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Saving Too Much?

By Lauren Barack

Are Planners Pushing Too Hard For Savings? Most say that's laughable.

Almost any financial planner will tell you that while some clients may be saving enough for retirement, too many aren't at all ready for their golden years.

But a recent story in *The New York Times* suggests just the opposite. The story quotes academics who believe that investors may be saving too much for retirement – especially consumers who use online calculators.

This take on things may have sent a wave of relief through many consumers, especially those who have neglected their 401K. But planners had another response. "I think it's irresponsible as heck to put something out there like that," says Eric Brotman, CFP. The Timonium, Maryland-based adviser had been emailed the story from a confused client who sent with it an article that claimed investors weren't saving enough. Brotman's sentiments are with the latter. He believes that consumers need to sock away 15 percent of gross income as a base line goal, and that most people are saving nearly that much.

Michael Peterson, a Chambersburg, Pennsylvania- based financial planner agrees and considers the notion that most investors are saving enough for retirement laughable. He also worries that too many people are still depending on Social Security to meet their needs. "That was never meant to be the only source of retirement income," he says.

The goal of retirement planning, of course, is to ensure that investors have enough savings to last through their life. Often, planners err on the side of caution, making sure clients don't reach age 95 and end up on the street. And Peterson does acknowledge that that in some cases, advisers may be pushing their clients a little too hard and might advise consumers who have planned diligently to slow down a bit. "At some point in our life, spending does slow down," he says. "You don't need the same amount at 66 that you do at 90."

Brotman acknowledges that retired clients can get by on much less income than they needed during their working years. "But I don't know many people who just want to get by," he says. "And wouldn't it be better if you didn't have to?" He admits that some of his clients are probably saving more than they'll actually need to spend during their lifetime. "But most



of my clients want to transfer wealth," he says. "They don't want to create trust babies, but they do want to do charitable work."

The sentiments of both Peterson and Brotman are echoed by Manasquan, New Jersey-based planner Jorie B. Johnson who observes that although some clients have watertight retirement plans, others are completely under water because of the amount of debt they've accumulated. "Some are saving adequately, but are living beyond their means," she says. And she points to the main reason to get the spending/savings balance right. "I try to show some of my clients that they could be spending more money today and enjoying life, not saving every penny," she says.

The One, The Only, Peter Dunn.

By Lauren Barack

How this 29-year-old financial planner hopes to get his name in the spotlight.

With a new book under his belt, and spots on local television and radio shows, 29 year old Peter Dunn is doing better than most financial planners seeking a little fame. "My goal is to be the Suze Orman of my generation," says the Indianapolis-based CFP, who also goes by the moniker "Pete the Planner".

Shortly after college, Dunn jumped into the financial planning world armed with an unusual skill — comedy. After a successful stand-up career throughout college, complete with attention from the local press, Dunn found himself at a cross roads. "I had to decide between being a very funny comedian or a hilarious financial planner," he says.

Dunn knows that when it comes to money, humor can be a double-edged sword. A joke with a punch line that involves a retirement account going south may not garner a lot of laughs — especially among the 50-plus set. "Even when I was doing stand-up I had to do a quick scan of my audience so I didn't bomb," he says. But used carefully, comedy can save a relationship "...I use humor to make people like me — before I tell them a terrible thing," says Dunn.

As a financial planner, Dunn's most important goal is to get his clients focused on their budgets. "You wouldn't believe how jerry-rigged people's budgets are," he says. "I started the budget planning business because a lot of clients were well into six-figures and wondered where all their money went." He runs the budget planning side separately from the financial planning work he does — and clients do not jump from one or the other. Instead, Dunn assesses prospective clients and decides where they most need his help.

Dunn's budget-focused approach gave rise to his new book: "What Your Dad Never Taught You About Budgeting". The book is written as a primer and Dunn has three sequels planned, including a book targeted to elementary school children. The primers offer varied advice on everything from allowances to adapting money roles when a wife makes more money than a husband. Dunn likes to draw on real-world examples, and says all the stories in his latest budgeting book are true — although a few of the names have been altered.

Dunn's sense of the importance of budgeting may have something to do with his roots. In his book, he writes of Grandpa Dunn who'd take grandson Peter and family out for donuts every week — but limit everyone to just half a donut to stay on budget. Guarding against being like "the worst cobblers with holes in their shoes," Dunn makes it a point to follow his own budgeting advice. Every month he sits down with his wife, pours a couple of glasses of wine, and spends half an hour or so checking off their bank statements.

Dunn believes he has a calling — not just to help people balance their checkbooks, but find a better way to run their finances. And he thinks there are plenty who will listen to what he has to say. "You know Jim Kramer?" he asks. "He very entertaining, but he's only up about 1 percent for the year... Obviously I don't know more than anyone else, but I do know enough to change people a little bit."

IN CASE YOU MISSED IT:

[Fido Study Shows Americans Improve--Slightly--at Replacing Retirement Income](#)

On March 12, the Fidelity Research Institute in Boston released the latest

THE EXPERT'S CORNER:

THE EXPERTS CORNER: The 529 Nirvana: President Bush's recent proposal may truly make 529 plans a planner's college-savings dream.



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findings of its 2007 Retirement Index, which reveal that the typical working household in America is on pace to replace 58% of its income in retirement. That statistic is an increase—if ever so slight—over last year's result of 57%. The study also showed that Baby Boomers are slightly ahead of the curve, and on pace to enjoy 62% of their current income once in retirement.

- *Financial Planning*

[CFP Board Announces New Draft of Professional Standards](#)

The Certified Financial Planner Board of Standards announced on March 9 a new draft of proposed changes to its Standards of Professional Conduct that includes the requirement that a CFP professional act as a fiduciary at all times in client relationships. The previous draft, released last July, received more than 300 responses. It set fiduciary responsibility as the default legal standard for CFP-client relationships but included a controversial "opt-out" provision that allowed CFP holders to set a different standard in writing. The provisions outlined in the draft will apply to the more than 54,500 individuals who hold the CFP designation in the United States.

- *Financial Planning*

[U.S. Treasury Secretary Paulson to China: Open Up Financial Markets](#)

Calling China a "global economic leader" and noting that over the past five years, the U.S. and China spurred more than 50% of global growth, Treasury Secretary **Henry M. Paulson, Jr.** told business leaders in Shanghai on March 8 that "China's continued economic success is not only vitally important to the people of China, but also to the rest of the world." As such, Paulson said, China must embrace reforms in its financial services markets. "Open, competitive, world-class financial markets are the backbone of stable and balanced growth," he said. As such, he recommended "sound accounting standards, strong corporate governance, strong financial institutions, independent financial analysis and research, a meaningful disclosure regime and independent credit rating agencies."

- *Financial Planning*

[LPL Buys Three Pac Life Broker-Dealers](#)

Linsco/Private Ledger Corp. (LPL Financial Services) announced that it will acquire three of Pacific Life Insurance Company's broker-dealers--Mutual Service Corporation, Associated Financial Group, and Waterstone Financial Group. Collectively, these broker-dealers boast 2,200 financial advisors serving retail clients and \$353 million in revenues. The deal increases LPL's independent financial advisors to 9,900 nationwide. Pacific Life will retain ownership of its other broker-

Question: The President has just proposed making 529 plans, in effect, invisible from determining federal financial aid awards. Should I count on this? Should I be informing my clients?

By Bruce Harrington, Director of product development with MFS, and a board member of the College Savings Foundation.

Answer: Handicapping politics is a hard thing to do, so it may be too early to tell. But there has been a lot of discussion on this topic. Here are some points to consider:

1. This proposal was not expected. It was a huge surprise to a lot of people, and there was no lobbying for it.
2. The proposal seems to have bipartisan support. Also, unlike the last year's decision to make earnings from 529 plans free from federal tax — and reduce revenues by \$2 billion, this proposal does not seem to have such significant fiscal impact on the federal government.
3. The proposal does impact schools because they look at the federal financial aid numbers. If parents have more assets that will not be counted, the schools may have to give out more aid.

If it is adopted, the proposal would be a huge win for people who sell 529 plans. There would be few stumbling blocks, as the adoption of this proposal would further simplify explanations of how 529 plans work.

Bruce Harrington is vice president and director of product management of 529 plans with the Boston-based MFS Investment Management, and a board member of the College Savings Foundation, a Washington, DC-based industry association for 529 plans.



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dealers, M.L. Stern & Co. and United Planners' Financial Services of America. The transaction is set to close no later than June 2007. Terms of the transaction were not disclosed.

- Financial Planning

DATA POINTS:

The Fast-Growing 529 Plan: At the rate these plans are growing, there is very little possibility of them disappearing as a college savings tool for families.

529 Plan Assets 1998-2006 Q3* (in billions \$)

Years	Savings Plans	Prepaid Tuition Plans
1998	.2	4.0
1999	.9	5.3
2000	2.6	6.0
2001	8.5	7.1
2002	18.5	8.3
2003	35.1	10.7
2004	52.2	12.5
2005	68.7	13.9
Q1 2006	75.3	14.2
Q2 2006	77.5	15.4
Q3 2006	82.2	15.2

Top Ten Programs by Assets in 529 Funds as of Sept 2006*(in millions \$)

States	Savings
1. Virginia Savings	\$17,819.8
2. Rhode Island	\$7,072.0
3. New Hampshire	\$6,197.1
4. Florida Prepaid	\$5,599.3
5. New York	\$5,593.5
6. Ohio Variable Funds	\$4,586.9
7. Maine	\$4,153.3
8. Nevada Savings	\$2,857.1
9. Colorado Savings	\$2,668.9
10. Alaska	\$2,403.7

*All statistics come from the Investment Company Institute and the College Savings Plan Network

DISCUSSION BOARD HIGHLIGHT:

Here are some recent discussions you might want to weigh in on our on-line discussion

boards.

Independent RIA vs. affiliation: The pros and cons of each.

<http://www.financial-planning.com/phorum/read.php?f=4003&i=33832&t=33832>

Charging Fee for Proposal: Considerations for how to charge for investment proposals.

<http://www.financial-planning.com/phorum/read.php?f=4003&i=33785&t=33785>

MARK YOUR CALENDAR:

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|---------------------------------------|--|
| ▶ March 30, 2007 | <i>NASD</i>
NASD Operations Conference
New York, New York
http://www.nasd.com/EducationPrograms/ConferencesEvents/NASDW_017985 |
| ▶ April 24-25, 2007 | <i>MDRT</i>
Boomertirement™ Industry Summit
New York, New York
http://www.boomertirement.com |
| ▶ April 26 – 27, 2007 | Center for Fiduciary Studies
Fi360's 2007 National Conference
San Diego, California
http://www.fi360.com/main/conference.jsp |
| ▶ April 26-29, 2007 | Investment Management Consultants Association IMCA® 2007 Spring Professional Development Conference
Phoenix, AZ
http://www.imca.org |

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