

MARKET MELTDOWN

CPA View on Financial Planning after the “The Panic of ’08”

Personal Financial Planning Issues and Opportunities

Executive Summary



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SURVEY RESULTS

HIGHLIGHTS

In a new survey of CPAs taken in the days following the stock market meltdown Sept. 15, the vast majority of respondents expressed profound concern over the situation. But they also expressed cautious optimism based on prior moves they had made that anticipated a financial calamity.

Highlights:

- 58% of CPAs are “very concerned” by events.
- 81% say investors’ biggest problem remained “under-funded retirement accounts.”
- 77% believe CPA firms enjoy vast opportunity in financial planning services.
- 52% are already getting involved in offering tax, estate or trust planning services.



SURVEY RESULTS

DEMOGRAPHICS

BUSINESS SECTOR

Public accounting	50%
Business or Industry	23%
Government	4%
Not-for-profit	2%
Education	4%
Vendor/Service-Provider to the Profession	2%

SIZE OF BUSINESS

Sole practitioner	15%
2 to 10	33%
11 to 50	23%
51 to 100	5%
101 to 500	12%
More than 500	11%

POSITION

Managing Partner/CEO/COO/Sole Prac.	41%
Senior Executive/Partner/CFO/Controller	31%
Senior Staff/General Management	17%
Mid-Level Staff/Internal Audit	4%
Junior Staff/Support	0%
Other, Please Specify	7%



SURVEY RESULTS

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How concerned are you about the current financial and economic outlook?

Very concerned	58%
Somewhat concerned	35%
Not very concerned	7%
Not at all concerned	0%

Considering the current state of the financial markets and economy, what's your best advice for individuals today?

(Sample verbatim)

1. hold steady, look for the long term
2. SAVE MONEY CUT BACK ON SPENDING LIMIT CREDIT SPENDING
3. Buy quality, stay out of the financial services sector for now but be ready to go back in. It is not an issue of market timing on the financial sector; it is a case of regulators never knowing how to manage a situation and taking down the good with the bad.
4. Reduce spending to reduce debt and build savings.
5. If you are uncomfortable, revisit your strategy. The best thing you can do is have a consistent strategy, one that you are willing to rely on regardless of market condition. This will reduce your likelihood of making changes based on emotions.
6. Stay with their long term goals and planning for such goals.
7. Marshall your assets and consult a trusted advisor about your exposure and plan out a pathway through this current downturn.
8. Stay in cash
9. Hold positions unless there is concentrated wealth in one security. If sitting on cash, put money into the market now.
10. I don't have a clue.
11. Don't panic. React with intelligence and do not rely on mass media information.
12. look at your current risk tolerance and make sure your asset allocation reflects that.
13. continue to save
14. Pay down debt, do not expand personal debt on charge cards
15. Accumulate cash, stay quiet (investments wise), selectively choose high quality mutual funds
16. stay informed.
17. Reassess your investment allocations. Make sure you have focused on your long-term goals, and that your investments, fundamentally will assist you in reaching those goals. Oh, and try to stay away from the TV.
18. Get back to basics. Practice sound financial planning, work hard, and keep a positive attitude.
19. HOLD ON AND WAIT
20. Sit tight. It will pass.
21. Stay put.
22. Maintain liquidity
23. Stick with major corporate stock you now own, otherwise, collect cash in a safe account



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24. TRUST YOUR FINANCIAL PLANNING STRATEGY. DIVERSIFY INVESTMENTS. REVIEW DEPOSITS TO BE SURE THE FDIC LIMITS ARE NOT EXCEEDED.
25. don't spend anything; preserve your cash
26. Cut back on spending. Although it's difficult, prices won't come down until consumers put a brake on their spending habits.
27. Generally, just hold on to what you have. This too shall pass.
28. Be in a capital preservation mode and only risk what you can afford to lose.
29. Stand pat, don't panic
30. Keep liquid. Only lose money when you sell. Holding does not create the loss, it will come back.
31. Develop a long term plan for retirement and stick with it in good markets and bad.
32. Stock in companies you know well, certificates of deposit
33. Don't make any impulse decisions. Review your plan (if you don't have one, get one) and adhere to your policy.
34. Stay in Cash or pay down debt
35. Do not maintain high balances on credit cards (try to limit yourself to 1 card), do not take on any excess debt, keep your retirement plan well diversified and lock in a low fixed interest rate on your mortgage.
36. REVIEW CURRENT PORTFOLIO, ELIMINATE UNDERACHIEVERS AND HOLD TO OTHERS WITH INVESTMENTS.
CURRENT CLIENTELE - BE MORE ATTENTIVE TO THEIR ISSUES AND ANTICIPATE BEFORE ASKED BY CLIENT.
37. Continue in a cash position. Begin to look for deals in real estate.
38. Have emergency fund, eliminate debt, fund IRA, 401-K's
39. There's no need to panic, especially if your in the market for the long term. Don't look at your accounts until things settle down. We've been through this before.
40. Stay the course.
41. Don't sell. Continue to dollar cost average.
42. There are solid segments of the market on sale today!
43. Ride it out!
44. It's a marathon. Make sure your allocation is where it should be. Remember to reallocate at least annually.
45. Get a trusted advisor and do not rush into a bevy of changes.
46. Hold onto solid investments, search for yield.
47. stay in cash
48. Economy will get worse before it gets better. Keep yourself nimble - seek cross training opportunities at work.
49. Monitor your situation and don't over react.
50. Keep 75% of your assets in cash or marketable securities.
51. We are in a time of economic uncertainty and there is little that we can do except ride it out. When we rebound it would be wise to think about moving investments into more secure less risky areas.
52. Don't panic. Diversify and hold on.
53. If you are investing for the long term and have a solid plan, stick with it. It's about shares so when the market rebounds, you are still invested. Diversify and stay the course.
54. Cut expenses, liquidate assets, and start building a cash reserve.



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55. Borrow wisely
Review all investment portfolio allocations
Have a five year plan
56. stay alert for everything, but don't overreact.
57. Be Conservative, save for 1 year of expenses
58. don't panic
59. Cash is king, maximize receipts and minimize expenditures.
60. get out of debt and do not panic
61. Stay in well diversified equity portfolios.
do not panic. Look for opportunities.
62. Reduce debt, build up emergency fund to have at least 6 months of household operating fund readily available
63. Hold tight. Paper losses are not really losses until they are cashed in.
64. Stay calm and stay the course. Use this opportunity to review your existing investments. Keep or develop a broadly diversified portfolio among and within a variety of asset classes in order to generate an attractive level of return for your personal level of acceptable risk.
65. Stay the course, do not take knee jerk reactions, make changes only for long term goals in mind.
66. Hold on, and wait until you can truly understand the situation
67. put your head between your legs and kiss your ass goodbye
68. This is just the financial markets going through what nearly everyone else has already gone through in their disciplines.
69. Stay liquid.
70. Save as much as possible and wait for the right time to invest.
71. Diversify and invest for the long term.
72. Balance Portfolio
73. Since it is tough to see a good investment opportunity just now, stay liquid.
74. cash
75. fixed income investments!! Pay off debt.
76. Be conservative in your plans, raise cash and watch for opportunities & obstacles.
77. Be patient and take advantage of market downturns if possible.
78. Don't panic.
79. Not to make any rash changes to investments.
80. watch investments closely, confine stock positions to good, profitable, diversified companies
81. Stay focused on long range goals.
82. go slow
83. Reduce Risk and spending
84. Do not put all your eggs in one basket. Diversify
85. These are times to be cautious, look for a few safe investments. Credit will be very tight.
86. Move present holdings in financial securities to government securities and continue to dollar cost average (buy) into non financial sectors.
87. Stop spending and start saving. If you are in the market, stay where you are.
88. Don't overact without considerable study and planning.
89. Take a deep breath and hope the old adage about viewing the equity markets on a long-term basis continues to be valid in a changing and more integrated world economy.



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90. Reduce your debt as much as possible.
91. Hold tight. If you are in the stock market, don't panic. Don't sell your positions, since in the long run the stock market has out performed all other investments. If you have cash, I would stay on the sidelines for a while to see how this market shakes out, and be willing to dollar cost average back in over the next three to six months.
92. If you have cash, keep it safe. Don't go on a selling spree of marketable investments. Hold on, as difficult as that may be, and there will be an upturn to this mess; you should benefit from the rebound.
93. Hold, Hold, Hold.
94. Do not panic
95. Buy some more; don't sell unless you have to
96. Sit tight. 1987 was only 21 years, ago. The markets will recover, if we can get government out of the markets.
97. Hold still, it will not be a disaster.
98. Don't panic, make sure you consult your financial planner and be sure you understand your time horizons.
99. invest according to your current risk tolerance.
100. Sit back, relax and watch with moderate interest.



SURVEY RESULTS

Thinking about investors today, in which areas do you think they may be most lacking in their financial planning? (Please check all that apply.)

Under-funded retirement accounts (IRAs, 401Ks, etc.)	81%
Unreasonably high expectations for investments' rate of return	58%
Portfolio not properly invested or balanced	58%
Failure to follow through on plans	48%
At this rate, they'll be working longer than they expect	44%
Failure to heed professional advice	27%
Failure to consider all advisable choices	13%
They're not properly insured	12%

Other (verbatim):

1. not planning for health care costs
 2. Not havng a fin. adv. based on experience/expertise
 3. Not preparing enough for difficult times.
 4. TOO MUCH TRUST NOT ENOUGH VERIFICATION
 5. outdated estate plan
 6. Take on too much debt
 7. Understanding retirement cash needs
 8. Failure to get professional advice.
 9. Failure to act / invest on own instincts.
 10. failure to seek professional advice
 11. excessive debt
- Health issues may prevent them from working longer
12. Unwilling to pay for unbiased fiduciary advice
 13. Facts about what is occurring in financial markets



SURVEY RESULTS

Over the next 3 to 5 years, do you think CPAs will become more or less involved in personal financial planning services?

Much more	27%
Somewhat more	50%
No change	19%
Somewhat less	2%
Much less	1%

Why did you give that answer?

(Sample verbatim responses from those answering "much more" and "somewhat more" above.)

1. The public does not listen to good advise, they only want the "feel good" talks, witness the popularity of our next President, Barack Obama. The general public does not care about the real issues, they only want something for nothing.
2. Accountants have money management skills within them, whether at home or anywhere, accountants always do CBA(Cost & Benefit Analysis)
3. I SEE THIS TREND IN MY OWN PRACTICE
4. The CPA's cost of client acquisition for investment services is so low and clients will be demanding it.
5. More confidence in CPA.
6. CPAs can and should play a key role in advising clients about investing opportunities as the market begins to correct and provide guidance about reasonable returns to expect in the future.
7. GOOD CPA'S GIVE OBJECTIVE ADVICE ALWAYS WORKING FROM THE CLIENT'S POINT OF VIEW.
8. Most people have their only personal link to the financial world through their CPA.
9. My client base is, more and more seeking my advice regarding financial and retirement planning, in conjunction with tax planning.
10. Because of the baby boomers reaching retirement age and wanting to plan for it or make up for what they haven't done.
11. PEOPLE ARE MORE RESULTS ORIENTED AND THINK THAT WE ARE SOMEWHAT AHEAD OF THE GAME IN TAX & INVESTMENT PLANNING.
12. Who better to advise then their most trusted advisor?
13. They are highly qualified.
14. people are concerned about where they invest and trust relationship counts
15. need to trust someone, not necessarily the one who sells the plan to them.
16. There are too many self-serving "financial advisors" who are only interested in maximizing their sales commissions. CPA's can fill the role of trusted agent for the investor.
17. The need will continue to increase as more people get to where it is critically important
18. experience
19. More baby boomers will be seeking retirement advice in those years. Further, the choices are confusing to understand.
20. CPA's are trusted advisors who already have established relationships with clients.
21. many people are becoming more and more overwhelmed with financial matters.
22. Consumers are becoming more sophisticated...wire houses are imploding...more CPAs are moving into wealth management (not just managing assets)...consumers will be looking to the people they can trust most.



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23. Most people don't have the financial background to understand the complexities of today's market. With the recent events, I believe more people will turn to professionals for advice.
24. Given the collapse of several major investment houses and current financial advisors losing their jobs, the CPA will be looked upon as a "safe haven" for future planning.
25. Traditional Broker/Dealers are now dinosaurs. It falls to financial planners/CPAs to offer investment advice.
26. Clients don't have any other independent place to turn
27. Clients seem to trust the advice we give, since we are not selling products, just seasoned, professional advice.
28. they are independent-trusted advisors



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During the next 12 months, which of these services will you, or your firm or company, be providing? (Please check all that apply.)

Tax/Estate/Trust planning	52%
Retirement planning	51%
Business succession planning	44%
Savings and Investments (in general)	39%
College savings	35%
Wealth management	31%
1031 exchanges/Other real estate issues	31%
None of the above	24%
Health savings accounts	23%
Mortgages/Home Equity Loans	19%
Insurance (personal, not business)	19%
Specific advice on Stocks/Bonds/CDs/Mutual Funds/REITs/etc.	15%
Life settlements	6%

Other (sample verbatim)

1. TAX PLANNING
2. stock option planning
3. long term care insurance
4. No definites, considering financial advisory svcs
5. Endowment planning
6. valuations for exit strategies , gifting, estate tax
7. I am an educator. My classes will include these.
8. Business management
9. Estate Planning (I'm an Estate Planning Attorney)



SURVEY RESULTS

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