

INSIDE INFORMATION

The newsletter for serious financial advisors. (www.bobveres.com)

Special to this issue:

Investing: *Introducing a surprisingly attractive alternative investment opportunity.page 7*

Practice Management: *A new service addresses the burden of becoming the executor of an estate.page 9*

Practice Management: *How to enhance your estate planning with comprehensive legacy planning services.page 11*

Parting Thoughts: *A revealing look into the murkiest crystal ball on record.page 16*

OPPORTUNITIES IN MAYHEM

Marketing consultants offer their best advice on how to market your services and build the foundation for prosperity during the 2009 Revenue Crisis.

The financial storms that swirled through the last quarter of 2008 ensured that this would be a difficult revenue year for advisors who bill clients based on assets under management. In our last issue, we featured advice from some of the most astute observers and consultants in our profession on how, operationally, you can weather the storm. Their advice included a variety of ways to reduce expenditures and boost efficiency.

In this issue, we bring together a group of people who are trained to look at the other side of the ledger, marketing consultants whose job is to help you decide how to grow your client base and revenues. Chances are you've already heard (from this newsletter and other sources), that this is the best possible climate to market your services. Your largest competitors are living in public disgrace. Do-it-yourselfers are now

confronting more complex and potentially-risky decisions than they ever have before. People everywhere are trying to determine whether they can still retire on schedule and what to do with what's left of their portfolio.

If the past is any indication, only a small number of advisors will have the courage or discipline to fully take advantage of this terrific opportunity. But those who do will make up some or all of the revenue shortfall from declining

EARLY WARNING

• If you're waiting for legislative fireworks around the fiduciary issue, or hearings about consolidating the regulation of advisors and brokers, you may be disappointed. Two Washington insiders (speaking off the record) have raised the possibility that somebody in Congress will slip a last-second provision into the economic stimulus bill at a point where it will be difficult to reconsider the whole package. And don't expect

any dissent from the SEC, which will soon be run by Mary Schapiro, the former FINRA CEO who strongly believes in compliance-based regulation and has worked closely with brokerage executives.

Who would do such a thing? NY Senator Chuck Schumer chairs the Joint Economic Committee, which would create final legislation out of whatever is passed by the House and Senate. Schumer is also the number one recipient of Wall Street campaign contributions in Congress.

Continued on page 2

Opportunities in Mayhem

Continued from page 1

markets, and then experience enormous growth in revenues and profitability when the markets recover.

But first, they may need to brush up on their marketing skills.

The advice starts with a simple suggestion: Get re-acquainted with your value proposition and reinforce it to your existing clients.

Elizabeth Pardo, a senior marketing consultant with the Moss Adams Consulting Group in Seattle, suggests you start by taking a fresh look at how a prospective client would see the value of working with you. "This value you deliver is the foundation of your marketing outreach, and should be reflected prominently in everything you say on your web site and marketing materials," she says.

This can be broken down into four basic value propositions:

1) Your advice is unique for each client's personal financial objectives, and will meet that person's unique and individual needs.

2) Clients will be able to understand that advice; they will be educated along the way to ensure that they understand their own financial situation and the consequences of decisions they are making about their finances and their future.

3) Clients are going to be kept informed of the progress they are making toward their personal objectives. "NOT compared

to the market, but to their own objectives," Pardo clarifies.

4) Clients will be able to sleep at night knowing they are working in partnership with a team of people who are helping them achieve their personal objectives. In other words, by working with you, they will enjoy an enhanced sense of security--not a small feat after the frightening storm we're all living through.

The point here is not to communicate what you do; you want to be able to communicate the benefits that clients get from working with you.

In all marketing, there are two audiences: your current clients (who you want to retain and, perhaps, earn more business from) and prospective clients (who you want to show how they will benefit from your services). Pardo suggests that you look at your client experience with a fresh eye, and see if you are delivering these outcomes, and whether you are making it easy for your current clients to see that you are. "Look at your overall client management process from when somebody is a prospect to working with you on an ongoing basis," she suggests, "and consider what it is that clients are experiencing from *their* perspective. What are they thinking and feeling at each step in the process? Are they nervous about meeting with their advisor? Are they embarrassed about their financial situation? Do they feel a sense of security, and that they are dealing with people who understand their unique needs and

unique situation?"

Chances are, you will be meeting with most of your clients at least once in the upcoming month, either by phone or in person. Start by consciously, verbally, addressing these value propositions, and ask for feedback on how well the client feels you're doing in these areas.

Byron Sabol, of Sabol International, Inc. in Orlando, FL, suggests that you start now to gather this feedback from all your clients. "This demonstrates that the clients' interests are your number one concern," he says. And it may allow you to identify client issues that could lead them to reconsider your relationship--helping you retain clients.

The next piece of advice is easy to say, but perhaps a bit tricky to accomplish: Without injecting a lot of marketing hype, let your clients know you're willing to reach out and help more people during this financial crisis.

The clarification and feedback process in step one becomes your foundation for this next step. When you ask for feedback, Sabol suggests that you pay extra attention to those clients with whom you have close personal relationships. He distinguishes between professional and personal (he calls them 'emotional') relationships; which of your clients confide in you, are willing to be candid with you and invite you to be candid with them? Are there clients with whom you talk about interests other than

work?

Why does this matter? Because those are your potential advocates in the marketplace, the people who can help you get the attention of friends and colleagues who are may currently be in a quandry about their financial situation.

Chances are, you take for granted something that your best clients find incredibly valuable. "In the best client relationships," says Pardo, "you understand them more thoroughly than any advisor they are likely to talk to. It is not uncommon," she adds, "for a business owner to go home and his family doesn't really understand what it is that he or she does every day. You provide them that deep level of understanding."

This, of course, is the element that is missing from a purely asset management arrangement--the hyper-efficient client-services relationship that many Wall Street firms have encouraged

their brokers and representatives to develop. If current clients are experiencing that depth of relationship with you, they might become advocates during this time of crisis--not just for you, but also for their friends and colleagues who have expressed uncertainty about the markets.

This, of course, is different from referrals--you are not asking for names to call, but introductions to people they know.

A presentation last year by Bjorn Millom of The Millom Group made it clear that asking for these introductions is an art in itself, but nothing about it is rocket science. When you have the conversation, make sure all your cards are laid on the table, and they are all facing up. You tell the client that in 2009, you are reaching out to the community to offer the kind of advice you currently provide to the client sitting in front of you, and that for you, this is also a business necessity during these difficult times. You ask if the client is comfortable introducing you to people who they think might need some financial coaching and personalized advice through the downturn, and emphasize that you will not share any of the current client's personal information. ("All I'll tell them is that I enjoy working with you.") Finally, you will keep the current client posted on how the arrangement is working with the new client.

But shouldn't you make it convenient for the client to introduce you? Several advisors have talked about inviting their

best clients--and anybody they want to bring along--to a private presentation/discussion about the market.

This doesn't have to be complicated or difficult. A presentation at the Schwab conference in Atlanta talked about borrowing charts, graphs and materials from your fund vendors or other interested parties; these charts and graphs could show how markets have rebounded sharply and unexpectedly from past financial downturns, how the rebounds inevitably took people far beyond the previous highs, how these recoveries always seem to precede the economic recovery. In addition, the presentation could ask members of the audience to (in writing, at their seat) identify their most important financial goals, and you could explain how even seemingly minor changes in saving and budgeting can often salvage the ability to meet those goals--especially if the portfolio is invested in the market during a financial recovery.

You can also do most of the current client's work by explaining your services and answering pertinent questions through your materials. Pardo has worked with a firm in Australia that has created a mini-disk, which, in video format, on the computer or CD player, tells people that your service involves helping people plan, financially, for their most important personal goals, talks about your investment philosophy and how important it is for you that your clients understand

Continued on page 4

Inside Information is published monthly by Robert N. Veres.

©2009, Robert N. Veres. All rights are reserved. *Inside Information* may not be reproduced in whole or in part, and particularly not without the use of medieval scribes, without the permission of the publisher, who is certainly approachable on the subject and has proved to be an easy mark in the past.

Editorial offices:

1804 Garnet Avenue
Suite 510
San Diego, CA 92109.
E-Mail: bob@bobveres.com

Opportunities in Mayhem

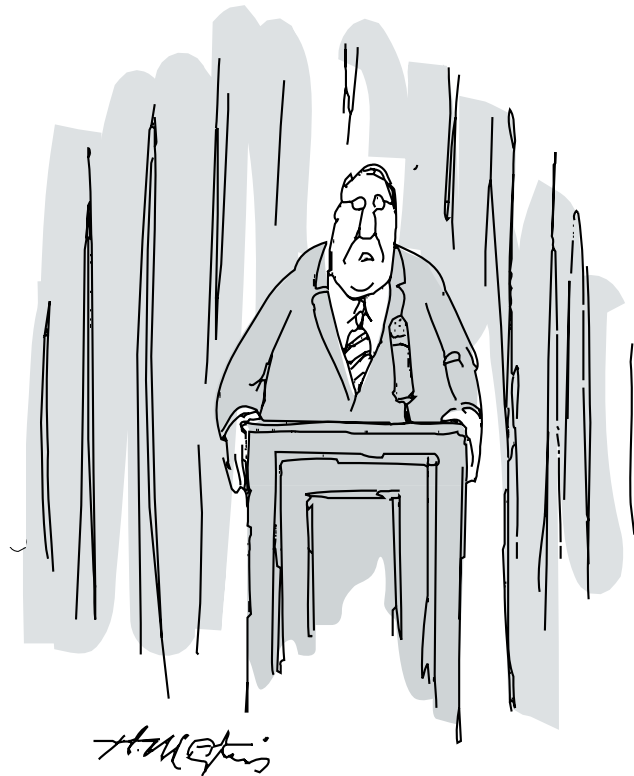
Continued from page 3

your advice and know enough to participate in their most important decisions. It talks about the fact that most people are nervous about talking with a financial advisor because they may feel like they are not in good shape financially or their past financial decisions were silly or unwise, and allays those feelings in a variety of ways. (*"The worst financial decisions recently were made by the CEOs of the world's largest financial institutions, which shows that we all have things we wish we had done differently..."*)

The Australian firm's package also includes a map to your office, explains where prospects will be parking when they arrive, an overview of what they will be discussing during the first meeting, and a list of things they need to do up-front--most importantly, be ready to talk about their most important financial goals, and have information on their current portfolio so you can assess what can be done to raise the odds of success.

"When they arrive, they are a little bit progressed emotionally," says Pardo. "There is already a bit of a relationship, a foundation that can be built on."

Most of you are pretty good at turning a prospect into a client once you sit down for an initial meeting, but it helps to remember that clients want to be heard, and listened to, before you dig into the financial details. Pardo suggests that you spend most of the initial meeting going over what the people



"You can rest assured that we established FINRA with one mission and one mission only: to protect consumers from taking their accounts to the fiduciary advisors who compete with our Member Firms."

who have come to see you want to make happen in their lives, what their concerns are, how they're currently feeling about the market and their financial situation.

In fact, you might consider including a bare-bones run-through of that personalized initial meeting in your private evening presentation. That doesn't mean saying you are going to simulate the first interview; instead, simply start the presentation by asking clients to consider what are their most important goals, and ask, interactively, what they're feeling currently and why--as a lead-in to the rest of the discussion.

Throughout this process, make sure you know where your business comes from. Identify and pay special attention to the relationships that are likely to lead to new clients in 2009.

Kevin Cullen, who runs a firm called Extraordinary Advisor (www.theextraordinaryadvisor.com), recommends that you include in the interview (and ask prospects to ask themselves in the mini-CD or other materials that will prepare a client to start a relationship with you) some questions that will help prospects overcome their fears about working with you. His "fear extinguisher" question is simplicity itself: *Tell me what*

things worry you the most right now. Then follow up with: When it comes to avoiding these dangers, and reaching your goals, what opportunities exist to best help you? And finally: What strengths do you bring to the table that can help you address these worries and overcome these dangers?

More generally, Cullen thinks that most advisors spread their marketing efforts too broadly, and therefore dilute them to the point where they're ineffective. "I tell my advisors to sit down and make a list of 20 clients who will generate most of their income and who will provide referrals," he says. "And then make a list of no more than 20 people who will be most responsible for your success in the coming two years." This latter list will include centers of influence who either are or will soon become referral sources, and any other important business allies.

Your next step is to make sure you are getting the attention of these people in a positive way, on a regular basis. One way to do that is to flag anything really interesting that you happen to come across in your reading, and have people on your staff do the same thing. Ideally, says Cullen, you should know this small group of people well enough that you know their interests, so you can forward interesting information on to them and include a personalized note.

Cullen goes so far as to recommend that you have a spreadsheet made up, which lists each of these people, and you make

that spreadsheet the background of your computer screen. Whenever you think of something you could do for or with one of the people, jot a note into the spreadsheet or do this thing and then record it on the screen. "Every day, set aside a few minutes to think about the next thing you should do to enhance these relationships and move them forward," says Cullen. He doesn't have to add that these clients and referral sources will inevitably prefer to have you thinking about them and their interests than the alternative.

The goal is to customize your messages and attention to this limited audience, and do it in a positive, helpful way. "You could never do that with a thousand people," says Cullen. "But you COULD do it with 20 or 40."

Cullen acknowledges that it's hard to start a new marketing program. But he says that the difficulty, for many advisors, comes not from an aversion to getting their name out, or even a lack of time. "Most of the very best advisors I know are perfectionists," he says, "and perfectionism and procrastination go hand in hand. If you don't feel like you're going to do a 100% great job at something, you're likely to put it off until you think you can. But guess what? Marketing, especially if you haven't been doing much of it, is not going to go perfectly the first time around."

The solution? Cullen hereby grants every reader of Inside Information permission to, instead of creating a 100% perfect marketing system, to simply get

yourself 80% of the way there. "This will produce some results," he says, "but more importantly, it will get you within striking distance of finishing the job." Once you're 80% of where you want to be, somebody else can take over and do the remaining 20%. Or you can accept Cullen's permission to be 80% successful in the second phase of the effort, and then be 80% successful in the following iteration, which will take you incrementally closer and closer to a standard that nobody has ever totally achieved anyway.

Finally, your bigger picture goal is to change the way your clients, and your community, sees you.

Jennifer Tolman, of Second Summer, Inc. in Pacific, CA (www.secondsummer.net), thinks that during times like this, you can make a new first impression on your clients. "Financial advisors often have longstanding relationships of 10 to 30 years, where clients may think they are still an asset manager or a life insurance agent, even though they are now running a full-service planning firm."

Tolman says that this results in something she calls "brand leak," where clients may not be talking accurately about you to their colleagues, and centers of influence may not realize you are an important source of wisdom during the market crisis. Her firm creates verbal communications strategies around various life events, and in a broader context

Continued on page 6

Opportunities in Mayhem

Continued from page 5

it will bring the staff together to coach everybody on how to describe the firm. “That way, everybody is creating the same brand impression with their verbal communications,” she says.

You can even reinforce these ideas with the decor of your office. One firm that Tolman worked with prided itself on offering multigenerational planning. So, to make the message even clearer, they put up pictures of a famous family which was conspicuously successful in this area, with quotations from the patriarch, and photos and quotes from the next two generations. “They would bring a new client in and tell the story; this is a family that we respect,” says Tolman, “and we have their pictures hanging in our conference room to always remind us of the standards that we hold ourselves to when working for affluent families.”

For clients who may see the firm as merely its manager of assets, this could open up new possibilities for planning work, and also help the client describe you to others. Tolman also talks about the sea of “unconscious incompetence” in the planning world; that is, many advisors are (you may have noticed this yourself) not exactly rocket scientists when it comes to planning. Your marketing efforts will be more successful if you can help your clients notice the quality of the work you do for them, and the fact that it is above the norm.

To get closer to that difference you provide, Tolman

suggests that you and the senior staff lock yourselves in a room and ask yourselves why people would be better-served coming to you than the firm down the street. This is an iterative process; you are likely to come up with something like “trust” on the first go-around, but then if you probe deeper, and ask why they can trust you, and how they would know they can trust you, you can come up with unique answers.

Often, Tolman says, the answer will take the form of a story; how the firm was founded, the principles on which it was founded, your history and what you envisioned when you got into the business that would be different from the norm. Telling your existing clients this story, in print or verbally at a meeting, helps them recognize (and remember) why you’re valuable to them and could be to their colleagues. The story can also include the demographics of the ideal client: occupation, age, marital status, net worth or investable assets, and why you choose to work with this group of people in the larger community.

“This current market,” Tolman says, “is a chance to say: there are a lot of people that you love and care for out there, who may not be getting the kind of attention that you are enjoying from our relationship during this difficult time. We would like to know who we can help, who you can introduce to us. Some people have the perception that this is ambulance-chasing,” she adds, “but I think it is quite the opposite.”

You’ve heard a lot of other marketing ideas over the years: make yourself available to the local press to provide perspective on past bear markets and how to successfully navigate through them; offer to speak at small gatherings to provide reassurance; offer to conduct a free portfolio review for people who may be working with a broker who isn’t offering much support during the current crisis. Each of the people I talked with emphasized that, just like investing, the best time to market yourself is when you least feel like doing it; when the market scares you almost as much as it does the population at large.

And they all talked about having a plan: look at your current assets under management, and determine how many new clients you would need to make yourself whole in terms of gross revenues by the third quarter of the year. Set that as the minimum goal for any new outreach initiative, and devote scheduled time (both you and your staff) to implementing the process.

Most importantly, remember that your community has been let down by the investment advice it has received from some representatives of the larger firms, and from the headquarters decisions of those larger firms. You can help control the damage, and prevent people from making terrible, panicked financial decisions. But it won’t happen unless you take the initiative and let them know you’re available to help. ■

Prearranged Returns

Here's an advisor who is using structured notes in client portfolios, and finds that he likes the certainty they provide.

David Austin, with Foldes Financial Management in Miami, has been facing a series of challenges which the reader will find familiar. When oil prices were peaking last Spring, he (correctly) predicted that commodities were due for a fall, and went looking for a way to protect the firm's client investors. In November, when oil prices fell to levels which Austin believed were lower than they will be a few years hence, he started looking for a way to gain more than 100% participation in the future recovery.

The solution to both challenges was essentially the same. Last Spring, Austin executed a purchase, on behalf of clients, of two structured notes created by Morgan Stanley and Deutsche Bank, which made up roughly a third of their exposure to the commodities markets. Essentially, the clients got a 20% buffer on the downside over three years, which means, when the notes come to maturity in the late Summer of 2011, if the underlying commodities index is down 20%, the clients will come out even. If the commodities index is down 30%, they will experience a 10% loss. And they participate in any upside returns of the index, one to one.

Then, in December, Austin tried to take advantage of sharply

lower commodity prices by purchasing, for clients, a note with a maturity of 13 months which will offer no downside protection, but will give clients two times the upside up to a 70% return. So if the Dow Jones AIG Index happens to be up 10% at this time next year, Foldes Financial Management clients will experience 20% returns from that part of the portfolio. If the index is up 30%, they'll be up 60%, and if the index rises by 35% or more in the 13 month interim, their return will top out at 70%. "Our clients were asking us, okay, what can we do to help recoup the losses we've suffered as quickly and effectively as possible," says Austin. "They are not happy with where they are now, obviously, so we have to focus on doing what we can to help them on the upside."

Structured notes have been part of the institutional landscape for decades, and are commonly purchased by retail investors in Europe. But they have been slow to find a place in the U.S. retail marketplace, and recent events involving similar structured packaged products (plausibly blamed for the global credit crisis) might incline investors and advisors to avoid them altogether. But the instruments that Austin is buying are relatively transparent: they are created by a bank or securities firm

by either buying or issuing puts or call options combined with an underlying zero-coupon bond, so everybody can see where the money is and predict what will happen in a variety of market scenarios. Clients don't receive the dividends on the underlying investments, and the contracts which last more than 12 months are generally taxed as capital gains.

Most importantly, structured notes offer two things that may be attractive in this investment environment: a degree of certainty and the potential for downside protection or enhanced returns. Indeed, the two-to-one upside provisions compare favorably with the recently-introduced leveraged mutual funds, which offer twice the upside on any given trading day, but when a full year's worth of ups and downs are factored in together, they are only delivering 1.25 to 1.4 times the returns of their underlying index.

How do you buy these securities? Austin says that brokerage firms will post different proposed investment structures, but he prefers to approach a group of different firms with his own customized structure (a "reverse inquiry" in issuerspeak) and let them offer bids whose upside and cap may vary from one to the other, whose downside protection may be a bit more or less generous. "These products are senior unsecured obligations of the issuer," he says, "so we only talk to the structured notes desks of the strongest firms, companies we think are going to be around for the life of the note." Currently, he sends bids out to Morgan Stanley, HSBC, Deutsche Bank, J.P. Morgan, Credit Suisse,

Continued on page 8

Prearranged Returns

Continued from page 7

Societe Generale, BNP Paribas, Barclay's and Goldman Sachs.

Just like bonds or annuities, the strongest issuers will tend to offer less attractive packages than the weaker ones. "It's like you're taking more risk with a high-yield bond than you do with an AAA-rate corporate," says Austin. "You end up paying a little bit for the safety and soundness of the issuer."

Austin had been looking at the structured note marketplace for more than a year and a half before taking the plunge, and has been impressed with the flexibility of the product. In the equities space, he has purchased a 13 month note issued by HSBC Bank that offers 15% downside protection and three times the upside up to 42%, and a 24-month note issued by Deutsche Bank with the same 15% downside buffer, but two times the upside with a cap of 80%. "In most cases, the internal expenses will be under 50 basis points a year for the note," says Austin, pointing out the obvious: that this compares favorably with the expense ratios of most mutual funds. "And there's no commission," he adds.

Although Austin is only using these products for around 10% of a typical client portfolio, he believes that he'll grow that position over time, as he gets more comfortable with the results. "If you think you know what is going to happen in a particular space," he says, "if you think there is still an enormous amount of downside and want a buffered note, or if you think an asset class is near the bottom, as we think now for the emerging market equity space, we want as much protection,

or as much bang for the buck as possible."

You could argue that the notes are useless in markets where there is no significant deviation from normal historical valuations, but how often do you see that situation? "If you see an asset getting whacked for six months, you might want to multiply the upside and get modest downside protection," says Austin; "or if an asset class runs up very strongly and you want a downside buffer, these products might be appropriate." If, he adds, you keep the maturities within a reasonable period of 12-24 months, then you probably have a basis for playing your feelings in one or more asset classes. Shorter-term bets might not play out even if you're ultimately right.

Recently, Austin bought a contract that illustrates some of the flexibility you can find in the market. He asked for an instrument based on a basket of indices, made up a third of the S&P 500, a third the Russell 2000, and a third the EAFE index. He got back a bid from J.P. Morgan on a 13 month note which offers two times the upside of the composite return, with a 20% downside buffer.

There are several things to understand about the notes before you dive in for yourself. One is that these are pooled investments, meaning that one instrument is owned by many clients, and the holdings are sorted out at the end of the note's life. The total value of the notes ranges from \$3 million to \$10 million each, but they can be pooled at his custodian and allocated to each client on a proportionate basis. "Schwab or TD Ameritrade will typically charge 10-20 basis points to hold the nontraditional assets,"

Austin adds.

In addition to the credit quality issue, Austin notes that these are illiquid securities; there is a minimal secondary market that he would prefer not to rely on. "We get daily pricing on them, and can show them on clients' statements," he says, "but we aren't planning to sell them before maturity." Another problem with selling before maturity is that, like zero coupon bonds, the notes don't accrete toward par in a straight line. "In the early months, the value of the option, and of the note, is probably listed as below what it really is," Austin explains. "As it gets closer to maturity, it will recoup that difference, and at maturity you get what it is designed to give you."

I suspect most of the readers of this publication are wishing that they could build in some form of downside protection into client portfolios, retroactive to, say, last August, or maybe sometime in late 2007. Today, you're probably thinking it would be nice to get 2X the market returns over the next two years, but with a little additional built-in protection. This is an early warning on a type of product--and, perhaps, an investment philosophy--that is likely to become more popular here in the U.S., something that creates a bit more certainty by trimming some of the downside and, through its expenses, some of the upside as well. Your clients may find them a breath of fresh air.

How do you get started? Contact the trading desks at some of the firms listed above, and get on their list, so they'll send you information on the contracts they're currently offering. It can't hurt to look. ■

The Executor's Online Ally

If you've ever served as the executor of even an uncomplicated estate, you'll see the value of this service.

Chances are, you're already onboard with the idea that you need to help your clients plan for their parents' incapacity. You're working on long-term care insurance issues (and insurance), and starting to form relationships with local health care advocates or caseworkers who know their way around the labyrinthine world of nursing homes and home health care. But where will you be when those parents finally pass away, and your client is named executor of the estate?

There's a short article on a web site operated by Executor's Resource, Inc. (<http://www.executorsresource.com>) which gives a partial list of the responsibilities that will cascade unexpectedly into your client's lap--and, in many cases, yours, as you try to help sort out the various documentation, the legal and communications requirements. The client will need to obtain letters of appointment from the probate court where the parents lived--which, of course, is often in another state. He or she will need to open up a separate estate bank account to manage creditors and maintain an accounting of expenses, obtain a Federal Identification Number

for the estate and notify the IRS of authority to act on behalf of the decedent.

Clients also have to submit the will for probate, pay all current obligations, identify and locate the parents' assets and valuables (some of which, in turn, may need appraisals), obtain certified photocopies of the death certificate, notify the Social Security Administration and pension plan administrators, transfer investment accounts, identify the assets not subject to probate, implement the tax strategy in the estate plan, file the decedent's final federal, state and local income tax returns, file federal and state inheritance or estate tax returns (if required), and sort through and distribute--hopefully without getting in the middle of highly-emotional disputes--all the sentimental assets that the parents collected over the years.

And that's if everything is well-organized. "Sometimes you have a will saying one thing and the assets are titled in a different manner," says Executor's Resource President Skip Rapp. "In our experience, some of the most complicated issues aren't really part of the legal process at all," he adds.

"The memorabilia that has no real financial value can end up being a very important part of the estate to the heirs. Those can be the primary source of lawsuits by disgruntled beneficiaries."

These are the problems that Rapp and Executor's Resource have addressed with an impressive new service called EstateLogic: a blizzard of paperwork, legal obligations and complex, conflicting family claims which, for estates in the \$100,000 to \$3 million range, inevitably fall on the shoulders of a responsible but untrained son or daughter who typically has no idea what is in store when death occurs. The organization is hoping financial planners will encourage their clients to take advantage of the service or buy it for them, motivated partly by a desire to help out and extend the elder care part of their service, and partly because those who have seen client parents die have learned the hard way that at least some of the paperwork and organization burden will be referred back to the client's advisor when the death certificate is issued.

How does it work? EstateLogic is two things: an online repository of information that the client and advisor fill out and update, and a source of advice and information about how to organize that information. Once you sign up for the site, there are spaces to list each asset, but also fields which show how they are titled, where they are located and (optional) the values,

Continued on page 10

The Executor's Online Ally

Continued from page 9

including appraised values of any collectibles. You can upload a PDF copy of the title to the car, the deed to the house, the will and trust documents. You'll list all the credit card accounts, the home mortgage and other debt. The site captures the location of the safe deposit box. The sentimental assets may also be listed, along with who will receive them. The inventory of collectibles, furniture, art, piano, etc. and the estimated or appraised values can double as the asset listing on the client's homeowner's insurance, and a copy of the appraisal can be attached to any of the assets, along with a photo.

The site also has a list of contacts: the co-executor, financial advisor, CPA, estate attorney, the heirs etc., plus a template location to help the client's parents draft a letter of instruction from the deceased to the executor. This letter of instruction, different from the last will and testament, was actually recommended by a prominent estate attorney who serves on the Executor's Resource board. "It depends on the state whether it has any legal authority," explains Rapp. "But he said it was always helpful to have a catchall letter that covers everything that is not appropriate to be in the will, including things like how the pets will need to be taken care of, and who they want to take care of them. It

might also have instructions for their funeral." Of course, there are also places where the client's parents can write a life history or otherwise pass on their less tangible legacy, and some advisors are helping their clients' parents create videos, which can also be uploaded to the site.

The result is a private, secure web site that is essentially owned by the future executor of the estate, which can be co-branded to the advisor who recommends or buys the service on behalf of a client. In the sample site that I toured, it was branded to an advisor in the Garrett Planning Network, which has affiliated with Executor's Resource organization and offers EstateLogic to the group as a whole.

The site also includes a library of in-house-written articles on estate and legacy planning and tax issues, one on what one needs to do as an executor, another on how the estate process works, a third on how to choose an executor, and so forth. "This is not legal advice; it's guidance to the executor on different issues," says Rapp. There's also a glossary of estate-related terminology.

Price? There are three versions of the service, depending on whether you want to download documents onto the site and how much space you intend to use, but the lowest (no-downloads) retail price is \$160 a year, going up to \$260 if the

client purchases the service him/herself, and wants to access up to 2 gigabytes of space. Advisors get a discount. Rapp says that in most cases, so far, the advisor has purchased the service and wrapped it into his/her fees; if the advisor is paying out-of-pocket, then he/she gets a reduced rate; \$100 a year for 250 megabytes of space, \$160 for two gigabytes.

I have to confess that I was impressed after my own tour of the service, which was led by Carlin Dornbusch, former IT director of BEA Systems and Cassatt Corp. And, unlike many web-based services we have all seen over the years, this group understands the planning community and the services you offer to clients. The primary contact person with advisors is Amy McDuffee, who left a senior position at Russell Investments to become the company's marketing director in the financial services world. (Her contact information is: amy@executorsresource.com; 303-444-5149)

Most importantly, the service does seem to address an area of real pain in the marketplace, nicely tied to the issues that advisors are starting to address with clients who have elderly parents.

"We think that executors are among the people with the biggest need for help and service, and they're really flying under the radar right now," says Rapp. "Anybody who has gone through the probate

Taming Death

A new service helps advisors help their clients organize a legacy--and minimize the challenge of dealing with the death of a loved one.

process can tell you that it's one of the most frustrating, time-consuming, complicated things they've ever undertaken. The estate attorneys we've talked to during the developmental phase told us that 80% of the costs of handling an estate is taming the data," he adds. "The attorney on our board said to us, 'I've always hated to charge people all this money just because they're disorganized.' Now he's giving it to his clients, telling them to fill out the information and then he'll talk to them about their legal options and the creative part of estate planning once they have everything organized."

Sometime later this year, Executor's Resource plans to introduce a supplemental/complementary service designed to help executors navigate all aspects of their responsibilities, including a workflow tool that will reassemble the EstateLogic data and show what needs to be done at each step of the process. I think this may be the wave of the future: to let the professionals (advisors and estate attorneys) handle the creative work, and offload to an intelligent computer system the chore of managing the data and providing training wheels to the lay executor.

As you'll see in the next article, this isn't the only way to skin this particular cat, but it's a service you should look into for clients with aging parents or relatives. ■

Mark Colgan remembers experiencing two kinds of pain when his first wife passed away back in 2001. One is the normal grief that we experience at the loss of a loved one. The other was totally unexpected.

"Within an hour of Joanne's death," says the Pittsford, NY-based advisor, "I was being asked whether they could do an autopsy, and where they should take her body. Was she an organ donor? All these things were coming at me, and I felt overwhelmed. I had done all the traditional estate planning and had plenty of life insurance and the power of attorney and health care proxy and all my ducks in a row, and now suddenly all these things were coming at me faster than I could respond. My first reaction was: 'Why is this happening to me? I've done nothing wrong.' I discovered," he says, "in the shoes of a widower, that there is so much more that people need to know in the aftermath of death."

After he finally finished arranging his wife's affairs, Colgan collected his experiences into a book called *The Survivor Assistance Handbook*, which

he describes as a "Death for Dummies," and dedicated it to Joanne. The book talks about everything from how to break a car lease when the lessor is no longer living to filing for and collecting survivor benefits from Social Security, to what to do with the deceased's passport. "The book answered a lot of basic questions that attorneys don't want to be bothered with," Colgan explains. "I self published, put the book on Amazon, and lo and behold, it started selling nationally."

Colgan himself wasn't totally satisfied with the book—or, for that matter, with the aftermath of his grieving process. He felt as if his wife had left surprisingly little of real importance behind for him to hold onto; the various financial and personal assets were dry remnants of what he really treasured, which was her life, her person, her experiences, thoughts and feelings.

While he was thinking about this issue, another one suddenly was brought to his attention. Colgan received a phone call from a gentleman who was dying of cancer.

"He said, son, I read your

Continued on page 12

Taming Death

Continued from page 11

book, and I can appreciate how helpful it can be for people in the aftermath of death,” says Colgan. “But then he said, what about people like me, who want to get their life in order ahead of time? How can I be proactive, so that when I do pass on, everything is left tidy and meaningful, rather than a mess?”

Colgan went back to the drawing board and developed an extremely simple, very thorough online software program called Breadcrumbs, which guides the advisor and client through a detailed data-gathering process which, similar to the Executor’s Resource service described above, helps organize a person’s financial life for the executor, and also collects the personal legacy information that fills the emotional void that heirs often experience. Colgan’s firm, Plan Your Legacy (<http://www.planyourlegacy.com>) markets Breadcrumbs and also provides training to financial advisors who want to expand their services to elderly clients or clients with elderly parents.

The software is designed to prompt clients to store a lot of personal and relevant data: the date of their marriage, names and locations of children and grandchildren who may or may not be heirs, social security number, birth date, armed forces service (and whether they qualify for benefits or military honors at the funeral), the names of the various schools where he or she was educated, the contact

information for any pension plans, life and medical insurance, location of and type of assets, plus a page that shows where 23 different documents or items can be found (the will, health care derivative, power of attorney, birth/adoption certificates, tax returns, cost basis data, computer passwords, property deeds, insurance policies etc.).

Breadcrumbs also asks questions about the client’s preferences regarding having an autopsy performed, how the remains will be disposed of, organ donations for transplant or research, and who will receive the sentimental assets as well as the parts of the estate with monetary value. Is there any additional life insurance through the client’s or spouse’s employer? There’s a page that lists whatever the client wants to specify about final arrangements and the preferred funeral home, an opportunity to decide who will be listed in his or her obituary, who will write it and where it will be published, people to notify upon death, even the names of the service people who are called if there’s a plumbing emergency or if the house needs cleaning. A separate page talks about who will take care of the pets, and any special instructions like what the pet eats, and matters of routine care.

The second half of the Breadcrumbs process, and the first part that the client will typically fill out, offers guidelines for creating an ethical will—sharing thoughts, ideas,

stories and issues of importance that the client wants to pass on to heirs. (Sample questions: “Name an event that changed your life.” “What was the hardest decision you ever made?” “How did you meet your spouse/partner?” “What parenting tips would you like your son or daughter to consider?”)

There are several options for working with the software; it includes a collaborative mode option, where the advisor and client both have access to everything, and a solo mode where the client can work on the program without assistance. “Not everybody has that level of intimacy, where they want to share everything with the advisor,” Colgan explains. The advisor can help put some of the asset-related material on the site, and then the client can take over for the legacy planning and ethical will segment. Or the two can work in collaboration mode, and then the client can click it over to solo mode to enter the personal data. “The financial advisor will still have access to the important contact information and who the plan administrators are,” Colgan adds. “But you’d be blocked from viewing the personal content.”

The service also comes with a training program, which walks advisors through the process of taking a client and going through the legacy planning process of sharing values and stories, plus tips on how to use the software and how to market the service as a differentiator in your market.

“We also provide a library of marketing letters and news releases, to help advisors reach centers of influence and the community,” says Colgan. If you give speeches, Plan Your Legacy will also lend you a prepackaged Powerpoint presentation, and there are quarterly conference calls for all registered users of the service, where advisors share their experiences and best practice ideas.

Cost? Breadcrumbs--the training, marketing materials and access to conference calls--is priced at \$2,500 a year, unlimited use with all clients. Each client receives a Legacy Plan after going through the input process; typically a finished plan will run more than 40 pages. In addition, each client will name one or more plan administrators, similar to executors but without the legal standing in court, who will be immediately notified on death, and deal with all the various obligations and requirements that arise when somebody leaves this earth in our complex society.

“We recommend that they have two plan administrators,” says Colgan. “A lot of people will name the advisor as one, and maybe a best friend or relative as the other. Upon the person’s death the administrators log in, go through security procedures to confirm the person’s death, and at that moment, they have access to the software and all the data.” There are a few nice touches as well; the software includes tools that will allow the administrator to send a blast



"...and finally, I'm pleased to report that our legal team has found no specific legal prohibition that can prevent us from converting the entire government bailout into performance bonuses."

e-mail inviting everybody the client specified to the funeral, and will automatically create an online memorial so they can invite people to leave donations for charity.”

Colgan says that his Breadcrumbs service fits neatly into a crack in the more traditional estate support systems, and he knows about

those cracks from painful personal experience. “Having the funeral arrangements carried out, the client’s wishes carried out, is a whole different duty separate from that of the executor,” he says. “Believe me, the death of a loved one is hard enough without having to go through a lot of these issues after the fact.” ■

THE GLOOM OF OPPORTUNITY

Back in the 1980s, I remember reading an especially persuasive newsletter called *Ruff Times*, created by Howard Ruff, a prognosticator who would have enjoyed these present economic circumstances. Ruff argued, starting in the early 1980s and continuing stubbornly through the early 1990s, that the world was on the verge of a global economic collapse, and instead of having stocks and bonds in your investment portfolio, you should hold a diversified mix of dried food and water, a secret hideaway, weapons, plenty of ammo and a few bars of gold.

I have no idea how many people Ruff managed to keep out of the great bull market of the 1980s, but I suspect the damage was considerable.

I bring this up because right now I'm reading a variety of research reports and very persuasive assessments which tell me that the stock market is a coiled spring on the verge of a rocket-like ascent, and that the current economic downturn and bear market still has a long way to go. We are told that there is a mountain of institutional cash on the sidelines waiting to be deployed, and that individual investors have record levels of cash in their portfolios. We also hear that if you project out earnings declines into the second half of 2009, today's market PE may be higher than historical norms and the low-priced stocks that are scattered like jewels in the gutter are not nearly as cheap as they look.

I don't know who to believe, and that is exactly the point.

My gut tells me that the world is finally, tentatively on the road to recovery, but that it is a longer road than normal, because this was not, by any measure, a normal downturn. If I look out five years, I think I see prosperity returning in the form of increasing global trade, recovering housing prices and demand, a rebound in stock prices, corporate earnings and corporate and consumer spending. I think it will be a wiser prosperity, with more savings and less impulse buying, and hopefully corporations will be run more responsibly and with more shareholder oversight than what we've experienced these last ten years.

But I also see, in this crystal ball, a whole generation of damaged investors, damaged in the same way that people of a certain age were permanently cowed by the Great Depression. These people will lose a significant part of their portfolio, sell out before the bottom but after they've booked considerable losses, and be afraid to get back into the game because every subsequent market upturn will look like a sucker's rally, and every dip will look not like an opportunity to buy on the cheap, but a confirmation that you simply can't trust stocks as a long-term investment.

Until those investors are lured back into the market, I don't expect to see a huge bull run. And when they ARE eventually lured back by a sustained bull market euphoria, I would consider heading at least temporarily for the exits, because there will be no greater fools to sell to as the Russell 3000 reaches yet another peak ten or more years down the road.

The last time the marketplace was full of damaged investors, it was almost impossible to talk clients into buying stocks, and a whole range of exotic alternative investments were created to fill this demand for something else, something more certain. When I first entered this profession back in 1982, people were missing out on the bull market in stocks and instead participating in a huge market in diamonds sold as securities, limited partnerships and tax shelters of all stripes and colors. Advisors were soberly recommending long-term investment positions in rare coins and stamps, and it was the heyday of whole and universal life insurance.

After reading all the conflicting reports that project future markets turning up, down and sideways, and after confronting my own deep uncertainty about where the Dow will take us all in the next 12 or 24 months, I think the safest prediction is that a lot of individual investors are going to be lured away from the next round of strong gains in the equities markets by creative, immensely profitable vehicles which promise safety and deliver little else. Back then, advisors who turned their clients away from the

“safe” alternatives back into mainstream investments turned out to be the heroes of the bull market, and I think we are facing that opportunity, that challenge, again.

Alas, I have no idea when you will be thanked and congratulated for this difficult swim upstream against the marketing engines and the cry for safety. All I

know that it is at exactly those times when the payoff is most hidden from view, when the future is cloudiest, that your work is most likely to deliver the greatest rewards. The murkier the crystal ball, the more I think I see about where the profession needs to go from here. ■