University of Mississippi

eGrove

Newsletters

American Institute of Certified Public Accountants (AICPA) Historical Collection

3-1996

Planner, Volume 10, Number 5 & 6, December-March 1996

American Institute of Certified Public Accountants (AICPA)

Follow this and additional works at: https://egrove.olemiss.edu/aicpa_news

Part of the Accounting Commons, and the Taxation Commons

Recommended Citation

American Institute of Certified Public Accountants (AICPA), "Planner, Volume 10, Number 5 & 6, December-March 1996" (1996). *Newsletters*. 2927.
https://egrove.olemiss.edu/aicpa_news/2927

This Book is brought to you for free and open access by the American Institute of Certified Public Accountants (AICPA) Historical Collection at eGrove. It has been accepted for inclusion in Newsletters by an authorized administrator of eGrove. For more information, please contact egrove@olemiss.edu.

DECEMBER—MARCH 1996

PLANNER

IDEAS FROM LEADING EXPERTS IN FINANCIAL PLANNING

TRENDWATCH

Target your market to build your practice. If you focus your marketing activities on a specific niche, you can benefit in six ways.

1. You market to prospects who have the greatest wealth.
2. Repeated exposure to a market niche will build trust and reinforce your message to your prospects.
3. Nonclient members of the niche will refer others to you; you are creating a pool of potentially pre-sold prospects.
4. Your visibility within the targeted niche grows.
5. Your expertise in the specific planning problems of your chosen niche grows. You become known as an expert in the niche, rather than a generic financial planner.
6. You will become the leading practitioner in the niche, making it hard for others to break in.

With narrow marketing you can avoid having to reinvent yourself with every marketing campaign. *Investment Advisor,* December 1995, p. 115.

New approach to selling life insurance. Buying life insurance is a two-step process: the purchaser wants first to be educated and then will consider buying. The change is that today's consumer wants the education and selling separated, which differs from the established pattern in the industry. The right selling move for the modern agent is to become known as a life

Continued on page 2

Long-Term Health Care Part II: Choosing a Long-Term Health Care Specialist

By Stephen A. Moses

Stephen A. Moses, Director of Research, LTC Incorporated, Seattle, WA, explains how to identify a long-term health care specialist to work with your clients.

Part I (June–July 1995, *Planner*) introduced you to the fundamental principles of long-term care insurance, and how to identify and select policies with cost-effective features. Part II will help you meet your client's long-term care planning needs by choosing a long-term care specialist with whom to work.

As a financial planner, your goal is to help your client's acquire, retain and increase their wealth. You help families

Continued on page 2

WHAT'S INSIDE

Forms of Ownership: A Primer 3

All CPAs Should Have Financial Plans 5

Director's Report: We Are Going Forward 9

Ninth Annual PFP Conference Put Life Into New Orleans 12

1996 AICPA Investment Planning Conference

Information and Registration Form on pages 13 & 14

Making Your New Grandchild a Multimillionaire

by Paul A. Merriman

Paul A. Merriman, Founder and President of the Merriman Investment Management Company, and Portfolio Manager of the Merriman Family of Mutual Funds, Seattle, WA, describes a technique that could be of interest to new grandparents looking for that special gift.

Recently, I made an investment for my newborn grandchild that is likely to grow from $10,000 to more than $20 million. You can recommend the same strategy for your clients, although your clients will probably not live long enough to see the final payoff. Of course, only a special client—one with patience, foresight, ready cash and some imagination—will be interested in this long-term plan.

When my new grandson was born, I decided I wanted to make a really extraordinary gift to him. Simply making good long-term investments was not a big enough challenge. I wanted something that was really big.

I established five ambitious goals for the gift I was going to make.

Continued on page 8

TRENDWATCH

Continued from page 1

insurance consumer-educator, the thought being that if the prospects want what you—the agent—know, they will want what you sell. One place for this to happen is in the workplace. Presentations to employees carry the tacit endorsement of the sponsoring employer—inducing a sense of trust in the presenter. *Best Review, Life/Health,* November 1995, p. 54.

Mutual fund sites spread on the Internet. Mutual fund companies should put themselves out on Internet's World Wide Web and see what happens. This is an easy decision, notwithstanding the possibility that the Web might disappear in three years. Being on the Web now will help prepare for whatever technology is waiting in the wings. Mutual funds' current use of the Web varies. Vanguard cut the number of 800 operators by giving investors e-mail access while others use the Web as a communication tool for their marketing departments. The names of visitors to Web sites are being compiled into databases of leads. For example, Montgomery and Fidelity Funds have run contests that lead to prospects' names. The funds on the Web are finding that their new accounts are double in size to the typical new account. This reflects the demographics of the Web audience. A Nielsen survey indicated that 25 percent of the Internet users earn over $80,000 annually. However, the no-load funds are not allowing investors to open new accounts on-line. *Investment Dealer's Digest,* December 18, 1995, p. 9. ◆

Long-Term Health Care Part II: Choosing a Long-Term Health Care Specialist

Continued from page 1

control their expenditures and develop a savings plan for their secure futures. When something gets in the way of pursuing this orderly strategy, you are uncomfortable. Consider this example:

You are completing a retirement plan with a couple in their early sixties. You know all about aging demographics, long-term care risk and the need for nursing home and home health insurance. You understand that public assistance programs like Medicaid will probably no longer protect clients from long-term care costs. Delicately you broach the subject.

"Nursing home!," exclaims your client, "I'll never go to one of those places. I'd shoot myself first. We raised four great kids. They will take care of us when the time comes. Besides, we've paid taxes all our lives, let the government pay for us if we need help."

Now you have a problem. You know your client's retirement is not complete without long-term care insurance, but how do you convince them of this without giving offense and possibly losing them? Are you prepared to describe the frightful incidence and tragic consequences of Alzheimer's disease? Will you explain that relying on their children for long-term care may someday mean having their diapers changed by a daughter-in-law? Can you follow and convey the latest information on what the government is doing to close Medicaid loopholes and mandate estate recovery?

Long-term care is an emotionally wrenching subject. It does not fit neatly into the otherwise logical and upbeat process of retirement planning. In the real world, the easiest path is usually to let this issue slide.

In time, many clients, however, will face huge nursing home bills. We know for example that 9 percent of seniors spend five years or more in a nursing home. If you do not help your clients cover their long-term care needs, you will have let them down.

You can avoid this dismal outcome and turn this problem to your advantage by forming an alliance with one or more long-term care insurance specialists. Explain to your clients that one critical aspect of their financial plan requires them to speak to an expert in that field. Let your new colleague handle the explosive emotional issues surrounding long-term care and help your client choose the most appropriate insurance product.

Practice Pointers: Finding one or more long-term care insurance specialists to work with requires some spade work on your part. You can start with those who have probably sought you out already.

- Meet with the ones who sound competent and professional on the phone. Review Part I of this article and question them on the principles of long-term care insurance described there. If they understand and emphasize the importance of prioritization, leverage, quality and the other fundamentals discussed in Part I, move forward.
- Describe some typical situations you encounter in your practice and ask how they would handle them. Do their proposals make sense and are you comfortable with the principles they profess to hold? If so move ahead.
- Make a judgment concerning the appearance, demeanor and caliber of the individual. Is this someone with whom you think your clients will feel comfortable discussing intimate details of their financial and physical health? If so, take a chance.

Continued on page 11

PLANNER, December–March 1996, Volume 10, Numbers 5 & 6. Publication and editorial office: AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. Copyright © American Institute of Certified Public Accountants, Inc. Opinions of authors and the AICPA staff are their own and do not necessarily reflect policies of the Institute or the Personal Financial Planning Division.

Murray B. Schwartzberg, Esq.
Editor

Phyllis Bernstein, CPA
Director

Forms of Ownership: A Primer

By Murray B. Schwartzberg

Murray B. Schwartzberg, Esq., editor of the Planner, provides the background for understanding the forms of ownership of property.

All property is owned at all times by someone, whether a single human being, an identified group of humans, a legal entity or group of legal entities. Just think about it: there is never a gap in ownership. Yet, at a given point in time, it might not be known who owns a particular piece of property. Rest assured though, there is an owner.

For legal purposes, such as the right to transfer the property or to receive the rents from a property, and tax purposes, such as who realizes the gain on the sale of property or in whose estate the property falls, it is important to know the answers to the following questions:

- Who owns the property?
- What is the form of that ownership?

With these concepts safely cemented into your subconscious, you have to apply them to your clients' facts as part of the financial planning process. While this article will focus on the forms of ownership, it cannot avoid reviewing a bit about who the owner is.

Beneficial Ownership

Regardless of the form of ownership, it is possible to divide the ownership of property between two interests: the legal and the beneficial interests. The legal owner has the legal title to the property that is necessary to transfer the property. The beneficial owner has the right to benefit from the property, for instance the right to the income the property generates, such as rents. The legal and beneficial ownership can be in one person, the most common situation, or divided, such as in a trust. In the latter case, the trustee has the legal ownership, while the beneficiary of the trust owns the current beneficial interest in the property. The trust instrument establishes the ownership interest of each party.

Practice Pointer: It is important to determine the interest your client claims in any owned property: Is it the totality of the ownership rights, that is, both legal and beneficial ownership, or is it a limited interest? Because the forms of ownership described below can be established in either the legal or beneficial interests or both, it is important to determine the specifics of your client's interest. Your client's attorney is often an important resource in resolving any questions you may have.

Forms of Ownership

The following discussion is a brief review of the rules governing the forms of ownership in the so-called common-law states. The remaining nine states follow the rules of community property, which are briefly discussed below. This review of the forms of ownership of property is general and not intended to represent the law as it applies in any specific jurisdiction. There are differences among the states. The rules, however, are sufficiently similar so that the following primer will provide a sound starting point from which you can familiarize yourself with the rules in your state.

Sole Ownership: When one person (or entity) owns all the rights to a piece of property, that person is said to be the sole owner of the property. Thus, the sole owner has lifetime and testamentary control over the property and the right to any income the property produces, such as dividends or rent, and any gain on the disposition of the property.

In most common-law states, if a sole owner of real estate (and oftentimes personal property) is married, a surviving spouse is generally entitled by law to some interest in the real estate on the death of the sole-owner spouse. This surviving spouse's interest is usually a life interest; that is, the interest terminates at the death of the surviving spouse. Depending on local usage, the survivor's interest is often called a widow's (widower's) share, dower or curtesy.

Practice Pointer: When a sole owner marries, the right of a nonowner spouse to the survivor's interest in property can be waived in a properly drawn pre-nuptial agreement.

It is possible to create a sole ownership interest in property for a term of years or for a life. It is generally not a good practice to create split interests in property unless there is a specific reason for creating one rather than using a trust to accomplish the same goal. With a split interest, during the period of the life or specified term, it would be impossible to dispose of the property unless both the holder of the terminable interest and the interest that comes into being on the termination agree to the sale.

Practice Pointer: While there might be harmony at the time the interest is created, no one can predict what the situation will be in the future. Using a trust will protect against this potential inability to dispose of an already nonliquid asset at some future date.

Tenancy in Common: When more than one person (or entity) owns an undivided separate interest in property and has a common right of possession, the form of ownership is a tenancy in common. In this form, a tenant in common can transfer his or her undivided interest in the property to any party during life or at death (through a will or by intestacy). In addition, no rights of survivorship are created in the cotenants, although the interest would be subject to the life interest created by operation of law in a surviving spouse described above under sole ownership. To transfer an interest in a tenancy in common, the consents of the other cotenants are not required.

Practice Pointer: Although tenancies in common have been enjoying a bit of popularity in family and estate planning—used to shift ownership through sale or gift to junior family members over a period of years—they should be used with extreme caution. Once created, it is very difficult, if not impossible, to interest a third party, whether in or out of the family unit, in acquiring an interest in a tenancy in common. You cannot predict the future behavior of cotenants. Family members do have fallings out, regardless of the cause. An outsider, let alone a family member, would not want to be

Continued on page 4

Forms of Ownership

Continued from page 3

tied up in the potential legal morass a cotenancy could create. A carefully drawn trust agreement can accomplish the same planning goals without the potential for a legal disaster.

Joint Tenancy: Like a tenancy in common, a joint tenancy creates an undivided interest in property owned by two or more parties. The joint tenancy, however, creates a right of survivorship in the joint tenants; that is, on the death or termination of the interest of a joint tenant, the remaining joint tenants become the owners of the property. This passage of title by operation of law rather than by will or intestacy eliminates the parting joint tenant's heirs from the chain of ownership. When joint tenants by mutual agreement sever their joint tenancy, it becomes a tenancy in common.

Practice Pointer: When considering the use of joint tenancy the following should be reviewed:

- Would there be an estate planning disaster if the property dropped into the hands of one of the joint tenants. Consider what could happen in a joint tenancy created by a parent's gift to his or her children, one of whom is well-to-do and the other is of modest means. Whereas it is true the joint tenancy assures that the property remains in the direct family line, if the sibling of modest means dies first, all that has been accomplished is building the estate of the wealthier sibling. A properly drawn trust could avoid a joint tenancy created disaster.
- It is important to establish the source of the funds used to acquire the property. Generally, the property drops into the tax estate of the first joint tenant to die regardless of who provided the funds (there is a special rule for spouses, see below). The estate of the first to die then has to establish to the IRS that the survivor in fact provided the funds.
- The interest of a joint tenant is even more difficult to dispose of outside of the circle of joint tenants than the interest of a tenant in common. It would take a gambler to buy an interest that could be terminated in a flash—who can predict when a death will occur?—possibly immediately after the purchase.
- One advantage of a joint tenancy over a

Continued on page 7

Forms of Ownership

Name	Legal Title	Beneficial Ownership	Transferable	Comments
Sole Ownership	Yes	Yes	Fully	Ownership of all rights in property.
Tenancy in Common	Yes	Yes	See comment	Although fully transferable, difficult to find purchaser for an interest of less than 100%.
Joint Tenancy	Yes	Yes	See comment	Right of survivorship makes it difficult to find purchaser of an interest of less than 100%.
Tenancy by the entireties	Yes	Yes	See comment	Between spouses only, right of survivorship makes it difficult to find purchaser of an interest of less than 100%.
Trust				
Trustee	Yes	No	Yes	Trustee holds legal title for trust beneficiaries; can dispose of property if trust instrument allows.
Beneficiary	No	Yes	No	Beneficiary entitled to current income from property under terms of trust instrument.
Limited Present Interest (life interest)	Yes (see comment)	Yes (see comment)	Yes (see comment)	A limited present interest can be either outright or as a trust beneficiary; difficult finding purchaser for a limited interest, such as a life interest, that could end on a condition, such as death, being fulfilled.
Future Interest	Yes	No (see comment)	Yes	Future interest can be outright or in a trust. If outright, can only be sold to someone who is willing to wait for the condition controlling the end of the present interest to end.

All CPAs Should Have Financial Plans

By David N. Kahn, CPA/PFS

David N. Kahn, CPA/PFS, Partner, Goldstein, Golub & Kessler, New York City, and member of the AICPA Personal Financial Planning Executive Committee, tells why all CPAs should have a financial plan and about marketing financial planning to CPAs.

No one knows how many of the CPAs in the United States have financial plans. Yet, when I count the number of my CPA acquaintances who have formal plans, whether comprehensive or segmented, that are regularly updated, I am always shocked by how few there are. It is something like those old saws—doctor heal thyself or lawyer execute thy will. We have to do something to help our peers.

CPAs are no different from the rest of the American professional populace when it comes to financial planning. It is a process they should embark on and benefit from. Personal financial planning is just as important to CPAs and their families as it is to others.

There is, however, much inertia to overcome. CPAs, especially during the crunch times of the year, are subject to great demands on their time. Maybe because CPAs serve as financial advisers, and business, tax or management consultants to their clients, they keep putting off paying attention to their own financial health. So it becomes easier to say, "I know what has to be done, I'll just take care of it [my financial plan] when I have some time." The CPA, like the lawyer without a will, knows what should be done—the lack of time is the enemy.

Solution

Convince your peers of the need for having a financial plan. Market your skills to the members of your profession lacking proper financial planning. And, when you are retained, do not be afraid to bill appropriately. Your time is valuable, and your CPA clients will quickly realize the benefits.

Age and Setting Goals

As with any client, the PFP process for a CPA starts with establishing the CPA's goals. Those goals vary depending on the CPA's age and life cycle.

The 20s: This is the jumping off point. The recent graduate is working as a staff accountant, studying for the CPA exam, and trying to move up the ladder. Considerations are establishing credit, budgeting for savings, starting an investment program, maybe marriage, determining insurance needs and executing a will.

The 30s: Success as a CPA—either in public practice or in industry—is in sight. The family is growing so education funding begins and new wills are called for to reflect the changing family situation. Start-up retirement planning depends on the work situation: employer established plans or if self-employed a Keogh or other arrangement. Life insurance and disability insurance become more important. And, as is often the case, the first family residence is purchased.

The 40s: During these prime earning years, education funding needs ripen, saving for long-term asset accumulation and developing an estate plan jump to the fore. Also, if the CPA is self-employed, there is the question of taking on associates or partners. This raises questions about what legal form the practice should take: limited liability company (LLC), partnership, or professional corporation.

The 50s: More of the same, maybe with less emphasis on education funding and more on retirement funding. The investment mix may become a little less "go-go."

The 60s: The goals will shift again. Retirement is fast approaching. If the CPA is, as are most, in a small firm or self-employed environment, considerations of practice succession begin to grow in importance. In addition, there should be an updated estate plan—including a new will, gift programs and life insurance reviews—and considerations of disability and long-term health care coverages.

Special PFP Considerations for CPAs

Although many of the PFP considerations of a CPA track those of the general population, some of the important concerns that directly affect a CPA's financial plan are reviewed below.

Balance Sheet and Cash Flow Statement

Reviewing the balance sheet and cash flow statement of a CPA in public practice will probably show that the largest asset and generator of cash is the practice. This is true regardless of the legal form of practice.

It is the very fact of the important place the practice has in a CPA's financial picture that may induce a CPA to turn to a non-CPA for financial planning assistance. The reluctance of a CPA to share personal financial information with another CPA, let alone a partner or possibly a staff member, is understandable.

Practice Pointer: Because the practice is such an important component of a CPA's personal financial picture, the special practice-related knowledge a CPA financial planner can draw on is called for. Failure to properly plan for the disposition of the practice can only adversely affect a CPA's retirement hopes. Selling a practice under duress does not yield the return that a well-planned disposition would. Emphasizing the importance of financial planning, especially the retirement and estate planning facets, should convince your peers that they do in fact need your services to put their own houses in order.

Risk Management

CPAs are exposed to many typical risks—loss of home by fire or automobile collisions, to name but two—in addition to the many special ones the practitioner faces. Risk management for a CPA begins with identifying the potential exposure areas including the following:

- Potential professional and personal liability,
- Events that could affect cash flow, such as death and accidents, and

Continued on page 6

All CPAs Should Have Financial Plans

Continued from page 5

■ Assets that could be reached to satisfy claims.

Although the general considerations supporting the purchase of life insurance apply to CPAs, the key personal-insurance consideration is disability protection. A CPA provides personal services to clients for fees. The inability to perform those services cuts off the flow of fees—inward cash flow crashes. A well-designed income protection plan employing disability coverage protects against this loss of cash flow. With adequate coverage both the CPA and his or her family can keep their heads above water.

Because the need for health insurance often precedes the need for disability coverage, they are often thought of as a package. CPAs have to provide adequate health insurance coverage for themselves, their families and possibly their employees. Skyrocketing health care costs and uncertainty about the best route to choose, make the adequacy of health insurance coverage an ever-growing concern.

The escalation of professional claims against CPAs manifests itself in the need for carefully managing the risk exposure of practicing as a CPA. While errors and omissions insurance is step one, the risk management process goes much further.

For instance, inquiry should be made into the specific services the CPA performs for clients to make sure there is sufficient insurance coverage for those services. Many things a CPA does are not covered under the standard errors and omissions policy, although riders or other special coverage is often times available. In addition, securing adequate liability insurance coverage—including umbrella coverage—and investigating who owns which assets within the family unit and their availability to creditors in the event of a suit can further protect the CPA.

Investments

If CPAs are as conservative as the public's perception of them, they may well run into trouble planning their retirement investment program. Conservative or risk-averse CPAs may not be able to realistically expect to earn a high enough return on their investments to adequately fund their retirement. Tolerance for investment risk has to be determined and the proper balance struck so that realistic goals can be met. As part of this process, the CPA's career and family life cycle must be factored into the equation.

Consideration should also be given to the available investment vehicles including the various qualified retirement plans. All of these considerations are tied into the form of the CPA's practice. If the CPA falls into the highly compensated group—a very likely scenario—under the contribution rules, a complicating factor is added to the investment management picture. You can see that investment management for a CPA cannot be done by plugging numbers into a standard template created by a brokerage or an insurance firm for the general public.

There is one other consideration, a CPA must remain independent. Investment in certain specified clients is not allowed. For the many solo or small firm practitioners, this may not pose a problem. It can, however, limit the available investments for the CPA in a large firm with many SEC clients. This is just one more consideration in the financial planning picture that is unique to CPAs.

Estate Planning

CPAs are no different from other PFP clients. They have to pay attention to their estate plans. Making sure that there is minimal estate tax erosion and that the estate's assets pass to those beneficiaries they are intended for is of primary concern. Putting an estate plan into operation requires a well thought out will. The plan should consider the optimum use of the marital deduction, including qualified terminable interest property (QTIP) election, to assure that a surviving spouse is adequately cared for. In addition, the plan should provide for the care—that is, naming a guardian(s) and/or trustee(s)—of minor children or other dependents. An estate plan must also address providing the survivors with sufficient liquidity to continue living and to pay the estate's debts.

Maximizing the return from the disposition of a CPA's practice at or before death requires careful integration of the estate plan with the CPA's retirement plan and the use of available techniques, such as a buy-sell agreement. Because of the importance of the practice, the need for its well-managed disposition should be emphasized.

Marketing Opportunities

Marketing your financial planning talents to your peers may not be easy. Success, however, can lead to a mushrooming practice. What better source of referrals is there than CPAs for whom you provide PFP services. Here are some tips:

In your firm: Every partner and manager should have a financial plan. Once they become aware of the importance of financial planning to their own financial health, they become the best marketers of your abilities to your firm's clients. The confidence you instill becomes contagious.

If your partners have financial plans, they can easily answer the client who asks whether they personally have financial plans with a "yes!" and then proceed to describe the benefits. They become the marketers of your PFP services.

Outside your firm: Although this can be more difficult than working within your firm, you should not be put off. By assuring the CPAs you approach of your professionalism, including the strictest of confidentiality—describe internal controls you put in place that deny other members and employees of your firm not involved in the PFP practice from having access to the PFP file—and knowledge, you should be able to begin building a practice among your peers.

These CPAs, if satisfied with your services, will then market your financial planning services to their clients. It is incumbent on you to make it clear that you are not out to build your non-PFP practice with their clients. If your attitude is one of cooperatio—you want a positive result for another CPA's client—a symbiotic relationship is established. All benefit from your PFP skills.

Conclusion

There is a need for PFP services among your peers. Who better to provide those services than another CPA. ◆

Forms of Ownership

Continued from page 4

tenancy in common is that, generally, a judgement creditor cannot force the sale of the property until the interest of the nonjudgment debtor joint tenant is extinguished. Thus, if a judgment debtor joint tenant dies first, the judgment creditor walks away empty handed.

Tenancy by the Entireties: A tenancy by the entireties is a special case of real estate ownership between a husband and wife. Unless, at the time of purchase of real estate, the spouses affirmatively take steps to avoid a tenancy by the entireties, the joint purchase will result in a tenancy by the entireties. The spouses by mutual agreement can convert a tenancy by the entireties into a tenancy in common.

Practice Pointer: Most spouses, at the time of purchasing the family homestead, do not give adequate consideration to the implications of the form in which they take title. A young couple purchasing the first home is not concerned with estate planning considerations that might arise in thirty years, let alone ten years down the road. As often as not, you will find as part of the data gathering process that your client's home is owned in tenancy by the entireties. It is then for you to fit the attributes of a tenancy by the entireties into your clients financial plan. Some things to consider are:

- Should the tenancy by the entireties be terminated?
- What is the impact of the special presumption that the surviving spouse provided the funds for acquiring the property; that is, the property does not drop into the tax estate of the first to die but into the survivor's estate?
- How stable is the marriage?
- Have your clients been previously married with existing children from the prior marriages? It is possible that the children of the first spouse to die can be locked out of any share in the property that goes to the survivor by operation of law.
- Is the tenancy by the entireties a practical method of asset protection? Like the joint tenancy, a judgment creditor of one spouse has to wait until the termination of the tenancy by the entireties with the judgment debtor surviving before being able to reach that person's interest in the property.

Community Property

In nine states (Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin) there is a special form of ownership of property between a husband and wife called community property. The property each spouse brings to the marriage community or receives by gift or inheritance during the marriage is considered to be the separate property of that individual. Each spouse is presumed to own an undivided half interest in any property acquired during the marriage, unless the parties agree that the property in question is to be separate property.

Practice Pointer: Because property acquired during a marriage is deemed to be community property, it is important to document the existence of any separate property. That is, property

- Brought to the marriage as separate property,
- Received during the marriage by gift or inheritance, or
- Agreed by the spouses to be separate property.

Failure to create timely documentation of whether the property is community or separate can only lead to confusion and possible litigation at a future time.

Just as with the common law states, the rules of community property followed by the nine states are similar. But there are significant differences from state to state. You should familiarize yourself with the rules applicable to your state.

Future Interests: There are forms of ownership that create interests in property that will come into being at a specified time or on the happening of a stated occurance, such as someone's death. For example, a client deeds a vacation home to an only child, with the condition that if the child predeceases your client the vacation home reverts to your client. The reversionary interest your client has in the vacation home is a future interest. Future interests can be created in both legal and beneficial ownership interests through legal documents such as wills, deeds of trust or deeds.

Practice Pointer: It is important to determine if your clients own any future interests in property. If they do, you then have to investigate when the future interest will vest, if ever, in your client. You would not want to create an estate plan for a client, and then have some future interest that was not considered during the planning process ripen. Future interests are not straightforward. They are the creation of innovative attorneys. You should assure yourself, with the assistance of legal counsel, as to the nature of any future interests your client might own.

Conclusion

Because the rules governing the ownership of property are only specific for your client's state, it is an important area of client concern. The ownership of property is a legal matter that ranges from the obvious to the arcane. You should, therefore, be ready to consult with your client's attorney about the legal implications. In addition, you should be aware that if you give an opinion on the ownership of property, it could be construed to be a legal opinion. Therefore, you should exercise caution when discussing these rules with your client. ◆

Video Course Available

Expanding Estate Administration Services: This course provides guidance on expanding your practice into estate administration. It covers qualifications of the CPA, fees and the estate administration team; probate process; post-mortem planning; estate return; tax elections; and terminating the estate. Moderated by Stuart Kessler, CPA/PFS, New York City, the panel of experts includes Joseph V. Falanga, CPA, New York City; Susan Petersen, CPA, West Palm Beach, FL; David Gerson, New York City; Howard Safer, CPA/PFS, Nashville, TN and Judith E. Siegel-Baum, JD, New York City.

The Estate Administration course provides eight hours of CPE credit for group or self-study. To order call (800)862-4272 (submenu #1) and ask for 180215PL for a VHS Tape and Manual at $129 (additional Manuals are $30 each, ask for 350215PL). ◆

Making Your New Grandchild a Multimillionaire

Continued from page 1

1. There would be a one-time gift that would provide a comfortable retirement at age 65.
2. The money had to be there at age 65 and not used up during the intervening years.
3. The gift had to grow without tax erosion.
4. The gift had to provide a sizeable sum—I projected about $20 million—for charity.
5. It had to be accomplished with an initial gift of $10,000.

How It Works

In addition to the initial $10,000 cash gift, three essential tools make it work.

1. ***Time,*** for the money to grow
2. ***Trust,*** to hold the assets
3. ***Variable annuity,*** to provide the investment potential of mutual funds with the tax advantages of an insurance policy

Time: To obtain enough time for this plan to work, your client has to think creatively and form a grandchild–grandparent team. The grandchild has the time. The grandparent has the financial resources, but not enough time to manage the plan to maturity. Joined together in this undertaking, however, there is a winning combination.

Trust: Your client makes a nontaxable gift of $10,000 ($20,000 if the client's spouse joins in the gift) to an irrevocable trust for the grandchild's benefit. You can name the parent or another responsible party the trustee. Because of the designed length of the trust term, the trust agreement should include procedures for the appointment of successor trustees, and other terms to allow good management of the trust principal within the limits of the overall concept of the gift. There should be a provision to allow a change in the structure of the trust following a change in tax or other laws that materially affect the plan. (See the box for information on the availability of the trust document.)

Parents who are the trustees cannot add to the principal of the trust without tax consequences detrimental to this plan. Nonparents do not face this tax complication. If the parents want to contribute to the trust, nonparental trustees would have to be appointed.

Variable annuity: Under the direction of the trustee, the $10,000 principal of the trust is invested in a variable annuity. This allows the investment to compound on a tax-deferred basis.

Simply stated, a private annuity is akin to a nondeductible IRA without any limit on contributions.

Under a variable annuity contract, you can invest in one or more private mutual funds, technically called "subaccounts." These funds are private because they are available only to the insurance company's annuity accounts, even though they may be managed by large mutual fund companies. In fact, some of the funds attempt to "clone" these "subaccount" portfolios to some of their most popular publicly available mutual funds.

Most variable annuities are burdened with heavy expenses and early withdrawal penalties.

Fortunately, several investment firms including Vanguard, Scudder and Schwab, have developed what amounts to no-load, low-cost variable annuities, none of which has any surrender charge for early withdrawals.

The Dollars and Cents

Because the beneficiary cannot touch the trust funds until age 65, the trustees can concentrate on long-term investments that might reasonably be expected to return a 10 to 12 percent compound rate of return over the life of the trust. Thus, if the projected rate of return is achieved, let us say 11.2 percent from birth to age 65, the variable annuity will be worth approximately $10 million (future value = present value $[1 + \text{interest rate}]^{65}$) .

If the terms of the trust provide that the beneficiary is to receive 7 percent of the assets every year starting at age 65 and to continue thereafter for life, the first check should be about $700,000: the equivalent of $102,000 in 1995 dollars assuming a 3 percent inflation rate.

If the beneficiary lives at least another 20 years after the first payment and continues to receive the 7 percent annual payout, and the trust continues to earn the projected compound rate of return of 11.2 percent, the variable annuity should be worth approximately $23 million.

Charitable Gift

Under the terms of the trust, at the death of the beneficiary, the remaining trust assets—projected to be in the area of $23 million—are to go to one or more charities chosen by the then trustees. This could include a family foundation created for this purpose.

Practice Pointers: As with any plan, especially one that has a projected life span of more than 65 years, there are some important considerations that cannot be overlooked.

- There is no escape clause allowing the beneficiary to draw down money before age 65 or the age specified in the trust.
- Tying money up irrevocably for 65 years or other trust period does not allow flexibility to adapt to changing circumstances.
- The tax laws governing variable annuities could change.

Of course, no one knows with any certainty what the future holds. Therefore, a degree of flexibility can be built into the trust instrument, but with a recognition of the potential sacrifice of the expected result 65 years down the line.

Conclusion

If the plan does not work because of a change in circumstances or law, your client's grandchild and the charities to be named will still benefit from the gift. If the plan does work, however, your client is simply giving a grandchild the equivalent of a winning lottery ticket. The dollar return, because of the operation of time, is truly eye opening. Is it worth a try? Why not present the idea to a client and see the reaction. ◆

Trust Document Available

A package including the trust agreement and supporting documents is available. The package is designed to be a starting point and not to be used as legal advice. To obtain a copy send a check for $10 to Paul A. Merriman & Associates, 1200 Westlake Avenue N., Suite 700, Seattle, WA 98109.

Director's Report: We Are Going Forward

By Phyllis J. Bernstein

Phyllis J. Bernstein, CPA, Director Personal Financial Planning Division, AICPA, New York City, reviews recent developments of interest to PFP Section members.

Hello from New York. Late last year the Personal Financial Planning Division staff relocated to the AICPA's New York office. We have settled into the new AICPA technical team structure and we are working to become more responsive to your needs. To contact the PFP Division, you can reach us by calling Stephen J. Rojas at (212) 596-6177, Susan Frohlich at (212) 596-6176, Eleni Andreou at (212) 596-6142, Josephine Baker at (212) 596-6154 or Dolores Velez at (212) 596-6178. You can always reach me directly at (212) 596-6058.

Another Successful AICPA PFP Technical Conference!

I enjoyed speaking at the 1996 PFP Technical Conference in New Orleans where I provided an update on the AICPA's PFP activities. Despite the blizzard of '96, which kept many of our East Coast speakers from getting to the conference, the conference was our best. Attendance was over 550 members, more exhibitors attended than ever and members were buzzing with practice tips, success stories, hot ideas and much enthusiasm (see report on the conference starting on page 12).

Thanks to the following people for their guidance and ability at making it our best: Conference Advisory Committee Chairman Steven I. Levey, CPA/PFS, Gelfond Hochstadt Pangburn & Co., Denver, and committee members Karen A. Barnhouse, K.B. Financial Advisors, Inc., Silver Springs, MD; Andrew B. Blackman, CPA/PFS, Shapiro & Lobel, New York City; Barton C. Francis, CPA/PFS, CFP, Shellenhamer & Company, Palmyra, PA; and Peter F. Ricchiuti, Dean, A.B. Freeman School of Business, Tulane University, New Orleans. Thanks also to Stephen J. Rojas, CPA, AICPA PFP Division and Marianna C. Morgan and Tracey Marvel of AICPA Meetings and Travel for staffing the conference. It was a tribute to our profession when the following conference attendees stepped up in the eleventh inning to pinch hit home runs as instructors: Connie A. Brezik, CPA/PFS, McGladrey & Pullen, LLP, Casper, WY; Ralph D. Bultman, CPA/PFS, CLU, Lakota Bultman & Associates, Waukesha, WI; William J. Goldberg, CPA/PFS, KPMG Peat Marwick, Houston; H. William Kuehl, Jr., CPA/PFS, William Kuehl Ltd., PC, Richmond, VA; Robert Lees, CPA/PFS, Wexler, Jones & Lees, PC, Albuquerque, NM; Steven I. Levey, Denver; Howard Safer, CPA/PFS, Bradford Trust Company, Nashville; John M. Smartt, Jr., CPA, Financial Counseling and Administration, Knoxville, TN; and Terry M. Stock, CPA/PFS, Houston. Next year we will be in San Antonio, TX, on January 13–15, 1997.

Inside Information: What the PFP Executive Committee Is Doing

The PFP Executive Committee met on February 5–6, 1996, and took the following actions:

- ***Beefing-Up the Personal Financial Specialist (PFS) Program:*** The PFS program is moving along at full speed. The PFP Executive Committee formed a task force to provide value to PFS practitioners and increase the number of PFS practitioners. This task force will also establish a program for the AICPA's PFS shared advertising program for PFS practitioners. Andrew B. Blackman, New York City, is the chair and its members are William J. Goldberg, Houston, Eric Norberg, CPA/PFS, Mason Associates, Herndon, VA; James Shambo, CPA/PFS, Sanden, Shambo & Anderson, PC, Colorado Springs, CO; and Virginia M. Stanley, CPA/PFS, Stanely & Associates, CPAs, PC, Albuquerque, NM. If you have any comments or suggestions, please send the PFS Task Force a letter at the AICPA, PFP Division, 1211 Avenue of the Americas, New York, NY, 10036-8775.
- ***Presenting Views on Full Disclosure:*** The Committee agreed to develop two topics—life insurance illustrations and elder issues—for public release that will advocate full disclosure of relevant information.
- ***Helping You Achieve Quality:*** A quality control checklist is being developed for the use of members of the PFP Section. We expect to distribute it to the members this summer.

AICPA Responded to PFP Standard Proposed by Certified Financial Planner Board of Standards

In a letter to the Certified Financial Planner Board of Standards (CFPBS) addressing its first proposed standard, AICPA President Barry C. Melancon said the AICPA takes "issue with the language in the proposed standard's attempt to extend these standards of practice to *all* providers of [personal] financial planning services, as well as the assertion that the CFPBS is a 'professional regulatory body' that issues 'CFP licenses'." The AICPA letter states that the CFPBS's self-identification as a professional regulatory body is inaccurate and misleading because it implies government-sanctioned authority to issue licenses and to regulate all financial planners, when it is not so empowered. "Because the CFPBS is not a regulatory body," the letter says, "it has no right to propose that its standards should govern the conduct of financial planners who are not CFP designees." We will keep you posted on further developments in this area.

AICPA Supports Department of Labor (DOL) Bulletin on Investment Education

In a letter to the Department of Labor (DOL), the AICPA supported the DOL draft interpretative bulletin for clarifying whether investment information supplied will give rise to fiduciary status and potential liability under Employee Retirement Income Security Act of 1974 (ERISA) for investment decisions of plan participants and beneficiaries in participant directed individual account plans. The letter from the PFP Executive Committee chair, Kaycee Krysty, CPA/PFS, Tyee Asset Strategies, Inc., Seattle, WA, commended the DOL for addressing its goal of assisting participants and ben-

Continued on page 10

Director's Report: We Are Going Forward

Continued from page 9

eficiaries in making informed investment and retirement-related decisions. This clarification will enable CPAs to be confident that they can provide investment education as part of an employee education program. It will allow more CPAs to get involved in this profitable and growing niche. To obtain a copy of the comment letter, access the PFP library of the Accountants Forum on CompuServe.

Survey Coming

We want you to succeed and your PFP practice to thrive. Therefore, we will do our best to deliver what you need by listening to what you want and responding with top-notch information. Change is a continuous process and we need your help. Shortly after April 15, we will conduct a survey to gather your opinions about important practice issues and our products and services. Your feedback will help us design future benefits to help you succeed at providing high quality, profitable PFP services. Together we can make the *ideal* benefit package a reality.

The PFP Division has come a long way. We know that CPAs are uniquely qualified to be the preferred financial advisers for all Americans. We must remember what brought us to this point as we reposition ourselves in the ever changing financial services market. The Division will be at the forefront—addressing important practice issues and identifying those leaders who will take courageous action. We have the passion, the enthusiasm and the energy. We are positioned for change.

As always, we are are receptive to your thoughts and your continued feedback is encouraged and needed. You can reach me at (212) 596-6058, fax (212) 596-6233 or e-mail on CompuServe ID: 74104,3272. ◆

PFS Update

PFS Test Substitution Window Closes Soon! *What Are Your Waiting For?*

Only a few more months exist for AICPA members who have earned the CFP or ChFC designation to earn the PFS designation without taking the PFS Examination. Do you have at least three years of personal financial planning experience? Then you can qualify. Are you interested? Act now because the cutoff date is December 31, 1996.

Join the almost 400 members who have become PFS practitioners via test substitution. Get the facts from the AICPA Order Department by calling (800) 862-4272 (menu #1) and requesting free product number G000105.

Enroll now for the Next PFS Exam on May 10, 1996

The cut-off for enrolling is April 12. You do not have much time remaining in which to act. Call now. We have made it easier for you to enroll. *There is no application form.* If you are an AICPA member and meet the three year PFP experience requirement, you can register for the examination and become a PFS candidate by calling the Sylvan National Testing Service Group at (800) 864-8080. Registration is available only through this telephone number. You can choose from more than 200 national testing centers—a Sylvan representative will confirm your exam site choice. The Sylvan representative will need the following information to accept your registration: (1) your name and address; (2) your home and office telephone numbers; (3) your social security number; (4) your date of birth; (5) your AICPA membership number; (6) your Visa or MasterCard number and expiration date (the examination fee is $300).

We have also improved the client/professional reference form. You told us the reference form was confusing for clients so we have made it easier for your clients to fill out.

Act now and join your peers as a PFS! ◆

Special Discount Offer: Julian Block's Tax Avoidance Secrets 1996

Julian Block, tax attorney and ex-IRS agent, has just written *Julian Block's Tax Avoidance Secrets 1996.* The publisher, Boardroom Classics, is making it available to PFP Section members at a special reduced price. This 555-page hardcover book contains 1,001 ways for you and your clients to save on taxes. You can now order it for $24.95, postage paid (regular price is $29.95). And if you order within the next thirty days, you will also receive a special bonus — *414 Sixty-Second Ways to Get What You Want.* Send your check or money order, made payable to Boardroom, to Boardroom Classics, Dept. 700807, P.O. Box 10657, Des Moines, IA 50381-0657. Credit card orders (MC, VISA, or AMEX) can be placed by calling (800) 678-5835. ◆

PUBLICATION NEWS

Changing America's Tax System: A Guide to the Debate to Be Published

Changing America's Tax System: A Guide to the Debate, by the AICPA and Martin A. Sullivan, provides an in-depth examination of the alternative tax proposals to replace the US income tax. It also contains the names, addresses and telephone numbers of all the members of Congress.

Published by John Wiley & Sons, Inc., the book will be available on May 1. Although the book's retail price is $45, Wiley has extended to AICPA members who order it through the Institute a publishers discounted price of $39.60. To obtain your copy, call the AICPA Order Department, (800) 862-4272, menu #1, and ask for product no. G20000PL.

The AICPA's earlier publication on proposed alternatives to the income tax, *Flat Taxes and Consumption Taxes: A Guide to the Debate* (product no. 061045), may be purchased through the Order Department until April 26, after which time it will no longer be available. The member price is $25.50; the price for nonmembers is $29.95. ◆

Accreditation for Business Valuation: *Your Comments Are Requested*

Here is an update on what has been happening on the accreditation in business valuation.

The Management Consulting Services (MCS) Executive Committee and the Business Valuations and Appraisals Subcommittee are now preparing to ask the AICPA Board of Directors and Council to support the Accredited Business Valuator (ABV) designation. The following is a summary of the key criteria. A candidate must

- Be a member in good standing of the AICPA,
- Pass a comprehensive written eight-hour examination developed by the AICPA—there is no provision for test substitution,
- Have 450 hours of *qualifying experience* in the three years preceding the examination. In the alternative, a member can submit a copy of his or her curriculum vitae to demonstrate sufficient, relevant business valuation experience. If, on review, the experience is deemed to be adequate, the candidate will be eligible to take the examination, and
- Subsequent to accreditation, have 600 hours of *qualifying experience* and at least 60 hours of continuing professional education in business valuation in each three-year period to retain the accreditation.

Qualifying experience is defined to include the following:

- Successfully completing the AICPA's business valuation CEA Program will equal 150 hours of *qualifying experience.*
- Practice experience including, but not limited to: litigation support activity involving business valuation concepts; supervision of business valuation engagement fieldwork; pre-approval review of client business valuation reports; performing business valuation engagement fieldwork; merger and acquisition activity involving valuation concepts; teaching courses or seminars in business valuation related subjects; attending courses, conferences, seminars or workshops in business valuation-related subjects; writing articles on business valuation-related subjects in trade or industry publications; giving speeches on business valuation-related subjects; tax planning involving business valuation-related concepts or issues and AICPA or state society committee work involving business valuation-related subjects.

You are encouraged to offer your ideas and recommendations. Please direct your comments and suggestions to: Edward J. Dupke, CPA, Chair, MCS Business Valuations and Appraisals Subcommittee, c/o Steven E. Sacks, MCS Team, American Institute of CPAs, 1211 Avenue of the Americas, New York, NY 10036-8775. ◆

PFP Statements on Responsibilities Released

By now, you should have received your copy of the new PFP Division booklet containing all five of the Statements on Responsibilities in Personal Financial Planning Practice (SRPFPs). Statements 1 through 4 were previously issued individually from October 1992 through October 1994. They have been reissued in the booklet with some conforming and clarifying changes and are, therefore, considered to be revised. SRPFP No. 5 has been issued for the first time. It was previously issued as an exposure draft dated August 15, 1995. The SRPFPs are issued by the Personal Financial Planning Executive Committee and have been approved by at least two-thirds of the members of that committee.

The titles of the individual statements are:

- **SRPFP No. 1:** Basic Personal Financial Planning Engagement Functions and Responsibilities
- **SRPFP No. 2:** Working with Other Advisers
- **SRPFP No. 3:** Implementation Engagement Functions and Responsibilities
- **SRPFP No. 4:** Monitoring and Updating Engagements—Functions and Responsibilities
- **SRPFP No. 5:** Developing a Basis for Recommendations

The booklet has been mailed to all PFP Section members. Others may purchase the booklet by calling the Order Department and requesting product number 017216. The price is $10 for AICPA members and $11 for nonmembers. ◆

Long-Term Health Care

Continued from page 2

- Make a few referrals and evaluate the results. If you are happy with the relationships, build those long-term health care specialists into your professional network.

What should you expect from a long-term care insurance specialist?

- You ought to demand expertise. Choose someone who knows and is able to compare and explain competing products and concepts, as well as relevant public policy issues.
- You ought to require specialization. Choose someone who only sells long-term care insurance, not a range of life and health products, much less annuities or other financial products.
- You ought to expect a major national company to support your specialist. Choose someone who has a reliable source of ongoing training, development and claims support.
- You ought to have hard evidence that the policies presented to your clients to buy contain no loopholes or grey areas. Choose someone who does not double-talk on policy language and willingly discusses the claims payment record for any insurance carrier represented.
- You ought to have confidence and peace of mind that your clients are well represented and protected. Choose someone who knows and shows genuine compassion and concern for actual families and individuals affected by real life long-term care crises.

If you follow these guidelines, you will be able to address your clients' long-term care insurance needs confidently. In addition, you will add one or more important allies to your professional network and expand your potential referral base. You will secure your current clientele and their assets more solidly than ever. Most important, you will be able to rest easy with the knowledge that you went the final mile to protect and support the people who rely on you for their future financial well-being. ◆

Note: Mr. Moses acknowledges the assistance of Jack Smelser, Director of Professional Alliances, LTC, Incorporated, Seattle, WA, in the preparation of this article.

Ninth Annual PFP Conference Put Life Into New Orleans

It was "*deja vu* all over again" with the weather playing a major role in the 1996 PFP Technical Conference, held January 8–10, at the Sheraton New Orleans. This time, although it was a bit chilly by New Orleans standards, it was not local rain (San Diego 1993, Orlando 1992) but the blizzard of 1996, which blanketed the Northeast from the Carolinas to Northern New England, that put the conference at risk. However, eager volunteers from among the speakers and attendees stepped forward when called upon to take their turn at bat for those who were stranded by the snows.

Arriving conference participants were greeted by the largest group of exhibitors yet at the PFP Technical Conference. Software vendors, mutual fund distributors, regulatory (SEC) assistance firms, money managers and others offered information or products to assist CPAs in financial planning practice. As the word continues to spread about how knowledgeable and attentive an audience CPAs are, exhibitors' participation will continue to grow and enliven future conferences with their panoply of offerings.

As previously noted, there were two groups of speakers: those originally scheduled and the pinch hitters. The latter acquitted themselves admirably. Even though they had the benefit of the materials prepared by the snow-bound scheduled speakers, they often struck out into new ground or added practice nuances not found in the printed conference binder.

Conference Advisory Committee Chairman Steven I. Levey

President's Address

At luncheon on Monday, the AICPA's new president, Barry Melancon, told the assembled attendees, press and exhibitors about the direction the AICPA is taking under his stewardship. He stressed that we are part of a new AICPA, and that there is no fear of change.

Explaining where the change is going to take the AICPA, Mr. Melancon said that the Institute will take part in and employ the technical revolution. There will be new methods of delivering information to members. If existing methods are not found to be timely and efficient, they will be changed. The same thrust applies to the delivery of services. This is all part of the need for CPAs to be in the forefront of providing only useful information to clients.

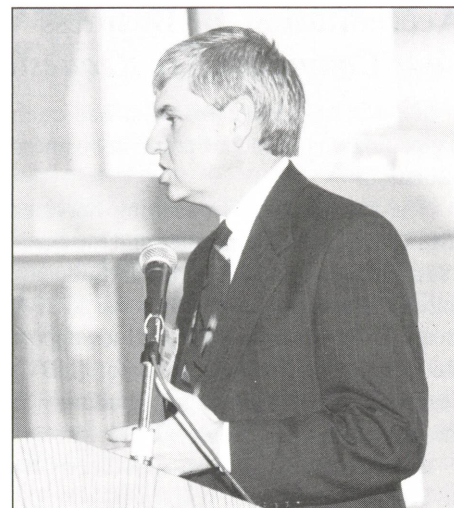
Other initiatives mentioned by President Melancon were the release of the tax reform study (see announcement on page 10), the current litigation (American Express suits in Florida and Texas) that could change the face of the accounting profession, and efforts to solve the problems of multistate and interstate practice and licensing.

Technical Sessions

Some of the highlights of the technical sessions were:

■ Eliot P. Williams, CFA, Williams Investment Counselors, Windsor, CT, provided needed insight into "Developing Investment Policy Statements." Analogizing the investment process to travel, Mr. Williams likened the investment policy statement to the traveler's intended destination, the timing of the investment to the date of the trip, and the investment selection to the choice of an airline. This underscored the importance of the investment policy statement; without this document an investor is like a traveler wandering without an itinerary.

Mr. Williams also pointed out that every securities transaction involves two decisions: a buyer and a seller each decide to buy or sell the same security at the given price at the same time. Although each party believes he or she made the right decision at the time of the transaction, only time will prove who made the right choice. There is even the possibility—depending on when the transaction is closed—that both were right.



AICPA President Barry Melancon

■ Peter F. Ricchiuti, Assistant Dean, A.B. Freeman School of Business, Tulane University, New Orleans, did not have far to travel with his harmonica to talk about the cost of investing in securities. Looking at bonds, he explained that the longer the maturity the greater volatility, due to a greater sensitivity to interest rate changes. However, the *duration* of the bond—the time it takes to recoup the original investment—is a better measure of a bond's sensitivity to interest rate changes. Mr. Ricchiuti said that duration is a valuable tool for explaining to clients the price sensitivity of an individual bond, bond portfolio or a bond mutual fund.

■ Kathryn Norris, CFP, Rothstein & Co. Financial Advisors, Inc., Avon, CT, and Philip T. Malinoski, M. Ed., CFP, Financial Aid Director, Saint Joseph College, West Hartford, CT, investigated college cost planning. Moving beyond the basics of projecting costs and calculating funding schedules and investment returns, they explained the workings of the financial aid process, untangling the determination of financial need, the sources of financial assistance, the formulas used and the differences between the federal methodology (formulas used to allocate federal sources of financial assistance) and the institutional methodology (formulas used by a school to allocate its own funds). Only with an understanding of the

Continued on page 15

THE 1996 AICPA INVESTMENT PLANNING CONFERENCE

Wealth Management Strategies for You and Your Clients

June 20-21, 1996
Stouffer Renaissance Orlando Resort
Orlando, Florida

The Personal Financial Planning Division is pleased to sponsor its third annual Investment Planning Conference. This investment forum will help you expand your knowledge in the investment area so you can provide complete financial services to your clients. Our recent Hill Holiday market research, *A Study of Public Perceptions and Expectations of CPAs as Financial Planners,* revealed that to be considered as credible providers of PFP services, CPAs need to be viewed as forward thinking experts who understand the broad-based financial markets, and how to invest money and make it grow. In addition, CPAs need to put to work the public's perception of the CPA as trustworthy, rational, and objective.

You can do it by updating and polishing your investment knowledge and skills and showing your clients how your professional abilities can work to their advantage when investing. Whether you provide investment education, asset allocation assistance, or specific investment advice, attending this year's investment conference will bolster your ability to provide better investment planning services.

Complete and mail the registration form on page 14 today!

CONFERENCE OBJECTIVE

To provide participants with current ideas and strategies for making investment decisions.

WHO SHOULD ATTEND

The conference is designed to cover a variety of investment planning considerations of interest to:

- CPAs in public practice who provide investment planning or monitoring services or otherwise advise their clients on investment decisions.
- CPAs in industry who are responsible for investment decisions involving funds in employee benefit plans or other general funds.
- CPAs interested in making more informed decisions regarding their own investments.

METHOD OF PRESENTATION

General and concurrent sessions.

LEVEL OF KNOWLEDGE

Intermediate to advanced knowledge of investments and investment planning issues.

RECOMMENDED CPE CREDIT: 15 Hours.

CONCURRENT SESSIONS

11./21. **Investing Worldwide for the Year 2000...and Beyond**

12./22. **The Super Rich — Where to Cultivate Them and Their Special Investment Needs**

13./23. **Why REITs Belong in Mixed Asset Portfolios**

14./24. **Providing Investment Consulting Services to Individuals and Fiduciaries**

31./41. **SEC Examinations of Investment Advisers**

32./42. **The Role of Tax Exempt Bonds in an Investor's Portfolio**

33./51. **Beyond Mutual Funds: Selecting and Monitoring Money Managers**

34./52. **Adding Value Through Variable Annuities**

43./53. **International Diversification of Investment Portfolios**

44./54. **Taking the Plunge — How One CPA Made the Transition to Asset Manager**

GENERAL SESSIONS

Do Winners Repeat? (6/20; 9:10 a.m. — 10:10 a.m.)

Marketing PFP and Investment Advisory Services to Your Clients (6/20; 3:15 p.m. — 5:00 p.m.)

Economic and Financial Outlook (6/21; Luncheon Address)

Asset Allocation Software Face-Of (6/21; 3:00 p.m. — 4:30 p.m.)

For a complete brochure, call the AICPA Meetings and Travel Department at 201-938-3232.

REGISTRATION FEE : $595 ($545 for Members of the Personal Financial Planning Section and Personal Financial Specialists)

DISCOUNT REGISTRATION OFFERS

Early Bird Registration: You can save $50 off the registration fee if your registration form is received on or before May 10, 1996.

Group Discounts: Three or more individuals from the same firm, company, or local chapter of a state CPA society who register at the same time and by May 10, 1996 can save an additional $20 (in addition to the early bird discount). Registration forms must be mailed together to qualify for the group discount and be received by May 10, 1996.

The registration fee includes all conference sessions, conference materials, and exhibit admission, as well as two continental breakfasts, two luncheons, refreshment breaks, and a reception. Hotel accommodations and other meals are not included. Smoking is not permitted during the conference sessions.

Full payment must accompany your registration. A confirmation letter will be sent to you upon receipt of your registration form and payment. Please use the conference registration form below and be sure to register early as this conference is expected to reach capacity quickly. Please be advised that the AICPA is not responsible for checks or letters lost or delayed in the mail.

For further information or confirmation requests, write or call the AICPA Meetings and Travel Division, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881, Telephone (201) 938-3232.

SPOUSE/GUEST REGISTRATION FEE: $35

This fee includes a reception on Thursday evening. All of the spouse/guest registration fee is attributable to meal and entertainment costs.

CANCELLATION POLICY

Full refunds will be issued provided written cancellation is received by May 30, 1996. After this date, refunds less a $50.00 administrative fee will be issued on written requests received by June 13, 1996. Due to financial obligations incurred by the AICPA, no refunds will be issued on cancellation requests received after June 13, 1996.

HOTEL INFORMATION

Registration fees do not include hotel accommodations. The AICPA has secured a group rate of $132.00 single/double occupancy for a limited block of rooms at the Stouffer Renaissance Orlando Resort. Please contact the hotel directly to reserve your accommodations. Call 407-351-5555 or 800-327-6677 or write to Stouffer Renaissance Orlando Resort, 6677 Sea Harbor Drive, Orlando, FL 32821. Group rates are extended 3 days prior to and after the conference.

After May 28, 1996, rooms will be on a space available basis only. Identify yourself as a registrant of the AICPA Investment Planning Conference in order to obtain the group rate. To guarantee your reservation for late arrival, a credit card number or first night's deposit is required.

AIRLINE INFORMATION

Call any airline below and refer to the reference code to get exclusive airline discounts offered only for AICPA conferences.

American Airlines: 1-800-433-1790
Refer to Index Star File #S9907

Continental Airlines: 1-800-468-7022
Refer to Reference Code #JYRTB1

Delta Air Lines: 1-800-241-6760
Refer to File #N1600

OPTIONAL RECREATIONAL ACTIVITIES

The AICPA Investment Planning Conference ends on Friday afternoon and offers an excellent opportunity to extend your stay and visit the many attractions of Orlando. Information on Orlando's many entertainment and recreational options will be included with your registration confirmation letter.

REGISTRATION FORM

1996 AICPA INVESTMENT PLANNING CONFERENCE
Wealth Management Strategies for You and Your Clients
Stouffer Renaissance Orlando Resort • June 20–21, 1996

MAIL TO:

American Institute of CPAs
Meetings Registration
Post Office Box 2210
Jersey City, NJ 07303–2210

(Full payment must be sent with registration form)

FAX TO: (201) 938-3169

(Fax registration for Credit Card only)

Please register me for the 1996 AICPA Investment Planning Conference:

Wealth Management Strategies for You and Your Clients

Please check registration category

Registration Fee

☐ M1 $545 for PFP Section Members and PFS designees
☐ M4 $595 for other registrants

Early Bird Fee (register by May 10, 1996)

☐ M2 $495 Early Bird for PFP Section Members and PFS designees
☐ M5 $545 Early Bird for other registrants

Group Discount Fee*

☐ M3 $475 Group Discount for PFP Section Members and PFS designees
☐ M6 $525 Group Discounts for other registrants

**Group discount available if 3 or more register together from same firm, company or local chapter of a state CPA society by May 10, 1996.*

Spouse/Guest Registration

☐ GI $35 Spouse/Guest Fee (includes reception)

CONCURRENT SESSIONS

Please select one in each time period (See titles on page 13.)

Thursday, June 20, 1996

10:25 a.m.—11:55 a.m.
☐ 11. ☐ 12. ☐ 13. ☐ 14.

1:15 p.m.—2:45 p.m.
☐ 21. ☐ 22. ☐ 23. ☐ 24.

Friday, June 21, 1996

8:15 a.m.—9:45 a.m.
☐ 31. ☐ 32. ☐ 33. ☐ 34.

10:15 a.m.—11:45 a.m.
☐ 41. ☐ 42. ☐ 43. ☐ 44.

1:00 p.m.—2:30 p.m.
☐ 51. ☐ 52. ☐ 53. ☐ 54.

☐ My check or Money Order for $________ payable to the AICPA is enclosed.

☐ Please bill my ☐ MasterCard ☐ Visa for $___________.

Signature: ________________________________
(Required for credit card orders)

Card # ________________________ Exp. Date ____________

TYPE OR PRINT CLEARLY

Bates #: ________________________ (AICPA use only)

AICPA Member: Yes ☐ No ☐ AICPA Membership # ________________

PFP Section Member: Yes ☐ No ☐ PFS Designee: Yes ☐ No ☐

Registrant's Last Name ______________ First ______________ MI _____ Nickname for Badge ____________

Firm Name or Affiliation ________________________________

Street Address ____________________ Suite ____________ P.O. Box ____________

City ____________________ State ____________ Zip Code ____________

Total Amount Enclosed $ ______________ Business Telephone ______________

Name of Registered Spouse/Guest ______________________ Nickname for Badge ____________

Name & Telephone # of Individual to Contact in Case of Emergency ______________________

☐ Please send information pertaining to services for the physically disabled: What is the nature of your disability?

☐ Audio ☐ Visual ☐ Mobile

PFP Conference

Continued from page 12

factors involved can CPAs help their clients make decisions on the titling of assets, employing their children and other matters that affect financial aid and college funding plans. They urged CPAs to develop working relationships with aid administrators to further their clients' search for financial aid.

■ Mark C. Tibergien, Principal, Management Advisory Services, Moss Adams, Seattle, WA, explored how to make financial reporting meaningful for financial planning clients who own their businesses. He pointed out that clients typically err in determining the health and growth of their businesses by measuring and comparing sales rather than the return on sales. This highlights the problem of the client with growing sales that ends up in bankruptcy: the sales did not provide a positive return, but only increased the need for financing. Clients should learn to use their financial statements as a management tool—looking at the return from their operations.

For instance, most small businesses do not have a borrowing plan; they borrow to meet a need and end up with an improper debt structure. CPAs can use the financial statements to explain the need for cash and the distinction between cash on hand and profits.

■ Nancy Lininger, The Consortium, Camarillo, CA, demystified the investment adviser registration process for participants. Reviewing what goes into and the implications of filling out SEC Form ADV, Ms. Lininger provided a multiplicity of sound practice tips. Addressing Form ADV Part II, and the need to provide this information to clients—the "brochure rule"—she advised attendees not to try to combine providing this required information with a promotional document. By keeping the documents separated, the purpose of each is clear, and the marketing brochure can do its job as a true marketing tool. In addition, if the two are combined, each time Form ADV Part II is amended, a new marketing brochure would have to be prepared.

Another point Ms. Lininger made was that the SEC defines "custody" of client funds more broadly than that usually used by CPAs. If you are registered, it is important to understand what the SEC means by custody because there are special record-keeping requirements that have to be met, in addition to meeting the annual financial audit and surprise audit requirements.

Many of the points Ms. Lininger made seemed to take the participants by surprise. The questions from the audience were many, and the session could have gone on indefinitely.

■ The conference closed with an exhilarating session on building client relationships. Dr. Kerry Johnson, International Productivity Systems, Inc., Tustin, CA, stressed that a telephone conversation does not match a face-to-face meeting; unless you are face-to-face, 65 percent of the content of the conversation is lost. For example, through observation, you can be alert to signals from the potential client: breaking eye contact, blinking, rubbing the forehead, stuttering, pausing or becoming repetitious in speech. These are all symptoms that the person opposite

Continued on page 16

1996 AICPA PFP Technical Conference Audiocassette Recordings and Conference Manual Available

If you were unable to attend the 1996 AICPA Personal Financial Planning Technical Conference, you can purchase the conference manual, containing outlines and other materials provided by the speakers, as well as professional, unedited audiocassette recordings of conference sessions. The audiocassettes, along with the related materials, are available individually or as a set. Please note that no CPE credit is available for conference tapes/materials and that conference registrants were able to purchase these tapes at the conference at a discount.

__ PFP Technical Conference Manual $65

__ Complete set of audiocassettes (see below), with Conference Manual $435

Individual tapes, complete with speaker materials ($20 each):

__ 01 PFP Division Update
__ 03 AICPA Update
__ 04 Taking Measure of Your Clients' Business
__ 11 Long-Term Care Financing Strategies for Individuals
__ 12 Multigenerational Strategies for Preserving & Enhancing Overall Family Wealth
__ 13 Developing Investment Policy Statements
__ 14 Divorce: Tax and Financial Planning
__ 21 Creative Qualified Plan Design Strategies
__ 22 Creative Uses of Trusts in Estate Planning
__ 23 Developing Asset Allocations with a Global Perspective
__ 24 Beyond Evaluation: How Life Insurance Works
__ 31 Motivating Clients to Plan for Retirement
__ 32 Quantitative Wealth Transfer Analysis
__ 33 Analyzing the Cost of Investments
__ 42 Wealth Transfer Issues for Non-US Citizens
__ 43 Non-traditional Investing—Managed Futures as an Investment Alternative
__ 54 College Cost Planning—Beyond the Basics
__ 91 Demystifying the Investment Adviser Registration Process
__ 92 Computer Tools & Techniques for Your PFP Practice
__ 93 Effective Networking Techniques for Building Your Practice
__ 94 Hot Tips for Effective Media Exposure
__ 95 Computer Resources for Evaluating & Selecting Mutual Funds
__ 96 Creating Effective Client Seminars & Seminar Materials

Name ____________

AICPA Membership Number ____________

Firm Name or Affiliation ____________

Address ____________

City ________ State ________ Zip Code ________

Tel. no. ________ Fax no. ________

Subtotal ________
Sales Tax* ________
Total Amount Enclosed ________

Send order form, along with check payable to AICPA, to:
AICPA PFP Division, Conference Tape Sales, 1211 Avenue of the Americas, New York, NY 10036-8775

*Add 8.25% sales tax in New York City. Elsewhere in New York add 4%, plus local tax if applicable. In Connecticut, New Jersey and Washington, DC, add 6%, and in Vermont add 4% sales tax. Please order by June 30, 1996, and allow 4 weeks for delivery.

John R. Connell, CPA/PFS, Honored

John R. Connell, CPA/PFS, received the eighth annual Distinguished Service Award at the Personal Financial Planning Technical Conference, in New Orleans. The award is the highest honor given by the PFP Division to a CPA who has served the public interest by enhancing the quality of personal financial planning services. John is a partner of Causey Demgen & Moore, Inc., a full-service accounting and financial planning firm in Denver. He served for three years on the PFP Executive Committee and chaired its specialization task force in 1986, which established the Personal Financial Specialist program. John also served in many ways, including developing the PFS Examination Content Outline, the Internal Practice Review Questionnaire, the PFP Practice Evaluation Checklist and the Statements of Responsibilities in Personal Financial Planning Practice. He presently chairs the PFS Examination Subcommittee, which is responsible for preparing the PFS Examination. Aside from the AICPA, John has chaired the Colorado CPA Society's Accredited Financial Planning Specialist Committee and also served on the Colorado Board of Accountancy.

PFP Division Director Phyllis Bernstein congratulates John R. Connell on receiving his award.

Past Award Recipients were James Wilson, CPA/PFS, Larry Fowler, CPA/PFS, Howard Safer, CPA/PFS, Dirk Edwards, CPA/PFS, Stanley Breitbard, CPA/PFS, Stuart Kessler, CPA/PFS, and Isabelle Curtiss, CPA/PFS. ◆

PFP Conference

Continued from page 15

you is feeling pushed and it is time to back off a bit.

Dr. Johnson also suggested that CPAs mirror received cues. For instance, when facing someone who is standing with one hand on a hip or with the arms crossed, subtly mirroring those gestures works to gain the trust of the person being mirrored. Picking up verbal cues works in similar fashion. All of these tips help cement the engagement with the potential client. If rapport and trust are properly built, you will find it easier to move forward to next stage of the relationship.

1997—Mark Your Calendar!

Planning is already underway for the 1997 conference to be held January 13–15, 1997, in San Antonio, TX. ◆

First Class Mail
US Postage
PAID
Englewood, NJ
Permit No. 91

Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881