

## Three Business Building Technologies for 2011

by Bill Winterberg, CFP®

*In the coming months, we will feature articles from guest speakers who will be speaking at the 2011 FPA NorCal Conference. We are pleased to introduce technology expert Bill Winterberg. For more information about Bill's presentation or the conference in general, please visit [www.FPANorCal.org](http://www.FPANorCal.org).*

As this article goes to press, stock indices are at 28-month highs, total 2010 holiday retail spending rivals that of 2007's record, and December's private-sector employment is surging to its highest level on record. While many effects of the Great Recession still linger, advisors I speak with are finished slashing operating budgets and are looking to restore growth and increase profitability in 2011. Below I highlight three technologies gaining momentum that I feel will help you reach your business building goals this year.

### Go Digital

Now is the time to transition your business to electronic records and document management. The advantages of adopting electronic records management (ERM) are well known: recordkeeping is standardized for both client and business information, data is stored in a secure environ-



*Bill Winterberg, CFP® provides technology consulting through [www.FPPad.com](http://www.FPPad.com) and is the technology columnist for Morningstar Advisor.*

ment with strict access permissions, and documents are accessed quickly and efficiently compared to searching paper filing cabinets for one elusive document.

But if the benefits of ERM are so appealing, why are the majority of advisors still not using it? According to Financial Planning Magazine's 2010 Technology Survey, nearly 70% of all respondents are not using some form of ERM. In the past, adopting electronic records meant that you had to access information while at a computer. You couldn't take the data with you unless you printed it out and put it in your briefcase or loaded files onto a laptop.

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**We would like to welcome all of the LPL  
offices that joined The Network in 2010:**

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## Three Business Building Technologies for 2011

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So what has changed that makes this year the one to move to electronic records? I believe the success of the tablet computer in 2010, and the Apple iPad in particular, will increase the rate of adoption of ERM by financial advisory firms of all sizes.

Tablet computers make it possible to carry a device that provides access to all of your firm's digital records in a simple, elegant form factor. Think of a tablet computer as a piece of electronic paper; instead of printing hard copies of documents from your computer for later use, copy them to a tablet to take with you to your next meeting.

Applications on tablet computers allow you to flip through pages of a document just as you would with a hard copy. You can highlight, underline, and circle text on electronic documents and even add notes and annotations that look like sticky notes on paper. One significant advantage tablet computers have over printed documents is the ability to search for keywords throughout a document, something that can't be done with physical paper.

Solutions for scanning and storing documents have been around for years, but tablet computers have only recently attracted significant attention in the marketplace. Decreasing prices and increasing features this year will lead to more tablets in use by financial advisors, ultimately completing the third and final step in the life cycle of electronic records, quick and efficient access.

### Meet Over the Web

I lived in the San Francisco Bay Area for 25 years, so I know just how hit-or-miss Bay Area traffic can be. You never know when you might get caught behind a wreck on the Bay Bridge while driving to a meeting, but it's even worse if your client happens to get stuck on her way to your office.

This year, offer your clients the convenient option of meeting with you using web conferencing and screen-sharing software. Free and low-cost programs such as GoToMeeting, WebEx, and Mikogo allow you to share documents and programs displayed on your computer screen with your client over the Internet. Clients can see whatever is on your screen using their own computer or even an iPad while you talk over the phone.

Screen-sharing software allows you to schedule client meetings without having to take peak commute hours into consideration and choose times that are the most convenient for your client. You can also use the software for clients who do not live within a reasonable driving distance from your office. And for prospects, you can create a slide deck about your firm in PowerPoint or Keynote and review it in real-time with them over the phone.

### Be Social

If you want to make more meaningful connections with your clients, social networking should be one business building technology you embrace this year. First, establish common-sense policies around your firm's use of social networking websites and get the go-ahead from compliance. Then, create a profile for you and/or your firm on the

three main social networks; Twitter, Facebook, and LinkedIn.

Change your intake forms and start asking if your firm can connect to your client's Facebook, Twitter, and LinkedIn accounts. For those clients who approve, pay attention to what they post about and what activities they pursue.

For example, one client may update her Facebook profile with pictures of the marathon she ran to raise money for a local charity. Knowing this, you can present what-if scenarios at your next meeting to evaluate charitable contribution strategies, perhaps by making a qualified charitable distribution from her IRA or by donating appreciated securities. Chances are your client will be very pleased that your recommendations take into consideration her passion to support her favorite charity.

### More Business Building Ideas

These are just three business building technologies I believe will contribute to your growth in 2011.

To learn even more, I invite you to join me along with over 40 exceptional speakers at this year's FPA NorCal Conference held May 31 and June 1 at the Palace Hotel in San Francisco. Register today to guarantee your spot so you don't miss out on learning new ideas and techniques you can use to better connect with clients and build your business.

### Regional Government Relations Column

by Robert Finke, CFP®  
FPA Monterey Bay

Greetings from your Regional Government Relations Representative.

The following is a list of important items on the Government Relations front:

#### SEC Extends Deadline for Advisers to Disclose Information on their Personnel

On December 28, 2010, the SEC announced a four month extension for delivering Form ADV, Part 2B (the "brochure supplements") to advisory customers. Part 2B is the supplement to Form ADV providing disclosure regarding IA reps. The SEC staff had received numerous comments from advisers that, given the extensive amount of new information that had to be gathered and the new systems that had to be created, the previous March timeline was unrealistic.

*The compliance date for the filing and delivery of Form ADV, Part 2A (the firm "brochure") remains unchanged.*

The revised delivery schedule for Form ADV, Part 2B is as follows:

*Existing Registered Investment Advisers.* All investment advisers registered with the Commission as of December 31, 2010, and having a fiscal year ending on December 31, 2010 through April 30, 2011, have until July 31, 2011, to begin delivering brochure supplements to *new and prospective clients*. These advisers have until September 30, 2011 to deliver brochure supplements to *existing clients*. The compliance dates for delivering brochure supplements for existing registered investment advisers with fiscal years ending after April 30, 2011 remain unchanged.

*Newly-registered Investment Advisers.* All newly registered investment advisers filing their applications for registration from January 1, 2011 through April 30, 2011, have until May 1, 2011 to begin delivering brochure supplements to *new and prospective clients*. These advisers have until July 1, 2011 to deliver brochure supplements to *existing clients*. The compliance dates for delivering brochure supplements for newly-registered investment advisers filing applications for registration after April 30, 2011 remain unchanged.

More information:

[www.sec.gov/rules/final/2010/ia-3129.pdf](http://www.sec.gov/rules/final/2010/ia-3129.pdf)

#### SEC Approves IARD Filing Fees

Filing fees for advisers with less than \$100 million of assets under management will remain the same for next year (\$40 for advisers with \$25 million or less of AUM; \$150 for advisers with \$25-\$100 million of AUM). For advisers with over \$100 million in AUM the new fee is \$225. These fees will apply to all annual updating amendments filed after January 1, 2011.

More information:

[sec.gov/rules/other/2010/ia-3126.pdf](http://sec.gov/rules/other/2010/ia-3126.pdf)

#### California to Exempt Certain Advisers from Exams

In a recent interview, the California Commissioner of Securities Preston DuFauchard, stated that California plans to exempt advisers to so-called 3(c)(7) funds. He is concerned that the state will be taking on oversight of over 1,000 additional advisers this year and is trying to determine which advisers present the smallest risk to the public. Because these funds are typically marketed to wealthy individuals or institutional investors they present less of a risk. The state is still trying to decide if they will extend the exemption to advisers to 3(c)(1) funds.

### What Keeps You Awake at Night?

What do you worry about?

What challenges are you facing in your business?

What issues get your blood pumping?

We'd like to know so that we can ask our fellow FPA members to write interesting articles. We'd also like to hear your complaints and compliments. We would like to provide a forum for additional interaction, so now you can send a "letter to the editor" of The Planner at [Editor@FPANorCal.org](mailto:Editor@FPANorCal.org).

We believe that collaboration among our members and chapters provides numerous benefits to our members. The Planner newsletter is published on a monthly basis thanks to the volunteer efforts of more than one dozen FPA members from five FPA chapters in Northern California. Let us hear what you have to say!



## Creating Our Own "Reality"

by Ralph Latza  
President's Column  
FPA San Francisco

### Why is there no reality show about financial planning?

Turn on the television, and we find a celebration of wannabe chefs, iron chefs, and the worst cooks in America. Dieters, survivors, and singers are brought into our home, where passions are only matched by the ability to overcome adversity. We cheer, we cry, we watch.

America loves a good story. We love those who rise above hard times to be the next Donald Trump or star quarterback. Dan Ariely, in *The Upside of Irrationality*, writes how the press and the public overly responded to the plight of "Baby Jessica" falling into a well, while giving only lukewarm attention to hundreds of thousands being brutally murdered in Rwanda. The "identifiable victim" draws the interest, especially when there is an emotional story attached. We can identify with one; we get lost in the crowd. Recently, FPA felt the impact of group success not reaching the threshold for press coverage. Our FPA Financial Planning Days in Oakland, Sunnyvale, and San Francisco last October were great stories of financial planning volunteers reaching hundreds in our local community, yet only one media person appeared.

**Does our story sell?**

The story of financial planning is about simplifying lives, removing the chaos, and putting steps in place to a successful future. There is a sacrifice of immediate gratification for future gain. Eye-popping stories of sudden transformation are replaced with steady, methodical progress. The tortoise wins over the hare—we all know the story.

The larger banks and investment companies are able to position their story of the "American dream," as they have the budgets to create advertising messages of mass appeal. Independent CFPs, on the other hand, are left to struggle over a \$145 annual price increase in dues, to launch a \$9 million drop-in-the-bucket campaign about the benefits of the CFP mark. (To keep this in perspective, advertising at the 2011 Super Bowl will go for about \$2.9 million



Ralph is the President of the San Francisco Chapter and a wealth advisor with Private Ocean in Marin.

for a 30 second slot.) Our inability to create the groundswell of support for financial planning also extends to the profession itself. Each year, the average age of financial planners continues to increase, as we now sit with over 60% of planners over age 50. Our pyramid, according to Mark Hurley, is inverted. Normal industries have the

most people at young ages, and the numbers reduce as people age. Financial planners, on the other hand, never leave! The vast majority operates out of solo or small shops. There is both a shortage of young talent as well as inadequate resources to incorporate those who do join.

So what are we to do? How do we go about spreading the word that we have the secret for people sleeping better at night? How do we create a Malcolm Gladwellian "Tipping Point," where the financial planning epidemic takes over the Bay Area?

### A challenge

I offer this challenge. Write up a client's success story (getting permission, of course, and removing identifying features when necessary). Put on your best storytelling hat and let your passions shine forth. On Valentine's Day, February 14th, email your story to the following:

Kathleen Pender, San Francisco Chronicle ("Net Worth" columnist): [kpender@sfcchronicle.com](mailto:kpender@sfcchronicle.com)

Lynn Jimenez, KGO Radio (runs the "Your Money" segment): [lynnjimenez@kgoradio.com](mailto:lynnjimenez@kgoradio.com)

If you can think of anyone else, please feel free to share. I cannot think of a better way to show our "love" for what we do.

If we are going to "tip" our world in a positive way, we need to make an effort. Whether it is by opening our offices to an intern, buying a drink for the person behind us at our local coffee shop, or spreading positive, individual stories of financial planning success, the way we carry ourselves today will have a major impact on our tomorrow.

Please feel free to share your stories and thoughts with me at [ralph@privateocean.com](mailto:ralph@privateocean.com). Life is an ocean, make a splash!

### San Francisco Chapter Executive Director

San Francisco  
Marion Briggs

[info@fpasf.org](mailto:info@fpasf.org), 877-260-3218

New address?

Has your membership information changed?

## The Case against Student Loans

by Tanya Steinhofner  
FPA San Francisco

For more than a decade, student loans have been making headlines. First it was about "sweetheart" deals between colleges and certain lenders, a relationship that often included allowing loan company employees to masquerade as members of the college's financial aid staff. Then we were (and still are) faced with the invasion of private lenders who, like hungry avian scavengers, circled above the dysfunctional college financial aid system looking for desperate students who needed more aid than the colleges were willing or able to provide. Those lenders are masters of the small print filled with legalese and hard-to-understand requirements and conditions. The private student loan market is polluted with mystery fees, arbitrary rate changes, slight-of-hand provisions and worse yet, certain conditions that benefit the lender in the event of litigation. The latter typically includes the proviso

that any law suit brought against the lender will have to be pursued in the courts of the lender's state. The list of issues continues unabated even during the current switch from the private sector to the federal government as the lender of most need-based student loans. Not a week passes when some new controversy or revelation emerges concerning student loans. Nearly every day, in the NASFAA (National Association of Student Financial Aid Administrators) newsletter, there are several items relating to the student loan mess. Student loans have been to the college funding world what the BP disaster is to the environment of the Gulf of Mexico. They corrupt the college eco system and have lingering after-effects on our lives that for some lasts a generation. And in terms of the impact on our nation, the effects may linger forever. To ensure that the Gulf disaster does not repeat itself is relatively easy. Simply ban further deep-water drilling. End of story. Let's consider the same approach to solve the student loan mess. Get rid of them. Stow them away in the same dusty drawer that houses Thalidomide.

Where is it written that in order to get a college degree, one must look forward to assuming debt of 25 to 50,000+ dollars? Is that what it is like to live in a supposedly enlightened society? Apparently, it is... at least in this one. It is a not-very-smart, myopic, unimaginative and utterly destructive stance that benefits no one not even the lenders who more often than not find themselves and their shareholders awash up to their gun-wales in bad paper.

Let's survey just a sampling of the damage:

If college is a ticket to a fair share of the American dream, then student loans can be compared with the poll tax that kept so many people of color from voting in the post Civil War south. Student loans discourage many needy and economically disadvantaged members of society from obtaining that ticket to a better tomorrow. Imagine being an inner city parent or kid who faces the specter of such overwhelming debt as a required ingredient to the attainment of a college degree. It is a hurdle so alien and so daunting that one simply avoids it by downsizing dreams and skipping college.

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### San Francisco Chapter Partners

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Crystel Stanford  
(800) 659-6593 x215  
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##### Golden Gate University

Steve Hawkey  
(415) 442-6584  
shawkey@ggu.edu

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Robert DeFrancis  
(866) 586-9873  
rdefrancis@junxure.com

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(415) 265-3561  
patrick.kearns@db.com

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Troy Chakarun  
(415) 298-8974  
Troy.chakarun@ingfunds.com

##### Allied Home Mortgage Capital Corp.

Mary Jo Lafaye  
(415) 259-4979  
Info@MaryJoLafaye.com

## The Case against Student Loans *Cont'd*

Millions of talented young people are being lost to this nation because of the student loan monster jealousy and needlessly guarding the gates of higher education.

High schools feel the effects of what appears to be a financially unattainable and/or debt-ridden college career by creating a road to nowhere for kids who see no future

or reason to even attend high school, an institution that does a better job of preparing kids for the academic challenges of college than anything else including the real world. That frustration is acted out in high schools across this land every minute of every day. Discipline problems interfere with the education of others. Vandalism and truancy, the stepchildren of despair and hopelessness, simply add to the cost of delivering secondary education for those who really want it. For too many, high school is like being stranded in

an airport for three or four years with no possibility of getting on a plane that will take them anywhere they may want to go. If you want to check on the institutional effects of baby-sitting students who are essentially in a state of suspended animation for four years talk to any high school administrator who is still paying attention to his surroundings.

Parents typically feel that it is their responsibility to provide a college education for their kids. Many see student loans as a sign of parental failure so in

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## FPA San Francisco Chapter Meeting

### How to Pay for College Dr. Paul Wrubel

#### Date:

February 9, 2011

#### Time:

11:30am-1:30pm

#### Location:

City Club of San Francisco,  
155 Sansome Street

#### CE credits:

1.0 pending approval from the  
CFP Board

#### Cost

*Early Registration*

\$45.00 FPA members,

\$65.00 non-members.

*At the door*

\$65.00 for FPA members,

\$85.00 non-members.

#### How to register:

Register online at

[www.FPASF.org](http://www.FPASF.org)

#### Overview:

Dr. Wrubel will address the college funding process and how advisors can assist their clients. His talk will cover the types of financial aid, the forms involved, how the aid awards are determined and ways to lower college costs and preserve client assets.

#### Presenter's Bio:

Dr. Wrubel is a nationally-recognized expert on college funding matters and has served in a variety of roles in the education industry, including teacher, principal, school board president and independent counselor. He also founded two education-related non-profits, CollegeWorks and MindWorksUSA.

#### For more information:

[www.FPASF.org](http://www.FPASF.org)

**This meeting is sponsored by Junxure**

\*For information on future meetings please refer to the Chapter Meeting Calendar at the back of this issue.

## The Case against Student Loans *Cont'd*

order to avoid them, parents foolishly take out huge loans or invade their long-term financial security by cashing in assets and retirement funds to help sons and daughters to the debt-free, college-degree promised land. In doing so, they remove serious dollars from the economy but even worse, they may dramatically lower their viability as consumers in their retirement years at great cost to the economy and often to the public coffers.

Student loans serve as a blight on the economy even if the student does get a college degree. By having to repay student loans, a new college graduate, even an employed one, must divert significant income to the repayment of the loans. That money would serve the nation's economy far better if it were used to buy consumer goods or to build a down-payment nest egg for a home. Instead, that important consumer behavior is postponed for ten or more years to the eternal detriment of the nation's larger economy.

Moreover, from a taxpayer's standpoint, the government currently underwrites student loans for private, profit-making post-secondary institutions of every shape and size. It is a fair question to ask, "Why should the taxpayer subsidize the University of Phoenix or Tillie's Beauty College if the beneficiaries are the institution's owners or the board of directors and shareholders?" "Why should taxpayers in Iowa subsidize the life styles and the bottom lines of private, for-profit institutions in New York or

California when the non-profit and/or public colleges in Iowa are struggling to survive?" The simple answer is, "They shouldn't!" The fact is that the private sector should be supported by private institutions...by a robust private lending option not a publicly-funded one. You may also want to know that 44% of all student loan defaults come from private post-secondary programs that comprise only 7% of the post high school education marketplace.

There are more reasons to eliminate student loans than there is space in this brief essay. But here's the issue. In our society as in most societies, huge businesses emerge out of the complexity of processes. Once fully embedded, they, like cancerous growths are hard to excise and like cancer, the longer they have been in the body of the nation's commerce, the more difficult they are to remove. But to take the analogy further, if the growth is not eliminated whatever the cost, the patient will die. In this instance, the patient is our colleges, our nation and our future as a world leader.

The elimination of student loans as an integral part of the student need-based aid system can only be done within the context of a larger, dramatic retooling of the entire financial aid enterprise. To achieve that lofty goal, we must think outside the envelope. In fact, we should throw away the envelope and start with a clean slate and some smart people who have no allegiance to or connection with the current system. Only then do we have a chance at entering a new, smarter, more efficient, reliable and user-friendly financial aid world for our sons and daughters, for our citizens and taxpayers, for

our colleges, for the economy and for this nation that we all cherish regardless of our politics or ethnicity. If we succeed, then we as a nation can look forward knowing that our best days are yet to come.

Dr. Paul Wrubel, a nationally-recognized expert on college funding, will be presenting on this topic to FPA SF on February 9, 2011.



## Break the Record a Smashing Success

by David Borrelli MBA, CRPC®  
President's Column  
FPA East Bay

I get the pleasure of leading two different teams to start off 2011. I am riding the wave of enthusiasm and excitement with the FPA and I get to ride the excitement and energy of my daughter's 5th grade girls' basketball team. Both have their own unique challenges but in the end they both will be very rewarding. I mention this because both of these teams experienced smashing success to start the 2011 year. First, and more importantly (lol) my daughter's basketball team came off a tough loss when we only scored 5 points in our last game of 2010 to win our first game of 2011 with a team record 32 points! That huge increase in scoring created a buzz around our team that will carry over for the rest of the year. Likewise, here in the East Bay FPA we had our first meeting of the year on Jan 5th with The SF Fed Senior Economist Gary Zimmerman speaking. The Board and I had set a target to make this our break the record attendance meeting. After a long and busy morning we tabulated the results and sure enough we had risen to the challenge with a record 130 attendees. The buzz and energy that has followed this meeting has been outstanding. We see the benefit of this meeting

helping the chapter in many ways. First, we had a solid response of volunteers to help out our many pro bono and community outreach programs. These programs are always important and to get some new energy flowing in this area is always helpful. We also had a large number of guests attend the opening meeting and we hope that many will come back for future meetings and sign up to join as we expand the membership base. Finally, getting strong programs like the SF Fed Economist sets are bar high to continue to find outstanding and powerful speakers from around the Bay Area that you our membership wants to see.

In other news I wanted to let everyone know that we are beginning to develop our ideas for the coming months around two projects that we will be involved with in 2011. First is the ISLP program that Dan Gannett is leading for our community outreach program. ISLP is short for Independent Living Skills Program for young people in foster care and group homes. Dan and his team of volunteers have already conducted two classes this year with a total of 29 participating youths made up of 11 in Martinez and 18 in Richmond. For those that complete the course schedule we will match \$50 along with Mechanics Bank to allow the youth's to open up a checking account at the bank. This is a very valuable service and it

will help educate our community on the importance of money management at an early age. The 2nd project that you will be hearing a lot about in the coming months will be our first annual East Bay FPA Golf Tournament that will be coordinated by our President Elect Chuck Bowes. He is currently exploring courses and dates in the fall for our inaugural tournament. We hope to raise enough money to fund scholarship and pro bono work in the community. More details to come as we nail down the details and date.

In closing I would like to remind our members that we have a lot of great resources and educational materials listed on our website at [fpaeastbay.org](http://fpaeastbay.org) or at the national website at [FPAnet.org](http://FPAnet.org). We just uploaded the slides from our SF Fed meeting on our website so if you missed the meeting or wanted a copy of the slide show you can download them from our website. The National website has a treasure chest full of great ideas and tools to help you manage and grow your business. Both of these resources are updated and add just another great benefit to being involved with the chapter and the national organization. I want to thank you once again for attending the break the record meeting and congratulations on coming out to smash the record. *Cont'd next page*



David Borrelli is the President of the East Bay FPA. David has served on the board for the past five years and he is a VP with Oppenheimer Funds.

ducting two classes this year with a total of 29 participating youths made up of 11 in Martinez and 18 in Richmond. For those that complete the course schedule we will match \$50 along with Mechanics Bank to allow the youth's to open up a checking account at the bank. This is a very valuable service and it

### East Bay Chapter Executive Director

East Bay  
**Krysta Patterson**  
[EastBayFPA@gmail.com](mailto:EastBayFPA@gmail.com)  
925-935-9691

New address? Has your membership information changed?

## Break the Record a Smashing Success *Cont'd*

Please keep that energy up and attend on Feb 2nd to hear Nick Horn deliver his industry renowned presentation on How to deliver Ritz Carlton Customer Service to your clients. See you next month!



Nancy Gire and East Bay's holiday toy drive.

### East Bay Chapter Partners

#### Gold

**Oppenheimer Funds**  
David Borrelli  
(925) 212-0862  
dborrelli@oppenheimerfunds.com

**Shaffer Insurance Services**  
Shaffer Insurance Services  
(925) 944-7100  
shaffer@pacbell.net

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Diana Mandarino  
(650) 365-5341 ext. 212  
diana@redwoodmortgage.com

**Franklin Square Capital Partners**  
John M Sorrell  
(925) 858-2497  
John.Sorrell@FS2Cap.com

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Alex Hayes  
(415) 730-3941  
alex\_hayes@putnam.com

**Franklin Templeton**  
JB Walker  
(925) 708-4672  
JBWalker@firk.com

**MFS Investments**  
Aldo Barbaglia  
(925) 736-8622  
abarbaglia@mfs.com

**Strategic Capital**  
Roshan Weeramantry  
(408) 314-7895  
Roshan.Weeramantry@sbcglobal.net

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(415) 238-9490  
David.Carr@InvescoAIM.com

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Brian Peery  
(800) 966-4354  
Brian@HennessyFunds.com

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Scott.Martin@PioneerInvestments.com

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(925) 948-5600  
Jennifer.Nelson@BlackRock.com

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**Signet Mortgage Corporation**  
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(925) 807-1500 xt.303  
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Allison.Lovell@WellsFargo.com  
Kristina.Page@WellsFargo.com

## **FPA East Bay Chapter Meeting**

### **The Ritz Carlton Level of Service**

**Nick Horn, Lincoln Financial Advisors**

**Date:**

Wednesday, February 2,  
2011

**Time:**

7:15 am

**Location:**

Round Hill Country Club,  
3169 Round Hill Rd.,  
Alamo, CA

**CE Credits:**

1 Hour

**Cost:**

*General Meeting:*  
\$30 FPA Members  
\$40 Non Members -  
*Advance Registration*

**Overview:**

Come to the FPA East Bay in February and learn the 11 key components to a "Ritz Carlton" Financial Planning client service model.

Nick Horn, a leader in the financial services industry for over 40 years, will speak about his personal client experiences. Most client service models are created by the planner for the client; this is your opportunity to hear what is important from the client's viewpoint. Nick will call on his background as a coach and mentor for 200 of the most successful planners in the country as well as his own experiences with his personal financial planners. Take away the beginnings of a written game plan to improve or create your client service model.

**Presenter's Bio:**

Nick Horn has been with Lincoln Financial Advisors for thirty-eight years. His Lincoln career began in the Fort Wayne, Indiana Home Office. The organization that Nick and Ted built earned the financial services industries' highest honor of Master Agency for eighteen consecutive years and Lincoln's highest honor of President's Trophy six times. Over the years, Nick's unique brand of leadership has launched and nurtured hundreds of successful financial planning careers. Nick currently serves as a consultant to Lincoln's National Management Team in the areas of planner growth and productivity as well as a practice management coach.

**How to register:**

You register for both the General Meeting and Ethics Course with check or credit card online at: [www.123signup.com/register?id=vzfzf](http://www.123signup.com/register?id=vzfzf)

**For more information:**

For more information go to [www.FPAEastBay.org](http://www.FPAEastBay.org) or contact Krysta Patterson  
925.935.9691

**This meeting is sponsored by our 2011 Gold Sponsor: John Sorrell, Franklin Square Capital Partners**

\*For information on future meetings please refer to the Chapter Meeting Calendar at the back of this issue.

## East Bay Chapter Awards \$3,000 in Financial Planning Scholarships

by Barbara Gray  
Career Development Co-Chair  
FPA East Bay

For much of 2010, FPA East Bay Chapter members continued to contribute to the scholarship fund. At our December 1st meeting, we were pleased to announce that the East Bay Chapter has selected two highly qualified and deserving members as recipients of our 2010 financial planning scholarships.

Congratulations to FPA East Bay members Austin Hon and Ashley Murphy! Both received \$1,500 scholarships to support their progress toward the CFP mark. Austin completed the U.C. Berkeley Extension Personal Financial Planning certificate program in May 2010 and sat for the CFP certification exam in November. Ashley is currently enrolled in the U.C. Berkeley Extension program and plans to take the CFP exam in 2011. Austin

and Ashley each exceeded our scholarship guidelines and we believe they will be valuable additions to the financial planning community. Both intend to support the FPA East Bay through participation in committees and activities of the Chapter. Our

entire membership congratulates them and wishes them much continued success.

### Looking Ahead to 2011

The FPA East Bay Chapter is committed to supporting students working and studying to attain the Certified Financial Planner designation. If you or someone in your office is taking financial planning courses, they may be eligible for an East Bay FPA Scholarship in 2011.

In order to be eligible, applicants must meet the following qualifications:

1. They must be a member of the East Bay Chapter of the Financial Planning Association.
2. They must be admitted to a pro-

level of academic accomplishment; 5. They must furnish a letter of support from either a professor or practicing CFP professional.

Funds for the East Bay FPA scholarships in 2010 were raised from proceeds of raffle donations at monthly meetings and from the Chapter's operating budget. Thanks to all Chapter members who participated in the raffle for your support of this worthy cause. If you are a qualified applicant or know of someone who may be, consider the upcoming scholarship opportunity in 2011.



Ashley Murphy (left), FPA East Bay President Gordon Dunne (center), and Austin Hon (right)

gram administered by an accredited university or college registered with the CFP Board;

3. They must have the intention to take all required courses and a review course for the CFP Board of Standards certificate examination, and become a CFP designee;
4. They must demonstrate a high



## Reunited: The Estate & Gift Taxes

by Seth P. Shapiro, JD  
President's Column  
FPA San Joaquin Valley

On December 17, 2010, President Obama signed the 2010 Tax Relief Act, reuniting the gift and estate taxes - well - temporarily at least. From now until the end of 2012, the federal estate and gift tax exemption is \$5 million for an individual (\$10 million for a married couple). By some estimates, less than one-half of 1 percent of people who die in 2011 will be hit by the estate tax given the size of the current exemptions.

For that small segment of the population that does have assets in excess of the exemption amount, gifts and bequests in excess of \$5 million will only be taxed at a rate of 35% (down from the 55% gift tax rate of 2010 and the 45% estate tax rate of 2009). The 2010 Tax Relief Act also makes the exemption portable - allowing surviving spouses to use the unused estate tax exemption of the spouse who died most recently to their own without needing to use bypass trusts (although bypass trusts still have the advantage of sheltering appreciation and could also be helpful in situations where individuals want to protect assets from creditors or ensure children will benefit from the assets).

If Congress does nothing before the end of 2012, however, the estate and gift tax laws are set to revert back to their 2001 levels (\$675,000

individual exemption, 55% tax rate, and no portability of exemptions) on January 1, 2013. Despite Congress' recent spate of activity, it is not inconceivable that it will fail to pass another significant tax bill in the next two years.

Given this uncertainty, the 2010 Tax Relief Act doesn't offer much guidance as to how to structure estate plans, nor does it offer much relief to individuals and couples with assets in excess of the 2001 exemption levels with respect to estate taxes, unless, of course, they are planning on making an exit in the very near future.

The real benefit to high asset individuals and couples under the 2010 Tax Relief Act is the increase in the gift tax exemption to \$5 million. With proper planning, such individuals and couples can gift property worth several times the exemption

amount through vehicles such as grantor-retained annuity trusts (GRATs), intentionally deficient grantor trusts (IDGTs), or gifts of interests in family owned or closely owned businesses.

For example, a married couple could contribute property to a limited partnership valued at \$40,000,000. Assuming they can obtain a 30% discount off the value of any gift due to the lack of marketability of a limited partnership interest, they could give a 35% interest ( $\$40,000,000 \times 70\% \times 35\% = \$9,800,000$ ) in the partnership without incurring any gift tax. Effectively, this couple would have transferred \$14,000,000 in assets

( $\$40,000,000 \times 35\%$ ) without incurring any gift taxes.

If the same couple employs the use of a GRAT to gift interests in the same limited partnership, they can increase the size of their gift even further. By giving away interests in the property, but retaining payments for a period of years, the value of the gift, which is the value of the interest in the property given, is reduced by the value of the retained payments. By manipulating the amount retained and the number of years the couple is to receive those payments, they can reduce the value of the gift so that the gift has or less value for tax purposes. For example the same couple could gift 40% of the limited partnership (with a real value of \$16,000,000.00) by retaining a \$224,000 payment per year from this 40% partnership interest for 6 years. In this scenario, the gift value of the 40% interest is only \$9,945,275.20 according to IRS tables.

This technique is really effective when the IRS applicable federal rate is low, which it is now, and when the assets gifted produce a rate of return on the value of the assets gifted that is greater than that IRS rate (the current IRS rate is 2.4%).

With the current exemption level scheduled to sunset at the end of 2012, there may be no time like the present for those looking to transfer some of their wealth to consider strategies that will take advantage of the generous gift tax exemption currently available.



Seth P. Shapiro, JD  
President FPA San Joaquin Valley

### San Joaquin Valley Chapter Executive Director

San Joaquin Valley  
**Erin Aquino**  
ErinAquino@hotmail.com  
209-473-4045

## President's Column

by Bob Adams, CFP®, MBA, MSFP  
FPA Silicon Valley

Last month I thanked our retiring Board members and welcomed our new Board members and I thought this month I'd take a step back and introduce myself and tell you why I think FPA's culture is wonderful and supportive.

In 2001, I joined FPA as a student member and at the time I was enrolled in Golden Gate University's Masters in Financial Planning program. My first FPA event was the old "Odyssey" conference in Sacramento. They had a "Bridge the Gap" track and I was fortunate to meet Jim Johnson. Jim gave me lots of encouragement and a real feeling of community.

Community is perhaps even an over-used word in FPA, but on the other hand I don't know of a more descriptive term to define it.

I chose the firm name "Armstrong Retirement Planning" (Armstrong is my middle name) because I wanted to focus on retirement planning and investments and in 2003 I took the training to become a "CSA - Certified Senior Advisor". My motivation for taking the certification was to learn more about senior issues. I have a fee-only practice, but I found that most of the CSA's were focused on selling annuities and that wasn't my interest so in 2005 I decide to drop out. I went

to several CSA events and I was struck by the stark differences between the CSA and FPA events. Both organizations' events were well-run, but the FPA events were the only ones where true best practice sharing and peer mentoring was going on. FPA is truly unique. FPA members are quite willing to share and to mentor others, regardless of whether that member has the office next door or across the country.

In addition to passing the CFP exam in 2003, I participated in a wonderful 6-day FPA Residency program, and I also attended three FPA conferences: Retreat, Far West Roundup and the National Conference. Like many of you I was a "High Tech Refugee" and after spending 23 years with Hewlett-Packard in various management positions immersing myself in those conferences was important. I was indeed fortunate that FPA provided such excellent

opportunities. As we all know, it is the "conversations in the halls" that are more often than not the really the most beneficial ones. This is also why I like the smaller FPA conferences because it best enables peer learning, both in sessions, in the hall and "Under the Tees".

I opened my practice in June, 2003 and I had attended the FPA Residency program in late March. I had kind of a crazy March in that I took the CFP exam on a Friday/Saturday and the next morning I flew down to Southern

California to attend the Residency program. A few people (including my wife) called me crazy, but that is the way the calendar and the opportunities presented themselves and I am so glad that I participated. In March, 2003 the Gulf War was underway and 22 of the 35 registered students decided not to fly to Residency so I had often said that while FPA surely lost money, I and my fellow 12 other Residency cohort had four experienced mentors all to ourselves and we indeed very lucky. More on Residency in a future column.

While I was at Residency one of my mentors suggested I look into the FPA Retreat. I was once again fortunate because this was the first year that they had relaxed their former requirement of having a minimum of five years in the profession. I had been in practice for about 6 weeks and I literally brought along my list of my top 25 practice management questions. I got all of them answered by many willing and generous experienced planners.

I think we are fortunate to be FPA members and I encourage all of you to take full advantage of your excellent local FPA resources: chapter meetings, the annual NORCAL Conference and the Far West Roundup.

In December the Chapter had our annual holiday cash and food drive to benefit a local community service agency:

*Cont'd next page*



*Bob Adams is the President of the Silicon Valley FPA. Bob has served on the board for the past 3 years and he is President of Armstrong Retirement Planning in Cupertino*

### Silicon Valley Chapter Executive Director

Silicon Valley  
**Marion Briggs**  
execdirector@fpasv.org  
877-808-2699

New address? Has your membership information changed?

## President's Column

Cont'd

West Valley Community Services. I'm pleased to report that we collected \$1,028 and 25 pounds of food. WVCS was very appreciative and they sent us a nice letter thanking our membership.

I know that other Chapters do toy drives and other events and I think everyone should applaud themselves. We all make a difference each day.



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## Silicon Valley FPA Brown Bag Lunch Event

*Note: Silicon Valley FPA Brown Bag Lunch Events require FPA membership to attend. FPA members from other chapters are welcome to attend as well as guests of FPA members.*

### ***Options - One Tool in the Financial Planner's Toolkit***

**Speaker: Dave Samuels, CFP®, CLU,**  
*Samuels is the President and founder of Corinthian Wealth Management*

Date: Friday, March 18th, 2011

Time: 12:00 noon to 1:30 pm

Location: San Jose, CA (Rose Garden Area)

Cost: \$10

Options provide a means to hedge risk, as well as improve overall returns. This session will begin with a basic introduction of investment stock options to ground the session. This session will focus mainly on covered calls and will address the primary situations where a planner might find them appropriate to implement in a client's portfolio: in a general portfolio to generate additional return, in a portfolio that is heavily weighted in one or more stocks (usually the company that the client works for), and in a portfolio where there are significant capital gains on a stock and the client is hesitant to sell. Examples will be reviewed, as well as a live option chain. Taxation of options gains will also be briefly discussed.

#### **Speaker Bio:**

Dave Samuels, CFP®, CLU, is the President and founder of Corinthian Wealth Management, with over 20 years of experience in the financial services industry. Dave is a graduate of UCLA's Personal Financial Planner Program, as well as a Certified Financial Planner® and Chartered Life Underwriter (CLU). Dave serves on the board of the Financial Planning Association of Silicon Valley as well as the board of the Steinway Society, which promotes piano concerts. Dave is a member of the Santa Clara County Estate Planning Council, the Society of Financial Service Professionals, the Financial Planning Forum of Palo Alto, and the San Jose Chamber of Commerce. Dave has spoken at various conferences, and has done many topic specific educational sessions to a variety of audiences.

*Seating is limited. To reserve your seat, please RSVP early to Cynthia Riley at  
CynJRiles@aol.com. A \$10 fee will be collected at the door.*

## FPA Silicon Valley Chapter Meeting

### 2011 Economic Outlook

**Kei Matsuda**

**Date:**

February 11, 2011

**Time:**

11:30am - 1:30pm

**Location:**

TechMart, 5201 Great  
America Parkway, Santa Clara

**CE credits:**

1 hr CE available pending approval  
by the CFP Board

**Cost:**

*Early Registration*

\$35 members \$40 non members.

*At the door*

\$55 or members, \$60 non-members

**Overview:**

Mr. Matsuda will speak on what to expect for 2011 in both the US and California Economies. Mr. Matsuda will give us his analysis for 2011, discussing a wide variety of topics including the housing market and unemployment.

**Presenter's Bio:**

Kei Matsuda is Director of Economic Research for Union, Bank. Mr. Matsuda monitors economic trends and developments for Union Bank management and customers, primarily focusing on the economies of California and the Pacific Northwest. He also tracks economic trends in Asia and the Pacific. Mt. Matsuda received his MBA from Stanford University and an undergraduate degree from the University of Tokyo.

**How to register:** Register now via credit card at [www.fpasv.org](http://www.fpasv.org)

**For more information:** [www.fpasv.org](http://www.fpasv.org)

**This meeting is sponsored by Stonecrest Managers**

\*For information on future meetings please refer to the Chapter Meeting Calendar at the back of this issue.

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## President's Column

by Andrea Roland, CFP®  
Monterey Bay Chapter

It often feels in my life that I do things backwards. I took my CFP® classes before I entered the industry (have you noticed that we use the term "industry" like there is only one – like "product" means hair products only?). I completed my Bachelors degree at 45, long after I became a CFP® and didn't major in finance. I wanted to major in behavioral finance, but was unable to do at the undergrad level.

When planners transitioning into financial planning often work as employees, I went out on my own immediately. I had a broker dealer who provided some training as well as back office support, but ultimately I was a self employed contractor. And those who start out as employees often strike out on their own some time down the road, but I had already done that without being an employee first. So now I have done another thing backwards. In November 2010, I made a change.

After 12 years of being a self employed, single person office, commission and fee based planner, I became an advisor and employee at an RIA firm. I am happy to make the transition to being a small (very small – just myself) business owner to working as part of a team. I go from making all the decisions and doing all the tasks to now specializing in planning and meeting with clients. How cool is that? No macro decisions and no micro ones either.

This has freed me up to become more effective in planning and client interactions.

This move made me ponder one of the questions that seem to plague this profession – what is the best model of business? Is it commission, fee-based, AUM, hourly or the retainer model? I have gone from the commission model to an AUM model. There are vociferous segments on all sides of the discussion.

For me it comes down to one thing – doing the right thing for the client. The conversation should be about that and not about compensation. Surely if planners are ethical then they will have a client centric practice and will get compensated for that. The commissioned planner still looks at the needs of the client and helps them to get to their financial goals just as much as the hourly planner does.

There are going to be caveats in every model and blind spots. We can, as planners, convince ourselves that our compensation model is the best one but I feel that every one has its positive and negative points. As long as the client knows and understands how the planner is being compensated and as long as the planner is helping the client, then surely it is a moot point. We are a developing profession and it is a healthy discussion to continue to have.

My new position means that I am

not practicing in Monterey Bay. Even given that, I will endeavor to be present as many of our meetings as possible and may ask you to step up to the plate. See you at the Ethics meeting.

### Monterey Bay Members, Save the Dates:

**Ethics Meeting:** Need Ethics certification? Attend our Ethics Meeting on February 17th. Contact Carol Murray at [clmurray3@aol.com](mailto:clmurray3@aol.com) for more information.

**NorCal Conference:** Scheduled for May 31st and June 1st, this conference is full of incredible information.

**Round Up:** Scheduled for August 11-14, this conference held on the UCSC campus is also packed with information and fun.

### CHAPTER NEWS:

Congratulations to **Nick Nicholson, CFP®** of Monterey who is celebrating his **29th anniversary** with the FPA. Nick is our Energizer Bunny!!!! Way to go, Nick!



Andrea Roland, CFP® is with Wealth Architects, LLC in Mountain View.

### Monterey Bay Chapter Executive Director

Monterey Bay  
**Carol Murray**  
[clmurray3@aol.com](mailto:clmurray3@aol.com)  
831-402-3478

New address? Has your membership information changed?

## Chapter Meeting Calendar

2011	East Bay FPAEastBay.org	San Francisco FPASF.org	Silicon Valley FPASV.org	Monterey Bay FPAMontereyBay.org	San Joaquin Valley FPASJV.org
<b>FEBRUARY</b>	<b>Wednesday, February 2nd,</b> 7:15am Round Hill CC <i>Ritz Carlton Level of Service</i> <b>Nick Horn</b>	<b>Wednesday, February 9th,</b> 11:30am - 1:30pm City Club <i>Cash-flow Planning</i>	<b>Friday, February 11th,</b> 11:30 am - 1:30 pm TechMart <i>2011 Economic Outlook</i> <b>Kei Matsuda, UBOC</b>		
<b>MARCH</b>	<b>Wednesday, March 2nd,</b> 7:15am Round Hill CC <i>Major Trends Affecting Investment Markets</i> <b>Charles Blankly</b>	<b>Wednesday, March 9th,</b> 9:30am - 1:30pm City Club <i>Incorporating Alternative Investments into Client Portfolios (Large and Small)</i>	<b>Friday, March 11th,</b> 11:30 am - 1:30 pm TechMart <i>Financial State of Social Security: Will the Financial Planning Profession Step up to Facilitate a National Discussion?</i> <b>Tim Kochis</b>		
<b>APRIL</b>	<b>Wednesday, April 6th,</b> 7:15am Round Hill CC <i>TBA</i>	<b>Tuesday, April 19th,</b> 11:30am -1:30pm City Club <i>Incorporating Philanthropy into the Family Wealth Plan</i> <b>Bob Lew</b> <b>Karen Meckstroth</b>	<b>Friday, March 11th,</b> 11:30 am - 1:30 pm TechMart <i>Credit Ratings, Bankruptcy and Credit Repair</i> <b>Panelists: David Rao, Natalie Knowlton, Hanna Fliegel</b>		

For advertising opportunities, please contact  
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## THE FINANCIAL PLANNING ASSOCIATION

3130 Alpine Road,  
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Portola Valley, CA  
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East Bay <b>Krysta Patterson</b> EastBayFPA@gmail.com 925-935-9691	San Francisco <b>Marion Briggs</b> info@FPASF.org 877-260-3218	Silicon Valley <b>Marion Briggs</b> execdirector@fpasv.org 877-808-2699	San Joaquin Valley <b>Erin Aquino</b> ErinAquino@hotmail.com 209-473-4045	Monterey Bay <b>Carol Murray</b> clmurray3@aol.com 831-402-3478
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