5-2001

Planner, Volume 16, Number 1, May-June 2001

American Institute of Certified Public Accountants (AICPA)

May–June 2001

PLANNER

Ideas from leading experts in financial planning

American Institute of Certified Public Accountants

WHAT'S INSIDE

Holding Periods and Retirement Asset Management

By Paul A. Grangaard, CPA

Longer life expectancies and erosion of purchasing power by inflation threaten to prevent clients from enjoying the lifestyles they want in retirement. Paul A. Grangaard, CPA, in the following article, offers guidance on helping clients meet these challenges by managing their money so they continue to earn high returns on equities despite the associated risks. Grangaard is founder and president of Financial Education, Inc. (FiED), St. Paul, Minnesota, a company dedicated to developing, marketing and presenting objective seminars about personal financial management. This article is adapted from a more detailed discussion in an article accessible at FiED's website (www.fied.com). Grangaard can be reached at 651-695-0440 or paul@fied.com.

For most people, retirement is a time of spending assets, not accumulating them. Many clients don't understand that managing money during retirement, while they're spending it, is completely different from managing money before retirement, while they're accumulating it. Helping people understand this important transition is one of the most valuable services planners can provide. Our clients have come to know and trust us, their CPAs. Our next step is to help them create and implement their retirement plans and related asset management strategies. Post-retirement financial management is one of the most exciting opportunities facing the financial services industry, and as CPA advisers we are in the perfect position to take advantage.

Editor's note: FiED products are available to AICPA PFP members at a substantial discount.

Holding Periods

In providing these services, we have found over and over again that one of the most important concepts for older clients to understand is *holding periods*. Many retirees are still extremely reluctant to invest in the stock market. Negative past experience, increasing market volatility, post-retirement risk aversion and outdated rules of thumb cause many clients to become too conservative during retirement. This strategy can be very dangerous because life expectancies are increasing and, over longer retirement periods, inflation erodes purchasing power. Many clients will simply have to maintain larger equity allocations if they want to hope to meet their retirement lifestyle expecta-

Continued on page 2

TRENDWATCH

Stock analysts' research is biased. That's the conclusion of the House subcommittee on capital markets. Concluding the first panel on June 14, 2001, Committee chair Richard Baker (R-Louisiana) said to the panel, "You've not made the case that we have unbiased research on Wall Street." The "Chinese wall" supposed to separate a bank's research arm from its banking arm doesn't exist. Activity going on elsewhere in the firm is not completely separate from research, which therefore is not objective and trustworthy. Testimony written for the hearing cites many examples of lack of separation.

The House committee hopes to find a solution in effective, enforceable regulation rather than legislation.

Continued on page 2

TRENDWATCH

(continued from page 1)

Reported by Megan Barnett and Keith Perine in *The Industry Standard,* June 15, 2001 (www.thestandard.com/article/0,1902,27177,00.html?nl=dnt)

Lay off financial portals. This was the warning of Representative Bill Tauzin (R-Louisiana), House Commerce Committee chair, in a letter to the SEC in response to recent overtures toward the regulation of online financial portals. Tauzin's warning was prompted by remarks made at a May SEC meeting. His reasoning: "Portals are passive vehicles that aggregate and make investment-related information available to users" unlike situations involving broker-dealers over whom the SEC has authority. He said that regulation would take away from the new level of sophistication people have gained by using such portals. The SEC does not comment on congressional correspondence.

Reported by Jennifer Jones for *InfoWord,* June 18, 2001(www.thestandard.com/article/0,1902,27106,00.html)

Companies are offering stock options farther down the organizational ladder. In a recent survey of 345 member companies, the National Association of Stock Plan Professionals (www.naspp.com) found that, of all companies offering stock options, in 1999, 44% extended the offer all the way down to nonexempt employees, (10% more than in 1998). Companies are also lowering the minimum criteria (salary level or grade) for stock plan participation.

Retention, competitiveness and employee owners are the most common objectives of stock option and award plans. It is not surprising then that the use of incentive stock options is rising (62% in 1999 compared with 47% in 1998). Nonqualified stock options, however, are still the most common form of equity compensation (95% of respondents).

Continued on page 8

Holding Periods and Retirement Asset Management

Continued from page 1

tions. Our job is to show them how to do it.

Clients need to understand that holding periods will help them reduce the risks associated with going after the higher equity-level rates of return they may need to maintain their income during retirement. They can gain a great deal of comfort by knowing that over longer investment horizons, or holding periods, most investments, especially equities, tend to gravitate toward long-run average performance. So, while they should always expect fluctuations on a week-to-week and year-to-year basis, they can also expect that over longer time horizons the ups and downs should average out. In fact, historical data clearly show that as holding periods lengthen, the odds of getting rates of return other than the long-term averages decrease substantially. Once our clients understand this, we have to show them how to create holding periods, which brings us right back to the fixed-income side of their portfolios.

Income Ladders

Essentially, holding periods are created during retirement with *income ladders*. An income ladder is simply a fixed-income portfolio out of which we spend both principal and interest on a scheduled basis to provide the retirement income we need. In a sense, our income ladder replaces the safe, steady, periodic income we had while we were still getting a paycheck. By providing dependable income over specific time periods, we can actually create our own holding periods. By locking up the income we need to support us over a given period of time, we eliminate the need to sell equities on a periodic basis. We therefore substantially decrease the risk of being forced to sell equities in down markets and increase the odds of selling into favorable markets and of getting the long-run average rates of return we are building into our retirement plans. The income ladder concept shows our older clients how to reduce investment risk by becoming long-term retirement investors on the equity side of their portfolios. Of course, we need to get them thinking this way before they retire.

As our clients get closer and closer to what we call the retirement inflection point, we need to help them reposition their portfolios to facilitate the new "spending" phase of life. As we just described, this entails carving off an initial income ladder that will provide income during the first holding period, perhaps nine or ten years. Having created safe, steady, dependable income with the first income ladder, the client can then invest the remaining assets in the equity markets. As principal and interest are spent out of the first income ladder, the equity portfolio is designed to grow at the higher rates of return historically provided by the stock market, and should ultimately replace the value of the first income ladder.

After the first income ladder has been spent, appreciated equity investments can then be sold to create a second income ladder, which will provide income for the next holding period. Again, the remaining equity portfolio is designed to continue growing, and in turn will be used to create a third income ladder, etc. It's that simple.

Continued on page 5

PLANNER, May–June 2001, Volume 16, Number 1. Publication and editorial office: AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881. 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.

William Moran
Editor

Anat Kendal, CPA
Director, Financial Planning

The Importance of Preparing Physicians for Retirement

Making sure the physician's personal retirement planning starts now

Physicians can get so committed to their medical practices that they don't take the time to think about useful living after retiring. Since they may spend ten to twenty years in retirement, you, as their adviser, should help them consider the personal aspects of retirement early on.

One example is the 67-year old general surgeon planning to retire from his five-doctor group. With some pressure from his partners, this physician had come to realize that his skills and stamina were slipping. It was time to retire. As he and his CPA reviewed his finances and the legal aspects of his withdrawal, the physician gave the CPA a frightened look and said, "I haven't really done anything else but practice medicine for the past 40 years. I don't know what I'll do in retirement."

In his first couple of retirement years, the CPA heard about the physician stopping by to visit former colleagues in the hospital and the group's office. Then he slipped from view and died not long thereafter. Sounds similar to the story of the legendary college football coach Bear Bryant, doesn't it?

Locking Your Client Into a Retirement Date

This doctor did not welcome retirement; therefore he never included it in his personal planning. In contrast, some physicians in their mid-50s are eager to retire early. Having decided that practicing medicine just isn't as satisfying as it used to be, these physicians declare an intention to withdraw from their medical practices early. They often commit themselves to a date only one or two years away.

Some of these physicians, however, back off as their selected date approaches. Their plans for other personally rewarding activities begin to pale under more intense scrutiny. Staying in practice stops looking so undesirable after all. The trouble is that they may end up like the general surgeon, and in a few years discover that practicing medicine really was their main reason for living.

Rarely accept at face value a physician's resolve to retire before age 60.

Such a scenario is why an adviser to a physician should rarely accept at face value a physician's resolve to retire on a stated date before age 60. Contractually locking a client into that step (selling a practice or leaving a group, for instance) leaves him no room to contemplate further the reality of life without practice. One gastroenterologist recently thanked his CPA for doubting him, as he then continued to practice serveral years past the date he wanted the CPA to legally commit him to retire.

It's Personal, Not Financial

The point is that retiring from a medical practice requires gut-wrenching personal planning by the retiring physicians. Advisers tend to stress the financial aspects, but these issues are fairly easy to understand and implement for most physicians. Years of generous corporate and Keogh retirement contributions, along with the fruits of high incomes, don't leave many successful practitioners short on funds for old-age support.

As a CPA adviser, you need to make sure the physician's personal retirement planning starts now and continues until the client actually takes the step into retirement. For example, is the physician carving out some of his or her medical-related skills and interests that can lead to part-time or volunteer involvement after retirement? Is the physician developing interests that can become active projects extending over many retirement years? Will these tasks and projects truly challenge the client emotionally, intellectually, and physically, continuing to feed his or her self-esteem? We've all seen too many older people decline rapidly when they lose the sense that each succeeding day, even if not totally pleasurable, really needs their effort. Perhaps this is why gardening, golf and world travel usually get stale after a couple of years' retirement for many retirees.

Choices

Retirement does not need to represent the end of the physician's medical career. Many physicians find jobs in administration, low-key office practice, *locum tenens* posts, and volunteerism. There are even opportunities to work in medically underserved areas. For others, alternate non-medical activities can be a fine choice. After all, medicine is not the only thing in life and many physicians have moved to a different chapter of experience. If any new activity withstands your and your client's critical questioning, then by all means do it.

You as the CPA, however, must ensure that a physician client starts planning for the next chapter of his or her life early. Our professional wisdom calls for developing retirement ideas for our physician clients at a minimum five years before actual retirement (*i.e.*, the personal issues, not the financial ones). Remember that your physician client may have many years between retirement and either death or the terminal old-age phase preceding death. Don't allow these years to be afterthoughts to your client's successful, satisfying medical career. ◆

This article is reprinted with permission from Health Niche Advisor, *Vol. 21, Issue. November 2000 (© 2000 Aspen Publishers Inc.)*

Helping Clients Protect Personal Assets

By Dorothy R. Zaleski

Working with financial planners and their clients, we've learned that one of their biggest concerns is protecting the assets they've worked so hard to build. They've purchased insurance policies covering their homes, their personal autos, even their watercraft. But is that enough—particularly for your high-net-worth clients? Pick up the newspaper, or watch the nightly news and you'll learn about astronomic sums awarded to plaintiffs in liability lawsuits.

You or your clients may not believe you could be brought into a lawsuit. But, what if someone is injured on your property? What if someone accuses you of libel or slander? What if you're involved in a seemingly minor fender bender that results in ongoing back or neck problems for the other driver? All of these are real situations you could encounter any day.

Liability judgments can exceed the limits of personal insurance policies and force planners and their clients to pay substantial amounts in claims against them. Payments may come from future assets, as well as current assets. Since planners and many of their clients have significant assets or income to protect, they need to be sure that a liability claim will fall within the limits of their primary and excess insurance.

A personal umbrella policy (also known as an *excess* policy) provides liability protection over and above the liability insurance provided by a primary policy such as a homeowners, auto or watercraft policy. In addition to high limits, most personal umbrella policies provide broader coverage than that afforded by basic or underlying insurance. The umbrella policy is designed to cover bodily injury, personal injury and property damage liability in the event you or a client is sued.

As a named insured, the policyholder and spouse are covered as well as other relatives living in the household. Coverage is typically offered in limits from $1 million to $10 million or more.

Bodily Liability Protection

A catastrophic auto accident in which you were at fault could result in injuries to someone else or a guest on your property. In such situations, the resulting judgments may call for damage awards well beyond the limits of your automobile or homeowner insurance policies (typically $300,000 or $500,000). Is that enough liability coverage?

How much liability is enough? Consider the following lawsuit settlements:

- $2,980,000 was awarded to an 18-year old who was rear-ended and became a quadriplegic.
- $4,000,000 was put in trust for a 7-year old who nearly drowned in a neighbor's pool and suffered brain damage.
- $5,600,000 was paid to a pedestrian struck by a van.

In these situations, only a personal umbrella policy would provide you the bodily injury insurance protection you need to protect your assets.

Protection Against Uninsured and Underinsured Drivers

Many drivers on the road have inadequate insurance or no insurance. If you are hit by one of these drivers, it's important you have an adequate amount of Uninsured/Underinsured Motorist (UM/UIM) protection a feature of your automobile policy. Some companies offer excess UM/UIM for additional protection.

Personal Injury Protection

Losses such as libel, slander, false arrest, wrongful eviction, invasion of privacy and defamation of character are usually excluded from coverage under the liability section of most homeowner insurance policies. Particularly vulnerable to these suits are your "high profile" clients, especially "target personalities," such as entertainers, sports figures and elected and appointed officials.

With an appropriate personal umbrella policy in place, these personal injury claims can be covered without depleting your or their personal assets.

Covering Defense Costs

One of the most expensive elements in any lawsuit is the cost to defend the persons who are alleged to have caused damage to another person or to someone else's property. A top-notch legal defense is expensive. It is not uncommon for individuals to incur defense costs equal to or greater than the amount of the settlement. Defense costs are included in the umbrella policy and provide protection for court costs, interest on unpaid judgments, payment of attorney fees, premiums on appeal bonds and loss of earning up to a certain amount per day to attend court hearings. Look for personal excess liability coverage that offers coverage for defending a lawsuit, whether it is groundless or not.

Umbrella Policy Costs

The cost of an umbrella policy depends on the number of homes, autos, watercraft and recreational vehicles in the household. Other factors include the policy owner's occupation, the number and types of volunteer activities engaged in by family members and the location of your primary home. However, given the increased and broadened coverage provided by the umbrella policy, the actual cost is surprisingly low.

To determine how much coverage you need, first ask yourself how much you have to lose in the event of a lawsuit. Determining the proper amount of umbrella insurance you need, and how an umbrella would work together with your other policies, is something that requires an understanding of your particular exposures and net worth. An insurance agent has the expertise and capability to provide you or your client with the guidance and consultation you need to make an informed and cost effective decision and can help shape a policy appropriate for your lifestyle. ◆

Editor's note: Ms. Zaleski can be reached at dzaleski@plib.com or 888-679-8155.

Top Ten Investment Frauds

The North American Securities Administrators Association (NASAA) has identified the top ten investment frauds, some of which are directed particularly at elderly investors. The elderly are vulnerable—as are all investors—to all the fraud schemes, however, because current market volatility drives them to seek safe havens. Fraud promoters, preying on their fears, promise them low risks and high returns on their investments.

A new fraud on the list is high-yielding "callable" certificates of deposit. These CDs, often sold to elderly people, don't mature for 10 to 20 years unless the bank, not the investor, calls or redeems them. Early redemption may result in huge losses. The sellers of these CDs often fail to disclose the risks and restrictions.

Another fraud that victimizes many elderly people is the use of promissory notes. Typically, the notes involve loans to companies made by investors in exchange for a fixed amount of periodic income. Legitimate promissory notes, however, usually are not sold to the public, and many of these schemes are fraudulent.

The other schemes include:

- Unlicensed individuals, such as life insurance agents, selling securities.
- Affinity group fraud, whereby religious, ethnic and professional groups are targeted by scam artists who may be members of the group or claim to want to help the group.
- Investments in pay telephones and automated teller machines.
- Internet fraud involving stock price manipulation, illegal pyramid schemes, insider trading, and acting as a broker or investment adviser without being licensed.
- Ponzi and pyramid schemes.
- Viatical settlements whereby investors buy insurance policies through a broker. The policyholder is purported to be terminally ill, so the investor will be paid when the policyholder dies. In some cases, the policyholders aren't really dying and in other cases they don't exist. Even legitimate investments are very risky because of the difficulty of predicting death.
- Prime bank schemes that promise investors risk-free, triple-digit returns on debt notes said to be guaranteed by the world's largest banks. The promoters of this scheme often claim that prime bank notes are usually only offered to large corporations, foreign banks, and very wealthy people.
- Investment seminars whose only beneficiaries are the promoters who make money on admission fees and sales of books and audiotapes. ◆

Holding Periods

Continued from page 2

And best of all, your clients will understand it. They will see that they can be more aggressive during retirement without taking on too much additional risk.

And they will also see that you can help them achieve the lifestyles they have been hoping for. Obviously, they need to be working with a professional who can help them create and navigate these kinds of financial plans. Only with a good education and a trusted adviser will they understand the difference between "the right way" and "the wrong way" of managing money during retirement. This is truly an area where planners can be of significant value to clients. ◆

Strengthening Your Business Valuation Skills

Many clients look to planners to help them in situations in which business valuations are required for succession planning, gift and estate tax planning, ESOPs, divorce, and other reasons. Some planners feel competent to handle business valuations themselves. Others, however, refer them to colleagues with more expertise. Still, clients may look to the referring planners for guidance in assessing the valuer's conclusions, and planners inexperienced in this area could contribute more to client service delivery if they understood the business valuation process better.

A tool recently published by the AICPA offers an overview of the business valuation process that can help you meet these clients' needs. It has just published *A CPA's Guide to Valuing a Closely Held Business* by Gary R. Trugman, CPA/ABV.

Financial Ratio Analysis

Because financial ratio analysis is an important component of the business valuation process, it is given prominence in this book. So, in addition to a useful guide to business valuations, planners can have additional guidance in assisting clients in evaluating performance and understanding the trends and risks associated with a business.

The book contains a case study, along with sample engagement, representation, and cover letters. It also provides an extensive list of financial ratios.

Priced at $42.40 for AICPA and state society joint members; $45.05 for AICPA members; $47.70 for state society members; and $53 for nonmembers. You can obtain *A CPA's Guide to Valuing a Closely Held Business* by calling 888-777-7077 and asking for product no. 056601PFP. ◆

Not Just Another Web Directory

A Review of Best Websites for Financial Professionals, Business Appraisers, and Accountants *by Eva M. Lang, CPA, ASA, and Jan Davis Tudor, John Wiley & Sons, Inc., $39.95, 226 pages, ISBN: 0471371572*

One of the hazards of the information age is we're inundated with website recommendations. It seems every business journal and newspaper lists four or five sites at least, briefly describing their content and perhaps assessing their value. In addition, articles we read in these resources (including this one) cite websites related to the subject of the article. One problem is the sources of these references give little and sometimes no information about a website's quality.

Gratitude, therefore, is the appropriate feeling for a book like *Best Websites for Financial Professionals, Business Appraisers, and Accountants* by Eva M. Lang, CPA, ASA, and Jan Davis Tudor. The book not only provides in one place a source of first-rate websites for CPAs and other professionals, but also identifies their strengths and weaknesses, and offers general guidance to help practitioners use their time better when doing research on the Internet.

The Economic Reality of Internet Research

Their approach to using the Internet for research is realistic and balanced. They focus on Internet resources, so they do not cover commercial information providers, such as Lexis/Nexis, WestLaw, Dialog, and other services, or financial services, such as Bloomberg and Securities Data. They do advise, however, that many of these services, once too costly for small firms and requiring complex protocols too time-consuming for busy financial professionals to use directly, have changed their pricing to target smaller firms, have made searching easier, and package content with the user in mind. "We strongly urge you," say the authors, "to consider subscribing to one of these services if you find that your information needs are increasing and can no longer be met by free and low-cost websites." They remind us that not everything ever published is on the Web, and what's on it isn't always free.

Not everything ever published is on the Web, and what's on isn't always free.

Saving Time and Money

Moving on to using the Web, the authors provide guidance to many users who find Internet searching to be frustrating: Many search engines identify either too few sites or so many that users spend valuable time guessing which sites are appropriate and then accessing them to find out if they in fact are. In the first chapter of *Best Websites,* which focuses on "Searching the Internet," Eva Lang discusses using search engines to structure your search so that you save time and money. She explains the principles of Boolean logic and other advanced search features such as field searching and truncation. She also touches on the "Invisible Web," a source of valuable information hidden from search engines

Then come the websites. Each chapter in the book has a similar structure: introductory discussion followed by a list of websites. The websites are classified in two categories:

- *First and Foremost,* which contains sites "the authors have found to be reliable, well organized, and rich sources of information. Sites offering all or part of the data for free are considered more desirable than sites offering similar data for a fee."
- *Best of the Rest,* which are sites that "may focus on a niche area, be fee only, or have limited navigation or output features."

Each site listed is identified as free, fee-based, or both.

The list at the end of Chapter 1 contains specialty and general search tools with a brief discussion of each site's features as well as caveats for users. Chapter 1 alone, if readers follow its guidance and tips about the sites, should justify the price of the book for any financial professionals.

Each of the following nine chapters of *Best Websites* focuses on particular subjects: economic research; industry research; public company analysis; private company analysis; salary, executive compensation, and surveys; mergers and acquisitions; intellectual property; tax and accounting; and international business.

In the introduction to each area, the authors may give tips on how to plan a search in the area and ideas on finding other websites that aren't included among the first and foremost or best of the rest because the information is specific to the search. In Chapter 2, "Economic Research," for example, Eva Lang advises readers to consider searching articles in local newspapers and business journals and checking with local chambers of commerce when they are looking for information on local or regional economic conditions.

Facing the pressures of time, readers may be tempted to skip the introduction and go directly to the lists of websites. Doing so will serve them well. However, they're likely to miss some useful guidance such as the discussion of how to develop an effective plan of approach to researching industry information that is in Chapter 3, "Industry Research."

The authors caution readers that some of the websites may be defunct by the time they try to access them. Such is the case of Pro2Net, which closed while *Best Websites* was being printed. (It since has been revived by KeepSmart, a continuing professional education provider.) Given the high quality of the websites listed in the book, however, it seems likely that 99.4% percent of the sites listed will be going concerns for a long time.

In developing this book, Eva Lang and Jan Tudor have done a great service for financial and accounting professionals.

All CPAs can find value in *Best Websites* even though it is somewhat slanted toward providers of business valuation services. Both authors have been involved in assisting providers of business valuation services with research. Both have spoken on this subject at AICPA and other conferences. *Eva* Lang is Chief Operating Officer of the Financial Consulting Group, a contributing editor to *CPA Expert* (an AICPA publication), and a former member of the AICPA Business Valuation Subcommittee, still serving on the subcommittee's task forces. Jan Tudor is president of JT Research, Portland, Oregon, and a columnist for *EContent* magazine, and she also has written for *CPA Expert*. These knowledgeable and experienced authors have put together an exceptional resource that's bound to help all CPAs identify the right site with access to the high quality information needed to make solid decisions and draw valid conclusions. ◆

Nontaxable Retirement Planning Benefit Enacted

By Phyllis J. Bernstein, CPA/PFS, and Peter Kravitz

After several years' effort, the AICPA succeeded in having retirement planning and education treated as a nontaxable fringe benefit under section 132 of the Internal Revenue Code. This project began when William Goldberg, CPA/PFS, of KPMG, Houston, former chair of the Personal Financial Planning Executive Committee, represented the AICPA at the Saver (Savings Are Vital for Everyone's Retirement) Summit in 1999. The Saver Summit was held to study ideas for improving the savings rate of all Americans.

Tax-Free Retirement Planning and Education

As a result of the Saver Summit, Goldberg recommended, and the PFP Executive Committee adopted, a proposal advocating that personal financial planning and education as an employer-provided retirement planning service should not be taxable to employees. This policy was intended to ensure that Americans receive the assistance they need to assure their future retirement security. Studies show that savers with an overall financial plan reported roughly twice the savings of those without a plan.

The AICPA then formed a coalition to promote legislation that would further this goal. In 1999, Congressmen Rob Portman (R-Ohio) and Ben Cardin (D-Maryland) introduced pension reform legislation, which included a section that would treat "qualified retirement planning services" for employees and their spouses as an employer-provided fringe benefit that is excludable from gross income and wages for employment tax purposes.

Qualified retirement planning services are retirement planning advice and information. The services are not limited to advice and information about the employer's qualified plan but can apply also, for example, to advice and information regarding retirement income planning and how the employer's plan fits into the overall retirement income plan of an individual and his or her spouse.

During the 106th Congress, this legislation was included in every major tax bill that moved through the Congress, including the bill vetoed by President Clinton in late 2000. With the passage of H.R. 1836, the Economic Growth and Tax Relief Act of 2001, the goal has been realized. Qualified retirement planning services became section 665 of H.R. 1836, which is the cornerstone of President Bush's tax program. The bill was signed into law on June 7, 2001. ◆

A New Best Website

Eva Lang and Jan Tudor do not identify **www.cpa2biz.com** by its current URL, because it wasn't accessible at the time of publication of *Best Websites for Financial Professionals, Business Appraisers, and Accountant*. Ms. Lang, however, was involved in its development and therefore was able to include it in the book's list of best websites.

See for yourself. When you get there, you can click on "Investment Advisory Services" to get to the Center for Investment Advisory Services. Or click on "Personal Financial Planning." CPA2BIZ continues to build these centers to give you the guidance, information and resources that can help you build your practice.

Coming in *Planner*

The Life Settlement Transaction—an Estate Planning Tool

Lessons Learned at the AICPA Investment Planning Conference

Issues to Consider in Transfer Agreements

TRENDWATCH

(continued from page 2)

Good news for investors is that the repricing of options seems to be declining: Only 1% of respondents repriced options in 1999, compared with 3%, 4% and 6% in 1996, 1997 and 1998.

Investors view the issuing of stock and options as positive because it ties compensation to company performance. They are wary, however, of the increasing level of dilution of voting power resulting from the issuing of more stock. A survey by the Investor Responsibility Research Center (www.irrc.com) reported that average potential dilution at Standard & Poor's 1500 companies was 14.6% in 2000, up from 13.4% in 1999. Among larger companies in the S&P 500, the trend was stronger: Potential dilution rose from 9.2% in 1995 to 11.4% in 1999 and 13.1% in 2000.

"Stock Options: Emerging Trends," *Financial Executive,* May 2001, page 10.

A safe harbor from a volatile stock market opens for individual investors. Five large corporate issuers are offering their bonds retail. In January, for example, Bank of America Corp. collaborated with Incapital LLC, a Chicago-based underwriter, to launch $3 billion in medium-term notes. Other companies are expected to follow suit. At the start of each week, new tranches are priced and the notes are sold retail. The minimum investment is $1,000. Incapital takes orders through its national broker-dealer network and others. The bank fills the orders each Friday.

"Raising Capital: Bonds Go Retail," *CFO,* May 2001.

Shareholder suits declined in 2000. A PricewaterhouseCoopers study showed that shareholder suits declined markedly for the second year. In 2000, 201 suits alleged securities fraud while 207 such suits were filed in 1999. However, the percentage of suits alleging accounting fraud has risen since 1995. Of the 201 suits filed in 2000, 53% included allegations of accounting fraud.

"PFP Briefs," *Accounting Today,* June 18–July1, 2001, page 18.

"No debt; no dependents." These are the two top retirement goals of Baby Boomers, according to a survey by Del Webb, a developer of adult communities. The Boomers are aging: 3 million will turn 55 this year. But they say they won't think of themselves as senior citizens for another 20 years. And they see retirement as an opportunity to start a new business, increase knowledge and meet new goals.

"Executive Edge: From Boomers to Zoomers," *Continental*, June 2001, page 26. ◆

AICPA
American Institute of Certified Public Accountants
Harborside Financial Center
201 Plaza Three
Jersey City, NJ 07311-3881