

## NEWSLETTER: FALL 2008



Eric Bruck, CFP®  
President

### President's Message

Dear fellow FPA member:

#### When Warren Buffet Speaks, People Listen! (...but our clients are NOT Warren Buffet)

Warren Buffet recently contributed an op-ed piece to the NY Times, in which he encouraged Americans to "Buy American;" in other words, start buying good but beaten down companies again while the buying is still this good. This Quarter's message may sound more like an editorial than a "Message," and I welcome your rebuttals, but as a CFP® Practitioner and investment advisor I just feel that this needs to be said. (click on <http://www.nytimes.com/2008/10/17/opinion/17buffett.html> to read article)

While virtually no one would argue with Mr. Buffet's observations and analysis of the U.S. market and the many bargains on the shares of good companies available today, there is a danger in taking his advice as a "one-size-fits-all" prescription. As Financial Planners and investment advisors to our clients, we know that neither we nor they are Warren Buffets. The encouragement and guidance in his article is better suited for himself than for us.

First, Mr. Buffet is not dependent on his investment portfolio to support his lifestyle by withdrawing a steady stream of cash flow year to year. He can patiently wait for buying opportunities like today's, then wait indefinitely for them to mature and provide him with the remarkable returns that he is noted for. No amount of volatility those investments encounter along the way really matters, since he does not need the money for any other purpose than capital appreciation. Substantial gains such as those he is noted for do not come without downside risks along the way. Buffet can comfortably wait them out.

Second, Mr. Buffet can demand very attractive terms for his very large investments into firms that desperately need not only his capital but his credibility. Goldman Sachs and GE each sold him shares of preferred stock at a negotiated price with negotiated fixed dividend yields in the neighborhood of 10%. This was in return for his investment of \$5 billion in each company. Mr. Buffet can virtually name his terms. We have to take our chances on the considerable vagaries of the marketplace.

Third, he typically will demand and receive a position of influence on the Board of the company he invests in – sort of nice to be somewhat in control of one's own investment destiny that way.

And, unlike Mr. Buffet, most of our clients count our total invested assets as resources that that cannot afford to lose, deplete or outlive. They do now or will soon depend heavily on their portfolios for income to supplement Social Security and our other fixed sources of income. Their individual time horizons will vary from family to family, ranging from a few years to none in terms of needing to begin withdrawals.

If one believes, as we do at Silver Oak Wealth Advisors, that we have been in and will continue to be in a secular and volatile bear market for a good while longer, investors with less than a 7-10 year time horizon may not see the generous returns on their investment in US stocks that they are expecting. Yes, if their time horizon prior to needing that money is 7 years or more, the seeds sown today will blossom over time. **Let's be clear – this is not a second guessing of Warren Buffet. This is an effort to distinguish and emphasize the need for a financial planning "due diligence" process underlying the development of investment strategy.**

While Mr. Buffet's article is generically great advice, we should take care not to let our clients embrace its one-size-fits-all implication. Without a sound investment policy which fits one's individual risk capacity as well as risk tolerance, taking the advice of the "Oracle of Omaha" at face value could be dangerous to our clients' financial health.

Sincerely,  
Eric Bruck, CFP®  
President

p.s. . . . and speaking of Financial Planning, register now for our November 19th ["The Art & Heart of Financial Planning Symposium"](#)

[The Art and Heart of Financial Planning Symposium!](#)

## Calendar of Events

### Calendar of Events

#### Wed. November 19, 2008

The Art and Heart of  
Financial Planning  
Symposium

#### Wed. December 17, 2008

The US Economy – What  
Lies Ahead? A Studied Look  
Ahead at 2009, and It's  
Implications for Our  
Financial Advice

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Doug Himmel  
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New York, NY 10119  
(866) 511-5990



The Financial Planning Association of Los Angeles and UCLA Extension proudly announce "A Financial Planning Symposium – The Art and Heart of Financial Planning." This daylong event, which includes lunch, combines the academic resources of one of America's leading CFP Board accredited programs with several leading national CFP® Practitioners in the financial planning profession. This dynamic symposium will explore some of the most critical components of the financial planning process.

- **Communication – What Really Matters!** Carol Anderson, MS
- **The Appreciative Inquiry** David Bergmann, CFP®, EA, CLU, ChFC
- **Inside Money** Richard Wagner, JD, CFP®
- **Plan Review and Presentation Process** Elizabeth Jetton, CFP®  
(and past National President of the FPA)

Join this event to hear from, and talk with some of the most prominent leaders and visionaries of the financial planning profession and, most importantly, learn skills and acquire tools that will enhance your most "Trusted Advisor" status with those you serve and desire to serve.

RSVP now for this event at [www.FPALA.org](http://www.FPALA.org) or call (800) 722-7173. The cost of the event is \$150 for non Financial Planning Association members, \$125 for current FPA members, \$75 for students of any UCLA Extension Business & Management Certificate Program ([http://www.uclaextension.edu/unex/pdf/FOSpdfs/business\\_catalog.pdf](http://www.uclaextension.edu/unex/pdf/FOSpdfs/business_catalog.pdf)) and \$75 for students of any CFP Board Registered program.  
 Member Price at door \$175, Non Member Price at door \$200.  
 Seating is limited. At door registrants will be placed on a waitlist, and will be seated on a first come, first serve basis, depending on no-shows. No at door seating can be guaranteed. Again, pre-registration is strongly encouraged.



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**MFS Investment Management**

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 VP - Membership

Lisa Tepper, CFP  
 VP - Corporate Sponsors

Philip Cook, CFP  
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Jason Roberts  
 VP - Legislative Affairs

**Committee Members**

Carol Ackerman  
 Amanda Asherson  
 Jeffrey Goodrich  
 Victor Jones  
 Lara Lamb

**Call for Nominations:**

November is not only the month for our nation's Presidential election this year, but also when your Financial Planning Association of Los Angeles nominates new officers and Board members.

Your Board has worked diligently to revise our Chapter Bylaws. Changes include staggered terms for our Board seats in order to sustain continuity and provide mentoring to new incoming Board members.

We are accepting nominations for the following Board seats:

- Secretary/Treasurer
- Director of Communications (Newsletter + Website)
- Director of Membership
- Director of Public Relations
- Director of Programs
- Directors at Large

Each Board member will serve a 1 year term, with the option to extend to two years with Board approval. We encourage, but don't require, potential Board members to consider a two to three year commitment, wherein a term of office in a particular Board position continues for two years, followed by a 1 year term as Director at Large, where one's "veteran" skills can be passed on in a mentoring relationship to the succeeding Director.

Please return your list of nominees, including contact information and your reasons for nominating them (or yourself!) to Janine at our FPA-LA office – [mail@fpala.org](mailto:mail@fpala.org) no later than Friday November 21st

Our Nominating Committee will review them and submit all recommendations to the Board for discussion and a vote. We will announce and introduce our 2009 FPALA Board of Directors at our December Holiday meeting.

Thank you all for your support of FPA, FPALA, and Financial Planning!

FROM THE REGULATORY AFFAIRS COMMITTEE:

**Issues Facing Advisors in 2009**



In the ever-evolving world of financial planning, registered investment advisors must

Jason Roberts, Esq.,  
*Regulatory  
 Affairs Chair,  
 FPA-LA* continually consider and evaluate their practices. This issue will address the following concerns, which must be addressed in the coming year: (1) regulatory changes including the DOL increased reporting standards and SEC document request standards; (2) changes made to the Certified Financial Planners (“CFP”) Board; (3) effects of identity theft; and (4) ways in which to advise the “Boomer” generation.

#### *Regulatory Changes*

In July 2008, DOL published guidelines in the form of an FAQ that addressed requirements for the 2009 Form 5500 Schedule C. Beginning in 2009, the new regulations require that all plan administrators are required to identify and report all compensation to service providers in the amount of \$5,000 or more. While the past Schedule C requirements included the reporting of both direct and indirect compensation, the additional DOL guidelines encompass a broader scope of “indirect” compensation. Schedule C now sets up an alternative method for “indirect” compensation reporting known as “eligible indirect compensation.” If certain disclosures are made to the plan administrator about EIC, then the plan administrator may report that it received disclosures without having to report any specific amount on the Form 5500. For additional guidelines, consult the DOL website’s FAQ on Form 5500 Schedule C ([http://www.dol.gov/ebsa/faqs/faq\\_scheduleC.html](http://www.dol.gov/ebsa/faqs/faq_scheduleC.html))

In addition to DOL requirements, the SEC recently strengthened their standards under Rule 206(4)-7, which requires additional documentation requirements for RIA’s. In formatting policies and procedures in compliance with Rule 206(4)-7, the following issues should be considered and addressed:

- “Portfolio-management processes, including allocation of investment opportunities among clients and consistency of portfolios with clients’ investment objectives, disclosures by the advisor, and applicable regulatory restrictions.
- Trading practices, including procedures by which the advisor satisfies its best execution obligation, uses client brokerage to obtain research and other services (“soft dollar arrangements”), and allocates aggregated trades among clients.
- Proprietary trading of the advisor and personal trading activities of supervised persons.
- The accuracy of disclosures made to investors, clients, and regulators, including account statements and advertisements.
- Safeguarding of client assets from conversion or inappropriate use by advisory personnel.
- The accurate creation of required records and their maintenance in a manner that secures them from unauthorized alteration or use and protects them from untimely destruction.
- Marketing advisory services, including the use of solicitors.
- Processes to value client holdings and assess fees based on those valuations.
- Safeguards for the privacy protection of client records and information.
- Business continuity plans.

Not only is it imperative that these policies and procedures are in place, but it is also vital that RIA’s participate in regular training regarding the policies and procedures in order to fully comply with such standards. Recent SEC audits reveal that many firms are lacking in these areas; although checklists identifying these issues exist, there is a lack of convincing evidence that there is continual compliance.

#### *Certified Financial Planner (CFP) Board*

After a controversial meeting in July 2008, the CFP Board released regulations that affect all CFP certificants. The updated standards include five notable changes. First, the appointment process of the DEC Chair, members and volunteers will be conducted by the CFP Board CEO, who will conduct a “transparent process” focusing on geographic diversity. Second, the standards include appointment of “public” representatives to the Commission. Third, the hearing panel will now include “public” members. Fourth, staff counsel will attend the ratification meeting “at which the proposed decisions of the hearing panels are ratified by the entire Commission.” Finally, and least controversial of the five changes, regards the appeals process; the CFP Board now retains outside counsel to provide guidance for the interpretation of the Standards, when necessary. The changes resulted in great debate and the departure of five of the nine DEC members, who feared that the new regulations would result in substantial political and financial pressures in the CFP processes.

#### *Identity Theft*

Identity theft not only affects your clients, but it also affects you. In order to minimize the substantial clean up involved after an identity theft, it is important to work with clients to prevent and/or minimize these effects. First, and most importantly, advise clients to with their check credit report on a regular basis. Second, advise clients to prevent identity theft by shredding all discarded bills, statement and other proprietary information. Third, emphasize the importance of personal information protection as well as password protection, including protection in cell phone and PDA use, company computers and laptops.

#### *Working with the “Boomer” Generation*

A recent report showed that 78 million Baby Boomers, with an estimated \$17 trillion in assets, turned 60 during 2006.<sup>[1]</sup> These estimates are limited to the first wave of boomers, leaving many more individuals with many more assets that need to be managed. The Boomer generation, however, requires a style of management quite different from past generations. Most importantly, the Boomer generation will live longer life spans than previous generations, which requires that retirement money last longer than before.

The traditional retirement plan is also different for this generation. Rather than working one day and being retired the next, the Boomer generation typically eases into retirement by either working less or sometimes earning income in other capacities – another job, real-estate sales, part-time employment, etc. In addition, this generation will rely less on social security and an emphasis should be made on self-reliance and personal retirement planning. Finally, the Boomer generation passes their accumulated wealth on to their children, which also requires extended estate planning. Thus, the financial planning model that once worked for previous generations must be altered to reflect these new trends. In restructuring this model, firms should keep in mind the following: (1) varied fee structure, (2) planning timelines, (3) budgeting methods, and (4) client service structures.

## Long-Term Care Insurance - Reimbursement, Indemnity or Cash Plans Which Should You Recommend to Your Clients?

There are three styles of claim management within Long Term Care Insurance (LTCi) Policies; **Reimbursement, Indemnity and Cash** plans. Each plan has its unique benefits. Understanding how each plan works will help you develop the right strategy for your clients.

- **REIMBURSEMENT PLAN:** an insured is "reimbursed" for claim costs incurred over the course of the month, up to the daily or monthly amount of benefits purchased. *Receipts needed for reimbursement.*

\$300/day plan, \$220/day actual cost, 21 days of care needed, benefits paid: **\$4,620**

*If your client can afford out of pocket costs until reimbursed and is looking for the most cost affordable means of LTC insurance, the reimbursement plan may be right.*

- **INDEMNITY PLAN:** much like reimbursement plans, they are paid at the end of the month; however, they provide the insured the full daily benefit allotment regardless of claim costs. For each day of care or service during the month, the indemnity plan will pay the full daily benefit. *Receipts needed for reimbursement.*

\$300/day plan, \$220/day actual cost, 21 days of care needed, benefits paid: **\$6,300**

*If your client can afford out of pocket costs for a month or more until reimbursed, but would like the extra money if available on the days of claim, this plan may be right.*

- **CASH PLAN:** provide the insured his or her entire monthly benefit allowance at the beginning of each month. *No receipts necessary!*

\$300/day plan, \$220/day actual cost, 21 days of care needed, benefits paid: **\$9,000**

*If your client would like full access to funds, ability to use licensed or unlicensed caregivers without pre-approval, and the ability to guarantee the amount of money arriving each month regardless of services needed, this is may be the right choice. This plan also covers emerging technologies. In Japan robots are being used to provide some levels of care, the "Cash Plan" will cover this and other innovations that are developing.*

In all cases, in order to trigger a claim payment, the client must be deficient in two of the **six activities of daily living** for an anticipated period of 90 days or be cognitively impaired and need supervision. The six activities of daily living used in California LTCi policies include **Transferring, Continence, Toileting, Bathing, Dressing and Eating.**

With all three plans, the premiums may be tax deductible, but with the **Cash Plan**, in 2008 your client can receive **up to \$98,550** (\$270 x 365) a year in entirely **TAX FREE BENEFITS** and they get to decide what to do with the money. And in addition, unlike the Reimbursement and Indemnity plans where services can only be provide by a certified caregiver, under the Cash plan, service can be provided by anyone, a family member, trusted employee, whomever they desire. No receipts or vouchers are needed to receive monthly cash benefits.

So what are the right LTC insurance options to recommend to your clients? With additional choices of **Daily Benefit, Benefit Period, Elimination Period, Inflation Protection, and Home Care Benefits**, you may want to spend some time with a Long-Term Care Insurance Specialist to help customize the right plan options for your clients.

Submitted by: Gene Tapper, MS, NHA, President ([gtapper@americalltc.com](mailto:gtapper@americalltc.com))  
and Artie Weitz, Regional Vice President ([aweitz@americalltc.com](mailto:aweitz@americalltc.com))  
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### Save the Date December 17, 2008 FPA-LA Holiday Party and Economic Review



#### The US Economy – What Lies Ahead? A Studied Look Ahead at 2009, and It's Implications for Our Financial Advice

Amidst a mixed bag of economic indicators and a volatile stock market, pundits and advisors alike are nervously forming work-in-progress conclusions about where our economy is now, where it is going, and what it all means for the public and the clients we serve.

Thomas Higgins, PhD, last graced an FPALA luncheon audience in December 2007 with an enthusiastically received overview of the global markets and economy. We are fortune to welcome him back to help us make some early sense of 2009 and beyond as he presents to our Holiday Luncheon attendees a studied analysis and forecast of what lies ahead for our economy.

Combining Dr. Higgins presentation with our exciting Silent Auction and usual Holiday fare, FPA-LA's December 17th Holiday Luncheon is a "must attend" event for our members and their guests.

## Monthly Chapter Meetings - A Great time to learn and connect with colleagues

William P. Bengen, CFP®, spoke at our monthly chapter meeting in August. He presented on "Conserving Client Portfolios During Retirement: Developing, implementing and Modifying Client Withdrawals - Case Studies"



## Market Volatility Brings Stress, Business Concerns and New Clients

Recent market changes have raised most planners' stress levels, but these turbulent times have also provided opportunities to expand their client bases, according to FPA's new *2008 Market Volatility Study of Financial Planners*.

Thirty-one percent of respondents said that the market changes have significantly increased or maximized their stress level. Only nine percent of survey respondents said their stress level has not been affected by the erratic economy.

The top causes of stress at work include market turmoil, time management and timely client demands. What are some common responses to this pressure? Working longer hours and a good sense of humor – in fact, several planners have requested a crystal ball, a clone and a daily massage.

"In this time of market volatility, many forces are converging with planners," said Rebecca King, research business development analyst at the FPA Research Center. "The need to stay up-to-date on market changes, governmental decisions and investment strategies, along with additional client communications and timely demands, have put many planners under significant pressure and stress."

In addition to the immediate effects on revenues and their clients' portfolios, planners are concerned about long-term effects on the way they do business. Sixty percent of respondents indicated that they are reconsidering how they manage investment risk and allocate client assets – especially those of retirees. In addition to rethinking investment processes, 39 percent of planners are more concerned now about their practices' future than they were a year ago.

In the midst of the stress, timely demands and business implications, there lies opportunity. Nearly half (48 percent) of planners report expanding their client base during this time, with 16 percent reporting an increase of five percent or more. Another 42 percent of planners are holding steady with neither an increase nor decrease in their client base, and 10 percent have reported a decrease.

More information will be revealed in upcoming FPA publications, including *Research Spotlight* and *Practice Management Solutions* magazine.

We would like to extend our thanks to the FPA Research Group members who made this article possible. To learn more about the FPA Research Group visit [www.FPAResearch.com/advise](http://www.FPAResearch.com/advise).

Please note: This survey was conducted online with the FPA Research Group October 15–27. 322 members from a representative sample of the membership responded, providing a 5.4 percent margin of error for the FPA membership.

Reprinted from the [fpanet.org](http://www.fpanet.org) Newsbriefs. More articles can be found at <http://www.fpanet.org/AboutFPA/FPANews/>

## FPA PAC

Representing financial planners and issues affecting planner practices are primary objectives of the Financial Planning Association. To enhance our efforts, the FPA-PAC was created as the federally registered political action committee of FPA, the only registered PAC on Capitol Hill representing the interests of the financial planning profession.

By contributing to the FPA-PAC fund, you're helping support candidates for the United States Senate and House of Representatives — primarily incumbents, regardless of political party — who have demonstrated previous support of issues FPA believes critical to advancing the profession. For more information go to <http://www.fpanet.org/GovernmentRelations/FPAPAC/>

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