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WHAT'S INSIDE

REITs: An Entry Into Real Estate Investing

By Barbara J. Raasch, CPA/PFS, CFP

Barbara J. Raasch, CPA/PFS, CFP, is Partner in Personal Financial Planning at Ernst & Young LLP, New York. In this article, she explains why planners may want to advise clients to diversify their assets by investing in real estate investment trusts (REITS).

After your or your clients' investments are allocated among the basic asset classes—stocks, bonds and cash—what's left? For many investors, the next step in diversifying leads to real estate's door.

Because the performance of real estate has historically had a low correlation with other investment classes, it can help to reduce the overall volatility of a portfolio while providing for attractive long-term returns. Real estate is also considered a good hedge against the threat of rising inflation, since property values typically rise as the cost of developing new real estate increases. However, an apartment complex can't be added to a portfolio as easily as most other types of investments.

Real estate investment trusts (REITs) can provide a way to invest in real estate without staking the performance of the portfolio on one property. A REIT is a business trust, corporation or similar association that purchases and manages a diversified portfolio of real estate investments.

Similar to closed-end mutual funds, REITs pool the resources of investors who have similar objectives. Investors receive shares of the REIT, which represent a proportional interest in its assets. Shares are publicly traded, mostly on the over-the-counter market.

Equity: the REIT Stuff?

There are three basic types of REITs:

- *Equity REITs*, which are the focus of this article, invest at least 75 percent of their assets in properties, such as apartment units, office complexes or retail shopping outlets.
- *Mortgage REITs* hold mortgage debt on properties and serve as a lender to real estate owners.
- *Hybrid REITs* hold a combination of equity and mortgage investments.

How REITs Have Performed

Since 1973, the average performance of equity REITs has been higher than that of both large-company stocks and long-term

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TRENDWATCH

High net worth clients are a market that has been underserved in the areas of wealth management and investment consulting. To serve this market, Kaycee Krysty, CPA, launched Tyee Asset Strategies. Tyee's services include development of a very comprehensive assessment and needs analysis, detailed lifetime cash flow studies, an asset allocation study, and an efficient frontier analysis to determine what risk level is needed to achieve the client's goals. The firm avoids clients who want to keep their assets moving to get the highest returns. Instead the goal is to deliver good results on a conservative and consistent basis. Success in this niche requires having someone on staff with sophisticated investment experience, as well as a large capital base to finance the resources needed to run the practice and comply with all federal and state statutes. "Managing Wealth," *Journal of Accountancy* (May 1997), pages 84–87.

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TRENDWATCH

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Inflation-indexed bond mutual funds offer an alternative to inflation-indexed bonds. Although sales of the new inflation-indexed U.S. Treasury notes and bonds have gone smoothly, financial advisors have been cool to them because of problems associated with tax reporting and the creation of phantom income. The problems may be overcome, however, by mutual funds specializing in inflation-indexed bonds. Several mutual fund families have already rolled out or plan to roll out inflation-indexed bond funds. "A Better Hedge Against Inflation?" *Dow Jones Investment Adviser,* May 1997, p. 24.

Should personal financial planners encourage their clients to be philanthropic? The Philantrhopic Initiative says that they should in its report of a recent survey of eighty "very high-net-worth individuals," that it conducted for Bankers Trust in cooperation with International Skye and the Synergos Institute. Financial and investment advisers probably have not done so in the past because they may not feel that it is their role. But the study finds that respondents would like guidance about allocation of their wealth and provides some insights into the concerns respondents have about philanthropic giving. The Institute's report recommends that "all advisers . . . raise the question of philanthropic giving with their clients" especially since most have probably made some testamentary decisions. For a copy of the survey report, *Wealth with Responsibility,* call 212-454-1794.

The financial attitudes of the very rich are changing. This is the opinion of Charlotte Beyer, founder of the Institute for Private Investors in Summit, NJ. Beyer believes that they are more serious about money and take a more active role in overseeing their own portfolios to maximize growth. In addition, today's large private investors are looking more closely at international, private and venture capital investments. They're also looking at real estate, specifically recreational real estate. "Life on Easy Street," *American Demographics,* April 1997, pages 32–38. ◆

AICPA Personal Financial Planning— The Year in Review

William Goldberg, CPA/PFS

During the 1996–1997 membership year the AICPA undertook a wide range of programs designed to support members in their practice, to develop guidance for CPAs who provide PFP services to clients, to promote the image of CPAs as uniquely qualified to provide PFP services and to educate members and the public about the Personal Financial Specialist (PFS) designation program.

Growing the Membership Section

The PFP membership section, with approximately 7,000 members, continues to be a voice for CPA financial planners and a source of valuable information to its members. In addition to bimonthly issues of *Planner,* PFP Section members continued to receive a variety of publications, including the following:

- The first of periodic *PFP Pointers,* designed to provide quick briefings on technical and practice issues. These publications were met with a positive response from our members.
- *1997 PFP Practice Handbook,* expanded to include a PFP seminar and Powerpoint presentation, a brochure template, and a comprehensive software listing. Like other publications currently in development, improvements to the handbook are designed to make the publication more adaptable to the unique needs of every member's practice.
- *Personal Financial Planning Quality Review Checklist,* a new title in the AICPA's PFP Library. In addition to this publication, we are now putting the finishing touches on guidebooks for estate planning, planning for creative and performing artists, and retirement distribution planning. These will be provided to section members as they are published over the next several months.
- To help members deliver PFP services profitably, we aggressively pursued discount and affinity arrangements with suitable vendors. Our continuing efforts to identify and deliver valuable discounts resulted in money-saving offers on such products as Brentmark Software's *Estate Planning Tools,* Value Line's *Fund Analyzer,* Practice Development Institute's client-builder guides and *Omniscience CD-Rom.*

PFP Section members will be receiving dues renewal notices soon. Be sure to renew your section membership to guarantee your continued stream of practice building benefits. The newly formed member services task force of the PFP Executive Committee has undertaken the task of growing section membership, giving us strength in numbers. Our goal is growth.

Enhancing the PFS program

The Personal Financial Specialist accreditation program experienced a year of exciting progress. To begin with, the AICPA's Governing Council approved a second accreditation—Accreditation in Business Valuation—and adopted a strategic initiative on accreditation. The PFS program will certainly benefit from this renewed accreditation initiative. The ranks of PFS designees now total more than 2,400 and many more candidates have registered for the June PFS examination

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William Moran
Editor

Phyllis Bernstein, CPA
Director

Because it is essential for PFS designees to market their practice and their designation, we published the third annual *PFS Marketing Kit.* The 1997 kit was developed in an electronic format, making it easier to implement and customize. To complement the individual promotional efforts of PFS designees, the AICPA sponsored a pilot PFS shared advertising program, enabling participating members to advertise their practice in conjunction with an AICPA-sponsored PFS ad. Almost 250 PFS designees participated in the program and many have provided us with positive feedback on engagements secured as a result of this effort.

The PFS logo was redesigned to mirror the new logo. These highly visible pins are an effective means to raise awareness about your accreditation.

In addition, the newly appointed PFS Subcommittee held its initial meetings during this year, developing ideas for new ways to enhance the value of the PFS designation. One major initiative is the enhancement of the PFS Referral Program. All PFS designees will be sent a detailed profile, which will be used to disseminate more detailed information to potential customers looking for a PFS. We hope to have this information on the AICPA web site by Fall.

Watchdog Activities

The PFP Division remains a strong and influential voice in the accounting profession and in legislative and regulatory arenas, monitoring and addressing the many issues facing CPA financial planners. The following are highlights of just a few of the many efforts undertaken.

By now you must know that the National Association of Personal Financial Advisors (NAPFA) recently registered the term "fee-only" as a collective membership mark. The AICPA, to secure the right of all members who use the term fee-only in describing their practice, subsequently petitioned the U.S. Patent and Trademark Office to cancel NAPFA's registration. This matter is as yet unresolved; we will keep you informed of the status. In a related matter, we sent a letter to SEC Chairman Arthur Levitt asking the SEC to resolve this issue by leading efforts to require full disclosure of compensation methods in a clear, straightforward and readable format.

This year we also reviewed and commented on the SEC's proposed rules on the reallocation of regulatory responsibility for Registered Investment Advisers. The implications of these new rules were reported to you in *PFP Pointer 97-1.*

The newly formed Legislative and Regulatory Task Force has a full-plate agenda for the coming year.

Finally, after several years of working with the AICPA Professional Liability Insurance Committee, we received confirmation from CNA, the AICPA's professional liability insurance carrier of coverage for financial planning and investment advisory services.

Supporting Other AICPA Initiatives

The AICPA works to help members keep up to date on technical and practice developments, fulfill CPE requirements, gain recognition in the profession and profitably offer quality PFP services to their clients. The following are but a few examples of recent and ongoing projects:

- Another successful PFP Technical Conference was held in San Antonio last January and the conference steering committee met in May to develop plans for next year's event—January 12–14, 1998, in Orlando.
- The 1997 Investment Planning Conference was held June 23–24, 1997, in New York City.
- The PFP professional staff is working with other teams to review PFP software packages for possible affinity relationships.
- The AICPA is studying the development of a PFP "curriculum" consisting of courses available from the AICPA and other vendors.
- As always, our public relations efforts continue to promote the image of CPAs as financial planners to the media, business and financial communities and the general public.

As you can see, we have undertaken an imposing amount of tasks to support and protect the practices of CPAs who provide PFP services. I look forward to your continued support of our endeavors and welcome your comments. ◆

A NOTE FROM THE DIRECTOR

During 1996–1997, the AICPA made significant progress in fulfilling its role, and its notable accomplishments are outlined in the year in review by our PFP Executive Committee Chair, William J. Goldberg. As we look forward to the tasks that lie ahead, we are grateful to the many volunteers who have given generously of their time and energy to the AICPA. With their support and yours, we will continue our work to enable our members to achieve the success that is critical to their future as trusted advisors.

If you have comments or ideas that will help us to lead our profession in expanding our role and in becoming known as the premier financial planners in America, we want to hear from you. Our goal is to revolutionize the profession by adding value to the advisory services provided. Today, our members are known by some as tax preparers and financial historians but in the future we have to serve as advisors and market ourselves as the central force in helping our clients attain their goal of financial independence. That means more, much more, than delivering innovative tax planning; we have to help with comprehensive financial planning services including cash flow analysis, risk management, retirement planning and planning for the succession of a business. In short, we have to tailor our advisory services to help clients maximize their net worth.

The AICPA is a player in leading this transformation and is committed to member service—that means we need to provide the highest quality products, services and support possible. We can help you by listening to your needs and serving you with excellence. As we embrace change together, let's try to make decisions and constantly seek opportunities to embrace change with a can-do attitude. We are a TEAM in this together—Together Everyone Achieves More! Contact me with your comments (e-mail: pbernstein@aicpa.org; telephone: 212-596-6058).

—*Phyllis Bernstein*

Reits: An Entry Into Real Estate Investing

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term bonds. While REIT performance has been more volatile than that of bonds, it has fluctuated less than stocks.

Equity REITs have provided many investors the opportunity to diversify further. Over the past ten years, equity REITs have correlated with S&P 500's performance only 65 percent of the time. This means that about one-third of the time the returns of these two asset classes were moving independently, which helps to reduce the volatility of a portfolio.

Key to REITs' performance is their relatively high dividend yield, which averaged 7.75 percent for equity REITs in 1995. The reason for this high yield is that REITs must distribute at least 95 percent of their taxable income annually to avoid paying corporate income taxes.

Many REITs pay dividends in excess of taxable income because of the positive cash flow created from the depreciation deductions allowed on rental properties. Distributions that come from depreciation are nontaxable returns of capital.

Return-of-capital distributions reduce the investor's basis in the REIT, which creates a capital gain that is not taxed until the shares are sold (see example). Under current law, the gain will be considered long-term and taxed at a maximum federal rate of 28 percent if shares are held longer than one year. This advantage is similar to the tax-deferred growth in stock prices, which is also taxed at capital gains rates when shares are sold.

Variables to Consider

In addition to past performance, the investor needs to consider the following key variables:

■ *Quality of management.* Decisions about which properties to purchase are usually made by a board of directors or trustees. Look for managers who have a good track record in the industries in which they invest and who are part owners of the company.

■ *Portfolio composition.* An investor can specialize by selecting REITs that concentrate their investments in a particular industry, such as hospitals, hotels or apartment complexes. The investor may also want to look for geographic diversification so that a REIT's performance is not tied closely to one region's economy.

■ *Debt level.* Most REITs finance their properties to a certain extent. The average debt-to-equity ratio among REITs in 1994 was about 60 percent. Some analysts recommend looking for debt-to-equity ratios under 40 percent so that the safety of dividend payments is not threatened and management has greater financial flexibility. Fixed-rate debt is also generally preferred since variable-rate loans make the borrower vulnerable to rising interest rates. A higher debt level means added risk, but also provides the potential for higher returns.

■ *Cash flow.* Increasing rental income allows an REIT to support its dividend payments while making additional property investments. Analysts recently have started evaluating funds from operations (FFO), which includes net income plus depreciation allowances, as a more accurate measure of a REIT's return on its investments. For example, REIT prices are often evaluated based on their price-to-FFO ratio, rather than the traditional price-to-earnings ratio considered for most stocks.

■ *Inflation.* While an investment in real estate can provide a hedge against inflation, this variable can be a double-edged sword. The conditions that contribute to higher inflation often drive up interest rates as well, which generally cause REIT share prices to drop. Experts suggest that the best conditions for REITs may be when the economy is advancing moderately while inflation remains in check. ◆

Example: How Return of Capital Distributions Are Taxed

REIT purchase price:	$15/share
First year's distribution:	$1/share – $0.50 return of capital from depreciation subtracted from basis $0.50 taxable income
Investor's adjusted cost basis in REIT:	$14.50 ($15 purchase price – 0.50 return of capital)

If REIT share is sold for $15, $0.50 would be taxed as capital gain ($15 – $14.50 adjusted cost basis).

PRACTICE POINTER

Shares of more than 200 equity REITs are publicly traded, and several mutual funds invest exclusively in REITs to provide a further level of diversification. Information on REITs is available through several securities research firms and reports published by the National Association of Real Estate Investment Trusts (NAREIT), an industry trade group.

NAREIT provides a number of free investor resources and access to performance data and REIT profiles for paying members. Their address is 1129 20th Street, NW, Suite 305, Washington, DC 20036 (202-785-8717). They also have an Internet web site—www.nareit.com—that offers free online investment information, including a service that lets investors search for REITs that meet certain criteria.

Making a Commitment to PFP: An Interview With Sid Blum

Sidney A. Blum, CFP, CPA/PFS, ChFC, of Successful Financial Solutions, Inc., Deerfield, IL, is a fee-only financial planner and investment adviser. In the following interview, he shares some marketing and practice management techniques and asserts that practitioners need to be committed to personal financial planning to provide services successfully.

Planner: When did your firm begin to offer PFP services?

Blum: I got started in financial planning about 1985. During tax season, I found that a lot of clients needed help. They had not done any formal financial planning during their lifetime. Now they were retiring, and after going through a period of very high inflation, they were not really prepared. They didn't have enough assets to enjoy the quality of life they expected.

Planner: What motivated you to begin offering personal financial planning services?

Blum: I thought that since personal financial planning was not a compliance type of service, but a service clients personally benefitted from that it would be something that I wanted to offer to my clients.

Planner: How did you go about developing a PFP practice?

Blum: I started taking courses. The first was a correspondence course. I liked it so I started taking courses leading to certification as a Certified Financial Planner (CFP). About a year earlier, I joined the International Association for Financial Planning (IAFP) and started going to monthly meetings on financial planning topics. After I finished the CFP courses, which were pretty good, I went on to become a Chartered Financial Consultant (ChFC) and then I sat for the PFS exam. I continued taking courses, focusing on the tax and financial planning areas, reading everything I could and going to a lot of conferences. Back then there weren't the number of courses there are today. And I started telling my clients that I was offering personal financial planning services.

Planner: Is your firm now providing only financial planning services?

Blum: Right now, I'm still a partner in the CPA firm. I'm planning to resign that position and move on and we will provide accounting. I'm talking to a couple of other accounting firms whose principals are involved in financial planning and feel that financial planning is an important service along with accounting services. Last year, I took on a partner in financial planning. We want to control our own destiny in that area. My partner in financial planning has been in personal financial planning five years longer than me, but in the banking world. Also we're trying to put together an organization with a few financial planners. Most of the people we're talking to are CPAs.

Planner: Do you work with a particular type of client?

Blum: We're located in the North Shore of Chicago, a very affluent area. Most of our clients are making above $100,000—a lot of them are making up to million dollars or more—and have a fairly high net worth, usually in excess of a million. They are mostly professional people.

Planner: And you are providing them investment advice?

Blum: We are managing money. We assist in developing the investment policy statements. We do asset allocation, and we have discretionary authority to select, monitor, rebalance or redistribute investments according to the terms of the investment policy. We issue quarterly reports unless clients want to discuss their investments more frequently.

Planner: And all of these services are provided on a fee-only basis?

Blum: Everything we do is fee-only. We're not licensed to sell products. We manage money on a percentage of assets under management. We do financial planning on an hourly basis. Our advice is centered primarily on no-load mutual funds. However, if a client is touchy about taxes, we take another approach. For example, a high net worth client may want to avoid the taxes associated with mutual funds. We implement transactions through accounts with Schwab, Vanguard, Jack White and others. We disclose all our fees to the client, and the client is aware of any transaction fees.

Planner: How do you market your services?

Blum: My partner and I do a lot of networking with private bankers, estate planners, other financial planners who don't do fee-only planning, attorneys who write retirement plan documents, but don't manage money, and divorce attorneys. We refer business to them as well. We surround ourselves with people who are interested in helping their clients, are knowledgeable, and are on the cutting edge of what is going on in the financial services arena; sharp people who we would use ourselves or to whom we would refer members of our family without any qualms at all.

Planner: In addition to the networking, do you market services any other way?

Blum:. We have a mailing list of 600 to 700 individuals and we send regular mailings every six weeks. We'ye outsourced that function. We worked with our creative people to develop a brochure and we told them what we want to do, which is to mail something every six weeks for at least a year to a year and a half. We came up with postcards with a theme, and we send out regular information with letters from time to time. We've just created our own newsletter. We have our own TV show with local public access in Glenview, IL. My partner is the producer of that show, and I've been on as the first guest. We've done about six shows so far. We do about one every month. The show doesn't cost us anything, nor do we advertise on it, although the guests do identify their firms. So we have done quite a few things and we have quite a

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Making a Commitment to PFP: An Interview With Sid Blum

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lot of other marketing plans in place. For example, we plan to have a seminar series with other professionals.

Planner: Do you see responses to your marketing efforts?

Blum: To the correspondence, for sure. The TV show is fairly new, but we've gotten positive feedback from people who have seen it. We're getting referrals from people who, even though they may provide some of the services we offer, don't provide all and are not working with other financial planners. We did a lunch-time seminar for a large law firm with about twenty-five partners. They're starting to refer clients to us. We're gearing up because we're going to get a lot of referrals from our clients.

Planner: What do you attribute the increase in activity to?

Blum: Networking and marketing activity—and the fact that most CPAs and other financial planners providing these services are doing it as individual boutiques. We think that one of the concepts that works for us is that we do everything with the idea that Together Everyone Accomplishes More (TEAM). We are all involved with the client. That way, more than one person is familiar with and comfortable working with the client. It's a lot of hands-on, but with the clients we're dealing with we feel it's well worth while. The law firms we're dealing with are sending out letters to clients recommending us to do their financial planning.

Planner: What do you think the future looks like generally for the profession of financial planning?

Blum: I think that financial planning is really in its infancy. We've just seen the tip of the iceberg, especially with 70 million people turning age 50 in the next ten years. We foresee nothing but tremendous growth. The baby boom generation is willing to outsource certain things that they don't want to be bothered with. Money management is one of those things because of the complexity now: Many choices and vehicles are available, so people are second guessing about whether they are in the right place, which funds are the best funds, how they should allocate their assets, whether they are taking too much risk, what to do with the money they've inherited and how to help parents with their aging problems.

These are some of the situations that we see. These people need help. People who are well educated—principals of high schools, Ph.D.s, executives— come to us and honestly say, "I'm not very well versed in this area. I need help. I want expertise. I want someone I can trust and who can come at it from a fee-only basis without selling any products."

Planner: What are the obstacles that can keep you from having a profitable practice? Are there any things as you look back that you say, " I shouldn't have done that."

Blum: One of the reasons that we're growing is that we're willing to try a lot of different things. Some of them have not worked, such as certain types of marketing and advertising. But we're persistent. The more you work at it and the more you keep up with it, the better educated you are about the field: going to conferences, talking with other practitioners, learning what they're doing, how they're doing it and how they help their clients. Every time I go to a conference I sit down with other practitioners and hear their stories. At such meetings, you're getting the best minds in the country who are dealing with all types of situations and you're getting knowledge that you can use in your own practice to benefit your clients. Go to as many conferences as you can and network with people. Talk with them about how they run their practices and how they're doing things.

PRACTICE POINTER

Staying current with the field of PFP takes time. To stay at the top, you need to read PFP-related literature daily—at least one hour per day.

—*Phyllis J. Bernstein*

Be creative. For example, we developed a questionnaire, which we use as a starting point. The only thing I recommend that planners not do is give clients a long questionnaire and send them home with it unless they want to say good-bye to those clients. We've found that having them bring in the documents and getting information by actually sitting face to face with them is the best thing to do rather than sending them home and expecting them to do our job for us. If you expect them to fill out all those forms, they're probably not going to do it. That's what they're trying to get away from. If you develop the data with them, it helps build the relationship with clients.

Planner: What do you like about providing PFP services?

Blum: I like helping people. I feel real good when clients tell us what their problems are and we can find solutions and answers. People are very, very open when we sit down with them, and we try to treat them like family. We want to be honest if we think a client shouldn't retire at age 65 if he or she can continue working. If a client hates the work, then maybe he or she should change to something different. But it may be in their best interests to continue working and not retire. Even though they have what they consider to be a large sum of money, we may feel that they're not going to be able to maintain their lifestyle if they should live to be ninety or one hundred. I tell clients that they have to look at the section in the Hallmark Card store that has cards for people one hundred and over. A lot more people are living that long, so you have to plan for that situation and not cut yourself short.

But we don't want to scare people. We want to be frank and honest, but we want to help. We don't criticize. If they come to us and tell us that they've done something wrong, we just tell them that they're some place else on the time line along the financial planning horizon. Some people go a little faster, some people go a little slower and we're here to help, not to judge them.

Planner: How much do you depend on technology in the operations of your office?

Blum: A tremendous amount. We have the latest technology. But in that regard, despite all the technology, we use brainpower. We don't let the technology lead us. It's a tool. You have to have the latest technology, but it's not the be-all and the end-all. It's expected that you have the best computer and the best software available. It's the norm. If you don't have it then you're behind the curve. So what do clients need you for? They may be technologically proficient enough that they can get some of this information on the Internet. If you're just giving them back what you've gotten from a program, you have to use your experience with other clients and your knowledge and education. You have to look at clients individually not as a number for whom you pull something off the shelf. I've never seen two clients with the same investment portfolio. I believe that you have to implement and monitor to offer true value to clients.

Planner: How can you differentiate yourself from other planners?

Blum: In our area of the country, in Illinois, CPAs are allowed to sell products, and from what I understand now, most of the CPAs in the Chicago area are affiliated as registered representatives or with an insurance company in some way so that they get extra commissions from doing that. Most of them are oriented toward transactions. That is, they primarily recommend and sell investment and insurance products. A large segment of the public think they are financial planners, but they're paid according to the number and dollar amount of the transactions they make on behalf of clients.

They're really not helping their clients. In fact, their clients probably will become disillusioned with them and they'll probably lose their accounting clients as well—their so-called planning and tax clients. We're firm believers in the fee-only concept of practicing. We believe that it's in the client's best interests. [*Editor's note:* To obtain "State Regulation of Financial Planners and Investment Advisors Chart," dial from your fax machine the AICPA 24-Hour FAX Hotline at 201-938-3787. Follow the prompts and ask for document number 606.]

We're strong believers that the relationship between financial planning and investment management be ongoing because the planner is constantly monitoring not only where the investments are going but also tying the investments and the financial plan with the person's goals and objectives. We do investment management because the clients want us to do that, but it shouldn't be the driving force—you shouldn't drop the financial planning just to do the investment management because it's more profitable. The plan is the framework that holds the whole thing together. The financial planning is the glue, not the investment management.

Planner: What would you say to other CPAs, particularly those that are doing just a little personal financial planning and wondering whether they want to stay in it or expand this portion of their practice?

Blum: You have to make a strong commitment to it. I think it's good if you want to do the accounting along with the financial planning. But if you're going to do that, you have to surround yourself with the right accounting people and make a good mesh so that the accounting people can work well with the financial planners on the team, just as you would with estate planners or other people on the client's team. If you're just trying to do it on a part-time basis, I think that you're doing yourself and your client a disservice. You're not keeping up and getting the knowledge that you need to have in all the different areas to service the client properly. By the same token, if you don't have the proper accounting people around, you're going to concentrate on putting out those fires, not on the financial planning, which is full time year round. You can't say I'm not going to do it during tax season. You're not going to hold onto your clients if they can't get to you because you're not doing planning from January to April. You have to concentrate on marketing during that time. The accounting people in your firm should be sending clients to you during the tax season. ◆

Top Six Benefit Priorities for 1997

Investment education ranks high among the top six priorities identified by members of The International Society of Certified Employee Benefit Specialists in a survey conducted by the Society and Deloitte & Touche. Of the 426 respondents, 33.3 percent identified investment education as a top priority, second to health care reform at 38.3 percent. The other four priorities were:

- Improving the quality of employee communications—26.3 percent
- Evaluating/implementing Internet/intranet applications—25.8 percent
- Designing/conducting retirement planning sessions—24.9 percent
- Tied at 23.2 percent: evaluating alternative health plans, and increasing 401 (k) participation.

Five of the top six priorities relate to communications with employees about their benefits. The top ranking of health care reform can be attributed to the passage of the Health Insurance Portability and Accountability Act. New guidelines issued by the Department of Labor in 1996 may explain why investment education and other communications and education issues ranked so high on the list. (See "Investment Education or Advice?" *Planner,* April–May 1996.) The emphasis on communication and education also reflects the trends associated with the aging of the Baby Boom generation. In response to these trends, many businesses are encouraging employees to plan for retirement adequately by participating in corporate plans.

For more information about the survey, call 800-672-6350 or visit http:\\www.dttus.com. ◆

National Association of Personal Financial Advisors Pursues New Mark

The National Association of Personal Financial Advisors recently announced it has applied for a new certification mark that does not require membership in NAPFA. The new mark takes the form of a seal with an "FO" logo inserted between the words *fee* and *only*. NAPFA intends to license the mark to third-party users who show they charge fees in accordance with NAPFA's definition of "fee only" (no income is ever derived from commissions or other incentives to sell certain products).

According to NAPFA, those desiring to use the mark will be required to pay an application fee and an annual licensing fee. The application will be evaluated to determine whether the applicant has demonstrated that his or her personal financial planning services are provided on a fee-only basis according to NAPFA's standards. If the application is accepted, NAPFA will authorize the applicant to display the mark on business cards and letterheads.

As of the day this newsletter went to press, NAPFA had indicated that it lacks the resources to regulate third-party usage of the phrase "fee only" when it is used without the "FO" seal by individuals who have not paid NAPFA's licensing fees. Instead it will monitor the use of the new certification mark only. Readers are reminded, however, that NAPFA has not yet abandoned its federal registration for the collective membership mark "fee only."

Moreover, the extent to which the Patent and Trademark Office will grant NAPFA additional rights to control use of the phrase "fee only" as part of the application for the new certification mark remains to be seen. In the meantime, the AICPA's petition to cancel NAPFA's registration of the collective membership mark is pending.

The AICPA will continue to monitor this situation and advise members of any pertinent developments. ◆

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