Mentor Capital Management Inc.

Financial Planning News

October 15, 2007 | Vol. 2, No. 10

Deciphering the profession's alphabet soup

There are so many designations and certifications for financial professionals that figuring out what kind is best for you can be very daunting.

FINRA, the private-sector body that oversees securities dealers, lists nearly 60 "Investment Advisor Designations" complete with educational requirements and issuing body on its web site. You can weed out at least some of them by knowing what services you need.

Unless you're planning a divorce, a Certified Divorce Financial Analyst (CDFA) or Certified Divorce Specialist (CDS) probably isn't for you. You won't consult a Certified College Planning Specialist (CCPS) if you don't have children.

Some designations require more education, training, and experience than others. The Chartered Financial Analyst (CFA), Certified Financial Planner (CFP) and Certified Public Accountant (CPA), for example, each have substantial prerequisites for work experience and education, followed by program-specific courses and exams.

Some other designations, however, require only a self-study course and an exam. Watch out, too, for acronyms that sound alike but represent very different preparation. A Registered Financial Associate (RFA) needs a college degree in financial planning, while a Registered Financial Consultant (RFC) needs a CFA, CFP, or one of several other professional designations or an advanced degree, plus four years of experience as a financial planner. A Registered Financial Planner (RFP) needs only two years of experience and a 70-hour self-study course.

But it's not just the acronym that matters, it's the individual. What you really want is someone who can provide the services you need and understands your goals. Some financial professionals handle only a few investment products; others specialize in only a few areas. Think about what services are appropriate for your situation. Some financial professionals can offer help with all of these; others handle only a few:

- Estate planning
- Taxes
- Retirement

- Savings
- Investments
- Education
- Insurance

Advisors with Mentor Capital Management Inc. are qualified to provide comprehensive financial advice in areas including but not limited to the seven noted above. All have four-year college degrees and a professional designation, either CFP or CPA. All offer financial advice strictly on a fee-only basis. Because no one but their clients pays them, they have eliminated most of the conflicts of interest that are present with many other financial advisors.

Make your cash work more for you

Many people keep their cash in a checking or savings account at a bank. In most cases, the annual interest rates (if any) for these accounts are very small – often under 1%. Even with larger balances, the rates are usually meager. Bank money market accounts offer higher yields, but usually require large minimum balances.

Consider putting your excess cash in a money market mutual fund. These funds offer safety and easy access to your money with yields that are often noticeably higher than bank accounts. While these funds are not FDIC insured, no consumer has ever lost money in one of them. When choosing, select a fund with no sales charge and a low expense ratio.

Guilt: A big roadblock to financial success

The six deadly "sins" of personal finance are sins of emotion. Emotion clouds our judgment and leads us to make foolish decisions. This first in a series will explore the sin of guilt; fear, greed, pride, sloth and envy will follow.

Tormented because your spouse wants a flat-screen TV for Christmas? Feeling inadequate because you can't tithe 10% of your income to the church?

Feelings of guilt can be a huge roadblock to getting ahead financially. We feel guilt when we can't lavish gifts on loved ones or can't help others by donating to charities. When feelings of guilt drive us to make imprudent financial decisions, we harm our families and ourselves.

Giving is an important element of most people's lives. It's when giving is inspired by guilt that can be damaging.

How much one gives – charitably or to loved ones – should be carefully calculated in light of the overall cash-flow picture. If giving will hinder the attainment of our other financial goals and objectives, we're not being good stewards.

Give – but don't do so out of guilt. Do so based on a clear understanding of your capabilities and your personal priorities.

How to avoid financial scams

Beware: There are people out there who are trying to take our money. They play on our trust to get us to open our wallets, only to fill their own.

According to the National Consumer's League, the most popular financial scams are:

- **Foreign business offers:** Scammers pretend to be business people or government officials and promise millions of dollars only if you'll send them a fee. But real companies and government agencies don't offer legitimate business propositions to people they don't know.
- **Love losses:** The scammer poses as a romantic interest online and promises to come to the U.S. to be with the victim. Soon after, the online friend asks the victim to wire money or send a money order to cover "travel expenses." They're never heard from again.
- **Overpayments:** Scammers buy merchandise online, and then claim they mailed the wrong amount by mistake. The seller is asked to deposit the "wrong" check anyway, then return the "excess." But the check doesn't clear, and the victim has sent the scammer his own money.
- **Rental schemes:** Scammers claim to be moving to the area and put down a rental deposit. Then they tell their landlord they have unexpected expenses, so they ask for some of their deposit back as a favor. They never move in, and the deposited check never clears.
- **Sudden riches:** The scammer claims the victim has won a foreign lottery or sweepstakes. The notice comes by mail, phone, fax or email. Consumers should know that winners of real cash prizes are notified by certified mail.
- **Work-at-home:** The scammers promise easy money by "processing" checks. The victim deposits the checks and sends the money to the scammer, minus a small fee. Legitimate companies don't do business like this.

To report fraudulent activity and to learn more, go to www.FakeChecks.org.

Where Michigan goes, will Illinois follow?

Financial planners in Michigan are fuming about a new tax of 6% on their services.

The tax, of course, will be passed on to their clients as well as the clients of other service providers.

Illinois has tried this and failed in the past. That's a good thing. But Michigan's recent success may embolden our state lawmakers to try it again.

We advise against. Instead of looking constantly for new sources of revenue, state government should spend more time making their operations more efficient. Until they do that, they have no business creating a new tax.

Don't buy a tax liability

Be careful about putting a big chunk of money into a mutual fund between now and the end of the year.

Toward the end of each calendar year mutual funds calculate how much income they'll distribute to shareholders. This includes long- and short-term capital gains as well as dividends.

If you buy mutual fund shares in a taxable account now, you'll get the distributions and pay taxes on them without really getting much benefit.

You can avoid these taxes by buying your shares in a tax-deferred account, or selecting a fund that historically has paid out very little in taxable income.

Financial Planning News is published monthly and © by Mentor Capital Management Inc., 105 S. York St., Suite 450, Elmhurst, IL 60126. All rights reserved. For questions or comments, phone us at 630-530-1191 or send an email to: newsletter@mentoradvisers.com. Every attempt is made to assure accuracy; however, the publisher assumes no responsibilities for errors or omissions. Readers should seek professional advice before acting on any recommendations herein. Written by Mentor Capital Advisers John S. Davis, CFP, Tom Adams, CPA and Dan Carey, CFP.

JOKE OF THE MONTH

One day, a grandpa and his grandson go golfing. The young one is really good and the old one is just giving him tips. They are on hole 8 and there is a tree in the way and the grandpa says, "When I was your age, I would hit the ball right over that tree." So, the grandson hits the ball and it bumps against the tree and lands not to far from where it started. "Of course," added the grandpa, "when I was your age, the tree was only 3 feet tall."

105 S. York St., Suite 450
Elmhurst, IL 60126-3444

You are receiving this copy of *Financial Planning News* compliments of John Davis, President and founder of Mentor Capital Management Inc. John may be reached at 630-530-1191 or via email at john@mentoradvisers.com.

Financial Planning News is available as an Adobe Acrobat PDF file via email. Please let us know if you would prefer email delivery.