THE FINANCIAL PLANNING ASSOCIATION

News about your chapter and its members

January 2008

President's Message
by Bill Russo, CFP®

As I write my first message to our members, we are faced with interesting times. Our industry is faced with issues concerning clarification of the Merrill Lynch Rule, disclosure and suitability rules on variable annuities, clearer mutual fund prospectuses, a media where any positive economic event is met with pessimism, an aging society where we will go from accumulating assets to distributing them, much longer retirements, etc. This leads to a lot of confusion and bad information. The financial service industry has not helped itself with the proliferation of designations, arguments over fees and commissions, products that are misused and therefore the public is told to never ever use them. It is so important that there is full disclosure on fees and expenses on all products and services and that we tell clients what they need to hear not what they want to hear. That is the difference between an advisor and a salesperson.

The problems we face boil down to the fact that there are a minority of those in the financial service industry that cannot avoid conflicts of interest and put their clients' issues and concerns first. This leads to bad PR for the industry and the politicians trying to legislate good behavior with more laws and regulations..

By following the FPA Code of Ethics and doing what is in the best interest of our clients, our clients will be farther ahead. As members of this organization it is incumbent on all to set a good example by putting our clients interests first. Doing so will benefit us in the long run. I'm not

2008 Breakfast Programs

Please note: We will be holding our breakfast programs at the Holiday Inn located at 6001 Rockside Road, Independence, Ohio in 2008.

Date:
January 17, 2008

Time:
8:00 AM Registration
8:30 AM Announcements / Program to follow

Topic:
Zen and the Art of GRATs

Speaker:
Stephen H. Gariepy
Hahn Loeser & Parks LLP

Steve is a Partner and Co-Chair of Hahn Loeser & Parks Estate Planning, saying that everyone has to be a CFP® or that you have to be fee only as the only way to put yourself above the fray. Turning the conversation to how an advisor is compensated and whether or not they have a CFP® does not help anyone it only confuses the public more. A confused public is less inclined to seek help for fear of doing the wrong thing or going to the wrong person

We also need our members to volunteer and help wherever they can to help better inform the public. Look for opportunities to do so in your community. I know everyone is busy but that is a weak excuse, if you really want to make a difference you will find the time. Look to the greater good that can come from your efforts.

Until next time, I wish you good health and prosperity this year and the years ahead.

in this issue

Use of SS# for OHIO INSURANCE Continuing Education Purposes

In response to concerns over identity theft and privacy issues, the Ohio Department of Insurance (ODI), as of January 1, 2008, will utilize only an agent's NATIONAL PRODUCER NUMBER ("NPN"), which is assigned by the National Association of Insurance Commissioners (NAIC).

The Ohio Department of Insurance will be sending a letter to all resident agents informing them of the identifier change that will be put into effect January 1, 2008. The letter will also include their personal NPN. For those individuals who do not know their NPN, the following resource is available for obtaining the number:
ODI's web page at www.ohioinsurance.gov
*Under "Agent/agency locator option"
**www.ohioinsurance.gov/ConsumServ/Ocs/agentloc.asp
*Under "Agent & Agency Services Relation Links"
**www.ohioinsurance.gov/agent/scripts/LicNumQuery.asp

Use of CFP Registrant ID Number

As of January 1, 2008, the FPA/NEO will ask for your CFP Registrant ID number rather than your Social Security

Estate Administration and Business Succession Section. Consisting of 20 attorneys and 8 paralegals, Hahn Loeser's estate team is one of the largest and most respected in this field.

Mr. Gariepy focuses his practice in leading-edge estate planning techniques for individuals, families and businesses. His ability to design creative and comprehensive plans -- and make them practical and understandable -- has garnered him a practice that is national is scope with a clientele drawn from the ranks of professional athletes, Judges, U.S. Ambassadors, U.S. Generals and Forbes 400.

He also assists executors and trustees in the often complex role of estate and trust administration.

Please watch for your January program flyer which will include registration information.

number when filing for CE Credits for CFPs. If you do not have your CFP Registrant number, you can access your information on the CFP Web site (www.cfp.net) using your SS#. If you have a problem with the site, please call the CFP Board of Standards toll-free at 800.487-1497 to obtain your number. Please note your number, as we will ask for that information on our sign-in/out sheets at program meetings.

Industry-Wide Mortgage Market Changes Will Impact Your Clients

You cannot pick up a newspaper or turn on a television news program without hearing yet more terrifying news about the mortgage market and its harsh effects on consumers and investors. This article is not more of that. This article briefly discusses important industry-wide changes that will affect many of your clients.

Risk-based pricing enhancements. Fannie Mae and Freddie Mac are instituting Loan Level Pricing Adjustments in early 2008. Most banks have already instituted these changes but there still may be time to avoid these adjustments if you act quickly.

These changes most severely impact loans with a loan-to-value of 70% or above for borrowers with 'average' credit scores or scores below 679. In effect, borrowers that fall in this range will see an increase in their interest rate by 25 basis points to 100 basis points. On a $200,000 mortgage this could yield a payment difference of $131 per month on a 30-year mortgage.

Other borrowers that obtain a first and second mortgage in tandem or purchase a two-unit property with loan-to-values in excess of 75% will also see their offered interest rates rise. These changes impact even those borrowers that have excellent credit ratings.

Many Ohio counties are considered 'soft-markets.'
Due to declining real estate values virtually all counties in northeast Ohio are being denoted as soft markets. Two exceptions are that Portage and Summit Counties have avoided this label with many lenders. The soft-market designation further restricts lending availability by lowering lending limits.

President Bush to bail out subprime borrowers? In his plan unveiled on December 6th, President Bush in conjunction with mortgage servicers announced a plan to help subprime borrowers that are facing interest rate increases. For mortgage servicers, the plan is voluntary, and it is unclear as to how many borrowers this may potentially help. Subprime borrowers can call 888-995-HOPE to see if they qualify.

These lending changes are going to affect a very wide cross section of borrowers, including many of your clients. It would be unwise to make the assumption that your clients will not be impacted. Having a trusted and knowledgeable mortgage planner on your team will help to ensure your clients will be able to obtain the advice they need in this time of rapid change.

For more information contact:
Kevin Kroskey, MBA Kevin@MortgagePlanningTeam.com
P: 216-373-7670

Are You Ready to Be Audited?

So much for a kinder, gentler IRS. The IRS is launching a new, multi-year audit program that selects tax returns - at random - from a variety of income categories. For the 2006 tax year, approximately 13,000 returns will be chosen.

Why the new audit push? Under Congressional pressure, the IRS is developing better guidelines for more efficient inspection of returns to help identify taxpayers who are not paying the proper amount. "The new program will be a big step forward for tax research," said Acting IRS Commissioner Kevin Brown. "Our approach will reduce the burden on taxpayers, improve our audit selection techniques and give us more timely information to help reduce the tax gap."

The tax gap is the difference between what taxpayers should have paid the IRS and what they actually paid on a timely basis. And the gap is huge. IRS officials estimate the annual tax gap to be $300 billion. The IRS has found that a large percentage of the gap comes from taxpayers who:
· are sole proprietors
· own a Subchapter S corporation
· own a farm or are involved in farming
· report capital gains
· deduct medical expenses, charitable contributions, and non-reimbursed job expenses

Apart from these criteria, how does the IRS decide whether or not to audit your return? In a nutshell, they calculate two scores for your return. The first is called the Discriminate Information Function (DIF) score. The DIF score rates the probability there is inaccurate information on your return. For example, part of your DIF score may be determined by the amount of your deductions compared with what others in your income bracket deduct. The second score is an Unreported Income score that measures the probability you underreported your income. Unlike your credit score, the method for how these scores are determined is confidential.

Tax professionals agree that you can reduce your chances of being audited by taking the following steps:

Get the basics right
Sign your return, include all Social Security numbers and double-check your math. Neatness counts, too, because sloppy returns tend to draw more scrutiny. Be careful when rounding.

Report investment income and sales carefully
Remember that the IRS matches the income and dividends you report on your return from information received from financial institutions. And when securities are sold, both you and the IRS receive a Form 1099 noting the sale price and proceeds. A tax professional, or a tax preparation software program, can help you record this information properly on your return.

Be wise about itemized deductions
Claim every deduction for which you are entitled but make your contributions by check or credit card so you have a record. Be sure to obtain a receipt from the organization listing their name, the date of the donation and the amount. This is a new and strict requirement of the Pension Protection Act of 2006. Also, you cannot take a deduction for clothes or household items unless they are in "good" condition. Since the IRS has not defined "good" you may want to take a picture of what you donate and keep it with your tax records. Also, if you deduct $500 or more for one item, documentation from a qualified appraiser must be included with your return.

Keep accurate mileage records
Using your vehicle for charitable events? You can deduct 14 cents per mile in 2007. For doctor appointments, you can deduct 20 cents per mile. Keep a notebook in your car to record the miles. Your records should list the beginning and ending odometer figures and the reason for the trip.

Watch those home office deductions
To claim a deduction for using part of your home for business, you must use that part of your home:
· exclusively and regularly as the principal place of business or as a place to meet or deal with patients, clients or customers in the normal course of their business
or

· as rental property, as a home daycare facility or regularly for storage (e.g. inventory, product samples)

For more details, see IRS Publication 587 "Business Use of Your Home" by calling 1-800-829-3676 or visiting www.irs.gov.

Include Form 8275, Disclosure Statement When in doubt, consider filing this form with your return. This disclosure statement lets you answer - in advance - questions that the IRS might have about your return. For example, you could use this form to explain why you have an exceedingly large charitable deduction.

TYPES OF AUDITS

Correspondence
Conducted through the mail, the IRS asks you to clarify some items on your return.

Office

Conducted at an IRS office, you meet with an examiner to answer specific questions and provide additional documentation.

Field
Conducted at your residence, an IRS examiner starts nosing around and asks why that Porsche sitting in the driveway belongs to someone who reported $21,000 in income last year.

Certified Financial Planner Program Offered at Corporate College

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The professional development programs at Corporate College, a division of Cuyahoga Community College, offer cutting-edge training for upgrading skills, continuing education, effective management and leadership. Most courses are offered in a one-day, highly interactive workshop format with outstanding experts in their fields.

For those interested in pursuing the Certified Financial Planner program, it consists of 230 in-classroom hours and is taught during the evenings and on Saturdays by practicing professionals with CFP certification and/or CPA, MBA, or JD designations. It is a Master's level program requiring significant investment both outside and inside the classroom. Completion time is about 18 months. A bachelor's degree in any discipline is required. Completion of the courses qualifies a student to sit for the CFP examination and prepares the student for success on the certification exam. The Live Classroom Exam Review is offered regularly for individuals studying for the exam. For more information:

CFP Open Houses
December 17 5-7pm Corporate College East
January 08 5-7pm Corporate College West

Courses are offered to individuals through open enrollment at both locations in Warrensville Heights and Westlake. In addition, specific training needs of companies can be met through the college's customized training services. Corporate College representatives are available to meet with employers to identify talent development requirements whether it is in customer service, communication, teambuilding or selling.

Corporate College East and West are available for facility rentals. The space is dedicated to learning in a high tech, professional environment including all the amenities today's businesses have come to expect. Catering, free parking and accommodations for groups from 25 to 240 make Corporate College a convenient venue.

For more information, contact Diane Euchenhofer at diane.euchenhofer@tri-c.edu or 216-987-3075.
www.corporatecollege.com

Don't Make Excuses... Follow-up

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by Steve Epps, Continuity Programs, Inc.

The non-execution of client follow-up is probably the fastest way you can achieve the demise of a financial planner.

In the classic play, "Death of a Salesman," Willy Loman had given up -- he no longer had that magic touch; the young bucks were moving in and stealing his business. What was really happening was that new salespeople were doing what they had to do to be successful. The story takes place in the 1930's when business was tough and holding on to a client was even tougher. Today the financial planning business is booming, most everyone is making good money and yet many financial planners are setting themselves up for their own death in this business. Don't ever forget that almost every financial planning company, whether local, regional, or national, is looking to capture your client as their next new client.

Today, financial planners have a golden opportunity to take out an insurance policy that almost guarantees they will be more successful. All they have to do is hold on to their client to ensure they receive the highest percentage possible of their client's repeat and referral business. That insurance policy is called a Client Follow-up Program.

Your good, great, and bad clients -- yes even your bad clients -- should always be your number one priority. Nurture all of them, hold on to them, stay in contact with them and chances are when the market turns downward you may not even notice and while the markets are strong you can be the superstar of the year.

"It's true that good service is often rewarded with referral business, but that business tends to drop off after the first six months or so unless you have a plan in place to capture that business."

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1. "The company sends monthly statements to my clients and my name is on them."
2. "We have more business than we can handle."
3. "We do a very good job with our client, so they remember us."
4. "We have some clients that are more trouble than they are worth!"
5. "We contact our clients once a year!"
6. "We pay a dedicated marketing person good money to handle all our client follow-up."
7. "It's not a priority!"

And my personal favorite: "We leave it up to the financial planner ."

If you fall into one of the statements above, you or your company may be dying a slow death and could be facing eventual termination as a financial planner. If your company is executing its client follow-up program to its fullest (Are you sure?), then you are making it far more difficult for others to steal your clients and your business. One thing you can be sure of is that many of the major financial planning companies are involved heavily in following up on the client.

Why is it that the largest amount of attention is focused on obtaining new business? Your past clients, when given attention, could most likely bring you just as much new business but with a much smaller cost in both time and money. The quality and maintenance of your business is always easier when dealing with past clients or clients who come to you by referral.

If you are experiencing more business than you can handle, it will not last forever, which of course you already know. So force yourself to have a true system in place that will keep your name in front of all your past clients. This is also true for those clients who you may not have enjoyed dealing with. You may not believe this, but hard-to-deal with clients tend to be more loyal then your average client. It's not often a car salesperson, furniture salesperson, appliance salesperson, or a financial planner tries to nurture the future business of a difficult client. For those of you who have, you already know that those difficult clients tend to have stronger loyalty ties. Why shouldn't they, nobody else wants them.

Whatever type of client follow-up program your company selects be sure you have certain elements involved. The program must include postage-paid return items; you must keep your financial planner in the loop in regards to the program; you want to be able to track your client by the type of service(s) you provided; and most importantly, you must set a goal for what you want the follow-up program to accomplish and then have a system to track the success of the program. If you are using an outside company to service your program, I believe the best way to price a program is to pay a set amount per closing rather than a fixed monthly fee. Prices will range for a five-year program, from $15 to $45 per client, based on how many bells and whistles you want in your program.

Your past client base should be one of your main sources of new business. As Arnold Scwartzenegger said in the movie, "Terminator," "I'll be back." Every financial planner should have their own saying, something like, "I'll be in contact."

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