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April–May 1997

PLANNER

Ideas from leading experts in financial planning

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Albert J. Zdenek, Jr., CPA/PFS explains why personal financial planners need to form and work with a team of experts and suggests criteria for determining whether a prospective team member will perform as expected. Mr. Zdenek is with Zdenek Horvath & Scebelo, PC, Flemington, NJ, which specializes in personal financial planning and investment management.

Some sports teams always seem to win division titles and championships. You know which ones I mean. The Dallas Cowboys, Chicago Bulls and LA Dodgers always seem to be close to the top or in the race. Yes, they live through poor years too, but these years seem brief. Soon they're battling for the top spot again. As a fan of the Philadelphia Phillies, the 76ers and the Eagles, I hate to see my teams lose to the usual champions. But I have to admire the perennial winners for always fielding such a great championship group of competitive players.

Do you have a championship team of experts made up of top caliber players? As CPA/PFSs, we know that we can't be experts on everything that touches our clients' financial lives. We are not attorneys, insurance agents, bankers, money managers or any of the other experts we rely on for guidance in helping people plan properly. Of course, we know a great deal about many of these areas, which enables us to guide the client and refer them to the appropriate experts, but we still need the experts to do the actual work. That is why it is necessary that we surround ourselves with a championship team of experts who can be trusted to advise us and help our clients in a manner that supports the goals established in their financial plan.

Many planners either do not have their team in place, or the team they have is not of championship caliber. Why? We are so busy working that we don't spend time looking for the best talent for our team. If a planner's team either is not in place or is not made up of top-notch experts, the planner may offer poor advice or make referrals to experts who do not provide the client with the top caliber service we promised.

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TRENDWATCH

Understanding client expectations is essential to success in PFP. A recent survey narrowed the list of expectations that clients have of personal financial planners to seven "hot button" expectations:

1. *Investment education (83%).* A primary concern of the vast majority of respondents is that the personal financial planner can teach them what they don't know.
2. *Minimum taxes (80%).*
3. *Highest returns (70%).*
4. *Protection from losses (68%).*
5. *Prevention of mistakes (68%).*
6. *Complete financial plan (64%).* Completeness involves time (short-term goals, and long-term goals) and spectrum (all options to be considered).
7. *Help in defining goals (63%).* Some clients don't know where to begin.

The personal financial planner's knowledge as a financial mentor and teacher ranks highest on the list. Communicating your strengths in these areas in all of your marketing communications will increase client retention, client satis-

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TRENDWATCH

(continued from page 1)

faction and the number of new clients referred to you. "Financial Planning Clients Want to Know," *Practice Builder,* February 1997, p. 4.

Producer groups may recruit more financial planners and investment advisers. Producer groups are exclusive alliances of insurance brokers formed to negotiate higher commissions from insurers. These groups may also form their own insurance companies to reinsure some policies they sell and increase their own payouts.

To qualify for membership in most insurer groups, the financial planner or investment adviser usually needs to sell upward of $50,000 a year in premiums. Maintaining membership can also be expensive. One group, for example, has annual dues of $5,000 and requires a member to bring in premiums of at least $50,000 a year for the first two years and $20,000 a year thereafter. At the end of the second year, the member can buy 1,000 shares of stock, and high sales may allow the member to buy additional shares. The shares when redistributed are taxed as capital gains rather than income. "High Earnings in Numbers," *Investment Adviser,* April 1997, page 18.

Everything you wanted to know about millionaires may be available in a study published by Thomas J. Stanley and William D. Danko, who for twenty years have been studying the habits and methods of America's millionaires. They found that most of the very rich are more frugal than other people, they are not ostentatious, but they are persistent and disciplined people running very ordinary businesses. Here are some of their other discoveries:

- One in five millionaires is retired. Two-thirds of those working are self-employed, and three out of four of the self-employed consider themselves to be entrepreneurs.
- Their "ordinary" businesses are typically welding contractors, auctioneers, rice farmers, owners of mobile home parks, pest controllers, coin and stamp dealers and paving contractors.
- Their household's total annual taxable income is $131,000.
- They invest nearly 20 percent of their household income each year. Most have at least one account with a brokerage company, but they make their own investment decisions.
- On average 21 percent of their household wealth is in their private businesses.
- They own homes valued on average at $320,000.
- They have "go to hell" funds that allow them to live without working for ten years.
- Four out of five have college degrees, and many have advanced degrees.

One interesting finding is that these millionaires do not foster wealthy offspring. Nearly half give at least $15,000 annually to their children. The result, however, is that the offspring accumulate less wealth than their peers. Generally, the more money adult children receive, the less wealth they accumulate and vice versa.

Stanley and Danko based their findings on interviews with more than 500 millionaires and more than 1,000 survey responses.

"The Millionaire Next Door," *Success* (March 1997), pages 45–51.

Investors are financially illiterate and reckless. So says a recent survey conducted by the nonprofit Investor Protection Trust (IPT). One in five U.S. investors is financially illiterate. This condition is aggravated by the reckless financial behavior of the two out of three investors who do not have a financial plan.

In addition to the extent of their illiteracy, other key findings of the survey include:

- About 25 percent of men scored at the top of the knowledge scale, only 11 percent of women had top scores. Almost half (44 percent) of older investors (65 years of age and above) were in the least financially literate category, while 29 percent of younger investors were in this group. Older investors were also less likely to understand that most brokers and financial planners do not base their compensation on the amount of returns they achieve for investors, but rather receive commissions or charge fees.
- Almost two-thirds (62 percent) of investors mistakenly believe that a "no-load" mutual fund involves no sales charges or other fees.
- Only 51 percent understand that the purpose of diversification is to reduce risk.
- Just over half (55 percent) know that the Securities Investor Protection Corporation does not protect investments up to $500,000 if the stock market goes down.
- Only 39 percent know that when interest rates go up the price of bonds usually go down.
- Two-thirds of investors have never prepared a specific financial plan either on their own or with the help of a professional. Only 52 percent of the most knowledgeable investors have drawn up or gotten a professional to help draw up a financial plan.
- 88 percent of investors who received advice from a financial professional have never looked into the disciplinary background of the professionals.

Commenting on the findings, IPT Trustee Mark Griffin, who also serves as director of the Securities Division of the Utah Department of Commerce, said, "These are not encouraging findings for a society that is moving increasingly to a 'self-serve' approach to personal finance."

The Investor Protection Trust Investor Knowledge Survey

(For more information on the survey, call 703-276-1116.) ◆

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William Moran
Editor

Phyllis Bernstein, CPA
Director

Is Your Team of Experts of Championship Caliber?

Continued from page 1

Clients may also become frustrated working with the experts we suggested and blame us for recommending the experts to them. Consequently—

■ Clients may begin to distrust our recommendations.

■ Clients may become frustrated, as they are forced to search for good experts themselves, since we could not offer them the guidance they needed.

■ The value of our planning work is diminished in the view of our client.

Your team of experts should be a "resource" for you. They should be willing to answer your questions concerning a client's particular circumstances and, at times, review information regarding the client's situation to enable them to offer you better advice on the course of action to take. Of course, your experts should be willing to do this without any guarantee of work from you. If their advice is valuable and helpful, and the work is needed, you may decide to refer a client to them for help in their specialty. This creates a win-win situation for everyone. You have experts on hand to assist you with your clients' needs and they gain an excellent referral source.

The CPA as Coach

Roger Hill, a CPA/PFS from West Point, MI, relies heavily on his expert team of advisors. "We are coaches to our clients. They don't expect us to know everything, but they do expect us to be able to give them direction," advises Roger. "It has taken years to put together my team and the process never ends," he warns. Like a sports team, "sometimes you find a better member over time to replace the one you have been using." Roger uses the following criteria to judge experts on which he depends. The experts must:

1. Know more about the subject than you.

2. Return phone calls promptly to you and the client.

3. Be willing to review client documents or situations with you.

4. Know that they may get a referral from you, but that does not guarantee the work.

5. Be proactive. They should call you to keep you abreast of what's happening, instead of waiting until you call them.

6. Have a support staff who will take care of the client in a supportive, timely manner.

7. Be caring and take the time to listen with empathy to the client and answer the clients' questions without rushing.

Building a Team

So how do you start forming a championship expert team of your own? You must first identify the type of experts you feel you need by specialty (for example, attorney, money manager). Then find the team members. One way to find them is to ask your fellow planners who they use on their team of experts. You can also call or meet with the leading experts in your area. Explain to them that you want to consider them for your team, and get to know them. Feel free to ask them for client referrals so you can find out how they have performed.

Another useful way to find experts is to contact the authors of technical articles who seem to match your needs and talk with speakers at conferences. It will take some time, so be patient. It takes time to create something great!

Don't feel bound by your geographic area. Many planners use experts across the country. I use experts in Dallas, Kansas City, Los Angeles and Bermuda even though my business is located in New Jersey. Your focus should be to find the "best" experts, not necessarily the "closest" experts. If the best expert happens to be local, that's great!

All of us want to provide great, life changing planning for our clients. That means ensuring we have the best support behind us and being able to provide the expert referrals clients need to achieve their financial plan.

Each of us is the head coach for our clients and our team of experts. The team's performance is a reflection on us. If we take the time to put together a winning team of experts, we will be able to help our clients "win" their championship: To achieve what they want in life! ◆

Hefty Discount Still Available on *Omniscience* CD-ROM

PFP Section members can save more than $100.

A 35% discount is still available to members of the PFP Section on *Omniscience*—The Infobase of Financial Planning Ideas 2.1. This software product of Financial Planning Publications can help practitioners provide services to clients more efficiently and profitably. It features more than 1,500 succinct planning recommendations, strategies and examples; display graphics covering a variety of topics; calculators; Internet jump links; and information searches and topic jump links. Twice a year, subscribers get an updated CD with tax law changes, new strategies, calculators, Internet links and other features at a cost of $75 per year.

The system requirements are Windows 3.1, Windows 95, or Windows NT, a CD-ROM drive, 8 megs of RAM and 45 megs of space for hard drive installation.

The price for PFP Section members is $195, which is 35% off the regular price of $300. The AICPA member price is $240. To order call the AICPA Order Department at 800-862-4272, submenu #1 and ask for product no. 017219. If you are not satisfied, you can return the CD within sixty days for a full refund. ◆

An Excellent Estate Planning Technique: Irrevocable Life Insurance Trusts

By Peter Harris, MBA, CPA/PFS, CFP, CLU
and Ronald F. Rockower, JD, CPA

One of the most popular and effective planning tools is the Irrevocable Life Insurance Trust. Life insurance proceeds are generally exempt from income tax. Estate tax on the proceeds of life insurance can also be avoided if the trust is properly structured. Other advantages of such a trust include gift tax benefits, the ability to provide for professional management of the insurance proceeds, and the ability to create estate liquidity. The major drawback is that the trust must be irrevocable and is thus inflexible.

A life insurance trust initially consists of a trust document that must by its terms be irrevocable. The trust is named the beneficiary of the life insurance and the trust sets forth how the insurance proceeds will be distributed. When the insured is married, the trust typically gives the surviving spouse the right to the income earned on the insurance proceeds for his or her life, and then at the death of the surviving spouse, the principal of the trust is distributed to the decedent's children. The trustee is generally given the right to distribute principal of the trust to the surviving spouse for his or her health, education, maintenance or support. When the surviving spouse dies, the principal in the trust will not be subject to tax on the surviving spouse's estate.

Another benefit is that an insurance trust can use the services of a professional trustee such as a banking institution to provide investment management and other fiduciary responsibilities.

Implementing the Trust

An insurance trust can be implemented in two basic ways. The first way is to have the trustee of the trust apply for and purchase the insurance policy on the insured's life. If this method is used, the proceeds will not be part of the gross estate and thus not subject to estate tax.

The second way is to transfer an existing policy on the insured's life to the trustee of the trust. With this method, the estate taxation depends on how long the insured lives. If the insured dies within three years of transferring a life insurance policy to a trust, the proceeds of the insurance are includable in the insured's estate. Because of this "three-year rule," the first method is preferable. In addition, a transfer of an existing policy to a trust is a gift that could possibly generate gift tax. The amount of the gift is the "Interpolated Terminal Reserve" or the fair market value of the policy (the insurance company generally will provide this value).

If the transfer method is used and the insured is married, the trust should contain a "fail-safe" mechanism: The trust would state that if the insured dies within three years of the transfer of the insurance policy to the trust, the proceeds would go to the surviving spouse either outright or through a "QTIP Trust" so that there will be a marital deduction.

Gift Tax Issues

After the insurance policy is in the trust, it is very important to structure the payment of premiums to avoid gift taxes. Amounts needed to pay the premiums must be gifted to the trust. The trustee then pays the insurance company directly. The amounts transferred to the trust to pay the premiums are gifts that could potentially create a gift tax.

The main issue that arises is whether these transfers can qualify for the gift-tax exclusion of $10,000 per person per year. To qualify for the annual exclusion, the recipient of the gift must have a present interest or the right to use the gift immediately. When money is transferred to the trust, however, the beneficiaries do not have an immediate right to use the money. To solve this gift tax problem, the language of the trust should give beneficiaries the right to withdraw the money gifted to the trust immediately. (This right is often referred to as a *Crummey* power, which was established in a famous court case, *Crummey v. Commissioner,* 397 F. 2d 82 (9th Cir. 1968).) Thus, if a beneficiary is given the right to withdraw up to $10,000 each year, there is a present interest, and a $10,000 transfer to the trust would qualify for the annual gift tax exclusion. The insured can thus reduce his or her estate by using the gift tax annual exclusion.

A beneficiary must receive notice each time he or she can exercise the *Crummey* power. The notice should provide adequate time for the beneficiary to exercise the *Crummey* power. A minimum advance notice of thirty days has been approved by the Internal Revenue Service. However, since the intent is that the money transferred to the trust be used to pay the life insurance premiums, the beneficiary's exercising of the withdrawal right would frustrate the intent of the trust. In reality, most beneficiaries do not exercise the withdrawal right because the insurance would then lapse.

Lapse-of-Power Rule

If a beneficiary does not exercise an allowable withdrawal power, however, another potential gift tax problem may arise. A withdrawal power is considered a "general power of appointment" for gift tax purposes. A lapse of such a power can be considered a taxable gift by the power-holding beneficiary to any other beneficiaries who share in the

PRACTICE OPPORTUNITY

One of the benefits of a life insurance trust is that it can use the services of a professional trustee to provide investment management and other fiduciary responsibilities. CPA firms can serve as professional trustees or co-trustees for an insurance trust. To determine whether an opportunity exists for your firm to provide this service, follow the process outlined in Chapter 3, "Marketing and Selling PFP Services" in the *PFP Handbook*.

1997 AICPA Investment Planning Conference
June 23–24, 1997, New York

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A recent survey in the *Journal of Accountancy* showed that 46% of investors prefer to use a CPA to assist them with financial and investment planning—more than double the number of those using one now. At the same time, less than 50% of all CPAs have earned even one financial or investment planning designation.

The opportunity is clear! Your clients and client prospects believe investment planning is important and, given a choice, they'd choose a CPA as their preferred investment advisor. To build and enhance your investment skills, you need all the expert help you can get.

Attend our annual **Investment Planning Conference** at the Grand Hyatt Hotel in New York on June 23–24 and you'll get the investment intelligence you need.

Realizing that CPAs need training to become premier providers of investment planning services, the Investment Service Task Force designed this conference to help novice as well as seasoned personal financial planners. To register or for more information, call 1-800-862-4272. (Provide Operator with code DQ.)

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11./22.	Selecting a Winning Investment Strategy: The Triumph of Indexing
12./31.	Global Bonds
13./21.	The Major Style Attributes of Equity Portfolio Management and Analysis
23.	Asset Allocation
32./41.	Investment Consulting: The Keys to Success with Clients
33.	What Asset Classes to Hold
42./53.	Winning No-Load Fund Strategies for 1997–98
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51./61.	Emerging Markets
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CANCELLATION POLICY: Full refunds will be issued provided written cancellation requests are received by June 2, 1997. Refunds less a $50 administrative fee will be issued on written requests before June 16, 1997. Due to financial obligations incurred by the AICPA, no refunds will be issued on cancellation requests received after June 16, 1997.

Hotel Information:

For reservations, contact the hotel directly. After the hotel reservation cutoff date (May 23, 1997), rooms will be on a space available basis only. To guarantee your reservation for late arrival, a credit card number or first night's deposit is required. Mention the conference to receive our special group rate.

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Concurrent Sessions: Select one from each time period.

Monday, June 23, 1997

11:00–12:30pm	☐ 11	☐ 12	☐ 13
2:00–3:30pm	☐ 21	☐ 22	☐ 23
4:00–5:30pm	☐ 31	☐ 32	☐ 33

Tuesday, June 24, 1997

10:00–11:30am	☐ 41	☐ 42	☐ 43
1:00–2:30pm	☐ 51	☐ 52	☐ 53
3:00–4:30pm	☐ 61	☐ 62	☐ 63

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trust. Any such gift by the power-holding beneficiary would be a future interest, not a present interest, and would thus not qualify for the annual exclusion. An exception to this lapse-of-power rule is that a beneficiary can have the power to withdraw the greater of $5,000 or 5 percent (a 5-or-5 power) of the value of the trust property and the lapse of such a power will not be considered a gift. Thus if withdrawal powers are limited to a 5-or-5 power, and the right to withdraw this amount is not used and lapses, there will not be a gift.

Some *Crummey* clauses have been drafted to state that if the beneficiary does not exercise the withdrawal right, it does not lapse but carries forward to subsequent years. The inclusion of such a "hanging power" has been attacked by the Internal Revenue Service and thus may be a very aggressive approach to take in structuring the trust.

Avoiding Incidents of Ownership

Once the irrevocable trust is set up, it is critical for the insured to avoid any "incidents of ownership" over the trust. If the Internal Revenue Service can prove the decedent had incidents of ownership, the life insurance proceeds are then taxable to the insured's estate. To ensure that incidents of ownership are avoided, the trust should be structured to comply with the following safe harbor rules:

1. The trust should be the applicant and owner of the life insurance policy.

2. The trustee should pay the premiums directly to the insurance company.

3. The insured cannot retain any rights over the trust or the life insurance policy, which include, but are not limited to, the right to acquire the policy, change beneficiaries, be the trustee, change the trustee, exercise control over the trustee, or be able to borrow against the policy.

Given the precise requirements needed to avoid incidents of ownership, it is recommended that an experienced estate tax attorney draft and implement the trust.

Estate Liquidity

A life insurance trust is an excellent tool to provide for estate liquidity. If an estate is made up of non-liquid assets, assets must be sold off (usually at a substantial discount) to pay debts, taxes and expenses. A life insurance trust can provide that the trust can purchase assets of the estate and thus provide immediate liquidity. In addition, the trust can provide that loans can be made to the estate. However, the purchasing of assets or making of loans cannot be mandatory and must be allowed only on arm's length terms. Otherwise these acts can be construed to be an incident of ownership.

The Downside

The major drawback to a life insurance trust is the requirement that the trust be irrevocable. However, from a practical standpoint the trust can be revocable if the insured decides to lapse the insurance policy by not gifting the premiums to the trust.

Otherwise, however, a life insurance trust is an excellent estate planning technique. If structured correctly, it can remove life insurance from estate tax and provide present gift tax benefits, and the insurance proceeds will not be subject to income tax. The trust can provide estate liquidity and allow for professional management of the trust assets. ◆

An Alternative to Inflation-Indexed U.S. Bonds

by J. Ben Vernazza, CPA, PFS

On January 29, 1997, the U.S. easily sold the first recent issue of inflation-indexed bonds at a yield of 3%. These bonds may not be the best investment to protect against inflation. The reason is the uncertainties resulting from possible changes by Congress in the index used to adjust for inflation and the consequent phantom taxable income from adjustment to principal. Additionally, the secondary market for these bonds is thin with spreads between the bid and ask prices.

If you want protection against inflation, you can purchase (although not in small quantities) various General Electric long-term floater bonds. The term is forty to fifty years with call provisions in twenty to twenty-five years. These bonds float at 20 basis points with commercial paper.

Interest on these bonds is adjusted monthly, quarterly or semiannually depending upon the issue.

Currently, they are yielding between 5.40% and 5.52%. All rating agencies rate them as the highest quality. As far as I am concerned and at least for now, they are equal in quality to U.S. government issues and may be better than agency issues.

In the past I have used GE long-term floater bonds for ESOP replacement securities, and just in December 1996, I purchased $1.2 million for a client. When the equity markets have more value, the client can borrow against these bonds at 85% to 90% of their value to purchase other securities without triggering gain on the ESOP deferral.

These long-term floaters will also work for someone who wants inflation protection and also does not want the principal to increase in value (like a Qualified Domestic Trust) and does not want to risk fluctuations in the value of underlying bonds. ◆

The Docket

CPE Program of Interest

■ Washington: 1997 Personal Financial Planning Conference—Friday, June 13, 1997; SeaTac Marriott Hotel, SeaTac, WA; 8 CPA credits; $145 members and nonCPA staff; $190 nonmember CPAs. Contact Washington State Society of CPAs, 206-644-8199; 800-272-8273 (inside WA only); e-mail: cpe@wscpa.org.

Assign Yourself to a More Lucrative Practice

by Lyne P. Manescalchi

You are often obliged to respond to assignments given by clients, members of the board, your spouse and even your children. But when was the last time you gave yourself an assignment? You can energize your personal marketing efforts by creating and following through on just a few assignments each month. Over time, this can dramatically increase your client base.

Any marketer will tell you that no magic formula guarantees your personal marketing success. However, if you are creative and consistent in your marketing, you can easily outperform competitors and still have plenty of time to serve new and existing clients.

Personal financial planning is highly personal, requiring that you spend most of your time meeting with clients and preparing for these meetings. Consequently, the time you invest in marketing must be minimal—only a small piece of your entire practice. Therefore, why not focus on the right 20 percent of marketing activities and reap 80 percent of the results?

You may or may not have a marketing director and a formal marketing plan supported by a substantial budget. But no matter what your circumstances, you can do quite a bit to help yourself. To get into the driver's seat of your practice, take a few moments at the top of each month to give yourself three or four marketing assignments. Then follow through. It doesn't have to be more complicated than that.

To create your assignments, start by evaluating new opportunities that have come your way. These could be marketing ideas offered by others or some that you've concocted yourself. Perhaps the director of an association has asked you to speak at a national conference or an editor has invited you to contribute an article. Maybe you have a client with a promotional business who has suggested working together on a project. You may have thought of producing a newsletter targeted to an industry niche. If you find a project that appeals to you, assign yourself a baby step for the month ahead that will turn the opportunity into a reality.

Once you've sifted through new opportunities, consider adding a couple of assignments that tie in with the following major aspects of your practice:

■ ***Client satisfaction and retention.*** There are several surefire ways to come up with a good client satisfaction assignment for the month ahead. The first is to scan your client list and look for red flags—problems that you know must be solved. If you take a few quiet moments to find red flags, you'll identify not only obvious problems but also more subtle, worrisome signs that your relationship with a client might be in trouble.

For instance, let's say you have a client who plans to eventually hand down the business to his or her children. Even if you provide personal financial planning services for this client and the entire family, you may not have established a relationship with the children. When it is the children's turn to call the shots, they might decide it is time to work with a new CPA. Your assignment could be to ask your client to include the children in future meetings and have them participate in management, accounting and personal financial planning decisions. You would then be advising and working with your client as well as his or her successors. This could set the stage for a successful transition and at the same time build the loyalty of the entire group.

Another way to come up with a meaningful client satisfaction assignment is to ask questions like: What creative step can I take to strengthen my bond with an important client? What are my competitors doing that could lure away my clients? What could I do to learn more about my clients and their problems? Keep in mind that client satisfaction is almost always enhanced when you increase communication. Who doesn't like attention? Make that phone call, set that meeting or schedule that game of golf with your client. If you don't know what would please a specific client, make it your assignment to find out.

■ ***Networking with referral sources.*** Perhaps you have been meaning to follow up with a banker you met at a PTA meeting. Your resulting assignment could be to call that referral source and set a lunch meeting to explore mutually beneficial opportunities. Or, let's say you and your partners would like to establish a closer relationship with a local law firm. Why not call the lawyers and suggest a firm-on-firm networking meeting. You could offer to present a 10- to 15-minute personal financial planning update. This presentation would showcase your expertise and get the discussion rolling. (Having a discussion theme is a refreshing alternative to going around the table in the usual bragging contest.)

Even if you are very well networked, it's your responsibility to stay in touch. Referral sources pass business back and forth with several CPAs. By nurturing the relationship, you can motivate them to favor you with the juiciest new-business opportunities.

■ ***Industry involvement.*** Use this assignment to participate as a board member or serve on a committee of an industry group. Choose an industry that is compatible with your new-business objectives. Attend functions and get

PRACTICE OPPORTUNITY

One of the activities that practitioners can assign themselves is to check out the marketing resources available in the *PFP Handbook 1997*. Many of the items mentioned by Lyne Manescalchi are available in hard copy and in electronic format. For example, the "Client Service Questionnaire" can be used to aid in client satisfaction and retention. The handbook also has sample promotional brochures and examples of newsletters actually used by practitioners to promote their services. It has sample seminar invitations and follow-up letters, along with a sample script and slides for a presentation on retirement planning. There is also an extensive list of marketing and promotional resources available from the AICPA.

involved. Come up with creative ideas to increase your value to the membership and grow your practice. Your assignment could be to schedule informational meetings with industry leaders to learn more about their business and personal situations. Use this information later to demonstrate your understanding of industry issues when you pitch new business to others.

Keep in mind that being an active member of your CPA society gives you satisfaction beyond helping your industry as a whole. It cements friendships that can lead to additional business. You've no doubt received referrals from other CPAs who declined work because of a conflict of interest or a wrong fit.

■ ***Marketing to prospects.*** Roughly one-fourth of your new business should come from making contact with strangers and turning them into clients. To create a winning campaign, focus on a particular prospect group and learn all you can about that group's needs. Offer solutions in a consistent fashion via newsletters, public speaking, or other venues. This will give you an edge over CPAs who market to everyone in general with a meaningless message only once or twice. By consistently marketing the right services to your target group, you increase your odds of success.

You could send a letter offering help to prospects who are struggling with a tough problem. Include personal financial planning tips to make your letter stand out from the usual plea for business. Communicate to your prospect group as frequently as your schedule allows. These same communications can often be shared with referral sources and others to raise your visibility. (Referral sources will take an interest in your marketing efforts, by the way. Wouldn't you rather exchange business with an active marketer?)

■ ***Special services.*** As a CPA, you probably deal with general business issues on a regular basis. However, since you also wear the personal financial planner's hat, take time to promote this special aspect of your practice. Why not contact a local newspaper or magazine editor and offer to write an article on retirement planning or cash management? The media in general is very open to personal financial planning information. This is because many of the media's readers, listeners and viewers are maturing baby-boomers who have finally recognized the necessity and urgency of personal financial planning. Capitalize on that interest—editors and reporters are hungry for your knowledge.

You could offer to speak to various groups about estate planning or financing a child's education. Or, you might develop an informational flyer on your personal financial planning services and do a mailing to referral sources, prospects and clients who do not currently receive personal financial planning.

If you find yourself putting off or ignoring your monthly assignments, start over and assign yourself something you believe will really make a difference in your career. Break your projects into specific, manageable steps. If your assignments are too big, you may become overwhelmed. Consistent, steady progress is preferable to sporadic, grand efforts.

Another motivator can be to involve others in your assignments. In fact, it's preferable to include as many people as possible in your marketing programs. When others are counting on you to perform a specific role in a marketing project, you'll find the time and energy to do your part. For instance, if you decide to present a speech to your prospect group, why not invite an insurance agent to join you in giving the speech. By doing so, you would nurture two important practice areas with one marketing assignment (marketing to prospects and networking with referral sources).

Prescribing your own monthly assignments involves relaxing and thinking creatively. It may involve calling new skills into play. But once you develop the skills and discipline to create and follow through on a few monthly assignments, you will have the power to direct a customized personal marketing program for the rest of your professional life. ◆

PFS Exam Scheduled for June

Here's your chance to position yourself in the ranks of the best personal financial planners

AICPA members interested in obtaining the Personal Financial Specialist (PFS) designation can take the examination on June 30, 1977. The exam will be administered at more than 250 sites nationwide. The deadline for applying is May 23, 1997.

Applicants for the PFS exam must comply with all conditions of the PFS program, which include:

- AICPA membership
- 750 hours of personal financial planning experience in the three years prior to taking the exam
- Six references, upon successful completion of the exam
- Ongoing continuing professional education in PFP

At a recent AICPA conference, Martha Sawyer, a marketing expert, advised CPAs to acquire as many professional designations as they could because in the client's mind these designations distinguish them from other providers. Sawyer is president of Atlanta-based Hudson Sawyer Professional Marketing, which works exclusively with accounting firms.

The ranks of PFS designees has expanded to approximately 2,400. To join them, contact the AICPA Order Department at 800-862-4272, submenu #1 and ask for the free PFS information package (product number G00055).

The registration period for the exam is from April 15, 1997 to May 23, 1997. To register, call Sylvan Prometrics at 800-864-8080. ◆

Senate Bill Extends Effective Date of Investment Advisers Supervision Coordination Act

On March 31, 1997, President Clinton signed Senate bill 410, which extends the effective date of the Investment Advisers Supervision Coordination Act for ninety days, from April 9, 1997 to July 8, 1997. The extension was requested by Arthur Levitt, Chairman of the Securities and Exchange Commission. Submitting the bill, Senator Alphonse D'Amato (R-NY) said that it "was necessary to ensure that the proper rules are in place to carry out the provisions of this title." The SEC is concerned that investment advisers will not have enough time to examine the final rules and to submit the new forms required.

The Investment Advisers Supervision Coordination Act was enacted as part of the National Securities Markets Improvement Act of 1996 (Pub. Law. 104-290). The law clarifies whether the state or the Federal Government is responsible for overseeing different parts of the securities industry. With regard to investment advisers, the law splits the regulation of the nation's 22,500 registered investment advisory firms. Under the bill, the SEC is responsible for supervising investment advisers who manage $25 million or more in client assets. Investment advisers who manage less than $25 million in client assets will continue to be regulated by the states. The law gives the SEC the authority to exempt from state registration those advisers for whom registration would be "unfair" or "a burden on interstate commerce." States will continue to license people who work for advisory firms.

The new law relieves smaller advisers of some of the regulatory burden by mandating that an individual state may enforce only the requirements for books, records, capital and bonding of the state in which the investment adviser maintains his or her principal place of business. The law also establishes a national de minimis standard to exempt any practitioner from having to register in a state where he or she does not have a place of business and during the year has had fewer than six clients who are residents of the state. (See "President Signs Securities Bill Into Law," by Phyllis J. Bernstein, CPA, *Planner,* October–November 1996.) ◆

In the wake of recent legislation, the SEC Division of Investment Management responded to frequently asked questions.

See:

http://www.sec.othern/advfaq/gov/rules/htm

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