

## NEWSLETTER: SPRING 2009



Eric Bruck, CFP®  
President

### President's Message

Dear fellow FPA member:

"...More realistically, what if, starting now, we began a munificent period of rising stock prices over a multiyear period of, say, 11% a year? If that happened, it would take eight years to get back to the October 2007 highs. To put all this in historical perspective, the average annual return for the S&P 500 over the past 83 years, since 1926, has been 9.7%. If the market rose at that historic rate, it would take more than nine years to get back to the October 2007 highs."

Peter Tanous – Pres. & CEO of Lynx Investment Advisors LLC, Washington DC; from Op-Ed WSJ 3/30/09

The world of financial advice has endured a sea-change in recent months. As trusted advisors to our clients and caretakers of their wealth, we are probably for the first time being confronted with circumstances we have never before been compelled to face, much less explain.

The stress our clients have been dealing with is only matched (and perhaps exceeded) by that which we have been feeling ourselves. After all, we typically invest our own money alongside our clients with a similar investment policy orientation.

I have suggested at chapter meetings in recent months that we as advisors have a responsibility not only to our clients but to ourselves – to preserve their wealth as well as our own, and to *stay in business* – to live to fight another day. If nothing else positive comes out of this bear market, perhaps it will be a lesson derived from the quote by Mr. Tanous in the passage above; i.e., getting back to even from heavy losses (even with a strong v-shaped recovery) can take a very long time.

Regardless of one's belief in the efficiency of markets and an inevitable recovery awaiting us down the road, the road back to "wholeness" will be a long, slow and arduous one. If one accepts this as true, perhaps a more defensive, flexible, and economics-oriented (vs. markets-oriented) approach could provide an answer.

Even for advisors, cutting through the barrage of frenzied market reports offered daily by pundits and commentators can be a daunting challenge. To the many who rely on it exclusively, it is at best confusing and at worst, hopeful or discouraging, depending on the nature of the news and its impact on the stock market that particular day.

Take the recent announcement that Rick Wagoner, CEO of General Motors, Inc., has been asked to step down by the Obama administration. Add to that Treasury Secretary Geithner's comment yesterday on George Stephanopolous' *This Week* that "some banks are going to need some large amounts of assistance." The Dow Jones Industrial Average closed down that day 254 points.

In contrast, when the administration announced its plan to save the banks and form a private/public investment partnership to buy bad assets at "fair market" prices, the market immediately sprang to life and a bear market bull rally ensued for over three weeks. It has been sustained by another piece of news: the "mark-to-market" rules have been favorably amended.

What did these pieces of news have in common? First, they each reported actions being taken by the authorities were perceived in a particular way by investors and acted upon. They by no means reflected an outcome. But they did inspire hope. Second, and most importantly, neither story revealed anything that reliably changed the economic outlook for the financial system, which ultimately is the determining factor in a sustainable recovery and future bull market for stocks. At best, they inferred that we may be headed in the right direction on this long and arduous journey.

After all, the market is a reflection of, and driven by two things: *perception and fundamentals*. Long term, the underlying health of the economy which ultimately drives corporate earnings and profits is governed by *fundamentals*. Short term, the daily news and noise that flash trading signals to traders and motivate emotional bets by investors is driven by *perception*. *It is the news reliably supporting improving economic fundamentals that we should be listening to and studying.*

We may be ideologically committed to staying this very long and very steep course. However, how willing and able will our clients be to endure possibly even deeper losses in order to *not* miss a recovery which, as Mr. Tanous infers, may have to be even stronger to make our portfolios whole.

As investment advisors, it is our statutory duty to always caution that *past performance is not a predictor of future returns*. Why shouldn't this forbearance apply when we are considering a deep recession and bear market brought on by excesses that have severely wounded our global financial system at its core? Why should past market cycles and historical return patterns repeat themselves? Where is *that* written?

Financial advisors as a *profession* should study and think more deeply, broadly and *independently* about what has caused this crisis, and what it will realistically take to move us out of it from here. Most importantly, the profession (that's you and me) must consider the implications our conclusions may have for the well being of the public who entrusts us as caretakers of its wealth.

Sincerely,  
Eric Bruck, CFP®  
President

[Programs - Mark Your Calendar!](#)

### Calendar of Events

**Wed. April 22, 2009**  
FPA Knowledge Cafe

**Wed. May 20, 2009**  
Federal Income Tax  
Consequences of Home  
Foreclosures and  
Cancellation of Indebtedness

**Wed. June 17, 2009**  
How to Win New  
Clients With Tax-  
Qualified Retirement  
Plans

### 2009 Corporate Sponsors

#### Platinum

**Laserfiche**  
Marcel Tsai  
Financial Marketing Analyst  
3545 Long Beach Blvd.  
Long Beach, CA 90807  
(562) 988-1688 x191  
FAX (562) 424-2118  
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**Polycomp Administrative  
Services**  
Baylis R. Resnick &  
Amanda Asherson  
6400 Canoga Avenue Ste 250  
Woodland Hills CA 91367  
Phone (818) 716-0111 x107  
[bresnick@polycomp.net](mailto:bresnick@polycomp.net)

#### Gold

**Lone Oak Industries**  
Jerry Ducof  
11611 San Vicente Blvd Ste  
640  
Los Angeles, CA 90049  
(310) 826-2888  
FAX (310) 820-9145

**Schwab Institutional**  
Sean Mihal  
2029 Century Park East  
Los Angeles, CA 90067  
(310) 407-0784  
[sean.mihal@schwab.com](mailto:sean.mihal@schwab.com)

#### Silver

**AmeriCal Advanced  
Insurance Solutions**  
Artie Weitz  
1964 Westwood Blvd., Ste.  
420  
Los Angeles, CA 90024  
(310) 441-5699  
[aweitz@americalltc.com](mailto:aweitz@americalltc.com)

### 2009 Board Members

Mark Rothstein, CFP  
Chairperson

Eric Bruck, CFP®  
President

Donald Hance, MBA, EA,

We have scheduled great presentations for the months ahead. Starting with our [April 22<sup>nd</sup>](#) meeting, titled "FPA Knowledge Café". Our guest speakers are Richard Salmen, CFP, CFA, CTFA, EA, current President of FPA, and Marv Tuttle, CAE, Executive Director/CEO of FPA. The purpose is for the FPA national to better understand how to more effectively serve its members, and how we might actively collaborate with national to advance our goals along with the goals of our profession.

With home foreclosures becoming a household phrase in this economy, it is important for our clients to understand the full scope of financial consequences associated with foreclosing on a home. Our [May](#) speaker, Maria Capritto of Nordman Cormany Hair & Compton will present the legal ramifications of foreclosure we advise our clients correctly.

Our Platinum sponsor, Baylis Resnick of Polycomp Administrative Services will be our presenter in [June](#). Baylis will show us how to win new clients with creative plan design techniques that are available now under the latest government regulations. Baylis will cover the new limits for 2009, 403(b) programs under the new regulations, how to deduct 75% to 90% more under a Solo-K program, how to eliminate large numbers of otherwise eligible employees, latest Government regulations and latest court cases.

Our July speaker, Dan Allison, of Focused Advisor, will give us a humorous, no nonsense presentation on how changing the way you look at the people you serve can the painful prospecting and referral game and grow a professional, service oriented business. Reaching out to prospective and current clients through focus groups will allow you to develop unprecedented relationships with those who matter most to your business model.

## Membership Update



Lara Lamb, CFP®  
VP Membership

What an interesting time to be a part of the financial planning business! It's exciting to see new students and career changers drawn to the industry recognizing people's need, especially now, for professional financial planning advice. It's satisfying to provide a forum at FPA LA for professionals of all levels to share their ideas for how they are handling this unique environment and taking advantage of opportunities to grow. Now, more than ever, we can all use the support our group can provide. The last quarter has been a busy time for membership!

- To encourage the future growth of our chapter, over the last quarter I visited a UCLA financial planning class and a UCLA financial planning information session to let students know about the benefits of membership. I always enjoy seeing the interest and passion that new student planners bring to the industry!
- To let guests know about the benefits of joining the FPA, I've been following up with them directly to answer their questions about our group and to also see where I can make connections that can help them take the next step in their growth in the business. We have a wealth of knowledge in the membership of our group and it's satisfying to be able to connect two individuals to help each other.
- Together with Rich Burnes we are taking the first steps to start a Student FPA Chapter that will provide content-specific programs for students and new planners. The new chapter will provide even more benefits for our student members.

We have a lot more planned over the next year to get the word out about why becoming a member of our chapter can benefit each planner professionally. If you know of someone that could use the knowledge and support that our group offers, please invite them to guest or you can have them contact me at [llamb@gfcinc.net](mailto:llamb@gfcinc.net) to answer any questions that they may have.

## Pro-Bono Update



Mark Rothstein,  
CFP®  
Chairman and  
Pro Bono Chair

Did you know that Junior Achievement is the world's largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs? Well it is. Indeed, JA's purpose is to inspire and prepare young people succeed in a global economy. This is the 90th year Junior Achievement has, through its dedicated volunteers, provided that "inspiration"

I am pleased to report that our Chapter's relationship with Junior Achievement has never been stronger. This past year we had the most volunteers from FPA representing Junior Achievement in the classrooms then we have had in recent memory. It makes sense. After all, who best to provide the right guidance to the young people in the Los Angeles community than financial planners?

As chair of the Pro Bono Committee, I want to give a big "Thank You" to everyone who took the time this past school year to help make a difference for hundreds of middle and high school students in Los Angeles. Volunteering your expertise, especially in these turbulent economic times, was a wonderful gift.

I am looking forward to beginning another successful school year in partnership with JA in a few months. If you would be interested in learning more about becoming a Junior Achievement volunteer, please contact me at: [mrothstein@tristaretg.com](mailto:mrothstein@tristaretg.com).

## 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*.

April-May changes in the Mortgage industry that will affect your clients. There is yet another wave of change rolling through the mortgage industry in April and May that is likely to affect your clients seeking residential loans. The

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Marcus Ranger  
VP - Public Relations/Media

Richard Burnes  
Director at Large

Philip Cook, CFP®  
Director at Large

Greg Fong, CFP®  
Director at Large

Marv Kaye, JD, CFP®  
Advisor

## Committee Members

Amanda Asherson  
Jeffrey Goodrich  
Melanie Jocson

Becky Rhodes, CFP® first, the FASB Mark-to-Market ruling should bring some relief to both equity markets, and borrowers. The other two changes, the new Form 1004MC, and the new third party Appraisal Management Company (AMC), will likely introduce disruption, as the industry absorbs the new practice requirements.

#### Mark-to-Market

“On April 2, 2009, the Financial Accounting Standards Board (FASB) voted to relax the Mark-to-Market rule. This ruling will allow financial companies to use alternate models, such as cash flow analysis, for balance sheet valuations. This enormous change will significantly reduce the involuntary write downs banks have been compelled book on investments in mortgage-backed securities. This change to the Mark to Market rule is effective for the second quarter, but may be applied to first quarter earnings. Rumors are swirling that this change will boost earnings of banks by 20% or more in the first quarter.”<sup>1</sup>

The Mark-to-Market Rule has compelled banks to continuously discount assets on their books, and thus continuously engage in “fire sales”, that is, selling into a bad or worsening market to meet capitalization requirements. Last year the press avidly played up the mortgage assets as “toxic assets.” This is a cheap label for many assets that are more correctly labeled as of “indeterminate value.” It has been simpler for federal authorities to mandate “transparency” and oversee these asset bundles sold at fire sale auctions, rather than invest in more complex valuation methods predicated on interest rate forecasts, reset and payment “decay” assumptions. And of course, what possible interest rate assumptions could have been made during the most recent period of federal intervention? However, the April 2 FASB ruling will provide an alternative to selling into a downward price spiral to restore capitalization ratios.

“Back on March 11th, Barry Habib, President of Mortgage Market Guide, called the bottom of the Stock market when the Dow was at 6552. He says, ‘a few things made us feel the Bottom was in place - one, the front page of the Wall Street Journal said ‘Dow 5,000?’ - but the other big factor was the upcoming Congressional hearing on Mark to Market on March 12th - the very next day’. Since March 11th, equities, as evidenced by the Dow, have risen 23%!”<sup>1</sup> As this change works its way through the banks’ balance sheets during 2009, you can expect bank’s willingness to lend (translate: guidelines) to improve. The FASB ruling should go a long way to restoring order and predictability to the banking universe, as the pressure selling decreases.

#### Declining Markets effect on Comparables

Just as the Mark-to-Market rule has assisted in driving down bank stocks on the stock exchanges, a different, analogous rule has worked to drive down valuations in your local, California neighborhoods. In the fall of 2007 Fannie Mae instituted the “Declining Markets” rule. This ruling decreed that in those areas “experiencing declining values,” (defined by Fannie Mae) maximum loan amounts would be curtailed by 5%. So, whereas previously there had been loans possible for 5% or 10% down, overnight borrowers were required to have 10% or 15% down payments (and 30% or 35% for non-owner occupied/investment properties). While this rule may have seemed prudent to a bureaucrat in D.C., it had exactly the same effect on home values as the Mark-to-Market rule had on bank equities: it ENSURED a decline by constricting financing and withdrawing liquidity. My gym rat friend aptly paraphrased the Declining Markets Rule into: “all you people with sprained ankles—now you have to run 5% farther before you can finish the race.”

The Declining Markets rule applied continuous downward pressure on home valuations, as financing barriers increased in those areas Fannie Mae defined as Declining (all of California at one point). In this environment, residential appraisers have struggled to find “Comparables,” the basis of the appraisal necessary to support a new loan. The massive supply of foreclosures, banks dumping vacant homes, have flooded the market with ever-worsening comparables. The dismal economy has produced an additional source of low comparables: the short-sale. These forces have held down valuations, and therefore the ability of owners to refinance to meet liquidity needs or enjoy the low interest rate environment.

#### Appraisal Reform: new Form 1004MC

As of April 1, 2009, as part of mortgage reform legislation, a new report, Form 1004MC, will be required for all mortgage loans delivered to Fannie Mae. Appraisers must now assemble and master a greatly expanded set of information to complete a new Form 1004MC. There is an inventory analysis section, which reviews supply and demand factors to reach conclusions regarding housing trends and market conditions. There is a new line item, the “Absorption Rate,” the rate at which properties for sale have been or can be sold (marketed) within a given area. The appraiser must now comment on the prevalence of seller concessions and the trend in seller concessions for the past 12 months, as well as foreclosures, if they are a factor in the market. (Foreclosures have been composing in excess of 40% of the recent Southland market).

#### Appraisal Reform: new third party entity to loan process

Additionally, as part of the previous mortgage reform legislation, starting May 1, Originators are mandated to order appraisals from “Appraisal Management Companies,” (AMCs) rather than contacting appraisers directly. In addition to national AMCs, direct lenders (banks) have been establishing their own separate AMCs for the use of their on-staff originators. This newly-inserted third party, the AMC, is intended to protect the appraiser from coercion or manipulation by the loan originator, and ensure the integrity of the appraisal. Appraisers have been rushing to register with these AMCs, and take training in the new Form 1004MC. Underwriters as well will need to learn how to use and interpret the new form.

#### Advising your clients

As you can infer, the new Form1004MC, and the new third-party entity, the “Appraisal Management Company” are huge changes for residential appraisal delivery. These two regulatory requirements will most likely extend loan escrow times, as the mortgage industry absorbs yet another wave of change. If you know that your clients are seeking a refinance, it is important to know that the loan procedure will likely extend quite a bit beyond “normal” processing times, as these two new requirements are integrated into the mortgage industry. Clients should begin their finance search much sooner than in previous periods, if they have a liquidity need this spring and summer.

By Becky Rhodes, MBA, CMPS

<sup>1</sup>Paragraphs on Mark-to-Mark in quotations are directly paraphrased from Barry Habib’s April 2 Mortgage Market Guide.

## UCLA Extension / FPA-LA Student Chapter



Richard Burnes  
Director at Large

Plans are underway for launching an FPA-LA / UCLA Extension Student Chapter based on criteria and standards provided by FPA National. A few of the benefits for the student chapter include:

- Grow membership in the FPA-LA Chapter.
- Expand ties with UCLA Extension PFP Programs and their students.
- Engage student members with FPA-LA, informing students about chapter resources available to them and available professions in the financial planning industry.
- Leadership development – leaders of student chapter can develop into leaders of FPA-LA and the profession.

Board Members Lara Lamb and Rich Burnes, Program Director at UCLA Extension, are heading up this committee and plan to present final recommendations to the Board in May. Anyone wishing to contribute ideas and helping develop the student chapter are welcome to email thoughts and suggestions to either of them at [rburnes@uclaextension.edu](mailto:rburnes@uclaextension.edu) or [llamb@gfcinc.net](mailto:llamb@gfcinc.net)

## Bridging the Gap



Lara Lamb, CFP®  
VP Membership

What does “Bridging the Gap” mean to you? To me, it meant making the decision to go from a casual FPA LA meeting attendee just gathering my continuing education credits, to getting involved on a committee in order to bring my ideas to the chapter leadership, to becoming the Director of Membership this year. I’ve been attending meetings for years and I felt there was more we could do as a chapter to encourage involvement of our members and to bring more benefits to the members at every level. I think any professional group needs new people to encourage involvement to keep up with the changing world around us. Bridging the Gap is our opportunity to let you know about areas where you can get involved in our chapter to allow us to continue to grow and thrive.

We schedule a Bridging the Gap meeting once a year to meet with interested members to share committee involvement opportunities, which include Programs, Communications, Public Relations, Pro Bono, Membership and more. Depending on your availability and interests, there are areas that need assistance on a one-time project basis or on an ongoing-basis. If you would like to explore ways to get involved, this is the place to start. Watch your email notifications to see when our next Bridging the Gap meeting is scheduled, but you don’t need to wait if you have an interest now. Just email me at [llamb@gfcinc.net](mailto:llamb@gfcinc.net) if you’d like to talk about how to get involved today.

## Spotlight on New Board Member - D. Marcus Ranger, FPA-LA VP Public Relations/Media



Marcus Ranger  
VP PR/Media

D. Marcus Ranger II is a Field Vice President for Ameriprise Financial leading the West Los Angeles firm.

Marcus previously served as a Captain in the United States Air Force where he acted in the capacity of a financial contract negotiator for the Space and Missiles Systems Center. There he managed multiple innovative financial contracts for the Air Force in excess of \$100 million. Marcus received his Bachelors of Science in Business Management from the United States Air Force Academy. He also earned his MBA, with a double emphasis in Entrepreneurship and Finance, from the Hilton School of Business at Loyola Marymount University where he completed studies in International Business and was the recipient of the Madame C. J. Walker Business and Entrepreneurship Award. In addition, Marcus is registered with the National Association of Securities Dealers; he has a state insurance and securities license, is registered as an Investment Advisor Representative in the state of California and holds a Chartered Retirement Planning Counselor designation.

After partnering with American Express Financial Advisors in 2002, now Ameriprise Financial, Marcus launched a financial planning practice in West Los Angeles and was awarded numerous national and regional awards in his first year. In September of 2004 Marcus took over a district management position with Ameriprise Financial. Within one year of taking over this position Marcus lead his district of financial advisors from a ranking of 218 out of 280 districts in the country to the #4 spot nationally (#1

district manager in the Western Region). In August of 2006, Marcus took over as Field Vice President in Long Beach and in 2008 came back to Los Angeles to run the West Los Angeles office for Ameriprise.

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### Spotlight on New Board Member - Richard Burnes, FPA-LA Director at Large



Richard Burnes  
*Director at Large*

Richard Burnes is Program Director, Department of Business & Management at UCLA EXTENSION where he has worked since 1998.

Rich has over 20 years of broad-based business experience in both private industry and continuing education, including manager and director level positions with responsibilities covering general management and administration, marketing planning and strategy, new product development, and financial analysis and control.

Rich holds an MBA in Finance from Syracuse University and a BA in Accounting from the University of Richmond.

Rich is an avid sports enthusiast which includes active participation in tennis, golf, and running. He was a professional tennis instructor from 1980 through 1984; certified through the United States Tennis Professional Registry (USTPR), and head coach for daughter's soccer team; certified through the American Youth Soccer Organization (AYSO).

Rich has joined our board this year as Director at Large, and is spearheading the establishment of a student chapter.

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### 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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