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FPA.
THE FINANCIAL PLANNING ASSOCIATION
of Southern Nevada

The FPA of Southern Nevada

4312 W. Charleston Blvd.
Las Vegas, NV 89102

The Planner News

VOLUME 2 ISSUE 1 • JULY, 2006

FPA.
THE FINANCIAL PLANNING ASSOCIATION
of Southern Nevada

GOLD
LEVEL
CHAPTER

SUPPLY AND DEMAND

by Bob Veres, publisher, Inside Information

Nobody is quite sure how financial planning services ought to be priced. There seems to be a trend away from asset management pricing (which was once a generally accepted 1% of assets up to the first million or so, but which now fluctuates all over the map) toward flat retainers or a percentage of net worth. But how much should that be?

The purpose here is not to create a pricing structure for the profession to follow, but to share with you some of the thinking that my newsletter readers have gone through to figure out how THEY should charge for their services.

Boiling down several articles into a quick summary, there are three ways to look at the problem. The first is to evaluate the supply of planning services, and the demand for them, in the overall US marketplace. The most commonly accepted estimate of the total number of planners practicing here in the US is 50,000. This group of professionals offers its services to a total market of roughly 90 million American households. I'm going to make a debatable-but-plausible economic assumption here: that EVERYBODY would like to have the help of a full-service planner if the price were right.

Punch those numbers into a calculator, and you find at least 1,800 potential clients per planner. If you count only the wealthiest third of all Americans, that still leaves you with about 600 per planning practitioner.

If we assume that planners can only do full-service work with 100 clients each, then there are between six and 18 prospective clients who would have to compete for each place in your client files. This calculation doesn't give us a price, but it DOES suggest that every legitimate planner, who offers good service, should be able to price him/herself profitably.

Another way to look at the pricing calculation is to figure out how much you would need to earn, per client, for it to be more attractive for a sole practitioner to own his/her own business than to work for the large planning firm up the road. The numbers will be different in every local market, but here's how the calculations worked out for an advisor in a midsized community. As a senior planner, he estimated that he could earn \$100,000 at a larger firm near his offices. He also does the administrative chores of running his own firm, which he reckons to be worth at least another \$35,000. Social Security/Medicare benefits and things like health insurance take his cost up to a minimum requirement of \$200,000 a year.

Next: add in office expenses and miscellaneous overhead (\$50,000 in his case) and the cost of a bare-bones support staff (\$150,000), plus a reasonable return on his original investment in starting the firm (for the sake of this calculation, we'll assume a \$100,000 investment and require a \$30,000 a year return) plus the financial risk (con't page 4...)

MEETINGS & SPECIAL EVENTS

2006 FPA Southern Nevada Chapter Meetings

- September 28
- October 26

Additional Info:

FPANV.org/events/education

Special Events

- August 10
FPA/Channel 10 PBS
Pledge Drive
- December 7
Chapter Holiday
Awards Dinner

Other FPA Events

- October 21-24
FPA Nashville 2006

If you would like to start receiving the FPA SN Planner electronically via e:mail, please let us know via e:mail by contacting the FPA SN Administrative Assistant at fbrazier@earthlink.net

Thank You!

FPASN CHAPTER MEETINGS

4043 Howard Hughes Parkway • Las Vegas

THURSDAY, SEPTEMBER 28, 2006

Session One:

Thursday, September 28, 2006

Chapter Meeting Agenda:

- 12:00 Noon Registration/Networking
- 12:20 p.m. Lunch Seating
- 12:25 p.m. Announcements & Introductions
- 12:30 p.m. Sponsor Spotlight
- 12:40 p.m. Speaker Session
- 2:20 p.m. Session Ends
- 2:30 p.m. "Hedge Funds" Session Begins
- 3:20 p.m. Meeting Adjourned

Members: \$25 • Guests: \$25

Non-Members: \$25

PLEASE RSVP

fbrazier@earthlink.net

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MEETING SPONSOR

"Reasonable Expectations"

(2) CE Credit

Speaker –Ed Easterling

Author and Hedge Fund Manager

Ed Easterling will discuss the insights and conclusions from his recently published book *Unexpected Returns - Understanding Secular Stock Market Cycles*. The book explains why the stock market is acting differently in the 2000's than it did in the 1980's and 1990's. In addition to explaining the fundamentals, Ed takes you on a graphic journey through the seasons of the market, tying together economics and finance to explain the stock market's cycles. *Unexpected Returns* is a unique combination of investment science and investment art that will enable you to differentiate between irrational hope and a rational view of the current financial markets. Based on years of meticulous research, Ed provided the sensible conclusions that will drive your future investment choices and give you the confidence to rely on our investment outlook, whatever your financial strategy.

Session Two:

Thursday, September 29, 2006

"Hedge Funds"

(1) CE Credits

Speaker – Ed Easterling

FPASN CHAPTER MEETINGS

4043 Howard Hughes Parkway • Las Vegas

THURSDAY, OCTOBER 26, 2006

Thursday, October 26, 2006

Chapter Meeting Agenda:

- 12:00 Noon Registration/Networking
- 12:20 p.m. Lunch Seating
- 12:25 p.m. Announcements & Introductions
- 12:30 p.m. Sponsor Spotlight
- 12:40 p.m. Speaker Session
- 2:20 p.m. Meeting Adjourned

Members: \$25 Guests: \$25

Non-Members: \$25



"Year-End Tax Planning and Tax Update For Financial Advisors"

(2) CE Credits

Speaker – Deloitte & Touche, CPA's

There is very little you can do after December 31st to reduce your client's taxes for the current year. So, take stock of the tax issues before the end of the year and see what you can do to lower your client's tax liabilities.

Ryne Nishimi

949.632.9588 MEETING SPONSOR

CHAPTER MEMBERSHIP CAMPAIGN

Members are requested to bring a guest/potential

member to the October 26th meeting.

There will be **NO CHARGE** for the guest at this meeting.

PLEASE RSVP: fbrazier@earthlink.net or (702) 870-9298

FPA Southern Nevada Chapter

Mission Statement:

The FPA of Southern Nevada with the CFP mark as it's cornerstone, seeks to foster the financial planning process, with high ethical standards, continuing education, and community awareness.

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For information contact:

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FPASN Membership / Renewal Information

Join/Renew Online at www.fpanet.org or by Phone at 1-800-322-4237 7

For your convenience, FPA is set up to accept VISA, MasterCard, AMEX and we also offer a bank draft option.

(Supply and Demand con't. from page one)
of taking on liability. In the end, this planner is looking at roughly a \$500,000 yearly revenue requirement - that is, how much would he have to take in, per year, to make it a break-even choice whether he keeps his shingle out or locks the door and goes to work for a salary.

Assuming that this single-planner firm can handle 100 clients, the minimum base fee, on average, that he would need to charge to achieve this breakeven point is \$5,000 per client. If you want the firm to show a visible profit margin, the fee should be adjusted upward to at least \$6,000.

Now let's try a third methodology, and look at what other professionals charge for similar services. Probably the most efficient pricing in our corner of the economy is set by the large brokerage firms, which have teams of MBA's who monitor their company's supply and demand fluctuations and whose job is to position their pricing as close to what the market will bear possible. For a client with a \$1 million portfolio, it is not uncommon to find a (discounted) 1% wrap fee on top of a 1.5% aggregate expense ratio in the firm's proprietary mutual funds or wrap accounts. Multiply the portfolio by 2.5% of the total assets, and you have a yearly fee of \$25,000. Of course, if the client worked with you, then he/she would probably still be paying a mutual fund expense ratio. So assume that you can use

ETF's or less expensive funds and get the portfolio's cost down to 50 basis points, and the actual cost of the advice would be closer to \$20,000 a year.

Of course, this is not a totally apples-to-apples comparison. Independent full-service planners generally offer some additional services which might suggest a slightly higher fee: recommendations from a fiduciary versus an agency relationship, insurance advice, detailed estate planning, and any life planning services the advisor normally offers.

I think it's fair to say that after we had worked through the numbers and talked about the value of services in a series of e-columns, most members of the Inside Information community concluded that they were consistently underpricing their services. By how much? I can't say. We'll probably never know what a doctor's work or a lawyer's advice is worth to any particular consumer. But when I put on my futurist's hat and look into my crystal ball, I see a time when advisors are much more willing, and much more able to position themselves within shouting distance of the cutting edge of supply and demand.

Bob Veres is publisher of Inside Information, a service that helps planners achieve the same results for themselves that they offer to their clients. You can reach him at bob@bobveres.com or the Inside Information web site: www.bobveres.com.



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**HOLD THAT
DATE!!!**

**CHAPTER HOLIDAY
AWARDS DINNER**

Thursday, December 7, 2006

6 - 9 p.m.

at **Lawry's The Prime Rib**

4043 Howard Hughes Parkway

Las Vegas

Bring a wrapped toy for donation to a needy child.

Also, bring a gag gift if you want to participate
in a fun-filled game. \$65.00/person

**FPASN/CHANNEL 10
PBS FUNDRAISER**

FPASN will be manning the telephones for the
Channel 10 PBS Pledge Drive on:

*Thursday, August 10, 2006
from 7:30 p.m. to 11:30 p.m.*

If you haven't signed up already and wish to
participate, please e:mail Andrew Patai at
apatai@earthlink.net. This is a good chance to
get the FPSN name out to the community and
show our support. It is all for a good cause and
we will be making a \$500 donation to Channel 10
PBS.

FPASN members will wear T-Shirts identifying
them as FPASN members and volunteers.

Member Spotlight:

ANDREW PATAI, CFP, BOARD MEMBER, FPASN

Andrew is a Certified Financial Planner professional providing personal and business wealth planning and management to clients in NV, CA, ID, AZ, and OH. Andrew has a wide range of professional financial experience working for international wirehouse brokerage firms to regional independent RIA firms. He now owns and operates an independent financial planning firm supported by AIG Advisor Group, one of the largest Independent broker/dealers in the nation.

As a Certified Financial Planner professional, Andrew provides coordinated, client-specific wealth maximization strategies to clients in several areas including Retirement Planning, Asset Management, Tax Planning, Risk Management Strategies and Employer/Employee Benefits Planning. With a core belief of Making Your Money Work for You, he empowers individuals to achieve their goal of financial and personal freedom. His career track to becoming a CFP professional started with formal education at Texas Tech University, one of the first and foremost CFP-programs in the nation, where he graduated summa cum laude.

Andrew and his wife, Stacy, live with their 10 "children" (two horses, a German Sheppard, an English Mastiff, and six Koi fish) in Las Vegas, Andrew's hometown.

GREGORY MOORE, CFP, BOARD MEMBER, FPASN

Gregory Moore is a business owner and the principal Agent of his State Farm Agency, offering investment, insurance, retirement, estate and business planning. Greg has created a common-sense and humorous way to teach life planning and finance to all ages and income levels. His easy-to-understand techniques have helped his clients gain a sense of financial well-being and emotional stability which he believes are intertwined.

An insurance agent for two decades, Greg is an Investment Advisor Representative of State Farm Investment Management Corp; a Registered Representative of State Farm VP Management Corp; an agent of State Farm Insurance Companies and State Farm Bank.

Greg is a graduate of Thomas Edison College, a Certified Financial Planner TM Practitioner; Chartered Financial Consultant, and a Chartered Life Underwriter.

As a native Las Vegan, Greg and his family have witnessed a tremendous amount of growth in our valley, which he believes is a beautiful place to live and raise a family.

Geoffrey VanderPal for STATE TREASURER

Geoffrey has the qualifications,
expertise and determination
that Nevada needs.



VOTE:
= *Geoffrey* =
VanderPal
For State Treasurer
www.nvstatetreasurer.com

Dr. Geoffrey VanderPal
DBA, MBA, CFP, CLU, CFS, RFC, CFP

- Geoffrey has 14 years of BANKING, INVESTMENT, MANAGEMENT, and TREASURY EXPERIENCE and owns a successful financial advisory firm.
- Geoffrey is the only candidate that holds advanced financial credentials such as a Doctorate degree in Business Administration and Finance as well as the Certified Treasury Professional and Certified Financial Planner certifications.
- Geoffrey has pledged NOT to accept campaign contributions from financial service firms to insure the integrity of the office of State Treasurer. Geoffrey believes that receiving campaign contributions from the same financial companies providing banking and investment services for the state government at the State Treasurers discretion, is a conflict of interest.

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