WOMEN TO SHOULDER MORE FINANCIAL RESPONSIBILITY

By 2030, women are expected to control two-thirds of all wealth. Are you prepared to address this significant demographic shift?

PLANNING CONSIDERATIONS FOR UNMARRIED COUPLES • SPOUSAL LIFETIME ACCESS TRUSTS
WHY EVERY WOMAN SHOULD HAVE A LONG-TERM CARE PLAN
HELPING WOMEN TAKE CHARGE OF THEIR FINANCIAL LIVES

It’s estimated that women control approximately 60 percent of the wealth in our nation; further, as the boomer generation ages, women are expected to be the recipients of one of the largest wealth transfers we’ve ever seen. Yet, a new survey by Prudential Financial, in partnership with the Women’s Media Center and the Paley Center for Media, found that 86 percent of the women surveyed don’t know how to choose financial products. This reported lack of knowledge means women have great need for financial advice.

Indeed, women investors have special needs, as they tend to outlive men and earn less over their lifetimes, while also serving as caregivers both to children and aging parents. In many cases, they look at financial planning from a different perspective than men, seeking more of a complete life planning approach. How can advisors serve this niche and take advantage of this potential growth opportunity?

Women are much more likely than men to need long-term care—and much less likely to be able to afford it. Have you discussed this sobering reality with your female clients? From the reality of self-insuring to the potential advantages of linked-benefit products to the risks of failing to plan, “Why Every Woman Should Have a Long-Term Care Plan” (p. 12) takes an insightful look at long-term care planning from a woman’s perspective, so you can better prepare for that important conversation.

Without proper planning, unmarried partners may face serious legal challenges when it comes to making decisions about children, managing personal finances, and even visiting each other in the hospital. “Planning Considerations for Unmarried Couples” (p. 17) explores why drafting relationship agreements and paying particular attention to how property is owned is especially important in helping your clients protect themselves.

As the future of the federal estate tax hangs in the balance, advisors and clients are searching for ways to create flexible estate plans that can stand up to any eventuality. In “Spousal Lifetime Access Trusts Provide Needed Flexibility for Estate Plans” (p. 27), we look at the advantages SLATs may have over irrevocable life insurance trusts in terms of providing lifetime income options for spouses.

This issue extends well beyond the needs of women investors to explore women’s role in the financial industry, as well as to celebrate women’s contributions to business and community (see our editorial, p. 5). Be sure to check out our online exclusives (highlighted on p. 4) for additional valuable content from our subject matter experts.

If you have questions or comments, or ideas for future stories, we’d love to hear from you.

Happy Holidays!

Kate Flood is the editor of the CBR. She is available at x9606 or at kflood@commonwealth.com.

CORRECTION: Louis Merkle’s name was misprinted in “Names in the News,” September/October 2010. We apologize for the oversight.
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Special Delivery! This mailing includes our third annual Research Supplement, a collection of articles from Commonwealth’s Investment Research team that seeks to provide you with more insight into our team’s methodology, as well as new ideas and strategies for your business.
THERE’S MORE ONLINE!
Looking for additional ideas and strategies for your business? Check out our online exclusives in the eCBR. (From the homepage of COMMunity Link®, click on More eCBR in the bottom right corner of the eCBR widget.)

WEALTH MANAGEMENT

When Fearful Clients Need a Softer Touch
— Kol Birke

It can be difficult for clients to look toward the future when they are terrified about today. In this story, financial behavior specialist Kol Birke shares a planning scenario he worked through with a Commonwealth advisor who was dealing with a recently widowed—and fearful—client.

Commodities Vs. Natural Resources Mutual Funds
— Lincoln Webber

Futures-based commodity funds and equity-based natural resource funds are often mistaken for each other—but while there is a good deal of sector exposure overlap between the two, the differences are many. This article explores how these funds work and the impact the market environment can have on potential returns.

Unit Investment Trusts: A Primer
— Ted O’Donoghue

With the continued popularity of mutual funds and the growing presence of exchange-traded funds, interest in unit investment trusts (UITs) has dwindled over the years. Yet it’s important to be familiar with these cousins to the mutual fund, as they often show up on prospects’ portfolio statements. From potential tax perks to fee structure, here’s what you need to know.

COMPLIANCE

Steering Clear of the Testimonial Trap
— Sheila Hancock

While cultivating your online presence is a great idea, it’s important to be aware that interactive rating and recommendation features on social media sites must be disabled to comply with Commonwealth and SEC guidelines. But that doesn’t mean you can’t promote positive client experiences. Find some tips that can help you market your business—and keep you out of the regulatory hot water.

A (Non) User’s Guide to Private Securities Transactions
— Gavin Lucca

Browse through FINRA’s Monthly & Quarterly Disciplinary Actions on a regular basis, and you’re likely to notice a common finding: advisors engaging in private securities transactions, in breach of NASD Conduct Rule 3040. Given the prevalence of private securities violations, let’s take a closer look at this potentially career-ending hazard—and how you can avoid it.

BULLETIN BOARD

Names in the News
— Emily Guadagnoli

Read about Commonwealth advisors who have been recognized by and quoted in the financial industry press.

ARCHIVES  Our comprehensive archive of online exclusives and print stories dates back to 2006. You can search by topic, author, or other keywords, or simply browse through historic content. Printer-friendly versions of articles are available at the click of a button. You’ll also find downloadable PDFs of our print issues.
I was thrilled to learn that this issue of CBR would be dedicated to women and investing. Our editor arrived at this topic because of the many studies that have shown women approach investing differently than men do.

The choice was also based on the fact that women are, more often than not, the household decision makers when it comes to finances. So it's smart business to focus on the subject. But for me, it's much more than that; this issue is also an opportunity to celebrate women and to recognize their unique and considerable contributions to the world.

A couple of decades ago, if you had told me that someday I'd write an editorial celebrating women and gender equality, I might not have laughed at you, but you can bet that I would have given you an odd look. But as I've gotten older—and perhaps just a tad wiser—my focus and priorities have changed. While I'm still competitive, it's not solely about winning the game; it's about making sure the game is fair for all who play. It's about making sure women are respected—that my wife gets treated just like I do in similar situations. It's about trying to influence the world so that my daughters Callie and Molly have the same opportunities as my sons Kevin and Aidan.

WALKING THE TALK
The change in my mindset has been steady and experiential. I am extremely fortunate to have been surrounded by some incredible women role models, as well as to work within an organization that shares values similar to my own. As evidence, I’m very proud that Commonwealth has recently made a sizeable contribution to become a founding member of 2020 Women on Boards. This is an initiative dedicated to defining gender diversity in the board room, with the dual goals of making people more aware of board composition and raising the percentage of women who serve on corporate boards in the U.S. to 20 percent or greater by the year 2020.

We are excited to present a guest editorial (p. 8) by Stephanie Sonnabend, who, in addition to being a longtime personal and professional friend of Joe Deitch’s, our founder and chairman, is also the chair of 2020 Women on Boards.

At the office. It's wonderful that Commonwealth can serve as a role model on this important issue. We stand proud with one-third of our partners—our board, so to speak—already comprised of women. They have been and continue to be significant contributors to both Commonwealth's success and to my own personal growth and development.

Joni Youngwirth is the leader of our nationally recognized practice management initiative, and her consultative approach has helped enhance my perspective, allowing me to view the business more succinctly through the eyes of our clients—the advisors. That guidance has been invaluable.

Our chief operating officer Janet Reckman’s lessons typically focus on the idea that how you get there matters as much as actually getting there. It’s my opinion that her process-oriented approach has not only saved Commonwealth from some setbacks, but it has been and will continue to be the operational backbone that helps us to expand smartly going forward.

Quality at Commonwealth is spelled K-A-T-H-Y. Kathy Lafreniere, who oversees all of our communications, marketing, and conference offerings, has taught me how important the details are—how everything matters, and everything speaks.

I’ve learned so much from Kate Creagh, managing principal of human resources, not only about how organizations function, but, more importantly, about how we must always maintain focus on our most
precious asset—our employees—if we intend to maintain the high standard of excellence that our advisors depend on. I would not be in the position I am today were it not for the advice that she has provided me. And I don’t think Commonwealth would be either. Kate’s contributions on the HR front have helped lead Commonwealth to multiple Best Place to Work honors. Most recently, we came in #2 on the Boston Globe’s Top 100 Places to Work list. But even more exciting, we ranked first in the Chances for Women category!

### COMMONWEALTH STANDS PROUD WITH ONE-THIRD OF OUR PARTNERS—OUR BOARD, SO TO SPEAK—ALREADY COMPRISED OF WOMEN.

I’d like to say that is was a conscious effort on our part to build such a diverse team, but the reality is that Joe has simply focused on selecting the best people he could find for his board—and by doing so, he has ensured that many unique and different perspectives are brought to bear on any and all issues we discuss.

**In the field.** Our network of advisors is full of additional role models. While I could cite enough examples to fill this publication, I’ll offer three whose affiliation with the firm spans just one year to more than twenty.

Let’s start with Alexandra Armstrong, who joined us last year from Washington, DC. Alex began managing assets more than forty years ago, and she was the first CFP® certificant in the greater Washington, DC area. In addition, Alex was honored by the FPA in 2004 as the first female recipient of the P. Kemp Fain Jr. Award—one of the highest recognitions bestowed on financial professionals—in recognition of her significant contributions to the profession in the areas of service to society, academia, government, and professional activities. She is one of the most high-profile and respected people in the financial planning community—male or female—and is a driving force behind the Foundation for Financial Planning, which supports pro bono advice and outreach activities by connecting the financial planning community with people in need.

Carrie Coghill from Pittsburgh, Pennsylvania, has been with us for more than a decade, and her boundless energy has led her to author books—including The Newlyweds’ Guide to Investing & Personal Finance and What’s Your Investing IQ?—appear on numerous television and radio shows, and co-lead one of the most respected financial planning practices in the country. Wealth Manager magazine named her one of the Top 50 Most Influential Women in Wealth Management in 2009 and 2010. She has also been named one of the Top 25 Women in Business (Pittsburgh Business Times, 2009) and one of America’s Top 100 Independent B/D Advisors (Registered Rep, 2010).

Our veteran, Deb Brede, joined us in 1989. A perennial top producer, she recently received the annual Special Service Award at our National Conference for her contributions to her clients and our firm, as well as for her charity work. In each of the last four years, Deb has traveled to Hyderabad, India, to work alongside her husband Ken to deliver free dental care to 250 children at the Agape International Orphanage. Deb is a trustee of Agape International, whose mission is to provide homes, food, and love to children of the Third World who’ve been orphaned by the AIDS crisis. Barron’s has named Deb one of the Top 100 Women Financial Advisers in the U.S. for five straight years (2006–2010). Deb has also been named to Wealth Manager’s Top 50 Women in Wealth Management (2009); she received the Distinguished Alumni Award from Pennsylvania State University in 2009 and Registered Rep’s Outstanding Advisor Award in 2010.

**In the community.** My personal involvement in and passion for promoting gender equality extends far beyond Commonwealth. I sit on the board of directors of Calling All Crows (CAC), a 501(c)3 charitable organization whose mission is “Mobilizing musicians and their fans to empower women around the world through service.”

My son Kevin and I share a love of music, and I was originally exposed to CAC after Kevin encouraged me to see the band State Radio, which is tied very closely to this organization. I quickly recognized that this was no ordinary band; they uniquely engage their fans by...
participating with them in service projects as they tour the world. While it’s admirable for a band to rally fans to raise money for issues (and State Radio absolutely does that), it’s quite another for a band member to stand next to you with a shovel or paintbrush in hand to perform community service. State Radio is literally mentoring the next generation in what it means to give back.

My whole family has gotten involved with CAC, and we have been rewarded with the joy that comes from working on many service projects—from rehabbing a community center in Brookline, Massachusetts, to painting diversity murals with Greenpeace in Marburg, Germany.

Beyond the mission of promoting women’s rights, what makes this story a perfect fit for this issue of the CBR is CAC’s co-founder, Sybil Gallagher. I am very fortunate to have gotten to know Sybil, and her many fine qualities make her an absolutely inspirational person to be around. At her core, she’s smart, engaging, warm, and savvy, and she uses these qualities in her pursuits as an inspirational fundraiser and passionate activist—especially for women’s rights. Sybil is driven by an ever-present and intense focus on promoting community service in a manner that makes everyone around her think about what they can do to help others. She is an ideal role model, and nothing would make me happier than for my children to emulate her devotion to making the world a better place. I’m proud that Sybil has also contributed a guest column to this issue of the CBR (p. 10).

And at home. I’d be remiss not to mention the woman who has influenced me the most: my best friend—and my wife—Veronica. She’s always supported me in whatever I do, mostly with words of encouragement and sound advice, although she also lets me know whenever I get a tad ahead of where I should be, with her patented line, “Get over yourself.”

A WIDE-REACHING EXPLORATION
You’ll find it all in this issue—from a look at corporate board composition, to planning strategies for unmarried couples, to an interview with some of Commonwealth’s women advisors, to an effort to help save the lives of women in the Sudan. I am so excited that the Commonwealth community stands on the right side of all of these issues.

Finally, I may never have a better opportunity to publicly thank another woman to whom I owe a great deal: the editor of this publication, Kate Flood. I can assure you that this column wouldn’t read nearly as well without her wonderfully magical touch—thanks, Kate!

Wayne Bloom is the CEO of Commonwealth Financial Network®.
A company’s board of directors is rarely a factor in making investment decisions. Yet these are the people responsible for hiring and compensating top executives and evaluating the company’s strategic decisions. Just as we seek a diverse investment portfolio, shouldn’t we look for diversity in the boardroom?

Business conditions, recent economic and environmental disasters, and a sharp decline in shareholder value have caused corporate stakeholders at all levels—consumers, employees, shareholders, and legislators—to question the way companies do business. As a result, shareholder advocacy is on the rise. Increasingly, investors are taking a harder look at board composition, calling for more representation of women and minorities on the boards of public companies.

Why should investors—and the professionals who advise them—be concerned with the makeup of corporate boards? The best boards encourage the expression of different views to arrive at good decisions. Board diversity promotes this conversation, allowing companies to improve their ability to identify, address, and resolve problems. It was this issue that prompted the SEC last year to adopt the ruling known as “The Governance Disclosure Rule,” which requires companies to consider diversity when nominating director candidates.

The SEC did not define diversity in its ruling, but recognized the usefulness of investor knowledge about diversity policies, noting that comments contributing to the ruling described a meaningful relationship between diverse boards and improved corporate financial performance.

In a speech last year to the SAIS Center for Transatlantic Relations, Securities and Exchange Commissioner Luis Aguilar said, “The persistent lack of diversity in our corporate boardrooms is an issue that requires continuing focus; a focus that needs to be maintained until our corporate boardrooms reflect the America we live in.”

**WOMEN ON BOARDS**

Women’s representation on boards has been the topic of numerous studies over the last 10 years. Catalyst, an organization that works with businesses and the professions to build inclusive workplaces and expand opportunities for women and business, reported in its 2009 study of Fortune 500 companies that women account for 15.20 percent of board seats, a number that reflects little growth over the last five years.

**2020 Women on Boards**, a new initiative that will launch in December 2010, will help define gender diversity in the boardroom. The goals of the initiative will be to make people aware of board composition and to raise the percentage of women who serve on corporate boards in the U.S. to 20 percent or greater by the year 2020.

2020 Women on Boards will be a grassroots effort to bring awareness of the issue of low representation of women on boards to people who may have never thought about it: young people, middle managers in companies that do not have diverse boards, consumers, and investors. The initiative will help them become change agents by encouraging them to support the 2020 campaign and provide them with the tools to effect change.

**MORE ABOUT DIVERSITY**

Studies show that smaller companies have fewer women directors than larger companies. According to Catalyst, women comprise only 11 percent of the corporate directors of Fortune 1000 companies; 25 percent of the companies in the Fortune 1000 have no women directors at all. The Inter Organization Network (ION), a consortium of women’s organizations from across the country, noted in its 2009 report, *Planning for Tomorrow’s Boardroom: Making Room for More Women*, that the percentage of board seats held by women in the 936 companies studied was, on average, 11.10 percent, with a range between 7.50 percent and 17.60 percent.

There is ample evidence to suggest that strong financial performance and good corporate governance correlate
positively with the presence of women directors. In its 2007 report, The Bottom Line: Corporate Performance and Women’s Representation on Boards, Catalyst found that companies with a higher representation of women board directors had higher financial performance in three key areas:

- **Return on equity**: On average, companies with the highest percentages of women board directors outperformed those with the least by 53 percent.
- **Return on sales**: On average, companies with the highest percentages of women board directors outperformed those with the least by 42 percent.
- **Return on invested capital**: On average, companies with the highest percentages of women board directors outperformed those with the least by 66 percent.

Another study of Fortune 500 firms, The Diversity of Corporate Board Committees and Financial Performance, by David A. Carter, et al, at the University of Oklahoma, showed a positive link between board diversity and financial performance and improved shareholder value. Boards with gender diversity showed improved financial performance through the audit function.

Given the economic benefits that diverse boards provide—and the slow rate with which boards are nominating women directors—investors are becoming vocal about the issue. Commenting on the new SEC rule, Commissioner Aguilar said, “We received letters from persons and organizations representing over $3 trillion in assets. They made it clear that information about board diversity is something they find important in the assessment of companies that they own. When such a sizeable portion of the U.S. capital markets tells the Commission that they seek diversity-related information for their decisions, it is clearly material.”

Many of these investors are women; in fact, women now represent about half of all U.S. investors, according to the Boston Club’s 2005 Census of Women Directors and Executive Officers of Massachusetts Public Companies. In July 2010, the Boston Consulting Group published a report, Leveling the Playing Field, indicating that women investors control about a third of the wealth in North America, about $9 trillion. That figure is expected to grow at an average annual rate of 8 percent through 2014.

**WHAT CAN YOU DO TO PROMOTE BOARD DIVERSITY?**

The website 2020WOB.com will become a portal for information about women on corporate boards, highlighting W companies, whose boards are already at least 20-percent women, and identifying Z companies, those with no women. Financial advisors and institutional investors will want to know the makeup of corporate boards, because their clients may begin to ask.

You can use the 2020 Women on Boards campaign to your competitive advantage.

- Become a fan and supporter on 2020WOB.com.
- Inform your clients (especially your women clients) about the 2020 campaign.
- Research board makeup of companies you recommend. (If they are a W company and not on the list, you may submit their name.)
- Include board diversity in your matrix for investment performance.
- Learn about the value of diversity in the boardroom and how it contributes to a company’s success.

In summary, with campaigns such as 2020 Women on Boards, board composition will become a criterion when making investment recommendations to clients. You have the opportunity to be at the forefront of this important issue.

Stephanie Sonnabend is president and CEO of Sonesta International Hotels Corporation and chair of 2020 Women on Boards. Ms. Sonnabend serves on two corporate boards: Sonesta and Century Bancorp.
This summer, between July 30 and August 3, rebel soldiers took over villages in the Democratic Republic of the Congo, sexually assaulting more than 500 women and children.

Unfortunately, this is a too common occurrence in a world where abuse against women is a weapon of war, and the “fortunate” ones who survive are often relegated to a life in which they are shunned by their loved ones.

The plight and suffering of the African people—and women in particular—continues to make headlines. And it has prompted me and countless others around the world to get involved in service programs and, specifically, in promoting women’s rights.

CALLING FOR A STOP TO THE ABUSE

While there is a growing awareness of abuse against women around the world, we have a long way to go to stop the daily horrors that many women in underdeveloped nations face. Even in the U.S., a women is sexually assaulted every 2 minutes—and more than half of crimes go unreported.

Such international and domestic atrocities inspired me and Chad Stokes, lead singer of the band State Radio, to found Calling All Crows (CAC), a nonprofit organization dedicated to mobilizing musicians and their fans to empower women around the world through service. Our three-pronged service model seeks to promote social change through humanitarian aid, hands-on volunteerism, and issue advocacy.

Humanitarian aid. Our most successful campaign aligned us with Oxfam America in 2009 in support of the Darfur Stoves Project, which seeks to provide Darfuri women with specially developed stoves that require less firewood. As a result of these stoves, women’s exposure to violence while collecting firewood is decreased, as is their need to trade food rations for fuel. Through the generous support of State Radio fans and our organization’s members, whom we call Crows, we raised more than $100,000, which was used to distribute 5,000 stoves. These stoves are also partially assembled locally, providing valuable jobs.

Empowering women is also a top priority for us. We have continued our efforts to support displaced women in Darfur through our 2010 campaign—Trees, Training, & Donkey Carts—which provides livelihood grants and entrepreneurship training for displaced women like Mariam. She looks after five grandchildren and is dependent on food aid, while earning a small income from handicrafts. Through our fundraising, she received a donkey (an essential asset in rural Darfur), a cart, and training; in just two months, her income has doubled—she now has an asset, feels more secure, and enjoys enhanced self-esteem.

AS A TEAM, CAC SEES GENDER EQUALITY AS OUR GENERATION’S MOST SIGNIFICANT CHALLENGE.

Hands-on volunteerism. Our Crows also join forces with State Radio and its fans to perform community service. Through carefully selected partners, such as Greenpeace and the Surfrider Foundation, we’re on track to contribute more than 10,000 hours of service this year. For example, State Radio ended their spring tour with a concert for 5,000 hometown fans in Boston—and many
of those fans joined the band and others the next day to work on a service project. At our Boston site, 60 volunteers winterized a building that houses nonprofits. All in all, we organized and facilitated six volunteer events—a “New England Day of Change”—in all six New England states, and we were struck by the hard work, enthusiasm, and pride of the day.

Not only do these events allow us to assist with valuable community projects, but they simultaneously provide us with a platform to raise awareness of women’s issues and encourage advocacy participation. Through the efforts of CAC and the members of State Radio (whom many of the fans and volunteers look up to), we hope we can somehow influence others to be part of a more gender-equal world.

**Issue advocacy.** We also encourage the band’s fans and Crows to support important legislation, such as the International Violence Against Women Act. This includes providing both education and direction on how to lobby their congressmen/women and senators to support the bill through the Foreign Relations Committee.

As a team, CAC sees gender equality as our generation’s most significant challenge. We see the need for change in so many places: in the home, in schools, in the workplace. Through service, music, and fundraising, we hope State Radio fans and our Crows can leave a project with a greater sense of awareness of women’s rights issues and with a greater sense of responsibility to make the world a better—and an equal—place.

Sybil Gallagher is a co-founder of Calling All Crows, a nonprofit organization dedicated to mobilizing musicians and their fans to empower women around the world through service. She is also the tour manager for the band State Radio. For more information on Calling All Crows, visit www.callingallcrows.org.

How wonderful it is that nobody need wait a single moment before starting to improve the world.

— Anne Frank
Many of the women we see portrayed in movies and on television are independent, wealthy, and confident, with great digs, a closetful of designer clothing, and an endless supply of Jimmy Choo heels. (Carrie and the ladies of Sex in the City, I’m talking about you.)

But real women, as self-sufficient and sophisticated as they may be, face a more complicated set of realities:

• Women usually live longer than men.
• Women usually end up single, even if they were once married.
• Women usually earn less than their husbands and men in general.
• Women usually end up with decreased income if they outlive their husbands, and many become vulnerable to poverty.
• Women tend to be more conservative investors over the course of their lives.

The cumulative result of these factors is that women are much more likely than men to need long-term care—and much less likely to be able to afford it. While this discouraging fact makes me want to mix myself a Cosmopolitan, instead I’ll show you how addressing it can help you become an invaluable resource to your female clients.

UNDERSTANDING YOUR WOMEN CLIENTS

Many women have two concerns surrounding aging, both of which can be addressed by a long-term care plan. First, they may want to leave assets to children, grandchildren, or charities. A long-term care plan provides the cash flow to pay for health care expenses and, therefore, helps protect the client’s estate, enabling her financial plan to execute the way she intended. Second, women may worry about becoming a burden on family members. A long-term care policy enables the client’s family to manage care, rather than serving as the actual caregivers.

Although many women share these concerns, it’s also important to assess their individual attitudes toward long-term care planning itself. Most of your female clients will fall into one of three categories:

Women clients who are concerned about long-term care expenses and actively seek your counsel. With a receptive client, the best approach is to discuss her concerns and develop a long-term care strategy within the framework of her overall financial plan. Commonwealth’s Insurance team can help you prequalify the client to ensure that she’s eligible for long-term care insurance (LTCI). Then, present the client with several choices of carriers, coverage, and premiums, as well as recommendations for funding the plan. Funding options can include paying premiums out of income, using dividends from investments, paying through a business, or utilizing 1035 exchanges from annuities or cash value life insurance.

Women clients who may not be well informed about long-term care or believe that they have the financial resources to cover it, if necessary. Here, your best strategy is education, analysis, and perseverance. For clients in their late 40s or early 50s, schedule a dedicated long-term care planning meeting. In preparation for the meeting, determine the cost of care in your area. (See the Cost of Care Interactive Map on COMMunity Link® at Products > Insurance > Long-Term Care > Advisor Education.) Illustrate potential long-term care costs based on the projected cost of care for a short-duration event (1 year), a medium-duration event (3 years), and a catastrophic event (6 to 10 years), as well as the impact of those scenarios on cash flow. Explain how a long-term care plan can protect the client’s income and assets, and present a funding strategy. If she resists, revisit the subject the next year and every year thereafter. Sometimes, a client who has refused LTCI in the past experiences a personal situation that prompts her to reconsider it.
Affluent clients may believe that self-insuring is the best way to fund long-term care expenses. For this type of client, you might introduce a linked-benefit solution (single-premium life policy with long-term care benefits and a death benefit) as a smarter way to self-insure. Repositioning existing “lazy money” into a linked-benefit policy can provide excellent leverage for long-term care expenses, in addition to an income tax-free death benefit in the event long-term care isn’t needed.

Women clients who are concerned about long-term care but defer to their husbands, who refuse to discuss it or reject a long-term care plan. When I sold LTCI, the body language of couples was often a clear indicator of their attitudes. As we discussed the consequences of an uncovered long-term care event, the woman typically leaned forward and listened intently, while the man tended to lean back with arms crossed against his chest and “no” written all over his face. In these situations, it was clear that the husband didn’t believe he would ever need long-term care or assumed that, if he did, his wife would be his caregiver.

Like other planning discussions where husband and wife may have different perceptions or goals, this challenging situation requires a sensitive approach—and possibly some marriage counseling skill. Start by agreeing with the husband that he and his wife may never need long-term care. Remind him, however, that if they do have a long-term care need, the consequences to their family and finances could be catastrophic. Present a few financial scenarios to illustrate the possibilities. Reiterate that, as their advisor, it’s your responsibility to help them manage risk, whether that means purchasing LTCI or setting aside a large enough sum of money to cover care for several years.

If the husband assumes that his family will provide care, it’s time to ask a few tough, but reasonable, questions:

- Who exactly will be his caregiver?
- Has he discussed this with the family?
- Are family members capable of caregiving? Do they have the necessary skills? Are they geographically close? Are they able to dedicate time and/or money to the caregiving effort? Are they willing to compromise work or their own family responsibilities to become the caregiver?
- Who will care for his wife if he predeceases her?

Gently remind the couple that caregiving can be a significant burden for the caregiver, both physically and mentally. In fact, a long-term illness can take a bigger toll on a caregiver than a spouse’s death, turning his or her “golden years” into an unexpectedly stressful time.

When discussing long-term care with a reluctant husband, you may find the planning strategies below helpful:

- If appropriate, propose a linked-benefit policy to counter the objection of paying premiums for care the client might never need.
- Design a plan for catastrophic coverage, showing lower, more palatable premiums.
- Present a shared-coverage plan with a shorter benefit duration to lower premiums. This type of plan can provide reasonable coverage, as it’s more likely that only one spouse will need care.
- Develop a more robust plan for the wife and a nominal plan for the husband so that they qualify for a full couples discount. Often, this is less expensive than if the woman applies for coverage by herself.
- Remind the couple that LTCI rates are unisex; although women are more likely to file a claim, they pay the same premiums as men.

A PLANNING NECESSITY

Long-term care planning is an important component of any financial plan, and it’s especially critical for your women clients. Consider it an opportunity to save a client from significant financial losses in the future. Whether she chooses traditional LTCI, a linked-benefit product, or another option, a woman who plans for long-term care protects her financial plan, her family, her health, and—not least—her independence.

Susan Kobara is a long-term care product specialist. She is available at x9737 or at skobara@commonwealth.com.
WHY AREN’T THERE MORE WOMEN FUND MANAGERS? AND WHY SHOULD WE CARE?

ALICIA NISBERG, CIMA®

Considering that women control more than 50 percent of U.S. investment wealth, according to Federal Reserve board data, why aren’t there more women at the forefront of running money on Wall Street? Instead, in an industry where they are already a minority, the number of women in money management has diminished.

*Women in Fund Management*, a recent report from the National Council for Research on Women (NCRW), finds that only 10 percent of traditional mutual fund managers are women. And in the $1.9 trillion dollar hedge fund industry, women manage just 3 percent of some 9,000 funds.

In addition, according to a recent *Wall Street Journal* article, “Ranks of Women on Wall Street Thin,” in the past 10 years, nearly 3 percent of female workers in finance have left the industry, while the number of males has grown by almost 10 percent. Further, women are underrepresented in executive management: Only 17 percent of women on Wall Street serve as vice presidents and less than 3 percent are CEOs.

**LACK OF FEMALE LEADERSHIP, RECESSION, OTHER FACTORS PLAY ROLE**

There is a strong effort among financial firms (banks, brokerages, and asset management companies, in particular) to recruit and retain women. Yet while the total number of women in the labor force has grown over the past decade, the number of women in finance continues to plummet (see Figure 1). Why?

It could stem from the fact that women tend to leave their jobs before their careers peak, often choosing to stay home and raise children or simply seeking a better work/life balance. Since 2000, the number of younger women between the ages of 20 and 35 working in finance has decreased by more than 16 percent, while the number of males in that age range grew by more than 7 percent, as reported by the *Wall Street Journal*.

In addition, the article stated that the number of women ages 20 to 24 entering the industry fell 21.80 percent over the past decade. Younger women may be discouraged by the lack of women in high-level management roles; their mentors simply aren’t there.

Other reasons for the drop in female representation may be due to the fact that some back-office administrative and service functions—jobs historically held by women—are being replaced by technology. And it seems the downturn in 2008 was a huge hit to the numbers of women in the financial industry, more so than men.

**WHY SHOULD WE CARE?**

Because a growing body of research suggests that female fund managers have a tendency to outperform their male counterparts in terms of returns and risk.

According to a study conducted by Hedge Fund Research, women hedge fund managers outperformed male fund managers for the period January 2000 through May 31, 2009; average annual returns for women
managers were 9 percent, versus 5.82 percent for men. In 2008’s down market, funds run by women were down 9.60 percent, versus a 19-percent decline among male-managed funds.

NCRW’s *Women in Fund Management* report lends some insight into why this may be the case, believing that it stems from differences in men’s and women’s investment styles. Women, for example, tend to be less prone to taking risk, which makes them more consistent investors over time. Men, on the other hand, tend to be more active managers, which leads them to take on more risk. NCRW cites a 2008 paper by researchers at the University of California, Santa Barbara, explaining that “in a homogeneous, male-dominated world of investment management, men’s tendency to assert dominance in aggressively risky decision-making is amplified and, in fact, helps explain the ‘group think’ or herd mentality noted by so many in the recent financial crisis.”

Various reports cited in *Women in Fund Management* indicate that, compared with men, women are more likely to be:

- Long-term-oriented
- Calculated and careful in their approach to risk
- Detail-oriented researchers
- Collaborators; less concerned with ego
- Patient and better able to deal with stressful situations

Think about it. When you do your due diligence, searching for an appropriate fund in which to invest, don’t you often look for managers who show patience, consistency, attention to detail, a long-term perspective, and the ability to manage through stress? These are all key ingredients to a successful investment process—not to mention, they have been integral in helping to manage through the volatility the markets have experienced over the last three years.

### FIGURE 2: Funds Managed by Women

<table>
<thead>
<tr>
<th>Name</th>
<th>Fund/Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sarah Ketterer (Co-Founder)</td>
<td>Causeway International Value (CIVIX)</td>
</tr>
<tr>
<td>Mary Ellen Stanek (Team Lead)</td>
<td>Baird Aggregate Bond (BAGIX)</td>
</tr>
<tr>
<td>Susan Byrne (Founder)</td>
<td>WHG LargeCap Value (WHGLX)</td>
</tr>
<tr>
<td>Diana Strandberg (Co-Manager)</td>
<td>Dodge &amp; Cox International (DODFX)</td>
</tr>
<tr>
<td>Christine McConnel (Lead PM)</td>
<td>Fidelity Floating Rate High Income (FFRHX)</td>
</tr>
<tr>
<td>Susan Schiff (Lead PM)</td>
<td>Eaton Vance Low Duration (EALDX)</td>
</tr>
<tr>
<td>Jennifer Taylor (Lead PM)</td>
<td>Royce Micro-Cap (RYOTX)</td>
</tr>
<tr>
<td>Ann Miletti (Lead PM)</td>
<td>Wells Fargo Advantage Common Stock (SCSAX)</td>
</tr>
<tr>
<td>Sara Zervos (Lead PM)</td>
<td>Oppenheimer Emerging Markets Debt (OEMAX)</td>
</tr>
<tr>
<td>Kimberly Scott (Lead PM, Waddell &amp; Reed)</td>
<td>Ivy Mid Cap Growth (WMGAX)</td>
</tr>
<tr>
<td>Ann Thivierge (Lead PM)</td>
<td>Morgan Stanley International (INLAX)</td>
</tr>
<tr>
<td>Kristen Ceva (Lead PM)</td>
<td>Payden Emerging Markets Bond (PYEMX), Payden Global Fixed Income (PYGFX), Payden Core Bond (PYCBX)</td>
</tr>
<tr>
<td>Mary Beth Syal (Lead PM)</td>
<td>Payden Short Bond (PYSBX), Payden U.S. Government (PYUSX)</td>
</tr>
<tr>
<td>Alison Martier (Lead PM)</td>
<td>AllianceBernstein Intermediate Bond (ABQUX)</td>
</tr>
</tbody>
</table>
Despite their low numbers in the industry, women are visible in some well-known investment shops—Seix and Taplin, for example—and lead several billions of dollars. In addition, there are quite a few popular funds managed by women (see Figure 2). You might be interested to learn that the five-year annualized return for each of the funds listed beat its respective Morningstar category, and, in many cases, the fund did so with lower risk, as measured by standard deviation.

**IN 2008’S DOWN MARKET, FUNDS RUN BY WOMEN WERE DOWN 9.60 PERCENT, VERSUS A 19-PERCENT DECLINE AMONG MALE-MANAGED FUNDS.**

**A CHANGING OF THE GUARD?**

As reported in *Women in Fund Management*, a 2009 poll conducted by Ignites Europe found that most asset managers surveyed think women have an advantage over men in asset management, especially over the long term. Given this mindset, could we potentially put a halt to the number of women leaving jobs in finance? It’s hard to say, but a growing number of organizations geared toward women—offering everything from networking, to career advancement, to client and asset gathering support—may have something to say about it. Indeed, a new initiative set to launch in December will seek to increase the number of women serving on corporate boards (see “The Importance of Board Composition and Diversity in Investment Decisions,” p. 8).

With limited research in this area, we can’t clearly conclude whether women consistently outperform men in a portfolio management role, or whether they take on less risk. What is clear is the value of combining various thought processes in a portfolio; too much of the same thing is never good. Given the importance of diversification in managing portfolio volatility, maybe we should consider adding firm type and portfolio manager gender to the list of differentiating factors. In a male-dominated field, women can certainly add some balance to your clients’ portfolios. *Diversification does not ensure a profit or protect against a loss in declining markets.*

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There came a time when the risk to remain tight in the bud was more painful than the risk it took to blossom.

— Anais Nin
PLANNING ConsideringATIONS FOR UNMARRIED COUPLes
TERE D’AMATO, CFP®, CLU, CHFC, MSFS

No couple likes to think about death, disability, or a breakup, but planning for the unexpected can go a long way toward ensuring that an unmarried couple’s intentions are honored and misunderstandings avoided.

While some states are starting to recognize the need to provide committed, unmarried couples with the legal benefits that married couples receive, there are millions of couples who face serious barriers without proper planning.

For example, in the absence of documents that say otherwise, an unmarried partner may not have the legal right to manage the other partner’s personal finances, inherit his or her assets, or even visit him or her at the hospital. Without a plan in place, the state’s default beneficiaries will be listed as the legal heirs, and the individual’s biological family—not his or her partner—will control decisions about the individual’s health care.

And even if a couple has documents valid in their state, those documents may not be accepted in others. Prior planning can also help alleviate disputes about property division after a breakup.

Marriage-Like Legal Relationships
There are several ways to legalize a relationship without marriage. About a half a dozen states have joined Massachusetts in recognizing same-sex marriages. Other states have approved civil unions, domestic partnerships, or common-law marriages. These arrangements are intended to give a couple the same benefits, protections, and responsibilities of a married couple. Civil unions and domestic partnerships are formal agreements that outline what will happen at death, incapacity, or breakup. They may also address the visitation and custody rights of children and who is responsible for support.

But civil unions and domestic partnerships may only be recognized in the state in which they were created. That lack of portability is due in part to the 1996 Defense of Marriage Act, which prevents the federal government from recognizing same-sex marriage and, further, does not require one state to recognize the same-sex marriage laws of another state or country. Thus, federal tax, ERISA, COBRA, and other federal protections are not available to unmarried couples with one exception: true common-law marriages.

There is an urban myth that if you live with someone of the opposite sex long enough, you are considered married under common law. In fact, only about a dozen states recognize common-law marriages. Even then, the requirements for a common-law marriage differ from state to state. Rather than allowing your clients to leave their partner’s rights at question, consider having them formalize their intentions with the help of an attorney.

One type of legal document used by unmarried couples is a “living together” agreement.

Living Together Agreements
Relationship, cohabitation, or living together agreements are legal contracts much like prenuptial contracts and are designed to anticipate potential problems before they occur. A couple puts in writing how joint property, debts, inheritances, income, and support will be handled at a breakup or at death.

Note that creditors are not required to honor a relationship agreement. And being liable for a mortgage does not give a nonowner property rights. When creating a relationship agreement, have your clients consider the following:

• How will you combine finances? How will property be owned? Equally or proportionately? Will income be pooled or accounted for separately? How will property acquired before the relationship be treated?
• How will personal finances be managed while you are a couple?
• Who will have control over your financial affairs and medical care if you are sick or injured?
• Who will care for your children, either naturally born or adopted, if you can’t?
• Who will receive your property at your death?
• What measures need to be taken to provide financial security for the other?
Also keep in mind that parental rights are governed by the laws of the state of residence; while a relationship agreement may indicate the couple’s wishes, the courts have final jurisdiction. Without key legal documents or adoption agreements, your clients may not be able to make the most basic medical and legal decisions concerning their child.

**PLANNING FOR THE SECURITY OF A PARTNER**

Make sure clients understand their 401(k) and pension distribution options at their death. They may be more limited than your clients had expected. For example, a nonspouse beneficiary may be able to move a partner’s 401(k) to an inherited IRA, but he or she may be cut off from the partner’s pension benefits. If the client’s employer pension does not provide annuity benefits for nonspouse survivors, have him or her check into a pension rollover option if he or she leaves the employer.

Social security only provides retirement benefits to family members and opposite-sex spouses. Unmarried partners cannot get retirement benefits based on a partner’s earnings record. If social security retirement benefits are an important part of the financial plan, work with your clients to consider how they might replace this income for a partner through life insurance.

Life insurance is a key tool for creating financial security for a loved one, but consider other important insurance coverage as well. Long-term care insurance on both partners is highly recommended. While states provide some financial protection for spouses of patients impoverished by long-term care expenses, an unmarried partner does not qualify for these protections. Property insurance only covers a very small amount of loss to the property of “roommates.” Review how existing policies protect each partner’s property if he or she does not own the home. Health insurance may be offered to a partner, but it may not be portable if the other partner leaves his or her employer. COBRA, the federal protection for departing employees, does not extend to unmarried partners, even if the state recognizes the relationship.

**JOINTLY OWNED PROPERTY**

There are two basic ways to own property as an unmarried couple. Joint tenancy with right of survivorship has the advantage of passing directly to the surviving owner without the delay of probate. Tenancy in common, on the other hand, allows owners to own disproportionate shares of the property. But as a tenant in common, a partner’s share of the property will pass according to his or her will. Without a will, the property will pass according to the state’s intestacy laws, which never include an unmarried partner as an heir.

A best practice is to keep detailed financial records about who contributed what to jointly owned property and expenses. Have clients facilitate their recordkeeping by maintaining separate checking accounts.

**STEPS TO BUILDING A SOLID ESTATE PLAN**

Normally, the term estate planning is associated with tax-reduction planning. While it is true that married couples have a considerable advantage when it come to gifts and bequests to each other, the most pressing problem for unmarried couples is not taxes. Even more important is the fact that, without legal documents in place, unmarried couples do not automatically inherit from each other, nor can an unmarried partner make medical decisions for the other.
Among the basic estate planning documents for any couple are:

• **A power of attorney** allows someone else to handle a person’s financial affairs, thus avoiding a court-ordered conservatorship.

• **A durable power of attorney** is immediate and continues even if an individual is disabled or incompetent.

• **A springing power of attorney** becomes effective only when an individual becomes incapacitated.

• **A health care power of attorney** designates who can make medical decisions on someone’s behalf.

• **A living will** states wishes about artificial life support, among other things.

• **Transfer on death (TOD) and paid on death (POD) registrations** for brokerage and bank accounts allow named beneficiaries to receive assets outside of a will.

• **A living trust** allows assets to be transferred privately.

Other documents—often overlooked—are a hospital visitation form that instructs the hospital about who may or who may not visit an individual, a statement outlining funeral and burial wishes, and a nomination of a guardian if the person becomes incapacitated.

In states recognizing civil unions and domestic partnerships, couples normally have the same rights as spouses under state law, making some of these documents unnecessary. But it’s best to err on the side of caution. Since most of us leave our state for vacations, business, and other reasons, it’s important to take additional steps to ensure that clients are not left in legal limbo.

Finally, the simplest solution is sometimes the least obvious. Trust-owned life insurance can solve a lot of problems by creating liquidity to pay estate and income taxes or by providing the surviving partner with a source of support, perhaps lessening family conflict. Clients should involve their attorney and/or tax advisor for more information specific to their situation.

*Commonwealth Financial Network*® does not provide legal or tax advice.

_Tere D’Amato is the vice president of advanced planning. She is available at x9168 or at tdamato@commonwealth.com._

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**Find a need and fill it.**

— Ruth Stafford Peale
I wouldn’t be the first person to suggest that children and adults with special needs or disabilities require a greater degree of attention, especially when it comes to managing the financial planning for them and their families. Still, after sharing this story, I hope the conclusions will have an impact on you, on your definition of financial planning, and on how you craft your approach with clients and prospects in the future.

THE BLIND LEADING THE BLIND . . . WITH NO PUN INTENDED

My wife and I enjoy spending our free time volunteering and meeting families at Perkins School for the Blind, located in Watertown, Massachusetts, just west of Boston. Last summer, we met a family who told a disturbing story of financial miscues that will almost certainly cause their visually impaired son—he is legally blind—a lifetime of financial hardship. It’s a story that has weighed heavily on my mind, and I wish there were some way to alter the ending.

The family, working with an investment professional, had done what they had believed was right. They had invested money for their son, which had been given to them by his grandparents. They had even employed their son in the family business, encouraging him to save money and to acquire some confidence-building independence.

So far, so good, right? I bet you can imagine what happened next. When the young man reached the age of maturity, he was disqualified. In the ensuing months, his family spent significant time and money appealing the decision—pleading for an exception—to no avail.

The unfortunate irony of it all was that, even though everyone had the best intentions, helping the son to earn several thousand dollars to fund his future eventually forced him to miss out on hundreds of thousands of dollars of financial support over his lifetime. I can only imagine the finger pointing that went on in their household and among their financial professionals. While my heart goes out to them—and perhaps everyone shares some level of responsibility—we can all learn from this example about what broke down and why.

THE CHALLENGE

If you probe your own client or prospect base, you will likely discover that quite a few of them are impacted by someone with a disability—if not a child, then an aging family member. But do you include a question about special needs or disabilities on your client intake form? Or perhaps ask whether a new client may become guardian to a special needs parent or child? If so, do you assume the solution to a yes answer is to refer him or her to an attorney only to draft a special needs trust?

Let me back up a little and share some facts about special needs. According to U.S. Census Bureau statistics from 2005, 35 million Americans (or 12 percent of the U.S. population) have been diagnosed with a severe disability. That means one in nine Americans—a group roughly the size of the population of both California and Florida—has or has had a serious physical impairment. Using these statistics, sheer probability tells you that you have or will have clients impacted by disability.

WHAT CAN WE LEARN FROM THE SITUATION?

Although some advisors believe that too much information can be counterproductive in initial and ongoing client meetings, I believe asking enough of the “right” questions can serve as the foundation for a client’s entire financial picture. With the benefit of hindsight, we can see how the chain of events unfolded in this specific story. And we have so many questions racing around in our own heads about what went wrong. Did the clients mention to the advisors that their goal was to accept government aid for their son? Is it the advisor’s responsibility to know all the types of public and private resources available? Was the advisor made aware of the employment in the family business? Was it the advisor’s responsibility to ask? Imagine
the difference that sharing more information might have made to the outcome.

In today’s complex environment, we have an opportunity to serve clients with special needs concerns by offering a sort of framework from which to proceed. Within that framework, we can present the range of choices and resources available to them.

We’ve created a Special Needs and Disabilities Worksheet designed to help you obtain information so you can better determine what these clients need. It’s available on COMMunity Link® at Planning & Research > Client Worksheets > Topical Assessments > Estate Planning. Like our other forms, its purpose is not for you to use it to paper your files but to help foster the continual flow of information.

THE BIGGER LESSON
What I have learned over the years, especially recently, is that financial planning is not about creating a plan on paper and then directing clients about what to do to pursue success within the plan. Financial planning is about maximizing choice for the client on an ongoing basis.

In our current economic environment, for many families, the options, opportunities, and chances of success seem to be diminishing. You may be the only individual who can help your clients achieve the best results. And that begins with information. Although that may sound basic, the takeaway here is to review how you extract information from clients and use it as the basis for avoiding serious financial mistakes as you steer toward goals together.

Additionally, you should feel comfortable suggesting that clients may need to sacrifice time and resources to acquire the information you need to pull together a plan. Encourage them to truly engage in the process.

Our new WealthGuide module, available within Client360® Beta, can help you gather information and use it to come up with appropriate choices for clients. You’ll find it helpful for tracking the progress of your discussions on a range of topics. If you haven’t heard of or reviewed WealthGuide, it’s well worth your time. An e-Learning course is available on our website; go to My Practice > Education > View Online Education > e-Learning Courses > Client360® and click on Planning Tab – WealthGuide.

As our society and family dynamics become more complex and your roles more immersed with clients’ financial and personal issues, it’s important to be sure that nothing falls through the cracks. I have observed over the years that advisors position themselves as masters of providing solutions—with products or concepts. As many of you prepare for year-end client reviews, spend some time mastering the questions that will help you obtain the information you need to provide your clients with effective solutions for their unique circumstances.

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It isn’t surprising that women are more apt than men to neglect their estate planning needs. Many are busy juggling professional life and family demands. Some women simply may not want to face the sobering thought of estate planning, or they may be overwhelmed by a variety of competing goals: retirement, long-term care, providing for family, asset protection, and philanthropic interests. Of course, none of these reasons is a good excuse for putting off planning. By understanding their needs and concerns, you can help your female clients take a proactive role in pursuing their estate planning goals.

**PLANNING FOR A WOMAN’S UNIQUE NEEDS**

While estate planning vehicles are the same for both sexes, your women clients may have particular concerns.

**Women simply need more money.** On average, women live longer than men, and they are more likely to be widowed. Women are often paid less in wages and typically work fewer years than men, resulting in lower social security and employer-provided benefits. It’s important to acknowledge these facts when working with female clients and to tailor your planning accordingly. For example, you might recommend life insurance to help provide for a client after her husband’s death, or reevaluate her pension payment options upon retirement.

**Women often harbor greater charitable passions.** For many women, charitable giving is a key estate planning goal, providing both emotional and financial benefits. With philanthropic clients, it’s important to develop a plan that balances charitable giving with asset preservation and retirement income planning. In addition to financial giving, women tend to be attuned to the value of other forms of capital; they may want to contribute their special skills or professional know-how to a charitable cause. This kind of client may need you to revise her financial plan to enable her to volunteer significant amounts of time.

**Women’s needs are often defined by their marital status.** Married, single, and previously married women have different estate planning needs, as do women with blended families. Married women should be encouraged to take an equal role in the estate planning process to ensure that their future needs are met. Women in second marriages or with blended families may be particularly concerned with children’s needs, as well as protecting their individual interests. Planning is no less important for single women, who may wish to provide for their parents, siblings, or children.

**Women generally need to build relationships, not just assets.** It’s a fact: Women think differently than men. While men tend to make financial decisions quickly, women may need to get to know their advisor as a person before making choices. In general, women want to work with someone who listens carefully, respects their ideas, and doesn’t rush to an immediate solution. With female clients, it can be helpful to walk through how you arrived at your proposed solutions, rather than just presenting them directly. Similarly, when using tools such as MoneyGuidePro™ or the Fidelity Retirement Income Evaluator, be sure to bring the people side of the plan to your meetings, not just the numbers.

1American Bar Association, *Your ABA: e-News for Members*, June 2008
Women want to feel secure and understood. Despite the fact that they’re more educated and in control of more wealth than ever before, 90 percent of women feel somewhat or not at all financially secure. You can help assuage their doubts by showing that you understand where they’re coming from. Often, it’s not simply about running the numbers or showing them a plan; instead, it’s about reassuring them that their concerns are justified and that you are doing everything in your power to help them target their goals. In addition to offering specific recommendations, let your female clients know that their feelings are valid.

PRACTICAL CONSIDERATIONS
Keeping their unique needs in mind, use the pointers below to help your women clients prepare to meet with an estate planning attorney—and maintain their plans into the future.

If you’re working with a couple, be sure the wife is involved. If the husband is the designated decision maker, develop a relationship with the spouse and encourage her to take an active role in the couple’s planning. Chances are, the wife will outlive her husband; if that happens, you don’t want her consulting her circle of friends to find a new advisor. Studies show that up to 70 percent of widows change advisors within three years of the husband’s death. Build trust now so that she turns to you when she needs help.

Help clients get organized. Women often think of others before themselves; remind female clients that putting their affairs in order can make life easier for surviving family members. Start by helping clients prepare a detailed list of their assets and liabilities, including contact information and account numbers. Then, help them locate all of their important paperwork: current estate planning documents, if any; identification (passports, social security cards, marriage certificates); insurance policies; and so on. Commonwealth’s Location Lists worksheet can assist with this task; look for it on COMMunity Link® at Planning & Research > Client Worksheets > General Assessments.

Encourage open communication. When working with a married woman, urge her to communicate openly with her spouse, as well as with you and her estate planning attorney. Take the time to have a candid, thorough conversation about her hopes, dreams, and concerns—they may well differ from her husband’s. Clear, honest communication paves the way for a more effective estate plan, while reducing the likelihood of mistakes.

Address asset protection. Like their male counterparts, women in professions with high litigation risk—including medicine, law, and real estate—need asset protection planning. Likewise, women entrepreneurs need to know how taxes affect their businesses and understand how to plan for succession. As shrewd as your female clients may be when it comes to their business matters, they may not be familiar with some of these issues. Discuss the business planning challenges that apply to them, and evaluate possible solutions. They may even want you to work with their other professional advisors to take some of these matters off their hands.

Don’t make assumptions. The devil truly is in the details. Collaborate with your clients’ attorneys to ensure that their assets are titled properly. Just as important, help them review and document their beneficiary designations in order to avoid unintended consequences. (I’m reminded of a widow and children who came to me after discovering that they had been inadvertently disinherited by the deceased husband, who hadn’t changed a beneficiary designation from his ex-wife to his trust. The ex-wife kept the money.) Commonwealth’s Beneficiary Review worksheet—available on COMMunity Link at Planning & Research > Client Worksheets > Topical Assessments > Estate Planning—can help you work through this process with your clients.

Put their intentions in writing. Help your clients document their wishes, in writing. Women clients may convey their intentions in discussions with family and friends, but verbal agreements rarely hold up in court, and they certainly don’t prevent family disagreements over assets. This stuff doesn’t just happen in the movies: A local sheriff once contacted me after he was called to

2Allianz Women, Money, and Power Study, 2006
the scene of a noisy squabble over family heirlooms. If the client wants to bequeath a piece of Great-Grandmother's jewelry to someone specific, be sure that desire is detailed in her will or trust (or, if appropriate, in a document accompanying the will or trust).

Help clients keep the estate plan current. In life, change is the one certainty. Over time, family circumstances, personal goals, and laws may change. That’s why it’s essential for your clients to update their estate plans from time to time. Help them establish a periodic review process to ensure that their estate documents continue to reflect their wishes. Commonwealth’s Quarterly Review: Estate Planning worksheet can guide you in this area; look for it on COMMunity Link under Planning & Research > Client Worksheets > Review Worksheets.

AN INVALUABLE CONVERSATION
By discussing estate planning with your women clients, you can help them develop strategies to fulfill their future needs, goals, and dreams, while reducing the potential burden on their loved ones. In addition to Commonwealth’s estate planning questionnaires and online resources, the Advanced Planning department is available to help you review your clients’ unique goals and think through estate planning recommendations. Remember, the worst estate plan for a female client is the one she never got around to making.

Rose Watson is an advanced planning consultant. She is available at x9891 or at rwatson@commonwealth.com.

Let no one ever come to you without leaving better and happier.
— Mother Teresa
Earlier this year, my fiancée, Marla (who, all willing, will be my wife by the time you’re reading this), asked me what an alternative investment was.

Marla was following along just fine as I described alternative investments as investments other than traditional stocks and bonds. But as I dug deeper into the types of alternative products—hedge funds and derivatives, yes; baseball cards and Beanie Babies, no—I could see that I was starting to lose her. While investing isn’t one of our regular topics of conversation, this wasn’t the first time Marla had asked me a financial question. It also wasn’t the first time that my attempt to abridge a complex subject didn’t seem to work. Once again, I had failed to find the right analogies to explain the concept, discouraging Marla in the process.

Although I’m occasionally asked to recommend websites or reading material on particular financial topics, I couldn’t think of a book that would help Marla in this scenario. Luckily, I soon stumbled upon Susan Hirshman’s Does This Make My Assets Look Fat? A Woman’s Guide to Finding Financial Empowerment and Success.

As it turns out, Hirshman’s book wasn’t just an excellent resource for Marla; in reading it myself, I gained valuable perspective on women and investing—and relearned an important lesson about communicating with clients of either gender.

THE LOWDOWN ON WOMEN AND MONEY

Hirshman begins her book by noting three trends in the world of personal finance:

• Investment markets and products are becoming ever more complex.
• An increasing number of women are controlling more and more of the wealth in America. (It’s estimated that, in the very near future, women will control at least 60 percent of the wealth.)
• Women’s level of financial literacy is not increasing.

Why do women shy away from expanding their financial knowledge? Hirshman—a former vice president at J.P. Morgan—gives four main reasons:

• They have neither the time nor the inclination.
• It’s too overwhelming—and they’ll never know everything, so why bother?
• They’re embarrassed to let anyone see their lack of knowledge.
• They assume that their husbands (or fathers or partners) will take care of it for them.

In Does This Make My Assets Look Fat?, Hirshman’s goal is to empower women to take control of their financial lives. “[W]hen it comes to personal finances,” she writes, “the only person who is responsible for you is, well, you.” While many financial books focus on facts and definitions of terms, Hirshman reminds her readers that personal accountability plays into financial success, and she does an impressive job of encouraging women to be proactive in managing their finances. But to me, the biggest strength of her work is how Hirshman relates the concept of personal finance to an experience familiar to many women—dieting.

DIETING AND PERSONAL FINANCE: WHAT’S THE CONNECTION?

Think about the steps involved in a diet. First, you set a target weight. Then, you decide which foods to include in your diet and which to exclude. Next, you plan meals to assure balanced nutrition. Finally, you weigh yourself periodically to see how well the plan is working and determine if any adjustments are necessary. Sound familiar? Yes, as Hirshman points out, dieting is generally very similar to developing a financial plan! First, we define our goals (by setting a target weight). Second, we use those goals to determine how to save and invest (by understanding the food groups in our food pyramid). The third step is deciding which investments to use in our asset allocation strategy (cash, bonds, stocks = fruits/vegetables, dairy, proteins). Finally, appropriate monitoring (regular weigh-ins) helps keep us on track to meet our goals.
Besides investing in general, Hirschman applies the dieting analogy to specific issues like finding a financial advisor, estate planning, and the five Ds (disability, dementia, death, destruction, and divorce). At first, I worried that she would try to stretch the analogy too far, resulting in comparison overkill. But, in fact, she does a great job of establishing the initial dieting analogy for a topic and then describing it from a financial viewpoint, allowing readers to make as many or as few comparisons as they choose.

“THE PUSH YOU GET FROM ALTERNATIVES . . . ISN’T ALWAYS IN THE RIGHT DIRECTION. IT CAN BE A VERY WILD RIDE. THAT’S WHY THEY REMIND ME OF FATS: NOT EVERYONE CAN TOLERATE THEM . . .”

In a recent interview with Investment Advisor magazine, Hirshman talked about her book’s unique approach:

“I knew I wanted to write a book for women,” Hirshman recalls, and since “I’m always trying to think of better ways to talk to clients,” certain words kept coming up in relation to good financial planning: focus and discipline, balance and moderation . . . “the exact same language of dieting.”

Advisors, Hirshman says, tend to speak a language “unto ourselves. We talk about alpha, beta, returns. We think that because we’re in it every day” that clients should understand the terms as well. Instead, Hirshman wondered, “What is a common experience that women have?” and realized, “Oh, we’ve all been on a diet!”

FINDING A PERSPECTIVE CLIENTS CAN APPRECIATE

Marla was with me when I picked up Hirshman’s book at the mega-bookstore. As we sipped java in the coffee shop, Does This Make My Assets Look Fat? immediately caught her attention in my stack of investment tomes. (Despite the book’s catchy title, I was slightly surprised by her interest: Although Marla is fond of books, this one featured neither werewolves nor vampires, a running theme in her recent selections.) Engrossed in the book, Marla soon turned to Hirshman’s section on alternative investments, where she explains that “the push you get from alternatives . . . isn’t always in the right direction. It can be a very wild ride. That’s why they remind me of fats: Not everyone can tolerate them . . .” Eureka—the explanation I’d been struggling to find!

Hirshman’s book has given me a number of wonderful analogies to help describe the sometimes confusing world of personal finance, particularly to women. On a larger scale, seeing Marla’s instant connection with another woman’s viewpoint reminded me that it is our job—our duty—as financial professionals to find a perspective that clients can relate to. For advisors, it’s crucial to explain products and ideas in a manner that clients, whatever their gender or background, can appreciate.

As Hirshman told Investment Advisor, “It’s really all about language. It’s all about familiarity. It’s all about making your client confident and removing the intimidation factor that often accompanies words like investing.” Does This Make My Assets Look Fat? is worth reading simply for the important insight it provides about women and investing. But advisors would also be wise to take a page from Hirshman’s book, remembering to seek fresh perspectives on familiar topics and asking themselves, How can I explain this in a way that will resonate with my client?

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In light of the ongoing uncertainty surrounding the federal estate tax, many financial practitioners have decided to wait on Congress in the hope of receiving clarity soon; others have decided to take a more proactive approach.

These advisors are revising their clients’ existing estate plans so that they have the flexibility to address any changes that may occur in the future. Updating trust funding clauses, adding trust protectors, and providing disclaimer provisions are just a few of the steps they are taking to achieve this goal.

But beyond the steps mentioned above, when facing a volatile and confusing legislative environment, what other strategies are worthy of consideration in creating an estate plan that can stand up to anything? And with so many factors to take into account, where should an advisor begin?

Life insurance is one of the most useful estate planning tools at our disposal. In fact, it can be the cog in the wheel of a truly flexible estate plan.

**PLANNING WITH LIFE INSURANCE**

Typically, clients perceive life insurance solely as a means to replace the income of a deceased spouse and to provide continued support to the surviving spouse and children. A common structure involves a husband as the owner and insured of a life insurance policy and the wife as beneficiary. In the event of the husband’s unexpected death, the wife receives a death benefit, which she can use to pay a mortgage, support her children, or cover the cost of any number of needs. Life insurance serves this purpose very well.

But there are circumstances when the personal ownership of a life insurance policy can aggravate or give rise to other issues. For example, if a husband who owns a life insurance policy on his own life dies, the death benefit is included in his taxable estate. Under the unlimited marital deduction, the federal government allows assets to pass to the surviving spouse (in this instance, the decedent’s wife) estate tax-free; however, although there is no estate tax liability at the husband’s death, tax liability is not entirely eliminated. The unlimited marital deduction actually defers the estate taxes because, even though the death benefit is available for the wife’s unrestricted use, it is now included in her (i.e., the surviving spouse’s) taxable estate. Assuming that the wife dies in 2011, a $1 million death benefit could be included in the taxable estate, and the estate could be subject to a 55-percent rate of tax; that’s a $550,000 tax liability!

**IRREVOCABLE LIFE INSURANCE TRUSTS**

On the other hand, the policy discussed in the example above could be owned by an irrevocable life insurance trust (ILIT), which is commonly funded with survivorship or second-to-die life insurance.

**How it works.** The ILIT purchases and owns a life insurance policy outside of the insured’s estate. Upon the death of the surviving spouse, the policy pays a death benefit to the ILIT. This approach is very effective from a tax perspective because the death benefit is received by the trust—and therefore the trust beneficiaries—free from income and estate tax. There can be a problem, however, resulting from the inflexibility of the typical ILIT structure. Gifts made to an ILIT are irrevocable, so the spouse who funds the trust may not access the funds for future needs. Some clients may be hesitant to make large commitments of cash knowing that they will be restricted from accessing such funds.

Because there are circumstances when a client may need the estate tax benefits of a survivorship ILIT while also requiring some accessibility to the trust’s cash values before death, a spousal lifetime access trust (SLAT) may be worth considering.

**WHAT IS A SLAT?**

A SLAT is a type of irrevocable life insurance trust that provides the gift and estate tax benefits associated with the more commonly implemented ILIT. Just as with an ILIT, upon the death of the insured, benefits pass to SLAT...
beneficiaries free from income and estate tax. But the
SLAT is structured to provide additional features beyond
that of the traditional ILIT, such as lifetime income and
withdrawal provisions for the nongrantor spouse. This
benefit can make the SLAT a truly flexible component
of an estate plan.

How it works. The grantor spouse creates a trust for the
benefit of his or her family and makes cash gifts to the
SLAT from his or her own separate property. The trustee
purchases a single life insurance policy on the life of the
grantor and names the SLAT the owner and beneficiary
of the policy. The trustee is given the power to access the
cash value of the SLAT policy and to make distributions
to the grantor’s spouse and family but not to the grantor.
Although the nongrantor spouse can serve as the SLAT
trustee, distributions to the nongrantor spouse in this
scenario would be limited to principal and income under
an ascertainable standard (e.g., health, education,
maintenance, support). But the nongrantor spouse
trustee would maintain full discretion to distribute
income and principal to family members other than the
grantor or the trustee (i.e., him- or herself). To help
ensure full discretion over all trust distributions, an
independent individual or institution can serve as trustee.
The example above describes a single-life SLAT, but it is
also possible to create a survivorship SLAT. In doing so,
it’s important not to trigger any incidents of ownership
over the SLAT that would cause the policy death benefit
to be included within the nongrantor spouse’s estate. To
avoid such issues, neither the grantor nor the nongrantor
spouse should serve as SLAT trustee, and the nongrantor
spouse cannot be given limited or special power of
appointment over the trust. When the survivorship SLAT
is properly structured and formalities are observed, the
independent trustee will have full discretion to make
distributions of income and principal to the nongrantor
spouse and family members.

WHEN IN DOUBT, SEEK THE ADVICE OF A PROFESSIONAL
The SLAT concept takes a different approach to a familiar
estate planning technique in an effort to create the flexibility
many clients are looking for. As with the design and
implementation of any estate planning technique, be sure
to seek the advice of a qualified estate planning attorney.
To discuss the SLAT concept or any estate planning
concepts, please contact the Advanced Planning department
at x9415, option 6.

Gavin Morrissey is the director of advanced planning. He is
available at x9719 or at gmorrissey@commonwealth.com.
An avid fisherman, Scott happened to have a fly box in his office, and he opened it up to illustrate the point. In essence, matching the hatch works like this: A fly fisherman studies the surface of the water to identify the types of insects that have hatched, noting their size, shape, and color. Based on his careful observations, the fisherman chooses a fly that most closely resembles those insects, greatly improving his chances of catching the fish he has his eye on.

What does fly-fishing have to do with the work of a financial advisor? More than you might initially think. As an advisor, you’re angling for a certain type of client, and using targeted techniques (rather than randomly casting about) puts you in position to land those ideal clients. Not unlike a fly fisherman examining the surface of the water, you employ your data-gathering skills to engage the clients you’ve attracted (and help prevent them from slipping out of your grasp).

Of course, just as fishermen develop their own tricks for matching the hatch, each advisor hones unique strategies for client acquisition and data gathering. I spoke with two Commonwealth advisors—one investment advisor and one comprehensive wealth manager—about the techniques they’ve found effective.

BOB CONDON, INVESTMENT ADVISOR
Bob Condon, an investment advisor with The Foundation Investment Group in Berkeley, California, specializes in alternative investments. A Chairman’s-level advisor, Bob has spent 20 years perfecting his particular expertise and cultivating his client base.

A compelling lure. Bob’s affiliation with a highly regarded financial newsletter editor has been a key factor in helping him attract ideal clients. In the publication, Bob is occasionally mentioned as an expert in certain alternative products. This exposure has given Bob a national presence and helped him reach clients looking for the specialized services he provides. More often than not, when prospects call Bob, they’re specifically seeking his expertise in alternative investments. Bob describes his clients as primarily do-it-yourself types who tend to have all other areas of their financial lives in place by the time they approach him. Despite their relatively high level of investment knowledge, Bob’s clients appreciate the understandable way in which he and his staff explain the complicated world of alternative investments.

A gradual approach. In his initial contact with a prospect, Bob’s primary goal is to address questions about the specific investment product he or she has inquired about. He makes a point not to introduce other topics or product options at first. In subsequent conversations, Bob asks more detailed questions about the client’s portfolio, gathering data such as net worth, annual income, and tax bracket, in order to identify where other products may fit. Once he’s established his credibility and solidified the relationship, Bob finds that clients are far more likely to implement additional product recommendations.

EILEEN BURKHART, WEALTH MANAGER
Eileen Burkhart of Eileen M. Burkhart & Company, LLC, in Cleveland Heights, Ohio, offers her clients a comprehensive wealth management approach. A member of the President’s Club, Eileen has developed a highly customized process, and her success depends on attracting clients who desire the level of planning she provides.

Narrowing the client pool. Being a comprehensive wealth manager is demanding from a time standpoint. After working with Commonwealth’s Practice Management team, Eileen realized that the level of service she loves to provide was only sustainable with a smaller client base. She decided to reduce her practice to an optimal number of clients, allowing her to devote a significant amount of time to each one.

Recently, as my colleague Scott Schutte and I were trading ideas about how advisors manage the client acquisition and data-gathering process, the topic of fly-fishing came up—specifically, the technique known as matching the hatch.
Before she meets with a client for the first time, Eileen outlines her fees in a phone conversation, clearly delineating planning services and investing services. This discussion helps weed out people who aren’t interested in comprehensive wealth management. When they arrive for their initial meeting with Eileen, clients already understand the scope of her planning services and are comfortable with her separate Wealth Management Consulting and asset management fees. (Besides starting the client relationship off on the right foot, clarifying services and fees is a smart idea from a regulatory perspective, as we can expect to see increased emphasis on fee transparency into the future.)

**A customized process.** With new clients, Eileen begins her data-gathering process by working through what she calls “the agenda,” a comprehensive fact-finding document that she created based on years of experience with other tools. She starts by obtaining detailed information about the client’s income and expenses, which will become the foundation of the financial plan she creates. By understanding the client’s cash flow situation, Eileen can direct her product and planning recommendations toward options the client can afford.

Eileen’s agenda also helps her delve into clients’ goals and passions—without even using the word goal. As she and the client work through the detailed questions in her agenda, Eileen says, the qualitative data tends to come out naturally, allowing her to approach those topics in an informal, nonthreatening way. By showing a real interest in every aspect of clients’ financial lives, Eileen builds trust; by the time she makes recommendations and presents action steps, her clients are comfortable that she knows what’s best for them.

**Keeping clients on the line.** At the conclusion of the initial meeting, which can last up to three hours, Eileen summarizes the discussion and presents the first round of planning ideas to the client. She keeps it simple, focusing on the most important items that she and the client will work to accomplish that year. (New clients typically have two additional meetings in the first year, each focused on a particular planning topic, such as insurance.) Eileen has found that introducing just a few critical planning ideas at the outset helps keep the client engaged in the process. Overwhelming the client with too many action steps can be counterproductive, resulting in little or no implementation.

**Fishing buddies (aka professional alliances).** Eileen attributes part of her success in attracting and retaining clients to her relationships with other professionals, such as accountants and attorneys. When helping clients with estate planning, for instance, Eileen organizes all of their pertinent information before they meet with an attorney. Because Eileen’s clients show up informed and with the right paperwork, attorneys love working with them. Eileen continues to collaborate with her clients’ attorneys on an ongoing basis—for example, to re-title assets into a newly drafted trust. By building strong alliances with other professionals, Eileen enhances her clients’ planning experience while generating more quality referrals.

**DEFINING YOUR APPROACH**

At Commonwealth, we have the pleasure of seeing many types of business models executed successfully. As these two examples show, there’s more than one way to build a thriving practice, but clearly defining your services, targeting the right clients, and developing a functional data-gathering process is an excellent place to start.

Commonwealth offers a number of worksheets and questionnaires to help you define and implement your data-gathering process; find them on COMMunity Link® at Planning & Research > Client Worksheets. Remember, the lure you use will determine the kind of client you attract. And, with an effective data-gathering process, you’re less likely to find yourself lamenting the one that got away.

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For example, the advisor took steps to ensure that, when applicable, his senior clients established Powers of Attorney or other authorizations that would allow a family member or other contact to have working knowledge of the client's account. Additional advisor notes focused not only on changes to the client's overall suitability and financial condition, but also referenced recent life events, including changes in health status, vacations, and estate planning.

Although the procedures followed in this office may seem typical, we can't reiterate how crucial it is to document interactions with senior investors. In recent years, regulatory bodies have made protecting senior investors a high priority. A 2010 addendum to the SEC, FINRA, and NASAA report, “Protecting Senior Investors: Compliance, Supervisory and Other Practices Used by Financial Services Firms to Protect Senior Investors,” focuses on a range of issues related to working with senior investors, including diminished capacity.

WHY DOCUMENTATION MATTERS: A REAL-LIFE EXAMPLE

In December 2006, FINRA (then NASD) assessed a $10,000 fine and suspended an advisor for three months for executing two unauthorized transactions in a husband and wife's account. While it appears that the advisor did indeed execute unapproved trades, the circumstances surrounding this case reiterate the importance of taking the proper steps when working with senior investors. The clients had been assigned to the advisor after their original advisor left the firm. Although the new advisor had spoken with the clients several times over the phone, he had never met them in person. Moreover, the advisor was unaware that the husband had Parkinson's disease and was in declining health. Needless to say, meeting the clients in person or asking the appropriate questions over the phone might have provided much-needed perspective. The FINRA report recounted a conversation the advisor had with the clients regarding an account recommendation. The advisor claimed that he had spoken with the husband over the phone about a mutual fund held in the account, explaining that the husband had authorized him to monitor the holding and liquidate it if necessary. But the wife claimed that, when the conversation had taken place, her husband had been in bad health and she had held the phone up to his ear. Her husband became frustrated during the call, so she took the phone and spoke to the advisor. Though the advisor shared his recommendations with her, because her understanding of the account was limited, she put her husband back on the phone. It's no wonder that a misunderstanding ensued.

RECOGNIZING THE EARLY SIGNS OF DIMINISHED CAPACITY

The two primary issues brought to the fore in this case—identifying when a client is in declining health and properly documenting relationships with senior clients—can be addressed in a number of ways. The challenge is to recognize when a client suffers from diminished capacity, which would decrease his or her ability to understand issues and concepts related to an account or a strategy. But this can prove difficult, particularly in the early stages of a client's decline.

To assist you in identifying the early symptoms of diminished capacity, Commonwealth has developed the following list of “red flags”:

- **Memory loss:** Does your client repeat orders, instructions, or questions in a manner that seems excessive or unusual in light of his or her past behavior?
- **Disorientation:** Is your client confused about time, place, or simple concepts?
- **Difficulty performing simple tasks:** Compared with previously observed behavior, does your client appear to have increased difficulty performing simple tasks?
- **Difficulty speaking:** Has your client’s verbal communication become labored over a period of time?
- **Difficulty with abstract thinking:** In listening to explanations of concepts or strategies, does your client experience difficulty comprehending the issues—even with repeated clarification?
- **Misplacing items:** Within relative reason, does your client exhibit increased difficulty in locating commonplace items such as keys, statements, or files?
- **Drastic mood swings/personality changes:** Periodically, does your client exhibit drastic mood swings?

**BEST PRACTICES: WORKING WITH CLIENTS AFFECTED BY DIMINISHED CAPACITY**

To address potential concerns with clients who are affected by diminished capacity, we recommend the following:

- **Increase the frequency of contact with your senior investor clients** to remain informed about changes in financial needs, employment status, or health.
- **Speak to clients about having an emergency or alternate contact**—such as a trusted family member or other individual.
- **Educate clients about the benefits of having a power of attorney** and, when appropriate, encourage clients who are in good health to share details of their financial affairs with trusted family members, estate lawyers, and/or other professionals. If the client’s health deteriorates, this can help ensure that his or her financial affairs are properly handled.
- **Document conversations with clients** in case they have problems with lack of recall or to help resolve misunderstandings.
- **Send follow-up letters to clients after conversations** to document and reiterate what was discussed.
- **Avoid financial jargon.** Use plain language and consider using larger font versions of marketing material when available.
- **Provide brochures** that explain to clients how to identify, locate, organize, and store important documents so that they are easily accessible in case of an emergency.

Among the most effective ways to address diminished capacity issues is to work with clients, young and old, before the onset of symptoms. Asking clients at the beginning of a relationship to name individuals who should be consulted on the account, should anything happen, is a good first step to protect your practice. Some advisors pursue this conversation from the standpoint of relationship continuity, ensuring that the client has contingencies in place, whether at age 30 or 70.

There are 40 million people in the United States age 65 and older. With that number projected to grow to 89 million by 2050, regulators are likely to keep the treatment of senior investors high on their list of priorities. Continued diligence in working with all of your clients, particularly senior investors, can assist in mitigating risk within your book of business.

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The dot.com bust, the 2008 market crisis, and the ongoing volatility in 2009 and 2010 share a common thread: In each situation, the average person’s portfolio was not optimized to achieve upside potential. Why not? As much as electronic exchanges and the information age have made most news everybody’s news, markets remain irrational—and they are driven by fear and greed.

As Warren Buffet said in 2001, “[O]ccasional outbreaks of those two super-contagious diseases, fear and greed, will forever occur in the investment community. The timing of these epidemics is equally unpredictable, both as to duration and degree. Therefore, we never try to anticipate the arrival or departure of either. We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.”

How can advisors avoid such pitfalls and take advantage of such circumstances?

SYSTEMATIZING OUR REACTIONS TO THE MARKETS
The key is to figure out how to systematize being fearful when greed is rampant and being greedy when others are in panic mode. Dollar cost averaging (DCA) is a great example of how advisors have done this historically. Unfortunately, DCA has its limits. For example, if a client transfers to an advisor an account with $500,000 in 20 low cost stocks, DCA becomes a more challenging proposition.

Another quasi-systematic option advisors use to take advantage of the fear/greed continuum is to leverage investment companies, fund managers, and vehicles that specialize in contrarian thinking. (Value-based products also tend to fall into this bucket.) Of course, thousands upon thousands of people and companies have attempted to beat the markets using a contrarian/value-based approach, yet few have succeeded in even matching the markets over the long haul. Warren Buffett’s Berkshire Hathaway Class A is a clear exception, having gained 123 percent for the 10-year period ending September 27, 2010, while the S&P declined 21 percent (see Figure 1). Why?

Without delving into a philosophical debate over whether or not Modern Portfolio Theory is dead, I would venture to guess that others’ failure can be attributed to a combination of bad investment choices and poor control of their emotional response. If it’s true that clients make emotional investment decisions—and there are plenty of studies indicating that they do—then it is also likely that even

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**FIGURE 1: S&P 500 Vs. Berkshire Hathaway Class A (10-Year Period, ending September 27, 2010)**

**Source:** Google Finance
the best investment managers are swayed by emotions. To avoid this trap, advisors must look to set themselves up for success procedurally.

While some advisors choose to outsource the investment management to a third-party money manager, many continue to manage the assets themselves. There are many advantages to this approach, but one of the biggest disadvantages is doing so systematically (read: scaling the process). There are essentially two pieces needed to help remove emotions from the equation: one is the process of managing the assets (scale) and the other is the process of selling the philosophy (communication).

**MODEL NOT BUILT TO SCALE?—NO PROBLEM!**
Historically, advisors have relied heavily upon Excel spreadsheets to manage investment models. As I’ve written in the past, the widespread use of Excel often indicates a need for better automation in the business. Over the last decade, advisors have been able to leverage software to help scale the financial modeling and rebalancing processes somewhat. Tools like Fidelity’s Advisor CHANNEL® have been used to successfully create procedural efficiency in many Commonwealth branch offices. Yet such tools lack tight integration with the rest of Commonwealth’s offerings (one of our core value propositions), and they are often more complicated to use than they need to be.

The next systematic evolution for Commonwealth advisors is our new proprietary model management system, which we’ve integrated tightly into the COMMunity Link®, Practice360®, and Client360® platforms. With the system, you can:

- Create models using asset categories and holdings or simply underlying holdings.
- Create models from scratch or leverage 26 Commonwealth models and 10 Ibbotson models as base templates.
- Create models off of other models or from an existing account’s holdings.

There is no need to import positions; we already do that for you in Client360°. And when a drift tolerance range for any account in any model is exceeded, the system alerts you via e-mail and on your Practice360° Alerts dashboard so you can create all the necessary trades to rebalance the portfolios—in just a few clicks.

Regardless of whether you believe strategic asset allocation is the best way to seek long-term risk-adjusted returns, or you think tactical allocation is the only way to gain ground in the future, having a tightly integrated model management system is essential to creating scale in your business and, therefore, to helping you increase revenues. Further, adopting a consistent rebalancing process for your model portfolios can help ensure that you buy low and sell high, an approach that should benefit your clients over the long term.

**WHAT’S YOUR PHILOSOPHY? PERCEPTION MATTERS**
One important responsibility advisors share is to help clients avoid making knee-jerk investment decisions. Of course, this is easier said than done, as we all—clients and advisors alike—are emotional beings. At the outset of your client relationships, you likely spend time discussing your money management philosophy; after all, it’s a key factor in helping to determine whether there’s a good fit between you and the client. In going about that conversation, some advisors choose to break out the historical asset allocation literature, citing studies from Brinson, Singer, and Beebower; Kaplan and Ibbotson; or Bekkers, Doeswijk, and Lam. Others prefer a simpler approach. In reality, what your investment philosophy is, is largely irrelevant; how you sell what you believe is everything.

But why stop there? Don’t just sell your investment philosophy; sell the tools at your disposal as well. Explaining to clients that you leverage a modeling system that alerts you whenever their portfolio gets out of line with a strategy that you have crafted can help reassure clients that you have a solid, reliable process in place and are taking both their and your emotions largely out of the investment equation.

More importantly, you can present the functions and benefits of the modeling system in future discussions to help you reiterate to clients the importance of not chasing the next hot stock or mutual fund. While studies have been conducted on the optimal time frame for rebalancing portfolios to maximize returns—either using fixed

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periods of time or a drift tolerance range—they are all over the map. What has been proven is that systematic rebalancing removes emotions from the decision-making process, which can, in turn, help improve risk-adjusted returns over time.

ABOUT THAT RISK . . .
In a 2009 Wall Street Journal article, “For Mother’s Day, Give Her Reins to the Portfolio,” when asked whether having ambiguous information would reduce their confidence and raise their perception of risk, 92 percent of the women said yes, versus just 69 percent of the men. What does this tell us? That while a majority of men and women want to know what you’re doing to reduce portfolio risk, women need you to make that explanation crystal clear. A model management system can help instill that confidence in your female clients.

Further strengthening this point, Prudential released the 10th anniversary edition of its Financial Experience & Behaviors Among Women study earlier this year. In commenting on the study, Judy Rice, president of Prudential Investments, reiterated the importance of “nurturing women’s financial confidence.” When clients know what you believe in—and how you execute that belief—you’ve got yourself a potential win-win situation.

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GOING ONCE, GOING TWICE, SOLD!
What have we learned?

• Fear and greed drive the markets.
• Finding ways to systematically take advantage of herd behavior can potentially improve portfolio returns.
• Software—like Commonwealth’s new model management system—makes this possible.
• Creating scale—and being able to “sell” your process to clients—can help them avoid emotionally charged decisions that can derail portfolio performance.
• Explaining how you help manage portfolio risk to clients of both genders can instill much-needed confidence and provide you with a differentiator in this competitive business.

Not knowing when the dawn will come,
I open every door.

— Emily Dickinson
There are two key trends contributing to this demographic shift.

**TREND 1: WOMEN ARE ADVANCING IN THE LABOR FORCE**
Women are becoming more successful in their careers and building more wealth as individual contributors. They have surpassed men in higher education, representing 57 percent of undergraduates and 59 percent of post-graduates, according to BCG.

And they are starting to see the benefits. In the second half of the last century, the percentage of women in the workforce almost doubled, and, in the past decade, the number of women earning more than $100,000 has quadrupled. Today, BCG reports that one-third of working women earn higher salaries than their husbands. In fact, women now account for 48 percent of U.S. millionaires.1

**TREND 2: BOOMER ASSETS EXPECTED TO SHIFT TO WOMEN THROUGH SPOUSAL TRANSFER**
It has been predicted that, due to spousal wealth transfer, $14 trillion to $25 trillion will be transferred to women, and, by 2030, women will control more than two-thirds of all wealth.2 The primary reason for this is the fact that women tend to outlive men.

According to the U.S. Department of Health and Human Services, the current life expectancy for males is 75.1 years and 80.2 years for women, a difference of 5.1 years. In addition, women age 65 and older are three times more likely to be widowed than men. The average age a woman becomes widowed in the U.S. is 56, according to the Census Bureau.

These statistics are particularly consequential given industry findings that 70 percent of widows leave their husband’s investment advisor within five years of their spouse’s death.

Yet, many advisors haven’t connected with female clients. New studies suggest that women are discontented with the financial services industry. In 2009, BCG surveyed more than 12,000 women from 21 countries for its Global Inquiry into Women and Consumerism study. BCG found that women are most dissatisfied with the financial services industry, of all industries, on both a service and a product level.

The study concluded that this discontent has resulted from the perception of “disrespect, condescension, poor advice,” and other factors. The researchers asserted that women want advisors to recognize that their ultimate
goal is not solely to accumulate money; rather, women view money as a way to “care for themselves and their families, improve their lives, and—most important—ensure security.” In another BCG study, Leveling the Playing Field, the firm noted that “The dissatisfaction stems almost entirely from the unshakable perception that the playing field is not even—that men get more attention, better advice, and sometimes even better terms and deals.”

ALIGNING YOUR FIRM

Given this opportunity—or threat—it is important to prepare your firm for the shift of wealth between genders. Although there are no silver bullets, the following best practices can help you get started:

• Tune in to the objectives and concerns that are important to women. The Hartford’s white paper, Why Women Worry, is a helpful resource that addresses key challenges and concerns from a woman’s perspective. This report is available on CommUnity Link® at Planning & Research > Retirement Income Planning > View Planning.

• For married couples, proactively develop relationships with both spouses and foster an inclusive decision-making process.

• Adamantly avoid stereotypes about women’s attitudes toward investments, risk tolerance, and wealth.

• Be cognizant of details, like whether you address correspondence only to a husband or host events that cater only to traditionally male interests.

• Treat all clients as equals—regardless of gender—and be careful that genuine attempts to simplify complex topics are not perceived as condescending.

• Offer educational coaching and resources. Several studies have shown that women are eager to grow their understanding of the financial landscape.

• Ensure that all communications are gender-neutral.

• Consider the marketing opportunities. If wealth is shifting to a demographic where advisor dissatisfaction is prevalent, you may be able to attract new clients.

As the baby boomer generation grows older, it will become imperative to address long-term demographic shifts. Most likely, women will comprise a larger percentage of your client and prospect list. Firms that embrace this change and take a proactive approach will be more likely to reap long-term success.

Kenton Shirk is a practice management specialist. He is available at x9807 or at kshirk@commonwealth.com.
How has being in the minority impacted their experiences in the industry and how they do business today? We posed these and other related questions to:

- Louise Dodd and Nancy Olt, Women’s Financial Network, Bedford, Massachusetts
- Holly Gallagher, Horizon Financial, Traverse City, Michigan
- Gwen Gloeckner, Gloeckner Financial Group, Worthington, Ohio
- Kristin Guibord, BDMP Wealth Management, Portland, Maine
- Judy Redpath, VISTA Wealth Strategies, Reston, Virginia
- Marta Shen, Spring Street Financial, Atlanta, Georgia
- Sue Storey, Storey Financial Services, Nantucket, Massachusetts
- Martha Wilcoxson, Commonwealth Financial Network, Pueblo, Colorado

Q&A

Q: How did you get started in this industry?

Shen: My family immigrated to the U.S. when I was six. I was always protective of my parents and can remember acting as their translator from an early age. Growing up, I wanted to be an attorney to defend and help give the disenfranchised a voice, possibly to compensate for my upbringing. The reality of practicing law was different; I disliked the adversarial posturing and yearned for one-on-one interactions where I could make a positive impact on people’s lives. A friend suggested I would be a good financial advisor, so I answered a recruiting ad for American Express Financial Advisors. I’ve been hooked ever since.

Redpath: I got started in this industry after a midlife career change: my background was business consulting and high-tech consulting and sales. I had a clear vision from the beginning that my business would focus on comprehensive financial planning for select executives, professionals, business owners, and families, helping them protect, grow, keep, use, and distribute their assets wisely. I started my business in an insurance-based office, where I gained clients by networking, making cold calls, and leveraging business relationships. I earned the CFP® certification as soon as I could and joined the local FPA chapter, later serving on its board.

Gloeckner: I worked in a bank during college, before moving on to work for an insurance company and a broker/dealer in New York City. Pretty gutsy for a little girl from South Carolina! I admired the brokers I worked with and always desired to work with clients, but the situation I was in did not allow me to make that leap. When I had my first child, I stopped working for four years to be with her. When I was ready to go back to work, the advisor channel was an easy decision. My mantra was “build a business that could not be taken away from me,” so I chose Commonwealth. The rest is history, and I could not be happier.

In an issue dedicated to women and investing, we thought it appropriate to include a profile focusing on some of Commonwealth’s women advisors. Of our approximately 1,400 advisors, only 17 percent are female.


**Dodd:** After nearly 30 years as a nurse administrator, I was looking for a change. While exploring my options, I provided back-office work for the financial advisor I work with now. Within a few short months, we realized that the procedures I had used in health care were the same for financial clients—for example, assessing needs, providing financial planning, and teaching, teaching, teaching. My transition to the financial world only required learning the products—and, of course, compliance issues.

**Guibord:** I interned for two Commonwealth advisors during my senior year in college. The advisors introduced me to Peter Wheeler [Commonwealth’s president], who casually advised me to go to work for a mutual fund company for a few years and then to call him. After spending the next five years at Pioneer Mutual Funds, I called Peter back. That call led to a five-year stint working at Commonwealth’s home office doing investment research and product marketing. Life then brought me to Maine where, after some consulting work and two children, I landed at BDMP Wealth Management in 2006.

**Q: Do woman advisors have any advantages over male advisors?**

**Gallagher:** I believe that women have an advantage in the sense that we are perhaps better at multitasking, care-giving, communicating, being empathic, and seeing the big picture. On the other hand, it’s common for women to take things too personally. In the early years of my career, I really wanted to be liked. Now, I prefer being respected and getting the job done. I think that mindset is a given for a man, but women can struggle with that boundary.

**Wilcoxson:** I am loath to make the distinction between male and female advisors. But I’ve found that clients long and deserve to be nurtured. Oddly enough, I learned this from the examples my father and father-in-law set in their business conduct.

**Olt:** I’m fond of saying that, as a woman, you can go to a huge industry conference and not have to worry about a line at the restroom. Seriously, as a practice with a client base that is about 75-percent single women, we have a niche that works well for us. We are finding that more women want a female financial advisor, so not having as many women in the field is an advantage. We also work with a number of older couples, and the husband is often convinced that he will die before his wife, so he wants her to have an advisor with whom she feels comfortable after he’s gone.

**Guibord:** The statistics that show more women are becoming financial decision makers, and the simple reality that women tend to outlive men means that more women want to or have to be more engaged in financial decision making.

Some women are more comfortable working with a female advisor for the same reason some women prefer a female doctor. Since more women are taking the lead on financial decisions in their household, women financial professionals may have an advantage going forward.

That said, I believe the focus should be on working with people you like, with whom you connect, and who value the advice you provide.

**Q: What has been most helpful to you as a woman in this industry as you continue to develop your business?**

**Keaton:** I can think of several qualities that have really helped me: patience (clients cannot be rushed or pressured), good organization (I cannot imagine managing a busy office if one is not very organized), the ability to explain and communicate well (clients must understand what you are trying to convey and feel positive about it), and a sense of responsibility (all phone messages are returned and all commitments are fulfilled).

**Redpath:** What has been most helpful to me as a woman in this industry is to assume equality in everything that I do, from assuming that all prospects want to become clients of mine, to taking leadership positions in professional and community organizations, to staying in close touch with other successful women—both professionally and socially (I belong to a women’s study group). I feel women tend to share information and ideas more freely than men.
Q: What has been your greatest challenge as a minority gender in this industry?

Wilcoxson: I don’t want to be one of the boys or one of the girls; I want to be Marty. Being female should not be an advantage or a disadvantage. I know some excellent woman advisors and some who are, unfortunately, very inept. The same applies to men.

Storey: Wholesalers are very often men. Rarely do they seem to work with, develop business relationships with, or include women in their marketing activities.

Q: Why do you think there aren’t more female advisors in the industry?

Olt: When starting from scratch, this is a tough business in which to succeed. I started in 1984 and bailed after six months. I didn’t start again until nearly 15 years later. It takes a lot of time to build a viable practice, and that’s difficult for women who often have the primary responsibility of caring for children. I have been thrilled to see many more women going to law school and medical school, but I think starting in financial planning is more difficult than those fields. It is also never going to be a 9 to 5 job with predictable income. As one of my (male) mentors said when I was starting out, if this business were easy, everyone would do it.

Shen: Financial planning is a relatively new profession (decades vs. centuries), with roots in the traditional insurance agent and stockbroker models, both of which have been historically male professions (although women have recently made strides in these areas). In addition, there may be a perception that you have to be math-oriented, which may intimidate some women. Hopefully that perception is changing. I was told—and firmly believe—that the two main components you need to be a successful advisor are the mind of an entrepreneur and the heart of a social worker.

Storey: There are so many more women since I joined Commonwealth! That being said, women often have much more to balance in life than men—having children, running households. And many may enjoy having some business structure, benefits, and contact with other people, partners, and associates, without having the ultimate responsibility of running the whole show. Women are pretty good at being autonomously independent while being part of a group.

Q: Why don’t more female advisors choose the independent channel, like Commonwealth?

Olt: First, you can’t start a practice at Commonwealth; you have to come in with a significant book of business. And while there are many benefits to working with Commonwealth, there are no actual benefits like health insurance. I started in the wirehouse channel, where training programs and benefits were common. This makes one feel a little more secure, even if that security is illusory. By the time I had enough experience and clients to be interesting to a firm like Commonwealth, I wasn’t concerned with benefits.

Gallagher: Perhaps it depends on how they learn about the industry in the first place. For example, when I was at NML [Northwestern Mutual], I really believed that clients worked with me because of NML. I knew I did a good job for my clients, I knew NML had good products, but . . . I wanted to do comprehensive financial planning and no matter what NML preached, that was not what we were doing. It made me very unhappy. Going from that proprietary environment to the independent channel takes a lot of faith, a positive attitude, and an entrepreneurial spirit. I cannot say enough about the great resources and quality service Commonwealth provides. It has been everything I hoped for—and more.
Gloeckner: It takes a special mindset to go independent—particularly if you are coming from a big-name company that opens doors for you. You have to be confident, independent, and a rainmaker. I think complacency, fear, and insecurity are a big part of why women forgo the independent route. I was trained in insurance and the broker/dealer world, so I learned early that, to succeed, you had to keep up with the “big boys.” Confidence helps, and it’s respected. When I started my practice, I did not know if I would make it, but I knew that I would not fail.

Statistically, more men choose the math/science track in college, while women choose the service/nurturing fields (i.e., nursing, social work, psychology). But this can actually help women become great advisors, as it trains them in patience, caring, and listening. People are attracted to that softer side.

I think this upcoming generation will be different. Young ladies today are more secure, better at taking risk, and more entrepreneurial. They do not see this solely as a “man’s” field.

Joni Youngwirth is the managing principal of practice management. She is available at x9124 or at jyoungwirth@commonwealth.com.

In helping others, we shall help ourselves, for whatever good we give out completes the circle and comes back to us.

— Flora Edwards
If you’ve ever bought a car, shopped for automotive insurance, compared credit card ratings, or hired a home builder, then you’re likely familiar with J.D. Power and Associates. It’s a name we’ve come to know and trust.

This past spring, in an effort to provide you with valuable insights from a third-party research provider, Commonwealth commissioned J.D. Power to conduct a proprietary investor satisfaction study. While a small percentage of investors working with Commonwealth advisors had been contacted by J.D. Power for its annual 2009 syndicated Full Service Investor Satisfaction Study, the number of Commonwealth-affiliated responses hadn’t been high enough to meet the ranking requirements, and, therefore, Commonwealth was not included in the public ranking for that study.

In the proprietary study, we were able to ensure that a valid number of Commonwealth-affiliated investors were selected and surveyed so that we could view the data in light of the findings of the 2009 J.D. Power syndicated study. We weren’t surprised by the results.

**STUDY RESULTS**

**Strong relationships.** The survey confirmed a lot of what we already knew, including that investors have strong relationships with their Commonwealth advisors. In fact, the percentage of highly committed clients is 75 percent, and these clients are more likely than the industry average to believe that their Commonwealth advisor focuses on clients’ best interests first. Not surprisingly, these investors are not looking to switch financial advisors in the next 12 months.

**Manage performance expectations.** Survey respondents also noted that Commonwealth advisors effectively set and manage investment performance expectations. Specifically, Commonwealth advisors are good at discussing risk tolerance, effectively incorporating risk tolerance into portfolios, and communicating reasons for investment performance to their clients.

**Fully invested clients.** Investors working with Commonwealth advisors are more likely than the industry to be 100-percent invested with the firm, regardless of their amount of investable assets. Additionally, Commonwealth advisors’ clients were more likely than the industry average to report that the account/maintenance fees they pay are reasonable, commissions are fair, and fees are clearly explained—and that there is flexibility to choose the way they want to pay.

**Strong brands.** According to the 2009 study, investors cite their relationship with their financial advisor as the strongest factor leading to satisfaction, and a strong brand is a key to attracting and growing relationships with investors. Once again, Commonwealth advisors excel here. Compared to the industry average, Commonwealth advisors garnered higher image ratings in the brand categories of “innovative,” “customer driven,” and “financially stable.” Commonwealth advisors also earned image ratings well above the industry average in the categories of “honest” and having a “good reputation,” leading factors in brand perception for financial advisors.
OPPORTUNITIES
The results of the study were positive, but as we move into the New Year in an unstable market, it’s important to continue to discuss risk tolerance with each of your clients and to manage a new set of portfolio and performance expectations. As always, effectively communicating reasons for investment performance and conducting periodic reviews are critical to the client relationship. In addition, developing and periodically reviewing a strategic investment plan with clients can help you improve or retain high investor satisfaction.

Joni Youngwirth is the management principal of practice management. She is available at x9124 or at jyoungwirth@commonwealth.com.

Emily Guadagnoli is the manager of media relations in Corporate Marketing. She is available at x9639 or at eguadagnoli@commonwealth.com.

You may be disappointed if you fail, but you are doomed if you don’t try.

— Beverly Sills

*J.D. Power conducted an investor satisfaction oversample study of Commonwealth Financial Network® clients during the period April 5–26, 2010, to compare findings with the 2009 J.D. Power syndicated study, the press release for which is available at www.jdpower.com. Improved market conditions between the dates of the syndicated study and the oversample study may have positively impacted investor satisfaction results. These results do not predict or imply future positive performance or success and may not represent all investor experiences. For internal use only. This information is proprietary and confidential and may not be shared with clients or prospects. All use of J.D. Power and Associates brand name is carefully managed, and written consent must be obtained prior to use.
It’s fall 2010, and hundreds of the nation’s top financial advisors have gathered at the JW Marriott Desert Ridge Resort & Spa, October 27–30, for our 2010 National Conference. This year’s event, designed around the theme of *Authoring Your Own Success*, inspired and empowered advisors to set a direction and outline the next chapter for building their practices. Michael Lewis, our keynote speaker, set the spirit of the conference through the evolution of his career and breadth of his work. Over the course of four days, we explored current challenges and opportunities through sessions focused on economic conditions, compliance and risk management, retirement, and investment strategies, while also taking part in interactive presentations by sponsors and networking roundtable discussions with colleagues.

The Conference and Events Team includes Karen Tucker, Jessica Fougere, Michelle Lovely, Kristen Malone, Meg Marchese, Louise Santry, Lauren Gingerella, Mike LaVita, and Angela Whitney.

Wayne Bloom, CEO, kicks off the conference at the opening general session. His welcome speech touched on Commonwealth’s accomplishments from the past year, highlighted upcoming initiatives, and recognized the 2010 Special Service Award recipient, Debra Brede.

During the opening general session, John Rooney, managing principal, San Diego, interviews our keynote speaker, Michael Lewis.
It's fall 2010, and hundreds of the nation's top financial advisors have gathered with a Friedman, senior Washington tax attorney and Eaton Vance consultant, helps wrap up the conference with a politics and taxes update.

Jill Greenberg and Nelson Ball reminisce together at the tenured advisor reception we hosted to thank those who have been part of the Commonwealth family for 15 years or more.

Joe Deitch, chairman, takes time to address the tenured advisor group with a few special thoughts about their many years together.

Andy Friedman, senior Washington tax attorney and Eaton Vance consultant, helps wrap up the conference with a politics and taxes update.
COMMONWEALTH GIVES BACK!

At the Salvation Army giving back event on Wednesday, October 27, John DeVecchio and Jeff Loring work to put the final pieces of a picnic table together. In total, the group assembled and painted six picnic tables. The tables will be used for years to come by families who stay at the shelter.

The Salvation Army work group gathers for a final photo in front of the playground space they spruced up. The center looks much fresher and more inviting thanks to all their hard work!

On Saturday, a second group of volunteers traveled to the Salvation Army to continue to work on service projects. Here, a team paints a winter mural in the Salvation Army warehouse. The group also cleaned up and hosted an activity day for the children who are staying at the shelter.

Commonwealth guests, along with the help of the JW Marriott culinary team, prepared more than 400 pounds of food to be distributed to local families by Waste Not, a food delivery program.
It’s fall 2010, and hundreds of the nation’s top financial advisors have gathered with the lead singer of the Yellow Brick Road, who rocked the crowd on Friday night. Also performing were Brian Chartrand & The Voce Project and the Haute Chile Band.

Kevin and Carrie Dick pose with one of our jack-o-lanterns at the start of the Halloween Desert Bash.

Sue and Leo Lapito, dressed up and in the Halloween spirit, spent the night dancing to the sounds of Yellow Brick Road.

George and Nichole Raftopoulos, Carl Bailey, and Lauren Dalton strike a scary pose at our Halloween Desert Bash.
Please welcome the following advisors who have recently joined us.

<table>
<thead>
<tr>
<th>NAME</th>
<th>FORMER B/D</th>
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<tbody>
<tr>
<td>Greg Anda, Hagerstown, MD</td>
<td>RBC Wealth Management</td>
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<td>Craig Castanos, San Diego, CA</td>
<td>Morgan Stanley</td>
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<td>Sarah Crawford, Nantucket, MA</td>
<td>ING</td>
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<td>Ray Croteau, Fitchburg, MA</td>
<td>Ameriprise</td>
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<td>Pam Embrey, Richmond, VA</td>
<td>Primevest</td>
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<td>Noah Greenbaum, Richmond, VA</td>
<td>First Investors Corp.</td>
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<td>Michael Gross, Wyomissing, PA</td>
<td>NFP Securities</td>
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<td>Calvin Guyer, Rochester, MN</td>
<td>Piper Jaffray</td>
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<td>Ruth Matt, Portland, ME</td>
<td>WR Rice</td>
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<td>John Murphy, Tempe, AZ</td>
<td>SagePoint Financial</td>
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<tr>
<td>Frederick Owsley, Tempe, AZ</td>
<td>SagePoint Financial</td>
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<tr>
<td>Lisa Ross, Dallas, TX</td>
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<tr>
<td>Gigi Schnepkat, Tucson, AZ</td>
<td>N/A</td>
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<tr>
<td>Hammond Urner, Hagerstown, MD</td>
<td>RBC Wealth Management</td>
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## LOOKING FORWARD TO THESE EVENTS . . .

<table>
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<tr>
<th>DATE</th>
<th>MEETING</th>
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<tr>
<td>January 5–7, 2011</td>
<td>Commonwealth 101</td>
<td>Commonwealth</td>
<td>Chris Blasdel</td>
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<td></td>
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<td>Waltham, MA</td>
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<td>January 30–February 1, 2011</td>
<td>Chairman's Retreat</td>
<td>Mandarin Oriental Boston, MA</td>
<td>Meg Marchese</td>
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<td>February 7–8, 2011</td>
<td>Commonwealth 101</td>
<td>Commonwealth</td>
<td>Amy Pagano</td>
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<td></td>
<td>San Diego, CA</td>
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<td>March 30–April 4, 2011</td>
<td>Leaders Conference</td>
<td>The Cove Atlantis</td>
<td>Jessica Fougere</td>
<td>x9366</td>
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<td>Paradise Island, Bahamas</td>
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<td>May 10–15, 2011</td>
<td>President's Club</td>
<td>The Breakers</td>
<td>Louise Santry</td>
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<td>Palm Beach, FL</td>
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<td>May 18–22, 2011</td>
<td>Winners Circle</td>
<td>The Broadmoor</td>
<td>Michelle Lovely</td>
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<td>Colorado Springs, CO</td>
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<td>November 3–6, 2011</td>
<td>National Conference</td>
<td>JW Marriott</td>
<td>Jessica Fougere</td>
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<td>Grande Lakes</td>
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For more information, visit My Practice > Education on COMMunity Link® and click on View Conferences & Events.

### 2011 TOP PRODUCER MEETING QUALIFICATIONS

**Chairman’s Retreat:** $1.2 million gross broker/dealer concessions* in 2010 qualify you to attend.

**Leaders Conference:** $875,000 gross broker/dealer concessions* in 2010 qualify you and a guest to attend.

**President’s Club:** $625,000 gross broker/dealer concessions* in 2010 qualify you and a guest to attend.

**Winners Circle:** $500,000 gross broker/dealer concessions* in 2010 qualify you and a guest to attend.

**Calculation considerations:** For split cases, credits will reflect preestablished formulas used by our back office. Overrides do not count as production; split commissions do. Insurance business is credited according to agent commission rather than gross concession.

*Gross broker/dealer concessions are indicated on your semimonthly commission statement, on the year-to-date summary page in the production credit column.
TOP TEN CLUBS

COMBINED PRODUCTION
Below are the ten highest-producing Commonwealth advisors for September and October based on equity, RIA, and insurance business.

September 2010
1. Nick Giacoumakis
2. Tom Bartholomew
3. Raj Shendure
4. Alexandra Armstrong
5. Mark Pierce
6. Mike Marchese
7. Jim Ball
8. Bob Condon
9. Paul Miller
10. Joe Leonczyk

October 2010
1. Bill Leeb
2. Nick Giacoumakis
3. Debra Brede
4. Carrie Coghill
5. Tom Bartholomew
6. Brad Levin
7. Don Sowa
8. Andrew Drago
9. Joe Cox
10. Curt Francisco

INSURANCE
Below are the ten highest-producing Commonwealth advisors for September and October based on insurance business.

September 2010
1. Mark Pierce
2. Joe Leonczyk
3. Rick Henderson
4. Len Brodsky
5. Michael Fein
6. Jeff Scales
7. Jeff Karelis
8. John Augustine
9. Michael DeGolier
10. Jeff Ricks

October 2010
1. Andy Davies
2. Pete Miccoli
3. Michael Fein
4. Todd Sturman
5. Blake Ford
6. Tim Newton
7. Randy Morris
8. Andy Wheeler
9. John Augustine
10. Randall Wilson

PREFERRED PORTFOLIO SERVICES℠ (PPS)
Below are the ten highest-producing Commonwealth advisors for September and October based on new PPS assets under management. (Advisors must have been with Commonwealth for at least 90 days to be eligible.)

September 2010
1. Richard Kass
2. Matt Massingale
3. Marty Kossoff
4. Rick Cernohorsky
5. Chris Collins
6. Russell Frank
7. Bill Bestgen
8. Barbara Appleby
9. Debra Brede
10. Randy Risler

October 2010
1. Randy Morris
2. Justin Bitner
3. Kim Dignum
4. Richard Kass
5. Bill Bestgen
6. Matt Massingale
7. Jim Ball
8. Tim Rahmeier
9. Andy Serafini
10. Jeffrey DeBoer

WEALTH MANAGEMENT CONSULTING
Below are the ten highest-producing Commonwealth advisors for September and October based on Wealth Management Consulting business.

September 2010
1. John Raybould
2. Jim Trull
3. Andre Duart
4. Tim Looney
5. Randy Morris
6. Eileen Burkhart
7. Brian Joyce
8. Richard Kass
9. Bobby Cummings
10. Pamela Monetti

October 2010
1. John Raybould
2. Donald Hehir
3. Joshua Benet
4. Eileen Burkhart
5. Brian Joyce
6. Trent Grinkmeyer
7. Bridget DeMartino
8. Paul Pradel
9. Joe Romano
10. Randy Morris
ACCOUNT SERVICES
Account Services Service Center (9992)
Jennifer Bray (9496), Tim Burke (9345), Dorian Carabuni (9844), Mike Davis (9674), Brian Donahue (9839), David Dubois (9303), Erin Espósito (9462), Jennifer Franco (9129), Leah Granger (9327), Amy Jerzyk (9697), Lindsay LoPorto (9470), Jay Marino (9696), Jason Marshall (9975), Christina McCalla (9974), Stephanie McCann (9447), Tim Milbert (9419), Kent Miller (9673), Jonathan Munro (9189), Heather Murphy (9339), Kelly Pennell (9854), Mihai Popa (9333), David Sawan (9097), Nicole Venuti (9361)

Data Integrity (9992)
Mike Baum (9375), Amit Chogle (9650), Vernon Connell (9458), Charles Conte (9674), Kevin Ewert (9671), Matt Hurley (9229), Andrew Klema (9910), Pat Sullivan (9881), Lorraine Tracy (9882), Ben Whittaker (9575)

New Accounts/Direct Investments (9992)
Mike Blau (9116), Matt Brooks (9167), Luke Callahan (9683), Mike Carretta (9296), Steve Condrazo (9803), Jessica Delaney (9199), Karen Donahue (9223), Seth Ebeling (9204), Sean Girard (9293), Lou Glantz (9970), Nella Hogarth (9601), Esther Iantosca (9207), Gregg Joyce (9863), Lynne Keating (9342), Brian Kennedy (9436), Jeremy Krol (9617), Steve McCarthy (9383), Judy McGue (9817), Meredith O'Connor (9334), Bryan Putney (9888), Todd Strott (9624), Courtney Templin (9196), Temi Tognacci (9236), Leonard Wencis (9213)

Retirement Operations (9992)
Mike Clifford (9333), Steve Kochis (9182), Robert Schiller (9726), Rick Slingluff (9210)

Transfer of Assets (9992)
Dan Berman (9347), Wellington Garcia (9678), Mary Harkins (9221), Ellen Lenieux (9310), Melissa Mather (9339), Kristen Melendy (9849), Aaron Picia (9670), Chris Varakis (9640)

CASHIERING (9992)
ChiWai Chow (9824), Chris Ciccolini (9571), Bill DeProfo (9160), Richard Fuller (9534), Brian Macy (9356), Audrey Mass (9150), Lee Murphy (9434), Kristi Pero (9233), Matt Reilly (9831), Amanda Woolridge (9644)

COMMISSION INQUIRIES (9990)
Bill Donnelly (9832), Casey Dvareckas (9921), Sean Lawton (9292), Cortney Myers (9275), Tracy Paulucci (9185), Jeff Ramsayer (9202), Jennifer Wyatt (9166)

COMMUNICATIONS
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