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the Register

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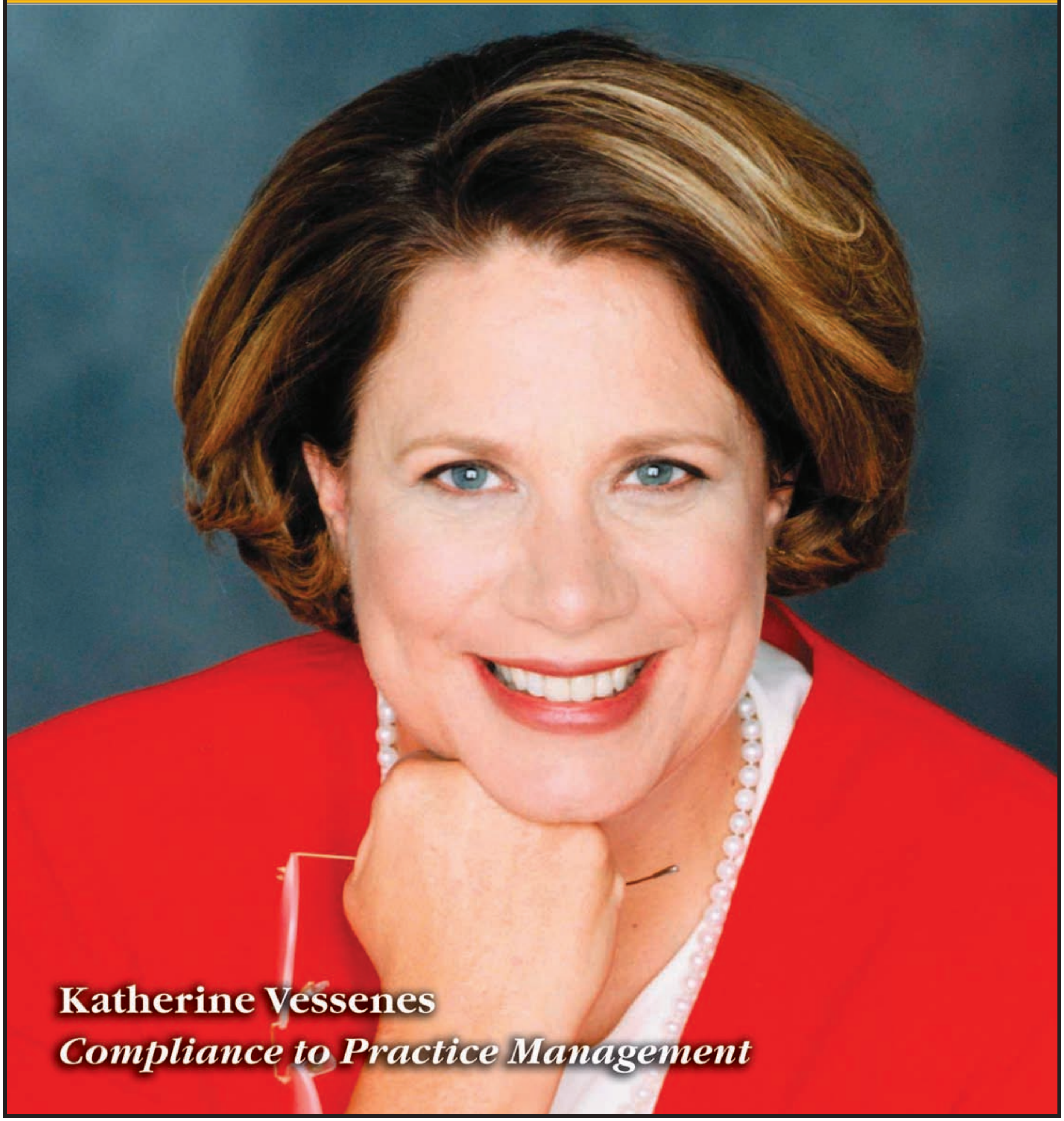

Katherine Vessenes

Compliance to Practice Management

Serving Financial Advisors Worldwide

IARFC Mediterranean Cruise Conference

CE at Sea
in the Cradle of Civilization

The Culture
The Mediterranean is famous for its countless contributions to the arts, architecture, science, drama and philosophy. The works of masters like Michelangelo, Da Vinci, Plato and Homer have left their indelible impression. The Mediterranean is home to where it all started. And there's no better place to discover the unique and magical part of the world than on board a Royal Caribbean Cruise.

The Cuisine
In the Mediterranean, food is another way to savor and celebrate life. Dining is one part fresh food and one part social occasion, and has been that way forever. This no place to eat and run. And once you've tasted authentic spaghettini Bolognese or saffron-laced paella accompanied by a glass of hearty rioja, you'll understand why the dining experience is one of the many attractions of a cruise to the Mediterranean.

The Climate
The forecast calls for sunshine, followed by more sunshine. The Mediterranean is blessed with a warm, subtropical climate. This means that most of the year you can expect clear skies and dry, comfortable days. This makes the trip to the beach at one of Royal Caribbean's many resort towns or island ports of call an excursion not to be missed. But don't forget your shades and your sunblock.

The Cruise Tours
There's no better way to fully experience the culture and cuisine of a region than with a cruise tour. Experience the allure of Nice, the sophisticated playground of the rich and Eze, the mountaintop enclave with supreme views. You'll drive along the Lower Corniche Road from the Citadel of Villefranche to the city of Nice where you'll visit this beachfront jet set city. Or take a wonderous journey through the lush Italian countryside of panoramic Palermo.

The Conclusion
Rediscover the simple pleasures of the Mediterranean on the IARFC Mediterranean Cruise aboard Royal Caribbean's Voyager of the Seas. You'll treasure and celebrate every hour of every day. The attentive service staff will anticipate your needs and indulge your whims.

Ports of Call

Barcelona, Spain
Formerly a sleepy Spanish city, Barcelona has recently been reborn as an eclectic fusion of the modern and medieval. Seek inspiration from the creations of its modernist architect, Antonio Gaudí, or the Picasso Museum. Or, take in the breathtaking cathedral in the Gothic Quarter.

Nice and Villefranche, France
Part of the Côte d'Qzur, Villefranche offers long, sandy beaches, terraced café and world-class cuisines. The city of Nice is situated at the foot of the Alps. Stroll the ultrafamous Promenade des Anglais or see masterpieces by Matisse, Renoir, Monet and Chagall. Don't miss the onion, anchovy and olive tarts known as pissaladières.

Pisa and Florence, Italy
Founded by Julius Caesar himself, Florence is known as the birthplace of the Renaissance. History and art shake hands in this picturesque land, where masterpieces like Michelangelo's David can be seen in the city's many museums, churches and galleries. The city is known for its simple and delicious cuisine made from the freshest ingredients.

Rome (Civitavecchia), Italy
Centuries of breathtaking history have shaped the Eternal City. From the ancient halls of the Colosseum, where Roman gladiators once walked to Michelangelo's opulent frescoed ceiling in the Sistine Chapel, the beautiful layers of Rome's intricate past lead many to consider it the premier European destination.

Naples and Capri, Italy
Located on the southern coast of Italy, Naples has spectacular scenery that attracts artists from around the world. From this key spot, you can embark on a trip to the ruins of Pompeii or shop the many boutiques of Sorrento. You may work up an appetite for one of Naples' greatest delicacies — pizza — invented to honor the Queen of Italy in 1889.

Palermo (Sicily), Italy
The Phoenicians created Palermo, which means "surrounded by rocky cliffs," in the 8th century B.C. Rich in history and works of art, Palermo will amaze you with its variety of architectural styles — Byzantine, Arab and Norman influences are blended in many buildings — reflecting the many nations which have ruled this small island over the centuries.

For more information, contact the IARFC at 800 532 9060 or info@IARFC.org

INTERNATIONAL ASSOCIATION OF REGISTERED FINANCIAL CONSULTANTS

Financial Planning Building
2507 North Verity Parkway
P.O. Box 42506
Middletown, OH 45042-0506
800 532 9060 • Fax 513 424 5752
www.IARFC.org

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Register Magazine

Edwin P. Morrow
Editor-in-Chief & Publisher
edm@iarfc.org
513 424 6395 ext 11

Wendy M. Kennedy
Editorial Coordinator
editor@iarfc.org
513 424 1656 ext. 14

James Lifter, Educational Director
jim@iarfc.org
513 424 6395 ext. 18

IARFC Staff Directory

Emma Ballinger, Admin. Assistant
emma@iarfc.org
513 424 6395 ext. 23

Barb Chasteen, Admin. Assistant
barb@iarfc.org
513 424 1656 ext. 22

James Lifter, Educational Director
jim@iarfc.org
513 424 6395 ext. 18

Kathleen Ourant
International Member Services
kathleen@iarfc.org
513 424 6395 ext. 31

Mark Terrett, Operations Manager
mark@iarfc.org
513 424 1656 ext. 10

Nida Thompson, Admin. Assistant
nida@iarfc.org
513 424 1656 ext. 22

Please visit www.IARFC.org under the General Information for details on our Location and Staff

IARFC Staff Directory

Jeffrey Chiew
DBA, CLU, ChFC, CFP®, RFC®
Asia Chair
jeffreychiew@yahoo.com

Liang Tien Lung, RFC®
China Development Organization (IMM)
(Taiwan, China, Hong Kong & Macao)
imm001@iarfc.org.tw

George Flack, CFP®, FPNA, AFAIM, RFC®
Australia and New Zealand Chair
george.flack@retireinvest.com.au
Janet Mundy
Secretary
Janet.mundy@retireinvest.com.au
David Kippen
Treasurer
david.kippen@retireinvest.com.au

Antony Francis, RFC®
Bermuda Chair
diamond@ibl.bm

Jeffrey Eshun, Ph.D., RFC®
Canada Chair
jeff.eshun@dsfreedom.com
Roger T. Blair, Sr. RFC®
Vice Chair
roger.blair@dscfreedom.com
Bernadette Bowman, MBA, RFC®
Vice Chair
bernadette.bowman@dscfreedom.com

Choo Siak Leong, RFC®
China Chair
Beijing, Dailan, Guangzhou, Shanghai
slchoo@immadviser.cn
Zheng Senyuan
Executive Secretary

Demetre Katsabekis
MBA, Ph.D, CiC, CiM, RFC®
Greece Chair
vie@otenet.gr
Nick Tessaromatis
Ph.D, CiC, CiM, RFC®
director@eisxy.com

Samuel W. K. Yung, MH
CFP®, MFP, FChFP, CMFA, CIAM, RFC®
Hong Kong and Macao Chair
chair@iarfc-hk.org
Teresa So
Ph.D., MFP, RFP, FChFP, CMFA, CIAM, EDAM, RFC®
Adviser, Hong Kong and Macao
director@iarfc-hk.org
Allan Wan, RFC®
Director
admin@iarfc-hk.org

George Oommen, RFC®
India Chair
Laazarus Dias, RFC®
Mumbai Chapter Chair
laazarusdias@gmail.com
Ashish Wanjara
Assistant Director, Mumbai

Aidil Akbar Madjid, MBA, RFC®
Indonesia Chair
akbar@pavillioncapital.com
Lisa Soemarto, MA, RFC®
Admin
lisa@pavillion.com

Ng Jyi Vei, ChFC, CFP®, RFC®
Malaysia Chair
Iarfc-msia@time.net.my
Agnes
iarfc_msia@yahoo.com

Zahid Khan, RFC®
Pakistan Chair
askzahid@gmail.com

Ralph Liew, RFC®
Philippines Chair
kilhk@myjaring.net
Tony Balmori
Executive Assistant
tonybalmori@iarfcphils.org

Jerry Tan, LLIF, CIAM, CMFA, RFC®
Singapore Chair
jerry@iarfcsg.org
Serene Ng
Admin Assistant
serene@iarfcsg.org
Madiline Ang
Admin Assistant
Madeline@iarfcsg.org

Richard Wu, RFC®
Taiwan Chair
richard@imm.com.tw
Nora Hsu
Manager
nora@imm.com.tw

Preecha Swasdpeera, MPA, MM, RFC®
Thailand Chair
contact@iarfcthailand.org

Nigel Salina, BA Hons Mgt, MABE, RFC®
Trinidad
Nigel_clico@tstt.net.tt
Inshan Meahjon, RFC®
Trinidad
imeajon@tstt.net.tt
Danielle Brennan, BA
Trinidad
dbrennan@nsa-clico.com

Register Letters

We welcome your comments, suggestions and ideas.
Please direct correspondence to: editor@IARFC.org
Letters may be edited for length and clarity.

Dear Register

Just a note to say "thank you" for your constant support of the financial planning profession and of our program at Kansas State University! It was an honor and privilege to be featured in the July issue of the *Register*. I have heard from numerous faculty, students, and IARFC members as a result of the feature — what a wonderful experience to make contact with so many people around the world!

Again, thank you for the opportunity to be involved with the IARFC — the value of my membership far exceeds the minor dollar amount I pay each year. As always, if I can ever be of assistance, please let me know.

John Grable, Ph.D., RFC®
Program Director,
Kansas State University
Manhattan, KS

Dear Register:

I am delighted to inform you that we just gave reprint permission to Professor Tom Warschauer and Montezuma Publishing for use of an article appearing in the IARFC Journal of Personal Finance. This article will appear in a custom course reader at San Diego State University.

The *Journal* article was "Psst — Hey Buddy, Want to Buy a Mortgage?" by de la Torre and McClatchey — which appeared in *JPF* issue Volume 5, Issue 3.

I am delighted that the quality of the *Journal of Personal Finance*, and that article, is being recognized in this way. Please continue to support the Journal and encourage others, as well! We are always looking for article copy — from RFC practitioners, academics and university students.

Ruth H. Lytton, PhD, RFC®
Editor, Journal of Personal Finance
Virginia Tech
Blacksburg, VA

Dear Register,

A Note of Appreciation

For eleven years now, after receiving enough votes at a IARFC-Yale Conference to become a Board member, rather than just being an active member, I was not sure exactly what all might be involved.

I can honestly say, a myriad of items were on the list!

1. Assisting with articles for various publications.
2. Trying to secure others to do the same (& probably my most difficult task).
3. Instrumental in by laws (creation/changes).
4. Speaker on cruises for sharing ideas and helping with CEU credits.
5. Opinions on financial planning related issues.
6. Voting on various topics.

Honestly, all "facets" of our business is what keeps us from having a boring profession — no two days are alike. Being a part of the IARFC brought an additional luster like that of a "gemstone", more cut/work, more "brilliance"!

So what's my point? I belong to a great organization to assist (me/and all of us in our profession). We share ideas, newly updated laws and regulations to keep our members on the "cutting edge".

The second part to my point is that I have had the pleasure of occasionally putting in my two cents worth and indicate what keeps me doing what I enjoy doing for a living. Also, hopefully I have assisted in somehow aiding my fellow planners toward a more successful career, even if only from the background.

So when any of you (the current membership) are asked to "carve" out to fill a vacancy on the board when it occurs... accept the invitation and help "polish" our valuable "Diamond" and leave your mark!

Constance O. Luttrell, RFC®
Board Member 1996 – 2007
Franklin, TN

Journal of Personal Finance

Call for Papers

Get Involved: We welcome the submission of articles from IARFC practitioners. This is a great way to contribute to the profession.

Professional Articles: The *Journal of Personal Finance* is seeking articles by practitioners that may deal with the application of financial planning techniques, marketing and practice management. These are expected to be very high level papers or articles.

Publicity Opportunities: Naturally, we encourage published authors to advise both their clients and the media of their being published by sending a press release.

Contact Dr. Ruth Lytton
E-mail: rlytton@VT.edu
Call: 540 231 6678

Register Articles

You Can Write A Great Article for the Register

We are accepting articles of from 500 to 2,000 words on planning and practice management topics. Please submit your copy by e-mail, along with an electronic photo and a short bio statement of less than 100 words to: editor@iarfc.org

Your article can be sent to clients, prospects and centers of influence in your community — either as reproductions, or as complete copies of the entire publication. This is a powerful and effective form of public relations, and your articles are a very effective way of attracting favorable attention from your local media.

- ***Get Published***
- ***Get Distributed***
- ***Get Noticed!***

From Compliance to Practice Management

One of the most prolific authors and speakers in financial services is Katherine Vessenes. She has addressed the Financial Advisors Forum twice — to great acclaim, and written over twenty articles for the *Register*. Her two books, *The Compliance and Liability Handbook* and *Building Your Multimillion Dollar Practice* and many articles in other magazines, have made her one of the most recognized and respected persons in our profession. So perhaps it is especially fitting for her now to be the subject, rather than the author, of a *Register* article.

Katherine Vessenes teaches the techniques of Super Star Financial Advisors

How, when and where did you first enter financial services?

Katherine: In 1984 I had been working as a public defender. My husband, Peter, thought I should get into a CLEAN line of work — I believe he was thinking real estate. Instead, I became a financial planner.

What was your educational background, before and subsequent to entering the profession?

My initial studies were in Mass Communications from the University of Denver, followed by the study of law and the acquisition of the Juris Doctorate, also from the University of Denver. Later I acquired the Certified Financial Plannner designation from the College of Financial Planning and the RFC designation.

What jobs did you hold prior to this?

Some of the more interesting positions have been Assistant Dean for a Law School (youngest in the country at the time) and then as an Assistant District Attorney — putting bad guys in jail. I also served as legal counsel to Gerald Ford and the Chief Executive Officers of 3M, General Mills and Pepsi Cola while I was serving as legal counsel, VP and Officer of the IDS Mutual Fund Group. This was a great opportunity to interface with national leaders.

What were your early job duties and how did you like or dislike them?

As an Assistant District Attorney I loved putting the bad guys in jail, but I hated getting the bad guys off when later serving as a Public Defender. Then it was fun starting my own law practice in a small town. It was also a kick being an assistant dean of the law school — they sent a chauffer and a town car for me whenever I needed to go someplace on campus. All the students called me "Dean" and at 25 I thought I had really "arrived."

I also started my legal career in a legal aid office in Cairo, Illinois doing constitutional law, but as you can expect, there was not an enormous demand for that aspect of law in small-town America.

Were you successful at first? What influenced you the most?

I was successful in the sense that as an ADA I only lost one case — but I found that every three years or so I would figure out all that I was doing, master it, and then the job would get boring. So I would shift jobs to find a new challenge. By the mid 80's I knew I had to find an industry that was not boring and that would allow for a lot of challenges. Financial services is certainly that — and I haven't been bored a day since.

One of the things that influenced me most was Tom Hopkins, who wrote ***How to Master the Art of Selling Anything***. This text was much more helpful than any law book I ever read. I used all of his principles when setting up my own law practice in a tiny town in Wisconsin in 1979 — and I still use many of his principles today.

What were your major obstacles?

There were so many it is hard to list. One of the biggest was having to start my own law firm. Not only was I the only woman attorney in Western Wisconsin — but I was the only pregnant one. None of the law firms in town — all good ole boys, would hire me! It really ticked me off because in law school I had made law review and did very well in law school while holding down three jobs. So I decided to open my own firm and do it better, faster than them.

Unfortunately I knew almost nothing about the law and even less about running a business. But that didn't stop me — I just developed a lot of friends who helped me out and started memorizing the ideas and concepts of one of America's greatest sales trainers, Tom Hopkins. It was very rewarding when, about 18 months later I discovered by accident that I was making more money than the other attorney in town who was my age — and yet I was only working 2.5 days per week to his full time! Revenge was very sweet.

Tell us about your current practice or position:

I am in business with my husband Peter. We own and operate Vestment Advisors, Inc., a management consulting and training firm. We help entrepreneurs break barriers and build their business by teaching them the strategies and techniques which Peter and I

continued on page 5

learned over the many decades of working with small businesses and with Fortune 500 corporations.

We discovered there are eight disciplines that must be addressed when it comes to moving a $200,000 per year advisor into operating a multi-million dollar business. The eight disciplines are:

- **Strategic Planning**
- **Technology**
- **Administration**
- **HR and Organizational Development**
- **Managing the company's assets (Fiscal and Asset management)**
- **Marketing**
- **Compliance**
- **The Client Experience (the sales process)**

I focus on sales, marketing and compliance, and Peter uses his expertise in organizational development, administration and the fiscal management.

Now we work primarily with Broker Dealers and insurance companies. We are known as the best in the industry at creating a bumper-to-bumper system for transforming an advisor's practice into a multimillion dollar business. Every year, we personally consult with a handful of very successful advisors.

We do workshops, meetings and consulting. Peter and I jointly wrote: ***Building Your Multimillion Dollar Practice*** *(Dearborn Press 2005)*.

After leaving the IDS Mutual Fund Board (now RiverSource) in 1991 I was asked by the IAFP to write my first book: ***The Compliance and Liability Handbook***. I figured there were a lot of sales people in the industry and even more marketing. But there was no one who was combining sales and marketing with compliance. That has been my niche — and it still is.

What is unique about the way you personally market for new clients?

Another tough question. My best marketing plan has always been to pray for new clients — it seems to work the best. We have never paid for an ad. However, we do write a lot of articles and do a lot of platform work. That seems to get us the favorable exposure that eventually leads to new clients. And we implement one of our best marketing strategies — we write a lot of thank you notes.

What are you enjoying most about this position?

There are many things I like about what we are doing:

- First, we feel we are having a significant impact on the entire financial services industry. My mission has always been to raise the standards — so every advisor would be so trustworthy that I would be willing to send him/her my own mother as a client. So our influence goes to millions of consumers — people who will never know our name, but who have an advisor who is treating them well.
- Our focus on doing business the right way is really catching on — eventually the good/ethical and righteous businesses will put the bad ones out of business! This is very gratifying. We get to see people make a lot of money by truly serving their own clients/investors and doing the right thing by them.
- I also love this because my darling partner thinks his job is to just allow me to do what I do best — it is amazing and wonderful to work with someone who thinks their job is to allow you to excel at yours.

What are your major frustrations?

Right now we are understaffed and it is hard to find folks who have the broad background we do who can help us. If you know anyone — send them our way!

What attracted you initially to the IARFC?

I guess I'd have to say it was my long time association with Ed Morrow. We have shared clients, consulting and educational responsibilities, speaking and writing assignments.

What feature or benefit of the IARFC has been of greatest value to you?

The networking. We met our first financial advisor/client on an IARFC cruise and it started us on this amazing journey. Incidentally, I would advise all the members of the association to plan on joining other leading professionals on an IARFC cruise. Next year you'll have the opportunity to tour Europe, and acquire valuable connections at the same time.

Is your coaching for advisors consistent with the RFC direction?

Obviously! Most of what I learned about great financial planning, I learned from Ed. Some of his techniques are so brilliant, we use them in our own business and we teach them in our classes.

What would you personally like to see for the association in the next five years?

Many things, but on the personal side, I would like to see them partner up with us to create the **Certified Vestment Business Consultant** certification. We don't like to

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Katherine and husband Peter Vessenes believe if you keep your clients happy, you keep your clients.

call it practice management, because it should be a business, not a practice.

What do you think will be the major trends in the financial services field in the next five years — and how should Registered Financial Consultants be positioning themselves?

- One big issue is distribution planning. We started talking about this almost ten years ago — and it astonishes me how many multimillion dollar advisors don't know anything about it. Although distribution planning is more of a hot topic, there is not nearly enough training on it.
- I am expecting baby boomers to run out of money in retirement — and then to start suing their advisors. We need to do a better job of preparing advisors for what can potentially happen to them.

What will be the impact of technology on the practices of financial advisors?

Huge! We are in the process of looking at integrating our intellectual property, such as the Money Trail® and marketing systems into contact management systems. It is going to be the only way to keep track of clients who demand a lot of attention and "lovin' up". Technology will continue to be both a challenge and an opportunity for financial advisors.

What three things would you advise a Registered Financial Consultant to concentrate on in 2008 to have the greatest impact on the next three years?

- Get clarity about your Variable Annuity sales — why you sell them and then carefully document your files. I have dozen of speeches on VAs from an attorney's point of view and could go on for great detail about this, but the liabilities are truly great when Variable Annuities are not sold and serviced properly.
- Address full financial planning. We see countless financial advisors who call themselves planners, but are really just doing asset allocation models. This is a major problem for a lot of reasons. One is that they are leaving a lot of money on the table. In one top broker dealer we analyzed their top 12 practices — and estimated they are leaving at least 50% of the money on the table. Their commissions/fees could easily be double, if they did full planning. They are missing a lot of opportunities.
- Hire more staff. Most advisors are woefully understaffed — our experience confirms that they will make more money, a lot more money with assistants. If you don't have an assistant — you are the assistant, and that's bad business!

Family time is the true delight in Katherine's life.
Her two beautiful granddaughters are growing so fast.

Do you see any problems looming on the horizon for our profession?

A big one is using Financial Planning software that is not all that it is cracked up to be. A few years ago a big Broker Dealer had me review 12 of the most popular financial planning tools in a due diligence project. I had been on the CFP Board of Ethics, so it seemed like an easy project. I discovered that a number of the big software systems did not even perform accurate calculations! Some financial planning software tools were created by people who had no experience in planning and didn't even know how to do basic survivor needs analysis to determine life insurance death benefits.

I predict that there are a lot of planners/advisors telling clients that it is OK for them to retire, based on faulty software. When baby boomers start running out of money, this is a class action suit waiting to happen.

What one or two items did you do, or wish you had done, early in your career that you would suggest for other new entrants?

Although I have very few regrets in my life — they are all about personal things and not about business. I think every broken road in my business career has led me straight to here and I am very blessed to be here.

What is the most important thing you have done to create a reputation, image, or brand in your professional practice?

Clients know they get a "Wow" experience from us, and that it is all about them — never about me (or us). There is only one marketing genius — it is not me — it is our client. I figure out what they need and then give it to them. I put clients first, ahead of myself. They are always right — even if it costs me money.

We feel so strongly about the care and feeding of clients, that we will not keep any employee who doesn't "love 'em up" the way we do.

Katherine Vessenes, JD, CFP®, RFC®, is a nationally known author and speaker, focusing on sales, marketing, compliance and practice management issues for broker/dealers and advisors. Look for her latest book: Building a Multimillion Dollar Practice.

Contact: 952 401 1045
katherine@vestmentadvisors.com
www.vestmentadvisors.com

IARFC News from Down-Under!

Professional Body Sets Up Australian Presence

The US-based financial planning body International Association of Registered Financial Consultants (IARFC) has established its Asia Pacific presence by setting up branches in both Australia and New Zealand.

Both operations are being headed by Bendigo-based RetireInvest planner **George Flack**, who has assumed the position of chief executive and has been a member of the organization since 1997.

"During the past few years the IARFC began establishing itself throughout Asia in the Philippines, Malaysia, expanding to Thailand, Indonesia, Hong Kong, Macao, China, Greece and Canada," Flack said.

"The IARFC (USA) board approached me in May 2006 and I said I would [accept the role of chief executive] if the headquarters could be established out of my Bendigo office with the assistance of several of my staff," he explained.

In regard to the role the organization will play in the domestic financial planning market, Flack was quick to emphasis that it was not the IARFC's intention to threaten the Financial Planning Association's (FPA) existence or standing."The IARFC has no plans to compete against the FPA but rather complement its role within the financial services industry. The FPA cannot be all to everyone in Australia and the IARFC sees itself as being able to provide the opportunity for members to gain a truly global access to its counterparts throughout Asia, Europe and the Americas," he said.

To that end, he said the professional body was looking to recruit planners who wanted to lift the professional standards of financial advisers on a global basis.

"We'd welcome any qualified financial planners who want to meet others across the world in the same profession and want to contribute to the future development of a uniform code of conduct, ethics and standards aimed at satisfying clients' financial requirements," Flack said. According to Flack, the organization has not set itself any membership targets in the immediate term.

Currently, the IARFC is in the process of finalizing the make-up of its Asia Pacific board, with progress on this front being stifled by illness experienced by some potential candidates.

Flack said once this had been done the body would begin trying to attract members, but did not see this stage of its development occurring before the final months of this year.

This article was written by Darin Tyson-Chan, and is reprinted with permission of Money Management magazine's August 2, 2007 edition. To learn more about Money Management magazine visit: www.MoneyManagement.com.au — Australia's leading information resource for the investment professional.

You may contact the IARFC's Australia and New Zealand CEO, George Flack, FPNA, AFAIM, CFP®, CEP, RFC® at Retire Invest, PO Box 1397, Bendigo Central, Victoria 3552 Australia

Contact: 61 3 5446 3463
george.flack@retireinvest.com.au

Australia & New Zealand

Australia and New Zealand CEO, George Flack
FPNA, AFAIM, CFP®, CEP, RFC®
PO Box 1397, Bendigo Central, Victoria 3552 Australia
Shipping: IARFC C/- RetireInvest, 47 Napier St Eaglehawk Victoria 3556, Australia
P: 61 3 5446 3463, F: 61 3 5446 2199, E: george.flack@retireinvest.com.au

Secretary
Jan Mundy
E: janet.mundy@retireinvest.com.au

Treasurer
David Kippen
E: david.kippen@retireinvest.com.au

Calendar of Events

Financial Advisor Symposium
October 8-10, Chicago

MDRT Top of the Table
October 17-20, Phoenix, AZ

RFC Forum — in Northeast China
October 26-28, Dalian, China

RFC Forums — Taiwan
October 31, Taipei
November 1, Taichung
November 2, Kaohsiung

European FPA Conference
November 22-23, Barcelona, Spain

IARFC Accelerated Course
December 3-7, Cincinnati, OH

IARFC Annual Board Meeting
January 10-12, 2008, Charlotte, NC

Critical Illness Insurance Conference
March 12-14, 2008, Toronto, Canada

Financial Planning Expo
March 20, 2008, Tampa

MDRT Experience 2008
April 11-13, 2008, Chiba, Japan

Financial Advisors Symposium
April 16-18, 2008, Las Vegas

MDRT Annual Meeting
June 22-25, 2008, Toronto, Canada
Booth 215

CE at Sea Cruise/Conference
August 16-23, 2008, Mediterranean

Worldwide Chinese Life Insurance Conf.
September 4-7, 2008, Singapore

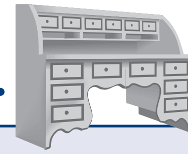
Financial Advisors Symposium
October 13-16, 2008, Chicago

World Financial Services Forum
October 20-31, 2008, Beijing, China

SFSP Forum
November 30 – December 3, 2008
Las Vegas, NV

IARFC Members: we welcome you to visit us at the IARFC booth. Please contact us for booth numbers and dates of exhibiting for the conference you plan on attending. 800 532 9060 or editor@iarfc.org

From the Chairman's Desk...



Ed Morrow

The Issue of Alphabet Soup. The financial services media, regulators, educators and even some compliance officers are now decrying the plethora of financial designations. There are well over one hundred designations – many of which are listed and sourced on our website under the Professional Information tab, and many of which are listed on the FINRA (formerly NASD) website.

Which designations are best? That is like asking, which college or university is best? If you want to be a physicist it would be hard to argue with MIT — but it would hardly be your choice for an intended career as a musical performer. Julliard would rank very high on that list.

Is the RFC the best? Not necessarily! Suppose you wanted to manage securities portfolios of trusts, retirement plans, foundations and wealthy families. The most valuable designations might be the CFA — Certified Financial Analyst. However, if your goal was to guide individuals into the selection of medical and disability coverage, your best choice might be the RHU — Registered Health Underwriter.

Self-Serving Self-Endorsements. There are a few organization or institutions that subtly, or not so subtly, imply that their designation is the most:

> *Legitimate,*
> *or Historical,*
> *or Ethical,*
> *or Rigorous! You get the idea...*

Is Tax Status Important? Although the IARFC is a non-profit organization, we do not assert that this status infers quality. For example two of the premier educational organizations in financial serves are operated by for profit organizations: The College for Financial Planning and Kaplan College.

Non-profit status, however, does generally preclude the ulterior and perhaps material profit making activities for which some organization stand accused.

Is Age an Important Factor? Well, if we used that criteria Microsoft, Wang and Digital Equipment Corporation would rule the world of computing — and there would have been no need for Yahoo, Google and E-Bay.

While the IARFC is now over 23 years old, that factor should not elevate the RFC designation above or below any other professional credential.

Well, how about cost? Certainly the University of Woebegone would be far less expensive than Harvard, Yale or Stanford. But is higher cost better quality? What if you were a single parent wanting to take night courses on a very limited budget in order to qualify for a better job. The trip to Cambridge would be out of the question — plus the local community college might rub your shoulders with those of a potential local employer.

As An RFC, What Should You Be Proud Of?

1. **IARFC is growing very rapidly** — In excess of 25% yearly since the end of 1999 when the board of directors realigned our mission to help educate, train and support financial advisors — rather than to just be an elite group of qualified and experienced advisors.

2. **Your IARFC is financial solvent** — we have no debt, and operate within a budget.

3. **Your IARFC Communicates Effectively** — The quality of the monthly *Register* magazine and the quarterly *Journal of Personal Finance*, continue to improve in format, content and distribution.

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continued from page 8 ***Chairman's Desk***

4. **Your IARFC Delivers Member Benefits** — these help the members practice more efficiently through cost savings and more benefits that can help you serve your clients. Better benefits are delivered to members every year.

5. **Your IARFC Supports Ethical Practice** — through our strenuous Continuing Education Requirement, our Code of Ethics, and by policing the ranks. And, yes, we have removed the RFC designation from those who do not properly serve the public.

6. **Your IARFC Positively Reaches Out** — to other associations and institutions in the international financial services community. We do not denigrate other organizations or designations. We believe in the power of partnering with others who have a different focus, but who also want to serve the public as professional advisors.

How Can You Help?

Compliance Officers. Many broker dealers, insurance companies, accounting firms and banks are genuinely concerned that their field representatives publicize and use only designations and degrees that have true merit. But they aren't aware of the features and values of every designation.

If you know of an officer who is considering organizations or designations — please reach out to them and request that they carefully evaluate RFC. Get the full name, title and all contact information and forward this to IARFC to the attention of Kathleen Ourant. We will follow-up promptly with a Compliance Review kit and then a phone call to answer their questions.

Regulatory Agencies. The RFC designation has been listed on the FINRA (formerly NASD) website but that is to provide information, not an approval or endorsement. You should review our listing and compare it with others at: www.FINRA.org.

State Agencies. Within the fifty states there are a variety of regulatory agencies that may be considering which designations are appropriate. Those in the state where you practice may be considering this now.

Again, if you'll contact them first on behalf of the IARFC and then send us all the contact information, we'll take it from there.

Help Us Grow

By far the ***leading source*** of new members for the IARFC is referrals from existing Registered Financial Consultants. The process is really quite easy.

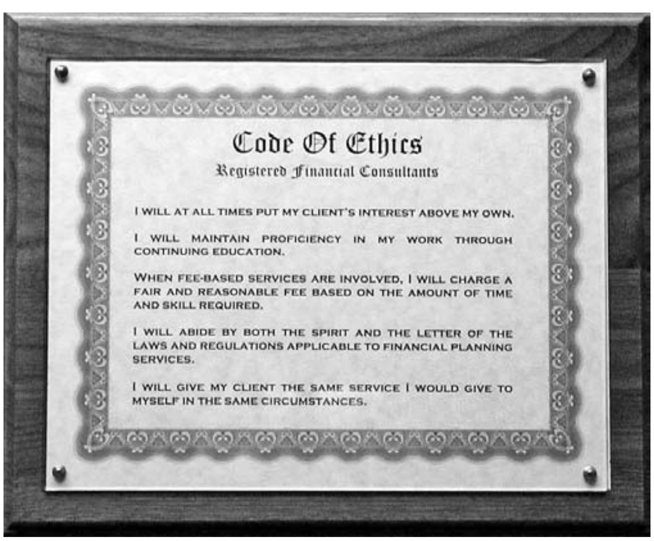
E-mail or Phone. Just give us the name and contact information on excellent prospective members. We will send our information kit and continue to follow up to answer their questions:

Phone: 800 532 9060 or
E-mail: info@IARFC.org

Why is Growth Important? Financial professionals are just like any consumer — they want to be associated with winners, with successful organizations. With a strong annual growth rate and a solid financial status the IARFC is a winner — but we need to reach out to more qualified financial advisors, both domestically and in other countries.

The Public Needs More Advisors! And they need those who are qualified, ethical and who operate effectively to provide superior service. The IARFC is supporting best practices and we provide member benefits and tools to help our members.

When We Grow, You Benefit! The capacity for us to increase the benefits delivered to members requires growth. For example when you compare the *Register* and the *Journal of Personal Finance* with our old newsletter you can appreciate how membership growth fosters expanded benefits.



Display the IARFC Code of Ethics

Where does the IARFC stand? We solidly re-affirm our **Code of Ethics**. The simple, straightforward yet thorough Code is easily and clearly understood by consumers as well as other advisors, and it sends a strong message of your professionalism.

Proudly Display your Code of Ethics Wall Plaque in the entrance of your office, waiting area, or in the room where you meet with clients. The Code of Ethics is handsomely placed behind clear plastic on a walnut base. Wall or tabletop display.

(8.5" x 13" — with some assembly required)

To order the RFC Code of Ethics plaque:
$50 plus $10 shipping: 800 532 9060

Three Measures of a Money Manager

Rear-view mirrors, windshields and omnipotence

Warren Buffett once said, "When it comes to investing, the rear-view mirror is always a lot clearer than the windshield." Truer words have never been spoken. This is one reason investors continue to hire money managers and financial advisors. Since none of us can see into the future, one could argue that investment decisions must be made in the present, based on past history and future expectations. Since we all see the same rear-view mirror, it would seem to me that the only reason an investor would hire an advisor to guide their portfolio would be to gain the expertise of a windshield cleaner.

That may be my definition of a money manager going forward — a windshield cleaner! I have talked with a lot of investors over the past few months and it seems that there are three things they expect to find in a money manager or advisor. They are rear-view mirrors, windshields, and omnipotence.

Gaining Perspective

As investors, it is only natural that our favorite device to use in the investment process is the rear-view mirror. On a professional level, we advisors like to quote 'track records'. Whatever the investment, we like to know how it performed last year, three years ago, five years ago, and so on. Of course, the very next thing we read or recite is the standard 'Past performance is no guarantee of future results' line. This is known as 'cognitive incongruence'. Why is the past so important if we can't rely on it to predict the future?

Of course, times change and the markets change constantly. Can you remember five or six years ago? The late 90's brought the markets unprecedented gains and we were all bracing for something called 'Y2K'. The nation's biggest problem was whether or not our then President knew the meaning of the word 'is'. My, how things have changed! Yet, I doubt seriously that an investment is ever made without consulting a stock chart, earnings report, or some measure of the past like stars from a ratings service. In a sense, the past, or the rear-view mirror, serves as our ***investment security blanket***.

I think investors expect their financial advisors to know the past as if it is a measurable part of our knowledge. It is also the only thing that any of us really knows. The present and the future are opinions, speculation, and anticipation. Individual investors watch their portfolios with a rear-view mirror in their hand. Some like to quote performance from fund families using all funds across the spectrum as their benchmark.

Never mind that the investor might be in their eighties and have very little risk tolerance. They will still quote you the performance on things like sector funds or international funds that used to invest in Russia, Brazil, or Thailand. They will use their rear-view mirror and infer that their portfolio performance should match that of the best performing asset class of the year as if ALL of their portfolio were now in that single investment. Is that unreasonable? While using a rear-view mirror, it is important to keep in mind that different asset classes generally behave and perform differently in different market conditions. Maybe the rear-view mirror just needs to have instructions attached to it. How powerful is the rear-view? How many times have you sold a stock or mutual fund in the past and then kept track of that investment over the ensuing weeks? See what I mean? And if you made a mistake, the investors will no doubt let you know!

Pastor Future?

Investors also expect their advisor to see clearly out the windshield. What is the market doing right now? What are a company's prospects right now? Are goods costing more now than last year?

Again, as Mr. Buffett says, the windshield is a little tougher to see out of because it is less clear. Yet, we have to make decisions everyday based on what is happening at the present – not necessarily what happened in the past. Of course if we could go back in time and use our rear-view mirrors exclusively we would never make an investment mistake. But that's not reality. The present is where we live and invest and data comes at us these days like NBA players to a tattoo parlor.

How do we make sense of what is happening right now? A fuzzy windshield combined with an infinite plethora of economic data generally creates confusion. It really gets interesting when the markets take a dip. We can study the past and we can play the 'shoulda, woulda, coulda' game.

But what really raises the anxiety is a market dip. Why? What are investors thinking? After all, they did hire a financial advisor. Shouldn't the financial advisor be able to deliver the 'indexed annuity' nirvana? You know the drill. You invest all of your money into the stock market index of your choice and never risk a return of less than 4% over a period of ten years or so. And, the advisor gets to siphon a handsome 10% commission right off the top, so in effect, to keep up with or to beat an index your investment now has to actually outperform the same index over time. Plus, there is the little detail that indexes don't have expenses but investing into them does.

But never mind that! We're dealing with investor expectations. And yes, occasionally the markets do take a dip.

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Why would investors panic? Would you invest your money into an asset that you thought would lose money? No, not me either. So part of the anxiety is a surprise development. Would you invest your money into an asset for which you had only one week's data? How about only a day's worth of data? How about an hour's worth? I trust you are all shaking your heads 'No'. So why then does an investor panic when their investment loses value in the hours, days, or weeks following their investment? If only a week's worth of history was not important *before* the investment, why is a week's worth of data important now after the investment?

It seems to me that the psychology of the present kicks in and the long history of the rear-view mirror is discarded for imminent data passing through our windshield. Real money is being made or lost right in front of our windshield. Not many investors feel very comfortable anymore holding assets 'for the long-term'. I liken our modern markets to a bar fight — There are no rules and you must protect yourself at all times. Maybe it is the self-preservation that makes the present seem more important than the past or the future. At any rate, advisors need to keep the Windex handy!

Expectations

That leads me to the third expectation of a financial advisor — omnipotence. As a money manager, I try to devote my mental energies into making sense of the past and the present — which should help me anticipate the future. I analyze every piece of economic data, corporate data, technical chart, tea leaves, or anything else that I can get my hands on.

But in speaking to many investors over the past few months, I have gained some insight into how investors view me and other investment advisors. Many investors hire financial advisors because they want to enjoy ownership of the best performing asset classes, while eliminating all the risks. They want their advisor to outperform **all the indices**. They want their advisor to outperform their friends. They even want their advisor to outperform legends like Mr. Buffet! Investors expect this type of performance without any down months. **Sound impossible?** I have to say that I am flattered to pass this on to you, but I sense that investors see investment advisors as somewhat omnipotent. Yes, they read about whatever the best performing asset class was last year and that becomes their benchmark. If they have a friend that did well last year, that becomes their benchmark. Never mind how the friend did in years past because benchmarks change according to performance. Yet, they don't want to risk a dime. They expect to buy Bentleys and Rolexes next year. What am I saying — I meant next week!

Then of course there are short-term investors and that's another story altogether. I think we would all agree that when it comes to investing, the only tense that the stock market cares about is the future. And yes, investors expect us to have a clear view. Do they really think we (investment advisors) are really that good? I had no idea! Not long ago, I came home and my wife asked me how things were going. At the time, the stock market was mimicking the value of a box seat in a NHL arena. I passed this idea on to her and she said to me, "Barry, You'd better do something about that". Oh, to be omnipotent!

Professional Advisors

With this newfound idea of what investors think of investment professionals, I thought I'd talk to a couple of the richest people I could think of that run businesses. Warren Buffett (of Berkshire Hathaway) and Bill Gates (of Microsoft) came to mind immediately. I wondered how they have done lately and I wondered how investors were viewing them? Hey, if investors think you are omnipotent, how do you compare against possibly the best investor of all-time (Warren) and the founder of one of the most successful business of all-time (Bill)? So, I put myself in an investor suit, got out my rear-view mirror, and took a look at Berkshire Hathaway and Microsoft to see if I would be satisfied having placed money with them over the past three years. By my own study (the time period from the beginning of 2002 to the end of 2004 — three years), Berkshire Hathaway is up about 16% over the past three years (annualized less than 6% per year) and Microsoft is down 13%! Let me re-focus my rear-view and look at the entire year spanning 2004. My friend Warren was up about 4% thanks to a furious (yet suspect) late year rally, and my friend Bill was up about 8%.

Let the rear-view show that neither fellow beat the S&P 500 or the NASDAQ for the year. Am I disappointed? Well, let me just say that I feel like calling Warren up and reading to him the performance of the best performing Brazilian and Russian funds. How about Bill? Couldn't a monkey throw darts and do better than losing 13% over the past three years? Yes, I am of course discounting capital gains and dividends but that's just what investors do!

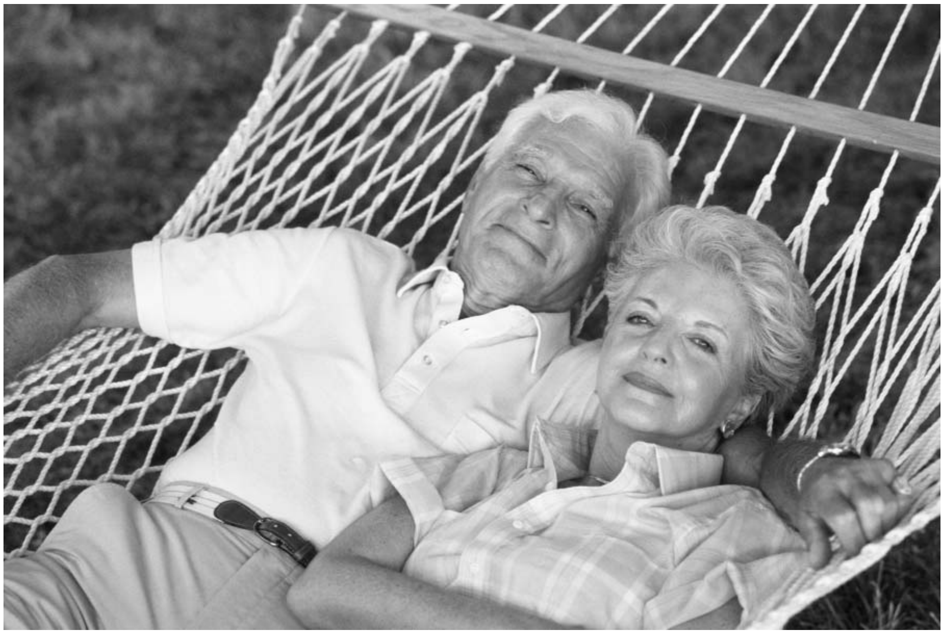
Before I get too excited, I need to refocus on the windshield. What is happening right now? You can check my latest newsletter for a little more detail (Barry's Bulls, Volume 196), but an article from Investor's Business Daily (1/3/05) was very enlightening as to investment performance for 2004. It turns out that the market performance of the indices came from a majority of companies with no earnings growth and triple digit Price/Earnings Ratios. Now that's the stuff of market rallies!! So, to beat the indices, should I expect Warren or Bill to invest money in over-priced, zero earnings growth companies? Why can't they be omnipotent like me? Hey, I gotta go — I'm sure some investors have noticed in their rear-view mirror that South Korea is the best performing ETF for the past 3-months and I need to focus my omnipotence on the windshield.

Barry M. Ferguson, RFC®

***Barry M. Ferguson**, RFC® is the President and founder of BMF Investments, Inc. an independent SEC registered Investment Advisory fee-based money management firm located in Charlotte, North Carolina. Barry has more than a decade's worth of experience in the financial services industry. He has a diverse background ranging from financial software consultant to registered representative of investment products to President of an Investment Advisory firm. His strong technology background has been beneficial in today's 'information age' market.*

Contact: 704 545 0499
barry@bmfinvest.com
www.bmfinvest.com

How to Close the LTC Sale on Your First Call Consistently



Your LTC prospects probably don't like the "cold." So solve that dilemma and warm them up with small talk about their situation and family when you start your appointment with them. It's vitally important to show them that you're really interested in them as **people** and don't see them as just a couple of **dollar signs**.

The next step in the sale is to ask some detailed questions about their health. Besides being essential for every company's field underwriting, this information can also help you in the sales process.

As key parts to every sales call, start using trial, or assumptive, closes at several points in your presentation. The trial closes are designed to bring up any possible objections your client or prospect has about long term care policies. If you do this consistently, when you get to the end of your sales call, the prospect won't have any big objections. Or at most there might be a small one, and you can still close your sale easily.

First, to create their awareness of the need for LTCI, ask the BIG question, **"What are your plans when your health changes?"**

This question will help you to open up their thoughts and feelings about long-term care. You might ask them if they have had any experience with long-term care in their families — if they've had relatives or friends who needed care.

When you ask about your prospect's health, most people will just say, "I'm fine." You'll need to ask **specific questions** like these:

- **Do you take any medications daily?**
- **Have you ever had cancer?**
- **Are you a diabetic? Do you take oral meds or daily injections?**
- **Do you have high blood pressure?**
- **Have you had any strokes or mini-strokes (trans-ischemic attacks)?**
- **Have you had any hospitalizations for other medical situations in the last five years?**

Write down their answers. When prospects see their health conditions on paper, it helps them to focus on why you are there.

Remember, if you don't create the NEED for an LTCI policy in the client's mind, there won't be any sale. It's a Fact.

Most people want to be able to get care at home, they don't want to become a burden on their children. And they'll do their best to protect their retirement savings nest egg. With gentle probing questions, you can get their assumptions out into the open. They need to understand that private long term and critical illness insurance are the only vehicles that can accomplish their goals for the future. Medicaid might seem like an easy idea but the client really doesn't want to be a victim of the State's long term care crisis either.

Once you've established the Need, then show prospects how they can pay for this insurance by just using a PORTION of the interest they earn on their savings & investments. This will remove the most common objection, "I can't afford it."

Next, select the product brochure you want to show them. Always stay in an assumptive-close mode as you are going through the benefits of a policy and how a Plan will work for them. Make sure that the prospect really understands the product's benefits. One trial close is, "Can you see how this feature would work **when your health changes**?"

You're always assuming that they will buy, and it's simply a matter of selecting the best policy and most appropriate, affordable package of coverages. The question isn't "Will you buy?" Rather, it is, "Which plan best fits for you and your budget?"

I recommend giving a yellow highlighter to your client when you go through the brochure so that they can highlight the benefits that are important to them. (By all means, DON'T use the highlighter yourself or your Compliance Officer will faint.) Once you've finished talking about the product, the client will look over the brochure while you are preparing a premium rate comparison. Their eyes will naturally drift back to the highlighted areas. It helps to seal your sale, and later on when they show their kids the brochure, it will help to reinforce their decisions too.

Remember to always ask, **"Do you have any questions?"** You should do this at the

continued on page 13

continued from page 12 ***Close the LTC Sale on Your First Call***

bottom of every page in the product brochure. This will help to uncover any small objections and allow you to answer their questions so you can continue. Every time you answer a question, you're getting the prospect's permission to go forward, and their resistance will continue to decrease.

Any unanswered objection will stick in the prospect's mind — a little voice in the back of the mind that keeps nagging, raising doubt — and the client won't listen to what you're saying. If you don't do these small trial closes throughout the sales process, you might have an uphill battle when you're ready to close.

By probing and asking questions, you'll be **engaging the client in the process**. Don't do all the talking. Make sure the client becomes a participant in the sale.

People can't be "sold" anything they don't really want — they'll just cancel the policy anyway.

You have to help and guide them, so they'll sell themselves, understand what they're buying and feel good about their decision and you as their agent. They'll view you as a consultant and advisor, not a salesperson who was just interested in a commission.

Giving prospects choices is crucial because one of the most common objections is, "I want to shop around." Quoting the rates of three companies shows you're shopping around for them. If you're a captive agent and can't do that, you can give the client choices by discussing different elimination periods (deductibles) and benefit periods.

By going through these steps, you will have earned the right to close the sale, and both you and your new clients will find it easy to wrap things up.

But in spite of using the best techniques, you'll still sometimes hear, "I want to think about it," as a final objection.

Don't give up. Try this response: "You're right. I do want you to think about it. Remember, it takes six to eight weeks to go through the underwriting process. After the underwriting the company will send your policy to me, and from the day I deliver that policy to you, you still have **30 days** to decide if you have purchased enough insurance. If you want to return the policy, the company will completely refund any of the premiums you submit with your application. So, you really have three months to think about it. Is that enough time for you?"

You can close the bulk of your sales with only one call. It is an ethical and a low-pressure way to do it if, provided you just follow these simple 'How-To' steps. ▣

Wilma G. Anderson, RFC®

Wilma Anderson, RFC®, is known as The LTC Coach, one of America's leading LTCI sales trainers and a practicing producer who sells 400 LTC policies a year. She offers personalized tele-coaching sessions, workshops, speeches and several sales tools to help Advisors learn how to master the LTCI sale. Wilma is a widely published author and frequent speaker at conferences and sales seminars, including this year's Forum. ***In addition, watch for a series of products coming to help you learn how to sell Critical Illness Insurance too!***

Contact: 720 344 0312
wilma@TheLTCcoach.com
www.TheLTCcoach.com

The Marcel Marceau School — Part Two

Welcome back to the IARFC school of pantomime. In our last session we learned how to walk against the wind and how to appear to be trapped inside a box. What then shall we learn in this lesson? How about how **not speaking** can help us be successful and make our lives easier in the process.

Last month we looked at communication and the various elements, both verbal and non-verbal, that make up a skill set that each of us longs to call our own. We also started to look at our mime troupe. Specifically we looked at our staff and our offices. As a reminder, we determined that our staff, given the right tools and power, can be our biggest ally and best form of cheerleader. They can do some talking, through their efforts, which will have a far greater impact on our clients than we could ever do with our own voices.

Our next partner in our troupe of non-vocalizing actors was our office. The place from which all engagements are born. Our office is the loudest of the non-speakers and perhaps the easiest with which to deal. How often do tables and chairs talk back to you, or call in sick when the weather is nice? By maintaining a certain look within our offices we enable our clients and prospects to feel a level of comfort that will ease them into the engagement and into a long-term relationship with you as a planner. On the other hand, not having the right "look" will create walls that no amount of verbal dynamite will break through.

Your clients and prospects and you, the professional financial advisor, make up the rest of the ensemble. Your clients are one of the best ways for you to grow your business and they can do this very effectively. We are all familiar with the concept of referrals and how they operate; clients tell you about other people who they think would be interested in your services. You then approach these people and offer your services. Maybe they're interested or maybe they are not. What about finding a way for your clients to speak for you and almost ensure that their referrals will become your clients? **Introductions**, not just names, are the logical next step.

With an introduction, you remain the ever silent prospector (or mime) and allow your clients to make the approach for you. They make the call and arrange the meeting. You merely show up. When you arrive you already have a warm body who is thinking of you with high regard because of the good words of someone else. Your fence is getting painted for you in the legendary Tom Sawyer fashion. Your silence has been maintained yet the communication has taken place in a most effective manner.

What else do clients and prospects do to help you maintain your status as the strong but silent type? How about just talking about their experience with you? By setting yourself apart from the rest of the market you have given your clients something to talk about. They become a supplemental marketing tool over which you have moderate control by the way that you perform your duties as a financial advisor. We'll talk more about the treatment of clients and how this affects your overall business success in future issues of the *Register*. For now, be aware that what you do, not necessarily what you say, is going to have a major impact on those around you.

This brings us full-circle and back to the leader of our little acting company, you. As the lead mime, it is important that you show us how it's done. How your lack of voice does not mean a lack of communication skills. What you do speaks much more loudly than anything you could possible say with your voice.

Do you walk the walk? Do you lead by example? Do you expect as much from yourself as you do those around you? What is it that people see when they see you? Like your office, do you present the message you think you are sending or are people confused by what they see?

Non-verbal cues are what set you apart from others. Be aware of what isn't being said and you will ensure that what is being said and heard will be effective and will be accepted. Lower your voice and raise your success rate. Slow down your rate of speech, especially with holder prospects who might not hear words delivered rapidly. Let others do the talking and you will be able to say more with less. It doesn't take a lot of words to make a lot of sense, but it does take a person who is willing to be silent yet still communicative.

Jim Lifter, MBA, RFC®

Jim Lifter has an undergraduate degree from Ohio State University in Marketing and a MBA from the University of Dayton. He holds the RFC designation and will be coordinating the development and distribution of the new RFC courses.

Contact: 800 532 9060 ext. 18
jim@iarfc.org
www.IARFC.org

Piggybacking Credit May be Short Lived thanks to MyFICO

Piggybacking credit is the term defining the practice of an individual with poor credit and low credit score who is then signed on as an 'authorized user' to an account of an individual with good credit. The intended result is an improved credit score, usually within three to four weeks. Normally, adding an authorized user is within a family and usually done for parental convenience.

For those who are piggybacking, it can be very expensive, to rent someone else's good name and credit rating. The Associated Press recently reported about an individual with a low credit rating, "which he said was marred by two forgotten cell phone bills and identity theft." The 37-year-old real estate agent paid $1,800 to an Internet-based company to bump up his score almost overnight. On the flip side of this coin the same AP story reported about "a retired Army officer in Glendale, CA., pulls in more than $2,500 a month by lending out 19 credit card spots on two old Citibank cards with strong payment histories." His FICO score is above 800 on the scale of 300 to 850." ***A credit card spot is the term for an authorized user, who gets a "spot" to ride piggyback on the good credit score.***

For the owner of the good credit, the risk is all on their side according to Maxine Sweet, VP at Experian. She commented "For the authorized user, the implications are positive, if you pay the bill on time. The account becomes part of the authorized user's credit history, so it can help them by adding positive information. The cardholders with the good credit do need to worry about the authorized user making charges on the account that you can't afford to pay. An authorized user can use the account, but they are not responsible for making payments. That is entirely up to owner of the account. Until recently, late payments on the account appeared on both your credit report and the authorized user's credit report, hurting both parties. The good news for the authorized user is that Experian changed its processes so that no negative information is reported on an authorized user's credit report. They can build a positive credit history without risk. The cardholder with the good credit, on the other hand, still will have any negative information about that account in their report. Essentially, you have all of the risk when you allow someone to be an authorized user on one of your accounts," Sweet concluded.

Now, MyFICO has added a new wrinkle after lenders expressed concern the practice of piggybacking could lead to greater default risks. In early June MyFICO issued this press release: ***Fair Isaac Moves to Protect Lenders from Fraudulent Manipulation of Authorized User Credit Card Accounts. Company's newest FICO scoring model will ignore authorized user accounts when calculating Classic FICO credit risk scores.***

Fair Isaac Corporation (NYSE:FIC) announced June 5, 2007 that it will adjust its FICO scoring formula to ensure the continued reliability and predictive power of FICO scores. *This action is intended to protect lenders and FICO scores from abuse of authorized user credit card accounts by a new kind of credit repair service that sells consumer credit card histories to credit applicants in order to purposefully misrepresent the applicants' own credit history to lenders and other businesses.* ***The adjustment removes authorized user accounts from consideration by the scoring model in FICO 08, the newest version of the Classic FICO credit score which Fair Isaac expected to become available to lenders starting in September.***

"We will do whatever it takes to protect the reliability and accuracy of FICO credit scores for lenders, and to ensure lenders can continue to use FICO scores with confidence when making their most important customer decisions," said Dr. Mark Greene, CEO of Fair Isaac. "We will continue working with lenders, regulators and others in the credit reporting industry to end deceptive practices that fraudulently misrepresent consumer credit histories for profit."

An authorized user is a person permitted by a credit account holder to use an account, typically a family member who is managing credit for the first time. *Used legitimately, authorized user account information has helped both lenders and consumers by enabling lenders to use FICO scores when making credit decisions for consumers who are starting to establish a credit history. Fair Isaac's research indicates that the next version of its FICO scoring formula will deliver increased predictive power without considering authorized user accounts.*

Fair Isaac will work closely with lenders to help them implement and benefit from the FICO 08 score as it becomes available. Lenders will be able to use the new version of FICO scores with minimal changes to their own operating systems. To make lender adoption easier and faster, the new scoring model will retain the same scoring range, score reason codes, minimum scoring criteria, inquiry treatment, and related model parameters as previous versions of the FICO formula.

The AP story also reported the viewpoint of the National Mortgage Association. "Ginny Ferguson, a mortgage broker located in Pleasanton, CA., and a credit expert for the National Association of Mortgage Brokers, considers the practice mortgage fraud, and the trade organization is about to release a policy statement against it. "These companies are encouraging consumers to commit fraud. On a standard home loan, there's a clause that says the consumer is not omitting pertinent facts that could impact his or her ability to repay the loan," Ferguson said."

The AP story also got a comment from the FTC. "So far, federal authorities have yet to make a ruling on the practice. "What I've gathered from attorneys here is that it appears to be legal" technically, said FTC spokesman Frank Dorman. "However, the agency is not saying that it is legal."

Paul Richard, RFC® the Executive Director of the ICFE, founded by Loren Dunton. Paul is the author of the ***Certified Credit Report Reviewer****, and he is nationally regarded as an identity theft prevention specialist.*

Business Success Profile
Mike Davis: The Strong Silent Type

Mike Davis, MBA, MED, RFC®

Introduction: Hesh Reinfeld interviews Michael L. Davis MBA, MEd, RFC® Senior VP and Principal / Retirement Planning Consultant of DiNuzzo Investment Advisors, Inc., Beaver PA.

Hesh: Let's start with your resume, Mike I understand you are a retired U.S. Army, Lieutenant Colonel — that's very impressive.

Mike: Thank you. But I thought the purpose of this interview was to go beyond the headlines of my resume, not my old military record.

Mike, your boss asked me to emphasize your military career. He said it impresses prospective clients.

Perhaps — and I'm proud of my military career — but, let's talk about the future. That's what I do with my clients. I talk with them about their future. We should, too.

What do you want talk about?

Music.

Mike, this interview is for the *Register*, a very serious and highly respected financial planning magazine, not *Rolling Stone*.

As a new guitar student, I realize that learning a new skill and a new language (music) take a lot of time. I get frustrated at times, but I enjoy it.

How does that help you in your professional life as a financial advisor?

I could have learned a few chords and pretended to play the guitar; fooled people into thinking I knew how to play the instrument. However, I seriously want to be a musician — an amateur, but a musician nonetheless. Similarly, a lot of people think that they can read a few books, or subscribe to a few investment magazines and become proficient money managers. That's not the case. Those folks may think they know what they're doing, but they really don't. Like the five or six chord guitar player, these investors know just enough to fool a few people, including themselves, into believing that they can manage investments.

What are you working on this week with your guitar instructor?

Playing dotted quarter notes. They drive me crazy. My ear knows what I am supposed to play. Unfortunately my fingers don't seem to want to follow orders. It's frustrating especially because my instructor, who is half my age, does it effortlessly.

Do you realize that your guitar lessons improve your listening skills? One of your clients told me that she was very impressed with your patience and willingness to listen to her concerns.

Yes, I remember; she had just recovered from major facial surgery and she found it difficult to speak clearly.

You didn't try to put words in her mouth. You didn't try to end her sentences. You sat calmly as she struggled, at times, to articulate her concerns and her goals. She really appreciated that!

It's a skill I see in my guitar instructor. He listens calmly. I make a lot of mistakes, but he doesn't correct me on every note; he gives me confidence by letting me play an entire line of music.

Let's get off the music analogy. If you could give a client one piece of advice, what would it be?

Stop watching all of those finance news shows on cable TV. It's not helpful. The shows are all hype. Everyone is selling a "magic solution."

If you were on one of those shows, what would you say?

I'm a firm believer in the Efficient Market Theory. We live in the age of instant information; events that occur in the world today are immediately priced into the market. By the time you read about an individual stock or a hot, actively managed mutual fund in an investment publication or hear about it on TV, you've already missed the boat.

Market timing is a way to virtually guarantee poor portfolio performance. If you miss just the top ten trading days in any given year, it will negatively impact your portfolio's return.

Mike, I have to be honest. If you were a guest on a cable business show you would put the audience to sleep. That's important stuff you're saying, but it has no pizzazz. You're not saying anything that's exciting or worth repeating at a cocktail party.

Unfortunately, many investors "bet the farm" on stock picking and market timing.

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An indexed (diversified) portfolio might not make you the center of attention at the next cocktail party, but it will put the statistics of Portfolio Performance and Risk on your side. Diversify! You'll be glad you did!

Mike, you sound like my doctor. When I ask him how I can lose weight, he reminds me of the basic tools: eat less and exercise more. He may be right, but it's boring and involves a lot of hard work.

Hesh, you want a quick fix? Sorry, there are none.

If I spoke to some of your fellow officers from your days in the military, would they recount some extraordinary experience in which you saved an entire regiment and were nominated for the Congressional Medal of Honor?

Hesh, now you are sounding like a cable news reporter. Not everything in life can be a 30 second sound bite for TV. I like to let the facts speak for themselves. During my career, I led soldiers from the platoon through the battalion level. And, I did see action in Somalia.

However, my most rewarding assignments were as an instructor at the Armor School at Ft. Knox, KY and as an associate professor of military science at the Citadel in Charleston, SC. Those assignments enabled me to pass on some of my military experience and skills to another generation of soldiers, skills that might save their lives in combat or assist them in achieving a life-long professional goal. These goals are similar to the ones I'm interested in reaching with my clients today... teaching them how to survive the sometimes very dangerous world of investing and achieve their life-long financial goals.

Were you awarded any medals or decorations?

Yes, actually the ones I am most proud of are the Airborne and Air Assault Wings. To be awarded these badges, you are required to do something a little out of the ordinary... voluntarily enduring several weeks of intense physical training and jumping out of a completely good aircraft while in flight. I've always been a little adventurous in some aspects of my life, but "down to earth" when it comes to investing. Jumping out of an airplane in flight is completely sane compared to some of the dangerous financial advice I see promoted on TV or in newsstand financial publications.

Sometimes I joke with my fellow retired military officers that it was safer on the streets of Mogadishu dodging bullets (and other projectiles) than trying to figure out a popular financial expert's next hair-brained investment idea on some financial news show.

Do I hear some hostility in your voice?

Yes. Most of my clients work hard, very hard, to save for their retirement. And I don't like it when some so-called expert insinuates that a quick buy of their favorite stock will bring them riches.

Give me a sense of your typical client.

Men and women who raised a family in difficult economic times in western Pennsylvania. They might have started out in the steel mill and had to change careers when that industry shrank. They didn't whine or complain that their new job paid less. No, they went to work and put in another 15 years for a new company. Plus, all along the way, they saved. They still live in the same house. It may not be a fancy neighborhood, and their kids remind them that they could afford a new home or condo. But they say "no, thanks." I identify with these folks and I am proud to serve them. In many ways they are similar to the line soldiers that I served with in the Army. They are the backbone of the company they work for, doing their jobs under some tough conditions.

Hey Mike, I guess you can be passionate. You sound like you're defending one of the soldiers in your regiment. Any final message to the troops?

I'd like to say, "Be careful out there." The financial service industry has a tarnished image in some people's mind. You want to get away from the hype. I guess that's what I am really passionate about. Cut the hype. Help your clients; be a professional. That's what I am all about — and I think it applies to most RFC members.

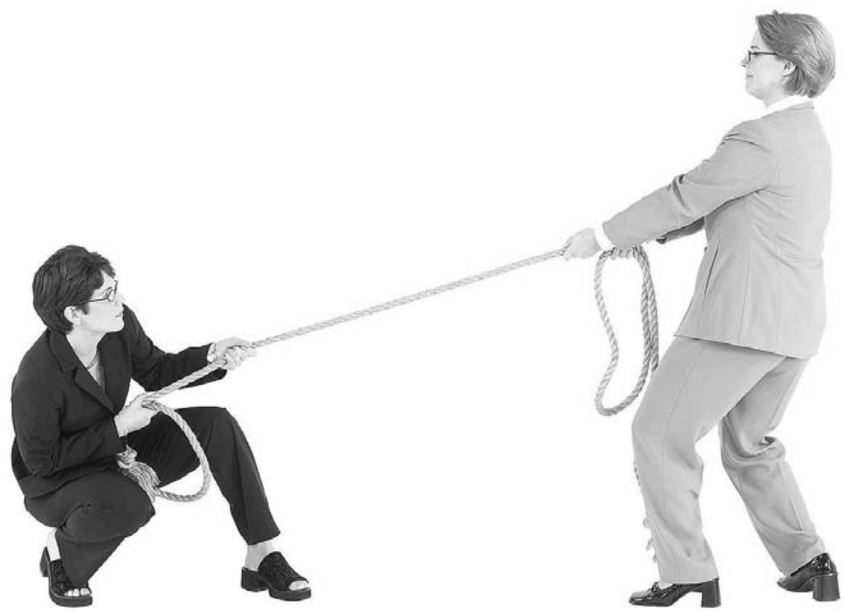
Obviously.

Hey Hesh, thanks for helping me articulate what is really important to me.

My pleasure.

Contact: 724 728 6564
mdavis@dinuzzo.com

Financial Planning for Women



Why is it so hard to motivate married women to plan while their husbands are still alive? One reason is traditional values; many husbands still take care of the planning. But, today more women are becoming involved in the planning process. However there is still room for improvement in this area. Another reason is professional planners often do not insist that the wives be "a part of" the planning process. By offering our services to married and single women, we will aid them in a timely manner, especially if approached early in their lives.

Many women cannot answer the following questions:

1. How much is in savings?
2. What is your credit rating?
3. Are loans obtainable?
4. How much money will you have at retirement?
5. Do you have enough life and health insurance to protect your dependents?
6. What is your net worth?

Many women have not made taking care of themselves financially a priority. However, while most women have grown up uninformed about money management, more and more women are becoming financially active. They are more likely to have financial assets (such as savings accounts, credit cards and mortgages) in their own names than their mothers.

Older women between the ages of 55 and 65 tend to be more financially savvy than those aged 35 to 45. Divorced women have more financial literacy than any other group. The process of divorce emphasized the value of being more "money conscious." But most of these older and divorced women probably learned about finances the hard way and may have made some mistakes in the process. For women who know little about family finances, it is vital that they gather information and take important financial steps, before it's too late.

The time for women to plan is now! Too many women delay planning, believing they have all the time in the world or that someone will take care of them. Women need to learn how to save for long range goals including vacations, education and retirement. This is the first step on their way to financial independence. In order to establish goals, women need to know what they want and what they already have. The problems with finding out what women have are that women often:

- Leave financial responsibilities to their husbands,
- Fail to start regular savings,
- Don't have credit established in their own names,
- Have incomplete records,
- Have little or no knowledge of company benefits.

Once long and short term goals are determined, then the path to those goals should be charted. Part of the charting process is helping women establish budgets (perhaps a very effective way to determine who will be cooperative clients). Too many women wait until all the bills are paid before they make a contribution to savings and all too often there is no money left over to deposit.

A commitment to savings should be included in the budget process. This commitment should place savings, first not last.

Other fundamentals of well thought out financial plans include adequate emergency funds, debt management, and insurance against the unexpected. Find out what the tolerance to risk is for the women you are helping. Most women mind losing money much more than they like earning it.

Contrary to a phrase by Robert W. Sarnoff… **"Finance Is The Art Of Passing Currency From Hand To Hand Until It Finally Disappears."** It should be preparing for one's future by disciplined actions using wise decisions and knowing the options.

Connie Luttrell, RFC®

Connie Luttrell, RFC® whose firm is CC & Associates, located at 817 Willow Springs Boulevard, Franklin, TN 37064. Contact: 615 591 3260. Securities offered through Wall Street Financial Groups, Inc. Member NASD/SIPC. Wall Street Financial Group, Inc. & CC & Associates are separate entities. They are independently owned and operated. Wall Street Financial Group, Inc. does not offer insurance products. Information herein is the opinion of the author and not that of Wall Street Financial Group, Inc.

Contact: 615 591 3260
cluttrell@wsfg.com

Playing the Blame Game: Blaming the Other Guy

When Things Go Wrong In the World of Financial Services

Having read the article in the July 8, 2007, *New York Times*, about "Mike", a Certified Senior Advisor, who sold an unsuitable financial product, namely a deferred annuity, to an elderly client I've decided that there are lots of ways to look at this industry problem. And there are ways to blame the other guy when things go wrong.

The obvious perspective is not that it's up to regulators and lawmakers to impose discipline on the sale of unsuitable banking and insurance financial products. It is so much easier to say, "Mike is the blame. He is probably just one more unscrupulous crook, taking advantage of unsuspecting seniors and we should all be so outraged that a witch hunt should be initiated to clean up the financial planning industry of those like Mike, claiming to have certain "seniors" designations after their names. Not only that, let's go lynch all those financial planning groups granting these designations to all those Mikes out there in the name of protecting our fathers and mothers."

But, there are other ways of looking at this story and playing the blame game. Maybe there are other entities at fault in this story besides the financial planning industry?

If everyone is so interested in what is being represented to seniors, why doesn't some group address this correctly and develop courses and information that is in the best interest of the senior? *Answer: Many in government or the media should blame all the groups with money and power, which want to develop products in the best financial interest of themselves and/or the institutions they represent instead. Even better, let's blame the government for either overseeing or not overseeing this entire system.*

Maybe the banks and insurance companies selling financial products are at fault? **It would be quite easy to make the argument that these two special interest groups have bought off lawmakers and that they are the force behind the scenes blaming the other guy** for what they are doing, namely placing clients into financial products that are unsuitable. In the same way that brokers are not supposed to recommend stocks that do not fit an investor's risk profile, lenders should not be able to offer loans that do not fit a borrower's profile, such as many of the sub-prime mortgage loans. Insurance agents should not be able to place certain elderly clients into high-load deferred annuities that were issued by giant companies and approved by the regulator's state.

Who else can we blame? Maybe the insurance regulatory authorities and lawmakers are at fault. Maybe there are "Mikes" in each and every area of insurance, telling their clients whatever they want to hear to make the sale, regardless of the suitability of the financial product for the client. *So, maybe mandatory insurance for the agent's representation to the client is the real issue?* After all, if the insurance company can delegate the authority for the agent to sell the financial product, don't you think they have the responsibility for what the agent does to sell the financial product?

To be fair and objective about it all, lots of times agents for a company will promise the moon to make a sale. And the companies know all about it. The insurance companies, strictly "bottom line" oriented, look the other way when these sales come. Some probably gave Mike incentives and promotions besides his commission.

Self-Regulatory. Have you ever heard of the company itself admitting to having plants to check out what their agents are saying or promoting? Neither have I! However, these are large, professional and well organized companies. The companies probably do have these plants and/or internal auditors and compliance officers, but do not want to admit they know what is being done in the field. And if these companies don't have these plants, don't you think that they have a fiduciary responsibility to have them? Either way, the company somehow becomes responsible for what the agent says even though there is a contract with "weasel words" saying that any representation made by any company agent that is not in the prospectus is not authorized by the company.

When a few greedy agents are finally exposed subsequent to some client complaint, these agents are targeted as being the "bad guys." It appears as if only a few individuals are really interested in the truth of the matter, which is that the company had sponsored and underwritten the entire process, including training of the agent to make product sales. The companies knew or should have known what was being represented.

Regulator Responsibility. These heavily loaded products had all been filed and approved by the insurance departments. Where were they in representing the best interests of the consumer? In fact, in some of the states where there was elderly annuity abuse the same "abusive" policies are still available for purchase!

Mandatory insurance for agents and planners. Even though there appears to be multiple parties to blame in the blame game, it appears as if this problem of mandatory insurance for agents is not being directly addressed.

When an agent like Mike DelMonico says that his company knew what he was doing, I believe him. This is probably what will happen next. Because bad news spreads quickly, Mike's other clients, especially those losing money in his investment recommendations, or just those who want to jump on the bandwagon, will start to complain to agencies about Mike. Some companies will not want to renew with Mike. The company with the "abusive" deferred annuity product will now disassociate itself from Mr. Del Monico; pay off the lady with the Down Syndrome son, who complained to the insurance company and then to state and federal agencies, the insurer will head for the hills, leaving Mike out to dry.

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continued from page 19 ***Playing the Blame Game***

All the bad press is a prelude to targeting Mike for prosecution in the “Blame Game.” Mike does not know that he probably does not have the means to properly defend himself with the agency(s) which will charge him with wrong doing and will probably be convicted and go down the tubes. This is a perfect example of a guy who needed **pre-paid** insurance protection for himself, but either did not know about it or thought he could not afford it. All the Mikes out there are perfect candidates for an insurance protection, such as that currently being offered by Financial Advisors Legal Association (FALegal).

- Whether Mike was ethical in the financial products he sold...
- And whether these products were subsequently deemed suitable for the client or not...
- And whether the insurance company admits it knew what Mike was doing...

I believe that this type of prepaid insurance should be very strongly considered, even mandatory for a lot of good reasons, including the protection of the client, the integrity of our financial institutions and all the Mikes out there who are going to someday become a target.

Without a prepaid insurance, the odds of a Mike surviving, sans support of his company, are slim. In this case, Mike needs protection from what I call the “swarming bees” in a three front war:

One front to be fought with his clients...

One with the agency(s) accusing him of wrongdoing...

And the third front with his former employer, who is not giving Mike the right time of day much less any legal aid or assistance while probably attempting to appear squeaky clean by cooperating with the prosecuting agency by supplying evidence against Mike to them.

So, no matter who is at fault, one measure to improve the system, short of more government intrusion, would be an insurance to cover all the Mikes out there. I believe this insurance should be mandatory and contain the benefits available through belonging to an association like FALegal no matter who is at fault in this emerging growth industry froth with the blame game.

Hal Chorney, TIA

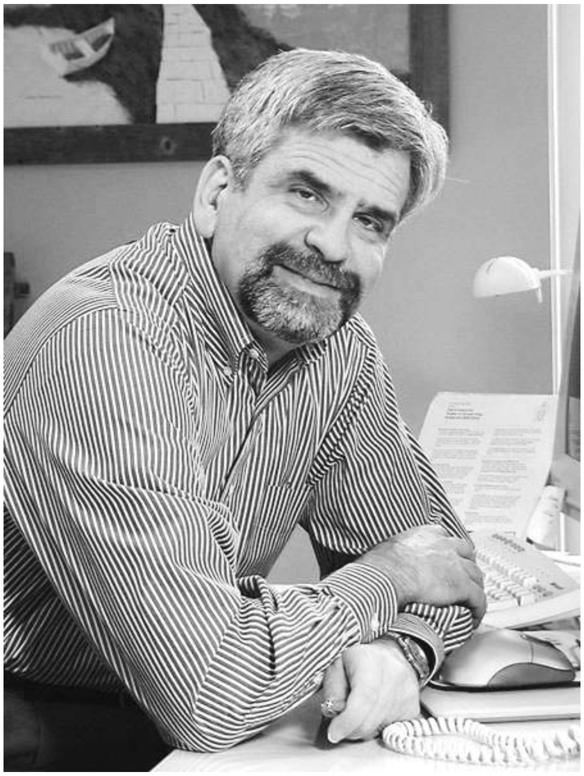
***Harold F. Chorney**, is the founder of the **Money School of Boston**, the **Registered Tangible Investment Advisors Association**, and a co-founder of the **National Center for Bankruptcy Accountability**. Hal, a professional speaker on financial products and services industry, is considered to be an industry innovator, using his lobbying efforts to better protect the consumer investor. He is the author of **Pie-rats**, a book concerning “Our own institutions, selling out to special interest groups, thus denying American citizens their fundamental birthrights and the opportunity to achieve the American Dream.”*

Hal is also a frequently published writer, appearing in Barron’s Financial Weekly, Wealth Magazine, Life Insurance Selling, Financial Profiles, Financial Services Advisor Magazine, The Inspirator International, the IARFC Register and The Financial Planning Encyclopedia. For more information on Hal please send your request in writing to Hal Chorney c/o The Money School of Boston, 26th Floor, 225 Franklin Street, Boston, MA 02110-USA.

Contact: blamegame@nc4ba.org

Business Mirrors Life

Sales Meetings Don't All Have a Hollywood Ending



Hesh Reinfeld

The Starbucks clock says 3:28 PM. My three o'clock appointment has still not arrived. I call and want to ask "Where the hell are you?" Of course I sound much more conciliatory. "Hi this is Hesh. I was wondering if I have the wrong day or time."

He answers: "Oh I am so sorry, I forgot. I'll be there in 10 minutes."

I say, "Oh that's OK, don't rush, I called just to be sure that you were fine, since it is already 3.30 PM. Are you sure you can still make the meeting?"

He forgot. I guess this tells me how important the meeting is to him. But I have to act professionally. I wouldn't dare say something like, 'Hey idiot, don't you check your calendar? Or you have a secretary, didn't she remind you?'

But the person is a prospective client so I keep on smiling. And actually I've been waiting for 45 minutes since I got to the meeting early. For me this is the biggest meeting of the week. I've prepared. I've over prepared. My briefcase is stuffed with supporting documents. But I've boiled it down to one page, triple spaced, 'less is more.'

I wait another 15 minutes. I listen to two college kids sitting right next to me. They're talking about their summer ecology internship in Africa and how my generation has screwed everything up.

But wait a second. I now have an edge on my prospect. He owes me one. Maybe he'll be more open to doing business with me.

He arrives. We talk for five minutes and I realize that my services really don't match his needs. Now I'd really like to end the meeting, he is so boring. But I can't do that after only five minutes. So I wait and make conversation for 40 more minutes. Then I say thank you and leave.

If this was a Hollywood script, I'd return to my office dejected, but then the phone would ring and the prospect would tell me that his brother needs my services ASAP.

But this is not TV or the movies. I do return dejected but he does not call.

I bump into him six months later, at a conference. I interrupt his conversation and give him a big smile and say 'hello.' He looks at me, first with a glare that says 'Do I know you? And how dare you barge in on my favorite golf story?"

Then he looks at my name tag, squints hard to read it and says to his colleague. "Oh yes, you're Hersch, how are you doing?"

Hersch, damn it my name is Hesh. Can't he even get my name right? Now is my chance to get back at him and respond with a caustic contemptuous comment.

But instead, I squeeze out this believable fake smile and say "Just fine. I'm doing fine. Hope you are enjoying the conference. I'm on the welcoming committee; can I get you a drink?

"Why thank you. I'll have a gin and tonic." He answers and returns to his story.

Dejected once more, I go up to the bar and order his drink. The bartender asks "With a twist of lime?"

"No," I answer. "But you can add a splash of arsenic."

As an experienced journalist, Hesh passionately believes that a properly crafted bio or marketing profile will cause a prospective client to be sufficiently attracted to read it, and to feel, "I'd like to meet this person." If you would like Hesh to help you prepare a similar biography for you, or to assist you with writing assignments that will help you in your market.

Contact: 412 421 8379
hesh@heshreinfeld.com
www.heshreinfeld.com

Are You Measuring the Concrete?

What does measuring concrete have to do with financial planning? On the surface probably nothing. But if you dig a little deeper measuring the concrete could help you fill your financial planning practice with more clients than you can handle. How so? Please read on....

Over the last few weeks my wife and I have been gathering quotes from demolition contractors on a landscaping project we have been putting off for years. We were in the market to have a shed, a boat garage and a whole lot of concrete removed from our back yard. We did not have the time or the desire to do the work ourselves so we decided to do the prudent thing and get 3 quotes from 3 demolition contractors. We would find the one that was most affordable and finally reclaim our back yard from the ugly eye sores we had stared at for the last five years.

Well, the first guy came and gave us a price of $3,000. The second guy came and said he could do the job for $2,500. The third guy never even showed up. We happened to be discussing the project and leaning toward guy #2 with the lower price when we got a phone call from guy #3. It was a Sunday and he apologized for not making it out sooner, but he could stop by and give us a quote if we were available. We told him to come on over.

Guy #3 gets there and he did something different than the first two guys. Not only did he walk around the yard with us and discuss the job in detail (the first two guys barely eyeballed the back yard at a glance) but he excused himself, went back to his truck and got out an odd looking device that he rolled along the ground and it told him how far exactly the device had rolled. He used this device to measure the concrete to be removed.

When he was all done gathering the exact data he took a minute to put it all together and he gave us a price. He broke it down and told us how much the shed and garage removal would be and how he planed to do it. Then he told us how much the concrete removal would be based on a dollar per square foot removal fee. Lastly he told us how much it would cost to bring in some top soil and seed the area. When he added up the three parts of the job the price came to $3,125. We decided to go with him.

The question is why? Why did we go with the guy with the highest quote of all three Because he was the only guy who measured the concrete. Even though the first two quotes were cheaper we were not confident that they would be able to do the job for that price. In fact our landscaper had placed some doubt in our mind expressing his concern with the low quotes. He said, "You may want to be careful, those are some really low quotes" authoritatively adding, "some contractors low ball their quotes and then try to squeeze more money out of you when they run into unexpected problems." Like placing topsoil back over the area where concrete had been removed.

With this concern on our minds, coupled with the fact that this last guy was clearly doing his homework in advance, we not only had more confidence in the quote being accurate but we were more confident that he could actually do the job in a professional manner. The difference in price was well with the confidence and peace of mind. I think on some subconscious level the simple fact that he took the time to measure before he was willing to guess deliver the quote spoke volumes about his professionalism.

Make Planning More Concrete

So what does all of this talk about measuring have to do with your financial planning practice? Why not ask yourself this question? "How accurately do I measure my clients' figurative concrete?" Obviously as a financial professional we seldom have to physically size up someone's concrete patio but don't we have to size up their financial situation before we can even begin to make a recommendation? If we don't take the time to ask the right questions before we begin to make recommendations what effect will that have on the level of confidence that our clients put in us or in our final recommendations?

Now I am sure with all of the talk about suitability these days you are at least asking some basic questions before you can start talking about what financial products may best suit your clients needs. But do you really do your homework before you start making recommendations or giving out financial quotes?

Let's look at a quick example. Let's say a person is referred to you and when you call him up to talk about how you might help him he tells you that he is interested in a 529 plan to help fund his children's education. How do you handle that situation? Do you reach into your financial bag of tricks and show him the 529 plan that you like the most or are accustomed to recommending and start explaining why you feel it is the best plan on the market?

Or do you use this as an opportunity to do a thorough fact find to see how you can really help this client? After all can he really afford to start a 529 plan? Does he have the proper amount of money in an

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emergency fund? If not, and an emergency did arise where would he get the money to cope with that emergency? Is he on track to retire when he would like to retire? If not, what is more important to him, being able to stop working some day or having money saved to help his child go to college? Does he have the correct amount of disability, life, and health insurance in place? If not what would happen to that 529 plan if one of those situations robbed him of his financial security? Does he understand the consequences of taking early distributions from his 529 plan for things other than his children's education?

This is not to suggest that a 529 plan is a poor investment choice for a family looking to fund their children's education. That is not what I am saying at all. What I am saying is did you first measure the concrete? Did you take the time to do a full financial inventory before you made a recommendation? If you do, something magical will happen. Not only will you do a better job for your client but there are at least two other side benefits! First you will instill in your client an unspoken confidence because they will see your professionalism in action and they will know that you cared enough to do the right job. And second, you will no doubt do a lot more business because you will uncover additional financial difficulties that you may be able to assist him with.

Moreover, in addition to all of these advantages you will start to get more clients because your increased professionalism will make you automatically ***more referable***.

So next time a client or a referral asks you for a quote or a recommendation remember to slow down, tell them you can help them with their issue at hand, but first you need to gather some additional information in order to make an educated recommendation. In other words make sure you first "measure the concrete". It may just be the deciding factor of whether or not you get your next client, or if they decide to go with your competition.

Antonio is based in Loves Park, IL and is a respected speaker on a wide range of subjects. He conducts a popular series of financial workshops throughout the year that help families free up the cash they need to live better now, and plan for the future. He is a Registered Financial Consultant and a member in good standing of both the National Ethics Bureau and the International Association of Registered Financial Consultants. Readers who are interested in gaining more information on how to live debt free and truly wealthy can receive a complimentary copy of Mr. Filippone's booklet by visiting his website.

Contact: 815 633 9595
tony@rockfordretirment.com
www.rockfordretirement.com

Antonio Filippone, RFC®

Cato Comments – About Your Image...

Could You Benefit from an American Flag Flown Above the US Senate in Your Honor?

You compete with other financial planners in your market, even if you are highly specialized. People claiming to be planners are as difficult to locate as banks. That is to say that people claiming to be planners are on almost every block. Of course, most are insurance product hustlers who don't know the name of their local Congressman. Here is a quick test to see if you are smarter than your competition. Answer this one question. Your answer will also indicate if you know how to market effectively. Here is the question:

Would the American flag honor benefit you? I'll explain: Would having an official American flag — flown above the United States Senate Office Building, honoring you for your service helping citizens obtain their financial goals — would this official honor, by your federal government, be of any use or value for you?

I'm talking about a flag actually flown above the Senate Office Building in Washington, D.C. especially to honor you. Official federal documentation confirms this, including the reason you were honored.

If you said "yes" then you may be the leader in your market area, or you may be on your way to the leader's position in your market area. If you said "no" then you may know little about creating a desired perception, obtaining credibility, or improving your image. If you said "no," you may even be rather dense.

Who needs stuff like that?

I've actually had a so-called financial planner in New York State tell me, "I don't need no flag. That's worthless to me. I need for my prospects to know that I am the greatest and they need to buy from me. And I need that right now. A flag is nonsense. Who needs stuff like that?" Obviously this clown also had no idea about how to "use" this flag honor to advance his bottom-line.

***Reality Check:** Your market image results from a series of various related and coordinated media exposures (of different types) that take place over time.*

The flag honor is an excellent example of one of those valuable exposures. Each exposure must be qualified on a news, education, information, or entertainment basis. *By qualified I mean this makes for acceptance by the media. And the flag honor qualifies. There is no point to producing self-serving materials that emphasizes your greatness. Just as the media will reject the obvious phony stuff, the media will also reject that which is overly self-serving.*

All of the exposures you receive must be continually exploited. *You don't appear on a local TV talk program and then wait for clients to approach you. You don't attend a convention of any type and then wait for clients to walk into your office. You don't give a talk to a group of prospects and then wait for them to respond. You maintain ongoing efforts to cause your desired marketing results.*

"Ongoing efforts" mean you continually exploit your media exposures. If you get a book published by a legit publisher, not a vanity (self-published) book, the book will not help you unless your clients and prospects know about your book. If you receive the American flag honor from the federal government, this will not help you unless your clients and prospects know about this.

You decide if the flag honor would be nonsense for you? You decide if you need "stuff like this." Rocket science is not required to figure-out if the American flag honor would have any worthy bottom-line benefits for you.
It is impossible to immediately convince all of your prospects, with one quick communications effort, that you are the greatest and they should immediately purchase whatever you may be pushing.
On a practical and realistic point, consider that the flag honor has multiple lasting benefits for you, depending on how you exploit this award.

At a session of the famous **Insurance Pro Shop**, **Ed Morrow**, CEO of the **IARFC**, was unexpectedly challenged to go on stage and explain to those present how this flag honor could be effectively used. And he

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delivered! Ed quickly reeled-off over twenty useful and valuable actions, i.e., displaying the flag in your lobby. Arrange for your local Congressman to present this to you when you visit his home office. Display the picture (of the presentation) in your office. Get the picture published and give reprints to your clients and prospects forever. Mention this flag honor on your business card and letterhead. Give the flag to a troop of blind Boy Scouts and have the media cover this. Mention your flag honor in your biographical sketch. Add this to your introduction — the one that is used when you make a platform presentation. If you use a Power Point presentation then add a picture of your flag plus a caption that explains what is special about this flag. Present the flag to a local school along with a notice that indicates bla, bla, bla.

Surely you can continue this list. As I said already, this does not involve rocket science. You can be creative. But always tell the truth. Do not exaggerate. Above all don't just do nothing more. Do not wait for desired results to take place. Make specific efforts to cause desired results to occur.

Yes you do qualify for this flag honor. If you have this honor, and if the other person who is competing directly against you does not have this honor, then you have a feather in your bonnet that — well you get the idea. And your competition is most likely too lazy and too stupid to take advantage of this opportunity. Your competition doesn't even understand that this is an opportunity.

How You Can Receive The Flag Honor

Contact your local Congressman's office (write, don't phone or use e-mail), or your Senator's office, and ask for the "flag form" or request "the form for use in recommending that an American flag to be flown in honor or recognition of an American citizen." Then, after you receive the form, correctly fill-out the form.

You can pick-out the size of flag that you want. You must pay for the cost of the flag. Larger flags cost more. (Do you really need a huge flag?) Choose from nylon or cotton. Then send your properly completed form along with your check for payment back to your Congressman (or Senator).

You Deserve This High Honor

There is a section on the form where you indicate why this flag was flown in your honor. A good reason for you would be your version of something like the following:

This flag was flown in honor of John B. Planner in recognition of his service to American citizens in the Greater Providence, Rhode Island area, by helping them achieve their financial objectives, retire with security, and enjoy lives of greater dignity and independence.

You must limit your reason to four lines or less. Again, tell the truth and be accurate. This reason (that you or your Media Advocate composed) is printed on an official formal document that is actually signed by the Superintendent of Documents for the Federal Government of the United States of America. If you have been excessive with your claims then your request will be rejected, or your copy will be edited to comply with reality and truth. This certificate will also indicate the date that the flag was flown in your honor. The document alone is extremely impressive and can also be effectively used. **Remember that your flag honorarium (like any honor) is of little value if you fail to make your clients and prospects aware of this.**

You should be able to obtain your flag without any problem — if you are reasonable. You can pay most any public relations practitioner $1,000.00 and they will arrange for you to receive the flag award. Or, my office will get your flag honor for any RFC for $250.00 and I'll send you a list of various ways to get mileage out of the flag honor for years and years. I'll send this with your flag and your federal certificate of authentication.

I've attempted to be brief about this. Surely you can see that there is lots more to say about the use of this "honor from your country" for you. **This is one of many ways you can outsmart your dumb competition.** I believe that many financial people are simply unable to comprehend the facts stated in the **Reality Check** above. You can leave such people in the dust because they will never advance from where they are. Get your flag honor. Obtain the flag honor by your own efforts, hire a PR professional, or use me. But get this flag honor if you understand the value of this.

Forrest Wallace Cato
RFMA, RFC®

*Forrest Wallace Cato, RFMA, RFC® has over 25-years experience as a multi-national Media Advocate for financial professionals. He is former Editor-In-Chief of **Trusts & Estates**, the **Journal of Wealth Management** and **Financial Planning** magazines.*

*Cato wrote the Introduction to the classic book, How To Sell Your Way Through Life by Napoleon Hill, author of the all-time best selling motivational book Think And Grow Rich. He presents The Cato Award at the IARFC Forum and wrties a column for **Advisers** magazine. As a media advocate he helps financial advisors receive the local publicity they deserve by promoting and publishing their services in an effective manner. Cato polished his education at Oxford University in England, but you'd never guess it from his southern drawl.*

Contact: 770 516 9395
forestcato01@bellsouth.net
www.CatoMakesYouFamous.com

Grading the Graders

Is CAC a Good Idea... or is it CaCa?

A quick recap for everyone on what brought us to this point. Prior to 1985, collecting rare coins was a simple hobby that discovered it had big buck potential due to inflation fears, a weak stock market and a rebirth of the gold bullion market. Coins were priced by their condition or "grade".

A parallel would be autos. A 1955 T-Bird that was a "beater" after 3 decades of service was just a neat used car. A 1955 T-Bird that someone stuffed in a garage for 3 decades and was barely used was an amazing find. The beater would sell for a couple of hundred bucks; the pristine T-Bird would sell for what the market would bear, probably a couple of thousand dollars (even more today). The factors were rarity (they didn't make anymore) and condition (it was like new). The average guy could tell which car was a beater and which was a great find. But in some cases, a real car expert would be needed to verify everything was correct. These experts were mostly called mechanics. If the mechanic said the car was good... that assured the buyer of a good deal.

Key to this scenario; is the mechanic trustworthy? This point is important. Remember it.

Back to coins. Prior to 1985, if the buyer of a coin was looking to verify that a coin was genuine and of the condition claimed by the seller, he could use the services of the American Numismatic Association Certification Services (ANACS... sort of the coin mechanic). They would issue a certificate stating their opinion of the condition of the coin. This opinion would be the verification of a good deal or a bad deal. This system worked well until ANACS stated to the industry that their opinion of condition was simply an opinion and had no warranty. In other words, they could be dead wrong but hey, it's just an opinion. The coin industry went into a dive since the mechanic just stated in essence that he really wasn't an expert but stayed at a Holiday Inn.

Into the turmoil that ensued came a number of firms all of which stated they would solve the grading "crisis" with their expertise and stand behind their opinions with money. If they made a mistake, the grading firm would pay the difference to the injured party. Using the auto analogy again, this would be like the lifetime warranty on repairs. Out of the many contenders, two firms emerged. The Professional Coin Grading Service (PCGS) and the Numismatic Guaranty Corporation of America (NGC). Initially, not much respect was given to these firms since grading in the coin industry is ego-driven. Simply, one expert states he is better than another expert. And if that expert is not employed by the grading firm, how good can that grading firm be? This point also is important... remember it as well.

The new grading firms eventually brought to the coin industry grading consistency (note I did not say perfection) and a database. The consistency was expected, the database was a major plus that was unexpected. After several years of tracking which coins were graded and the results of the grading, the industry became aware that the statistics for rarity were closer to real values rather than a SWAG (scientific wild-assed guess). As my favorite female ex-felon would say, "this is a good thing". The rare coin industry had evolved from a simple hobby to a big business with weekly price sheets, electronic trading exchanges, certification of grades, "sight-unseen" liquidations, a network of major auction outlets, the involvement of investors, and eventually Wall Street. This is the end of the recap. Let's move forward.

Grading services make money. Lot's of it. There is a major stake for the collector or investor who is looking to spend several thousand for a rare coin provided it is genuine and of the condition stated. This is why spending $500 to $25 for a grading review (the cost difference is based on turnaround time... if you want it graded and back in one day, it will cost you courier fees plus a hefty grading fee...if you can wait in line with the masses for about three to four weeks, it's less) is worth it for the buyer.
The difference in grade for most coins is in multiples of what the grading fees cost. For example a 1881-O Morgan Silver Dollar graded MS65 by PCGS is $930. The identical coin graded MS66 by PCGS is $9,000. A 1917-D Buffalo Nickel graded MS65 by PCGS is worth $2,400. The same coin graded MS66 is worth $12,000. A big difference!

If you're buying a 1917-D Buffalo Nickel for $12,000 you want to make sure that it is actually a MS66 not a MS65. That's why the grading services place these coins in tamper-proof, sonically sealer, inert holders (the fond term for them are "slabs"). Your coin that you pay 12 large

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for comes in this neat slab with the certificate of grade and authenticity as an integral part of the holder. Easy to verify and easy to liquidate in the future. The grading firms since their inception in 1985-86 have graded multi-millions of coins and have spawned grading spin-offs for baseball cards, comic books and world coins (coins other than US). Owning coins is not as profitable as providing a service that grades them.

This last fact is why there are so many firms that are now involved in the business of grading coins. There's money in it. Critical to the question is the grading firm's expertise or trustworthiness (the first point that was raised for you to remember). PCGS and NGC have established their dominance and acceptance in the industry after 20 years of service. The other grading firms, with due respect to their staff, have not accomplished this on the same scale. As a result, the majority of cash flow goes to PCGS and NGC. So how can a firm capitalize on the cash flow in grading services if the two big dogs in the certification neighborhood are Rottweilers with spiked collars named NGC and PGCS?

Enter Collectors Acceptance Corporation. CAC was founded to grade the graders. This service will review coins graded by PCGS and NGC and "sticker" the coin with a "A" or a "B" signifying these coins meet the CAC standards for the grade assigned by PCGS or NGC. "A" is a great coin and "B" is a good coin. There is a "C" grade that is given but not stickered and the significance of the letter "C" lends itself to a cheap and obvious joke that I will not pursue. Is there a cost for this service? Are you kidding? Yes. Will they make money with this? Of course. Capitalism rules and there is no issue with that.

Think of the multi-millions of coins graded by PCGS and NGC and the projection of just a percentage of these previously graded coins headed to CAC for the "approval" sticker. If the service is based on $50 per review, only 2,000,000 coins submitted (approximately 10% or less of the total coins graded by NGC and PCGS) would generate over $100,000,000 in gross revenue. Not bad. When the initial investment by CAC principals is $10,000,000 this projection of profit beats the snot out of tech stocks.

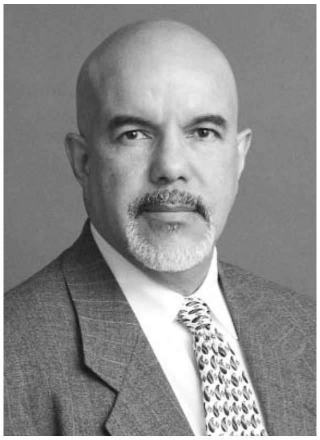
Interestingly, only PCGS and NGC coins are targets for the service, and I assume the other grading services would be subject to an overabundance of "C" grades which may lead to possible litigation against CAC. This has precedence with the suit against PCGS, PNG and a few major auction companies by a minor grading firm called Accugrade claiming the big guys were conspiring to drive it out of business.

There also will be a sight-unseen price list for these coins supported by CAC funds. It this what the industry needs? Another layer of pricing and opinions. Will we be ordering coins like we order coffee from Starbucks? *"I want a PCGS MS66 1908-D No Motto Saint Gaudens $20.00 gold with a CAC "A" sticker while I drink my vente, low-fat, double espresso mocha without cream".*

PCGS and NGC have provided a creditable job to bring order into chaos over the last 20 years. Is the system perfect? No. As a matter of fact the imperfections in the system gave rise to the concept and execution of CAC. During early years of PCGS and NGC grading the experience of graders was enhanced by the number of coins examined. The more coins examined the more experience and consistency in assigning a grade to a coin. Initially, some of the earlier graded coins were graded with very strict guidelines which resulted in some coins being "undergraded", meaning that in a review of the coin in later periods the coin may be "upgraded". This would mean a coin graded MS65 in earlier periods when standards were "tight" may, upon re-examination grade as a MS66. Think of the price of the aforementioned 1917-D Buffalo Nickel. An upgrade would result in a $10,000 increase at the wholesale level instantly. Dealers know this. Collectors sometimes know this. Most investors are clueless.

CAC will capitalize on the coins sent to receive an "A" or "B" sticker which in turn will create a new level of pricing structure. There is Numismedia retail, Numismedia wholesale, Bluesheet prices (sight-unseen), Greysheet prices (sight seen) as well as the retail prices available to the general public.

Will CAC prosper? Undoubtedly. Will CAC provide a valuable service to the rare coin industry or create confusion and dissent? A key question that needs to be answered is who are the experts that are grading the experts? John Albanese, the founder of CAC also founded NGC. Is his expertise in grading or is it in knowing a successful business model? It's probably both. Rick Snow and Brian Wagner are recognized experts in Flying Eagle and Indian Head Cents and have provided services for those specific coins like CAC is proposing. Are their opinions less than CACs? Jim Halperin of Heritage is known as "the best eyes in the business" for his grading acumen and has designated coins in his firm's inventory as JH Exceptional. Will his expertise take back seat to CAC? The second point you were asked to remember was grading is an ego-driven activity. There are exceptional numismatists with incredible expertise and experience in the nation. PCGS and NGC have persevered over 20 years and have adapted with changes as they have occurred. Still there are those who feel their expertise and opinions are superior to these firms. CAC on the surface may proclaim to offer a new service, but a question they may have to answer to millions of collectors is the kid's adage, "who died and made you boss". It may be profitable for CAC but will it be really be a help to an industry looking for more stability and respect? Time will tell if it's a good idea... or CaCa.



Burnett Marus, RFC®

Burnett Marus, past IARFC Board Member with the longest tenure, specializes in providing customized marketing services and products for financial advisors, attorneys, realtors and selected small businesses. He has been involved with rare coin and tangible asset investments since 1975 and currently has a private firm that specializes in working with RIAs and their HNW clients. Burnett Marus Associates has the experience and resources to complete the project in a timely and cost efficient manner.

Contact: 972 644 6117
bmarus@sbcglobal.net
www.ircbs.com

A Message from the Founder

Jack Gargan, RFC®
proudly wears his medal for finishing the Khon Kaen 11.3K Marathon in Thailand

I have just moved out of Bangkok, Thailand after 6 ½ months living there. Now I am about 350 miles north of there in a little town of several thousand residents called Srichumpheur. It's about half way between the large cities of Khon Kaen and Udon Thani, if you happen to have a map of Thailand. I have some friends here which prompted me to make the move here. Oddly enough I am not the only foreigner (Farang) here. There are at least half a dozen others, mostly from Europe, but all speaking English.

Bangkok is exciting and interesting and I loved living there, but as I mentioned in a previous letter, traffic is a ZOO and though intra-city transportation is fast and cheap (unless you are in a taxi and get caught in one of Bangkok's famous traffic jams – a daily occurrence). But I miss not being able to drive myself and really get around to see the whole country. And there is Soooo much to see! I could never be able to drive in Bangkok. It is without a doubt the most traffic-clogged and dangerous city in the world. No westerner would dare drive there. The road network around the entire rest of the country is modern and relatively free of traffic.

It is also a LOT cheaper to live here than in Bangkok. I just rented an almost new, modern, 3 bedroom/3 bath home, with 12 foot ceilings, fully furnished including 2 flat screen TV's, washer/dryer and an air conditioner in one of the bedrooms. Electricity is very expensive all over Thailand) my rent is only 10,000 baht per month. That's $303.00 US dollars per month. I will fly to Bangkok several times a month and stay there 2 or 3 days each trip to meet my commitments to the business. And still come out a LOT cheaper than staying in Bangkok. The big plus is my ability to buy a car and get around on my own schedule wherever and whenever I feel like it. I plan on being here until the middle of December when I will fly home to be with the family for the holidays. I will probably return to Thailand to retire here if all goes well.

One thing I have to be careful of is health care. I do not believe my Medicare covers me here, and I am too old to buy ANY kind of health insurance here. On the bright side, two of my friends here work in the modern 60-bed hospital right across the street from my house. She is a nurse and her husband runs the lab there. In fact, yesterday they gave me a complete blood-workup or free, and I'm happy to say the results were amazingly good for anyone my age. Most of the doctors here are American trained and all speak English well. Medical costs here are only a fraction of what it would cost in the US. In fact, Bangkok has a number of world-class hospitals where people come from all over the world to be treated.

Continuing my impressions of Thailand, I mentioned in an earlier article about steps ***everywhere***. I said it even took about 50 steps to get up to the skytrain. Well, I counted them the next time I used the skytrain and there are actually 82! Food is plentiful and ***cheap!*** The locals brag that no-one goes hungry in Thailand, and I believe it. Especially factoring in that over 90% of the country is Buddhist and giving is a BIG part of the philosophy of that beautiful religion. But, oddly enough, you rarely see an overweight person. Must be all those steps. Even my new residence has three different levels plus four steps up to the front porch.

I have learned that whenever you look for a product or service in Thailand and they do not have that familiar one you are looking for, the merchant always says "same-same". Believe me it is NOT same-same! You can find western food products in limited amounts even in small villages like this, but to get a decent selection you have to go to one of the big superstores like Lotus or Big C. Prices are high for made in the USA canned goods and other stuff like Gillette shaving gel, but they are much cheaper for Thai foodstuff.

Wages are very low compared to US. For that reason, I suppose, nearly every business is over-staffed. I had three maids do my daily room service at Centre Point. Every business is loaded with security people wearing uniforms. Department stores have at least three or four times as many clerks as you would find in a US store. Boy! do the Thais love uniforms! It seems that every bank and professional office staff all wear uniforms. All the school kids wear uniforms. Almost all government employees wear uniforms. There is a huge army and police force, all uniformed, of course. Even the department store clerks are uniformed.

Corruption is everywhere. From several personal incidents I witnessed the cops (at least in Bangkok and I've been told everywhere else) routinely accept 100 baht bribes (about $3 U.S.) to take care of traffic violations. The people are exceptionally clean, both personally and their surroundings. They bathe and shower frequently (Thank God, because it's hot here all the time!). The Thais keep their homes meticulously clean, with some exceptions I'm sure. Because electricity is so high, most shops and businesses are not air-conditioned (except the big stores in the big cities). And, I'll never get used to taking my shoes off before entering anyone's house or temple. I just bought a pair of thong flip-flops to make the task easier.

There's much more to tell, but I'm all typed out for now, so I'll continue this later.

PS. Please tell your congressman to get his act together and quit letting the U.S. dollar "go to hell in a handcart." In the past year the dollar has dropped from 40 Baht/dollar to 33 baht/dollar. That's almost 20% and it's killing me, exchange-wise!!!

Cedar Key Jack

Contact: cedarkeyjack@yahoo.com
www.sunidakuvant.com

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