The CPA's expertise in cash flow planning and budgeting is crucial. For it is only after a financially sound rehabilitation plan is presented to the Bankruptcy Court that the client can move forward. The rehabilitation plan is not a new financial plan for the client; it is a blueprint of how the creditors are to be satisfied.

While the client may have had difficulty convincing the creditors to cooperate in this process prior to bankruptcy, once under the protection of the Bankruptcy Court the creditors can be forced to accept the client's plan, provided the Court accepts it. This ability to force a reasonable rehabilitation plan on the creditors is what makes bankruptcy work. If the client does not propose an acceptable plan, the Court will listen to what the creditors have to say about getting repaid and will develop a plan.

Once the Bankruptcy Court has accepted the client's rehabilitation plan, the CPA can start the new personal financial planning process for the rehabilitating client. The client has to establish new goals and identify the funds that will be used to meet those goals. Care should be taken to have the client establish a workable plan that can succeed. At this juncture, a poorly designed personal financial plan may cause more trouble than no plan at all.

Income Tax Considerations

Since a client filing bankruptcy creates a new taxable entity—the bankruptcy tax estate–both the client and the bankruptcy estate are subject to the following tax compliance responsibilities:

Income Tax Return: The trustee of a bankruptcy estate must file an income tax return on Form 1041 when required. Generally the return is filed on the same basis as that of an individual, but the tax is computed as if the return was filed by a married taxpayer separately. Some of the more important special rules are:

- The bankruptcy estate includes all income attributable to the client that belongs to the bankruptcy estate, plus the income of the estate itself.
- Transfers of assets from the client to the bankruptcy estate or back to the client at the conclusion of the case are not dispositions giving rise to gain, loss or the triggering of recapture income.

Tax Attributes: The client's tax attributes as of the first day of the tax year in which the bankruptcy filing was made become the tax attributes of the bankruptcy estate. These tax attributes include net operating losses, capital loss carryovers, tax credit carryovers, and bases and holding periods of assets.

Election: There is an important election clients have to consider on entering bankruptcy. The client is allowed to have two taxable years during the calendar year within which the bankruptcy filing takes place. If the election is made to end the taxable year on the day before the bankruptcy filing, the tax liability for the short

Continued on Page 5

Portfolio Diversification: Understanding the "Correlation Connection"

By Steve Mayhew and Wendy Pannier

Steve Mayhew, CPA, CFP, MBA, Vice President of Investment Products for Capital Analysts Incorporated in Radnor, PA, and Wendy Pannier, a business and financial writer in the Philadelphia area, explain the intricate relationship of investment vehicles and how their "correlation connection" can be used to increase the total return on the investment portfolio without increasing the risk. This is the conclusion of the three-part series.

In the last two issues of the *Planner,* the authors discussed the importance of strategic allocation and the risk-reduction relationship called the "Bubble Effect" in portfolio diversification. Here, the authors explain how the "Correlation Connection," or correlation coefficient, is another essential ingredient in portfolio diversification.

Increasing the total return on an investment portfolio without increasing the risk *is* possible if you understand how investment vehicles move in relation to one another. We call this relationship the "Correlation Connection."

Harry Markowitz, one of three Americans awarded the 1990 Nobel Prize in Economics, laid the framework for modern portfolio theory in the 1950s when he found a way to quantify the trade-off between investment risks and rewards. Based on his theory, Markowitz recommended that investors should not choose portfolios that only maximize expected return, but, through the principles of diversification, should choose portfolios that offer the highest expected return for a given level of risk.

An investor's initial objective should be to reduce as much risk as possible by not putting all of his or her money into only one investment. Diversification can be achieved through asset allocation which is a method of choosing the mix of different asset classes to be held in a portfolio.

Numerous studies have shown that asset allocation is by far the single most important element of portfolio returns. In an update to their landmark study of large pension funds ("Determinants of Portfolio Performance," *Financial Analyst Journal*, July–August 1986, pages 30–44), Gary P. Brinson, L. Randolph Hood and Gilbert L. Beehower found that 90 percent of the funds' total return resulted from asset allocation policy, while individual security selection and market timing each accounted for less than 5% of total return.

Although asset allocation reduces risk, the optimal use of correlations can further reduce risk. A correlation is the extent to which one asset class, for example, stocks, behaves in relation to another class, for example, bonds. Asset classes can have a negative, positive or zero relationship. How these assets move in relation to one another is critical to diversification.

Asset classes that tend to move closely together are "positively" correlated and add little diversification to an asset mix. This

TABLE I

Correlations Between Major Asset Classes (1978–1992)

	Cash Equiv.	Dom. Bonds	Intl. Bonds	Dom. Stock	Intl. Stock	Real Estate	Gold	Oil
Cash Equiv.	xxxx	**–.06**	**–.54**	**–.16**	**–.27**	**–.66**	**–.11**	**–.31**
Dom. Bonds	**–.06**	xxxx	.40	.33	.15	**–.41**	**–.25**	**–.61**
Intl. Bonds	**–.54**	.40	xxxx	.26	.63	**–.38**	.16	**–.49**
Dom. Stock	**–.16**	.33	.26	xxxx	.58	**–.08**	.27	**–.08**
Intl. Stock	**–.27**	.15	.63	.58	xxxx	.11	.25	**–.31**
Real Estate	.66	**–.41**	**–.38**	**–.08**	.11	xxxx	.37	.42
Gold	**–.11**	.25	.16	.27	.25	.37	xxxx	.33
Oil	.31	**–.61**	**–.49**	**–.08**	**–.31**	.42	.33	xxxx

TABLE II

Annual Returns of Asset Classes (1978–1992)

Asset Class	Average Annualized Return (%)	High (%)	Low (%)	Standard Deviation (%)
Cash (1)	8.2	14.1	3.6	2.25
Domestic Bonds (2)	10.5	31.1	1.2	7.80
International Bonds (3)	11.2	37.2	**–5.0**	12.90
Domestic Stocks (4)	15.5	32.5	**–5.0**	13.40
International Stocks (5)	15.3	70.0	**–23.2**	20.80
Real Estate (6)	9.0	26.0	**–15.7**	8.60
Gold (7)	4.8	126.6	**–32.8**	27.80
Oil (8)	4.6	79.8	**–34.9**	34.50
Asset Allocation Mix 80% Cash Equiv.; 20 % Int'l Bonds	8.9	13.5	3.8	2.20

Statistical Source: Wilson Associates International

Notes: (1) 90-day Treasury Bills; (2) Lehman Gov't/Corporate Bond Index; (3) Salomon International Bond Index; (4) S & P 500 Index (5) Morgan Stanley International Stock (EAFE) Index; (6) Prudential Real Estate Total Return Index; (7) London Gold; (8) Wilson Oil Index.

type of diversification can be considered inefficient. An example would be investing all of your assets in two aggressive growth stock funds managed with similar investment styles.

Asset classes that tend to move in opposite directions—one going up when the other is going down—are said to be "negatively" correlated and provide excellent portfolio diversification. Examples would be domestic stocks and real estate, or Treasury bills and international bonds.

If a portfolio contains assets that exhibit high positive correlations, the investor needs to consider including assets with low or negative correlations in the portfolio. Which asset classes behave in this negatively correlated way? Table I shows which asset classes have the greatest negative relationships based on the last 15 years and thus provide the greatest diversification benefit when added to the undiversified portfolio. A correlation of –1 would have a completely negative relationship, 0 means there is no correlation and +1 is a completely positive relationship. By finding asset classes with high negative relationships, we can build a portfolio that gives us a greater return with less risk.

Assume you have a portfolio consisting only of cash equivalents, such as Treasury bills (T-bills), that earned an average return of 8.2% (see Table II) for the period with a standard deviation of 2.25%. If you want to increase the return and/or reduce risk, you need to add to the portfolio another asset class that has a high negative correlation to cash equivalents. In this example, you might select international bonds because they have a high negative correlation (–0.54) to cash equivalents. Thus if you change a portfolio containing 100% T-bills to one containing 80% T-bills and 20% international bonds, the return for the time period under review is 8.9% with a slightly lower standard deviation of 2.20%. By combining negatively correlated investments, you have increased the rate of return by 8.5% (8.9% ÷ 8.2%) and lowered the risk by 3% (2.25% ÷ 2.20%).

There are several ingredients that go into constructing an optimal portfolio, and the correlation connection is one of them. You can educate your clients on the importance of the correlation connection in diversifying their portfolio. Using negatively correlated asset classes in their portfolio can increase their overall returns without increasing their risk. ◆

PFP for the Financially Strapped Client

Continued from Page 3

taxable year ending immediately before the bankruptcy filing becomes a claim against the bankruptcy estate rather than against the client.

Winding Up: On the conclusion of the bankruptcy case, any tax attributes of the estate, including those generated by the estate itself, return to the client. The surviving tax attributes are available for use by the client retroactive to the date of the filing of the bankruptcy.

Tax Planning: When formulating the assumptions for the client's new financial plan, the CPA should remember that bankruptcy debt forgiveness has a cost. The client will have to reduce tax attributes by an amount related to the amount of debt forgiven. Thus, unused net operating losses or other tax attributes have to be reviewed to make sure that they were not used to offset debt forgiveness. There are detailed rules establishing the amount and order of the use of tax attributes for this purpose.

Warning: This brief summary of the tax rules affecting a bankrupt client is just that. The CPA who is not fully conversant with bankruptcy practice and tax considerations should consider seeking the advice of a tax practitioner who specializes in bankruptcy.

Relations with the Bar

Counseling a client about the timing, advisability and impact of entering bankruptcy could require the giving of a legal opinion. When appropriate, the CPA should consider assisting the client in obtaining legal counsel.

Conclusion

In good times and bad, clients will continue to find themselves in financial straits. When monitoring and implementing are part of the PFP engagement, the CPA needs to be alert for warning signs that the client is headed in the wrong direction. If the client needs help, the CPA should be ready to assist in the financial rehabilitative effort using all available tools. Remember, the financially rehabilitated client is a healthy PFP client. ◆

Record Number of CPAs Attend 1993 PFP Technical Conference

The American Institute of CPAs Personal Financial Planning Division's 1993 Technical Conference broke all attendance records. Nearly 350 CPAs gathered at the Loews Coronado Bay Resorts in San Diego, on January 11–13 to learn the latest information and techniques on wealth creation and preservation from leading experts. Because CPAs can no longer rely on the traditional techniques used in the '80s to amass wealth, CPAs find creating and preserving their clients' wealth in today's economy more challenging. Searching for new strategies and techniques, CPAs came to hear about "Wealth Creation and Preservation: Where to Be in '93," this year's conference theme.

Keynote Speaker

Jonathan D. Pond, CPA, President of Financial Planning Information, Inc., Watertown, MA, and keynote speaker, launched this year's conference by providing insight on how CPAs can create and preserve clients' wealth in these difficult times. Investing is the focal point of the financial planning process and affects financial planning areas, such as retirement, income tax and estate planning. Because of longevity, inflation, lower employers' pension contributions and retirement expectations, clients and CPAs will find retirement planning difficult in the years ahead. Clients need to undertake and maintain a continuous program of saving and investing, and CPAs need to keep abreast of the changing investment environment to monitor their clients' investments.

After reviewing the 1992 investment market, Pond discussed the investment opportunities and pitfalls for 1993. Because he did not view cash equivalents, such as money market funds, as good investments, Pond suggested staying away from them, unless your clients are looking for a temporary parking place for their money. Rather, Pond suggested that investors could earn a higher rate of return by investing in short- and intermediate-bond funds than cash equivalents if they are willing to take a little extra risk.

Informative Sessions

After Pond set the tone of the conference, participants were ready to attend their choice of 44 concurrent sessions and workshops providing the latest wealth creation and preservation information and fostering interaction between the participants and speakers.

Here are some highlights from some of those sessions:

- In his presentation, "Asset Allocation Techniques to Create and Preserve Wealth," Mark J. Smith, CPA/PFS, of M.J. Smith & Associates, Inc., Aurora, CO, focused on the impact of inflation on client's investments. CPAs need to impress on their clients, especially those 65 years and older, that even low rates of inflation, when looked at over a 20-year period, will decrease the real return of their assets. Therefore, pre-retirement and retiring clients should be advised against reallocating their portfolio to safe investments, such as certificates of deposit and Treasury bills. Instead, they should maintain or increase their equity investments to offset the erosive effect of inflation.

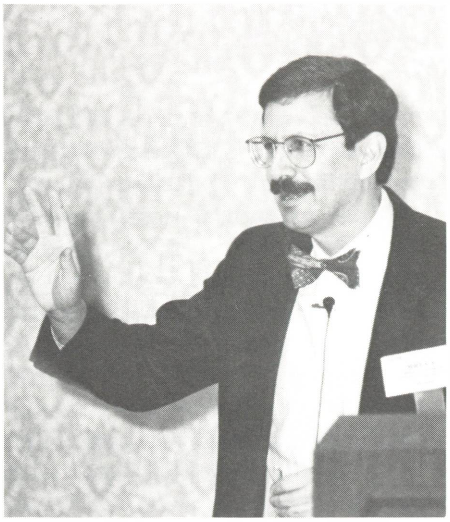
- At "Reading Between the Lines: The Insurance Illustration," Jeffrey West, CPA/PFS, Cohen Agency, Framingham, MA, said life insurance illustrations are often wrong. They are either too high or too low. When comparing insurance proposals, CPAs have to see what the numbers in the illustration are based on. West dispelled the notion that term insurance or whole-life insurance is the best policy for a client. The real determinant is what the client likes. Only after the CPA explains the differences between insurance policies can the client select the appropriate policy.

Workshops

In addition to technical sessions, participants and leading experts discussed practice issues and exchanged ideas at the various workshops.

Howard Safer, CPA/PFS, president of J.C. Bradford Trust, Nashville, TN, and Jeffrey West led a debate on the pros and cons of fee-based versus commissioned-based financial planning. After 90 minutes,

Jonathan Pond, conference keynote speaker, has participants' ears at the Wealth Creation and Preservation Workshop held at the 1993 PFP Technical Conference in San Diego. Based on participants' queries, Pond shares his views on a variety of topics concerning investment opportunities for the '90s, including the number of mutual funds you should invest in and how to deal with clients who want high return but no risk.



Bruce Temkin explains how retirement plans can be designed to maximize employers' contributions while controlling their costs.

it was not surprising that the issue was not resolved. Many participants felt they would like to offer their clients a choice of fee arrangements, such as flat fee, percentage of assets management, percentage of income and fee based on time.

Safer indicated that the decision regarding fee arrangements is ultimately the client's. West followed up by saying that the clients want the best possible advice, regardless of the fee arrangements, and CPAs need only to disclose the available fee options to their clients. Although the relative advantages and disadvantages continue to be debated, CPAs providing personal financial planning services are bound by their state law and the AICPA's Code of Professional Conduct. The client, therefore, has access to professional advice under either fee arrangement.

Changing Role for CPAs in Investment Planning

Lyle Benson, CPA/PFS, Conference Committee Chairman, Baltimore, MD, moderated a panel of five CPAs and other professionals discussing "Everything You Ever Wanted to Know About Investment Planning." The panel identified an emerging trend among CPA financial planners to more actively assist clients in planning and implementing investment strategies. A show of hands indicated that a majority of participants are interested in assisting their clients further by offering some level of investment planning.

The panelists differed in their opinions on certain theories of investment planning, but there was a general consensus about the CPA's unique position to offer this service. CPAs have an image of trust and integrity. With this perception on their side, CPAs now need to develop their knowledge and competency in the field of investment planning, which is not part of a CPA's traditional education and training. Clients want guidance in making investment decisions. The more CPAs assist in this process, the more they can enhance the value of their services to their clients.

Ready for the Challenge

After two and a half days at the conference, participants went home ready to take on the challenge of helping clients create and preserve their wealth using the latest strategies and techniques. Based on the evaluations, participants felt that attending the conference was a stimulating and rewarding experience.

Although the 1993 PFP Technical Conference is over, the PFP Technical Conference Planning Task Force is preparing for next year's conference. So mark your calendar: January 10–12, 1994. It will be held at the Hyatt Regency Westshore in Tampa, FL. Also, be on the lookout for an early bird discount registration offer this June. More information will appear in future issues of the *Planner*. ◆

DON'T BE LEFT OUT

PFP Technical Conference Materials Are Available

If you were unable to attend the 1993 Personal Financial Planning Technical Conference, you can still learn about the latest strategies and techniques in wealth creation and preservation by ordering either the conference handbooks or tapes. The conference handbooks, containing nearly 800 pages of the speakers' outlines, are available from the PFP Division for $60. Send your check, made payable to the AICPA-PFP Division, to AICPA-PFP Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311–3881.

Tapes of most of the conference sessions and workshops are available from Conference Copy, Inc. Call (717) 775–0580 for further information. Single tapes are $11.00 each, plus shipping. For eight or more tapes ordered, the cost is $10.00 each, plus shipping.

Legislatures Gear Up for 1993 Investment Advisers Bills

As the new legislative year unfolds, federal and state legislatures have started introducing and, in some cases, reintroducing bills requiring the regulation of investment advisers. In Washington, D.C., federal investment advisers legislation (House Bill 578 and Senate Bill 423) has been reintroduced in both the House and Senate. Both bills are substantially similar to House Bill 5726 and Senate Bill 2266, which were passed by the introducing house last year but died at the close of the 102nd Congress when House and Senate negotiators failed to reach a compromise agreement. (For background information, see the December/January 1993 issue of the *Planner*.)

The American Institute of CPAs supports both new bills in their current form. Hearings were held in the House early in the current session. A letter supporting House Bill 578 has been sent to members of the House of Representatives Telecommunications and Finance Subcommittee on behalf of the Institute.

State Activity

On the state level, Arizona, Colorado and Missouri have introduced legislation to regulate investment advisers and financial planners. Arizona and Colorado bills contain an exclusion for CPAs engaged in investment advisory activities solely incidental to the practice of their profession. At present, Arizona and Colorado do not regulate investment advisers or financial planners. ◆

State Society PFP Committee Chairpersons and PFP Division Leaders Hold Roundtable Meeting

Continued from Page 1

bers. This year's meeting focused on: Personal Financial Specialist Designation Program; the new AICPA PFPP Certificate of Educational Achievement Program; PFP Practice Aids, Statements of Responsibilities in PFP Practice; PFP Public Awareness; Regulatory and Legislative Matters; and PFP Conferences.

While the Division received positive feedback regarding its practice aids such as the *PFP Manual* and *Statements on Responsibilities in PFP Practice*, state society PFP committee chairpersons discussed the need for: (1) a self-study CPE program that covered the same topics as the *PFP Manual*; (2) a speakers bank for state PFP conferences; (3) a better promotion of the PFS designation to CPAs and the public; and (4) a better coordination of division and state society PFP activities by disseminating more information about the Division's activities.

As expected, legislation requiring the registration of investment advisers and financial planners, including CPAs, still remains a major concern of the state societies. After discussing the legislative issues, the Division encouraged chairpersons to bring the AICPA proposed model language for the investment adviser's exclusion to the attention of their state society board of directors. The inclusion of this language in any investment adviser regulation bill will exclude CPAs from being required to register if they met the requirements. The Division also asked chairpersons to encourage their state board of accountancy to adopt the "definition of practice" in their Uniform Accountancy Act. The definition includes financial advisory services as an accounting service. The inclusion of this definition could avoid dual regulation in the event state boards of financial planning are formed.

The state society chairpersons expressed concern about the specialization and the need to educate the profession and the public about the Personal Financial Specialist designation program. Steve Greene and Sally Robinson, representatives from the AICPA Communications Division, provided some suggestions to the participants.

Both Division leaders and state society PFP committee chairpersons found this meeting very productive. The Division recognized the importance of helping state society PFP committees promote and develop their members as CPA financial planners. And, the chairpersons walked away armed with ideas and information they can share with their fellow committee members back home. ◆

In the mail: 1993 Personal Financial Planning Manual Update

The update includes revised and updated modules on cash flow planning, charitable giving, professional standards and retirement planning.

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