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Clients are reluctant to talk about aging and illness but these topics can't be ignored, especially as the cost of long-term care climbs

'Imagine the worst case'

Advisor Kim Garcia helps clients plan for health costs in retirement

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An Article From the Brighthouse Financial Insights Panel

A group of leading independent experts to help you and your clients stay ahead of the curve.

The Pull of the Bull

How to manage clients during the long-running market boom.

The current bull market has been running for nine years now, and advisors have to manage clients who are afraid of missing out on profits. The Brighthouse Financial Insights Panel looks at why the market is so strong and discusses strategies to get clients to stick to a plan – now and when a bear market finally does arrive.

Their insights focus on three key areas:

- What makes the current bull market unusual.
- How to manage client expectations.
- How to help clients avoid common mistakes.

The "sluggish" economy

"The current bull market is not just unusual because it's been running for so long," says Michelle Connolly, professor of the practice of economics at Duke University.

Typically, a booming market and a booming economy go hand in hand. However, Connolly believes that one of the underlying causes of the long bull market may be the "sluggish" performance of the U.S. economy since 2008.

But if there's no boom, then why is there a bull market? Connolly believes this is actually due to the extended period of very low interest rates since 2009.

"That is unusual, the economy is not offering high returns to bonds or other types of investments, and it's all being funneled in the direction of the stock market," says Connolly.

How long will it last?

Interest rates are still low. But since no bull market has ever lasted more than 10 years, some commentators predict we are overdue for a crash.

Jay Mooreland, client behavioral coach and author of "The Emotional Investor," disagrees: "Bull markets don't just die of old age. We're still writing the history of the stock market, and we only have about 100 years of data. We could go several more years, or it could just be a few more days until things turn over."

He believes advisors should avoid trying to time the market and instead focus on creating plans that manage the known potential risks to their clients' portfolios.

Managing expectations

One of the issues with a well-diversified portfolio is that it will underperform the market. When the market is bullish for as long as this one has been, it can create tensions with clients who are tempted to abandon their plans to chase profits.

Mooreland recommends three ways to manage clients in this situation:

1. Pre-empt the conversation: make sure your clients understand from the beginning that their plan is in the service of long-term goals, not short-term gains.
2. Redirect clients' energies to optimizing things they can control: the strategy, the plan, and their own behavior.
3. Ensure that clients have security of income: this should be built into their plan.

Avoiding common mistakes

When the bull market finally does end, how can advisors help clients avoid decisions that compromise their retirement?

"Most of the mistakes clients make really aren't their fault," explains Mooreland. "They're caused by natural biases, such as the 'availability bias,' our tendency to over-prioritize the information that is most available to us."

"An investor may believe wholeheartedly in their financial plan, but when they hear the financial media spew off stories about how bad things are getting and see forecasts being slashed, they will give heavier weight to that new information than to their financial plan."

Plan ahead

Advisors can mitigate the influence of biases by setting up a pre-commitment plan. This commits clients in advance to making certain adjustments to their portfolios based on market outcomes.

"By doing this up front, you're doing it when the client is in a rational state of mind," says Mooreland.

Learn the key features of a pre-commitment plan and discover other insights from our leading experts by visiting brighthousefinancialpro.com/insightspanel

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Continuous care communities are a good option for some retirees, but they "only last as long as the client's money does," says Kim Garcia, principal of Diversified Trust in Greensboro, North Carolina.

COVER PHOTO AND PHOTO RIGHT BY IAN CURCIO

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PUBLISHER
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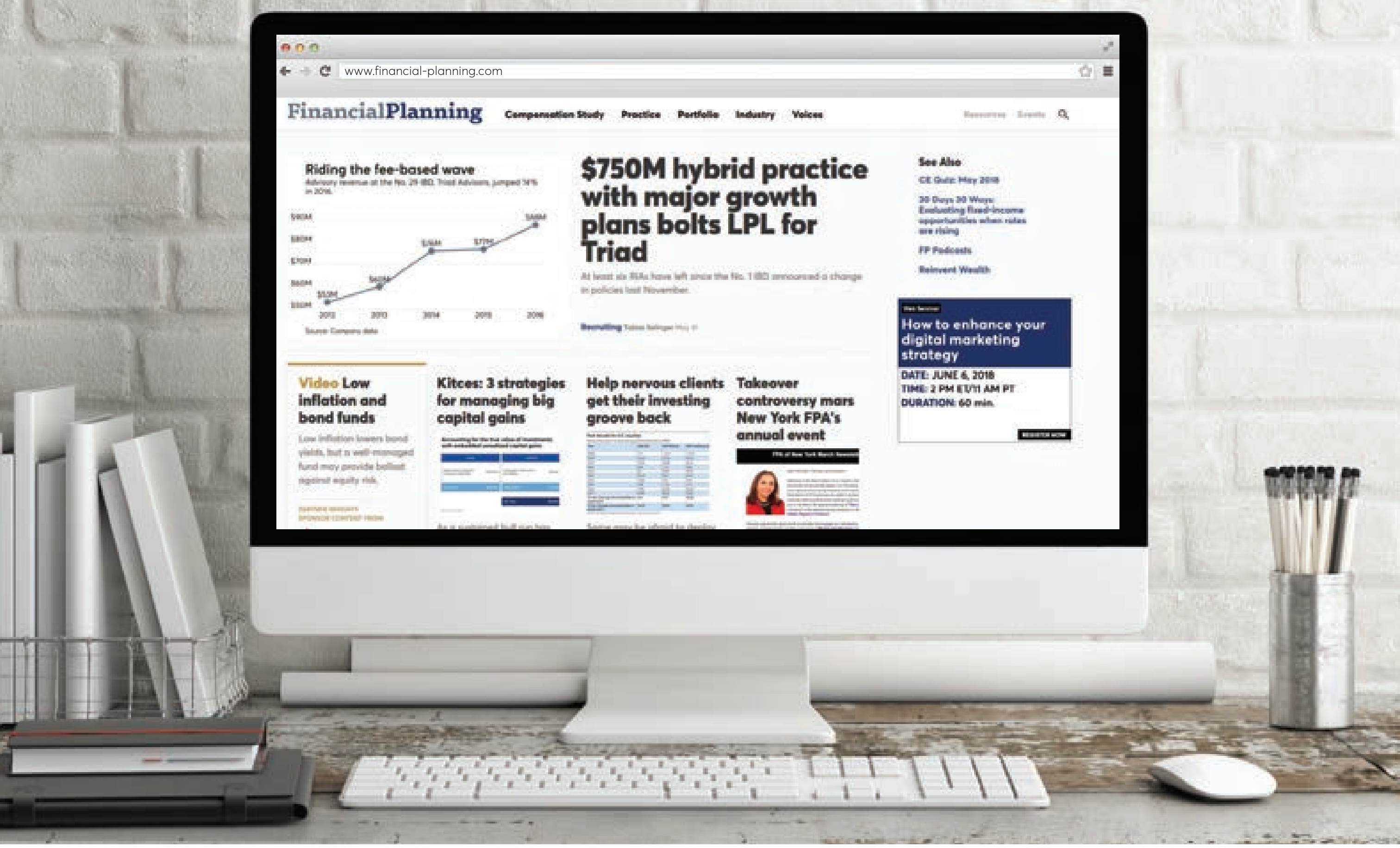


CHALLENGE ACCEPTED

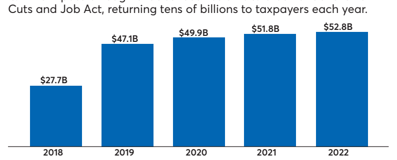
A Better Planning Pyramid

A challenge: Recreate a back-of-envelope drawing of a retirement planning pyramid created by Tony Isola of Ritholtz Wealth. A planning pyramid would go a long way to getting clients wealthier and healthier, Isola says. Check out our redesign at https://bit.ly/2IWOncw

PASS-THROUGH PROBLEMS

$230B deduction for small business

QBI from pass-through entities receives a 20% break under the Tax Cuts and Job Act, returning tens of billions to taxpayers each year.



Source: Joint Committee on Taxation

Tax Planning Obstacle

Advisors combing through the new tax code should look at pass-through entities, according to tax planning experts. The new 20% deduction for pass-through entities carries potential tax savings, but the tough part is in figuring out whether clients are eligible. Go to https://bit.ly/2HcAK31

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Editor's View

Overcoming Denial

Advisors have a responsibility to draw clients into discussions about end-of-life financial planning.

"Don't freak them out."

That's one thing Senior Editor Charles Paikert quickly learned when researching how advisors should approach long-term care planning with clients. Another takeaway: Planners shouldn't avoid the subject, no matter how much clients resist.

"Try and get clients to come to terms with the need to plan," he says advisors told him while he was reporting the cover feature, "Facing Up to Long-Term Care," on page 22.

Advisors use dramatically different approaches when broaching the topic with reluctant clients. Some are more direct than others.

"I force couples to talk to each other about how they plan to deal with debilitating illness, lost income and whether they want to age in place," Jeannette Bajalia, president of Petros Estate & Retirement Planning, tells Paikert.

Once clients make their tough decisions, Diversified Trust advisor Kim Garcia recommends strategies she thinks will work best for their particular circumstances. She may suggest hybrid LTC insurance plans, or even reverse mortgages for high-net-worth clients who want to self-fund.

"Hybrids can be the right answer for clients who are looking for life insurance and long-term care simultaneously," Garcia says.

When speaking with Garcia and others, Paikert was surprised by how expensive and complicated long-term care proved to be, and how reluctant clients are to engage with it.

"It was a sobering reminder to try to not neglect long-term care planning, despite the strong temptation to do just that," he tells me. — **Chelsea Emery**

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Retirement Advisor Confidence Index

Geopolitical Fears Wear on Clients

Risk tolerance continues to erode, and retirement contributions throttle back after tax season, reaching the lowest level ever.

By Harry Terris

Worries about a potentially damaging trade war, among other risks, are keeping clients unsettled, advisors say.

Other concerns include the seesawing fight between protectionist hard-liners and more-mainstream free-trade advocates in the Trump administration, as well as off-again, on-again engagement with North Korea and renewed worries about the integrity of the euro. “Clients are more anxious with all the geopolitical risks,” one advisor summarizes.

Overall, clients’ appetite for risk has continued to erode, according to the latest Retirement Advisor Confidence Index — *Financial Planning’s* monthly barometer of business conditions for wealth managers. At 47.6, the component tracking risk tolerance registered its fourth consecutive month in negative territory. Readings below 50 indicate a decline and readings above 50 indicate an increase.

“I believe that we will continue to see increased volatility in the marketplace this year — much higher than 2017,” one advisor says.

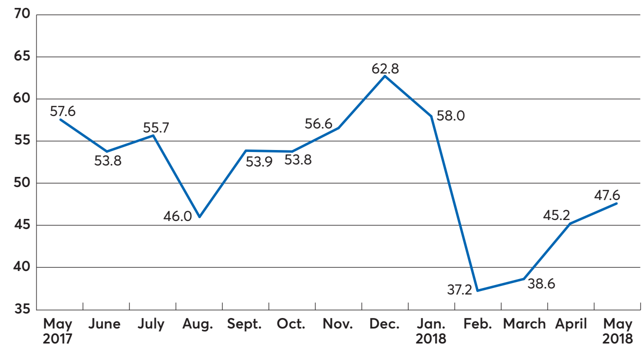
The negative trend for risk tolerance is helping to keep the composite relatively low at 52.2, a drop of 0.6 points. In addition to risk tolerance, the composite tracks investment product selection and sales, client tax liability, asset allocation, new retirement plan enrollees and planning fees.

The slip in the composite was also heavily influenced by an 11.2-point slump in the component tracking contributions to retirement plans, to 50.5, and a 7.1-point drop in the component tracking the number of retirement products sold, to 50. Advisors largely attribute those declines to a seasonal pattern in which contributions and sales typically plummet after a rush of client activity associated with tax season. One advisor says the “post-tax season drop-off was expected.”

Still, the 50.5 reading for contributions was the lowest since RACI was created in mid-2012, and the reading of 50 for sales was the second lowest of that component. “More clients are less willing to start new retirement plans due to stock market volatility,” one advisor says.

To be sure, some wealth managers say clients are taking the volatility in stride as long as economic fundamentals remain sound, and that price swings are creating buying

CLIENT RISK TOLERANCE



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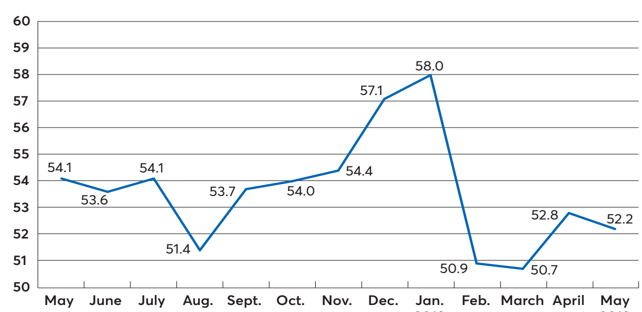
RETIREMENT ADVISOR CONFIDENCE INDEX



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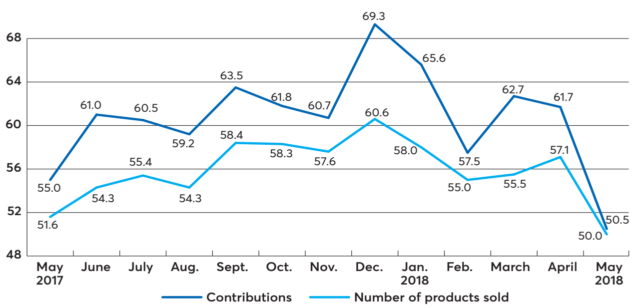
opportunities. “Volatility in the market is a popular topic with my clients, but they are comforted in knowing that their portfolios are allocated so as to dampen some of that volatility,” one advisor says.

Other advisors report their clients are performing careful reviews of individual positions and attitudes. “Risk tolerance has been all over the spectrum,” an advisor says.

Advisors also say clients are divided about how the new tax law will impact the economy, and are struggling to understand what it means for them personally.

The RACI component tracking clients’ annual tax liability, which has been gyrating since the tax overhaul was signed in December, swung sharply into positive territory, jumping 9.7 points to 54.2. **FP**

CONTRIBUTIONS TO RETIREMENT PLANS AND RETIREMENT PRODUCT SALES



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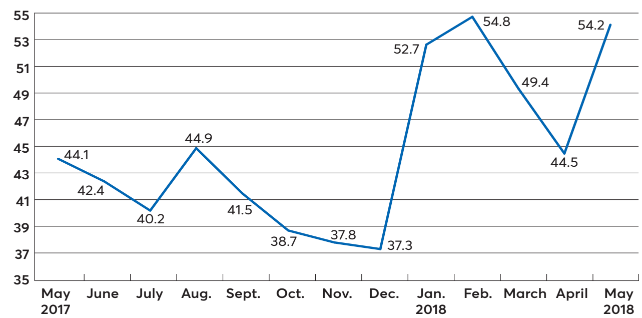
CLIENT TAX LIABILITY



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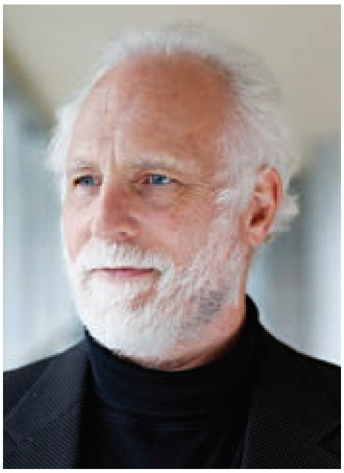
Harry Terris is a Financial Planning *contributing writer in New York. He is also a contributing writer and former data editor for* American Banker. *Follow him on Twitter at @harryterris.*



Flight to Independence

As brokers leave wirehouses for greater freedom, is the Broker Protocol nearing obsolescence?

By Bob Veres

When we look back at this era of the financial planning profession, I think we'll assign greater significance to a story that many advisors might have missed this year: the wirehouse industry's sudden misgivings about its Broker Protocol.

The protocol, which encompasses 1,750 financial services firms, was developed in 2004 for a very specific purpose, benefiting very few companies. Before the agreement, wirehouses recruited one another's brokers and paid hefty upfront bonuses to lure them — and their books of business — away. The brokerage world's retention strategy was to have their lawyers file temporary restraining orders on anybody who left, preventing departing brokers from contacting their customers after they walked out the door.

Why was this a problem? No doubt, the cost of paying retention bonuses on one end, and the expenses involved in suing departing brokers on the other, was becoming worrisome. But perhaps a bigger incentive was the embarrassing situation where your attorneys are arguing two sides. In one courtroom, they try to make the case that a broker had every right to leave another firm to join yours, customers in tow. In another courtroom, they're citing legal chapter and verse to prove that brokers leaving your firm have no right to take customers with them.

The protocol called a truce to that escalating battle. It provided that departing brokers can take customers' contact information when they leave, but nothing more. There are many complications to this simple picture, including sly efforts by brokerage firms to include draconian noncompete language into innocent-looking documents that brokers must sign to receive their annual bonuses. But for the most part, exiting brokers have been relying on this safe harbor for the past 14 years.

So long as brokers were leaving one wirehouse to join another, the protocol was working as intended. Who could have imagined that high-performing producers would ever consider seeking a home at one of these fly-by-night (their perception) independent BDs or go fee-only and join an independent RIA firm?

The only reason for brokerage firms to renounce the agreement would be if they started losing talent to the world outside the cozy brokerage brotherhood.

The exodus from captive broker to independent RIA has become a visible bleeding wound.

There are no good statistics as to how many brokers have left the wirehouse world. All we know is that suddenly, without warning, at the end of last year, three of the bigger brokerage players — Morgan Stanley, Citibank and UBS — decided to exit the protocol. That suggests to me that the exodus from captive broker to independent RIA (dually registered or fee-only) has finally become a visible bleeding wound that needs a fast tourniquet.

There is speculation that Wells Fargo and Merrill Lynch will soon follow their peers out of the protocol, for different reasons. Wells Fargo brokers must surely be fielding embarrassing questions from their customers about their morality and ethics, while Merrill brokers who signed those generous retention deals when the world was collapsing in 2009 are now fully vested and no longer have millions to lose if they jump ship.

Whether the protocol collapses is irrelevant to the larger trend. In the years before the industry accord, brokers left wirehouse firms and generally won their right to contact their clients.

They will certainly be able to do so again if the protocol goes away. But the renunciation of the protocol by three significant firms, and uncertainty around two more, tells me that the balance of power between independent advisors and the larger sales houses has reached a tipping point.

Greener Pastures

The long, slow annexation of market share by the fiduciary advisor world is accelerating. Brokers are noticing that the pasture is greener on the far side of the temporary restraining order.

Why now? First of all, the marketplace has evolved to include a lot of soft landing places for the departing broker. Companies like Dynasty Financial Partners, HighTower Advisors, Focus Financial Partners and United Capital cater specifically to helping departing brokers preserve their book of business, with software tools and back-office support that are similar to what they enjoyed as a top producer in the brokerage environment.

Meanwhile, every large independent broker-dealer and all the major custodians now have a team of specialists who will help brokers find office space, computer equipment and software, a new brand identity and painless ways to get the transfer paperwork handled. The recent transition to paperless document processing, with electronic signatures, has taken the sting out of what was once a significant hassle for customers who wanted to follow their broker to a different firm.

Most of the ex-brokers I talked to said they left for reasons other than money. In fact, virtually all of them said that they expected to make less money after going independent.

Beyond that, the independent RIA world has grown up. In years past, a brokerage team with $1 billion under management would be hard pressed to find a firm that could comfortably absorb its client obligations. Today, more than 600 RIA firms have more than $1 billion under management, many with multiple offices, who could simply plug another one into their centralized operations flow.

Finally, the technology lead that brokerage firms once enjoyed has completely reversed itself. None of the significant innovations in CRM, portfolio management and tracking, financial planning, client portals and vaults, online advice platforms, collaborative investing platforms and cybersecurity are coming from legacy brokerage systems. An independent software company that is hoping to attract new business can amortize its creative development costs over more than 17,500 potential RIA customers, while the largest brokerage firms amortize their software outlays over 8,000 to 10,000 at most.

Over the last six months, I've interviewed dozens of ex-brokers about their experience transitioning to independence. One of the most consistent responses I've received would surely be incomprehensible to the titans who sit in Wall Street's corner offices: most of the departing brokers did not leave for the money. In fact, virtually all of them said that they expected to make less money after going independent.

A Fiduciary Alternative

Why on earth would these brokers leave, if not for the money? The reasons I heard were: the freedom to give clients advice in their best interests, a move away from product pushing and an opportunity to align their conscience and their values with the advice they were giving. A surprising number never realized that there was an independent, fiduciary alternative.

But, increasingly, they realized that the grass is greener where there are fewer conflicts, and the grass in the brokerage world — where the branch manager is alternately bothering you about quotas and providing sly financial incentives to push recommended products — has grown distinctly brownish over the years.

This is just a guess, but I wouldn't be surprised if, sometime soon, the brokerage firms abrogated the current protocol and created a new one that only they and their wirehouse fellows would be invited to sign.

But protocol or not, I expect that someday in the future, historians of the profession will point to this moment as the time when a trickle of brokers seeking independence quietly became a flood. The brokerage model will retain the greedy, the timid and the oblivious, while the best of today's brokerage breed will be finding new homes where they can truly put their clients' interests first. **FP**

Bob Veres, *a* Financial Planning *columnist in San Diego, is publisher of Inside Information, an information service for financial advisors. Visit financial-planning.com to post comments on his columns or email them to bob@bobveres.com. Follow him on Twitter at @BobVeres.*

When to Hire a Coach

This coach admits that his service isn't for all advisors. Those who are helped the most have an entrepreneurial mindset.

By John J. Bowen Jr.

Financial advisors who are looking to achieve big business breakthroughs are increasingly turning to coaching and training programs for help. One important reason is that while traditional learning outlets like conferences tend to focus on one or two discreet ideas, coaching takes a more holistic approach that focuses on how advisors can maximize their entire businesses.

Given the scope of the challenges that advisors face today, it makes sense that many are seeking training that takes their entire practices into account and helps all the moving parts work in concert.

Full disclosure: I am the CEO of a coaching firm. But my goal is not to sell you on my firm — or even on coaching itself.

Enlisting a coach is not the right move for every advisor. In fact, my firm turns away more than half the advisors who explore working with us because they simply aren't a right fit. My goal here is to help you understand what coaching really is, how to decide if it's right for you, and what to look for in a coaching program.

First, coaching helps many advisors achieve their desired results much as a personal trainer might help you follow through on a workout regimen.

Video
How to decide if a coach can take your practice to the next level.
https://bit.ly/2kINXIh

Coaching can also enhance advisors' productivity around the core activities of their firm and thereby reduce their overall workload.

The bottom line result: accelerated success. With a coach, planners can often accomplish in two to three years what would have taken five years on their own.

Obviously, each coaching program will differ depending on who is doing the coaching. But any good program should focus on three major goals:

With good coaching, a planner may achieve in two or three years what would have taken five years on his or her own.

1. Dramatically enhanced client impact: Your clients should be so happy with you that they become your marketing disciples and actively help you grow your business. How? By giving you more of their assets to manage and proactively introducing you to ideal prospective clients.

2. Substantial growth of net income and equity value. Truly effective coaching should result in an increase in net income and equity value of at least 25% in Year 1. Mere incremental growth should not be acceptable to a great coach.

3. A significantly higher quality of life. A coach can help you have fewer, more enjoyable clients; a streamlined business model that reduces headaches and burnout; easier acquisition of new assets and affluent clients; the ability to take more time off from work; and more money to fulfill your life goals. All these things add up to a higher quality of life for you and those who are around you.

To ensure that participants achieve those goals, a coaching program should provide specific strategies and tactics that are results-oriented, highly actionable and proven to work. Taken as a whole, these moves should provide a track to run on and a clear path forward.

Truly effective coaching should result in an increase in net income and equity value of at least 25% in Year 1. Incremental growth should not be acceptable.

Of course, at the core of the experience is a great personal relationship with a coach.

Good coaches will monitor their clients' performance to identify and capitalize on their key strengths, and minimize their weaknesses. They will hold their clients accountable, be their advocates, act as sounding boards and give a push when needed.

To see how coaching might support your success as a advisor, you need to understand how it might positively impact your business.

Areas of Change

In coaching hundreds of advisors, my firm, CEG Worldwide, has seen dramatic changes in such areas as:

- Assets under management: Significant AUM growth can be generated in various ways. Acquiring the right types of affluent clients and capturing additional assets from existing clients are two of the best.
- Type and number of clients: By setting minimums, advisors often end up working with fewer, wealthier clients — while managing more assets and earning higher incomes.
- Client relationship management: Advisors develop systems to ensure high-quality, consistent client service that affluent investors demand.
- Capacity to serve affluent clients: Many advisors position themselves to address noninvestment concerns (such as wealth protection and wealth transfer) along with their traditional investment management role to meet the affluent client's diverse, complex financial needs.
- Client acquisition strategies: Advisors learn to move away from mass marketing strategies to much more effective strategies, such as strategic alliances with other professionals and exclusive private events.

As useful as coaching can be, it isn't right for all advisors. If you are satisfied with your business and quality of life, you probably don't need coaching. But if you are frustrated with some or many aspects of your business — or just think you can accomplish a lot more — coaching is worth considering.

The advisors who tend to get the biggest impact from coaching share one attribute: an entrepreneurial outlook. Many of these advisors actually think of themselves as entrepreneurs first and as advisors second.

Entrepreneurial Advisors

Entrepreneurial advisors think big. They challenge themselves to completely redefine progress. Tripling assets under management, cutting the number of clients served by 75% and similar BHAGs (big, hairy, audacious goals) are common. For such advisors, coaches can be a big help. By contrast, advisors with smaller goals may not find the time, expense and commitment required of a coaching program to be worth it.

Entrepreneurial advisors think big. They completely redefine progress, and they set big, hairy, audacious goals.

To find a program that is truly focused on helping you generate results in your practice, look for these key attributes: proven industry-specific experience; actionable strategies rooted in research and facts; a screening process so they're not automatically saying yes to every advisor who wants in; toolkits such as templates, scripts and thought leadership content that make it easy to implement specific strategies; and measurable results so participants can calculate their own potential return on investment.

Coaching can help many advisors achieve significant success and leap over hurdles faster than they could otherwise. That said, coaching is not a silver bullet for all advisors' problems.

Your best bet: Consider if you have the entrepreneurial outlook that could make you a good candidate for coaching. If you do, evaluate your coaching program options carefully.

In light of the growth in coaching services in recent years, you'll almost certainly find a program that can help you achieve the goals that you most want for your business, your clients and your life. **FP**

John J. Bowen Jr., a Financial Planning columnist, is founder and CEO of CEG Worldwide, a global coaching, training, research and consulting firm for advisors in San Martin, California. Follow him on Twitter at @CEGAdvisorCoach.

An Ounce of Prevention

Advisors should coach their clients not only on their finances, but on health care options as well.

By Kimberly Foss

Most of us have heard some variation of the quote attributed to Mae West, among others: "If I had known I was going to live this long, I'd have taken better care of myself." The celebrated actress died in 1980 at age 87, and it's true that she had a well-earned reputation for knowing how to have a good time.

We may smile at West's turn of phrase, but her concern for her health in her later years is certainly shared by the clients we work with every day. In poll after poll, Americans approaching retirement cite health concerns among their top worries. And yet, many folks have not adequately planned for rising medical costs, according to recent research from Voya Financial in which only about 14% of those surveyed have calculated the cost of funding their future health care needs.

Especially now that our planning fees are often not deductible expenses for our clients, we should all be looking for ways to provide a higher level of value-added services to strengthen our bond with clients. Clearly, one of the best ways for us to help them in satisfying a deeply-felt need is to coach and advise them with regard to health care.

A Viable Solution

For many of our clients, concierge medical care may present a viable solution. Sometimes referred to as direct-pay, direct primary care or private physician practice, concierge medicine has grown markedly in recent years.

A landmark 2013 article in *The British Medical Journal* noted a dramatic uptick in U.S. physicians establishing such practices in advance of the implementation of the Affordable Care Act as a way to regain a measure of control over their practices and especially over the predictability of their billings.

Noting that the practice had its origins in the 1990s, when physicians began charging wealthy patients $15,000 or more annually in exchange for exclusive services like 24-hour mobile phone access, the article stated that plans later evolved into direct primary care, a stripped-down version of concierge care that can feature fees as low as $600 annually.

Now that our planning fees are often not deductible expenses for our clients, we should all be looking for ways to provide a higher level of value-added services.

According to *Concierge Medicine Today*, the main principle linking all these types of private-delivery medical services is that they bypass insurance. The patient pays the doctor directly, usually in the form of a monthly or annual retainer. In return, the patient receives the level of access guaranteed by the particular plan.

Sites like MyDPC.org list DPC providers for every state, though providers tend to be more available in and near large population centers. The big advantage that patients note when they switch to some form of concierge care is that their doctor has more time to prescribe a more all-encompassing course of treatment that goes beyond writing a quick prescription and making an appointment for a follow-up visit.

DPC practices typically offer most of the same types of diagnosis and care as standard, fee-for-service physicians, but they stress their ability to save patients time (due to shorter waits made possible by the lower patient load) and expense (due to more time spent with the patient and the resulting reduction in unnecessary diagnostic tests and missed or incomplete diagnoses).

Direct Primary Care Journal's 2017–18 Annual Report and Market Trends Analysis indicates that 80% of subscription fees to DPC paid by patients are between $51 and $99 per month. By contrast, the typical individual health insurance policy can cost anywhere from $150 to $700 per month, depending on the insured's age and level of coverage, according to WebMD.com.

The price tag on many common screening tests and procedures compares favorably between concierge/DPC practices and traditional FFS providers. A 2017 sampling of concierge clinics and traditional providers found, among other things, a mammogram that could run $350 in a traditional setting came in at $80 at a concierge clinic. A brain MRI without contrast could cost around $600 from a traditional provider, but only about $380 through a concierge clinic.

Making a Difference

I have seen firsthand the dramatic difference this can make in the life of a client. To preserve privacy, I'll change some of the details in the following anecdote, but I particularly recall a client, recently widowed, who I was advising during the difficult transition after the loss of a spouse.

The client was 65 to 75 years old. Over the course of only a few months, I observed an alarming decline in his physical capability. He became increasingly frail and tired much more easily than before. Though he reported regular visits to his primary care provider, he couldn't seem to find relief from the debilitating symptoms he was experiencing.

Providing a referral to a concierge or DPC practice will not result in a fee or commission, but it can add to our clients' perception of us as valuable problem solvers.

At my urging, the client began seeing my personal direct-care physician. As my doctor began talking with the client and gaining an understanding of his background and health history, some patterns began to emerge. The doctor ran some tests that hadn't previously been considered and obtained some results that suggested the client would need to change his medication regimen.

Within a few months, not only the client, but I and others in his life noticed a dramatic improvement in his appearance, his stamina and his overall ability to enjoy the activities he was accustomed to.

What made the difference? Spending quality time with a qualified physician in an unhurried environment. The doctor had a luxury of time (and the absence of pressure from an insurer) to think "outside the box" in ways that were most beneficial to the patient.

What does this have to do with our financial planning practices? Simply this: if we are serious about building better relationship with our clients, why wouldn't we want to help them solve one of the problems they worry about the most?

In a recent article for *Financial Planning*, citing research from MIT's AgeLab, I suggested that those entering retirement in the next decade are increasingly outcome-focused: they want solutions to their problems, not product recommendations.

I also suggested that if we want to remain relevant as advisors, we need to position ourselves as their toolbox for the various challenges they face, whether that be changing transportation needs, managing lifestyle transitions, or, in this case, finding a better tool for managing the quality and cost of health care.

Develop a Referral Relationship

Providing a referral to a concierge or DPC practice will not result in a fee or commission, but it can certainly result in our clients' perception of us as valuable problem solvers and as professionals who consider our clients as whole individuals, not just their asset balances.

Most chambers of commerce can provide lists of concierge and DPC medical practices, particularly in major metropolitan areas. And of course, quick online searches for "find a concierge doctor" or "DPC medical practice in my area" can turn up some local options, too.

Do yourself and your clients a favor: develop a referral relationship with one or more concierge physicians in your area. Be prepared to refer someone to such a medical practice. It may be the most important thing you can do for your client — and your relationship. **FP**

Kimberly Foss, *CFP, CPWA, is a* Financial Planning *columnist and the founder and president of Empyrion Wealth Management in Roseville, California, and New York. Follow her on Twitter at @KimberlyFossCFP.*

Outsourcing Your Marketing

How to use blogs, videos, podcasts and social media to boost your business.

By Dave Grant

For solo advisors, resources are scarce. There's only so much time and money available. Often, we outsource tasks that don't produce revenue to free up more time for tasks that do. I have spent the past 18 months outsourcing most of my marketing activities — with varying degrees of success.

When I started my RIA in 2013, I knew I wanted to focus on inbound marketing. That would involve producing my own content — text, video and audio — and communicating with personal finance media outlets.

My goal was to provide content that could be consumed at any point by people who found me. And once produced, the content would generate business without needing further effort. But as my practice and other business ventures have taken up more time, I'm not able to focus as much on these marketing activities. So I decided to outsource them to other professionals.

Finding a Writer

I love writing, but it takes time and energy. I'm not arrogant enough to think some of my personal finance writing cannot be done by someone else, and this allows me to keep producing pieces that create revenue. In looking for someone to write my RIA blog, I started with sites such as Upwork.com and Freelancer.com. Writers on these sites have feedback from past clients, so I made sure to choose those who were highly rated.

I found some who were CFPs and others who were seasoned writers. I then gave each of them the same blog post to write.

It's amazing how the same content can be so different when various people tackle a given topic. Some tackled it from an educational aspect, others looked at the technical parts of the subject and one turned it into a humorous piece.

After review, I went with a writer who wasn't trained in personal finance but had a mesmerizing use of language in her explanations and charged a reasonable price.

I worked with her for a year, producing various pieces of content. After 12 months, however, I knew I wanted my content to go deeper into specific retirement topics, and she wasn't the right fit. I found a retired CFP who was writing to supplement his income. He was great at technical writing, but he was not the right fit for the softer tone I was looking for.

I have spent the past 18 months outsourcing most of my marketing activities — with varying degrees of success.

I then decided to go into the personal finance community itself. I wanted to find someone who had the knowledge for these issues — or knew when to ask for guidance. For the past year, I've used Zoe Meggert at Perfectly Planned Content. She works with other financial planners and knows the topics I want to cover. Plus, she was able to find my voice very quickly.

Content Design

Another time-intensive task is crafting graphics for all of the pieces and creating a distribution framework. While social media scheduling tools such as HootSuite and Buffer can be used to do

the job, maintaining a social media presence requires a continual loading of content.

The writing was a joy, but when it came to consistently creating images and setting up distribution schedules, I did not follow through. This became a major barrier to distributing content. Who's going to see the content if it's not distributed?

Meggert took over this process. She would source images, upload content to my website and implement a distribution schedule through Twitter, Facebook, LinkedIn and Pinterest. This was not only done for written work, but also for video and audio pieces.

Lead Generation

Generating leads has always been a work in progress. While I have various sources for them, I am always looking to increase their quantity, quality and frequency. I decided to put some of my marketing budget into lead generation programs to understand how they work and what value each of them provides.

Initially, I looked at four platforms — Brewer Consulting, CoPilot, SmartAsset and Castor Abbot — before narrowing it down to two.

They all had different approaches. Brewer Consulting's approach spanned various social media platforms and specialized in attracting niche leads using content and cold introductions via LinkedIn.

CoPilot automatically connects you with people on LinkedIn, specifically down to job title, location and the company they work for. It automates introductions and a follow-up message for you, and notifies you of any potential conversations.

SmartAsset uses their own website and lead funneling to provide qualified leads for up to three advisors in a certain ZIP code radius, and the advisor is then charged with attempting to contact the lead and start conversations. Castor Abbot uses automated video seminar marketing, along with social media advertising to generate qualified leads.

It's amazing how the same content can be so different when various writers tackle a topic.

They also had very different minimum price points. Castor Abbot wanted a $10,000 initial fee, while Brewer started at $3,500, and both stated there were ongoing costs for software platforms needed for their campaigns, and ad budgets needed on various platforms. These costs started at $400 per month, but could go above $1,000 once advertising budgets were accounted for. I also had philosophical differences about marketing with one of the founders of these companies, so it became obvious I wasn't going to use them.

In addition, I did not want to commit that much capital upfront, so I went with SmartAsset, which let me set my budget at $500 per month, and CoPilot at $200 per month.

After three months, I no longer use either program. I discovered the underlying software platform that CoPilot was using and now use a similar platform called JetBuzz.io for a fraction of the CoPilot cost. It also includes more features than CoPilot initially offered, so I feel like I've got a good system in place.

I liked the idea of focusing on LinkedIn. It's a good place to start conversations with people who fit my target demographic. SmartAsset delivered good potential leads, but the conversion rate of connecting with these people via phone or email was very low.

Out of 15 leads, I was able to connect with two of them for a brief discussion, which resulted in no business. All of these leads stated they were interested in finding and working with an advisor, so this was disappointing. I don't regret spending more than $1,500 on this lead-generation experiment, as it given me a good idea of what I want to focus on in the future.

What I Couldn't Outsource

Unfortunately, I couldn't outsource everything. I wanted to keep producing video content and a podcast. I looked into the costs of using a video studio and hiring an editor, but it went beyond my budget. Plus, I had already built up a mini-studio at home and had learned to use video editing software.

To complement the video and written content, I repurposed this content into "The Five Minute Financial Plan" podcast. The process of getting content ready for a podcast, recording, editing and converting the file typically takes about 90 minutes. I record the podcast in batches and can get three podcasts recorded and produced in three hours, at no out-of-pocket cost to me.

When it comes to my marketing strategy, the only thing that remains on my plate is to record these videos and podcasts, which takes me about 10 hours per month. I distribute multiple pieces of media each week, but the amount of time I've freed up by outsourcing my writing, content distribution and lead generation is extensive. The cost is well worth it. If I can then spend this time generating revenue, it quickly pays for itself now and into the future. **FP**

Dave Grant, *a* Financial Planning *columnist, is founder of the planning firm Retirement Matters in Cary, Illinois. He is also the founder of NAPFA Genesis, a networking group for young fee-only planners. Follow him on Twitter at @davegrant82.*

Facing Up to Long-Term Care

It's one of the toughest conversations with clients, but advisors must explain the options.

By Charles Paikert

When advisors try to broach the topic of long-term care with clients, they often hit a brick wall of denial. This makes it even more urgent that they do everything possible to break down resistance.

"What I hear most often is, 'It won't happen to me,'" says elder care attorney Robert Fleming. "And then it's, 'I'll off myself if it does, or go on Medicaid if I can't go through with it.' You've got a lot of planning by denial going on out there."

Clients are unlikely to bring the topic up on their own — unless they've seen someone close to them have to deal with declining health, says Kyle DePasquale, a wealth advisor for Sentinus in Oak Brook, Illinois.

"Ideally, it shouldn't take something like that to get the ball rolling," DePasquale says.

Besides the fact that death and illness are never easy subjects to introduce, the statistics are daunting. Clients who retire this year at age 65 will need to come up with about $280,000 to pay for health care and medical expenses through retirement, according to Fidelity. That's up 75% from Fidelity's first estimate of $160,000 in 2002. At the same time, the market for long-term care insurance has been in

Kim Garcia, principal of Diversified Trust, likes hybrid LTC plans but warns that premiums can be considerably higher.

PHOTO BY IAN CURCIO

free fall. Premiums have skyrocketed, often doubling. Buyers are paying more but getting less coverage.

Even if a 60-year-old couple could afford annual premiums of around $3,500 for what the American Association for Long-Term Care Insurance says might be a typical LTC policy for that age group, only a dozen or so companies still provide the coverage, *The Wall Street Journal* reported in a lengthy examination of the market.

A so-called silver tsunami will occur as a wave of baby boomers need long-term care.

Denials aside, the odds that a client turning 65 this year will need long-term care are around seven in 10, according to the U.S. Department of Health and Human Services.

But less than 16% of adults have long-term insurance to pay for care, according to a study by the Life Insurance Marketing and Research Association.

Avoidance, the Planning Default

It's no wonder avoidance is the planning default — which is exactly why advisors need to sit down with clients and have a talk about long-term care, experts say.

"It's critical that financial advisors have a conversation about long-term care with clients, with documentation," says New York-based elder care attorney Bernard Krooks.

"Annuity hybrids are giving the middle class an opportunity to cover themselves," says Samantha Chow, senior analyst at Aite Group.

"Not only are you providing a necessary service for the client, you are protecting yourself from being sued by the client's adult children, who, if things turn out badly, may say, 'You should have talked to Mom and Dad.'"

The conversation should be about more than just money, says Jeannette Bajalia, president of Petros Estate & Retirement Planning in Jacksonville, Florida.

"I talk to clients about well-being, about lifestyle and protection," she adds.

"I'm also very brutal. I force couples to talk to each other about how they plan to deal with debilitating illness, lost income and whether they want to age in place or move to a facility."

Advisors also need to have a discussion with clients about "what extended long-term care could mean for their estate and the surviving spouse," adds Jared Elson, managing partner at Regent Wealth Management in Morgan Hill, California.

Eventually, of course, the conversation must turn to money. What are the options available, and how will the care be paid for?

The Self-Funding Option

Self-funding is a legitimate option for high-net-worth clients — especially ultrahigh-net-worth clients.

"The very best planning for long-term care is to amass great long-term wealth," says Fleming, a partner at Fleming & Curti in Tucson, Arizona.

If clients are considering self-funding, advisors need to help them "run the math," says Kim Garcia, principal of Diversified Trust in Greensboro, North Carolina.

"Imagine the worst-case scenario," Garcia urges. "Figure on eight to 10 years of full-time care. How much will that cost and how will that number impact the portfolio?"

If clients place a high priority on having in-home care, using the income from a reverse mortgage is a viable self-funding option, Bajalia says.

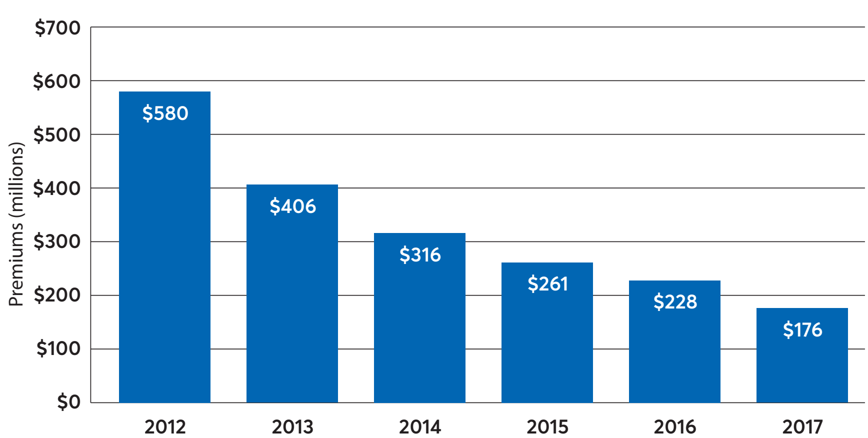
"It's part of a lifestyle choice," she explains. "I use reverse mortgage as a vehicle that can be very cost-effective to bring care into the home. If staying at home is important to the client, I ask them if they think their son or daughter is going to change their diapers. Otherwise, how are they going to pay for the care they need?"

But DePasquale advises against self-funding.

"Clients are using their own money versus using leverage with insurance," DePasquale says. "Why pay retail when you can get it at discount? You can self-insure your car, but who does that?

Steep Decline for Standalone LTC Policies

Sales have plummeted 70% in five years.



Source: LIMRA

Would you take liability and not collision? Even if people can afford to pay for long-term care themselves, why pay 100%?"

Another major caveat for most clients thinking about self-funding: They shouldn't expect to leave much, if anything, to their heirs.

LTC Care and Hybrid Plans

Policies are expensive, premiums have been subject to eyebrow-raising increases, coverage has been shrinking and not very many companies remain in the market.

Nonetheless, clients who can afford the price — and risks — of LTC insurance should consider it, Elson says.

"Traditional long-term care insurance certainly provides benefits if you need coverage," he explains. "If you use it, it's one of the best investments you ever made. Otherwise, it's like car insurance if you never file a claim."

Hybrid plans, meanwhile, are "where the long-term care market is going," Elson says. These life insurance policies include a certain amount of long-term care coverage and feature premiums that are guaranteed not to rise.

They also offer lifetime benefits that are tax-free, as well as a death benefit for beneficiaries.

"Hybrids can be the right answer for clients who are looking for life insurance and long-term care simultaneously," Garcia says.

Rates for hybrids may be more favorable than buying separate policies, but she notes that prices "are very dependent upon the individual insured and the amount of coverage being sought."

While Garcia likes the flexibility of hybrid plans, she warns that upfront premiums can be considerably higher — sometimes as much as 40% to 50% — than for a stand-alone long-term care policy.

Make sure clients get at least three quotes from different providers and carefully examine the separate costs of any riders that are attached to the policy, Garcia suggests.

Regent Wealth Management's Jared Elson says middle-class clients are at the most risk if long-term care is needed.

In fact, a separate long-term care rider on a life insurance policy that accelerates the death benefit is another option for clients, DePasquale says. "If you need care at 80, for example, you can accelerate the death benefit so, when you need long-term care, you can get it early, sometimes at a discount," she says.

A Caveat

There is a caveat, however. Payment of long-term care rider benefits as an acceleration of the death benefit reduces both the death benefit and cash surrender values of the policy.

The most attractive feature of hybrid plans, in Bajalia's opinion, is the fixed premium.

"That's my goal for clients," she says. "With a fixed premium, clients can budget and protect their estate as well as their health."

For asset-based long-term care insurance, clients deposit a sum of money with the insurance company instead of paying premiums.

The clients receive interest, and if they need care, the insurer pays benefits based on how much they deposited and how old they were when they purchased the policy — the earlier they start, the more benefits they get for their money.

If clients don't use the policy, they should be able to get their money back, and if they die without needing long-term care, their heirs can still collect a death benefit.

The Annuity Plan

Some annuities are similar to asset-based long-term care life insurance policies. Clients make a lump-sum deposit that will pay interest, based on specific terms of the contract.

If long-term care is needed, a multiplier is applied to the cash deposited to pay out the expenses.

A rider can be added that provides for lifetime income payments that will be activated at some later point in time. An especially popular annuity option features an income rider commonly called a doubler.

"The very best planning for long-term care is to amass great long-term wealth." says elder care attorney Robert Fleming.

A specified rate of income is guaranteed, contingent on how old the client is and when they begin taking distributions. But if long-term care is needed, that income is doubled for up to five years.

"These annuity hybrids are giving the middle class an opportunity to cover themselves," says Samantha Chow, a senior analyst for Aite Group.

"Long-term care insurance is so outrageously expensive that it's not feasible for this market any longer," she adds. "Fixed deferred annuities with health care provisions are affordable, serve more than one need and can be part of a holistic approach to financial planning."

Indeed, advisors are generally enthusiastic about these products.

"They can help provide for nursing home care, in-home care, skilled nursing as well as be a source for lifetime income," Elson says.

"Another nice thing is that they're not life insurance — you don't have to pass a medical exam," he adds. "And they can be placed inside an IRA so clients don't incur additional taxes."

A major caveat for most clients thinking about self-funding long-term care: They shouldn't expect to leave much, if anything, to their heirs.

Bajalia, whose books include *Planning a Purposeful Life*, says she likes the hybrid annuities so much that she owns two herself.

"It's a beautiful way to fund some long-term care protection," she says. "There are multiple benefits, including an income stream."

She especially likes fixed deferred annuities with index features and long-term care provisions that continue the doubler payments even if the cash value of the account zeroes out.

Caution: Examine Policies

But Bajalia cautions that advisors must insist clients examine the policies carefully. Some annuities, she warns, may not pay out the doubler rider if accessed too early and the account value goes to zero.

Another caveat comes from Fleming, the elder care attorney.

"Annuities sold in advance of institutionalization are almost always a bad idea," he says. "There's a potential income tax hit if the annuity has to be cashed in. And [the decision on] how to use the annuity is being made at a time when someone's mental capacity may be diminished."

Advisor Jeannette Bajalia owns two hybrid annuities.

Care Communities

A combination of independent living, assisted living and a nursing home with on-site medical care and an emphasis on community, Continuous Care Retirement Communities are growing in number and popularity.

The catch is the cost: The average entrance fee is around $250,000, according to industry estimates.

And that's before monthly fees, which can range from $1,500 to $10,700, depending on such factors as the terms of the contract, type of housing, size of the facility and services provided, according to the U.S. Government Accountability Office.

For those who can afford these communities, the emphasis placed on socialization is a major benefit, especially as people live longer, Bajalia says.

But she cautions clients to study whether the facility has a history of rate increases and whether the contract protects an estate by reimbursing money if the client dies unexpectedly.

When making a visit, clients should ask people there what their experience has been and "understand the white space between the contract language," Bajalia counsels.

While a care community can be a good option, Garcia adds, they don't eliminate all costs and "only last as long as the client's money does."

Outside Help

Issues involving estate protection, taxes, trusts, charitable gifting, heirs and a surviving spouse are integral to long-term care planning.

In this capacity, elder law attorneys can be an invaluable resource for advisors.

"It's a relatively new and still evolving field with laws that vary state by state," says Fleming, a former head of the National Elder Law Foundation. "We see more attorneys working very closely with advisors all over the country."

Regent Wealth Management refers clients to elder care attorneys on a regular basis, Elson says. "It depends on the estate, and what they're trying to accomplish."

"If you're dealing with Medicaid and want to protect assets, it's vital to have an elder care attorney," he adds. "If there's not as many assets involved, it's not as important to work with them."

Paradoxically, it's middle-class clients who have the most to lose if long-term care is needed, Elson says.

"The folks in the middle are the ones with the real exposure," he notes. "The change in lifestyle can be dramatic, especially for the surviving spouse. They can use the most help." **FP**

Charles Paikert *is a senior editor at* Financial Planning. *Follow him on Twitter at @paikert.*

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Using Annuities for Long-Term Care

As sales of LTC insurance plummet, combination products — including annuities with LTC riders — are picking up some of the slack as a useful alternative for some clients.

By Donald Jay Korn

With millions of baby boomers already in retirement or nearing it, the need for long-term care insurance may seem obvious. Retirees face extended life expectancy as well as rising costs for nursing home stays, assisted living facilities and home care.

The fact that annual premiums may unexpectedly be increased is one factor that causes some clients to be leery of LTC policies.

Nevertheless, stand-alone policy sales declined nearly 70% from $550 million in premiums in 2012 to just $176 million in 2017, according to the U.S. Individual LTCI Sales Survey conducted by LIMRA, a research, learning and development organization.

One reason is increasing costs: According to the National Long-Term Care Insurance Price Index, published by the American Association for Long-Term Care Insurance, a married couple, both 55 years old, had an average annual premium of $2,466 in the 2012 survey. By 2018, that number had increased to $3,000.

Demand for LTC coverage is actually on the rise, but dollars are flowing into other types of contracts, including annuities with LTC riders. LIMRA reports that annuity-LTC combos surpassed individual LTC policies in sales for the first time in 2014.

Two years later, the combo product totaled $480 million in sales, more than double stand-alone policies, which brought in $228 million. LIMRA's numbers for annuity-LTC combos sold in 2017 have not yet been released.

In view of the fact that a common stand-alone LTC insurance policy might charge annual premiums but pay

Advisor Jimmy Lee says clients worry about possible big jumps in LTC insurance premiums.

benefits only if care is eventually needed, a client might prefer to pay a larger upfront sum for an annuity-LTC combo that will pay out certain amounts of cash, regardless of need.

If care is needed, such an annuity will be able to provide either increased liquidity or additional cash flow.

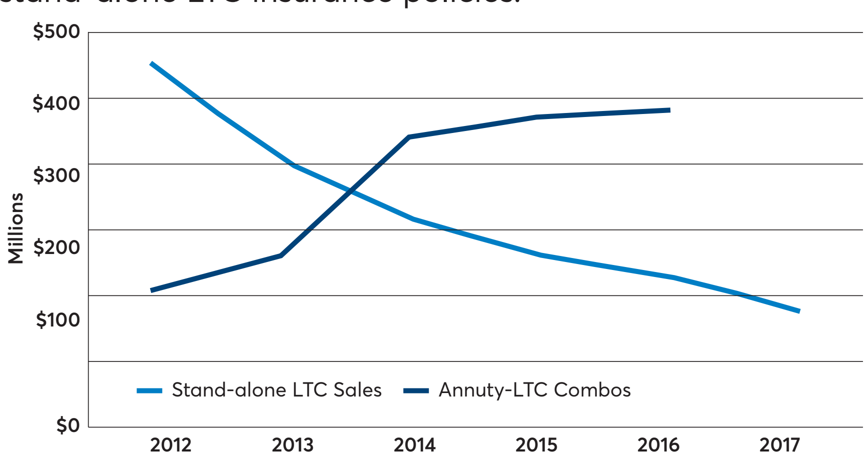
Coming on Strong

By the numbers, it's apparent that annuities with long-term care benefits are among the arrangements that are replacing traditional LTC policies. In fact, products with some LTC features accounted for 12% to 15% of total annuity sales last year, estimates Jeremy Alexander, CEO of Beacon Research in Northfield, Illinois.

Such annuities may deliver protection from potentially disastrous LTC

Switching Places

Sales of annuities with LTC riders are outpacing those of stand-alone LTC insurance policies.



Source: LIMRA. (2017 figures for annuity-LTC combos have not yet been released) costs, including, for instance, the $8,121 national median monthly cost of a private room in a nursing home, as reported in the Genworth 2017 Cost of Care Survey.

What's more, for some clients, the lump sum upfront is more attractive than the uncertainty associated with paying an annual premium, which could rise over time.

"Many clients do not like the high premiums of long-term care insurance and the possibility that insurers will raise premiums in future years," says Jimmy Lee, founder and CEO of the Wealth Consulting Group in Las Vegas.

"We have to educate clients to make sure they understand premiums can go up, and that multiple companies have done so on existing contracts," Lee adds.

Beyond the current and potential future premium expense, prospective LTC insurance buyers may object to the idea of never receiving a benefit if care isn't needed.

Accessing Benefits

Although the exact guidelines may vary by contract, policyholders often can access benefits only if they qualify for care that is needed because of a diagnosis of some type of dementia or the inability to perform two of six activities of daily living: bathing, eating, dressing, toileting, transferring from place to place and refraining from incontinence.

Clients react "very positively" to the idea of having less rigid requirements in order to gain access to benefits, says Robert Schneider, vice president and relationship manager at Milwaukee-based Cleary Gull Advisors, a Johnson Financial Group company.

"Clients are often hesitant to discuss LTC insurance because they immediately think of the stand-alone policies," he says.

Some prospective buyers of LTC insurance object to the idea of paying premiums for years and never receiving a benefit.

"The usual responses are variations of 'that's too expensive' and 'I might not ever need it.' However, they open up once they learn of the available alternatives. Knowing that the money can be taken back if needed or go to beneficiaries in the form of a death benefit is comforting."

Indeed, combos making use of fixed-index annuities can deliver some return even if long-term care is never actually required.

Clients of advisor Robert Schneider have reacted positively to the flexibility of combo policies.

"The annuities I have used for this purpose have mostly been FIAs with lifetime income riders," says Jeremy Kisner, chief planning officer at Planning Great Retirements in Phoenix. "The LTC rider increases the monthly or annual payout to 150% or 200% of the regular payout once the policyowner cannot perform two of six activities of daily living."

The increased payout may be limited by time or account value, according to Kisner.

"For example, if the lifetime payout is $20,000, the insurance company may increase the payout when LTC is needed to $40,000 per year for up to five years or until the policy value reaches zero. Then, the payout would return to $20,000 for the remainder of the client's life," Kisner says.

Drawbacks of Combo Plans

Of course, annuities with LTC benefits are not without their flaws.

"There are many drawbacks to buying an annuity with a long-term care rider," says Scott Olson, co-owner of LTCShop.com, an insurance firm based in Camano Island, Washington.

"The opportunity cost is high because the return on the annuity is

Annuity-LTC Combos Gain Popularity

While sales of stand-alone LTC insurance policies have slid, annuities with LTC riders have picked up the slack.

	Stand-alone LTC insurance (millions)	Annuity-LTC combos (millions)
2012	$550	$210
2013	$406	$260
2014	$316	$440
2015	$261	$470
2016	$228	$480
2017	$176	(Not released)

Source: LIMRA. (2017 figures for annuity-LTC combos have not yet been released) usually less than 1%, often 0%. With some of these annuities, the return is negative every year: the cash surrender value decreases every year instead of increasing.

In addition, someone who puts $100,000 into one of these annuities is essentially buying a $100,000 deductible; the buyer has to use all the money that was paid in before the insurance company starts using its money."

Hybrid products are ideal for those with high cash value in a life insurance policy whose death benefit is no longer needed.

Some observers question the fees that come with annuities, including those with LTC riders, but Kisner is not one of them.

"Annuities represent less than 10% of my business, but I am happy to defend them when clients raise questions about fees," Kisner says. "They solve important financial planning problems when used appropriately. I welcome and usually initiate the conversation about fees."

According to Kisner, he usually says something like, "It is true that annuities have higher fees than other investments. This is because annuities are insurance products and, just like auto insurance or homeowners insurance, you are transferring risk to the insurance company."

Kisner goes on to explain that an annuity is transferring investment risk, interest rate risk and longevity risk to the insurer.

"Naturally," he points out to clients, "the only reason an insurance company is willing to absorb those risks is because it is being paid a fee. The fee for this annuity is XYZ amount.

"I think it makes sense to pay those fees for this portion of your money because the annuity helps with your two biggest objectives: lifetime income and some level of protection in the event of long-term care. The remainder of your investments will have lower fees, more liquidity, more upside potential, etc., but will not have the guarantees of the annuity."

'The Ideal Client'

Some clients will be more receptive than others to the idea of getting some LTC coverage through an annuity.

"The ideal client for using these hybrid annuities for LTC coverage is someone who does not want to pay annual premiums for a traditional policy and wants their money in a safe, yet low-yielding investment," Lee says. "If the long-term care benefits are not triggered, the client can earn a low yield from the annuity."

Schneider believes that hybrid annuities are appropriate for nearly every level of client, but he has discovered one particularly welcoming scenario.

"We find that many retirees have significant cash value built up in life insurance policies in which the death benefit is no longer needed," Schneider says. "Exchanging the cash value into a hybrid product to address the potential future long-term care need is a great way to get long-term care insurance with no additional out-of-pocket expense."

Annuity-LTC combos may gain even more popularity if they're embraced by fee-oriented advisors.

"We have found RIAs to be highly interested in no-load versions of both hybrid life and annuity products with a long-term care benefit," says David Lau, founder and CEO of DPL Financial Partners, an insurance firm in Louisville, Kentucky, that is developing such contracts.

"Annuity products with LTC riders, particularly the fixed annuities, generate interest from RIAs because they are less complicated than the life versions."

Fees for annuities are justified in light of the risk insurers are absorbing, says planner Jeremy Kisner.

Annuities with LTC riders, Lau explains, present clients with an opportunity to reallocate cash assets into a product that delivers similar yields while providing a benefit for long-term care.

"They're kind of a no-brainer," he says. "Why sit in cash earning very little interest when you can allocate to a product that pays a competitive rate and two to three times your account balance in an LTC benefit?"

Annuities with LTC features will be described as "no, thanks" by some, rather than as "no-brainers."

Yet they offer advisors another tool for their toolbox, one that may deliver some custodial care protection to clients who feel traditional long-term care insurance has become the high-priced screwdriver. **FP**

Donald Jay Korn *is a contributing writer for* Financial Planning *in New York.*

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Mitigating Medical Costs

Here's how to use the health care system to effectively ease clients' big worries.

By Carolyn McClanahan

Medical costs have run amok in our broken health care system. With higher premiums, copays and out-of-pocket costs, health care expenses are a concern for everyone, not just retirees.

Since you have very little power to fix the health care system, what can you do in your practice to help clients with this big worry? Picking the right health insurance and learning to use the health care system effectively can help mitigate the costs.

Employer-based coverage: About half of the population continues to receive their health insurance through employer-based coverage.

In general, for single people, employer-based coverage is going to be the best deal. For a family, it depends. If the employer does not pay part of the family premium, it may be worthwhile to buy separate coverage for the family on the individual market, especially if the family is healthy and doesn't access services often.

The danger in this approach is if a major health event occurs, there will be two sets of deductibles to meet, so it is important to have savings set aside to cover these costs.

Using a health savings account eligible plan and fully funding an HSA account can save taxes and serve as a great vehicle to set aside money that may be needed to cover large expenses. Coverage can be revisited and changed yearly depending on the circumstances.

COBRA coverage: COBRA can offer temporary coverage at group rates, in the event that your client loses a job or a death or divorce results in the loss of coverage under a spouse's plan. This option can be very expensive, though, as COBRA recipients are usually required to pay the entire premium.

It often pays to compare individual coverage or short-term coverage to COBRA before making a decision.

Once COBRA is elected, individual coverage is not an option until COBRA runs out or until open enrollment season occurs from Nov. 1 through Dec. 15.

Individual coverage: The Affordable Care Act is still alive and coverage is still guaranteed issue, but the individual mandate goes away in 2019. At that time, premium costs are expected to increase significantly since many people will quit buying coverage.

If you already have COBRA coverage, can you change to individual coverage?

	If your COBRA is running out	If you are ending COBRA early	If your COBRA costs change because your employer stops contributing
During Open Enrollment	Yes, you can change	Yes, you can change	Yes, you can change
Outside Open Enrollment	Yes, you can change – you qualify for a special enrollment period.	No, you can't change until the next open enrollment period, your coverage runs out or you qualify for a special enrollment period another way.	Yes, you can change – you qualify for a special enrollment period.

Source: Healthcare.gov

If income is below 400% of the poverty level (which amounted to $48,560 for an individual and $100,400 for a family of four in 2018), the best insurance will be an ACA marketplace plan obtained through healthcare.gov as tax credits can be significant. In our firm, if possible, we help clients plan income to maximize their health insurance tax credits.

If income is above 400% poverty level, there are other options.

- If a client is a high health care user or has significant health problems, it is usually better to buy a traditional plan. Based on current pricing structure, gold level plans tend to be the best deal.
- If a person is healthy and a low health care user and can't afford a traditional plan, consider short-term coverage or Christian medical cost-sharing plans. The current administration is planning to expand association plans, so keep your eye out for these options, too.

Short-term coverage, cost-sharing plans and association plans have many limitations. Essential benefits may not be covered, there can be caps on coverage, and there are restrictions to entry.

The good news? If a client develops a significant illness, they can change to a traditional plan during open enrollment. You only have to hope that serious illness does not occur in January because it can be a long wait until November.

Network issues: Most people understand deductibles, copays and maximum out-of-pocket expenses, but health care networks are harder to compare. Two insurance policies may look identical but have vastly different premiums. The difference is they usually vary on the available network of doctors and hospitals.

Cheaper policies may have narrow networks and not cover many physicians. If a client needs flexibility, have them choose the bigger network.

When making an appointment with a physician, it is important to ask if the doctor is in network, not if they take certain insurance. Just because a doctor takes insurance doesn't mean they are in network.

Since much of what doctors do drive up the bill, patients need to make them aware that money is an issue.

Make certain that testing facilities are also in network. Similarly, if in the hospital, write on contracts "only use doctors and labs in my network".

Why is this important? Out-of-network coverage can be very expensive for three reasons:

1. The patient is charged full price for a service instead of the lower rate negotiated by the insurer. If the hospital charges $10,000 for a service and the insurer only pays $2,000, the patient will be saddled with the other $8,000. This is called balance billing.
2. The insurer may pay only a percentage of the allowed in-network charges. For example, if the insurer pays $2,000 for a service in network, it may cover only 50% of that when the service is delivered out of network.
3. The balance bill does not apply to the maximum out-of-pocket limit.

Being an empowered patient: Doctors mostly think about patient care and not the cost to the patient. Since much of what they do drives up the bill, patients need to make them aware that money is an issue.

If testing is ordered, the patient should ask what the doctor hopes to learn from testing and how the results will change their approach. If the doctor cannot provide a clear answer, the test may not be necessary.

If medication is ordered, it is important to ask if there is anything that can be done other than medication. Sometimes lifestyle changes or watchful waiting are suitable alternatives. Doctors often won't take the time to discuss alternatives because they think patients are not motivated to follow through. Pills are an easy fix, but may not be the best solution.

Make Change Happen

Beat the drum for fixing the system: People worry about the cost of health care in the future. The annual inflation rate of medical costs in the U. S. has averaged 7.76% annually since 1970, based on data from the OECD.

If this rate continues, in the next 30 years, health care will consume about 50% of GDP. This is not sustainable.

We all must fight to fix the health care system and our only power is to barrage our elected officials to do something constructive. If enough people call their legislators, change will be made.

Make it a point to take five minutes a week to contact one of your representatives. I can vouch that they listen and some will even engage. Other countries have good systems with reasonable costs, and we should follow their lead. **FP**

Carolyn McClanahan, *a CFP and M.D., is a* Financial Planning *contributing writer and director of financial planning at Life Planning Partners in Jacksonville, Florida. Follow her on Twitter at @CarolynMcC.*

ALSO IN PRACTICE: P. 38 TO BUDDY UP OR NOT?

ADOBE STOCK

Choosing Custody

Advisors need to ponder which RIA custodian is right for them, given the substantial costs of switching from one to another.

By Michael Kitces

"What's the best RIA custodian to use?" This is one of the most common questions I hear from advisors launching RIAs, experienced advisors breaking away from broker-dealers and even existing RIAs who want to know if there's a better option available to them.

Given the substantial costs of switching from one RIA custodian to another, it is worth figuring out which custodian is right for you — not just in the short term, but for the long run.

Of course, if you're going to operate solely as a fee-for-service advice firm and not manage client portfolios directly, you don't need a relationship with a custodian at all; the relationship begins once you've decided to help clients implement their portfolios and need a platform to execute trades and bill for your services.

But given the continued dominance of the AUM model among RIAs — even with the growth of advisors using alternative fee-for-service models — most RIAs still have to pick a custodian. Here are some strategies for making that decision.

Similar but different: Most independent RIAs custody their assets at one of four major firms, ranked here from largest to smallest based on market share: Schwab, Fidelity, TD Ameritrade and Pershing Advisor Solutions.

Yet despite their size and market reach, or perhaps because of it, the four provide substantively similar services.

Given the continued dominance of the AUM model among RIAs, most of them still have to pick a custodian.

They all offer the core technology to trade on behalf of clients. They can hold a wide range of standard investment assets. They can facilitate billing. And they're incredibly low-cost.

Indeed, none of the major RIA custodians even charge a platform fee or take a percentage of the advisor's revenue (as a BD would).

Rather, they use their incredible size and scale to make what amounts to a small scrape from a large number of transactions.

Most of these platforms earn whenever your clients trade, \$5 or \$7 per, or maybe a small asset-based wrap fee. Some participate in 12b-1 fees as part of a no-transaction-fee platform. Some receive a small number of basis points for their role as transfer agent, or they make some very small spread on money market or other cash positions held by clients. These are very small amounts, but they add up after the first couple hundred billion dollars of advisor assets.

Consequently, most advisors don't pick an RIA custodian simply by cost and basic capabilities but more for a custodian's particular focus or style. In this context, there are some notable differences worth underlining among the top four RIA custodians.

The big four: Pershing Advisor Solutions works primarily with larger RIAs that are focused on growing a large business. It's not just oriented toward profitable practices, but toward those holding hundreds of millions or even billions of dollars of AUM, that still want to grow bigger.

This stems in large part from the fact that CEO Mark Tibergien led Moss Adams' practice management consulting division for over a decade.

That helps explain why Pershing Advisor Solutions is particularly popular among breakaway teams from wirehouses — larger, independent BDs teams that value deep practice management support in pursuit of building and scaling their business. And if you're working in the ultrahigh-net-worth space, the global banking capabilities that come from Pershing's Bank of New York, now BNY Mellon, are also a selling point.

Flexibility of Open Structure

TD Ameritrade, on the other hand, is best known for its Veo One platform, which operates as an open architecture hub that facilitates trading and activity on its platform, with the added flexibility that comes from its open structure that makes it easy for other advisor technology tools to integrate.

This means TD Ameritrade is the best fit for advisors with a vision of some particular tech stack combination that they want to have, or more generally, for those who value selecting their own tech components one by one, plugging them in and maintaining them without relying heavily on the custodian's proprietary platform.

That said, TD Ameritrade actually does have some very good proprietary technology around investment capabilities, including a free online version of iRebal for TD Ameritrade advisors — the original and still one of the most popular rebalancing software solutions.

Fidelity's Wealthscape platform, meanwhile, is increasingly being positioned as a true all-in-one, especially for comprehensive wealth management firms.

Second-tier custodians usually develop some kind of niche or specialization to serve one type of advisor particularly well.

The firm's decision about three years ago to buy eMoney Advisor, a leading planning software solution for advisors, which is increasingly being integrated into Wealthscape. This makes Fidelity's solution a very appealing long-term solution for planning-centric firms that want to build toward a holistic wealth management offering.

By analogy, if you like Apple's hardware, software and connected services where everything is managed by Apple and it just works, you're probably going to like Fidelity.

If you prefer Android devices, where you maintain some independence and control over software and settings to configure your own way, you're probably going to gravitate toward TD Ameritrade's open architecture solution.

Now, the biggest of the four is Schwab. And I'd argue that it's the least differentiated. That's partially attributable the challenge that comes with size; it's hard to have a focus after the first nearly-$1.5 trillion of advisor assets that Schwab already serves.

Schwab is usually the most competitive on price. And it has incredible service depth and service team experience, in part because it has been doing it longer than any of the other RIA custodians since it entered the RIA marketplace back in the early 1990s.

Second-tier custodians: It's worth noting that there is a sizable range of what are called second-tier RIA custodians. To be fair, "second tier" doesn't necessarily mean inferior, just smaller — as they're typically considerably smaller than any of the big four.

In practice, this means the platforms are often a bit more expensive. And because they don't have the resources to be good at everything, they also usually develop some kind of niche or specialization to serve one type of advisor particularly well. This can, however, make them a much better fit for certain advisors.

Case Study

A good case study is Shareholders Service Group. The SSG platform is actually built on top of the Pershing platform, so you'll see the same Pershing technology, but SSG specifically specializes in the small RIA marketplace, i.e., firms with under $100 million. SSG isn't necessarily the cheapest, but that doesn't mean advisors pay much of a platform fee.

Rather, it simply means that you may find somewhat higher ticket charges when buying a stock, ETF or mutual fund on the SSG platform.

Additionally, SSG is still one of the only RIA custodians that doesn't have an asset minimum to get onto its platform, as contrasted with all the big four that usually have somewhere around a $10 million to $20 million AUM minimum at any given time.

Because of those asset minimum limitations, SSG is by far the most common platform among startup RIAs, especially since all the other startup-friendly RIA custodians in the past — among them TradePMR and Scottrade — have been instituting asset minimums for new advisors and periodically lifting them. And of course, Scottrade was sold last year to TD Ameritrade and is now going to be rolling into the TD Ameritrade platform, probably with the same minimums as its new home.

Working Virtually

Many second-tier RIA custodians try to stand out through their technology. For instance, TradePMR is known for its EarnWise mobile solution, which allows advisors to manage virtually all their investment needs directly through a smartphone or tablet. If you're often on the go, working virtually with clients and like tracking and managing client accounts from your smartphone, it's a sound choice.

By contrast, Trust Company of America is best known for really efficient model-based trading technology, making it easy to keep clients invested in a model and allocated properly. It's also appealing for RIAs who like to use model portfolios for their whole client base. For that reason, TCA is popular among TAMPs.

Folio Institutional, another player in the second-tier RIA custodian space, is also favored by tech-savvy advisors who want to go completely paperless.

Folio can handle fractional shares, endearing themselves to smaller firms that may want to add small slices to clients' diversified portfolios. The platform also has more API integration capabilities than TradePMR or TCA, a plus for larger firms that want to invest into layering their own more customized technology atop their custodian's platform.

Then there is Apex Clearing, which is basically a giant latticework of APIs that communicate among themselves to handle all the core functions of a custody and clearing platform — albeit without much of an interface layer on top.

As a result, most independent RIAs who choose Apex will go through a middleware provider to get the kind of advisor dashboard and workstation that most other RIA custodians already provide. In our space, that would be solutions like RobustWealth, AdvisorEngine and InvestCloud.

Nonetheless, because Apex is the newest of the tech-savvy RIA custodians, it's built with the most recent capabilities and, frankly, makes some of the other RIA custodians look a little Neanderthal.

To wit, Apex's software immediately validates the information you enter into account application and transfer forms. Imagine a world where your NIGO rate is 0% because the software helps you fix every problem on the spot, before the paperwork is even submitted. Contrast this with other custodian platforms that process your paperwork, only to bounce it back days later when a human notices a mistake or omission.

Other Noteworthy Custodians

There are a few other custodians worth noting as well. Millennium Trust is particularly popular among advisors who do a lot of investing with alternatives, and who want a custodian that knows how to handle nontraditional assets beyond good old-fashioned stocks, bonds, mutual funds and ETFs.

And those advisors who do a lot of trust business with clients may be interested in National Advisors Trust, which provides not only RIA custodial services but corporate trustee services as well.

The National Advisors Trust platform is also unique in that most RIAs that use it actually become shareholders. It's a kind of RIA custodian co-op structure. That means you don't have to worry about the custodian trust company making decisions that potentially harm you and your clients for the sake of fulfilling its duty to shareholders.

It's important to look closely at RIA custodians' technology and investment options, and what you can do on their platform.

For many advisors, the appeal of second-tier custodians is that most of them are in the business of serving only advisors and RIAs, and don't even have retail divisions. Unlike working with Schwab, Fidelity or TD Ameritrade, you never have that awkward feeling that you're competing for the same client that may also be getting solicited through the custodian's retail branches.

On the other hand, many advisors actually prefer Schwab, Fidelity and TD Ameritrade precisely because they have a national, big retail presence.

Once you narrow down your potential RIA custodian options, it is important to look closely at their technology, at their investment options and at platform's capabilities. Ensure that their core systems really do fit what you do, how you serve clients and how you want to do business.

But again, with the core technology itself increasingly commoditized in today's marketplace, the savvy advisor must pick a custodial platform that's not only a fit for today, but one that can align to whatever long-term vision you're setting for your practice. **FP**

***Michael Kitces,** CFP, a* Financial Planning *contributing writer, is a partner and director of wealth management at Pinnacle Advisory Group in Columbia, Maryland; co-founder of the XY Planning Network; and publisher of the planning blog Nerd's Eye View. Follow him on Twitter at @MichaelKitces.*

BLOOMBERG NEWS

To Buddy Up or Not?

Mixing business and friendship can lead to stronger relationships — but only if you proceed with care.

By Ingrid Case

Karen Van Voorhis doesn't usually mix her professional and social lives. But when the Sapers & Wallack vice president found herself with a pair of Red Sox tickets, she decided to try something new: invite a client to join her.

It wasn't easy to pick a guest, says Van Voorhis, who's based in Newton, Massachusetts. Should it be a long-standing client? A new client? A prospect?

"I ultimately chose an established client, a woman I know is interested in baseball and I thought would appreciate being asked," Van Voorhis says.

Van Voorhis likes the client personally — an important consideration given that a baseball game could last several hours — and she knew that there might be an opportunity for her firm to expand their business with the client's family.

Choosing whether or not to socialize isn't a simple decision. Some planners find it easy to turn friends into clients and clients into friends, whereas others prefer to keep the two groups separate.

Scott Bishop, a partner at STA Wealth Management in Houston, is in the first camp, and he's vocal about the advantages.

"Socializing with clients is a great way to solidify your relationship, to get them to feel comfortable sharing more with you, and to meet other members of their families, to help where needed in multigenerational planning," he says.

If some of those family members or other friends need a financial advisor, so much the better, as long as the planner is not visibly working the crowd for prospects.

During tough times in a client's personal life, a social relationship is a good way to keep a client, notes Scott Bishop of STA Wealth.

"You're not going to go to someone's 50th birthday party and hand out business cards," Bishop says.

During market downturns or tough times in a client's personal life, he adds, a social relationship is a good way to keep them. The friendship makes the connection stickier. "It's harder to fire someone you're friends with," he says.

The relationship is even more solid if it involves two couples, rather than two individuals.

"If I just have a relationship with the husband and none with the wife, what are the odds of keeping that relationship if the husband dies?" Bishop asks. "But if my wife and his wife are good friends, I'm the first person she's going to call."

As with most client interactions, socializing with clients is best done with genuine friendly feeling, as well as with boundaries in mind. Bishop says he tells clients with whom he spends time outside the office that he will be keeping the business and friendship aspects of their relationship separate, and he expects them to do likewise.

"When we meet socially, we can't talk about business," he says. "I also tell them that, if the business relationship isn't working out for whatever reason, we either fix it or move on, with no hard feelings. My friends are more important to me than any business income."

Hanging out with clients

There are some general guidelines to follow before you meet up.

1. Socialize with people you genuinely like.
2. Recognize potential networking opportunities gracefully. They're a side dish, not the main course.
3. Moderate your alcohol intake.
4. Match the activities to the relationships. You might truly like a client, but not have enough in common to sustain a full afternoon of conversation.

Firing Friends

Ryan Cole, an advisor at Citrine Capital in San Francisco, has had to tell client friends that the business relationship isn't working out.

"Clients whom I socialize with tend not to take the business relationship very seriously," Cole says. "They don't seem to be quite as responsive to emails or as motivated to get things done."

When he has fired friends from his professional life, Cole has crafted a message saying that he is no longer able to offer full financial planning services, though asset management is still an option. Rather than have that conversation, he says, "I now have a policy of not working with friends. I try to keep my professional life and my personal life separate," he says.

That puts friends off limits as potential clients, but Cole says that's fine with him. By finding clients online and through word of mouth, he frees himself to hang out with his friends without feeling as though he's constantly on the job.

Though he enjoys spending time in social settings with his clients, Bishop agrees that it does involve limits that might not exist with other friends. "You have to be careful about alcohol," he says. "Know your limits and stay moderate. No one likes to see the person who manages his or her money out of control. You could say something inappropriate or lose a client."

Daniel Andrews, the planner behind Well-Rounded Success in Fort Collins, Colorado, has helped a client fill out paperwork between rounds of table tennis. Personal relationships with clients are fun and add a pleasant dimension to their interactions, he says.

In his conversations with his diverse clientele, Andrews talks about subjects that other planners might consider off limits.

"A lot of political questions came up during the election," he says. "I talked about the Ferguson riots with an African-American client." Those talks were productive and interesting, in part because Andrews can disagree without being disagreeable. A planner who lacks that knack should probably skip more controversial topics.

Before he invites clients to spend time with him socially, Bishop considers how much time and money he wants to spend. "I always treat, and I might do something a little nicer than I do with friends who aren't clients," he says. "I think about how much time we should spend together. A baseball game is a bigger commitment than lunch. You might like someone, but not have enough in common to sustain three hours of conversation."

Van Voorhis found success: She and her client chatted happily for the duration of the game. "Initially it was a little hard to get comfortable, but it got better. I knew that we liked each other personally and had things in common: political leanings, kids, travel," she says. "It was fine and I would do it again."

Better yet, Van Voorhis thinks the outing strengthened her connection with her client. "Now we're talking about managing more of the family's assets. I don't know that this is the result of one baseball game, but it certainly didn't hurt." **FP**

Ingrid Case, *a* Financial Planning *contributing writer in Minneapolis, is a former senior editor for* Bloomberg Markets *magazine. Follow her on Twitter at @CaseIngrid.*


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ALSO IN CLIENT: P. 44: 10 TACTLESS THINGS I SAY

BLOOMBERG NEWS

Splitting Up IRAs Carefully

There are only two ways to transfer IRA assets tax free in a divorce proceeding in order to avoid a costly aftermath.

By Ed Slott

Divorces are often messy, as was the case for Michigan doctor John Kirkpatrick. Dr. Kirkpatrick separated from his wife, Christiana, in 2012, but six years later, found himself in Tax Court after he failed to pay taxes on $140,000 in IRA distributions he withdrew to transfer to his ex.

Recently, in his case, the Tax Court reminded us that there are only two ways to make a tax-free transfer of IRA assets in a divorce proceeding. One way is to change the name of the IRA to the ex-spouse. The other way is to directly transfer IRA assets to an IRA owned by the ex-spouse.

What you cannot do, however, is take a distribution from the IRA and transfer those funds to a checking account. That mistake is what ended up costing Dr. Kirkpatrick.

This is an important reminder that after a divorce decree is carefully reviewed, advisors need to assist in transferring IRA funds to comply with the divorce decree's terms.

The decree should be specific about how and when assets are split. If the IRA is invested in assets that fluctuate in value, the date that the IRA is divided may be critical. The decree also should state who is responsible for any fees and how they're paid.

If a divorce decree is unclear on any of these matters, an advisor may ask the court for more clarification. In rare circumstances, a decree may need to be revised. Finally, don't assume that your client's divorce attorney is well versed in how IRAs should be handled in a divorce.

To get the ball rolling, the advisor or IRA owner should provide a copy of the divorce decree to the IRA custodian. Without this, the IRA custodian has no authority to move the IRA funds, so the custodian will want to see this document before conducting any transactions.

What you cannot do in a divorce is take a distribution from the IRA and transfer those funds to a checking account.

The IRA owner should then complete paperwork with the IRA custodian, authorizing a direct transfer of the IRA or the portion of it awarded to the ex-spouse. Because the account belongs to the IRA owner, the authorization must come from him to move the funds.

Also, the IRA owner is the one subject to the court order. If the ex-spouse already has her own IRA, the funds may be transferred to that account. If the ex-spouse doesn't have an IRA, then she'll need to establish one to receive the IRA funds awarded under the divorce decree.

The IRA custodian will then move the funds from the IRA to the ex-spouse's IRA. This is accomplished by a trustee-to-trustee transfer, in which the funds will move directly from one spouse's IRA to the other spouse's IRA. There is no reporting issued to the IRS. Forms 1099-R and 5498 are not required because the transaction is handled as a transfer and not as a distribution and subsequent rollover.

What *not* to do: When Dr. Kirkpatrick and his wife were fighting bitterly over custody and visitation for their children, spousal support and the division of assets. Near the end of that year, they reached an agreement on some of the issues. In that consent decree, Dr. Kirkpatrick was to transfer $100,000 from his IRA to an IRA for Christiana Kirkpatrick, and to pay her $40,000 in attorney fees. The divorce was eventually finalized in 2014.

The divorce order stated that the $100,000 IRA transfer to Christiana should be done "directly" and "in a nontaxable transaction" into "an IRA appropriately titled in Ms. Kirkpatrick's name." But that was not done.

Costly Error

Instead, Dr. Kirkpatrick made two withdrawals from his IRA during that year. The funds were deposited into his checking account and he made a series of payments to his ex-wife and third parties to satisfy the $140,000 order. The couple filed a joint return for 2013 and excluded the $140,000 from their taxable income. They believed that the withdrawals were transfers due to a divorce and were therefore nontaxable.

The IRS disagreed and issued a notice of delinquency. Thus, the question before the Tax Court was whether Dr. Kirkpatrick completed a tax-free transfer of his IRA by taking the distributions and directly paying his ex-spouse and some of her creditors.

The court's decision: The IRS won. The court held that the IRA withdrawals were not tax-free transfers due to a divorce. Instead, they were regular distributions, subject to income taxes.

If the ex-spouse doesn't have an IRA, then she'll need to establish one to receive the IRA funds awarded under a divorce decree.

Dr. Kirkpatrick believed that the exception applied to any IRA distribution that was transferred to an ex-spouse if it was required by the divorce court and completed before the divorce was finalized. Moreover, he argued that even though the funds passed through a checking account, it should have no bearing since the money was ultimately transferred out of the account and to the ex-spouse before the divorce was final. Finally, he argued the number of transfers and the method of transfer should have no bearing on the tax status of a transferred IRA distribution.

The court first dismissed the argument related to the $40,000 in attorney fees. Nothing in the original consent decree required the debt to be paid with IRA assets. For the exception to apply, the divorce court must specifically order a transfer of IRA assets. These expenses could have been paid from any asset source — retirement plan or not.

Second, the Tax Court rejected Dr. Kirkpatrick's argument that taking an actual distribution had no impact on its taxable status. The court pointed out that it had previously ruled that the IRA exception doesn't apply to proceeds from an IRA cashed out and paid or transferred to an ex-spouse after a divorce decree. In citing the case of *Bunney v. Commissioner*, the court described the two common methods of executing a tax-free IRA transfer due to a divorce: 1) retitling the IRA to the other spouse or 2) directly transferring funds from one spouse's IRA to another.

From the court: *"Here, all relevant sources – the Code; the caselaw; Internal Revenue Service guidance...; and even the consent order in petitioner's divorce proceedings – suggest that taking distributions from IRAs and writing checks to one's spouse is not the appropriate form for a tax-free transfer of an account incident to divorce under section 408(d)(6)."*

Dr. Kirkpatrick lost his case. This could have been avoided if he had followed the judge's advice in the earlier state court order.

The Truth

Timing and limits: It's hard to understand where the Kirkpatricks came up with the funky time frame for qualifying for the exception. The truth is, there is no time frame. As long as the transfer is done in line with a divorce decree and by one of the methods stated above, it will be a tax-free transfer. That means it can occur before or after the divorce is finalized. Moreover, there are no limits on the number of transfers. Again, it just needs to be pursuant to the divorce decree or order. Thus, a court could order two tax-free IRA transfers to occur in separate years.

While some laws are unclear, and have gray areas, that is not the case here. The Tax Court has routinely held that taking an IRA distribution and then transferring those funds to an ex-spouse does not qualify as a tax-free transfer due to a divorce. **FP**

Ed Slott, *a CPA in Rockville Centre, New York, is a* Financial Planning *contributing writer and an IRA distribution expert, professional speaker and author of several books on IRAs. Follow him on Twitter at @theslottreport.*

ADOBE STOCK

Nope, that's not a client of advisor Allan Roth, but given his frank style, it could be.

10 Tactless Things I Say

"I'm not right for you" is just one of the surprising comments I make to prospects or clients.

By Allan S. Roth

My wife points out that I can be tactless at times and I prove her right every day.

I say tactless things to clients all the time, but I know these truths add value and differentiate my practice. I think these things are so important, in fact, that I typically make sure I share them with prospective clients, as well. They could work for you, too.

1) I'm charging you $450 an hour to tell you I don't know the future.

Not only that, I say it's the single most valuable advice they will get from me. My comment usually comes after the clients say something that implies they know what's going to happen. For instance, they might state they don't want bonds or anything beyond ultrashort-term rates because rates are near an all-time low and the Fed is raising them.

I then ask: Don't you think rates would have already risen if everyone knows they are going up? Markets are capricious, but they aren't stupid. Investors would have already priced in that certain increase, if it were really so certain.

I have a phrase for investing based on common knowledge — following the herd.

Though you may not be an hourly planner, consider telling your clients that you are charging them a lot of money to tell them you don't know the future.

2) Investing should oscillate between boring and painful.

Let's face it; broad, ultralow-cost index funds are downright dull, at least most of the time. You just aren't going to get the same rush that comes from a single stock that has a 50% gain in a week or, really, any rush at all. Rarely will an index fund gain more than 10% in a single month, and that's a very good thing.

Let's face it; broad, ultralow-cost index funds are downright dull, at least most of the time.

But good investing should occasionally be painful. Buying stocks after the plunge during the financial crisis was the most painful investing experience I ever had. Rebalancing to target asset allocations was like being kicked in the gut three times. It's true that advisors as a whole tend to move to cash after the plunge.

3) Is your goal to die the richest person in the graveyard?

When I finish a client's financial plan, I bring attention to the fact that I won't have them being buried with their money. Sure, passing on money to heirs is an important secondary goal, but it isn't the primary goal.

It's a risky world and stocks are much riskier than high-quality bonds. So, as financial theorist William Bernstein puts it, "when you've won the game, quit playing." Though I don't advise a zero allocation to stocks, I do reveal that my personal allocation to stocks is only 45%.

4) No, you won't have the courage to rebalance after a stock plunge.

I'm not a believer in risk-profile questionnaires. One reason is that the way we feel about risk is unstable and can express itself as being fearless in good times and scaredy-cats in bad. Yet I still ask what they would do if stocks lose 50%. It is clients who immediately tell me they would easily be able to rebalance and buy more stocks that I challenge.

I found after the last plunge that clients who told me they knew it would be really hard and hoped they would have the courage to stick to the plan were the ones who usually did.

It was clients who told me they were sure they would stick to the plan who were the ones I spent the most time talking off the ledge.

5) You are borrowing money at a higher rate than you are lending it out, and you aren't going to make it up with volume.

For those with mortgages, I point out that the mortgage is the inverse of a bond. I tell the client it's just not smart to borrow money at 4% only to lend it out at 3% — if they have enough liquidity to pay down the mortgage and have an emergency reserve.

For most clients, paying down a mortgage is a very tax-advantaged, and sometimes even tax-free, riskless return. That's because the new tax law, with a $24,000 joint standard deduction and $10,000 state and local tax deduction cap, often takes at least some of the mortgage interest just to reach that standard deduction. This means that some of the mortgage interest is providing no tax benefit while they are paying taxes on bond income. Other tax situations (like the 3.8% investment income tax) strengthen the argument.

6) You have a ton of cash and that is your riskiest asset.

It's said that if a frog is dropped into a pot of boiling water, it will jump right out. But if it is dropped into a pot with nice, comfortable room-temperature water that is slowly heated, it will remain in the pot and boil to death. Supposedly, it doesn't notice the slow change in its environment.

"Investing should oscillate between boring and painful," and buying stocks after a market plunge can be very painful.

When markets plunge, cash feels like a comfortable pot. But inflation and taxes are heating up the pot, virtually guaranteeing you'll lose quite a bit over a couple of decades or more.

7) Keep it simple, stupid.

The need to complicate is all too human. One can have a brilliantly low-cost tax-efficient portfolio with just a few funds. Yet powerful forces lead us to complicate portfolios. We shoot for income, factors that worked in the past and all sorts of strategies that typically lead to lower total return. Of course, tax consequences are one real concern that prevents simplicity. I tell my clients: "I've always said investing was simple; I never said taxes were."

8) If it feels wrong, go for it.

Whether in accumulation mode or withdrawal mode, I tell clients to avoid anything that feels right and if it feels wrong, that's a good sign they're doing something right.

In accumulation mode, we typically want to put our money in whatever asset class has performed well. But that's the asset class overweighted versus the target, so new money must go in to what has underperformed. In withdrawal mode, we must take from the asset class that has performed best. Instincts typically fail us in investing, so look for signs that a move goes against our instincts.

9) Get real.

I tell clients and prospects to think in real terms, rather than nominal. If stocks have an expected real return of 5% and bonds 1%, a 50/50 portfolio may have a 3% expected return. Often, I'm pointing out a portfolio is giving away half or more of the real expected return if you factor in AUM fees, mutual fund expense ratios, etc.

Another example is having clients tell me they miss the early 1980s when they could earn 12% on a CD or U.S. Treasury bond. I remind them that after taxes and inflation, they actually lost about 7% of their spending power each year. I tell them that those good old days weren't so great after all, and fixed income has a much greater real yield today.

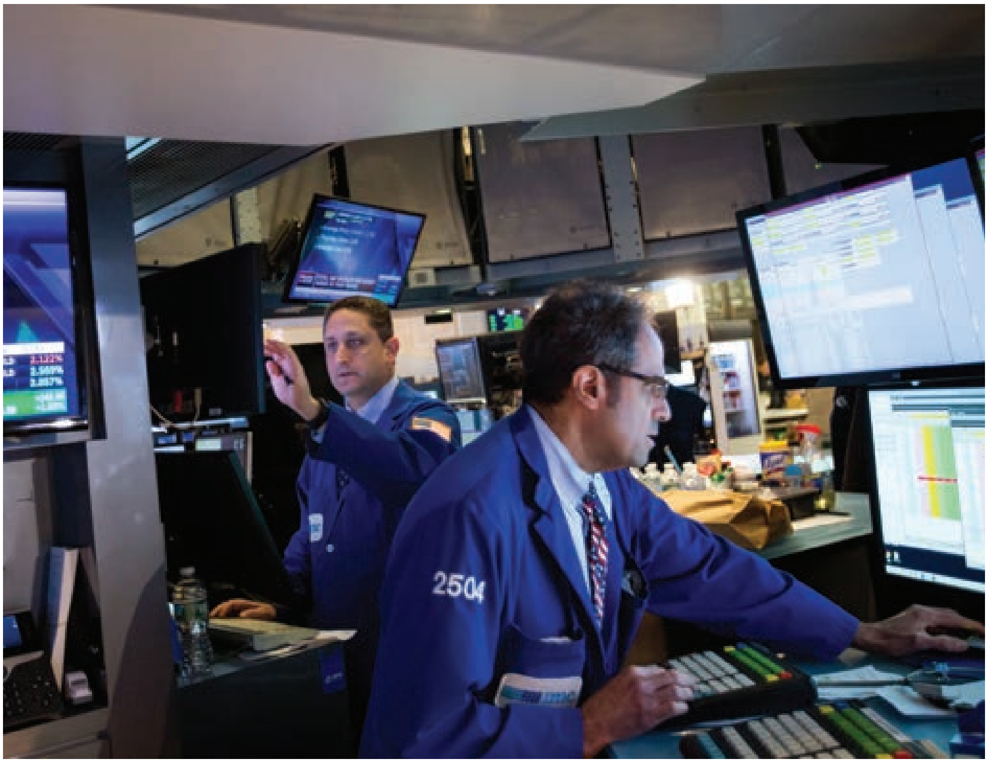
10) I'm not right for you.

This is the financial planning version of "it's not you, it's me." I give all potential clients a 20-minute call where I review their profile submission and look at their portfolio. I usually get a pretty good idea as to whether we are a suitable fit.

Taking on a client who isn't a good fit benefits no one. If the client spends time defending their decisions, or just agrees with everything with no push back, it's best to find out early. **FP**

Allan S. Roth, *a* Financial Planning *contributing writer, is founder of the planning firm Wealth Logic in Colorado Springs, Colorado. He also writes for* The Wall Street Journal *and* AARP the Magazine *and has taught investing at three universities. Follow him on Twitter at @Dull_Investing.*

ALSO IN PORTFOLIO: P. 50: IS IT A GOOD IDEA TO INVEST IN HSAs?



BLOOMBERG NEWS

Helping Nervous Clients

Some investors may fear deploying cash into stocks because they sense the market will tank sooner rather than later.

By Craig L. Israelsen

Perhaps you have some clients who have kept a high percentage of their portfolios in cash for several years, or newer clients who have been hesitant to fully deploy the equity portion of their portfolio. They fear another steep decline like the one we saw in 2008.

These fears are understandable. As shown in the chart "Past Decade for U.S. Equity," large-cap U.S. stocks have produced nothing but positive annual returns since 2009.

For a broader perspective, since 1970, the batting average of large-cap U.S. stock has been 81%. In the past decade, the S&P 500 has produced positive returns in nine of the 10 years.

So we're in a positive streak that is above the 48-year average.

Small-cap stock U.S. stocks have produced positive annual returns 71% of the time going back to 1970. Over the past 10 years, small-cap U.S. stocks (as measured by the S&P Smallcap 600 Index) have produced positive annual returns in 80% of the years — also higher than the historical norm.

Mid-cap U.S. stocks do not have a performance history going back to 1970, but since 1992 they have produced positive annual returns 77% of the time. In the past 10 years, mid-cap stocks have generated positive annual returns 70% of the time — so a bit under its longer-term average. However, two of those returns (a loss of 1.73% in 2011 and a loss of 2.18% in 2015) were trivial.

Clients cannot stay hunkered down in cash forever, unless they are in their 80s and have lots of money.

Clients may be afraid to start investing now because they think the stock market will tank sooner rather than later, and they want to avoid that bad-timing experience.

But clients cannot stay on the sidelines hunkered down in cash forever, unless they have a ton of money and are well into their 80s. Everyone else needs to prudently invest for the future and think about the long term.

HUMAN EMOTIONS

This is, of course, easier said than done when human emotions are involved.

One way to counter the fear of bad investment timing is to help clients find an approach that is less sensitive to timing. This approach has two dimensions: What they invest in and how they invest.

Let's talk first about what

to invest in. To dramatically simplify this discussion, I have chosen two different types of mutual funds (both happen to be Vanguard funds).

One fund represents the market as many investors refer to it (although it is not actually a representation of the broad market) — that is, a fund that mimics the S&P 500.

In this case, I am using the Vanguard 500 Index Fund (VFINX). This fund has 100% exposure to large-cap U.S. stocks and uses a market capitalization weighted approach.

The other fund I have chosen is a fund of funds, specifically the Vanguard STAR Fund (VGSTX). This particular fund invests in 11 other Vanguard funds and is diversified across several asset classes.

Specifically, VGSTX has an allocation of roughly 40% to U.S. equity (with approximately 80% allocated to large-cap U.S. stocks and the balance allocated to mid-cap and small-cap U.S. stocks), 20% to non-U.S. stocks and 35% to bonds, as well as a small percentage in cash. In general terms, it employs a diversified 60% stock/40% fixed-income approach.

A 60/40 fund and a highly aggressive large-cap stock fund have similar returns but very different measures of volatility.

As shown in the chart "Two Funds, Two Approaches," the outcomes for these two funds over the past 25 years are surprisingly similar. The 25-year average annualized return for VGSTX is 8.72%, and VFINX has a 9.58% return.

However, the path to those outcomes was very different, with VFINX being far more volatile (as noted by the standard deviation figures), with significant losses experienced in 2000, 2001, 2002 and 2008.

It is precisely this type of volatility that may have caused your client to pull out of equity investments in the first place — and having pulled out during periods of turbulence, they would probably have failed to achieve either the 8.72% or the 9.58% return.

VGSTX generated 91% of the return of the large-cap U.S. equity market with only 64% of the volatility. For skittish investors, that is really an

Two Funds, Two Approaches

How two broad Vanguard funds fared over 25 years.

25-Year Period	Moderate Risk 60/40 Model	Aggressive 100% Large U.S. Stock
	Vanguard STAR Fund (VGSTX)	Vanguard 500 Index (VFINX)
1993	10.88	9.89
1994	(0.21)	1.18
1995	28.64	37.45
1996	16.11	22.88
1997	21.15	33.19
1998	12.38	28.62
1999	7.13	21.07
2000	10.96	(9.06)
2001	0.5	(12.02)
2002	(9.87)	(22.15)
2003	22.7	28.5
2004	11.6	10.74
2005	7.44	4.77
2006	11.65	15.64
2007	6.58	5.39
2008	(25.10)	(37.02)
2009	24.85	26.49
2010	11.7	14.91
2011	0.77	1.97
2012	13.79	15.82
2013	17.8	32.18
2014	7.35	13.51
2015	(0.15)	1.25
2016	6.55	11.82
2017	18.33	21.65
25-Year Lump-Sum Return	**8.72**	**9.58**
25-Year Standard Deviation of Return	**11.36**	**17.8**
25-Year Internal Rate of Return of Annual Investments	**8.6**	**9.48**

Source: Steele Mutual Fund Expert; calculations by author excellent trade-off.

The results in this chart assume a lump-sum investment at the start of 1993. This is the assumption behind all reported performance data.

What if your client chooses to get off the sideline and back into the stock market gradually by investing money systematically over time, rather than all at once? This technique can reduce risk, specifically what we might refer to as investment-timing risk, which is probably the concern that is keeping your client on the sidelines.

The notion of bad timing generally doesn't apply to clients who invest regularly and stay invested for at least 10 years.

Rather than re-entering the market all at once, your client can make regular contributions (annually, quarterly, monthly, weekly) over a period of time. In fact, this is how most of us actually invest, whether it be in 401(k)s, IRAs or other accounts.

The returns of Vanguard's 500 Index and STAR funds are similar when compared very long term (25 years).

Past Decade for U.S. Equities

Stocks have put in a very strong performance since 2009.

Year	S&P 500	S&P Midcap	S&P Smallcap 600
2008	(37)	(36.23)	(31.07)
2009	26.46	37.38	25.57
2010	15.06	26.64	26.31
2011	2.11	(1.73)	1.02
2012	16	17.88	16.33
2013	32.39	33.5	41.31
2014	13.69	9.77	5.75
2015	1.38	(2.18)	(1.97)
2016	11.96	20.74	26.56
2017	21.83	16.24	13.23
10-Year Average Annualized Return (2008-2017)	**8.5**	**9.97**	**10.43**
9-Year Average Annualized Return (2009-2017)	**15.25**	**16.83**	**16.37**

Source: Steele Mutual Fund Expert; calculations by author

Shown in the last row of "Two Funds, Two Approaches" is the internal rate of return when making annual investments into both funds over the past 25 years — 8.6% for Vanguard STAR and 9.48% for Vanguard 500 Index. These are very similar to the 25-year lump-sum returns. We now have our benchmark returns for both of these funds based on two methods of investing: lump sum or systematically over time.

Let's now evaluate a bad-timing scenario in which an investment was made on Jan. 1, 2000 — just before the U.S. large-cap equity market tanked for three consecutive years.

This is a theoretical simulation of what could happen to a client who comes out of cash and re-enters the stock market now in 2018, if the market were to subsequently go into decline for several years.

We find in "Bad Start" the results of

this sort of bad investment timing from a historical perspective. However, that applies only to VFINX, which experienced losses of 9.06%, 12.02% and 22.15%. Vanguard STAR had positive returns in 2000 and 2001 and a loss of just under 10% in 2002.

Thus, it clearly matters what we invest in. For nervous clients, the best advice is to diversify, diversify, diversify.

In the 18-year period from 2000 to 2017, a lump-sum investment experienced the brunt of bad timing and finished with an 18-year annualized return of 5.29%. Vanguard STAR fared better, with a return of 6.96%.

Interestingly, if a client chose to invest money each year (say, $3,000) into each fund, the internal rate of return for both funds was impressive: 8.41% for Vanguard STAR and 9.78% for Vanguard 500 Index.

The notion of "bad timing" generally doesn't apply to clients who invest systematically and plan to stay invested for at least 10 to 15 years.

Moral of the story: Systematic investing markedly reduces timing risk, whereas lump-sum investors are fully exposed to timing risk — at least during the first several years.

Bad Start

What happened to these investments made on Jan. 1, 2000?

18-Year Investment Period 2000-2017 Bad Starting Years	Moderate Risk 100% 60/40 Model	Aggressive 100% Large U.S. Stock
	Vanguard STAR Fund (VGSTX)	Vanguard 500 Index (VFINX)
2000	10.96	(9.06)
2001	0.5	(12.02)
2002	(9.87)	(22.15)
2003	22.7	28.5
2004	11.6	10.74
2005	7.44	4.77
2006	11.65	15.64
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2012	13.79	15.82
2013	17.8	32.18
2014	7.35	13.51
2015	(0.15)	1.25
2016	6.55	11.82
2017	18.33	21.65
Lump-Sum Return 18-Year Period from 2000 to 2017	**6.96**	**5.29**
Annual Investing Return (IRR) 18-Year Period from 2000 to 2017	**8.41**	**9.78**

Source: Steele Mutual Fund Expert; calculations by author

Ironically, systematic investors can feel good whether they start investing in stocks when markets are dropping or rising.

Clients who get back into the markets by making regular contributions may actually benefit if they decline during the first few years.

And if markets don't decline initially, that's OK, too.

Very simply, lump-sum investors can feel good initially only if their investments have positive returns.

Systematic investors can feel good either way — if performance is initially bad, they are accumulating more shares with their subsequent investments. If performance is good, well, they can live with that.

If you have clients who are nervous about re-entering equity investments, you might suggest they do so gradually. As the saying goes — this is a marathon, not a sprint. **FP**

Craig L. Israelsen, *Ph.D., a* Financial Planning *contributing writer in Springville, Utah, is an executive in residence in the personal financial planning program at the Woodbury School of Business at Utah Valley University. He is also the developer of the 7Twelve portfolio.*

BLOOMBERG NEWS

Investing with HSA Assets

Investments as a percentage of HSA assets are growing, but clients need a complete picture of risks and rewards.

By Charles Paikert

Should clients use the money in their health savings accounts for long-term investing?

Bolstered by a triple tax advantage (tax-free contributions and growth and tax-free withdrawal if used for qualified medical expenses), the allure of HSAs as a long-term investing vehicle is growing.

Over $8 billion in health savings accounts is now used for investments, representing 18% of total HSA assets, up from $1.7 billion, or 11% of total HSA assets, just five years ago, according to Devenir Research.

"Investments have become a big component of HSAs," says Devenir's president and co-founder, Eric Remjeske.

"Awareness that health savings accounts can be used for investing is growing, and our projections for this year and 2019 show that investment dollars will be an even larger percentage of HSA assets," according to Remjestke.

The long-running bull market is making it more tempting than ever for clients to try to realize long-term tax-free earnings growth within HSA accounts.

That strategy can often make sense, financial professionals say, but financial advisors should make sure clients fully understand the range of their options.

"Clients will have varying goals, and it's extremely important to educate account holders about what HSAs can and can't do, because it can be confusing," Remjeske says.

"Generally, the triple tax advantage outweighs the limitations of the [HSA] accounts," says Jeff Birnbaum of On Point Financial.

To be sure, the starting point for any HSA discussion must be a client's particular circumstances.

"I'm very bullish on the potential of HSAs for investing, but each client has to be viewed on a case-by-case basis," says Jeff Birnbaum, a financial planner with On Point Financial in New York City.

"I have a new client who is making a lot of money, has excess cash flow and minimal medical expenses," he notes. "For him, it made sense to put the maximum amount into an HSA and invest the money as a tax-free complement to his other investments."

Birnbaum is careful to note that HSAs have higher fees and fewer investment options than another tax-fee account like an IRA.

Nonetheless, he says, "Generally, the triple tax advantage outweighs the

limitations of the accounts."

The case for using HSA accounts as a vehicle for retirement savings was bolstered by a recent Fidelity study showing that an average retired couple age 65 in 2018 would need approximately $280,000 in after-tax savings to cover health care expenses in retirement, says Jon Robb, senior vice president of research and technology for Devenir.

Advisors can remind clients that if they have enough cash flow, they can pay current medical expenses out of pocket, Robb says, and pay themselves back years later out of their HSA account if they keep the receipts.

Peter Stahl, president of Bedrock Business Results, says he generally recommends using HSA accounts for retirement savings.

"This strategy requires some basic financial planning, as a budget and emergency fund need to be in place to fund current medical expenditures without touching the HSA," Stahl says. "This then allows the HSA to be invested according to the number of years to retirement and risk tolerance."

Janet Stanzak, principal of Financial Empowerment in Bloomington, Minnesota, describes her version of this strategy as "a five-year mantra."

"Don't invest in the market if you'll need the dollars within the next five years," says Stanzak, a former chairwoman of the board of the Financial Planning Association. "Most market cycles are three to five years so this avoids having to sell when the market is down."

If clients don't like the options in their employer's HSA, "they can transfer the funds as soon and as frequently as they desire."

Clients who are in good health and still working are advised to use excess cash flow to cover current medical deductibles and needs so the HSA can be invested and grow, Stanzak says.

"We encourage clients, while working and in early retirement, to hold off as long as possible before they use their HSA since they'll likely need every dollar of it for health care needs as they age," she explains.

Another option for clients is to have enough funds available in their HSA cash account to cover out-of-pocket expenses and their deductible, and then invest the additional savings, says Chad Wilkins, president of HSA Bank, which is a major health savings account plan provider.

"Once a safety net is in place, saving and investing in the HSA is the best value for clients since funds are contributed tax-free, earnings from investments are tax-free, and qualified health care expenses can be paid tax-free," Wilkins says. "Additionally, funds can be withdrawn for any purpose after 65 at the same tax rate as funds in a 401(k)."

Advisors can help clients determine "the amount needed for health care in retirement, how much clients should be investing, and what investment accounts clients should be prioritizing in order to meet their goals and future financial needs," Wilkins says.

Transferring Funds

Advisors can also let clients know that if they don't like the saving and investment options in the HSA plan offered by their employer "they can transfer the funds as soon and as frequently as they desire," Stahl says.

"Be sure to ask about possible transfer fees to make prudent decisions on the frequency of transfers," he says. "It is also important to realize that an employer can change their HSA custodian and offer multiple HSA custodians to employees."

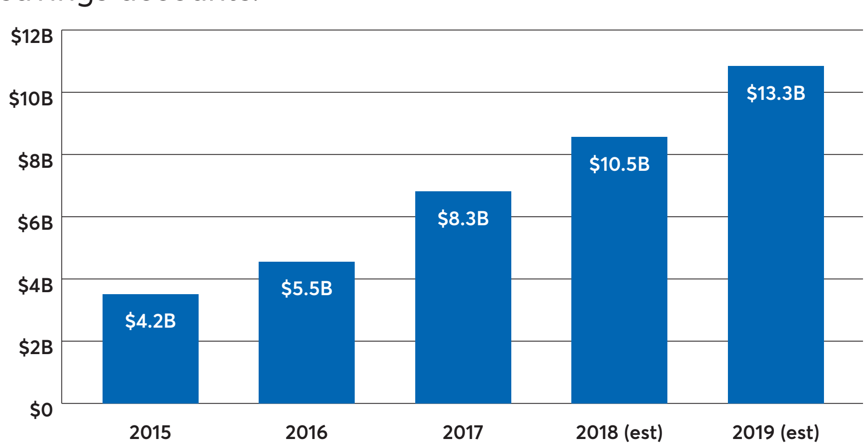
And of course, advisors need to remind clients that basic investment principles also apply to HSA accounts.

"You need to examine risk level, diversification and asset allocation," Birnbaum says. "An investment in an HSA account can lose money. It can be a negative just like any other type of investment account." **FP**

Charles Paikert is a senior editor at Financial Planning. *Follow him on Twitter at @paikert.*

Investment Dollars in HSAs Continue to Rise

Investments now account for 18% of assets in health savings accounts.



Source: Devenir Research

JULY 2018

CE Quiz

VISIT FPCEQUIZ.COM TO TAKE FINANCIAL PLANNING'S CE QUIZ.

From: Facing Up to Long-Term Care

1. What are the odds that a client turning 65 this year will need long-term care, according to the U.S. Department of Health and Human Services?
1. Around 5 in 10
2. Around 4 in 10
3. Around 7 in 10
4. Around 9 in 10

2. Since 2012, by what percentage have sales of stand-alone LTC policies changed?
1. Grown by 20%
2. Shrunk by 70%
3. Grown by 25%
4. Shrunk by 55%

From: Using Annuities for Long-Term Care

3. In 2018, what is the average annual premium for an LTC plan for a married couple, both age 55, according to the American Association for Long-Term Care Insurance?
1. $2,466
2. $1,855
3. $3,500
4. $3,000

4. By how much did annuity-LTC plans outsell stand-alone LTC plans in 2016, according to LIMRA?
1. $252 million
2. $175 million
3. $50 million
4. $10 million

From: Mitigating Medical Costs

5. If the current annual inflation rate of medical costs in the U.S. continues on its current course, health care will consume approximately what percentage of GDP in the next 30 years, based on data from the Organization for Economic Cooperation and Development?
1. 35%
2. 40%
3. 50%
4. 65%

From: Helping Nervous Clients

6. Over the past 10 years, small-cap stocks have produced positive annual returns what percentage of the time?
1. 95%
2. 80%
3. 70%
4. 65%

7. What was the 18-year lump-sum annual return for a client who invested in the Vanguard STAR Fund on Jan.1, 2000?
1. 6.96%
2. 7.52%
3. 8.56%
4. 9.92%

8. During the same time period, what was the internal rate of return if regular annual contributions were made, rather than a lump-sum investment?
1. 8.41%
2. 5.96%
3. 4.78%
4. 9.92%

From: Lowest-Cost, Top-Performing Funds (online only)

9. By what percentage did average expense ratios for index equity mutual funds fall from 1996 to 2017?
1. 55%
2. 35%
3. 80%
4. 67%

10. During the same time period, by what percentage did average expense ratios for actively managed funds decline?
1. 35%
2. 28%
3. 40%
4. 55%

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In addition, the Investments & Wealth Institute, formerly the Investment Management Consultants Association, has accepted this quiz for CIMA, CIMC and CPWA CE credit. Advisors must answer eight out of 10 questions correctly to pass. The deadline is July 31, 2019.

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Financial Planning

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Is Writing a Book Worth It?

If you're on the fence about all the effort involved, ask yourself a simple question: Do I have a message I am passionate about?

By Erik Strid

Writing a book can be a worthwhile project that significantly benefits your career. It can also be time-consuming and intimidating. As a two-time author, I know many advisors who are ready to put pen to paper but can't decide if it's worth the time and effort.

The upshot is that a book is a major platform that enables you to speak directly to clients and prospects. This can communicate your approach to advice and give prospects an opportunity to learn about your services in a non-threatening way. It also provides almost instant credibility, since the public generally views authors as having unique wisdom.

There are several ways you can use a book to enhance your marketing, including asking clients to share the book with friends who might enjoy the message. Your book can be an effective part of a content strategy to attract new prospects.

Although such a strategy takes time to develop and should be multidimensional, publishing can be a big part. For example, my first book, *Empowered Values*, combined with a referral and content marketing strategy, has helped our firm grow assets by approximately $160 million since publication. I'm hopeful that my second book, *Clarity*, will yield similar results.

The process may be rocky, however. I learned some hard lessons the first time around that made my second book much easier.

I took a year to personally draft the manuscript for my first book, then paid an editor to help with the final draft, which took several months. I used an online service to create a cover design, which also took several months, and finally I self-published the book. The process took two years and cost several thousand dollars.

For my second book, I hired a service for a $1,800 fee. I scheduled two conference calls with their ghostwriter to discuss the book outline, following a template the service provided, and they turned the transcript into a rough draft, which I then edited into a final version.

Their team came up with several cover designs to consider, which took about a week. We then produced my final version and had the book on Amazon and my web page within weeks. Overall, it took just three months to produce it.

If you're on the fence about writing a book, ask yourself a simple question: Do I have a specific message I am passionate about?

Your book project is worth the effort only if it positively impacts the clients and prospects who read it.

My first book took two years and cost several thousand dollars. My second cost $1,800 and took just three months to produce.

Although there are business development benefits from writing a book, the project must start with a valuable insight.

You may find it productive to start by publishing a blog or a series of articles, which can form the basis for a book later on.

There are significant marketing benefits to writing a book that could very well lead to lasting relationships with clients and greater assets under management.

Make sure you have a solid message and pick a process that is right for you. The book could very well write itself. **FP**

Erik Strid, *CFP, is CEO and co-founder of Concentus Wealth Advisors in King of Prussia, Pennsylvania. Follow him on Twitter at @ConcentusWealth.*
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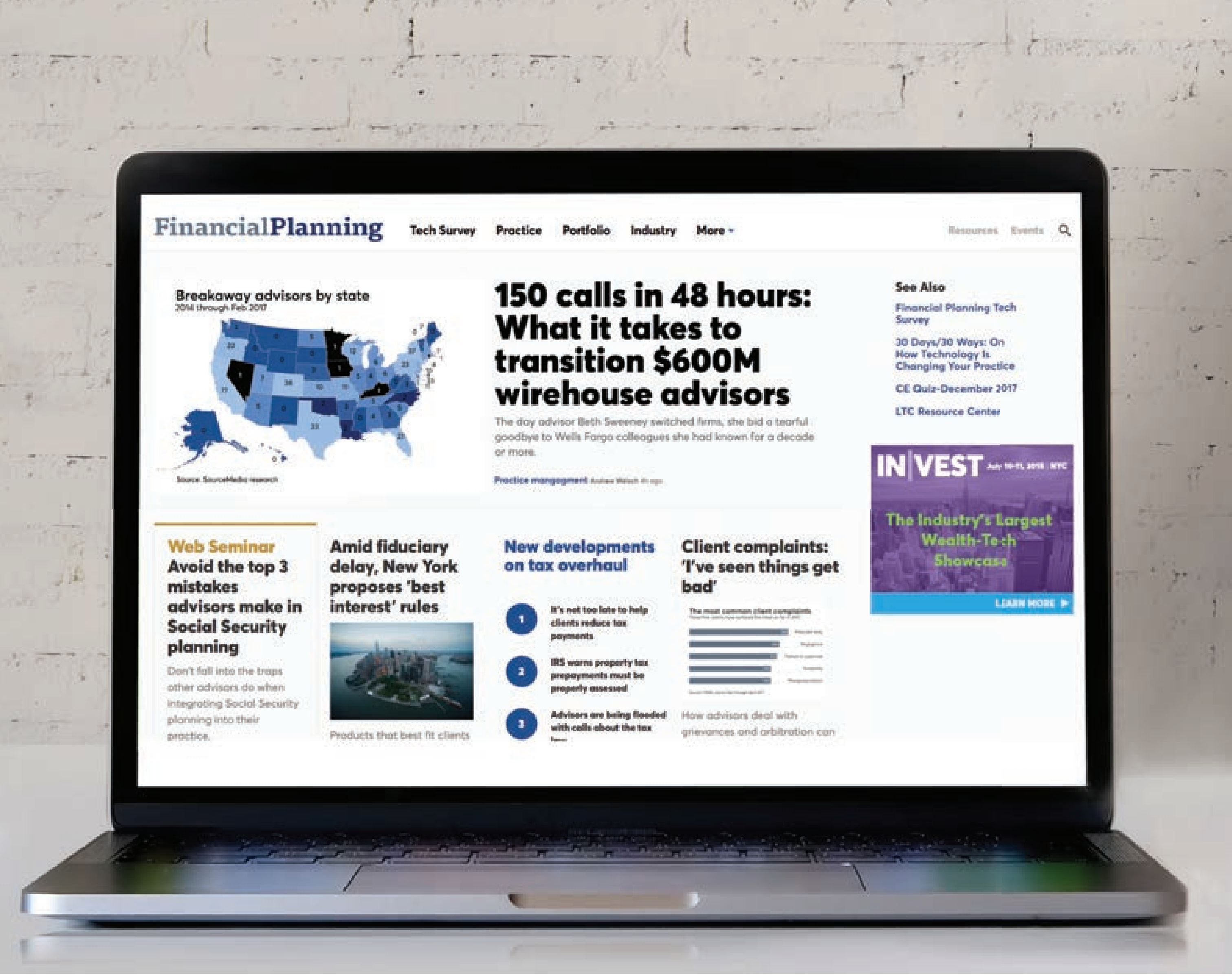
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