Planner, Volume 16, Number 5, January-February 2002

American Institute of Certified Public Accountants (AICPA)

January–February 2002

PLANNER

Ideas from leading experts in financial planning

AICPA

American Institute of Certified Public Accountants

WHAT'S INSIDE

1 **Lessons Learned at the AICPA Investment Planning Conference**

The lead article provides an overview of the 2001 AICPA National PFP Technical Conference. Another article on page 9 supplements it by summarizing the conference session on charitable giving.

5 **Report From the Chair**

As is the custom at the January PFP Technical Conference, the chair of the AICPA PFP Executive Committee updates members on PFP Division activities in the past year and plans for the coming year. In this report, Chairman Jim Mitchell describes the efforts and initiatives undertaken to enhance planners' and investment advisers' skills in marketing and providing their services.

8 **Say "No" and Grow**

As was said by many speakers at the PFP Technical Conference (see "Lessons Learned . . ."), quality of clients can be more important to a practice's growth and profitability than quantity. Troy A. Waugh, CPA, MBA, president of Waugh & CO, Inc., Brentwood, Tennessee, describes one of his client's system for eliminating unprofitable clients.

Lessons Learned at the 2002 PFP Technical Conference

When it comes to investment advice, "no one trusts anyone now," said James J. Cramer, the keynote speaker at the AICPA PFP Technical Conference, January 6–9, 2002 at the Disney Contemporary Resort in Lake Buena Vista, Florida. Cramer's speech was truly a keynote address, for the CPA's role as a trusted adviser was a theme that permeated the conference. Many conference speakers said trust was a key element in acquiring and keeping good clients and weeding out the "bad" clients, the latter effort, according to many speakers, being a key to running a profitable financial planning practice.

According to Cramer, only planners maintained their credibility during the bull market of the 1990s while others encouraged investors to funnel their money into stock, resulting in the devastating decline of wealth for many. Having been burned by listening to the advice of media gurus whom Cramer branded as "telegenic villains, who know nothing," people will turn to planners for help in managing their assets.

Cramer himself is a money media celebrity. He is a co-founder of TheStreet.com, an online financial publication, as well as co-founder of *Smart Money,* and he's the markets commentator for CNBC's *Squawk Box.* Despite the barrage of information offered by the media, clients have learned nothing, Cramer said. Consequently, he suggests that planners need to teach clients how to be better clients.

Finding and Keeping Better Clients

Most planners have at least a few clients they wish they didn't have, clients who probably will never be better clients for you because they're no longer suitable for your firm. They include clients who no longer meet the level of wealth requirements to be accepted as a client. They also include clients who are difficult or ask for too much.

Getting rid of them—or even better avoiding taking them on—requires using systematic approaches, according to Beth C. Gamel, CPA/PFS, of Pillar Financial Advisors, Lexington, Massachusetts. She sat on the panel in the session "Best Practices Panel," along with Marshall Gunn, CPA/PFS, of Gunn & Company, CPA, PA, and Gunn & Company Investment Management, Inc., Jacksonville, Florida, and Kaycee W. Krysty, CPA/PFS, CFP, of Tyee Asset Strategies, LLC, Seattle.

Beth Gamel believes that managing growth requires carefully selecting clients and employees. Concerning clients, she urged planners and advisers

Continued on page 2

TRENDWATCH

Certain strategies can help planners and investment advisers to manage risk. Claims against personal financial planners and investment advisers most frequently relate to four situations:

- Disputes about the scope of the engagement (25%).
- Clients' realization of inadequate returns on specific investments (22%).
- Alleged failure to monitor plan achievement and update appropriately (15%).
- CPA's failure to perform due diligence on recommended investments (15%).

Phyllis Bernstein, CPA/PFS, an adviser to CPA financial planners, offers the

Continued on page 2

TRENDWATCH

(continued from page 1)

following tips for preventing claims by clients:

- Get the best education available.
- Be in compliance.
- Choose clients carefully.
- Use adequate documentation.
- Use an updated engagement letter.
- Develop an investment plan that includes a statement of investment policy.
- Document the planning process.
- Conduct quarterly reviews.

For a more detailed explanation and discussion of these tips, visit the Center for Investment Advisory Services on CPA2Biz to read the entire article "Introducing Risk Management Strategies for Financial Planning." The URL is **www.cpa2biz.com/CS2000/ResourceCenters/News+Center/Viewpoint/Introducing+Risk**.

Among the many things that changed September 11 was the relationship between investment advisers and their clients. This change was revealed in an Institute for Private Investors (IPI) survey of its members after September 11. Almost half of IPI members planned to change their roster of managers as well as their asset allocation. Only 7% planned to stick with their managers, but would change asset allocation. One quarter of the members planned to "wait and see." Why change managers? Some investors were upset by the apparent indifference of their managers. Many did not like impersonal contacts such as conference calls whose message was "don't worry, be happy," or "long rambling reports." Most appreciated were personal phone calls.

Charlotte B. Beyer, founder and CEO of IPI advises investment advisers to do three things in working with clients in "these unusual times:"

1. *"Insist that clients hold up their end of the bargain. . . .* As their circumstances and assumptions or expectations change, record them into an investment policy and review it often."

2. *"Make sure the client learns*

Continued on page 11

Lessons Learned at the 2002 PFP Technical Conference

Continued from page 1

to get sales training to acquire a sales method, "especially one that helps you eliminate unsuitable prospects as quickly as possible, will help your business grow, and ensure that you get the types of clients you want."

Gamel also urged practitioners to learn how to clean out their practices, developing and using a system for evaluating clients as a basis for deciding who to "fire" or transfer to a more suitable practitioner. She described systems that others use as possible systems to adopt. One system is a four-box grid devised by estate and financial planning attorney Steve Leimberg (Bryn Mawr, Pennsylvania). The boxes are labeled "low maintenance/high profit," "high maintenance/high profit," "low maintenance/low profit," and "high maintenance/low profit." Clients who fall into the last box should be transferred.

Gamel also described a definition of good clients that served as a basis for ranking clients. The definition was developed by consultant David Cottle, CPA (Stuart, Florida). According to him, good clients—

- Ask for your advice.
- Follow your advice.
- Pay bills promptly.
- Pay bills willingly.
- Recommend you to their friends.

Gamel suggests ranking existing clients according to these criteria to determine whether to keep them or not. Or develop your own definition of the "perfect client" for your practice, use those attributes to rank them, and then eliminate the low scorers. (See "Say 'No' and Grow" by Troy Waugh on page 8 for another system for eliminating unprofitable clients.)

Whatever system you use, Gamel urges having employees who interact with clients participate in the ranking, especially if you are not the primary client contact. Experience has shown her that staff may not think as highly of some clients as you do. You might rank as high in desirable attributes a client who treats staff badly.

Breaking the Rules

A useful follow-on to the "Best Practices Panel" was the session titled "Break the Rules and Close More Sales" presented by Greg Nanigian of Greg Nanigian and Associates, Inc., a Braintree, Massachusetts-based training organization. Nanigian offered guidance on developing a system for sales, the objectives of which include qualifying the prospective client early in the process.

Nanigian believes that to do this the planner needs to be aware of the prospect's process for controlling the selling situation. The prospect's process has four steps:

1. Deceive (The prospect may even lie).
2. Get all the information from the seller that you can (free consulting).
3. Commit to nothing (Again the prospect may lie).
4. Put the seller off.

If you were going to close, it would have happened at the end of step 2. At that point, you would have known whether the prospect would make a suitable client. What many sellers do instead at that point is give the prospect too much information.

Nanigian went on to describe a sales system developed by the Sandler Sales Institute, with whom Nanigian's firm is

PLANNER, January-February 2002, Volume 16, Number 5. Publication and editorial office: AICPA, Harborside Financial Center, 201 Plaza Three, Jersey City, NJ 07311-3881.

William Moran
Editor

Anat Kendal, CPA
Director, Financial Planning

affiliated. The system starts with establishing a relationship with the prospect, which involves bonding and rapport and up-front contracts. Bonding and rapport creates a state of trust that continues throughout the selling process. One of the specifics of this step that Nanigian discussed was dress. He suggested that the seller find out how the prospect dresses for work and follow suit. If, for example, the prospect is a plant manager who wears work clothes on his job, the seller should dress casually.

If the seller can't find out beforehand how the prospect usually dresses for work, he or she can expect that the larger the organization and the higher the prospect's position in the organization the dressier the prospect's clothes will be. Location (city or suburbs) and industry will also influence how the prospect dresses.

Up-front contracts define the ground rules for each sales appointment and for conducting business. These contracts create an understanding between the prospect and salesperson that defines exactly what will take place during the sales call. One tip Nanigian offered was to avoid saying anything to the prospect that suggested the salesperson was financially insecure. Prospective clients for personal financial or investment planning services would not have confidence in such a planner.

Qualifying the prospect involves determining the potential client's problems or reasons for wanting your services. Nanigian used the word *pain* to describe this element of the process, noting that often the prospect expresses this pain by describing the problem in emotional terms. The planner can continue to build rapport by using similar terms in discussing the issues.

Qualifying the prospect also involves determining the budget resources available. The planner needs to gain an idea of the time, money, and other resources, including willingness and ability, that the prospect is willing to invest in the services provided.

When you've determined that the prospect qualifies for your services, you can determine whether to make a presentation. "The price of the presentation," Nanigian says, "is that the prospect will make a decision at the end of it."

Clarifying values is the first step in working with prospective clients.

The Trusted Adviser

The process Nanigian described is one in which the planner and prospect begin to develop a trustful relationship. That theme was echoed in a later session, "The Art of Building High-Trust Client Relationships." The speaker at this session was financial services consultant Bill Bachrach of Bill Bachrach & Associates, Inc., San Diego. "Trust," Bachrach said, "is the single most important thing for people to do business."

Bachrach started off his session asking the audience to tell him what they associated with success. Responses ranged from the predictable "money" and "satisfaction" to the very particular "more time for golf." The purpose of Bachrach's exercise was to illustrate that, as Roy Disney said, "When your values are clear, your decisions are easy."

Clarifying values, Bachrach believes, is the first step planners should take in working with prospective clients. He advises planners to have a conversation with prospects in which they find out what's important to them about money. Usually, prospective clients aren't certain and need to be given time during the first interview to clarify their thoughts and feelings about money, to think about their goals in relation to money, and how their assets relate to achieving their goals.

Bachrach advises planners to follow a 5/55 rule in the initial interview. Planners let prospects speak for 55 minutes while they speak only for 5 minutes. "It's all about them," Bachrach says. It's easier for prospects to hire you and implement the plan if they have clarity about what's important to them.

The process of having a prospect clarify his or her values helps establish trust between planner and client. "Trust," Bachrach said, "is the most important thing for people to do business. Powerful things naturally occur when trust happens." According to Bachrach people behave predictably

Continued on page 4

NASD Changes Proposed for Two Forms

The NASD recently filed with the SEC proposed changes to the Uniform Application for Securities Industry Registration and Transfer (Form U-4) and the Uniform Termination Notice for Securities Industry Registration (Form U-5). The SEC anticipates publishing a filing for notice and comment in the near future. The NASD, state regulators and other self-regulatory organizations are proposing the changes primarily to facilitate the electronic processing through Web IARD of Forms U-4 and U-5 for investment adviser representatives and to create an electronic form to replace the current paper-based forms. In connection with the proposed changes, the NASD has created a "Uniform Forms Reference Guide" to provide member firms and other users of the forms with contact and other explanatory information for filers. To view the guide, go to: http://www.nasdr.com/pdf-text/webcrd_forms_ref.pdf ◆

Lessons Learned at the 2002 PFP Technical Conference

Continued from page 3

when they trust you. Five things happen, he said: Clients—

1. *Hire you to write a plan.*

2. *Give you all the money.* Having multiple advisers is not diversification, Bachrach said, because all the advisers probably will allocate assets the same way. In a high trust relationship, one planner is in charge of all the client's money.

3. *Ignore financial pornography.* Bachrach thinks that it's impossible to succeed at a high level if you do everything yourself. Consequently, high net worth clients will not read publications like *Money* and will ignore practitioner's newsletters. About newsletters, Bachrach says, "When you send client newsletters you're undermining your trust. You're saying 'Don't trust me. Do it yourself.'" Clients do not want to be educated. "You are accountable for your advice," says Bachrach. If the planner knows the client, his or her advice will be suitable.

4. *Do what you tell them to do.* Rather than hand clients a thick plan that looks burdensome, Bachrach has an implementation meeting at which he gives them an action plan.

5. *Make referrals to you.* Clients will tell others to come to you if you create a beneficial experience for them.

Bachrach suggested that planners use these five "things" as criteria by which to decide whether to continue to provide services to clients.

The Psychology of Money

Gaining an understanding of the values clients associate with money was the focus of "The Psychological Dynamics of Wealth and Wealth Transfer," a session presented by Lee Hausner, PhD, clinical psychologist and business consultant. Hausner founded Doud/Hausner and Associates, Los Angeles, a consulting firm that deals with family businesses and families of wealth.

Hausner advised the audience to include both husband and wife in discussions of financial goals. She told planners, for example, to notice if one spouse is doing most of the talking. In such a situation, it's natural for the planner to focus the conversation on that person. However, one spouse may dominate the conversation because he or she is a controller, not because the other spouse agrees with what's being said. The planner, Hausner thinks, should make an effort to draw the silent partner out.

She also pointed out that handling the sharing of wealth can be very tricky. Wealth creators, she said, often experience resentment from others when they try to share their wealth. It is important therefore that the wealth creators allow those with whom they want to share their wealth a chance to participate in decisions relating to the giving of money or other assets. Hausner said this is particularly important in dealing with estate planning issues where heirs usually expect equal treatment.

Practice Pointer: Proven Marketing Techniques

At the "Best Practices Panel" of the AICPA PFP Technical Conference, panelists described events to which they invite clients. These events provide a source of referrals. Marshall Gunn, CPA/PFS, of Gunn & Company Investment Management, Inc., Jacksonville, Florida, said he invites clients to "Client Appreciation Breakfasts" during which a speaker presents information related to financial and investment planning.

Similarly, Kaycee W. Krysty, CPA/PFS, CFP, of Tyee Asset Strategies, LLC, Seattle, invites clients and friends only to seminars for which she has engaged "top-notch speakers." Krysty also has the speakers present at a second session to which she invites lawyers, CPAs, and other possible referral sources and offers them CPE and CLE credits. ◆

Planners' Potpouri

In addition to these sessions, the conference offered a rich selection of various sessions that covered charitable planning (see "Advising Clients on Charitable Giving" by Sarah Phelan, JD, on page 9), retirement planning, long-term care insurance, life insurance, IRA distributions, and annuities. Compliance issues covered included preparing and conducting yourself during an SEC or state examination, and protecting yourself as a fiduciary. Investment planning issues covered included individual securities valuation; the performance of growth and value managers; Monte Carlo simulation; and mutual fund performance. Recent federal tax developments in estate planning were covered as was the impact of the Economic Growth and Tax Relief Reconciliation Act of 2001. In addition, sessions covered the practice development opportunities of Eldercare and websites for financial and investment planning.

Most sessions are available on tape. (See the list on page 7.) Although tapes are helpful, it's better to be there. So plan on attending the AICPA Advanced Investment Planning Conference at the beautiful Bellagio Hotel in Las Vegas, May 29–31 and the 2003 PFP Technical Conference in Scottsdale, Arizona, January 6–8.

Kudos to Connie Brezik, CPA/PFS, and her committee, who gathered first-rate speakers and experts who presented an informative, valuable—and often entertaining—conference. ◆

Report from the Chair

By Jim Mitchell

We have a large number of initiatives underway we wish to tell you about. This year the AICPA reorganized, and the PFP division is now under the newly formed Member Innovation team headed by Vice President Tony Pugliese. Tony is very supportive of PFP and the PFS designation and has been extremely helpful in obtaining the funds that have permitted us to begin several initiatives. Reporting to Tony is Anat Kendal, Director of Financial Planning, who heads the PFP division.

First, I want to thank those volunteers who gave up their Sunday to attend or help present various topics at our State Society PFP Committee Roundtable and PFS Champion meetings. Sheryl Rowling and Alan Rothstein helped organize an outstanding day during which we discussed several topics, including promoting CPA/PFS at the state and grassroots level.

Also, of course, thanks to Connie Brezik and her conference steering committee and AICPA staff liaison Carol Bertolotti for an excellent conference.

Now, to what's been happening in the division. Most of these initiatives were begun this year and will be ongoing in 2002.

Member Benefits Survey

First, we obtained the funds to do an extensive survey of our members to find out what they liked, didn't like, and additional areas the division should address to support their financial planning practices. This information is especially important and timely in these difficult economic times.

The results are being analyzed by the firm that conducted the survey. The Executive Committee will study the results to decide what changes we should make to enhance the benefits to our members.

Given the very large number of CPAs doing financial planning, we strongly believe we have the potential for significantly more members and want to determine what we need to do to attract and retain more. The Member Benefits Survey was a critical first step.

ISO Standards

The International Standards Organization (ISO) has initiated a process to develop international standards for personal financial planning. The AICPA is participating as a member of the U.S. Technical Advisory Group. Our goal is to influence the ISO standard setting process to reflect the standards of the CPA profession.

Dirk Edwards, past chair of the PFP Executive Committee, has been our principal representative and has devoted considerable time to this effort. John Connell will serve as representative this year and will be assisted in technical projects by Joel Framson and Irv Diamond. In addition, Stu Kessler has been selected to lead the international meeting for ISO in Japan this spring.

CPA2Biz

The Executive Committee and a task force consisting of Bob Batty, Bob Pederson, and Bart Francis are working closely with Doug Wright, CPA2Biz Vice President of Financial Services, to develop the protocol for the working relationship between the PFP Division and CPA2Biz. Our goal is to define the respective roles and responsibilities more clearly and improve our overall working relationship so that the division is involved more often in giving input into developing the financial services priorities of CPA2Biz.

PFP-related Technical Conferences

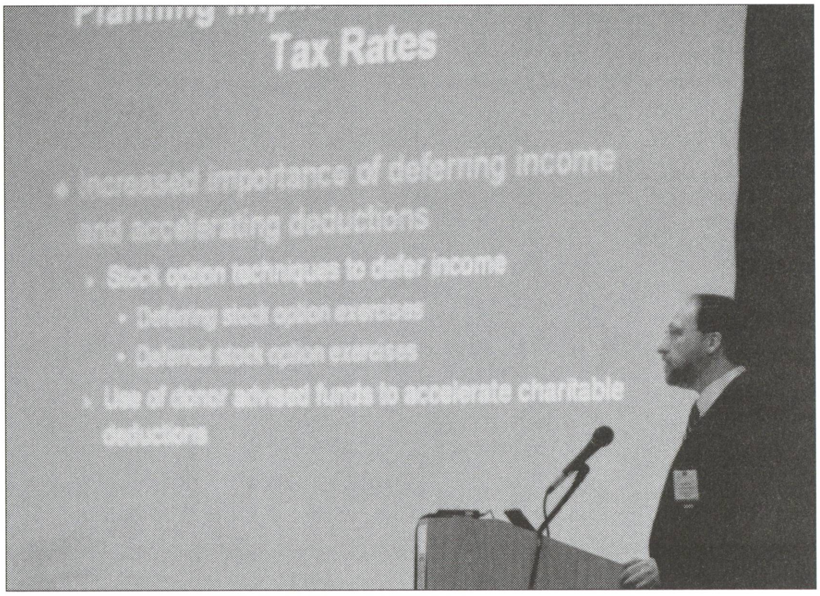
We also obtained the budget this year to hire a firm to survey our members regarding their PFP-related conference needs. The group surveyed included conference attendees and, perhaps more important, members who do not regularly attend our conferences. Our goal is to determine if our conferences are meeting members' needs and what we can do to reach a larger audience.

A group led by Connie Brezik and Carol Bertolotti and a PFP Executive Committee team of Bob Doyle, Randi Grant, and Ken Rubin recently met to study the survey results and explore whether the conferences should be reengineered to more fully meet the needs of all of our members and increase attendance.

Revised PFP Handbook

A task force has reviewed the PFP Handbook and recommended changes, including converting many of the excellent checklists and sample letters and forms to Word documents so members can customize them for use in their practice. Ann

Continued on page 6



Martin Nissenbaum leads the session on "Financial Planning After the Economic Growth and Tax Relief Reconciliation Act of 2001."

From the Chair

Continued from page 5

Sammon, Member Benefits Manager, is leading this project for the Institute and expects the CDs to be shipped the end of February or early March.

New Initiatives Task Force

Last, but certainly not least in the area of member benefits, the Executive Committee formed a New Initiatives Task Force, led by John Connell, to do "out-of-the-box thinking" about where the financial planning profession is heading and how CPAs can be positioned to be the leaders.

John's group will be identifying many forward-thinking ideas to expand CPAs' financial planning practices. We want to be very proactive in anticipating the market needs of the consumer and the CPA financial planners and providing the tools to help position them to be market leaders.

Center for Investment Advisory Services

As you know, investment advisory services are an integral part of financial planning. In fact, a recent survey of AICPA members indicated 34% of members in public practice provide investment services to some degree and another 22% plan to do so in the future.

As I hope most of you are aware, in January 2000, we opened the Center for Investment Advisory Services (CIAS) web site and began offering tools to help members in this area of their practice.

Our PFP Resource Panel in this area, led by Joel Framson, has done an outstanding job, completing several initiatives this year, including developing investment education and tools, and seminars on getting started in the business.

The Resource Panel and Anat Kendal are working closely with CPA2Biz on expanding the scope of the CIAS to include education, practice management assistance, and tools to members practicing in all of the investment planning business models.

Some exciting good news is that in December Joel Framson, Anat Kendal, and I presented the Investment Planning Business Plan to the Member Innovation Advisory Panel, the oversight body for AICPA decisions regarding allocation of resources for all new initiatives affecting AICPA members.

While we are now putting together the cost details, the Advisory Panel conceptually supported our business plan to expand our efforts in the investment planning arena, including, hopefully, expending significant funds to greatly expand the tools, education, products and services we can provide to members to assist them in this segment of their practice, whether they be CPAs just entering investment planning or advanced practitioners.

Conference participants query vendors in the exhibit hall.

We believe the improvements in service offerings to members this last year, and certainly those to be developed this year, will be a tremendous help to our members.

I encourage you to visit the site at www.cpa2biz.com. (Click on "More Centers" and then "Investment Advisory Services.").

CPA/PFS Designation Holders—MEP Inquiries

At last Spring's conference, we introduced new guidelines for attaining the PFS designation called Multiple Entry Points (MEP). Our goal for these guidelines is to recognize alternative methods for determining someone's qualifications to deliver personal financial planning services and thereby help more CPAs attain the designation. In fact, the AICPA is considering this approach for other specialty designations.

PFS candidates are now evaluated on a point system, with a total of 100 points required to attain the PFS credential. The point system covers the areas of business experience, lifelong learning, and an examination. If you can demonstrate enough points in the first two areas, you may be able to attain the PFS designation without taking the comprehensive exam.

If you are not a PFS and are interested in finding out if you qualify for MEP, I encourage you to contact Nancy Cohen, the AICPA Director of Accreditations (ncohen@aicpa.org). You may find out you are one of the many who already qualify. (See also "Expanded PFS Eligibility Boosts Number of Designees" on page 11.)

We have almost 500 new designation holders this year, a 20% increase. Most went through the MEP process. We also have had more than 1,000 inquiries from members, many of whom hopefully will decide to attain the PFS through MEP. This high number of inquiries demonstrates members are extremely interested in this new method of obtaining the credential.

But, we need to do more! And to that end, one of our goals this last year was to obtain additional budget to more effectively promote the CPA/PFS designation to members and the public, thereby ultimately increasing the number and market recognition of CPA/PFS.

We succeeded in obtaining significantly more funds for this fiscal year and have been, or will be doing, the following in our marketing of CPA/PFS.

Internal Marketing

As to Internal Marketing, our efforts are led by Michele Rodin of the AICPA working with Larry Foster and the PFS Credential Committee. In 2001, we conducted three targeted direct marketing campaigns and ran seven one-half or full page color ads in *The Tax Adviser* and the *Journal of Accountancy* and will continue to do this in 2002.

The PFS Center on CPA2Biz will house the new CPA/PFS credential site. At this time, the PFS sites that address potential new credential holders as well as existing ones are being migrated over to CPA2Biz to allow for the delivery of more content and give credential holders features such as forums and webcasts. The CPA/PFS credential will also be promoted with all relevant promotions on CPA2Biz or with direct mail campaigns for PFP-related products, publications, and conferences.

The CPA/PFS consumer website and Member Referral Database are being redesigned and will continue to reside on www.aicpa.org servers. The technology issues surrounding the existing site are being addressed as quickly as presently strained resources allow. Hopefully, by this summer they will be corrected.

External Marketing

With the assistance of Stanton Crenshaw, a public relations firm hired to help us promote the CPA/PFS, and Joel Allegretti, the AICPA manager assigned to the PFP division, a "Women's Financial Health Week" campaign took place the week of January 15. We used the topic of women's financial health to promote the CPA/PFS as the premier personal financial planning adviser. The media is showing increasing interest in women and

Continued on page 12

Setting Up and Running Your Investment Advisory Practice

Add even more value to your attendance at the AICPA Advanced Investment Management Conference on May 30 – 31, 2002, in Las Vegas. Make plans to attend the How to Set Up and Run Your Dream Firm—Investment Advisory Practice Pre-Conference Workshop on Wednesday, May 29, 2002.

Gain valuable insight from top practitioners and experts on how to set up and run an Investment Advisory Practice. Plus, find out how to select the right technology and research tools to efficiently run your practice. Do not miss this opportunity to gain practical, revenue enhancing knowledge and earn an additional seven continuing professional educational credits. For further information or to register, please call (888) 777-7077 or visit www.cpa2biz.com/conferences.

Don't delay! Register today and maximize your learning experience! ◆

Personal Financial Planning Technical Conference Tapes

02	*Keynote address: A Look at the Markets*—James J. Cramer
03	*(2 tapes) Choice of Entity in Charitable Planning*—James Avedisian
04	*(2 tapes) Retirement Plan Design*—Andrew Fair
05	*(2 tapes) RIA—How to Survive an SEC/State Examination*—Peter Golotko
06	*(2 tapes) Who Needs Long-Term Care Insurance?*—Lisa McAree
07	*(2 tapes) Best Practices Panel*—Beth Gamel, Kaycee Kristy, Marshall Gunn
08	*(2 tapes) Getting Under the Hood of Your Annuity*—Mark J. Smith
10	*(2 tapes) Individual Securities Valuation*—Peter Ricchiuti
11	*(2 tapes) Life Insurance Issues*—Richard Weber
14	*(2 tapes) IRA Distributions—Marvin Rosenberg*
17	*(2 tapes) Break the Rules and Close More Sales*—Greg Nanigian
18	*The Prudent Process of Investing: How to Protect Yourself as a Fiduciary*—Donald B. Trone
19	*Recent Federal Tax Developments in Estate Planning*—Jonathan G. Blattmachr
20	*(2 tapes) The Psychological Dynamics of Wealth and Wealth Transfer*—Lee Hausner, PhD
22	*(2 tapes) Moving Beyond Growth and Value*—Peter Jankovskis
26	*(2 tapes) Why a CPA Firm Is the Perfect Setting for Eldercare Services*—Jeanne Ralicki
28	*(2 tapes) Web Sites for Financial and Investment Planning*—Steven Levey
31	*(2 tapes) Monte Carlo vs. Constant Growth*—Thomas J. Connelly
32	*(2 tapes) Mutual Fund Performance Persistence*—William G. Droms, PhD
34	*(2 tapes) Building Value in Practice*—Mark Tibergien
35	*Financial Planning After the Economic Growth and Tax Relief Reconciliation Act of 2001*—Martin Nissenbaum
37	*Becoming a Personal Financial Specialist*—Larry Foster, Nancy Cohen

Tapes can be ordered from Conference Copy, Inc., 8435 Route 739, Hawley, PA 18428; phone: 570-775-0580; fax: 570-775-9671; http://www.confcopy.com.

Say "No" and Grow

by Troy A. Waugh, CPA, MBA

Remember the "good ol' days," when potential clients flooded your firm with phone calls. Remember when you had a rigorous selection process and only took the best clients. Well, those good ol' days changed a few years ago when competitive forces began to change the landscape for CPAs and consultants. Recently, a senior partner said, "I wish we could return to the good ol' days." My response was, "You can return to the good ol' days if you will invest in marketing and learn to say no again."

One of the fastest growing accounting firms I know has taught their professionals to say no. In fact, if you follow their partners around for a month, you might hear them say no to clients and prospects three times as often as they say yes. How can this be?

This firm has a highly effective marketing system. The marketing director's role is to create name awareness and generate leads for the firm. And leads are generated! Every month each partner meets with 3–6 new prospects. The prospects come from an aggressive awareness and referral development campaign. The partner's primary role is to qualify the prospect, not sell him. When a prospect is highly qualified, then the partner's closing skills kick in.

This hasn't always been the case. About five years ago, the firm was very similar to many others:

- Growth was between 6% and 7%.
- The house was full of C, D, E and F clients.
- Partners delegated work for the A and B clients and performed most of the work for the C and D clients.
- Partner incomes were flat.
- They were short of staff to do the work.
- The attitude was "We don't need more work, we need more staff."
- They lost A and B clients regularly.

First Things First

In their book, *Selling Machine,* authors Diane Sanchez, Stephen Heiman, and Tad Tuleja describe a growing organization as a machine that is the "dynamic interaction of multiple components, all working smoothly together to achieve a result."

The first thing the partners did was to segment clients into six categories:

- *A clients* are those who make up about 50% of the firm's revenue and profits (for a firm with 1,000 clients, about 50 clients will account for 50% of the revenue and profits).
- *B clients* are those "bread and butter" clients who make up the next 30% of the revenue (about 15% or 150 clients).
- *C clients* are those who are small, but have some other reason to receive attention (for example, they might be in the firm's core industry or they might be good referral sources).
- *D and E clients* are smaller clients who can be delegated to a systematized way of handling them, such as the bookkeeping or tax-preparation section of the firm.
- *F clients* are those low-end clients who cost more in set-up costs and hassle factor than you receive in fees. In many firms, F-clients make up 10–40% of the total client base.

Once the partners segmented their clients, they eliminated F clients. This article is too short to cover all the nuances of this procedure. Suffice it to say, however creatively or crudely you eliminate F clients, you must do it in order to move forward. Without the experience of eliminating F clients, partners will not develop the confidence to say no to F prospects.

Organizing for the Big "No" Campaign

After the firm eliminated its F clients, the D and E clients were organized into delegated service categories. Individual income tax clients and small business clients were organized into systems so that partners did not work directly with them.

Actually, reorganizing the way work gets done is the most disturbing to partners who are production focused. Partners who consider themselves "working partners" ask, "What will I do with my time now?" I have seen the dual process of eliminating F clients, and reorganizing the handling of C, D, and E clients reduce some partners' workloads by 80%. In a nutshell, the owner can now work like an owner, not like a worker.

Troy A. Waugh, CPA, can be reached at Waugh & CO, Inc., Box 1208 Brentwood, TN 37024-1208; phone: 615- 373-9880; fax 615- 373-9885. ◆

Distinguished Service Award

The AICPA has awarded Robert W. Batty the Personal Financial Planning Division's Distinguised Service Award. The award recognizes the person who has contributed the most to advance CPA financial planning. This award is determined by surveying the past recipients and is awarded for the person's cumulative as well as current year's efforts.

Batty is with Batty, Erlandsen & Associates, PS, Spokane, WA.

Bob Batty, PFP Distinguished Service Award recipient, with Jim Mitchell, PFP Executive Committee Chair, and Anat Kendal, AICPA Financial Planning Director.

Advising Clients on Charitable Giving

By Sarah Phelan, JD, Acquisitions Editor, AICPA

Feeling an obligation to share the wealth they've accumulated, many clients look to planners for guidance on how to do so.

James R. Avedesian, a CPA and an attorney who speaks regularly on estate and financial planning topics, addressed the PFP Technical Conference on "Choice of Entity In Charitable Planning." The great prosperity of recent years has allowed many individuals to accumulate great wealth. It is common, Avedesian said, for them to express an intention to "give back" a portion of their wealth to charitable causes.

They may know the dollar amount they want to give, or the particular property they want to donate, and they know exactly whom they wish to benefit. What they approach their CPA for is advice on "how" they should make their gift. It is the CPA's role to know about the different ways in which the charitable contributions can be given and each way's tax and other consequences.

The types of entities to which deductible charitable contributions may be given, that is, entities that clients may ask their CPAs about include the following:

- Public charities (for example, hospitals or schools).
- Charitable remainder trusts.
- Pooled income funds.
- Charitable lead trusts.
- Private foundations.
- Private operating foundations.
- "Pass-through foundations."
- "Supporting organizations."
- Donor-advised funds.

Other qualifying entities, including, for example, veterans' organizations, are also identified in Internal Revenue Code Sec. 170. IRS Publication 78, *Cumulative List of Organizations Described in Section 170(c),* is available on the web at www.irs.ustreas.gov under the "Tax Information for You" button.

Public Charities

CPAs may perform a valuable function for clients by confirming that a particular organization does indeed qualify as a public charity. A public charity should be able to produce a "determination letter" from the IRS stating both that the organization is described in Code Sec. 501(C)(3) (crucial for deductibility of gifts) and that it is not a private foundation, either permanently or temporarily. If the potential donor has any doubt that an organization qualifies as a public charity, the donor, or the donor's CPA, should request a copy of the determination letter.

Charitable Remainder Trusts

In donating to a charitable remainder trust, the donor gives up the right to property, along with his or her right to dispose of that property at death, in return for—

- A tax-free disposition of appreciated property.
- Retained or designated cash flow.
- An income tax charitable deduction.
- An estate tax charitable deduction.

A charitable remainder trust must be either a charitable remainder annuity trust (CRAT) or a charitable remainder unitrust (CRUT). A CRAT must pay a "stated dollar amount" to one or more

Continued on page 10

Issue	Private Foundation	Supporting Organization	Donor-Advised Fund
Tax Deductibility	Property: 20% AGI Cash: 30% AGI	Property: 30% AGI Cash: 50% AGI	Property: 30% AGI Cash: 50% AGI
Start-up Costs	Legal and tax advice	Legal and tax advice	None
Excise Taxes	1% or 2% of net investment income	None	None
Investment Flexibility	Must divest excess business holdings. Cannot hold "speculative" investments.	Can hold investments that do not conform to the foundation's investment policy.	Limited number of investment strategies.
Continuity	Future generations	Future generations	One successor generation
Administration	Board minutes Financial accounting Reporting requirements	Board minutes Financial accounting	None

Advising Clients on Charitable Giving

Continued from page 9

recipients, and it must pay at least annually. The stated dollar amount may be expressed as a percentage of the initial fair market value of the trust property.

CRUTs come in the following four varieties:

1. A standard, "straight," or "fixed" CRUT
2. A "net-income" or "income only" CRUT
3. A NIMCRUT (net income with make-up charitable remainder unitrust)
4. A "flip unitrust," which is a net income unitrust or a NIMCRUT at its inception but converts to a "standard" unitrust at a later date.

Pooled Income Funds

Generally, a pooled income fund is a fund managed by a charity to which individuals make gifts, reserving for life a pro rata share of the fund's earnings. At the death of the individual, the individual's share of the fund belongs to the charity.

Charitable Lead Trusts

A charitable lead trust (CLT) is an irrevocable trust that pays a charitable beneficiary an income interest for a set term. At the end of the term, the remaining assets are distributed to the grantor or the grantor's noncharitable beneficiary. Commonly, the noncharitable beneficiary is the grantor's spouse. In order to qualify for an income, estate or gift tax charitable deduction, the income interest must be an annuity or a unitrust amount, that is, a fixed amount or a fixed percentage of the trust's value, determined annually. Unlike a CRAT or a CRUT, a CLT is not a tax-exempt entity.

Private Foundations

Private foundations are organizations generally exempt from income tax, but subject to special excise taxes, notification requirements, and other restrictions. Given the administrative costs and reporting requirements involved, these entities are best suited to substantial gifts, approximately six figures and up, and they must be operated carefully so as not to incur excise taxes.

Supporting Organizations

Supporting organizations are organized and operated to support certain charities. Lengthy detailed regulations (Reg. 1.509(a)-4) set forth requirements that a supporting organization must meet.

Donor-Advised Funds

In a donor-advised fund, the donor sets up a fund within an existing charity, often a community foundation. The donor makes a donation in a particular year in order to get a charitable deduction against current income, but defers the decision on precisely which cause to benefit until later.

Private foundations and supporting organizations also accomplish this, but a donor generally avoids administrative and financial costs through use of the community foundation. The chart on page 9 presents comparisons useful for selecting the appropriate charitable entity among these three. ◆

Resource Guide Published for 9/11 Victims

To help victims of the September 11 terrorist attack identify the steps necessary to recover financially in the aftermath of the tragedy, the AICPA has published *Regaining Financial Balance: AICPA Information and Resource Guide for Americans Impacted by September 11*. This information kit is available for download from the AICPA Web site at the following URL: http://ftp.aicpa.org/public/download/members/div/news/Sept_11_Info_Kit.pdf.

The information kit was developed by AICPA members who are donating time and expertise to help victimized families and individuals understand the financial implication of the terrorist attack. The kit covers the first steps in regaining financial balance: restoring household stability; obtaining death or disability benefits; and thinking about longer range issues. The other areas covered are insurance, retirement, and other key benefit issues; handling lump sum payments; tax issues; settling an estate; and safeguarding assets.

The AICPA members who donated their time and knowledge to the development of the material in the information kit are well known to *Planner* readers. They are Lyle Benson, Jr., L.K. Benson & Company, PC, Baltimore; Phyllis Bernstein, Phyllis Bernstein Consulting, Inc., New York; Laurence Foster, Richard A. Eisner & Co., LLP, New York; Marshall Gunn, Jr., Gunn & Company, Jacksonville, Florida; and Patrick Hanratty, Capital Advisors, Inc., Cleveland.

As CPAs and financial planners, the AICPA's volunteers have in-depth knowledge of and experience in the issues associated with personal financial planning. September 11 victims can arrange for pro bono financial planning assistance by contacting the AICPA at 1-877-CPA-4ALL. ◆

Series 65 Exam Waiver

PFS (Personal Financial Specialist) members, registered with The National Association of Securities Dealers, Inc. (NASD), may qualify to receive a waiver of the Series 65 exam. The waiver, if granted, would apply only to the Series 65 exam.

For more detailed information on the exam waivers, please go to The North America Securities Administration Association (NASAA) FAQ page, at http://www.nasaa.org/nasaa/exams/65&66_faq.asp or contact the NASD at 301-590-6500.

For additional information, please contact Darlene Morrison, Manager-Competency Assessments and Exams, at 212-596-6171, or email Dmorrison@aicpa.org. ◆

Expanded PFS Eligibility Boosts Number of Designees

In his "Report from the Chair" on page 5, Jim Mitchell, PFP Executive Committee chair, reported that last year almost 500 planners earned the Personal Financial Specialist (PFS) designation, a 20% increase. Most went through the multiple entry points (MEP) process. In addition, more than 1,000 members inquired about the PFS designation, many of whom will eventually obtain the PFS through MEP.

Point System

Since the introduction of the MEP, more AICPA members are eligible to earn the PFS designation. The centerpiece of the program is a point system that encompasses a broad definition of business experience, which now includes teaching, provides for a lifelong learning component and recognizes examinations related to PFP.

Each of the three areas—business experience, lifelong learning and examination—requires a minimum number of points to be earned. To attain the PFS credential, candidates must demonstrate evidence of earning 100 points across the three areas. An assessment tool to help candidates determine their qualifications for the PFS is accessible at http://pfs.aicpa.org.

Examination

Although all PFS candidates still are required to pass an examination, the AICPA will recognize examinations other than the Institute's PFS exam. The others include the examinations for Certified Financial Planner, Chartered Financial Consultant, Chartered Financial Analyst and the NASD Series 65, Series 66 and Series 7 exams.

All other application criteria apply. These are AICPA membership in good standing and an unrevoked CPA certificate. Inquiries about the new eligibility system can be directed to cpapfs@aicpa.org.◆

TRENDWATCH

(continued from page 2)

enough to make an informed decision before hiring or firing." Clients don't need to know the technical details of the market and the economy, but do need to understand the market, risk, and their irrational reaction to losses or gains.

3. *"Be who you are, hire who you are not."* Hire people to fill the gaps you're not interested in filling permanently or simply are not good at.

"Understanding Private Investor Behavior in the Aftermath of September 11," *Trusts & Estates,* January 2002, page 19.

Your clients can decrease their portfolio risk by investing in foreign stock exchanges. Fringe markets have opened up, allowing more opportunities for diversification. Since the 1960s, the number of stock markets open to investors has increased from 30 to 50. A portfolio distributed equally among these markets has 70% less volatility than a portfolio concentrated in a single market.

Margaret Popper, "More Baskets to Put Eggs In," *Business Week,* January 21, 2002, page 20.

Many investors ascribe to the view that an increase in insider—company executives and directors—trading across a sector signals a shift in market direction. So entrenched is this belief that several publications and web services track the required disclosures of such trading to the SEC. Some evidence suggests the belief is accurate: According to a study by researchers at the University of California at Los Angeles and New York University, a group of insider buyers, largely from the technology and pharmaceutical sectors, surpassed broad market indexes by an average of 9.6% in the six months after their purchases. For individual companies, however, little evidence supports the belief about the relationship between insider transactions and a company's stock. The timing of and motivations for insider transactions are not as transparent as some think. Personal finances, as well as regulatory restrictions, have an impact on insider trading. In addition, SEC filings aren't disclosed until several weeks after the trade, so the best time to buy or sell may have passed. Furthermore, brokers may help insiders to camouflage their trades with contracts to stop losses or secretly capture gains or they schedule trades months in advance. In addition, many companies limit when their insiders can trade so they can't time the market, thereby avoiding the impression of impropriety. Investors need to do more homework than just watching insider trading.

David Henry and Timothy J. Mullaney, "Should You Follow the Insiders?" *BusinessWeek,* February 4, 2002. ◆

NASAA to Change Series 63 Exam Content

The North American Securities Administrators Association (NASAA) announced it is upgrading the brokerage exam that it requires for registered representatives licensed by the states. Effective April 1, the Series 63 exam will expand from 50 to 65 questions, and the time for taking the test will be increased from 60 to 75 minutes. The cost of the exam will increase from $65 to $70.

"These updates to the Series 63 exam reflect NASAA's ongoing commitment to ensuring that this important exam is current and comprehensive," said Joe Borg, Alabama securities director and NASAA president.

Two other NASAA tests, the Series 65 exam for investment advisers and Series 66 combined exam for both advisers and reps, will continue to cost $110. To review additional details, go to: http://nasaa.org/nasaa/abtnasaa/display_top_story.asp?stid=235. ◆

From the Chair

Continued from page 7

their personal finances, and we believe this program enables us to deliver even stronger messages about CPA/PFS to consumers.

Money magazine, the largest personal finance magazine in the country, co-presented the week with the AICPA. In fact, the senior editor of *Money* served as a spokeswoman along with our own CPA/PFS spokespeople. The centerpiece of the program was an interactive website supported by a national and local market media campaign.

Many thanks to the CPA/PFS practitioners who served on the Women's Financial Health Week Advisory Panel and who developed content for the website. They include Karen Barnhouse, Bob Doyle, Larry Foster, Barbara Raasch, and Connie Brezik. These individuals also served as our key spokespeople.

We also devoted extensive resources in assisting with the September 11 relief efforts. We had an 800 number offering call-in advice and developed a financial planning information kit for distribution. (See "Resource Guide Published for 9/11 Victims" on page 10.) A special thank you to the AICPA for initiating and organizing these efforts and to the more than 600 financial planner CPAs who came together so quickly to pull this off. Many thanks also to Anat Kendal, Mitch Freedman, Phyllis Bernstein, Lyle Benson, Larry Foster, Marshall Gunn, and Patrick Hanratty.

Major media, including *USA Today* and *Bloomberg,* have been very impressed with our CPA/PFS spokespeople and use them repeatedly as authoritative sources on financial planning topics. Thanks to Larry Foster, Dennis Kroner, Barbara Raasch, Bob Doyle, and Doug Stives.

All in all, a lot has been and will be done to promote CPA/PFS more effectively as the premier financial planner.

A lot more clearly needs to be done, and the effort sustained and increased. We believe we're off to a good start and our efforts and expenditures will begin to pay off in increased market recognition of CPA/PFS within our profession and by the public, and we will see a dramatic increase in the number of PFS credential holders through MEP.

Help Wanted

You have heard what the division is trying to do for you. Now, here's what you can do for the division! We always need authors and articles on financial planning topics for the *Journal of Accountancy, The Tax Adviser*, and *Planner.* We also need technical experts for the ISO project. We need volunteers to give free consultation assistance to those affected by September 11. If you would like to volunteer, call 877-CPA4ALL.

Finally, as you have heard, we have several task forces involved in many different matters. If you would like to become involved, please contact Margaret Jannucci at mjannucci@aicpa.org. ◆

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

ADDRESS SERVICE REQUESTED

First Class Mail
US Postage
PAID
Riverdale, MD
Permit No. 5165