

On the

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Registered Investment Advisor

www.VintageFS.com

Summer 2016 Vol. XXXII No. II

From the Grapevine...

Vintage recently hit another milestone as our assets under management topped the \$400 million mark. We also added our 400th client household earlier this year. The firm's assets under management have doubled since 2012.

With our continued growth, we're looking to hire a new financial planner. The position requires a BA degree, preferably in financial planning or a related field and a willingness to pursue the Certified Financial Planner (CFP) designation. If you know anyone that would like to start a career helping our clients achieve and maintain financial independence, please have them contact us at succeed@vintagefs.com.

Save Thursday, July 21st on your calendar for our seventh annual Top of the Fair party. Note that the opening day of the Ann Arbor Art Fairs has been moved back from Wednesday to Thursday this year. We'll have the usual appetizers and drinks on our office balconies overlooking the fair.

DOUBLING OUR BRAIN TRUST

Back in 2007, Frank Moore helped start the Soar Wealth Manager Alliance, a group of principals of wealth management firms from around the country. The seven principals, either sole owners or partners of their firms, are all members of NAPFA, the National Association of Personal Financial Advisors. The group has met in person once or twice each year and holds monthly conference calls to share best practices.

Frank has found the group to be a huge asset as the other firms are often struggling with the same issues we face at Vintage. Some have already found good solutions and are happy to share their successes, as well as their mistakes, to help other members of the group.

One of the members often refers to the group as his "brain trust" and Frank regularly will turn to individual members or the entire group to get feedback on new ideas or to help solve problems. And one of the members is even on standby in case Frank gets hit by the proverbial bus.

We've learned a lot from these other six firms over the years and we'll be doubling that now. Jack McCloskey has joined another group with members from six other NAPFA member firms from around the country. The group is just getting under way this year and they plan to meet in person or via phone at least quarterly. So now we'll have our own ideas and best practices on how best to serve our clients, along with the collective wisdom of a dozen other successful firms.

HOW TO CHECK OUT AN ADVISOR

You may have seen a commercial recently that recommends that you check out your financial advisor, especially before you invest. The commercial features a man showing off his car, house and championship basketball while naming the individuals whose money he stole to buy them. The closing tag line is “Before you invest, Investor.gov.”

While it’s rare that financial advisors are actually thieves, it is a good idea to learn more about your financial advisor, and the SEC site at investor.gov is a good place to start. Unfortunately, there is a lot of information on the site and it’s difficult for the typical investor to know where to start.

The first thing investors should know is that financial advisors generally fall under two different regulatory structures, both of which are covered at investor.gov. Most financial advisors are Registered Representatives and they work through a broker/dealer firm that is a member of FINRA, the Financial Industry Regulatory Authority. Any advisors that are Registered Representatives (RRs) are licensed to receive commissions on investment product sales. Other advisors are Investment Advisor Representatives (IARs) and work for a Registered Investment Advisory (RIA) firm that is directly regulated by the SEC. And many advisors are dually registered under both regulatory bodies.

The advisor’s compensation sources are often described as follows:

| Registration | Compensation |
|-----------------|--------------------|
| Registered Reps | Commission based |
| IARs/RIAs | Fee Only |
| Both RR & IAR | Commission and Fee |

Financial advisors that are regulated under FINRA are commissioned salespeople who are only required to sell investments that are “suitable” for their clients. The Fee Only advisors are held to a higher standard by the SEC, which requires the advisors to act as fiduciaries in their client’s best interest at all times. Unfortunately for investors, it’s often impossible to tell if your dually licensed advisor is acting as a salesperson or fiduciary at any given time. This is why you’ll likely want to find an advisor that is just a Fee Only Investment Advisor Representative.

At investor.gov you can search by an individual advisor or firm. When you search for an individual, it will indicate if they are licensed and what type of registrations they have as well as the firms that they have worked for over the past decade. There is also a Disclosure Information section which would include any customer complaints, criminal charges, regulatory investigations and more. While any investor can cause a complaint to show up in the advisor’s record, investors should look for whether any complaints resulted in monetary settlements, and should be wary of advisors with multiple complaints.

If you are looking into an Investment Advisor Representative or an RIA firm, you can access information about the firm through the Form ADV parts one and two. The ADV part one contains pretty basic information as well as Disclosure Information. The more useful information is contained in the Part 2 Brochure. This item is required to be delivered to prospective clients and should be regularly offered to existing clients, especially if there are changes. The “brochure” is designed to be easily read and understood by investors, though the SEC requires that it contain certain items and disclosures. Reading it should give you an understanding of the services that the firm offers as well as the fee structure.

NEW RULES FOR IRA ADVICE

In early April, the Department of Labor released a new rule that will change the delivery of investment recommendations on IRA accounts. The rule is designed to ensure that any type of financial advisor be required to put the customer's interests ahead of their own and act more like a fiduciary. This is a pretty simple concept, but the rule took several years to develop and comes in at over 1,000 pages.

Frank Moore has been actively working in his role as Chair of NAPFA with the Financial Planning Coalition to support the rule and one of his Coalition colleagues was on a panel to discuss it at the DOL announcement. NAPFA has supported the rule, but it doesn't provide anywhere near the standard of care that NAPFA requires of its members.

The banks, brokerage firms and insurance companies fought hard against the rule and they made some progress in weakening it. The final rule was changed to allow the continued sale of expensive financial products like indexed annuities and some real estate investments that had initially been prohibited. The rule also doesn't fully go into effect until 2018.

The complexities of the 1,000+ page rule will take years to sort out and some of it will undoubtedly be determined by judges, since the rule will generally be enforced through lawsuits rather than the DOL, which lacks enforcement powers.

Meanwhile, Congress is still intent on dismantling the rule and has indefinitely delayed the appointment of 2 of the 5 SEC commissioners who could help the SEC push through a fiduciary standard for brokers. In short, Congress still seems more intent on helping Wall Street than consumers. Unfortunately for now, it's still caveat emptor.

DON'T FORGET YOUR UMBRELLA

When it comes to insurance, most people focus on their health, auto and homeowners policies first. Auto policies are required by the state and homeowners policies will be required if you have a mortgage, so most everyone has these. It's important to also review whether you need life or disability insurance and, for some people, a long term care insurance policy could make sense.

One type of policy that is often overlooked is umbrella or excess liability insurance. For people with significant assets, it's a very good idea to own this type of policy.

An umbrella policy provides coverage above and beyond the limits of your auto and homeowners insurance, often up to \$1 million or more. In addition, the policies can cover areas that are not covered by other insurance including libel, slander, false arrest or invasion of privacy.

The good news is that this type of insurance is easily affordable with premiums generally in the \$150 to \$300 range per year. If your assets exceed the coverage limits on your auto or homeowners policy, contact your insurance agent today to add this important protection.

GET TO KNOW US

If you're not a Vintage client, come find out what you've been missing! We have the largest team of Fee Only CFPs® in the Ann Arbor area and we're here to work just for you.

You can arrange a complimentary meeting via our website or phone, or stop by our Top of the Fair party and meet many of the wonderful clients we've worked with for years.

VINTAGE FINANCIAL SERVICES OFFERS

Fee only investment management, financial planning,
and tax preparation.

Minimum portfolio \$500,000
(401(k) balance may count toward minimum).

For a no charge, no obligation initial interview please call our office
at (734) 668-4040 or (800) 666-9237 or e-mail:

Joe Henderson, CFP, CLU Joe.Henderson@VintageFS.com

James Burns, CFP, CPA James.Burns@VintageFS.com

Or visit our website at www.VintageFS.com

- Retirement Planning
- Education Funding
- Investment Management
- Estate Planning
- Insurance Review
- Trust Investment Management
- Income Tax Preparation

Plan to succeed.

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