

Sole Practitioners Realize Lower Compensation ...

Results from the *FPA 2010 Financial Planning Salary Survey* show that sole practitioners—those operating a single adviser practice with no employees or partners—receive an average annual compensation of \$94,125, not including any money reinvested into their practice. This is significantly less than the total average annual compensation of \$238,114 (including salary, bonus, and incentive) received by those in a CEO/owner/president of a financial planning firm position.

Among CEOs, owners, and presidents, there is a

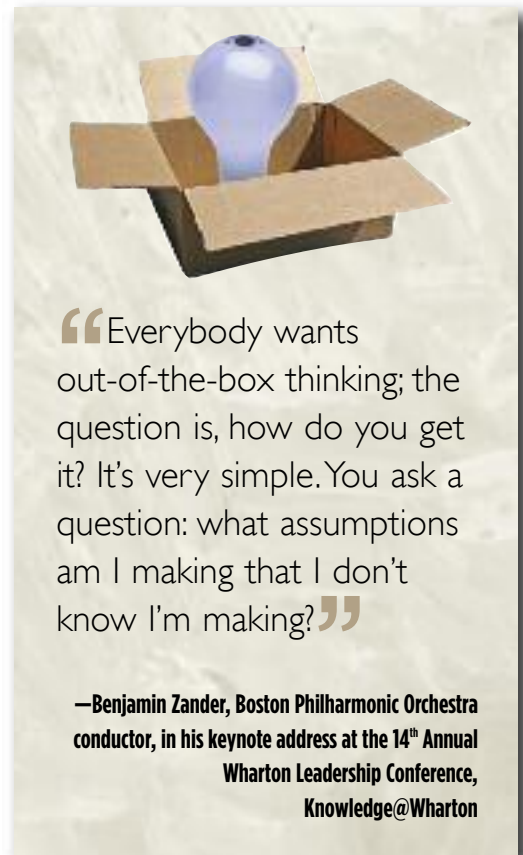
wide variance between the highest paid and lowest paid, with 25 percent of individuals in these positions receiving total pay of \$110,000 or less, and 25 percent receiving total pay of \$300,000 or more.

The average sole practitioner is also realizing lower annual compensation in 2010 compared to 2009, when the average annual compensation for this position was \$115,266.

For both sole practitioners and CEOs/owners/presidents, the New England states of Connecticut, Massachusetts, New

Hampshire, Vermont, and Maine prove to be some of the most lucrative places to have a financial planning business. The median annual income for sole practitioners in these states is \$100,000, and the median annual income for CEOs/owners/presidents in New England is \$214,000.

Participants in the 2010 survey will receive a free comprehensive report in October, when the report will also be available for purchase at the FPA online store (www.ShopFPA.org).



Tough Economy Spurs Action Against Financial Security Roadblocks ...



Financial advisers believe Americans are spoiling their own chances for financial well-being by spending beyond their means, saving too little, being afraid of market conditions, waiting too long to save

for retirement, and being reluctant to take financial action.

According to a survey commissioned by the Principal Financial Group and conducted by Harris Interactive, the number one piece of advice planners are giving their clients these days is to pay down debt (at 72 percent). Other recommendations enjoying a renaissance during this down economy include: increasing retirement savings (65 percent), building emergency fund kitties (57 percent), spending

less (57 percent), and talking with their financial adviser more (56 percent).

And clients are responding. According to the majority of planners (71 percent), the desire for financial counseling has increased somewhat or significantly among their client base from a year ago. As a result, advisers are offering more financial education to clients (61 percent) and paying closer attention to risk management (49 percent). Eighty-one

percent of planners are communicating with clients regularly to help ease anxiety in this turbulent market environment.

All this extra attention may be coming at a very real cost to planner health, though. More than half of advisers report stress levels about the same as or much higher than they were a year ago. And one-third report frequently being kept up at night by feeling that there aren't enough hours in the day to get their work done.

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Succession Planning on the Back Burner ...

The majority of independent RIAs (57 percent) have no formal succession plan in place for transitioning out of their businesses when the time comes, and 88 percent have had no formal practice valuation completed in the last 12 months. The most common reason advisers give for not putting a plan in place, according to a survey by TD AMERITRADE Institutional, is having no qualified candidate in mind to take over the business (42 percent).

For those RIAs with a formal succession plan in place, 49

percent expect to appoint a successor to run the business, while 18 percent expect to sell and exit the business or merge with another firm. Twenty-nine percent are not yet certain which transition option they will ultimately choose.

Those who have created a formal plan suggest doing so to: support continuity of the firm over the long run, meet client expectations for firm stability, ensure a smooth transition into retirement, and help secure employee futures.

Thirty-two percent of RIAs men-

tion formalizing a plan in order to enhance the valuation of their practice.

What steps are planners taking to bump up the value of their businesses? The top method is bringing on wealthier clients (61 percent), followed by staffing improvements (building skills—28 percent, and adding staff—26 percent), executing a marketing plan (48 percent), instituting



greater efficiency measures (40 percent), and upgrading technology (38 percent).



“The degree to which consumers have come to depend on easy, inexpensive credit is a far greater threat to the economy than most realize. To pay it off, the average U.S. consumer would have to hand over every penny of his take-home pay for 16 months.”

Excerpt from the article “Consumer Credit: The Next Crisis,”
Harvard Business Review

Investors Not Embracing the ‘New Normal’ ...

Although investors have reasonable expectations of single-digit stock market returns over the long term, those expectations haven’t translated into more realistic retirement planning.

According to results of a nationwide survey of mass affluent investors (those with investment portfolios of at least \$250,000) by Allianz Global Investors, only 34 percent of investors surveyed expect stock market returns greater than 8 percent five years from now, yet 87 percent are somewhat to very confident they will reach their long-term financial goals.

Pre-retirees seem exceptionally optimistic and perhaps naïve about the realities of retirement. Four in 10 pre-retirees say their investment strategy for retirement has not

changed in the last two years, and 86 percent believe their savings and investments will generate enough income throughout retirement. Only 21 percent of pre-retirees think their standard of living will be worse in retirement than it is now, and 80 percent believe they will have better-than-average health in retirement. And even though 54 percent of Americans have \$25,000 or less saved for retirement, only 32 percent of pre-retirees have extended their retirement date since 2008.

The good news is financial advisers appear to be well positioned to help close the gap between investors’ knowledge and their behaviors. The Allianz Global Investors survey also found that 89 percent of investors with an adviser have a fair to great level of confidence in the professional advice they receive, and 95 percent say they are closer to their adviser today than they were two years ago.

Fiduciary Obligations Lost in Translation ...

Despite the ongoing debate in Washington and the industry about which financial professionals ought to conduct their business with clients according to a fiduciary standard, 63 percent of wirehouse brokers and 29 percent of RIAs believe that *all* financial advisers are currently obligated to act in their clients' overall best interest. According to a national survey of advisers and investors by Envestnet and Mathew Greenwald & Associates, about 4 in 10 investors are equally mistaken that all advisers are currently held to the same fiduciary obligation.

A mere 18 percent of advisers (12 percent of wirehouse brokers and 22 percent of RIAs) say they are very familiar with the legislative discussion on fiduciary standards. This aligns closely with investors' attention to the matter: 73 percent are not very familiar or not at all familiar with the

debate. Envestnet finds, however, that investors are very interested to learn the professional responsibilities of the adviser they choose to hire and would favor those who communicate their responsibility.

But investors aren't counting solely on the effectiveness of a fiduciary standard being legislated. Sixty-nine percent believe "you must rely on the adviser's integrity." According to the survey, almost three-quarters of investors who are currently being advised report they would have more confidence in their financial professional if he or she offered a "bill of rights" as to what the client can expect and how the adviser operates.

Advisers seem to agree. Only about 20 percent express concerns about conforming their practice to meet new fiduciary obligations, and almost 90 percent believe that "... following a fiduciary standard is actually good for business."

STAT BANK



55...Percentage of Americans who were jobless in 2009 but back to work by March 2010, who took a pay cut at their new jobs. (*New York Times*)

1/4...Approximate portion of primary caregivers who are fathers, for preschoolers whose mothers work. (U.S. Census Bureau, CNN)

281...Percentage average after-tax incomes rose for the richest 1 percent of Americans between 1979 and 2007, to \$1.3 million. The middle 20 percent of Americans saw an increase of 25 percent, to \$55,300; the lowest 20 percent saw an increase of 16 percent, to \$17,700. (Congressional Budget Office)

\$119...Average daily amount spent by upper-income consumers—those earning \$90,000 or more—in June, down from an average of \$145/day in May. (Gallup)

62...Percentage of a home loan exceeding its home value at which point the median borrower walks away from his or her mortgage. (Federal Reserve Board)

\$6,900...The amount generated per client by financial advisory firms in 2009, down from \$7,800 in 2008. (Charles Schwab, *InvestmentNews*)

19.25...Average percentage growth rate in number of new CFP professionals in Brazil, India, Indonesia, and China for the first three months of 2010. Overall international CFP certificant population growth averaged 6.4 percent in 2009. (Financial Planning Standards Board Ltd.)

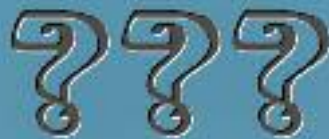
9...Percentage of CEOs of S&P 500 companies in 2004 who earned undergraduate degrees in economics. Although business and engineering grads make up 20 percent of CEOs each, when accounting for the graduate pool size, economics tops the list. (Bentley University, Social Science Research Network)

50...Percentage of investors who say it is a good time to invest in the stock market. Eight percent say it is a bad time, and 38 percent say it is neither a good nor bad time. (Allianz Global Investors)

\$790.5 billion...Amount, in assets, lost by money market funds over the past 12 months. (Morningstar)

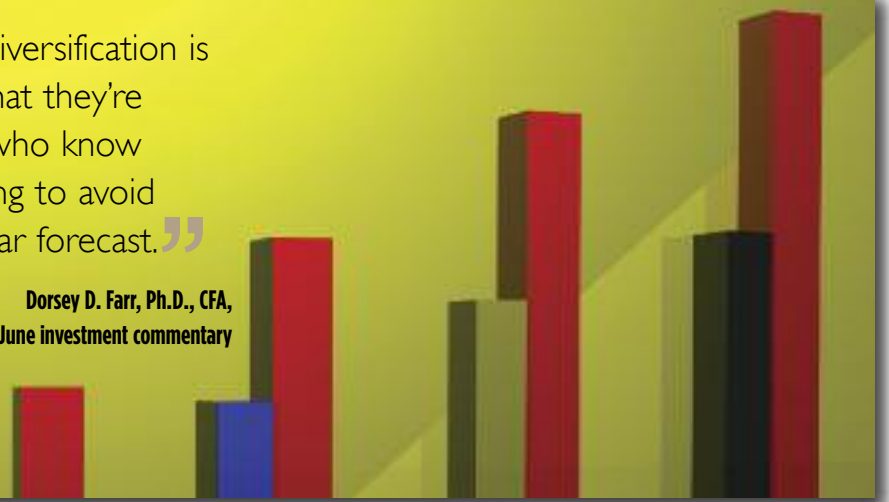
\$5,785...Average amount more of annual retirement and Social Security income realized by gay and lesbian couples than by average married heterosexual couples. (The Institute for the Study of Labor)

FIDUCIARY



“Warren Buffet argues that diversification is ‘for people who don’t know what they’re doing.’ Perhaps it is for people who know enough about what they’re doing to avoid betting everything on a particular forecast.”

Dorsey D. Farr, Ph.D., CFA,
of French Wolf & Farr, in the company’s June investment commentary



College Savings Plans on the Grow ...

The college savings plan market grew to \$261 billion in 2009, a 400 percent increase from the \$26 billion invested in them in 2003. Six hundred and fifty firms now participate in the market, up

from 400 in 2007, and there are 18 million individual accounts in the market (10 million in custodial accounts, 4 million in Coverdell Educational Savings accounts, and 4 million in 529 plans), up from 16.5 million in 2007.

Despite this growth in college savings plan participation, reported by Tiburon Strategic Advisors in *An Initial Overview of the 529 Plans Industry: The New College Savings Vehicle*, three-quarters of U.S. households still lack basic knowledge about one of its primary vehicles, 529 plans.

Financial advisers are chiefly responsible for the public’s participation in college savings plans; 75 percent of 529 plans, for example, are sold through third-party advisers. And, Tiburon reports, the number of financial advisers recommending 529 plans has increased to 70 percent, from 35 percent in 2008.



“One of the reasons that the recovery has lost momentum is that high-end consumers have become more jittery and more cautious.”

Mark Zandi, chief economist for Moody’s Analytics, *New York Times*