

Center for Financial Advisor Education

FA 264 WORKBOOK
Foundations of Investment Planning



The American College® is an independent, nonprofit, accredited institution founded in 1927 that offers professional certification and graduate-degree distance education to men and women seeking career growth in financial services.

The Center for Financial Advisor Education at The American College offers both the LUTCF and the Financial Services Specialist (FSS) professional designations to introduce students in a classroom environment to the technical side of financial services, while at the same time providing them with the requisite sales-training skills.

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FA 264 ASSIGNMENT SCHEDULE

This workbook contains quizzes, exercises, projects, and case studies that are intended to supplement the material in chapters 1 through 8 of the FA 264 textbook, *Foundations of Investment Planning*.

Class	Assignments in Text	Assignments in Workbook
1 <hr/> Date	Chapter 1	Course Overview and Expectations (Read before Class 2) Acknowledgment of Course Requirements (Due Class 2) Breakout—Class 1 Student Survey Case Study: Les and Farah Texas Sales Planning Project 1—Creating a Prospecting Pipeline (Begin, Due Class 3) Most Valuable Concepts
2 <hr/> Date	Chapter 2	Acknowledgment of Course Requirements (Due) Breakout—Class 2 Quiz—Class 1 (Due) Quiz—Class 2 (Due) Sales Planning Project 2—Interview with an Expert Advisor (Begin, Due Class 4) Action Project 1—Prequalifying Prospects (Begin, Due Class 4) Most Valuable Concepts
3 <hr/> Date	Chapter 3	Breakout—Class 3 Quiz—Class 3 (Due) Sales Planning Project 1—Creating the Prospecting Pipeline (Due) Sales Planning Project 3—Implementing Your Prospecting Pipeline (Begin, Due Class 7) Most Valuable Concepts
4 <hr/> Date	Chapter 4	Breakout—Class 4 Quiz—Class 4 (Due) Sales Planning Project 2—Interview with an Expert Advisor (Due) Action Project 1—Prequalifying Prospects (Due) Sales Planning Project 4—Differentiating Yourself from the Competition (Begin, Due Class 6) Action Project 2—Uncovering Financial Goals and Risk Tolerance (Begin, Due Class 6) Most Valuable Concepts

Class	Assignments in Text	Assignments in Workbook
5 <hr/> Date	Chapter 5	Breakout—Class 5 Quiz—Class 5 (Due) Sales Planning Project 5—Asset Allocation (Begin, Due Class 7) Most Valuable Concepts
6 <hr/> Date	Chapter 6	Breakout—Class 6 Quiz—Class 6 (Due) Sales Planning Project 4—Differentiating Yourself from the Competition (Due) Action Project 2—Uncovering Financial Goals and Risk Tolerance (Due) Sales Planning Project 6—Investment Planning in Your Practice (Begin, Due Class 8) Most Valuable Concepts
7 <hr/> Date	Chapter 7	Breakout—Class 7 Quiz—Class 7 (Due) Sales Planning Project 3—Implementing the Prospecting Pipeline (Due) Sales Planning Project 5—Asset Allocation (Due) Most Valuable Concepts
8 <hr/> Date	Chapter 8	Breakout—Class 8 Quiz—Class 8 (Due) Sales Planning Project 6—Investment Planning in Your Practice (Due) Most Valuable Concepts
<hr/> Date	Review Session for Final Examination	Final Exam Review Practice Exam (Complete in class)
<hr/> Date	Final Examination. This is a closed-book exam consisting of 50 multiple-choice questions. You cannot refer to your textbook or any other materials during the exam.	

WORKBOOK MATERIALS DISCLAIMER

While every precaution has been taken in the preparation of this material to insure that it is both accurate and up-to-date, it is still possible that some errors eluded detection. The authors and The American College assume no liability for damages resulting from the use of the information contained in this workbook. The American College is not engaged in rendering legal, accounting, or other professional advice. If legal or other expert advice is required, the services of an appropriate professional should be sought.

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USE OF THE TERM FINANCIAL ADVISOR

Use of the term "Financial Advisor" as it appears in this workbook is intended as the generic reference to professional members of our reading audience. It is used interchangeably with the term "Advisor" to avoid redundancy. Financial Advisor takes the place of the following terms:

Account Executive	Insurance Professional
Agent	Life Insurance Agent
Associate	Life Underwriter
Broker (stock or insurance)	Planner
Financial Consultant	Practitioner
Financial Planner	Producer
Financial Planning Professional	Property & Casualty Agent
Financial Services Professional	Registered Investment Advisor
Financial Services Specialist	Registered Representative
Health Underwriter	Senior Advisor

ANSWERS TO THE QUESTIONS IN THE COURSE

The answers to all essay and multiple choice questions in this course are based on the text materials as written.

COURSE OVERVIEW AND EXPECTATIONS

Welcome to FA 264, *Foundations of Investment Planning*. This introductory section begins with an overview of the course objectives. Then it discusses the components of the course, and reviews the various assignments and activities that will help you apply what you learn. Finally, it closes with a discussion of what is expected from you.

COURSE OVERVIEW

The Financial Services Specialist (FSS) and LUTCF designations utilize the enormously successful, quality training courses from The American College's Financial Advisor (FA) series. The American College and National Association of Insurance and Financial Advisors (NAIFA) have partnered to offer these courses, which enable students to gain the necessary skills associated with being a competent and ethical financial advisor.

The goal of this course is to introduce you to the investment planning process. The readings and activities in this course will enable you to understand how you can improve your own practice and provide investment products and relevant advice to prospects and clients. By the end of the course, you should be able to

- describe the major participants, institutions, and transactions in the securities markets
- explain the various fees and general tax treatment of investments to prospects
- calculate and project returns and future returns
- explain the relationship between risk and return to a prospect
- describe the more common types of investment instruments, including mutual funds and insurance-based investment products
- use a fact finder to determine prospect goals, financial situation, and risk tolerance
- analyze collected information and develop a basic investment plan that achieves the prospect's goals and reflects the prospect's financial situation and risk tolerance
- monitor an investment plan
- act in an ethical manner

Achieving these objectives depends on the time and energy you invest in completing the assignments in this course. The next section provides an overview of the course components and the assignments related to them.

COURSE COMPONENTS AND ASSIGNMENTS

The American College's LUTC and FSS courses offer practical on-the-job training. Therefore, they require students to take action and participate fully. Except for the final examination, each component of the course is designed to facilitate action and participation, which can translate into more new clients and better client relationships. The course components include

- the classroom
- the text
- the workbook
- the final examination

The Classroom

The classroom is where the idea-sharing that gives FSS and LUTC courses their unique value takes place. Of course, the value you receive in the classroom depends on your preparation and participation.

The students in an FSS and LUTC classroom represent various levels of knowledge and experience in the financial services industry. Sharing with one another provides everyone an opportunity to grow in proficiency, professionalism, and productivity. In fact, the classroom's "magic" only happens if everyone is prepared and participates.

The Text

The discussions in the classroom focus on the application of the concepts discussed in the textbook. Thus, you are expected to have completed the reading assignment before class. In addition to the regular textbook information, chapters also contain a chapter review and some may have a case history to read.

Chapter Review. In order to reinforce what you learn, each chapter in the text includes a chapter review that includes key terms and concepts, review questions, and self-test questions that consist of short-answer, multiple-choice, and matching questions. You are *not required* to complete these before class. Many students use these questions to review for the final examination. The answers are provided in the back of the text.

Case History. A chapter may contain a case history, which can be an actual sales situation or a description of how a successful advisor markets, prospects, interviews, services, and so forth. It is designed to stimulate thinking and discussion about selling and planning ideas and activities. As you read a case history, think about how you would handle a similar situation. Does it suggest a method you want to adopt or avoid? Why? The case history will be discussed in class at your moderator's discretion.

The Workbook

The workbook contains an assignment schedule and all of the mandatory assignments that must be completed for each class. The assignments are primarily breakouts (discussion questions), case studies, quizzes, sales planning projects, and action projects.

Assignment Schedule. The assignment schedule located in the front of the workbook lists your assignments for the entire course. There is a space on the assignment schedule to write the date for each class session, which your moderator will announce at the first class. By following the schedule, you can readily determine the material that is to be covered in every class and the work that is expected of you.

Except for the assigned readings in the textbook and assignments your moderator gives to you, all other activities can be found in the workbook. Let's take a look at them.

Breakouts. For each class there is a breakout, a set of questions and/or exercises designed to focus your attention on the topics your moderator will most likely cover in class. The breakouts ask you to apply what you learn. For example, many of them ask you to explain a concept as you would to a client or prospect. You may then be asked to participate in a role-playing exercise based on your answer to the breakout. You are expected to have breakouts completed for each class.

Case Studies. Some classes may use case studies. A case study provides a specific set of facts and circumstances about a sales situation. You are then asked to come up with specific recommendations and to support your rationale for them. The case studies are a part of the class discussion at the moderator's discretion. You are expected to have them completed for any class for which they are assigned.

Quizzes. There is a quiz that must be completed for each class except Class 1. The question type may be true/false, multiple choice, fill-in-the-blank, and matching. Quizzes are due at the beginning of each class.

Sales Planning Projects. Sales planning projects focus on the behind-the-scenes activities that support and enable successful interaction with prospects. They explore the planning involved with marketing, prospecting, interviewing, and servicing financial services products. A sales planning project

can also provide learning experiences that sharpen your ability to advise prospects and design appropriate plans for them. Thus, possible activities could include market research, record keeping, interviews of other financial advisors and professionals, and so forth.

Forms are provided for each project. You will be given one week or more to complete each assignment. Begin working on the project the day it is assigned. If you wait until the last minute, you can miss the purpose and lose a real benefit.

Sales Planning Project Assignment Summary

Sales Planning Project	Title	Assigned Class	Due Class
1	Creating a Prospecting Pipeline	1	3
2	Interview with an Expert Advisor	2	4
3	Implementing Your Prospecting Pipeline	3	7
4	Differentiating Yourself from the Competition	4	6
5	Asset Allocation	5	7
6	Investment Planning in Your Practice	6	8

Action Projects. Action projects focus on the skills and techniques to use when working directly with a prospect. They explore the areas of contacting the prospect for an appointment, working with a prospect during an interview, and asking for referrals. In every action project, there is a specific, brief assignment that calls for personal contact with a number of prospects for a definite purpose. Sometimes an approach is suggested.

Action projects typically fit into a financial advisor's daily routine. Very little preparation or extra research is involved. Sales are inevitable, but they are *not required* for completion of the action project.

Action Project Assignment Summary

Action Project	Title	Assigned Class	Due Class
1	Prequalifying Prospects	2	4
2	Uncovering Financial Goals and Risk Tolerance	4	6

Most Valuable Concepts. Reflection is an important part of the learning process. This activity is designed to allow you to think about what you have learned in each class and write the most valuable concept, sales idea, or marketing strategy that you learned in the class. Your moderator may ask you to share those ideas with the class.

The Final Examination

At the end of the course, you will take a 50-question multiple-choice examination that consists of the three multiple-choice formats (straight answer, Roman numeral, and EXCEPT) used in the workbook quizzes and chapter reviews found in the text. All answers are based on the material in the text. The final examination will not be difficult if you have read the text and completed all of the quizzes and chapter reviews. In order to pass the course, you must pass the final examination with a score of at least 70 percent.

Passing Requirements

Attendance—Your participation in the classroom discussion is crucial to the effectiveness of an FSS or LUTC class. Therefore, your attendance is also vital. To successfully complete the course, you must attend at least six of the eight regular classes. Lateness of more than 20 minutes is half an absence; so is leaving early. Missing more than 40 minutes is a full absence. Two absences are permitted. If you end the course with two and one-half absences, you have exceeded the allowable limit.

Moderator's Grade—The moderator records grades for quizzes, projects, and participation in class sessions. These grades are combined to obtain the average grade for all classroom-related work. This average grade is called the Moderator's Grade.

Examination Grade—There is a 50-question final examination at the end of the course. The questions are multiple choice. A grade of 70 percent or higher is necessary to pass the exam.

Term Grade—The average of the Moderator's Grade and the final examination score must be no less than 70 percent to obtain credit. This average is called the Term Grade.

Three Requirements—In summary, to qualify for successful completion of the course, you must meet each of the following three requirements:

- Satisfy the attendance requirement for your course.
- Score 70 percent or more on the final examination.
- Receive a Term Grade of at least 70 percent.

EXPECTATIONS

Before Class

Complete all assignments before the class meets. The average amount of time you should plan to spend on completing these activities is *at least* 2½ hours per class—about the same amount of time spent in classroom discussion. Some classes will require more time, others less.

Activities include the following:

- Read and study the assigned pages in the text.
- Complete any breakouts and case studies.
- Complete the class quizzes.
- Complete any sales planning project assigned.
- Complete any action project assigned.
- Complete all other assignments required by the moderator.

During Class

Assignments. Turn in your assignments at the beginning of each class. The moderator has been directed to penalize late assignments by 50 percent. If more than a week late, papers receive a zero.

Moderator. The moderator is an individual nominated by the local NAIFA association and appointed by The American College. He or she is not a teacher by profession, but a full-time financial advisor or management person. The moderator shares with you the demands of self-discipline and the constant pressure of time. Consequently, the moderator cannot afford the luxury of catering to anyone who is negligent about completing work on time, maintaining reasonable order, or respecting the rights of others. The moderator needs and deserves the full cooperation of every student.

PERFORMANCE OF ACTION PROJECTS BY NON-SALES STUDENTS AND MANAGERS

All students are expected to do the action projects. This applies to students who are non-producers and to those in management. It includes, for example, students who are office staff, home office executives, state insurance commissioners, finance officers on a military base, and others who may not be licensed to sell insurance.

If you cannot do the projects yourself, you are expected to handle them in one of the following ways (listed in order of preference):

1. Select an FSS or LUTC student who is with your company or in your community to work with you on the project. Base your reports on your joint work.
2. If there is no local FSS or LUTC student from your company to work with, do joint work with one of your company's advisors who is not taking the course. This can be a former FSS or LUTC student or someone without any FSS or LUTC experience.
3. If you are in management and it is not possible to work with an advisor/student, assign the project(s) to one or more of the advisors under your supervision, and report these results.
4. If you have no advisors to work with and none under your supervision, arrange to interview one or more advisors each week, and use the interview as the basis of the project report. Write what the advisor did on the project reporting form.
5. If the four preceding options are unworkable for you, it is up to you to suggest alternative solutions on which you and your moderator can agree. For example, you may develop two presentations to write out or present to the class during the course. These may be on special topics, or you may research a particular insurance sales topic, to write about and give photocopies to all class members. Topics can include state laws, statistical information about insurance, actuarial studies, articles in insurance magazines, self-improvement topics, relationship insights, or a question that came up in class that needed research.

Keep in mind that these five alternatives are special options for isolated instances. In almost all situations every student in the class is expected to complete the action projects as assigned for a passing grade. You are expected to do the field activity and make the follow-up approaches yourself. Most projects can be done in a meaningful way by persons who are not producers.

If you need to do the projects in one of the ways suggested above, discuss it in advance with the moderator and reach agreement on how to proceed. As a safeguard, put your agreement in writing, include both of your signatures, and file the agreement.

NOTE TO FSS AND LUTC STUDENTS

Please read this page carefully, sign at the bottom, and return it to your moderator in class. Occasionally there are misunderstandings concerning the requirements for the successful completion of the course. The purpose of this memorandum is to insure that the requirements and the ground rules laid down by the moderator are clearly understood. Failure to sign this form does not relieve you from these requirements.

ACKNOWLEDGMENT OF COURSE REQUIREMENTS

To be signed by student

It is my understanding, from the explanation received in the first class session and outlined in the Course Overview and Guidelines section of the workbook, that successful completion of this course requires meeting the attendance requirements, achieving a passing examination score (70 percent), and earning an overall average (term grade) of 70 percent on all work for the course. Specifically, I understand that

1. Credit for the course will not be given to any student who fails to attend at least six of eight class sessions. The maximum number of absences is two. Missing more than 20 minutes of class is a half-absence. Missing more than 40 minutes of class is a full absence. It does not matter whether absences are due to illness, injury, business appointments, company or agency meetings, vacations, or conflicts in personal schedules. No attendance credit is given for attendance at an exam review session. I further understand that neither the local NAIFA officers or the moderator has authority to excuse absences, because the requirement applies impartially to all students.
2. Grades are assigned during the course by the moderator. Grades for participation in class discussions (and preparation for them), and scores made on action projects, sales planning projects, and quizzes are averaged. That number is then averaged with the final examination to arrive at the Term Grade.
3. Written assignments are to be handed in at the beginning of the class session in which they are due. Papers up to one week late are automatically reduced by 50 percent and to zero after one week.
4. To receive credit for the course, I must sit for and receive a passing grade on a final examination acceptable for any course offered by The American College. The correct answers to the final examination questions are based solely on the information found in the text. The American College reserves the right to set aside the final examination of any class and require another examination.
5. Course results will be mailed out within 4 weeks after the final exam date, assuming all course requirements have been met, including payment of tuition. These reports will indicate a "passing" or "not passing" status only. No numerical grade is assigned.

I have read the course requirements and understand them.

I further understand that recruiting or attempted recruiting of personnel of another company is not permitted in any American College course or in connection therewith.

Finally, I understand that any student whose behavior adversely affects reasonable order and harmony in the classroom will not be allowed to continue with the course. There will be no tuition refund, and the student may be barred from future participation in FSS and LUTC courses.

Sign your name _____

Date _____

Print your name _____

BREAKOUT—CLASS 1

1. List two objectives you have for taking this course. In other words, at the end of this course, what do you hope to have learned? What do you expect to be able to do?

2. Describe one way in which you can use the concept of life-cycle planning to market investment planning or to facilitate the actual planning process. Explain briefly how you could implement this idea.

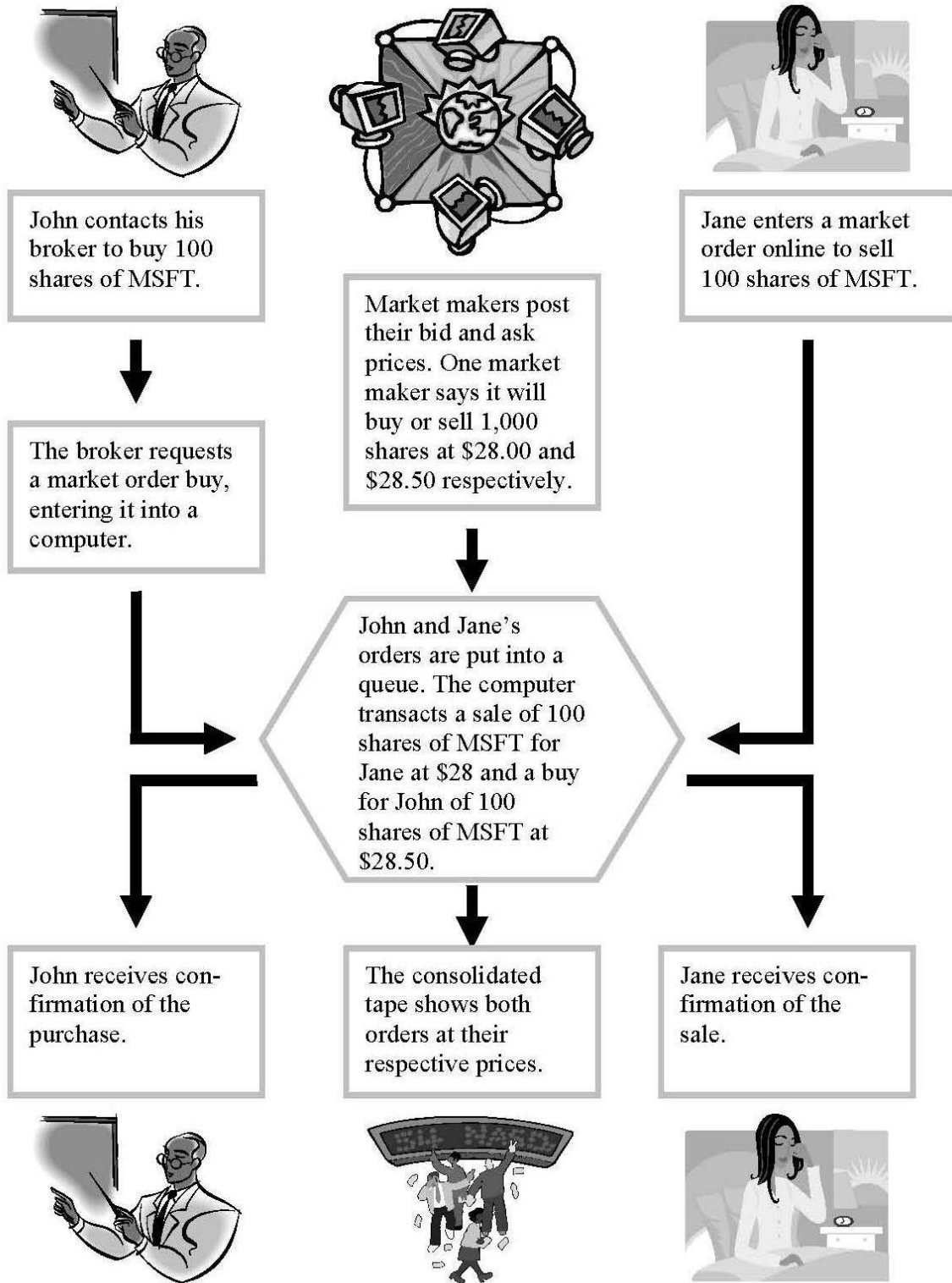
3. Using the textbook (pages 1.7 to 1.14) and other resources, address the relationship between the following participants and institutions:

- investor
- floor broker
- Designated Market Maker (DMM)
- stock exchanges
- consolidated tape

A good resource is “How a Stock is Bought and Sold,” located at www.nyse.com/pdfs/StockBoughtAndSold.pdf. (See the example of an electronic market order on page W-15.)

4. Calculate the taxable income from investments in the following situation
- Mary sold her position in XYZ mutual fund that she held for 9 months for \$3,180. Her original investment was \$3,000.
 - She also received (qualified) dividend income of \$150 from 100 shares of ABC stock that increased \$12.00 per share from last year.
 - Mary also sold all of her shares of OPM mutual fund that she held for 3 years for \$5,000. Her original investment was \$4,000.
 - Finally, Mary sold at \$10.00 per share 100 shares of TUV stock that she had bought 1 year and 1 day ago for \$20.00 per share.

Figure –1 A Simplified Map of How Electronic Trading Works



Name: _____

Date: _____

STUDENT SURVEY

Instructions: For each of the following activities, circle the appropriate number corresponding with your proficiency (how well you understand the concept or perform the activity) and interest (how much you would like to learn more about it). Use a rating scale of 1 (low level of proficiency or interest) to 3 (high level of proficiency or interest).

	Proficiency	Interest
1. Understanding the participants and institutions in the secondary securities market	1 2 3	1 2 3
2. Understanding the fee components and transactions related to the secondary securities market	1 2 3	1 2 3
3. Explaining in general terms the tax treatment of investments	1 2 3	1 2 3
4. Calculating several measures of investment returns	1 2 3	1 2 3
5. Describing sources of investment risk	1 2 3	1 2 3
6. Identifying investment considerations other than return and risk	1 2 3	1 2 3
7. Identifying various types of debt instruments	1 2 3	1 2 3
8. Explaining the different types of equity and equity-related instruments	1 2 3	1 2 3
9. Understanding the basics of convertible securities, derivatives, and other investments	1 2 3	1 2 3
10. Describing what mutual funds are and how they work	1 2 3	1 2 3
11. Explaining the various types of insurance-based investment products (variable life insurance and annuities)	1 2 3	1 2 3
12. Understanding real estate investment trusts, exchange-traded funds, and hedge funds	1 2 3	1 2 3
13. Assisting clients with defining and prioritizing goals	1 2 3	1 2 3
14. Gathering information necessary for the planning process	1 2 3	1 2 3
15. Using a financial risk tolerance questionnaire	1 2 3	1 2 3
16. Understanding the general principles of asset allocation	1 2 3	1 2 3
17. Explaining the concept of diversification	1 2 3	1 2 3
18. Creating and using the financial position and cash flow statements in the investment planning process	1 2 3	1 2 3
19. Explaining the concept of life-cycle investing	1 2 3	1 2 3

	Proficiency	Interest
20. Describing the types of information that should be included in an investment policy statement	1 2 3	1 2 3
21. Implementing a dollar-cost averaging strategy	1 2 3	1 2 3
22. Explaining the basics of selecting appropriate investments	1 2 3	1 2 3
23. Presenting an investment (or financial) plan to a prospect	1 2 3	1 2 3
24. Monitoring an investment plan	1 2 3	1 2 3
25. Identifying and resolving ethical dilemmas	1 2 3	1 2 3

Answer the following questions.

What would be the consequences for you if you do not learn to sell investments?

What do you expect will happen if you learn to sell investments effectively?

Review the list of activities on the first page. This gives you an idea of what the course will cover. List two learning goals, specifically skills you want to learn or enhance by taking this course.

CASE STUDY: LES AND FARAH TEXAS

Study the snapshot of Les and Farah Texas's financial situation. At the end of this fact pattern, you will find a list of six actions that the Texases are evaluating. List the tax considerations, potential tax consequences that could occur, for each action. For example, if the Texases owned a house and wanted to pay it off early with a \$100,000 windfall they received, a tax consideration would be the lost tax deductions, assuming they itemize deductions.

Table 3-1
Personal Background and Information

<i>Client 1</i>		<i>Client 2</i>	
Name: Les Texas	Age: 30	Name: Farah Texas	Age: 30
Occupation: Salesperson/Assistant Manager		Occupation: Manager	
Employer: Main Line Computing		Employer: WAWA Convenience Store	
Current Year Salary: \$85,000		Current Year Salary: \$65,000	

Table 3-2
Family Members (Children and Other Dependents)

Name: Lowell	Relationship: Son	Age: 2
---------------------	--------------------------	---------------

Table 3-3
Financial Information

ASSETS		LIABILITIES	
Cash Equivalents		Auto Loans (9% interest)	\$5,000
Checking	\$3,000	Student Loan (4.5% interest)	\$20,000
CDs (1-year, at 4.0% interest)	\$5,000	Credit Card (18% interest)	<u>\$10,000</u>
Invested Assets			
Stock Portfolio	\$33,000	Total Liabilities	\$35,000
Farah's 401(k)	\$54,000		
Use Assets			
Autos	\$10,000		
Engagement Ring	\$2,500		
Total Assets	\$107,500	Net Worth	\$72,500

Detailed Investment Portfolio

Table 3-4
Farah's 401(k) Plan

Description	Shares	Price/ Share	Total Value	2008 Return	2009 Return
Inflation- Protected Treasuries	1,000	\$10.00	\$10,000	1.5%	2.5%
Total Market Index	600	\$35.00	\$21,000	9.0%	8.5%
Small Cap Growth Index	400	\$20.00	\$8,000	15.0%	21.0%
Real Estate Invest Trust Index	600	\$25.00	\$15,000	20.0%	- 5.0%

Table 3-5
Joint Stock Portfolio

Stock	Months Held	Cost Basis	Fair Market Value as of 12/31/09	Current Dividend
A	35	\$5,000	\$7,800	\$500
B	27	5,000	1,700	30
C	10	5,000	6,000	400
D	11	17,000	6,500	500
E	5	12,000	13,000	500
Total	N/A	\$44,000	\$33,000	\$1,630

The Texases' Proposed Actions and Tax Considerations

- Buy a house within the next year or so, taking a loan from Farah's 401(k) for part of the down payment.

- Liquidate some of the five stock holdings they own to pay toward student loan and credit-card debt.

- Plan for Lowell's college education.

- Decide how best to fund retirement. They plan on having a retirement income of \$150,000 per year in today's dollars.

SALES PLANNING PROJECT 1

Creating a Prospecting Pipeline (Assigned Class 1; Due Class 3)

Purpose

People must reach a level of confidence and trust in you before they will talk to you about their investments. Thus, you must establish in their minds that you are both trustworthy and qualified to help them. The purpose of this project is for you to create and apply a strategy designed to achieve these two objectives. The end result will be a prospecting pipeline that produces a continuous flow of prospects who are ready to discuss their personal finances with you.

Assignment

In this assignment, you will formulate a strategy for creating a prospecting pipeline for investment planning. The paragraphs that follow will describe the prospecting pipeline in further detail.



The prospecting pipeline can be broken down into three actions as pictured in the figure above. Let's review them.

1. **Prequalify.** First, you must define the type of prospect you want in the pipeline: people who need investments and/or the advice you offer, can afford it, are suitable for it, and are approachable by you.
2. **Cultivate Relationships.** Then, you cultivate relationships with prospects in the pipeline. This can involve one-to-one and/or group activities (like a seminar or a client event). Relationship-building strategies are aimed at creating a perception that you are:
 - **Likeable.** Consider how to develop a personal connection with prospects. The level of connection necessary will vary from prospect to prospect.
 - **Trustworthy.** Trust is a by-product of your relationship with prospects. Trust is built by delivering on promises, avoiding the perception of ethical breaches, treating people with respect, and handling mistakes in a transparent and professional manner.
 - **Qualified.** Demonstrate that you are qualified to help without appearing to be self-promoting or intimidating.
 - **Motivating.** Raise awareness of prospects' needs for investment planning and create interest in meeting that need. Use relevant and appropriate methods.

- **Set Appointment.** Finally, contact prospects for appointments when you feel they perceive you as being likeable, trustworthy, qualified, and motivating. Call them based on their most probable need(s).

Procedure

On the report form that appears on the pages that follow, you will sketch out a strategy for creating a prospecting pipeline for investments.

1. Create a profile of the type of prospect you want to put in the pipeline, using the criteria described in the “Prequalify” section. Consider the type of investment planning need(s) you may want to focus on initially, such as funding retirement or a college education.
2. Create a roadmap outlining how you will cultivate the relationship and meet each prospect’s standard for being likeable, trustworthy, qualified, and motivating. Consider the roadmap from the perspective of a prospect who does not know you very well. (Note: It is assumed you have prospects with whom you have an introductory relationship, current policyholders or clients. If not, begin the roadmap by describing how you will initiate relationships with potential prospects.) The following questions will help you identify appropriate activities and methods.
 - What will you do to establish a personal connection with prospects? When and how often will it be done?
 - If you sell and service other products, what promises do you make explicitly or implicitly? What does it take to fulfill them? What time requirements and other expectations do you promise to meet? How will you ensure they are met? How do you handle mistakes?
 - How will you demonstrate your expertise (without being perceived as self-promoting)? How will you handle situations that are beyond your expertise?
 - How can you raise awareness of potential investment planning needs? How can you create interest in a relevant way? What will you do to alert people that you can help with investment planning matters?
3. The roadmap also asks you to identify who will complete the activity (this may be someone else in the office) and when. “When” probably refers to a date relative to an event and not a hard date like “January 5, 2010.” For example, “Mary will send postcard 5135.38A 2 weeks after a prospect has purchased a homeowners or auto insurance policy.”
4. Make a copy of your report forms. You will need to refer to them to complete Sales Planning Project 2—Implementing Your Prospecting Pipeline, which will be assigned in Class 3.

Name: _____

Date: _____

Sales Planning Project 1

Creating a Prospecting Pipeline

Report Form 1 of 3

Prequalify:

1. Investment planning need(s) you want to focus on initially:

2. Characteristics of prospects you want in the pipeline.

Description of prospects' personal situation that would create the need(s) described above:

Indicators that prospects can afford the product and/or service:

Suitability criteria:

Characteristics that make the prospect approachable:

Name: _____

Date: _____

Sales Planning Project 1

Creating a Prospecting Pipeline

Report Form 2 of 3

Cultivate Relationships:				
Think about the prospecting pipeline from the perspective of a prospect who barely knows you (a referral or a new policyholder). Sketch out a roadmap of activities that you feel would successfully move a prospect through the pipeline. In column "P", note the perception (L = likeable, T = trustworthy, Q = qualified, or M = motivating) that the activity would affect.				
	What	P	Who	When
A				
B				
C				
D				
E				
F				
G				
H				
I				

Name: _____

Date: _____

Sales Planning Project 1

Creating a Prospecting Pipeline

Report Form 3 of 3

	What	P	Who	When
J				
K				
L				
M				
N				

Summary Questions:

1. Which activities will you use most often?

2. What will indicate to you that the prospect is ready to be approached for an appointment?

BREAKOUT—CLASS 2

1. You are meeting with Mel regarding his investments. Explain the difference between appreciation and income to him.

2. Dale's stock fund has returned the following over the past 5 years: -4%, -7%, 8%, 11%, 17%. Calculate the following:

Mean

Geometric Mean

How much would Dale's fund be worth if Dale had invested \$10,000 with no further investments?

3. Identify the major types of risks related to the applicable investment. For all but the certificate of deposit, consult a prospectus for a mutual fund that fits the description for help. Bring the prospectus to class.

If your home phone number ends in a...	Describe investment risks related to a...
0 or 1	1-year certificate of deposit
2 or 3	Domestic stock mutual fund
4 or 5	Domestic bond mutual fund
6 or 7	Foreign stock mutual fund
8 or 9	Real estate investment trust mutual fund

Identify the major types of risk:

Select one of the major types of risk listed above other than inflation (purchasing-power) risk and create a script for explaining it to a prospect. What example, analogy, visual aid, and so on would you use?

4. How do you explain the relationship between risk and return to a prospect?

QUIZ—CLASS 1

(Due Class 2)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. Which of the following individuals execute trades on the exchange floor on behalf of their firm's clients?
 - (A) Designated Market Makers (DMMs)
 - (B) floor brokers
 - (C) dealers
 - (D) floor traders
2. The Securities Investor Protection Act of 1970 did which of the following?
 - (A) It set up a corporation to insure customers of brokerage firms.
 - (B) It allocated the regulation of investment advisors between the SEC and state authorities.
 - (C) It abolished fixed brokerage commission rates and allowed firms to set their own rates.
 - (D) It essentially prohibited deceit, misrepresentation, and other fraud in the sale of securities.
3. The effective tax rate is calculated by dividing
 - (A) recognized gains by realized gains
 - (B) total income by taxable income
 - (C) extra taxable income by total income
 - (D) taxes paid by taxable income
4. Which of the following legislation sanctioned the creation of the National Association of Securities Dealers (NASD), now the Financial Industry Regulatory Authority (FINRA)?
 - (A) Securities Act of 1933
 - (B) Securities Exchange Act of 1934
 - (C) Maloney Act of 1938
 - (D) Investment Company Act of 1940
5. Which of the following statements concerning qualified dividends is (are) correct?
 - I. They are classified as long-term capital gains.
 - II. They are taxed at a 0 percent or 15 percent maximum rate.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

6. Which of the following statements concerning the alternative minimum tax (AMT) is (are) correct?
- I. Individuals with large amounts of tax-sheltered income may be subject to the AMT.
 - II. When an individual pays taxes based on the AMT, his or her marginal tax rate becomes the AMT tax rate.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning the financial life cycle is (are) correct?
- I. The career development phase is often a time of career enhancement, upward mobility, and rapid growth in income.
 - II. The preretirement phase is typically the time of maximum earnings and the greatest opportunity for wealth accumulation.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All the following are major planning areas that make up financial planning EXCEPT
- (A) income tax planning
 - (B) retirement planning
 - (C) estate planning
 - (D) family planning
9. All the following are types of buy and sell orders EXCEPT
- (A) stop-buy orders
 - (B) market orders
 - (C) day orders
 - (D) limit orders

Name: _____

Date: _____

10. All the following are components of the transaction fees a client pays when trading EXCEPT
- (A) rebates
 - (B) bid-ask spread
 - (C) price concessions
 - (D) commissions

QUIZ—CLASS 2

(Due Class 2)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. The before-tax holding period return for an investment is calculated by dividing the
 - (A) beginning market value by the sum of the income received and change in market value
 - (B) beginning-of-period market value by the period's total income and change in market value
 - (C) sum of the income received and change in market value by the beginning market value
 - (D) period's total income and change in market value by the beginning-of-period market value
2. Liquidity risk is lowest for which of the following assets?
 - (A) real estate
 - (B) collectibles
 - (C) common stock
 - (D) savings account
3. An investment's expected return is the
 - (A) range or variability of possible returns over a specified period of time
 - (B) average of its possible returns weighted by their respective likelihoods
 - (C) standard deviation of the return distribution from the mean value
 - (D) relation between a large number of possible returns and their probabilities
4. Recommended steps for having liquidity include which of the following?
 - I. Own liquid assets, such as bank CDs or Treasury bills.
 - II. Own assets that allow for quick and convenient loans.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

5. Which of the following statements concerning marketability is (are) correct?
- I. All marketable assets are also liquid.
 - II. It is important that portfolios have marketable assets.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. Which of the following statements concerning a normal distribution of returns is (are) correct?
- I. The actual return will be within one standard deviation of the expected return approximately 33 percent of the time.
 - II. The actual return will be within two standard deviations of the expected return approximately 67 percent of the time.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

7. All the following statements concerning the current yield are correct EXCEPT
- (A) It can look beyond the current situation.
 - (B) It is widely used for measuring an investment's return.
 - (C) It provides a quick way to compare different investments.
 - (D) It is calculated by dividing current market value into annual income.
8. All the following statements concerning speculative risk are correct EXCEPT
- (A) Both investing and speculating involve speculative risk.
 - (B) It is what people encounter when they purchase securities.
 - (C) An investor can purchase insurance to protect against speculative risk.
 - (D) It presents mathematical problems when trying to quantify it.

Name: _____

Date: _____

9. All the following are ways to satisfy a margin call EXCEPT
- (A) deposit sufficient cash into the account to reduce the margin debt
 - (B) sell stock from the account and use the proceeds to reduce the margin debt
 - (C) deposit other marginable securities into the account to increase the equity value of the account
 - (D) reduce the maintenance margin percentage to increase buying power
10. All the following statements concerning the buying of securities on margin are correct EXCEPT
- (A) The SEC decides which stocks are marginable.
 - (B) A margin account allows the investor to buy on margin.
 - (C) The margin rate for common stocks is 50 percent.
 - (D) The margin rate for nonconvertible bonds is 25 percent.

SALES PLANNING PROJECT 2

Interview with an Expert Advisor

(Assigned Class 2; Due Class 4)

Purpose

As an advisor who is interested in marketing and selling investments, it is helpful to gain the perspective of experienced advisors who are doing it successfully. The information you will gain from interviewing them will give you greater insight into how to improve your production. By tapping into their experience and knowledge, you should gather ideas to increase your marketing efficiency and improve your selling effectiveness.

Assignment

Interview an experienced advisor in your office, agency, or association who has a successful investment practice. The advisor should ideally have been working with investment prospects and clients for more than 3 years.

Procedure

1. Identify and contact an experienced advisor who is successful in utilizing investments in his or her practice.
2. Communicate to the advisor your interest in learning how to be successful (or improve your effectiveness) in selling investment products. Ask the advisor if he or she would be willing to share constructive ideas and discuss his or her experience in working with prospects and clients.
3. Make an appointment to conduct a face-to-face interview (if possible).
4. Use the questions provided on the report form that follows as a guideline to your discussion. Add relevant questions that you think will be helpful to you. This is your chance to learn from someone experienced and to control the questions asked.
5. Complete the questions on the report form and turn it in to your moderator at the beginning of Class 4.

Name: _____

Date: _____

Sales Planning Project 2

Interview with an Expert Advisor

Report Form 1 of 3

Suggested Questions:

1. What are your primary markets and why?

2. How did you get into these markets?

3. What are the financial benefits and rewards of your investment business, compared to other product lines?

4. What obstacles or challenges do you find in the personal investment market?

5. What do you do in your initial interview with a prospect?

Name: _____

Date: _____

Sales Planning Project 2

Interview with an Expert Advisor

Report Form 2 of 3

6. What fact-finding methods and forms do you use?

7. How do you design and present your proposals to your prospects?

8. What are your sources of information about investments and related topics?

9. What advice would you give to an advisor who is trying to improve his or her production?

10. Do you have any favorite techniques for closing or answering objections?

Additional or Alternate Questions and Summary of Advisor's Response

11. _____

Name: _____

Date: _____

Sales Planning Project 2

Interview with an Expert Advisor

Report Form 3 of 3

12. _____

13. _____

Summary Question

1. Summarize the highlights of the interview. What did the advisor say that was applicable to you?

ACTION PROJECT 1

Prequalifying Prospects (Assigned Class 2; Due Class 4)

Purpose

The first action in the prospecting pipeline is to prequalify the prospect, in other words, filter which prospects make it into your pipeline. In Sales Planning Project 1, you defined your criteria for a qualified prospect. This project is designed to help you experiment with criteria you may not have considered and to prequalify prospects when meeting with them for other financial or insurance needs.

In general, a person should:

- have disposable income to invest
- have little or no credit card debt or high-interest personal loans
- possess adequate insurance coverage (this will vary from prospect to prospect)
- be able to handle unforeseen expenses (an emergency fund and perhaps a line of credit)
- be saving adequately for retirement (this will be different for every prospect)

Assignment

In this project, you will use the report form grid to filter which prospects you will place in your pipeline. You will prequalify five prospects as you interview them for another type of product sale or during an initial interview (if you feel it is appropriate).

Procedure

1. Complete the “Prequalify” section from Sales Planning Project 1 if you have not yet done so.
2. Review the grid found on Report Form 1. Your goal is to obtain the following information about the prospect:
 - **Budget**—Does the prospect spend more than he/she makes?
 - **Credit Card Debt**—Does the prospect have credit card debt?
 - **Personal Loans**—Does the prospect have high-interest personal loans?
 - **Insurance Coverage**—Does the prospect have adequate insurance coverage? A = Auto, F = Homeowners (Fire), H = Health, DI = Disability, L = Life, LTC = Long-term care, PL = Personal liability umbrella
 - **Emergency Fund**—How many months’ worth of expenses does the prospect have in a liquid account (money market, savings, checking, 1- to 6-month CD)?
 - **Line of Credit**—Does the prospect have access to a line of credit (home equity or personal line of credit)?

- **Retirement Accounts**—What type of retirement accounts does the prospect have? Does he/she have an employer-sponsored pension plan, 401(k), 403(b), IRA, Roth IRA, SEP, SIMPLE, Keogh, and so on?
3. Add any important criteria from your prospect profile (page W-25) that are missing.
 4. You may already have all of this information. If you do not, you will need to think about how you will obtain it. In some cases, you may feel you should explain why you need it. A good approach is to explain that you are able to provide better recommendations when you have some idea of a client's financial situation.
 5. Complete the report form after each interview.
 6. Add any qualified prospects to the prospect list in Sales Planning Project 3.

Name: _____

Date: _____

Action Project 1

Prequalifying Prospects

Report Form 1 of 2

Initials	1.	2.	3.	4.	5.
Possible Needs					
Affordability					
Suitability					
Budget					
Credit Card Debt					
Personal Loans					
Insurance Coverage (A/F/H/DI/L/etc.)					
Emergency Fund					
Line of Credit					
Retirement Accounts					
Approachability					

Name: _____

Date: _____

Action Project 1

Prequalifying Prospects

Report Form 2 of 2

Summary Questions

1. During which meetings or interviews with prospects will you prequalify them for investment products and/or advice?

2. If not a part of a formal fact finder, how did you explain why you need to collect some of the information that may seem irrelevant to the discussion at hand?

3. How did prospects respond to your attempts to obtain this information?

4. Will you utilize a prequalification process like this one? If so, why? If not, how will you prequalify your prospects?

5. Describe how you will keep track of the prospects you want to enter into your prospecting pipeline.

BREAKOUT—CLASS 3

1. Rate your knowledge of investment instruments discussed in this chapter (1 = low to 10 = high).

(Low) 1 2 3 4 5 6 7 8 9 10 (High)

Why did you rate yourself this way?

2. Rate your confidence in discussing investment instruments with prospects and clients (1 = low to 10 = high).

(Low) 1 2 3 4 5 6 7 8 9 10 (High)

Why did you rate yourself this way?

3. What involvement, if any, do you plan to have in the investments discussed in this chapter?

4. Do you have or plan to have a fee-for-service approach to investment or financial planning services you offer? Why or why not?

5. What can you do to improve your knowledge of investments and investment strategies?

QUIZ—CLASS 3

(Due Class 3)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. The discount rate is
 - (A) the rate the Fed charges its member banks for loans
 - (B) an index rate that banks use to price their loans
 - (C) the rate charged by banks with excess reserves at the Fed
 - (D) the top rate that banks pay on their deposits
2. The simplest type of derivative is a(n)
 - (A) swap contract
 - (B) option contract
 - (C) futures contract
 - (D) forward contract
3. Which of the following statements concerning commercial paper is correct?
 - (A) Most commercial paper is issued with maturities of 1 to 2 years.
 - (B) The minimum denomination of commercial paper is \$25,000.
 - (C) The largest single investor in commercial paper is households.
 - (D) The secondary market for commercial paper is very strong.
4. Which of the following statements concerning convertible preferred stock is (are) correct?
 - I. There is a specified time period within which it can be converted.
 - II. The number of common shares into which it can be converted may change over time.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II
5. Which of the following statements concerning zero-coupon bonds is (are) correct?
 - I. Zeros have uncertain maturity values.
 - II. Zeros do not make coupon interest payments.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

6. Which of the following statements concerning money market deposit accounts is (are) correct?
- I. These accounts are FDIC insured up to \$250,000.
 - II. Interest on these accounts is exempt from state and local income taxes.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning master limited partnerships (MLPs) is (are) correct?
- I. Their ownership units are designed to trade actively in the same types of markets as stock.
 - II. Investing in MLPs involves many of the same advantages and disadvantages as investing in common stock.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All the following statements concerning Eurodollar deposits are correct EXCEPT
- (A) Their yields are usually higher than other money market rates.
 - (B) They are dollar-denominated liabilities of banks located outside the U.S.
 - (C) Banks most likely to accept these deposits are foreign branches of U.S. banks.
 - (D) Risks in the Eurodollar market are fairly high and defaults are common.
9. All the following statements concerning rights are correct EXCEPT
- (A) They are company-issued options to buy stock.
 - (B) They typically have lengthy exercise periods.
 - (C) They are traded on the major exchanges until their expiration.
 - (D) They are distributed to stockholders to raise equity capital.

Name: _____

Date: _____

10. All the following statements concerning convertible bonds are correct EXCEPT
- (A) They are almost always sold as subordinated debt.
 - (B) They sell for more than their conversion value.
 - (C) They are technically an equity-related instrument with a debt component.
 - (D) They offer a combination of bond income and the upside potential of stock.

SALES PLANNING PROJECT 3

Implementing the Prospecting Pipeline

(Assigned Class 3; Due Class 7)

Purpose

The objective of this sales planning project is to test your prospecting pipeline roadmap that you created in Sales Planning Project 1.

Assignment

In this project, you will prequalify 20 prospects for your pipeline (some of which may come from Action Project 1). Then you will implement the roadmap you created in Sales Planning Project 1.

Note: Although this project is due in Class 7, it should be started immediately to reap the benefits. Do not wait!

Procedure

1. Using the grid on the report form, make a list of prospects that you have prequalified and feel are worthy of your more immediate attention. Note: If you have a current client database, you can filter it with your prequalification criteria.
2. Evaluate each prospect for where they are in the pipeline. Check off any of the four perceptions you feel you have already established—L = Likeable, T = Trustworthy, Q = Qualified, M = Motivating (see example below).

Name	L	T	Q	M
Jo Smt	✓	✓		

3. Select five prospects, each missing different perceptions. Schedule appropriate activities from your roadmap along with a scheduled due date. Use the corresponding letter from the roadmap (see report forms 2 and 3 from Sales Planning Project 1—Creating a Prospecting Pipeline) to indicate the activity (see example below). If you are using a custom activity, footnote it at the bottom of the report form.

Name	L	T	Q	M	Need	Scheduled Activities/Date				
Jo Smt	✓	✓	✓			C ✓ 3/12	F ✓ 3/19	G 3/22		

4. Implement your plan. Once you have completed an activity, place a checkmark in the right-hand corner of the box. Also, as you feel that you have established a missing perception, put a check in that box (as shown above).
5. Once you have checked all four perceptions for a prospect, it is time to call and ask for an appointment. Before you call them, you will need to identify a question or statement that is relevant to their need(s). You can write this in the grid at any time.

6. In the Result column, record what happened. Did you get the appointment? Did you make a sale?

Name: _____

Date: _____

Sales Planning Project 3

Implementing the Prospecting Pipeline

Report Form 3 of 3

Summary Questions:

1. How effective were your activities in establishing the missing perceptions? Why?

2. What changes will you make?

3. What need did you identify in setting an appointment? How did the prospect respond? (If you did not contact a prospect, identify a need for one and write it here.)

4. Overall, how did you feel about the pipeline approach? What changes could you make to make this approach (or a similar approach) work for you?

BREAKOUT—CLASS 4

1. Your client, who is an aggressive investor, is considering allocating investment money into two types of mutual funds. One is an aggressive growth fund; the other is a high-yield corporate bond fund. She asks you how these two types of funds work.

What would you tell your client to explain the respective investment objectives, price appreciation potential, current income potential, and level of safety of these types of mutual funds?

a. aggressive growth fund:

investment objective(s):

price appreciation potential:

current income potential:

level of safety:

b. high-yield corporate bond fund:

investment objective(s):

price appreciation potential:

current income potential:

level of safety:

2. What words would you use to explain to your client the differences between the three basic classes of mutual fund shares and which type is the best one for her?

QUIZ—CLASS 4

(Due Class 4)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. The technical name for a back-end load is a(n)
 - (A) contingent deferred sales charge
 - (B) reinvestment load
 - (C) account maintenance fee
 - (D) investment advisory fee
2. The primary goal of growth and income funds is
 - (A) maximum price appreciation
 - (B) high current income
 - (C) current income and maximum safety
 - (D) moderate price appreciation and current income
3. The legal maximum load charge for a load fund is
 - (A) 5.0 percent of the total investment
 - (B) 8.5 percent of the total investment
 - (C) 10.0 percent of the total investment
 - (D) 12.5 percent of the total investment
4. The net asset value of a mutual fund share is calculated by
 - (A) multiplying total assets minus total liabilities by the number of shares outstanding
 - (B) subtracting the number of shares outstanding from total assets minus total liabilities
 - (C) dividing the number of shares outstanding into total assets minus total liabilities
 - (D) adding total assets minus total liabilities to the number of shares outstanding
5. Which of the following statements concerning closed-end funds is (are) correct?
 - I. Prospective buyers of shares in these funds receive a prospectus when they consider a purchase.
 - II. Like publicly traded stock, share prices in these funds are determined by supply and demand.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

6. Which of the following statements concerning index funds is (are) correct?
- I. They typically are structured to mimic the performance of a major market index.
 - II. They typically are low-cost funds that are especially useful in passive investment strategies.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning exchange-traded funds (ETFs) is (are) correct?
- I. They are essentially a composite of whatever index they mimic.
 - II. They cannot be bought on margin and cannot be shorted.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. A mutual fund prospectus provides information about all the following EXCEPT
- (A) the expenses of fund ownership
 - (B) the fund's investment objectives
 - (C) the fund's investment policies
 - (D) the exchange where shares trade
9. All the following statements concerning variable life insurance policies are correct EXCEPT
- (A) They must be accompanied by a prospectus.
 - (B) They are fixed-premium contracts.
 - (C) They guarantee both the interest rate and cash value.
 - (D) They must be registered with the SEC as securities.
10. The benefits of investing in mutual funds include all the following EXCEPT
- (A) professional management of the portfolio
 - (B) little or no operating expenses and brokerage fees
 - (C) record keeping and convenience for the investor
 - (D) diversification of the portfolio

SALES PLANNING PROJECT 4

Differentiating Yourself from the Competition

(Assigned Class 4; Due Class 6)

Purpose

This project has two purposes. The first is for you to evaluate a comparison between a mutual fund that you sell and that of your competition, preferably a no-load fund.

If two funds were identical, except for the fees and expenses they charge, would the lower-cost fund always be a better purchase option? Well, rarely, if ever, are funds identical. For example, even different types of stock funds typically vary in cost.

In short, there are many factors that affect the fees and expenses a fund charges. Only after weighing all of the relative benefits of different funds, including an analysis of their costs, can a consumer decide if owning a particular fund is acceptable to him or her. A fund with higher costs may make more money for your clients, even after accounting for the costs they pay, than a fund with a lower cost. However, the opposite may also be true.

The second purpose is for you to assert reasons why a prospect should buy a mutual fund from you versus the competition whose mutual fund you have chosen to comparatively evaluate.

Assignment

Use the prospectuses of a mutual fund you sell and one of your competition's to provide insight into each security's investment objectives, past performance, shareholder fees, fund operating expenses, and the effect of total expenses on a \$10,000 investment.

Procedure

1. Identify one specific mutual fund you sell. Then select a mutual fund of a competitor (preferably a no-load fund) that falls under the same type and category of mutual fund. The two funds should have very similar, if not identical, investment objectives.
2. Use the respective prospectuses of each mutual fund to complete Report Form 1, providing a side-by-side comparison of each fund's investment objectives, past performance, shareholder fees, fund operating expenses, and the effect of total expenses on a \$10,000 investment. If you cannot obtain a prospectus for the fund or funds you wish to compare, then go to the FINRA (formerly NASD) Mutual Fund Expense Analyzer at http://apps.finra.org/Investor_Information/EA/1/mfetf.aspx. This website will provide you with the information you will need to complete the report forms.
3. Based on the information collected in Report Form 1, evaluate and summarize how your fund compares to that of the competition. If your fund's fees are higher than the competitor's, think about how you can justify to your clients that they do business with you. What value-added services do you offer that makes it beneficial to have you as their advisor?

4. Complete the summary questions on Report Forms 2 and 3, and turn all forms into your moderator at the beginning of class 6.

Name: _____

Date: _____

Sales Planning Project 4

Differentiating Yourself from the Competition

Report Form 1 of 4

	Your Mutual Fund	The Competition
Fund Name		
Fund Type/Category (e.g., Domestic Stock/Growth)		
Investment Objective		
Fund Performance Information: Average Annual Returns		
1-Year	%	%
5-Year	%	%
10-Year	%	%
Since Inception	%	%
Shareholder Fees (If zero, write "None" in the respective boxes.)		
Maximum Sales Charge (Load) Imposed on Purchases		
Maximum Deferred Sales Charge (Load)		
Maximum Sales Charge (Load) on Reinvested Dividends		
Redemption Fee		
Exchange Fee		
Annual Account Maintenance		

Sales Planning Project 4

Differentiating Yourself from the Competition

Report Form 2 of 4

	Your Mutual Fund	The Competition
Annual Fund Operating Expenses (If zero, write "None" in the respective boxes.)		
Management Fee		
Distribution (12b-1) Fee		
10-Year		
Total Annual Fund Operating Expenses (Expense Ratio)	%	%
Example of the effect of expenses on a \$10,000 investment:		
1 Year	\$	\$
3 Years	\$	\$
5 Years	\$	\$
10 Years	\$	\$

Name: _____

Date: _____

Sales Planning Project 4

Differentiating Yourself from the Competition

Report Form 3 of 4

1. How do your fund's average annual returns compare to your competition?

2. Summarize the highlights of your competitor's total annual operating expenses, comparing them to your own.

3. Compare the differences in the effect of expenses on a \$10,000 investment.

4. Overall, how well does your fund's average returns and fees compare to your competitor's?

5. Based on a comparison of the objective data discovered, how would you justify to your clients that they purchase your products and utilize your services?

Sales Planning Project 4

Differentiating Yourself from the Competition

Report Form 4 of 4

6. What services can/do you provide that the no-load fund competition cannot?

7. Summarize why a prospect comparing these two mutual funds should do business with you versus the competition.

ACTION PROJECT 2

Uncovering Financial Goals and Risk Tolerance

(Assigned Class 4; Due Class 6)

Purpose

The purpose of this project is to experience the process of uncovering a client's financial goals and risk tolerance as well as his or her attitude about potential obstacles to and strategies for achieving their goals.

Assignment

Discuss a client's financial goals and risk tolerance using a fact finder and risk tolerance questionnaire.

Procedure

1. Identify two clients or prospects with whom you are comfortable. Ask them to help you. Explain that you are taking a course on financial and investment planning that requires you to discuss financial goals and risk tolerance with someone and then gather some additional information regarding his or her attitudes toward these goals and the risks associated with achieving them.
2. Conduct interviews by asking the clients to identify their financial goals similar to those found in the comprehensive financial planning fact finder in appendix A of the textbook.
3. Ask them to make a list of five financial goals from within the three levels of goals discussed in the financial planning pyramid in chapter 5 of the text. These could be protection goals (such as creating an emergency fund or buying appropriate types of insurance coverage), accumulation goals (such as funding college education for a child, buying a home, or funding retirement), or goals involving the management of retirement income and estate conservation and distribution.
4. Have the clients prioritize their goals. Number them in order of importance. For example, retirement may be number 1, buying a home number 2, and so forth.
5. Ask them to indicate how much time they want to allow for achieving each of their goals.
6. Ask the client to complete a risk tolerance questionnaire.
7. Ask clients the questions that will help them identify potential obstacles to achieving their financial goals and possible strategies for overcoming them.
8. Answer the summary questions.

Name: _____

Date: _____

Action Project 2

Uncovering Financial Goals and Risk Tolerance

Report Form 1 of 5

Client #1

1. Do you have a comprehensive financial plan? If you have one, what does it look like? Does it have goals, strategies, a spending plan, and so on? If you don't have one, why don't you?

2. Identify your top five financial goals. Prioritize them by numbering them in order of importance, with 1 being the most important and 5 being the least important.

	Goal/Event	Priority	Time Horizon
A			
B			
C			
D			
E			

3. With your permission, I'd like to help you evaluate your feelings about taking investment risks by using a form called a risk tolerance questionnaire. (After completing the risk tolerance form, indicate their basic level of risk below.)

Your risk tolerance is best described as:

Category of Risk	Type of Investor	
High:	Very Aggressive	_____
Somewhat High:	Moderately Aggressive	_____
Moderate:	Balanced	_____
Somewhat Low:	Moderately Conservative	_____
Low:	Conservative	_____

Action Project 2

Uncovering Financial Goals and Risk Tolerance

Report Form 2 of 5

4. List and describe potential obstacles and concerns that could inhibit your achieving your specific financial goals identified above (using the corresponding letters, A, B, C, etc.), such as your death, disability, unemployment, financial catastrophe, excessive debt or spending, and so forth. Describe what strategy you can use for overcoming these obstacles.

Goal	Obstacles/Concerns	Strategy

5. Do you feel that your concerns about the risks of not achieving your financial goals are consistent with the level of risk tolerance you have? Why or why not?

6. What actions do you feel you may need to take to protect yourself from the risks of not achieving your financial goals?

7. Was this exercise effective in helping you clarify your financial goals and understanding your feelings about investment risk? Please explain why or why not.

Name: _____

Date: _____

Action Project 2

Uncovering Financial Goals and Risk Tolerance

Report Form 3 of 5

Client #2

1. Do you have a comprehensive financial plan? If you have one, what does it look like? Does it have goals, strategies, a spending plan, and so on? If you don't have one, why don't you?

2. Identify your top five financial goals. Prioritize them by numbering them in order of importance, with 1 being the most important and 5 being the least important.

			Goal/Event	Priority	Time Horizon
A					
B					
C					
D					
E					

3. With your permission, I'd like to help you evaluate your feelings about taking investment risks by using a form called a risk tolerance questionnaire. (After completing the risk tolerance form, indicate their basic level of risk below.)

Your risk tolerance is best described as:

Category of Risk	Type of Investor	
High:	Very Aggressive	_____
Somewhat High:	Moderately Aggressive	_____
Moderate:	Balanced	_____
Somewhat Low:	Moderately Conservative	_____
Low:	Conservative	_____

Action Project 2

Uncovering Financial Goals and Risk Tolerance

Report Form 4 of 5

4. List and describe potential obstacles and concerns that could inhibit your achieving your specific financial goals identified above (using the corresponding letters, A, B, C, etc.), such as your death, disability, unemployment, financial catastrophe, excessive debt or spending, and so forth. Describe what strategy you can use for overcoming these obstacles.

Goal	Obstacles/Concerns	Strategy

5. Do you feel that your concerns about the risks of not achieving your financial goals are consistent with the level of risk tolerance you have? Why or why not?

6. What actions do you feel you may need to take to protect yourself from the risks of not achieving your financial goals?

7. Was this exercise effective in helping you clarify your financial goals and understanding your feelings about investment risk? Please explain why or why not.

Name: _____

Date: _____

Action Project 2

Uncovering Financial Goals and Risk Tolerance

Report Form 5 of 5

Summary Questions

Think about your interaction with the clients and answer these questions.

1. How did you feel the goal identification process went? Is there anything about it you would change?

2. What concepts did you learn about discussing risk tolerance with a client?

3. What concepts did you learn about discussing financial goals and obstacles with a client?

4. Do you think this experience is useful for clients in understanding their feelings about financial and investment planning? Explain.

BREAKOUT—CLASS 5

1. What do you say to a client to explain the importance of financial goal setting and the need for prioritizing goals?

2. What would you say to a client to introduce the information-gathering process?

3. What would you say to your client if he or she has concerns about the fact-finding process and resists completing a comprehensive fact finder?

4. What words would you use to explain to your client the need for him or her to answer questions to complete a risk profile questionnaire?

QUIZ—CLASS 5

(Due Class 5)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. In any kind of planned and purposeful communication setting, the first element that needs attention is
 - (A) questioning
 - (B) structuring
 - (C) assessing risk
 - (D) gathering information
2. Norms refer to
 - (A) the finding that the perceived likelihood of an event is influenced by how specifically it is described
 - (B) the way in which a question is structured with regard to the issue being evaluated
 - (C) standards of measurement that allow an advisor to compare a client with a representative group
 - (D) information that is intuitively evaluated by an advisor based on his or her training and experience
3. Which of the following statements concerning the financial planning pyramid is correct?
 - (A) It shows how developing a plan begins with a sound foundation and proceeds in an orderly fashion.
 - (B) Its middle level addresses the management of retirement assets and the preservation and distribution of the estate.
 - (C) Its top level focuses on wealth accumulation by growing money through various types of investments.
 - (D) It shows that the highest priority goals are concentrated at the top level.
4. Which of the following statements concerning financial planning fact finders is (are) correct?
 - I. Most advisors choose fact finders designed to be used with specific software.
 - II. Many financial services companies have developed fact-finder forms to satisfy their compliance departments.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

5. Which of the following statements concerning accumulation goals is (are) correct?
- I. Financial advisors suggest that clients should plan to devote about 50 percent of their gross incomes to accumulation goals.
 - II. Clients typically begin to focus on accumulation goals in the later years of the career development phase of their financial life cycles.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. Which of the following statements concerning an emergency fund is (are) correct?
- I. It should be invested conservatively in low-risk instruments that are very liquid.
 - II. As a rule of thumb, it should be equal to a minimum of 3 years of the family's income.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning the assessment of an investor's financial risk tolerance is (are) correct?
- I. Frequently an investor's actual level of risk tolerance becomes evident only after he or she has experienced a gain.
 - II. Risk tolerance is a dynamic characteristic of an investor that will change if his or her circumstances change.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. Impediments for young people saving for retirement include all the following EXCEPT
- (A) inadequate insurance coverage
 - (B) unexpected expenses
 - (C) a spendthrift lifestyle
 - (D) the time value of money
9. All the following are examples of objective information that might be needed from a client EXCEPT
- (A) his or her financial risk tolerance
 - (B) a summary of his or her insurance coverages
 - (C) his or her personal and family information
 - (D) an inventory of his or her assets
10. All the following statements concerning goal setting are correct EXCEPT
- (A) It is critical to creating a successful financial plan.
 - (B) It is part of step 3 of the financial planning process.
 - (C) It is the process of deciding which needs to pursue.
 - (D) It requires that goals also be prioritized.

SALES PLANNING PROJECT 5

Asset Allocation

(Assigned Class 5; Due Class 7)

Purpose

The objective of this project is for you to practice developing a plan that can realistically attain the client's goals, reflecting the client's risk tolerance. The focus here is on asset allocation.

Assignment

Select one of the clients you interviewed in Action Project 2—Uncovering Financial Goals and Risk Tolerance. Analyze the client's goals, financial situation, and risk tolerance. Select one major financial goal and develop an asset allocation and a portfolio using securities you would recommend to clients.

Suggested Procedure

1. Choose a client and select one of his or her goals for which to create an asset allocation.
2. Read "Developing an Allocation Strategy" in the textbook.
3. Complete the report forms as described below:
 - a. Describe the economic outlook. (Skip if you create an asset allocation without regard to the economy.) What is the current condition of the economy? What is the future outlook? Note how this will affect the recommended asset allocation.
 - b. Describe the client's goal. Provide information about the time horizon (Time), the amount needed, and how much he or she has already saved. If necessary, estimate them.
 - c. Give an overview of the client's personal financial situation. Skip any prompts that are not relevant to the client's goal. Provide any other relevant information.
 - d. Recommend an asset allocation. Give percentages of equities, bonds, and cash equivalents.
 - e. Discuss the criteria and factors for selecting individual securities. For example, the client may have a preference for TIPS over regular short-term Treasuries.
 - f. In the recommended portfolio, list the individual securities you will recommend. Give the percentage of the total portfolio (Allocation) and the degree of float you will allow in percentages (Float) to account for market fluctuations. In addition, provide the historical rate of return (Exp Ret) and standard deviation (Std Dev).

- g. Provide the expected rate of return and standard deviation of the portfolio if you know how to calculate these numbers. (If you are using a software package, it will do this for you.)
- h. Complete the summary questions.

Name: _____

Date: _____

Sales Planning Project 5

Asset Allocation

Report Form 1 of 3

A. Economic Outlook:			
B. Client's Goal and Time Horizon:			
Goal	Time	Amt Need	Amt Saved
C. Client's Personal Financial Situation:			
Age:			
Current Assets/Income (estimate):			
Risk Tolerance:			
Experience with and Predisposition to Assets:			
Required/Desired Rate of Return:			
Marginal Tax Rate:			
Investable Assets and Income (estimate):			
Current Investment Strategies:			
Other:			

Name: _____

Date: _____

Sales Planning Project 5

Asset Allocation

Report Form 2 of 3

D. Recommended Asset Allocation:				
Equities (%)	Bonds (%)	Cash & Equivalents (%)		
E. Criteria and Factors for Selecting Individual Securities:				
F. Recommended Portfolio:				
Security	Allocation	Float	Exp Ret	Std Dev
G. Overall Portfolio (if you can do it):	100%	N/A		

Name: _____

Date: _____

Sales Planning Project 5

Asset Allocation

Report Form 3 of 3

Summary Questions:

1. How did you determine the appropriate asset allocation for the client?

2. What strategies (dollar-cost averaging, value-cost averaging, value investing, and so on) would you recommend to this client?

3. What was missing that you included?

4. List two concepts, ideas, principles, and so on that you learned from completing this exercise.

5. List areas you for which you need further education and training that you identified after completing this exercise.

BREAKOUT—CLASS 6

1. Do you use asset allocation, diversification, and portfolio-rebalancing techniques with your clients? If so, how?

2. How would you describe to a client the concept of cash flow management and the role that it plays in financial planning?

3. What words would you use with a prospect to explain the concept of life-cycle investing?

QUIZ—CLASS 6

(Due Class 6)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. Which of the following is the single most important decision that a client can make in regards to his or her portfolio?
 - (A) identify market timing opportunities
 - (B) diversify the investments
 - (C) formulate an asset allocation strategy
 - (D) analyze the cash flow
2. The debt service ratio is calculated by dividing
 - (A) total current debts into liquid assets
 - (B) total assets into net worth
 - (C) after-tax income into net cash flow plus savings
 - (D) gross income into total debt payments
3. Tactical asset allocation is focused on which of the following?
 - (A) moving money into and out of asset categories to take advantage of market timing opportunities
 - (B) developing an asset allocation strategy and sticking with it through all kinds of market conditions
 - (C) diversifying individual investments both within and across the various asset categories
 - (D) adjusting the portfolio each time a new phase of the financial life cycle is entered into
4. Which of the following ratios can be calculated from a client's financial position statement?
 - I. savings ratio
 - II. liquidity ratio
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

5. Which of the following statements concerning client financial statements is (are) correct?
- I. Current statements are needed by the advisor at the time the planning process begins and at each subsequent review.
 - II. Pro forma (projected) statements show what the client's financial future is expected to look like if certain strategies are followed.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. Which of the following statements concerning investment diversification is (are) correct?
- I. It requires avoiding excessive concentration in an industry and across asset categories.
 - II. It is designed to maximize the impact of a high-yielding security on the portfolio's overall performance.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

7. All the following statements concerning asset allocation are correct EXCEPT
- (A) It involves determining the optimal allocation for broad categories of assets in a client's portfolio.
 - (B) Its emphasis is on protecting against negative developments while still taking advantage of positive developments.
 - (C) In conjunction with diversification, it forms the foundation for a successful long-term investment program.
 - (D) Its effect on reducing total portfolio risk is minimal compared to that of selecting the best investment vehicles.

Name: _____

Date: _____

8. All the following statements concerning the Survey of Financial Risk Tolerance are correct EXCEPT
- (A) It consists of questions based on a number of approaches to assessing a client's risk tolerance.
 - (B) It is meant to serve as a substitute for a more comprehensive assessment of a client's risk tolerance.
 - (C) Its score constitutes an attempt to represent a client's risk tolerance in the form of a single number.
 - (D) It is a useful tool because the answers to almost all questions are arranged on a continuum.
9. The IRS has identified all the following factors as considerations in determining the fair market value of a client's interest in a closely held corporate business EXCEPT
- (A) the state of incorporation and whether or not it assesses corporate taxes
 - (B) the nature of the business and the history of the enterprise from its inception
 - (C) the market price of stocks of other corporations engaged in the same or a similar line of business
 - (D) the earning and dividend-paying capacity of the corporation
10. Preparing a client's cash flow statement involves all the following EXCEPT
- (A) identifying the types and amounts of expenses the client incurs
 - (B) showing the client's net cash flow as the difference between income and expenses
 - (C) valuing each of the client's assets and liabilities as of the statement date
 - (D) identifying the sources and amounts of income the client receives

SALES PLANNING PROJECT 6

Investment Planning in Your Practice

(Assigned Class 6; Due Class 8)

Purpose

This project focuses on your vision of incorporating investment planning in your practice and developing a plan to do so.

Assignment

This project will help you focus your efforts on developing investment planning in your practice. In a sense, you will perform a fact-finding analysis on yourself regarding investment planning. Marketing investments begins with clearly identifying where you are now and where you want to be as an investment planner. You need to define what role you want investment planning to have in your practice, then determine what you need to do to get there.

In this project, you will identify where you are now regarding investment planning, including the products and services you currently offer. As you analyze your markets and your goals, you will identify what knowledge and skills you currently have. You will then look at the gap between what you know and do now with what you need to know and do to be successful in investment planning. From this analysis, you need to determine what knowledge, skills, and products you must acquire to accomplish this.

Procedure

This project requires you to complete the Investment Analysis Report Form, which is due in Class 8. This form is composed of four parts:

1. Assess your current situation.
2. Identify and prioritize your goals for incorporating investment planning in your practice.
3. Identify the developmental actions you need to take to accomplish these goals.
4. Summarize the main points of the previous three steps (current situation, goals, and actions to take).

Name: _____

Date: _____

Sales Planning Project 6

Investment Planning in Your Practice

Report Form 1 of 4

Answer the following questions regarding your current and planned situation involving investment planning in your practice.

Section 1: Where you are now—assessment of your current situation

1. What are your primary markets and why?

2. What investment products do you sell now?

3. What investment needs does your market(s) have?

4. What are the financial benefits and rewards of your investment business, compared to other product lines?

Sales Planning Project 6

Investment Planning in Your Practice

Report Form 2 of 4

Section 2: Where you want to be—Identify your goals for incorporating investment planning in your practice.

1. What markets do you want to be in and why?

2. What investment and other needs do these markets have?

3. What products and services will you need to address these market needs?

4. What knowledge or skills will you need about investments and related topics to be successful?

Name: _____

Date: _____

Sales Planning Project 6

Investment Planning in Your Practice

Report Form 3 of 4

Section 3: What you need to learn and do to accomplish your goals—Identify those developmental needs and actions you need to take to accomplish these goals.

1. What do you need to learn and do to be effective in your investment markets and why?

2. How will you get into these markets?

3. What investment products will you sell in the future?

4. What specific steps do you need to take to achieve your goals?

BREAKOUT—CLASS 7

1. How do you decide what products to recommend?

2. How do you prepare to present your recommendations?

3. How do you introduce your recommendations? What do you say?

4. What documentation do you include in your presentation meeting?

5. Do you present plan alternatives? If so, how many and how do you present them? If not, why?

6. Do you provide or do you plan to provide financial planning for clients and prospects? Explain your position.

7. What role does investment or financial planning software have in your development and presentation of a plan to the prospect or client? Explain your answer.

QUIZ—CLASS 7

(Due Class 7)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. Which of the following suggestions should help an advisor prepare for the presentation meeting?
 - (A) Avoid the use of financial and investment planning software because it might confuse the client.
 - (B) Ask several closed-ended questions in order to explore the client's thoughts, ideas, and feelings.
 - (C) Plan on giving the client plenty of time to think over and reject plan recommendations.
 - (D) Create projections for recommended strategies and compare them to the probable outcome of the current plan.
2. Investing too large a percentage of an investor's portfolio in bonds and cash equivalents may be a riskier strategy than investing in stocks because of the
 - (A) reinvestment rate risk
 - (B) exchange rate risk
 - (C) liquidity risk
 - (D) political risk
3. Which of the following statements concerning the dollar-cost-averaging strategy for purchasing mutual fund shares is correct?
 - (A) It works best when the price of a fund's shares steadily declines.
 - (B) It works best when a large single sum of money is invested in a fund.
 - (C) It works best when the price of a fund's shares declines early and then later rises.
 - (D) It works best when the sum of money periodically invested steadily increases.
4. Which of the following statements concerning plan development is (are) correct?
 - I. In general, the more complex a plan, the easier it will be for the client to understand and adopt.
 - II. When additional expertise is needed, the advisor should consult with a specialist in that field to help design the client's plan.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

5. Which of the following statements concerning the development of an asset allocation strategy for a client's portfolio is (are) correct?
- I. Security selection for each of the portfolio's asset categories can be done passively with the advisor picking individual securities.
 - II. The range within which each asset category is allowed to float should be wide enough to accommodate market timing activities.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. When presenting projections to a client, an advisor should emphasize which of the following?
- I. Projections are hypothetical, and actual performance will vary from the projections in almost all cases.
 - II. Projections are based on assumptions about the future that will invariably change over time.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

7. All the following are examples of nonverbal approval signals EXCEPT
- (A) listening attentively
 - (B) sitting and leaning way back
 - (C) making good eye contact
 - (D) nodding and showing appreciation
8. A common technique used by advisors to respond to a client's concerns involves all the following EXCEPT
- (A) acknowledging the client's concerns
 - (B) clarifying the client's concerns
 - (C) downplaying the client's concerns
 - (D) resolving the client's concerns

Name: _____

Date: _____

9. All the following statements concerning asset allocation factors are correct EXCEPT
- (A) A one-size-fits-all allocation strategy can be developed for clients with similar factors.
 - (B) Understanding the factors behind an allocation strategy is crucial if an advisor wants to build wealth for a client.
 - (C) It is extremely difficult to isolate the effect that any one factor will have on a client's allocation strategy.
 - (D) Each client's allocation strategy is the result of combining several factors that interact with each other.
10. All the following types of information should be included in a client's investment policy statement (IPS) EXCEPT
- (A) the client's asset allocation strategy
 - (B) the criteria for rebalancing the client's portfolio
 - (C) the client's level of risk tolerance
 - (D) the amount of life insurance on the client's life

BREAKOUT—CLASS 8

Suggested Questions:

1. How can you ensure that your client will be pleased with your products and services?

2. In what ways do regulation and compliance affect your financial services practice?

3. What have you done in developing strategic alliances (relationships with other professionals for advancing your business)? How did these relationships get started?

4. How do you go about selecting a mutual fund for your client's portfolio?

5. What role does monitoring the plan play in developing your financial services practice?

QUIZ—CLASS 8

(Due Class 8)

Instructions: Read the chapter first, then circle the correct answer to the following questions to test your knowledge. There are 10 questions worth 10 points each, for a total of 100 points.

1. Which of the following statements concerning the technical analysis of a stock is correct?
 - (A) It requires a thorough understanding of the company, its products, and its method of operation.
 - (B) It considers past records of assets, earnings, and sales in predicting future price trends.
 - (C) It analyzes a company's balance sheet and income statement to forecast its future stock price movements.
 - (D) It looks at stock prices and volume of trade in isolation from the characteristics of the company.
2. An unauthorized entity is an insurance company that
 - (A) sells insurance products at a substantial discount since it has no underwriting or commission expenses
 - (B) has not gained approval to sell insurance in the jurisdiction where it or a producer wants to sell it
 - (C) writes insurance over the Internet without the assistance of a licensed field force
 - (D) only sells specialty insurance products through the mail to targeted groups of clients
3. The advisor's objective in selecting individual securities and/or mutual funds for the client's portfolio is to pick those
 - (A) that provide the least amount of risk
 - (B) with the highest expected rate of return
 - (C) that best fit the client's asset allocation strategy
 - (D) with the highest commission schedules
4. Which of the following statements concerning the per-period return (PPR) is (are) correct?
 - I. It captures total return performance.
 - II. It recognizes the time value of money.
 - (A) I only
 - (B) II only
 - (C) Both I and II
 - (D) Neither I nor II

5. Which of the following statements concerning beta is (are) correct?
- I. Funds or portfolios that have a beta greater than 1.0 are considered relatively conservative.
 - II. Beta is a measure of the volatility of a fund's or portfolio's return with respect to its expected return.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
6. Which of the following statement concerning the SEC's new rule (adopted under the Investment Advisors Act of 1940) that requires RIAs to adopt codes of ethics is (are) correct?
- I. The codes must contain minimum standards of conduct as well as demand compliance with federal securities laws.
 - II. Advisors have substantial flexibility to design individualized codes that best fit the structure, size, and nature of their businesses.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II
7. Which of the following statements concerning benchmarking is (are) correct?
- I. The benchmark portfolio consists of relevant market indexes combined in asset allocation proportions that reflect the actual portfolio.
 - II. The advisor's active portfolio management will be viewed as successful if the benchmark portfolio outperforms the actual portfolio.
- (A) I only
(B) II only
(C) Both I and II
(D) Neither I nor II

READ THE FOLLOWING DIRECTIONS BEFORE CONTINUING

The questions below differ from the preceding questions in that they all contain the word EXCEPT. So you understand fully the basis used in selecting each answer, be sure to read each question carefully.

8. All the following statements concerning bond ratings are correct EXCEPT
- (A) They are based on an evaluation of a firm's financial position and earnings prospects.
 - (B) Bond issues that are subordinate to senior issues of the same company usually receive higher ratings.
 - (C) The two best-known rating services are Standard and Poor's and Moody's Investors Service.
 - (D) Bonds that default have almost always been rated as speculative prior to their default.
9. All the following statements concerning the relationship between law and ethics are correct EXCEPT
- (A) Laws are basically ethical standards that society has codified to enforce certain behaviors.
 - (B) Businesses often develop codes of ethics more demanding than the law.
 - (C) An ethical problem generally is more easily defined than a legal problem.
 - (D) Laws cannot mandate decent treatment and concern for other human beings.
10. Factors for an advisor to consider in selecting a bond mutual fund include all the following EXCEPT
- (A) the average credit rating of bonds in the portfolio
 - (B) the emphasis on growth versus value in the portfolio
 - (C) the degree of industry concentration in the portfolio
 - (D) the reputation of the fund in addressing service issues

Name: _____

Date: _____

MOST VALUABLE CONCEPTS

Reflection is an important part of the learning process that is often overlooked. Take a minute to think about what you have learned and write the most valuable concept, sales idea, marketing strategy, and so forth that you learned in class.

Class 1
Class 2
Class 3
Class 4
Class 5
Class 6
Class 7
Class 8



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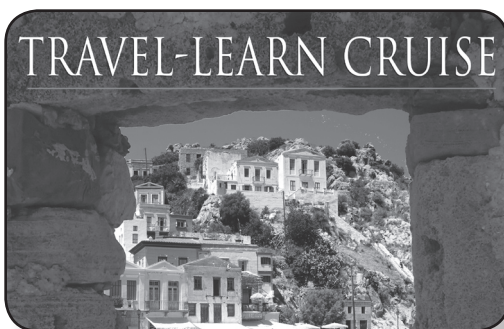
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