

Click on the article title to read it.

Investment Planning	1
Advisers Regaining Investing Confidence	
By Carly Schulaka	
The Emerging Trend of Tactical Asset Allocation	3
by Michael E. Kitces, CFP®, CLU, ChFC, and Kenneth R. Solow, CFP®, CLU, ChFC	
Retirement Planning	5
Creating Safe, Aggressive Retirement Income Profiles (Executive Summary)	
by William J. Klingner	
Behavioral Finance	5
Where Consumers Turn for Financial Advice, and Why	
by Christina Nelson	
Professional Issues	8
Consumers Still Unsure About What Financial Planners Do	
by Sheila McClune	
Understanding, Forgiving, and Moving On	10
by Ross Levin, CFP®	
Practice Management	12
Build Confidence, Establish Rapport, Ask for the Business	
by Suzanne Muusers	
Building Your Transition Policy Statement	13
by Sam Hull, CFP®, ACC	
Planners Like Blend of Traditional and Unconventional Marketing	16
by Lance Ritchlin	



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Investment Planning :

Advisers Regaining Investing Confidence

by Carly Schulaka

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After seeing a shift in core investing philosophies from 2008 to 2009, when clients and advisers were reeling from the market crash of October 2008, it appears advisers are regaining confidence in their investment decisions.

According to FPA's 2010 *Trends in Investing* survey—the third year such research has been conducted—advisers seem confident with the investment vehicles they currently use and recommend, namely mutual funds, cash and equivalents, exchange-traded funds, variable annuities, and REITs—all of which are being used by most planners, and that level of use has remained relatively unchanged from 2009.

Advisers are also more confident in their current asset allocation strategy than they were last year, with 60 percent of 2010 survey respondents saying they recently (within the last three months) re-evaluated, or are currently re-evaluating, the asset allocation strategy they typically recommend. And the majority of them consistently re-evaluate. In comparison, nearly 75 percent of advisers were re-evaluating asset allocations in 2009. Likewise, advisers are more confident in their current retirement withdrawal strategy than they were last year, when almost 50 percent of advisers were reconsidering the withdrawal strategy they typically recommend. This year, just 39 percent are reconsidering their current withdrawal strategy.

These findings seem to indicate that advisers are comfortable with the changes they made in their investing philosophies from 2008 to 2009. Even as the economy is showing some signs of recovery, they are not reverting back to pre-October 2008 ways, but maintaining the changes made post market crash. Those changes include a move toward more risk-adjusted returns with a stronger emphasis on stability, simplicity, diversity, and alternatives to long-only strategies.

Trends in Investing survey results going back to 2008 show how ETFs and alternative investments, in particular, are continuing to meet these new investment needs and are gaining ground in more portfolios.

ETFs Maintain Their Appeal

Nearly 73 percent of survey respondents (excluding those who do not offer investment recommendations or manage portfolios) use or recommend ETFs, compared to 72 percent in 2009, and 44 percent in 2008.

Although the majority of advisers say they are using ETFs, those who use them are not necessarily allocating any more of their clients' portfolios to these products than in years past. The percentage of assets under management in ETFs remained pretty steady from 2008 to 2010, with an average of 14 percent of AUM held in ETFs in 2010, compared to 12 percent in 2009 and 16 percent in 2008.

“While many are predicting that ETF use will rival that of mutual funds in the next few years, that would require a rather significant shift in adviser



use,” says Rebecca King, manager of the FPA Research Center. “Advisers are using ETFs more selectively than they use mutual funds. Our research suggests that more advisers will start using or recommending ETFs, but that the actual amount of assets advisers dedicate will not increase to the level of mutual funds in the next few years.”

Jim Vitalie, president of James Alpha Management, a seeding and distribution company focused on alternative investments, says two things are keeping ETFs from gaining significant market share from mutual funds. First, they need to further penetrate the qualified plan market, and actively managed ETFs need to be fine-tuned.

Ed McRedmond, senior vice president of institutional and portfolio strategies at Invesco PowerShares, which offers more than 100 ETFs, says a shift in business model for many advisers is helping maintain ETFs’ popularity.

“More and more advisers are moving their business to a fee-based advisory model as opposed to transactional business, buying individual stocks and bonds, and that trend started a while ago, but it’s continuing to drive ETF popularity,” he says.

Where Are ETFs Headed?

With three quarters of advisers already using ETFs and 32 percent of those not already using them planning to do so in the next 12 months, many advisers are wondering what’s next in product development and innovation.

William H. Belden, managing director at Claymore Securities Inc., which got into the ETF space in 2006 and now has 32 ETF products, says there is an industry-wide push to perfect actively managed ETFs. “Current active strategies are not really active with a couple of exceptions,” says Belden. “I really view active as the mountain to climb as it relates to active, fundamental delivery of securities. There will be truly active strategies in this space, and I think there is a meaningful amount of market share to capture. This is not the death of mutual funds, but I do think there is a market share to capture, and we’re capturing some already, and once that nut is cracked it will just accelerate.”

Belden also says there is still a huge opportunity for ETFs in the fixed income space. The trading market for fixed income is far less evolved than it is for equities, he says, and much of the limitation around fixed income products is the means by which bonds are bought and sold.

“As that market continues to evolve—and I’d like to think that the ETF market will push that evolution along—you’ll see more fixed income strategies come and grow in a material way,” he says. Although Belden expects commodity-linked ETF products to continue to evolve, one caveat to that growth is the current regulatory environment. In

March, the Securities and Exchange Commission announced it would conduct a review of derivative-based ETFs, including derivative-based commodity ETFs. As a result, new ETF products tied to commodities wait in development as the SEC completes its review and decides what, if any, additional regulations are required for derivative-based funds under the Investment Company Act of 1940.

Overall, Belden predicts increased competition in the ETF space, and that can be good for advisers and their clients.

“For the past several years, the ETF business has been a two-horse race between State Street and iShares,” says Belden. “I think in three to five years there will be a notable difference in the lineup, if not in terms of ranking, at least in terms of market share.”

Alternative Investments Gain Ground

The *Trends in Investing* survey broadly defines “alternative investments” as international/global real estate funds, futures, commodities, currencies, and structured products. Over the last three years, a consistent amount of advisers have indicated that they plan to increase their recommendation and use of alternative investments. In 2008, 47 percent said they planned to increase their use of alternatives. This percentage slid slightly to 42 percent in 2009, but rebounded in 2010 with 50 percent saying they will increase their use of alternative investments in the next 12 months.

“The rapid increase in alternative investments use among advisers was launched by the October 2008 crash, and the two most popular alternative investments currently are commodities and international/global real estate funds,” says FPA’s King. “This suggests that advisers are using alternatives as a tool to diversify, combat the effects of the down economy, and protect their clients from further loss due to turbulence in the markets or inflation. It also suggests that advisers believe we still have a long way down the road to a full economic recovery.”

Vitalie of James Alpha Management says alternatives are a more sophisticated and proven way of enhancing returns and lowering risk in portfolios. He believes the trend we’re seeing toward increased use will only accelerate as the support mechanism for alternative investments gets more efficient, including education, information availability, and mutual funds with alternative strategies.

“Advisers today need to distinguish themselves,” says Vitalie. “Being able to adopt a more sophisticated portfolio theory and investment process to their practice incorporating alternative strategies and using alternative investment vehicles will help separate them from others; they will also be able to reach a more affluent client base.”



More Trends in Investing Coverage Exclusively Online

Read “3 Things You Don’t Know About ETFs,” “Why Mutual Funds Remain the Old Standby,” and “Risk Management Planning for the New Normal” exclusively online at www.FPAjournal.org/CurrentIssue/Supplements.

The Emerging Trend of Tactical Asset Allocation

by Michael E. Kitces, CFP®, CLU, ChFC, and Kenneth R. Solow, CFP®, CLU, ChFC

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Markowitz’s Modern Portfolio Theory (MPT) and Sharpe’s Capital Asset Pricing Model (CAPM) are taught to virtually all financial planners, financial analysts, and MBAs as the fundamental methodology for portfolio construction. While these theories have provided important groundwork for the growth of the money management industry, many academics today have recognized that the mathematical and economic assumptions in these models are questionable; they do not clearly meet the test of “real world” observations about market or investor behavior. This leads to the next natural question of whether better investment approaches can be utilized based on advances in economic and markets theory, behavioral finance, and newer, more complex approaches to mathematically measuring risk.

Rational Expectations Equilibrium Theory

Interestingly enough, both MPT and CAPM are based on an economic pricing model called the Rational Expectations Equilibrium Theory. Two of the main assumptions underlying this model are that economic agents (anyone who is part of the economy) have perfect economic foresight—they can predict changing trends in the economy, and can perfectly foretell what future prices will be as a result of those changes—and that the only changes that affect the economy come from “outside” the economic system. Fires, floods, famine, or news—called exogenous events by academics—can be considered outside

changes to the economy that will affect prices.

The theory further says that even in the face of such unpredictable events, investors can still perfectly adjust their evaluation of how prices will change as a result of these events. The behavior of investors themselves is presumed to have no effect on price changes, a somewhat disturbing assumption in light of the many investment bubbles that we have experienced over the past decade.

Finally, the economy is assumed to be stationary, which means that events like global warming, the aging of the baby boomers, and the fall of the Berlin Wall and the end of the Cold War are presumed to have no effect on the economy.

In a world where Rational Expectations Equilibrium Theory is true, and markets are therefore perfectly efficient, one may reasonably assume that the best way to “forecast” the future is simply to assume that it will continue to produce its stationary-derived economic results; in other words, that long-term historical averages can be an accurate forecast of future investment returns. This assumption in turn leads investors to believe that there is only one fixed asset allocation that is most efficient for their given level of risk and return (or alternatively, that there is only one efficient frontier that can be derived, based solely on those long-term historical returns).

Perfect Economic Foresight?

Unfortunately, though, time and again investors have proven that they do not have perfect economic foresight or the ability to perfectly identify future prices based on changing economic trends. In fact, anyone who remembers the late 1990s will recall how large numbers of investors gladly participated in a mania of buying technology stocks. They were so convinced that the world was on the cusp of a new economic order that they were willing to pay any price for these stocks and rationalize the purchase in ways that, in retrospect, seem almost silly, but at the time seemed appropriate. In other words, investors don’t seem to really know what future prices will be (that is, they do not have perfect economic foresight), and instead appear to routinely make mistakes about future pricing.

In addition, the economy does not truly appear to exhibit stationarity. Events such as global warming, changing age demographics, and structural shifts in the economy do happen. Further, market volatility does not appear to be solely a function of external news events. As the repeated bubbles and manias of the past decade have made clear, there is another type of risk out there—endogenous risk, or the potential for markets to move based not on external news events, but because of the behavior of the market participants themselves (for example, moving as a herd and creating irrational bubbles). Investor perceptions about information technology, the age-wave, global warming, the emergence of global markets, biotechnology, and many other ongoing change agents will have a major effect on the



economy and on the future behavior of financial markets as investors try, imperfectly, to predict future prices and invest accordingly. This inherently creates the opportunity for some investors to be more accurate and make fewer mistakes than others in their predictions, thereby earning greater investment returns as the rest of the market participants adjusts their own not-quite-correct predictions in the face of subsequent actual events.

Tactical Asset Allocation

In a world that doesn't change, traditional portfolio construction will serve investors just fine. Because investors are presumed to be rational and have perfect economic foresight, and because there is no change believed to occur in the economic system, investors can safely assume that past returns will be repeated in the future. In this world, asset class returns, volatility, and the correlation of returns for all asset classes can be modeled using traditional techniques, and the investment adviser's role is simply to provide a fixed diversified portfolio that lies somewhere along the single fixed efficient frontier. Once this set of assumptions about the perfect efficiency of the market is rejected, however, the world of portfolio construction shifts to one that is tactical. Instead of assuming that the future can best be forecast with long-term historical averages, the future must instead be forecast more dynamically, and the investor must tactically change the portfolio asset allocation in response. As soon as you allow for the possibility that the data can change, the possibility exists for multiple efficient frontiers—it just depends on which forecast is used.

Furthermore, if the future is presumed to be uncertain, then investors may believe that different efficient frontiers are truly optimal; in practice, we won't know which was really best until after the fact, when we see what uncertain investment results actually occur. Those who can forecast better than others and make fewer mistakes in tactically investing that forecast will find their efficient frontiers and asset allocation recommendations to be more effective than those of others.

Be Flexible; Make Incremental Changes

At its core, the fundamental principle of tactical asset allocation is to be flexible and prepared to make changes in the portfolio construction based on the changing realities and the investor's perceptions of the financial markets. Such changes do not need to be drastic; instead, they are more likely to be incremental in nature, reflecting the incremental addition of new information and updated forecasts about the future. These incremental changes allow the investor to gradually change the risk-reward characteristics of the portfolio over time, through a full economic and market cycle, over a shorter- to intermediate-term (i.e., tactical) time horizon.

In practice, recent survey data appear to suggest that many planners have already rejected the idea that

markets are efficient, and have started down the road of tactical asset allocation in some manner or another.

As a relatively new approach for overall portfolio management, there is still much to learn about how to evaluate economic and market cycles, how to make forecasts, and how to tactically invest those forecasts. Those who adapt and learn more quickly have the potential to achieve better results for their clients than those who do not. Alternatively, for those who do not wish to learn the art of tactical asset allocation for themselves, a decision to outsource the investment management process may be preferable. Nonetheless, the trend toward tactical asset allocation—whether by an internal or outsourced approach—is already under way.

Defining Tactical Asset Allocation

Tactical asset allocation: An active management strategy of re-balancing the percentage of assets held in various categories in a portfolio to take advantage of market pricing anomalies or strong market sectors.

I agree with this definition of tactical asset allocation 76%

I disagree with this definition of tactical asset allocation 17%

Don't know/not applicable 7%

Source: FPA's 2010 *Trends in Investing* survey

Most Advisers Using Tactical Asset Allocation

Do you use tactical asset allocation in managing your clients' portfolios?

Yes 45%

No 30%

Sometimes 25%

Source: FPA's 2010 *Trends in Investing* survey

Active vs. Passive

In general, which type of management do you think provides the best overall investment performance taking into account costs associated with each management style?

Active 65%

Passive 35%

Source: FPA's 2010 *Trends in Investing* survey



Retirement Planning

Creating Safe, Aggressive Retirement Income Profiles

by William J. Klinger

William J. Klinger, founder of B-K-Ind LLC, is a professor at Raritan Valley Community College. He holds an MBA in finance from the University of Chicago and has an MS in computer science from the University of Wisconsin—Madison.

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Executive Summary

- Past research on retirement income has concentrated on defining real income profiles that are flat or increasing over time. This paper defines safe profiles in which real income decreases with age, called aggressive profiles. Such profiles may appeal to retirees desiring to spend earlier in retirement rather than later.
- Two types of aggressive profiles are defined, smooth and step. In smooth profiles, real retirement income decreases a constant amount each year. Step profiles maintain a constant real income level for five-year periods before decreasing.
- Monte Carlo simulations are used to test 30-year profiles and identify those that have 99 percent, 95 percent, and 90 percent success rates.
- Analysis of the simulations that result in failure identifies the low portfolio returns and high withdrawal rates that can provide early warnings of potential future problems.
- The aggressive profile definitions are extended by setting maximum and minimum annual real income levels that serve as guardrails for annual income.
- Three common-sense rules based on previous research are used to adjust a retiree's annual real income each year in retirement in response to economic conditions. The Negative Return and Capital Preservation Rules can help rescue troubled portfolios by dictating cuts in withdrawals when conditions warrant. Either rule can be combined with the Prosperity Rule, which increases income in good economic times. Adjustments in income from these rules are kept within the guardrails of the profile.
- Safe aggressive profiles providing real income reductions of 10 percent and 20 percent over the retirement period can be created and provide more total income than simple flat income profiles without incurring additional risk.

For full text go to www.fpajournal.org

Behavioral Finance

Where Consumers Turn for Financial Advice, and Why

by Christina Nelson

Christina Nelson is the associate editor for the Financial Planning Association. Reprinted with permission by the Financial Planning Association Research Spotlight, June 2010.

Key Findings

- Consumers turn to friends, family, and colleagues more than any other source for financial advice. The next largest source (aside from a large group of consumers who don't seek any financial advice) is the Internet.
- Investors ages 18 to 44 are more likely to use the Internet for financial guidance than older investors. Reliance on family, friends, and colleagues for financial advice also decreases with age, while use of a professional financial planner increases with age.
- More consumers agree than disagree that everyone can benefit from financial planning, even those considered financially savvy.

Although the majority of consumers feel confident in their financial futures, most of them feel less confident today than they did five years ago. So where do they turn and who do they trust for sound financial advice in such a complex market environment? According to FPA, commissioned research of more than 1,000 adults nationwide, most people look to friends, family, and colleagues for financial advice (38.0 percent). Next on this list, about one-third report not seeking out financial advice at all. And the third most popular source is the Internet, at 28.7 percent. A bar graph detailing the full list of options, including financial professionals such as planners and CPAs, can be seen in Exhibit 1.

The 2009 Consumer Attitudes and Perceptions About Financial Planning survey finds that of those who seek financial advice or financial planning information online, more than half do so via search engines such as Google and Yahoo. Half of consumers report using financial news Web sites, while a little over one-third use national news Web sites such as CNN. Corporate Web sites and general information Web sites (such as Wikipedia) rounded out the top five sources.

When responses for those using the Internet is broken down by age, a clear demographic schism is apparent. While about one-third of investors ages 18 to 44 use the Internet for financial guidance, about a quarter of those 45 to 64 do, and only 15.5 percent of those 65 and older do. Reliance on family, friends, and colleagues for financial advice also decreases



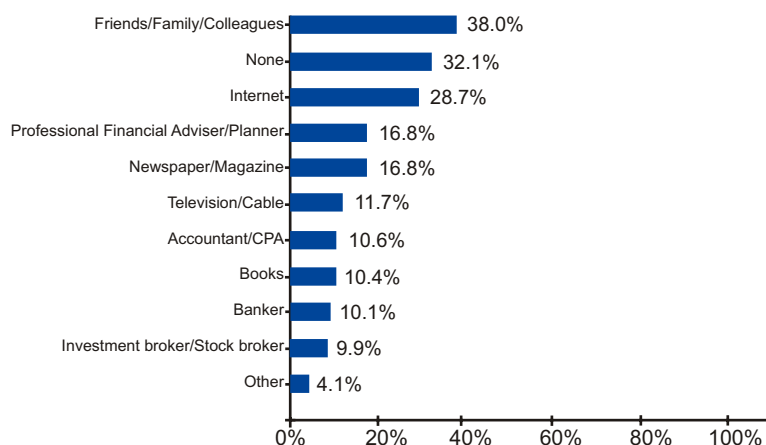
with age, while use of a professional financial planner increases with age. Obviously, the older people get, the more complex their financial lives tend to become, and therefore the more value older consumers ascribe to personalized assistance from a professional.

Another clear demographic difference is seen when comparing income levels with use of a financial adviser. As income rises, the research finds a general trend of increased consumer use of financial planning professionals, from around one-fifth of those making \$50,000–\$100,000 to 35 percent of those making \$100,000–\$150,000. But the overall consumer popularity for turning to family and the Internet instead of a financial adviser is apparent, and can be partially explained in the responses to general statements participants were asked to agree or disagree with (or report no opinion of). About half of survey takers agree with the statement, “Hiring a financial planner only makes sense if they can help you get a higher rate of return on your investments than you can get on your own,” with about two-thirds of consumers over the age of 65 agreeing with this sentiment.

Knowing that a consumer evaluates the value of financial planning based on the rate of return may help explain their reliance on the Internet. A lot of “advice” is available online for free, whereas professional financial planning usually comes with a cost attached. For consumers who think planning is all about increasing the value of their investments, no-cost advice is naturally more compelling. In addition 40 percent of the total survey population agree that “most financial planners are just sales people who want you to buy things so they get paid.” The largest demographic group by age who agree that financial planners are really just salespeople are those between 45 and 64, in which about half of respondents agree. Friends, family and colleagues aren’t getting paid for their opinion, so they may be viewed as a more trustworthy source.

As a financial planner you are likely to encounter prospective clients who may, even unconsciously, hold these views and therefore perceive resources like the Internet and friends, family, or colleagues as better sources of financial advice. Be ready to present

Exhibit 1: What sources do you commonly turn to for financial advice?



a value proposition that demonstrates how your services are far superior to the Internet or family advice. Even if the prospect doesn’t specifically mention those sources as an alternative to your services, chances are that thought is in the back of their mind.

Also, in appreciating the growing prospect base turning to the Internet for financial guidance, planners who haven’t already done so might want to consider exploring the expansive new world of social media. FPA has been delving into the emergent opportunities on the Web and sharing that knowledge with our members and readers.

Check out the Key Takeaways box for a list of FPA resources dedicated to helping you become more social-media savvy.

Key Takeaways

Your marketing should make it clear why the holistic, professional nature of your services is preferable to the financial guidance prospective clients can get from their friends, family, and colleagues.

- The Internet is a popular source of financial planning guidance, especially to younger prospects and investors. Financial planners would do well to keep this audience in mind when developing their firm’s online presence.
- Learning more about the vast new opportunities for client communication and prospect contacting through social media could benefit your business-building efforts.
- FPA resources related to social media:

– Practice Management Center (www.FPAPracticeManagement.org): Social media resources, including articles and a webinar, are offered under the marketing and technology tabs. The “Ask the Expert” archive also chronicles member questions and answers regarding Internet opportunities (www.FPAnet.org/PracticeManagement/AsktheExpert/AnswerArchive/).

– Practice Management Center Blog: Posts include making your Web site Google-friendly, compliance aspects of social media, and other timely topics.

– Virtual Learning Center webinars, found in the FPA Store (www.ShopFPA.org):

? *Using the Web 2.0 and Social Media to Build relationships*, Marie Swift et al.

? *Using LinkedIn to Attract New Clients*, John Comer

? *Social Media Is About Socializing*, Harry Gold



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—Gaurav Mashruwala, Mumbai, India



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—Maurizio Capra, Brescia, Italy



Professional Issues

Consumers Still Unsure About What Financial Planners Do

by Sheila McClune

Sheila McClune is the data analyst for the Financial Planning Association. Reprinted with permission by the Financial Planning Association Research Spotlight, June 2010.

KEY FINDINGS

- Younger people, people with lower incomes/investable assets, and single people are less likely to describe financial planning as an "overall plan to cover finances for all things—present and future."
- Two in five people who do not currently have a relationship with a financial planning professional often don't turn to any source for financial advice. Nearly as many people, even those with a financial planner, would prefer to turn to family, friends, and colleagues for advice.
- Most people seem to be unfamiliar with the various financial planning designations. Only CPA was seen as "favorable" or "very favorable" by more than half of respondents.

"What can a financial planner do for me that I can't do for myself?" Providers of financial planning services should consider addressing this question in their marketing materials. A recent survey commissioned by the Financial Planning Association asked current and potential consumers of financial planning services various questions regarding their perceptions of financial planners and the planning industry. Their answers show that there is still a lot of confusion

regarding what planners do, and whether their services are valuable.

Consumer Understanding of Planning and Planners

For example, one question asked respondents to describe what they thought of as financial planning. One in eight answered, "Don't know/not sure"; however, as shown in Exhibit 1, in the younger age (18–24) and income (less than \$15,000/year) brackets, this number jumps to one in four, and for singles, it is around one in five. Even among those who currently work with a financial professional, more than one-third believed that the services provided related only to investments or retirement planning.

Not all the news is bad, though. While it is true that younger people, people with lower incomes/investable assets, and single people are less likely to describe financial planning as an "overall plan to cover finances for all things—present and future," more than two in five people over age 35 selected that as their preferred description of financial planning. Divorced individuals and those with higher levels of income and investable assets were also more likely to apply this description. However, in no case did more than half of any group select this definition of financial planning.

Almost one in ten respondents described financial planning as "budget or cash flow management." However, women are almost twice as likely as men to apply that definition, and single people are three times as likely as either people who are married/in a long-term relationship or people who are divorced/widowed.

Respondents were also asked to rate their level of agreement with various statements regarding the financial planning industry. These statements are:

Exhibit 1: How Select Consumer Groups Define "Financial Planning"

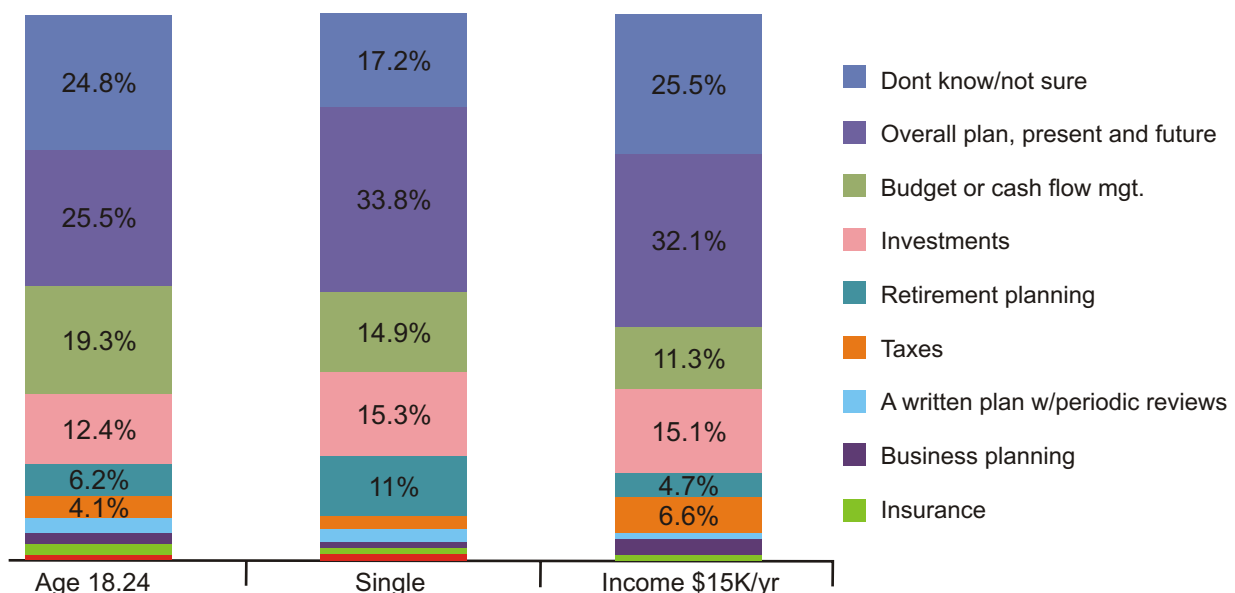
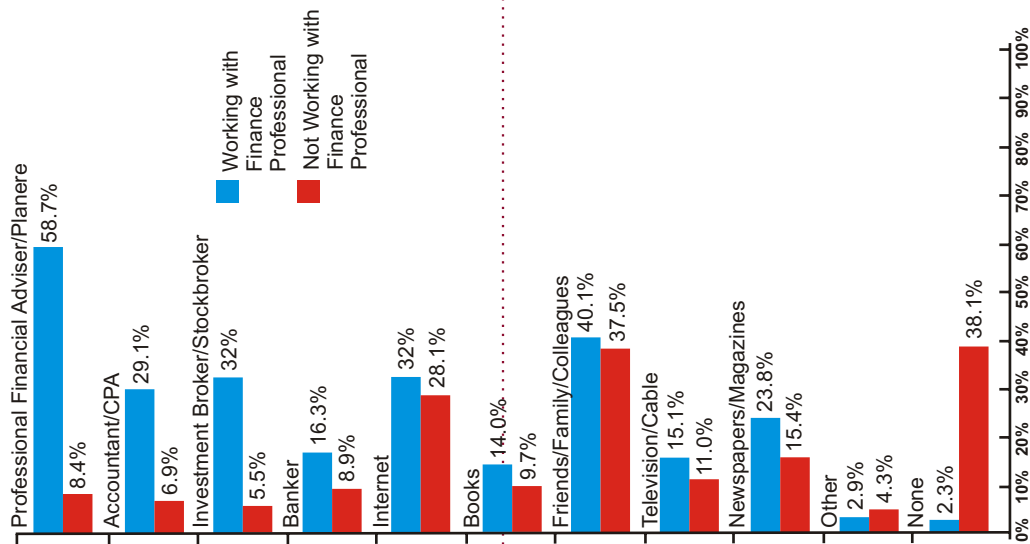


Exhibit 2: Where Consumers Turn For Advice



- Financial planning, investment advice, and investment management are all basically the same thing.
- Everyone can benefit from professional financial planning.
- Hiring a financial planner only makes sense if they can help you get a higher rate of return on your investments than you can get on your own.
- Financially savvy individuals don't benefit from professional financial planning.
- People should save money by doing their own financial planning instead of paying someone to do it for them.
- Most financial planners are just sales people who want you to buy things so they get paid.

Interestingly, between 35 percent and 45 percent of respondents answered "neither agree nor disagree" to all six questions. However, these numbers were significantly lower for those who are current financial planning clients. In general, this group was more likely to give answers indicating at least a basic knowledge of the financial planning process. For instance, more than three out of four agreed with the statement, "Everyone can benefit from professional financial planning," and almost half disagreed that people should save money by doing their own financial planning.

For those who are not currently working with a financial planning professional, the answers show just the opposite. Nearly half of this group either agreed or strongly agreed that hiring a financial planner only

makes sense if the planner can help you get a higher rate of return. Individuals over age 45 were even more likely to agree with this assessment, and men were more likely to agree than women.

At the same time, those not working with a planner were also more likely to believe that financial planners are just sales people who want you to buy something, and that people should save money by doing their own financial planning.

Another question asked respondents where they turn for financial advice, and the detailed results can be seen in Exhibit 2. Three out of five of those who work with a financial planner said they turned to a professional financial adviser/planner, with two out of five turning to family, friends, and colleagues. But of those who do not work with a financial planner, nearly two out of five said they did not turn to any source for financial advice, with only slightly fewer turning to family, friends, and colleagues. Not surprisingly, these numbers were lower for people with higher income and investable assets.

In another question, respondents were asked to rate their impressions of several certifications and designations used by financial planning professionals. Of the various designations presented, only Certified Public Accountant was seen as either favorable or very favorable by more than half of respondents. Most other designations, such as Chartered Financial Consultant, Chartered Life Underwriter, Chartered Financial Analyst, Personal Financial Specialist, and Certified Investment Management Analyst, garnered an approval rating from only one in five people who responded to the survey. Certified Financial Planner and juris doctorate were approved by about one-third of respondents. Lack of approval may be a result of unfamiliarity with the designation, rather than actual disapproval; the majority of people who did not approve of a designation selected "neither approve nor disapprove" as their rating.

Overall Trends

In general, certain groups seem to be less well-informed about the financial planning process. People who are under age 35, single, and in lower income/investable asset brackets seem to be prime targets for education about financial planning. Conversely, people who are employed or retired, have higher income levels, and who are over age 45 are more savvy about financial planning, but even then, there is room for improvement. For the most part, there was not a significant difference between genders.

Looking at the people who have a financial planner versus those who do not, people over age 56 were more likely to fall into the former category, as were men (one of the few places where gender makes a difference). People who were either married or in a committed relationship, or who were divorced or widowed, were three times as likely to have a financial planner as single people were. And of course, the higher one's income, the more likely one is to have a financial planner. Employed, self-employed, and retired people were also more likely to use professional financial planning services.

What Does It Mean?

These results indicate that financial planners have many opportunities to better educate existing as well as potential customers. Young singles with lower incomes are the audience most in need of knowledge of the financial planning process, but even among the more traditional customers of financial planning—over 45, married, higher income—a significant number of people don't seem well-acquainted with the benefits of a professionally prepared financial plan. And even among these groups, only one out of four currently uses the services of a financial planner.

KEY TAKEAWAYS

- Marketing materials don't just need to sell your financial planning practice—they need to sell the idea of financial planning as being beneficial to all.
- Target different audiences' needs with different messages. Young singles should start thinking about their future now, while an older audience may just need guidance on how best to manage their investments.
- Because a large proportion of those who do not currently use financial planning services believe that financial planners are just salespeople working to get a commission, marketing materials targeting that group should not be product-based.
- When marketing, be aware of the potentially negative associations some people have regarding

financial planners—that it's cheaper to manage your own finances, and that financial planners are only needed if you can get a higher rate of return on investments.

KEY RESOURCES

- The 2008 Value of Financial Planning study is a consumer-friendly tool you can use to demonstrate the value you bring to the table. Download it at <http://www.fpanet.org/Learn/ResearchCenter/ForPlanners/ResearchPublications> and share with clients and prospects.
- FPA's Practice Management Center (www.FPAPracticeManagement.org) offers a variety of downloadable marketing resources and articles. Some content includes:
 - The interactive marketing tool is available at <http://www.FPAnet.org/practicemanagement/interactivemarketingtool> and includes a customizable plan along with some key topic areas recommended for you based on your targeted client.
 - The article "How to Select a Target Market to Increase Your Results" helps you identify the target market that is right for you. As shown in the research revealed in this article, different groups of people have different perceptions, so identifying your target market and their perceptions will give you a great focus for your messaging and understanding of prospective clients.
- FPA Press recently released a book on behavioral finance called "*Financial Intelligence: How to Make Smart, Values-Based Decisions with Your Money and Your Life*". This book can help you identify ways to talk with clients and prospective clients about making value-based decisions to pursue professional financial planning instead of simply looking at investment returns. Go to www.ShopFPA.org for more information.

Understanding, Forgiving, and Moving On

by Ross Levin, CFP®



Ross Levin, CFP®, is the founding principal of Accredited Investors Inc. in Edina, Minnesota. His book, *The Wealth Management Index*, published by McGraw-Hill/Irwin, provides a framework for advisers to assess and manage their clients' plans and goals.

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Planning Association Journal of Financial Planning, April 2010.

A woman bought a parrot for a pet. All the parrot did was treat her badly. It constantly insulted her. Every time she tried to pick it up, it would peck at her arm.

One day she got fed up with the parrot. As it was insulting her she picked it up. But it continued, "You're ugly! I can't stand you!" It kept pecking at her arm as she carried it. She opened the freezer and threw him in and closed the door. From inside, the parrot was still going on for about five seconds and then it was suddenly quiet.

She thought, "Oh no, I killed it!" She opened the door and the parrot just looked at her. She picked it up. Then the parrot said, "I'm very sorry. I apologize for my bad behavior and promise you there will be no more of that. From now on, I will be a respectful, obedient parrot."

"Well, okay," she said. "Your apology is accepted." The parrot said, "Thank you." Then he said, "Can I ask you something?" She said, "Yes, what?" And the parrot looked at the freezer and asked, "What did the chicken do?"—as taken from Yahoo! Answers.

I have to admit, with a couple of our clients, I feel like the chicken. Because we do comprehensive planning, none of our clients were in any danger (unless the market stayed down forever) of having to significantly change their lifestyles. But a couple of clients are so skittish going forward, they could make some changes that actually would affect their futures. It seems like there is almost nothing that I can do. Interestingly, while I want to transition them to another planner so they can start over, they don't necessarily want that.

"Once you give up blaming, you get to own the situation and have a much greater influence over its outcome."

Even though the market has bounced back and our clients' portfolios are virtually where they were before the blow-up, many of us may be feeling badly because either we didn't prevent their portfolios from dropping or we feel responsible for their sense of insecurity regarding their financial positions.

Understanding the Problem

In his book *Forgive for Good*, Fred Luskin, Ph.D., states, "Grievances are formed when people are unable to deal successfully with not getting what they wanted, and then they rent too much space in their minds to the injustice." Under this definition, many clients have grievances. They may be with the government, the banks, the markets, or, while seemingly unfair, us. Until we are able to move past these grievances into forgiveness, our relationships

are fragile.

I also suspect that many of you are not very forgiving of yourselves. Maybe you expanded too quickly because you assumed growth was inevitable. Maybe you were forced to lay off some terrific employees because profits evaporated. Maybe you lost some long-term clients because they felt betrayed.

So what do we do now?

While many of us suspected that housing was a bubble, the collapse of Bear Stearns and Lehman Brothers would probably not be good for the markets, and unprecedented levels of consumer debt would not bode well for GDP growth, we may not have done enough with our portfolios to protect our clients. And some of you may have panicked in March of last year and completely bailed on your asset allocation strategies, thereby missing out on a market rally of epic proportions. It is very important to learn from what happened, but equally important to not wallow in it.

Letting Go of Blame and Forgiving

Luskin says, "Focusing too much attention on a hurt makes it stronger and forms a habit that can be difficult to break." Think how many times you have sat in meetings with divorced clients who cannot get past the resentment they feel for how their exes ruined what they thought the future would look like. The clients who can accept the disappointment of their change in circumstances and can move on from it always have the brightest futures. By reliving 2008 over and over, you are giving attention to a past that will not change. No matter how many times you review it, nothing will be different. It's time to move on.

It is also a tremendous waste of energy to blame other parties for what happened. The problem with blame is that it is outside of us. And, "When the cause of the hurt lies outside us, we will look outside ourselves as well for the solution," writes Luskin. We only have power over our own actions. I was at a study group meeting where one of the members was talking about how energized he was feeling by dealing with the fallout from what had happened. At the time, I thought he was crazy. Now, I admire him. He took control over what he could and developed an action plan. Once you give up blaming, you get to own the situation and have a much greater influence over its outcome. More important, when we blame, we give our power to others, thereby letting them control us. If we blame clients for being unreasonable, they have the power; if we determine the personality traits of clients with whom we wish to work, we take that power back.

Rules, Enforceable and Unenforceable

We all accept certain rules of behavior. One of our rules may be that we will do the most we possibly can to make our clients' lives better. This is a rule that we can follow by how we listen, communicate, and offer our services and support. But we may have a secondary rule: The client will appreciate all that we have done. This rule is unenforceable. We really don't



have any power to make the client appreciate us. Luskin points out that when you are “feeling angry or helpless or depressed [it] is an indication that you are trying to enforce an unenforceable rule.”

Last year, we chose not to lay off any of our staff, although we froze their salaries. I became annoyed when someone asked when the freeze would be lifted. I created a story that I was being this fantastic employer who cared so much for his workers that I would accept a dramatic income hit so that they could be secure. And part of my story was that they would appreciate and recognize my heroism! Regardless of whether or not the story was true, I had no control over their response to it. I had created an unenforceable rule.

The importance of understanding this is that it allows you to be in the present. Forgiveness is all about the present. It is only the present that we are able to change.

Luskin says that there are three preconditions for forgiveness:

1. Know how you feel
2. Know what was wrong
3. Tell a couple of trusted people what happened

The most helpful thing for me has been to regularly talk with my partners. If you are a sole practitioner, go through this process and talk to someone about what happened—a friend, business adviser, or friendly competitor. You can then move on to any client relationships, although here you may want to also see whether the aggrieved client can forgive you.

Moving On

Once you have gone through the preconditions, Luskin says there are basically two techniques for taking charge of how you feel:

1. Not lose sight of the good things in your life
2. Practice the Positive Emotion Refocusing Technique (PERT), to control your physical response to what is happening

There are times when you may still be harboring emotions about a client who you feel has mistreated you, even if they eventually left you. There is a difference between forgiveness and reconciliation. You can go through the steps of forgiving clients without ever reconciling with them. Again, you are trying to take control only over those things that are enforceable.

One of our clients blamed us for her anxiety during the 2008 market. Once her portfolio recovered, we still found her questioning everything we did. In essence, she could not forgive us for what had happened in the

past, even though it was not relevant to her present or her future. We had a discussion with her on this topic and specifically said that she would be better working with someone new. Because she was not able to forgive, and we could not force her to do so, it was in her best interests to begin a relationship with someone with whom she does not have the baggage. This was psychologically liberating for both of us.

There are clearly residual effects of the Great Recession. But it is important for all of us to move on. We have the capacity to do great good in our work. That is the vision that needs to constantly be etched in our minds.

Endnote

1. The Positive Emotion Refocusing Technique is shifting your attention to something beautiful, or a loving memory. The purpose is to really focus on that and try to experience it as a way to calm you and move you from the less productive thoughts you may be having.

Practice Management

Build Confidence, Establish Rapport, Ask for the Business

by Suzanne Muusers

Suzanne Muusers is an ICF-credentialed business coach, helping independent financial advisers plan their success by stepping out of their comfort zones.

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Regardless of our profession, we are all selling something. Not knowing how to sell and how to ask for the business can prevent us from getting to the next level of success.

Asking for the business can mean many things. It can mean asking for a referral from a current client. It can mean closing the sale during a presentation. It can mean asking for additional client assets. It can also mean asking a CPA to send business your way.

In my many years working with financial advisers, I have seen the vast majority neglect to ask for the business. I've seen this with many types of advisers, whether new or seasoned, with \$20 million under management to \$200 million under management. Experience is no barometer—the fear of rejection creates a common psychological block that causes advisers to fail to seal the deal and assertively get new clients.

Build Confidence

The No. 1 reason advisers don't ask for the business



is lack of confidence. Due to market conditions and other factors beyond their control, advisers may feel they haven't done a good job managing their client relationships. To be more confident, take full control of your situation, and:

- Identify your abilities and what you do well. Recognize your accomplishments.
- Identify where you need to improve and make a plan to change. This includes delegating what you don't like doing.
- Take care of your physical body. When you feel well, you are more confident.
- Join Toastmasters and improve your communication skills.
- "Fake it till you make it" and be confident in everything you do.

Establish Rapport

Many advisers fail to establish rapport with prospects and clients. If you lack frequent contact with clients and prospects, you will be less likely to effortlessly close business. The key to establishing rapport is to show sincerity and authenticity. To establish rapport:

- Learn to listen well (this is more difficult than you think).
- Ask open-ended questions. Be warm and friendly.
- Be genuinely interested in people. Ask about their goals and values.
- Implement a client service matrix and touch your clients at regular intervals to make yourself more referable.
- Hold client appreciation events quarterly.
- Develop a marketing plan that touches prospects on a regular basis.

The Sales Process

It may feel uncomfortable at first, but once you get the hang of it, asking for the business is a natural progression in the sales process.

Think about your own presentations. How are they structured? Think about how you can test-close regularly throughout your presentation. Ask questions that elicit a "yes" answer to move a prospect along the sales process. As you try obtaining smaller agreements you will be assisting the prospect with making the larger decision to eventually hire you. A mistake many advisers make in the sales process is giving away their expertise before getting the client to

say "yes." During the presentation, you don't need to solve their problems by giving them a proposed asset allocation, you just need to show them that you understand who they are and the challenges they face.

Always conclude the presentation by summarizing the client's position, values and goals. By reviewing the vision of what they want, you will have the prospect thinking emotionally, thus increasing the likelihood that they will hire you and reducing possible objections.

To ask for the business:

- Get their agreement while they are in front of you. "Now that we both have a better idea for how we will work together, shall we get started?"
- Attempt an understated approach. "Why don't we take a minute and get you started with the paperwork?"
- Move them forward. "When would be a good time to schedule our next meeting?"
- Express your desire to have them as a client. "I would love to work with you on this matter. What do you need to get started?"
- Show them that you are right for them. "Does this seem like the right solution for your needs? Are you ready to move forward?"
- Try a direct question. "Would you like to hire me as your financial planner?"
- Get them started quickly. "I recommend getting to work right away. How about next week?"
- Look the prospect in the eye with confidence. If your voice quivers, you won't be believable.

Make asking for the business a natural conclusion to your sales presentations and see your close ratio soar. All you have to do is ask.

Building Your Transition Policy Statement

by Sam Hull, CFP®, ACC

Reprinted with permission by the Financial Planning Association Practice Management Solutions, May/June 2010.

Sam Hull, CFP®, ACC, is the co-founder of Whitewater Transitions LLC, a coaching and consulting firm helping financial advisers navigate ownership transition issues.

As they used to say in children's books, here's a



cautionary tale:

Tom was well into discussions with Sally, the senior vice president of State Bank & Trust, about selling his company, Hometown Financial Advisers, to the bank. All the numbers and financial terms and conditions seemed great to Tom, and he was anticipating closing the deal and moving on with his new life in retirement. However, one day at lunch with Sally, Tom mentioned a call he had earlier that day with Mrs. Jones, one of his “Top 10” clients, saying he and his right-hand planner, Lisa, had developed a long and close relationship with Mrs. Jones. He said to Sally that he was sure the bank would help Lisa in honoring their close relationship once the deal was completed.

Tom was stunned when Sally told him the bank was thinking about reassigning all of Hometown’s clients to their own group of registered reps and would probably be terminating Lisa and the rest of the Hometown staff.

Tom felt his heart sink; he instinctively knew that the deal was dead. He realized he had not talked seriously with Sally about his core values. If he went ahead with the sale of his company, it now appeared that the people and relationships that really mattered to him might be in jeopardy. Wouldn’t it have been better for everyone if he and Sally had crafted a transition policy statement as the foundation of their negotiations before they got so deep into the deal?

Establish the Rules of Engagement

What is a transition policy statement? We’ve found it is one of the most critical elements in a business transition—perhaps more important to a successful transition than legal documents, tax planning or the business valuation. Unfortunately, the non-quantifiable aspects of how to plan for managing what you will do when a big change happens are hard to grasp; thinking about dealing with emotions almost seems to be an anathema to some financial advisers. A well-thought-out transition policy statement will establish the rules of engagement for you and your opposite party in the transaction.

A transition policy statement will:

- Define the core values that must be preserved by

Tom’s Core Values Statement	Sally’s Response
1. Nothing will threaten continuation of our primary obligation to our clients as their fiduciary.	1. State Bank & Trust will provide all clients their usual high level of service through integration into our investment adviser division.
2. Nothing that happens during this transition will jeopardize the future well-being of our staff.	2. While every effort will be made to offer Hometown staff a comparable job, no guarantees are made.
3. The reputation of Hometown shall not be harmed or threatened in any way during this transition.	3. The reputation of State Bank & Trust shall not be harmed or threatened in any way during this transition.
4. I will be free of all obligations to Hometown by January 2012.	4. It is critical that Tom be retained as a key employee of our investment adviser division for three years.

both sides while in the turmoil of negotiations and change

- Provide an early warning system when trouble may be ahead
- Be the guardrail that keeps you from veering off the intentional roadway when you hit rocky emotional patches
- Keep you from wrecking what may well be the largest single financial transaction in your life

We know that a transition policy statement—or what we often call a shared intentions statement, or SIS—can be the linchpin in maintaining honest communications and understanding between the parties involved in an ownership transition. The transition policy statement functions in the same manner during the business ownership transition process as does an investment policy statement in the asset management process, as safe withdrawal policy guidelines do in managing portfolio withdrawal rates, or as policy based financial planning does in the financial planning process.

In the July 2006 *Journal of Financial Planning* article, “Policy-Based Financial Planning Provides Touchstone in a Turbulent World,” David Yeske, CFP®, and Elissa Buie, CFP®, summarize the value of financial planning policy statements: “Ideal policy statements will be broad enough to encompass new or unexpected events, yet specific enough to minimize doubt as to what action to take in response to changing events.”

In the article, Yeske and Buie give an example of clients who want to provide their children with at least a basic college education, but don’t want to jeopardize their own retirement savings program. This might be their corresponding education funding policy: We will fund the cost of a public college education for our children. This will take priority over saving for our own retirement. The additional cost of a private education will be funded only after our retirement savings targets have been met.

The article defined how to create and use policy



statements in the financial planning process with clients. I have adapted that to building a transition policy statement that two parties can use during an ownership sale and purchase. Each party—the seller and the buyer—has to do their own work and create a core values statement that applies to them or the company they are representing. Only then can they create a mutually agreeable set of policy guidelines that will provide the ground rules for their conduct during the ownership transition process.

The four steps involved in crafting and maintaining a transition policy statement are:

1. Identify subjects and areas that are meaningful to you.
2. Craft your core values statement—short, concise policy statements that capture your individual goals and core values.
3. Use what-if scenario planning to test how you think you would behave if those policies were tested or broken.
4. Periodically update policies to reflect major changes in circumstances or goals.

Transitional Policy Statement in Action

How should Tom have applied these steps to his transition process?

First he should have identified the subjects and areas important to him that would be affected by what happened in the transition. For Tom, his personal integrity is based on satisfactory outcomes in the following areas:

- How his clients are treated during the transition process
- How his key employees are treated during the transition process
- Safeguarding his professional and personal reputation
- Attaining retirement income security (Hometown was his largest single financial asset)
- Setting a deadline for concluding the deal that fits in with his personal and family plans

Thus, Tom's core values statement looks like this:

- Hometown's clients are our most precious resource. Nothing that occurs during this transition will threaten our fiduciary relationship with our clients.
- Our key employees have given Hometown their dedicated excellence and loyalty for years. Nothing

that I do during this transition will threaten the future of our key employees.

- The reputation of Hometown in this community cannot be harmed or threatened in any way during this transition.
- It is critical that my spouse and I be free to start our new life by the summer of 2012; I will be free of all obligations to Hometown by January 2012.

When Tom and Sally sat down for the first serious discussion in their attempt to negotiate the State Bank & Trust acquisition of Hometown Financial Advisers, the first thing that should have happened was a comparison of each party's core values statements. That comparison might have looked like this:

There is an obvious mismatch in how the parties feel about Tom's core values. If Tom had looked at where he stood and asked Sally how the bank viewed these same issues, it would have become clear that there were deep differences and risks to Tom in almost everything important to him.

Tom had no assurances that his clients would be taken care of in the manner that they expected or even by the Hometown people they had grown to trust. The bank wanted Tom to stay on as an employee for longer than he wanted—an almost impossible situation for a successful entrepreneur like Tom. And there was a good chance his loyal employees could be thrown to the wolves.

Suddenly the buyout numbers were not so compelling to Tom. Honoring his personal integrity and being true to his core values were much more important. And that's what he told Sally when he said he was no longer interested in her offer. Tom knew that there were other buyers for Hometown whose core values would be a better fit with his own.

Within six months he had reached an agreement to sell Hometown to Reliant Planning Corp., which had offices in the next city and whose core values statement almost mirrored Tom's. Tom and the president of Reliant developed a transition policy statement that stated their mutual intention to honor the core values statements upon which they both agreed. It looked like this:

Transition Policy Statement: Hometown Financial Advisers and Reliant Planning Corp.

Nothing that occurs during this transfer of ownership will threaten the continuation of Hometown's primary obligation to their clients as their fiduciary and trusted adviser.

The loyalty of Hometown's key employees and staff will be honored and rewarded during this transition process.

The reputation of both Hometown as a premier financial planning firm and Tom as a leader in this community shall not be harmed or threatened in any way during this transition.



Every effort will be made to close this purchase and sale of Hometown by June 2011. Tom will be free from any direct client relationship responsibilities by year-end 2011, although he will be available for periodic consulting or strategic planning advice for three years thereafter.

And that's how a transition policy statement works!

Planners Like Blend of Traditional and Unconventional Marketing

by Lance Ritchlin

Lance Ritchlin is director of publications for the Financial Planning Association. Reprinted with permission by the Financial Planning Association Research Spotlight, June 2010.

KEY FINDINGS

- A majority of financial planners surveyed by FPA say their custodians or broker-dealers do not assist them by marketing to consumers or generating leads.
- Survey participants said the most satisfactory marketing method is simply asking existing clients for referrals.
- Some forms of online marketing appear to be gaining traction, while traditional media such as TV, print, and directory ads are losing momentum.

- Planners appear to be least satisfied with the results from marketing methods such as cold-calling and mass e-mailing.

Early in 2010, FPA conducted a survey among its members to determine how planners market their services and what works. The majority of planners surveyed said they are affiliated with a large firm, such as a custodian or broker-dealer. Of those who were, more than 80 percent said their custodian or broker-dealer does not promote their firm to consumers or generate leads on their behalf.

With so many planners on their own when it comes to marketing, what can they do? One solution is to hire an outside consultant or company—or designate a staff member—to manage your marketing and advertising efforts. But only 20 percent of planners have done so. In fact, 60 percent of those surveyed said they have no formal marketing plan that they implement on an ongoing basis. Here's a look at what planners can do to get the marketing ball rolling.

What's Working?

The most widely used marketing method is also the one that produces the most satisfactory results: requesting referrals from existing clients. Seventy-five percent of planners surveyed said they ask for referrals in this manner. Planners evenly split as to whether they request referrals daily, weekly, monthly, quarterly, or only once or twice a year. What's important is that nearly seven out of 10 planners who ask their existing clients for referrals expressed some degree of satisfaction in their results as shown in

Exhibit 1: Satisfaction with Asking Existing Clients for referrals

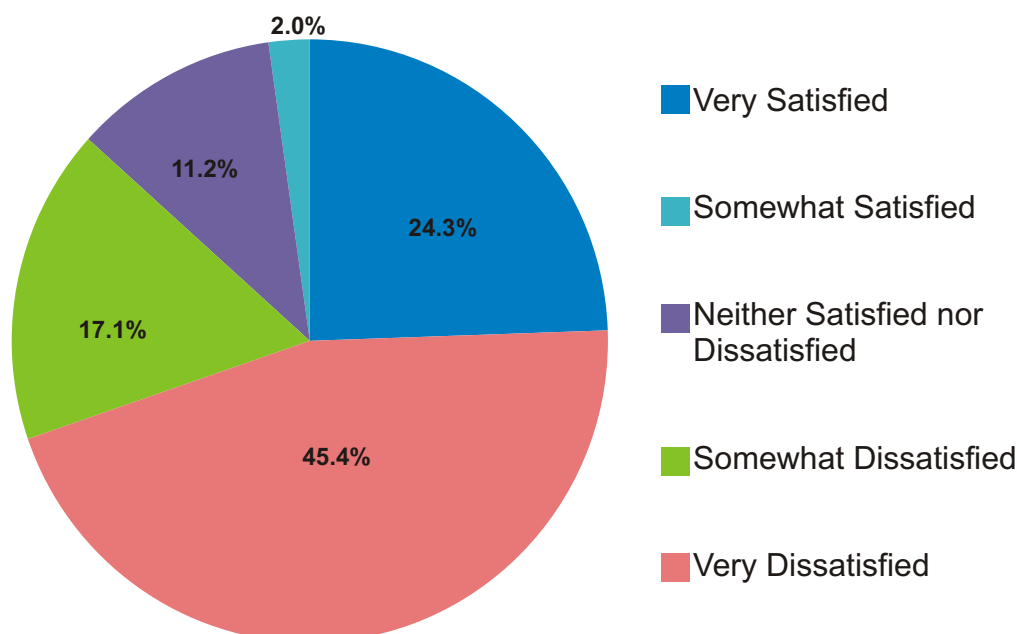


Exhibit 2: Satisfaction with Cold-calling or Mass E-mailing

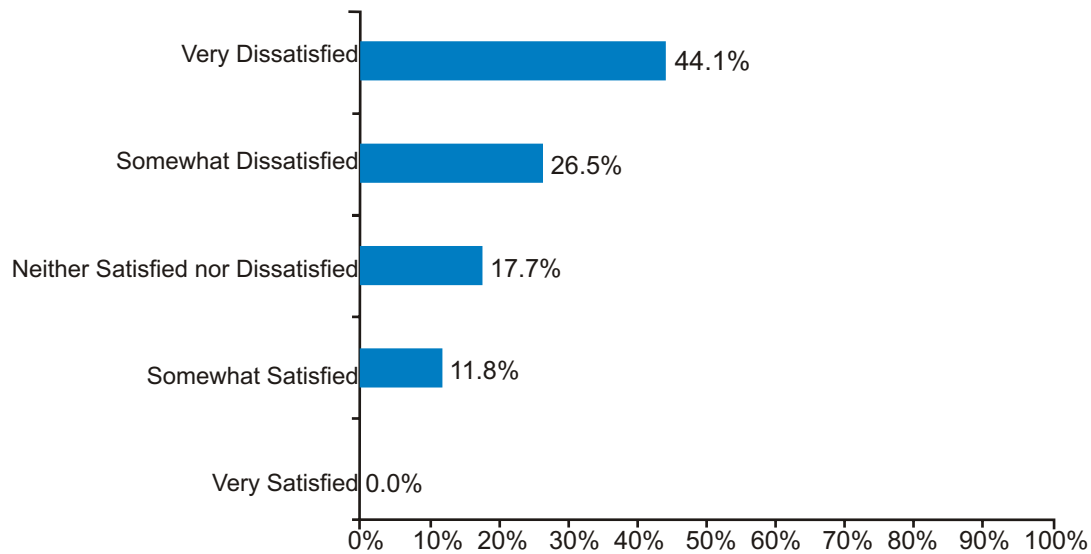


Exhibit 1.

Networking with affiliated professionals is another proven way of seeking client referrals for two out of every five advisers surveyed. Among those who engage in this kind of networking, nearly two out of five say it is a monthly occurrence. Approximately one-quarter of those who work with affiliates do so weekly, and nearly that many make a point of it daily. Two-thirds of planners who use this kind of marketing found it “somewhat” or “very” satisfying for their needs.

More than one-third of participants said they make some use of electronic newsletters, making this one of the five most popular methods in the survey. More than half of e-newsletter users send them monthly; one-third send them quarterly. Users were generally pleased. Nearly six out of 10 advisers were at least somewhat satisfied with their e-newsletter campaigns.

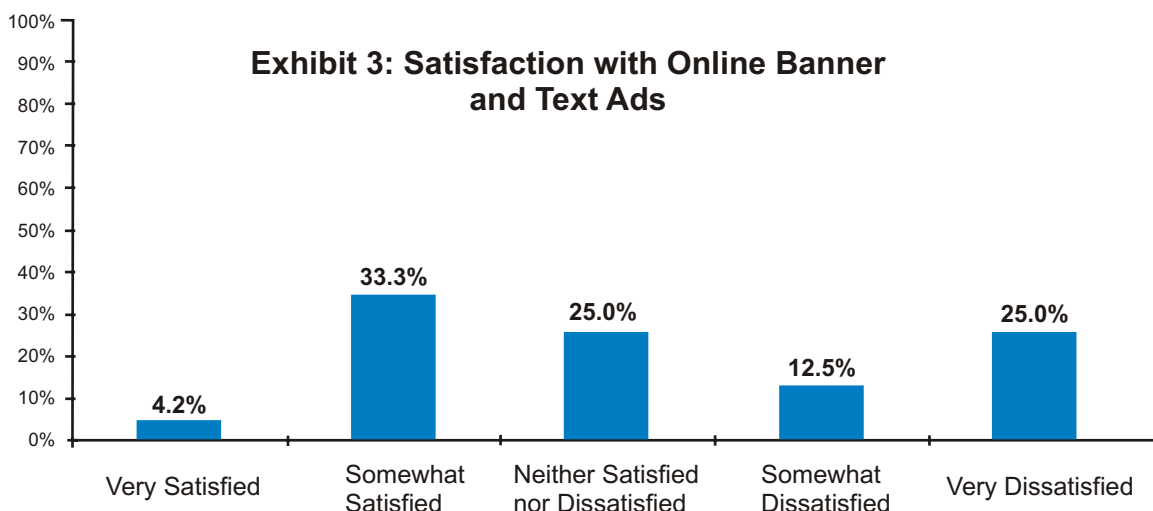
One-third of survey participants use in-person seminars to generate business. Nearly half of planners who hold such seminars do so only once or twice a year, probably because of the expense and difficulty. However, more than half of those who market themselves through seminars reported satisfactory results.

What’s Not Working?

Marketing methods such as cold-calling and mass e-mailing—often accomplished with the help of purchased lists of prospects—are less popular and apparently less effective. Only about 10 percent of planners reported using these methods, and only 10 percent of those who do expressed any satisfaction with results as shown in Exhibit 2. Nearly one-third limit their cold-calling or mass e-mailing campaigns to once or twice per year.

Print advertising in newspapers and magazines is one

Exhibit 3: Satisfaction with Online Banner and Text Ads



of the most traditional forms of marketing. However, half of respondents who use print advertising said they were dissatisfied, and one-quarter said results weren't conclusive. Very few planners place print ads daily or weekly. In fact, four out of ten run print advertising only one or two times a year.

Another traditional form of advertising is the “yellow pages” type of directory listing. But only one-quarter of survey participants use directory listings for marketing. Of that number, only one-quarter expressed any satisfaction in their results.

Relatively few of survey participants use traditional radio or TV/cable spots. Of those who favor radio advertising, two-thirds advertise daily or weekly. Four out of ten radio advertisers reported satisfactory results.

Even fewer planners, overall, bother with television or cable TV advertising. Not surprisingly, respondents showed the least enthusiasm for this method of getting referral business. Fewer than one-fifth of those who use it were “somewhat satisfied” with it, and none were “very satisfied.” Of those who use TV or cable advertising, 90 percent advertise monthly or even more rarely. But the remaining 10 percent advertise on TV or cable every day.

What About Marketing Online?

The second-most popular marketing method for planners in the survey was promoting themselves or their practices via Web sites. More than half of planners surveyed use this method. Unfortunately, less than half within that group found it satisfactory for their marketing needs. Consider hiring a consultant to make your site more engaging and less like an online brochure.

A couple of little-used online marketing methods show promising results. Online banner and text ads haven't really caught on with survey participants; fewer than 10 percent use them. But as Exhibit 3 details one-third of users said they were “somewhat satisfied” and one-fourth found results “very” satisfactory.

Fewer than 5 percent of planners market themselves with online videos on sites such as YouTube. Determined users do so monthly or quarterly, but more than half do so only once or twice a year. Those who take the trouble to post promotional videos sometimes get favorable results; more than four out of ten users were “somewhat satisfied” or “very satisfied.” Nearly as many said results were not convincingly good or bad, but only one-fifth expressed outright dissatisfaction.

Only 6 percent of planners in the survey post webcasts or podcasts for marketing. Within that group, 40 percent use them quarterly, and almost one-third use them only once or twice a year. Respondents were equally split; half said they were at least somewhat satisfied with business generated this way and half said they were either dissatisfied or ambivalent about results.

Use of social media such as Facebook, LinkedIn, and Twitter for marketing is also low—less than 16 percent. But two out of every five users of social media marketing make it a daily habit. The jury's still out on how well social media marketing works. Only one-quarter of those advisers who market themselves through these sites expressed satisfaction with results. Nearly half said they were neutral regarding results.

Only one-fifth of planners use online lead generators, although half of those who do reported using them daily. Approximately one-third of users said they were somewhat or very satisfied with this form of marketing. Four out of ten expressed dissatisfaction.

Other Methods Planners Use

Less than half of planners who sponsor other kinds of local events reported satisfactory results. As with live, in-person seminars, these sponsorships are not something planners do frequently; 90 percent of those who sponsor local events do so either quarterly or once or twice a year.

Many planners market themselves through the use of printed or online articles. Nearly four out of 10 survey participants who do so said they found this method at least somewhat satisfactory. However, about the same percentage were ambivalent—neither satisfied nor dissatisfied. This is not a method that lends itself to frequent use. One-third of planners who use articles do so monthly. Half use them even less frequently.

KEY TAKEAWAYS

- The oldest form of marketing is still the best—ask your existing clients for referral business. Seminars work for many planners. So does networking with affiliated professionals.
- Familiarize yourself with online marketing methods, including Web sites, social media, e-newsletters, and videos. They're relatively low-cost and get results for some users.
- Rely less on cold-calling, mass e-mailing, and “dinosaur” forms of advertising such as print, TV, and directories.
- The FPA Practice Management Center at www.FPAnet.org/PracticeManagement/ includes numerous articles on networking, using social media, and getting referrals. Click on the Marketing tab for more resources (member login required).
- Concerned about social media and compliance? Read the column “Tools and Techniques to Leverage Social Media” by Bill Winterberg, CFP®, in the May 2010 issue of the Journal of Financial Planning, or check out the issue online at www.FPAjournal.org.

