

Quarterly *insights*

Happy Holidays!

WE WILL BE BACK WITH MORE IN 2016!

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MEMBERSHIP

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PARTNER WITH US

Guest

Spotlight



Michael with
Stephanie McElheny, FPA
of Pittsburgh President

**Michael E. Kitces, MSFS, MTAX, CFP[®],
CLU, ChFC, RHU, REBC, CASL**

Publisher, Kitces.com & Partner at Pinnacle Advisory Group

Editor's Note: Typically we feature one of our Pittsburgh Chapter members in this column, and we will continue to do so going forward! However, we had the opportunity to meet and interview Michael E. Kitces, MSFS, MTAX, CFP[®], CLU, ChFC, RHU, REBC, CASL, nationally known author and speaker, at the Fall Financial "Four"um. What follows are some of his personal experiences and insights we believe will be of interest to all of our readers.

Are you a regular visitor to the "Nerd's Eye View" blog and/or the e-newsletter, "The Kitces Report," both of which are written, edited and published by Michael Kitces? Did you hear Michael speak at the Financial "Four"um? Possibly, you follow his commentaries in national media, including Kiplinger, Money, SmartMoney.com, Journal of Financial Planning, Moneywatch.com, Wall Street Journal, and several others. No matter, once one discovers his work it is obvious why he is considered to be one of our industry's leading advocates.



Hello again!

Thank you for your support of the FPA and the financial planning profession in 2015. This year, we set out to further your personal and professional development through exciting programs, networking events, political advocacy, and consumer awareness. Our board has worked diligently to ensure we have brought you the best programs we can. We hope we have achieved this goal and can continue to do so in the upcoming years.

Future events will continue to be announced as these important educational and networking opportunities remain a staple in offering national-caliber speakers and education to you, our valued members. With that in mind, I would like to thank the 2015 Board of Directors for providing continued service and exceptional programming to our members:

Mark Ambrose
Shana Bielich
Nathan Boxx

Jim Boughner
Paul Brahim
Michelle Donovan

Mark Johnston
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Amanda Priebe
Robert Ruby
Ilene Schwartz

Kathy Stewart
Brian Stumpf

Please visit our website (www.fpapgh.org) often for additional, up-to-date information. Additionally, for you social media connoisseurs, be sure to follow @PghFPA for all the latest news and information on our chapter.

As most of you (hopefully) know, we just had our annual flagship event – the Financial “Four”um – on Wednesday, October 21st at the Rivers Casino. We had many great speakers throughout the day, including Michael Kitces, who was absolutely outstanding. I encourage you to read the interview he gave to us for this issue of *Quarterly Insights*. If you made it to the “Four” um, we would love to hear your feedback and if you missed it, we hope you can make it next year!

We would also like to continue the success of our initial “Books & Brews” book club event with a follow-up sometime before the end of the year, so please stay tuned! As always, ideas are welcome and friends/colleagues are encouraged to join!

The FPA of Pittsburgh Board of Directors is responsible for pursuing our mission of “promoting and advancing financial planning to members and our local community.” We ask for your continued participation, connections, support, and outreach. As always, if you have any ideas or suggestions regarding events or content, please let us know – we are here to support you and the financial planning community as a whole. Finally, thank you for letting me serve you in 2015, it has been a pleasure.

*“Do it! Just do it! Don’t let your dreams be dreams.
Yesterday, you said tomorrow. So just do it!”*

– Shia LaBeouf

Stephanie C. McElheny

Stephanie C. McElheny, CFP®
2015 President, FPA of Pittsburgh

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Michael originally entered this field by happenstance. “As a student at Bates College in Lewiston, Maine, I was on a pre-med track, majoring in psychology with a minor in theater...I was not a performer, rather a behind the scenes ‘techy.’ Ending up in a speaking/performing context was, in and of itself, a bit of a fluke!” Continuing, he says, “By the end of college, I knew I did not want to go to medical school or pursue a career in psychology or theater. Still, I needed a job.” Michael explains that he began exploring options and “fell for a good pitch from a sales manager at an insurance company. I wasn’t quite sure what it was he was selling to me, but I went on to work for him and became an insurance agent. That was my first actual experience in financial services.” From there he moved on to an independent broker dealer for a while and then to *Pinnacle Advisory Group*, the RIA, where he is currently a partner. He points out that early on in this newfound career he became “a CFP® practitioner, completed other professional designations, and earned two masters degrees.”

Michael tells audiences around the country that he sees our industry “evolving in a couple different directions simultaneously. One is just ways in which we can use technology to better engage clients. Historically technology was a thing we had and our clients didn’t. So we would take their information, run it through our planning software and give them the output – basically selling them access to our fancy calculator. Now we are shifting to where technology is something we use collaboratively and interactively with clients. Arguably, the experience is more engaging. We also see technology getting used as a means for servicing clients differently.” Michael asks such questions in his work: “What does it look like when I use technology tools to communicate information to them, distribute information to them, and meet with them virtually? What kinds of efficiencies do I get? How do I make the experience better by using the technology to facilitate the communication engagement process?”

The other direction Michael points to is the use of technology as a means to “get” clients. For example, he asks, “What does it look like when we use social media and blogging – content (digital) marketing – to attract clients?” He cautions, “You can’t do content marketing as a financial planner generalist because you have to go head to head against large media, such

as Moneywatch.com and CNBC, with way more budget resources that will outdo you. What you can do and what has the biggest results and payoff in the long run is the one that is easiest to do for compliance purposes. Have your own blog on your web site and publish expert content.”

But at the end of the day, he explains, “Social media is not where you ‘get’ clients. Social media is a conduit to get them to your web site where you demonstrate your expertise. And your web site is ultimately where you engage people into becoming prospects and eventually clients.” He recommends “writing a static article, putting it through compliance and publishing it. You’re done!” He adds, “We have gotten too wrapped up worrying about the social media end which is helpful to distribute content, but it is a means not the end. And it’s not the only means. The easiest means is just having the content in existence and getting it indexed by Google. Let Google do the work for you. The challenge point is that most advisors can’t do that and it’s not because of the compliance issues of blogging and social media – it’s because they don’t have the clearly defined target market or demonstrated expertise to attract clients.”

One of his favorite topics is behavioral finance. “My focus in building some content around behavioral finance is about how we might run our businesses differently, give advice differently or at least think about giving advice differently.” For example, he asks, “How do we structure our fees? How do we engage clients? What do contracts and agreements look like? When we give advice, how do we give the advice? Do you give all the recommendations at once, which is what we like to do because it makes us look smart, but it’s terrible for behavior change because it overwhelms people? If you give them one or two items they can actually implement it is more likely they will follow through and implement it.”

He does say, however, that he and his partners “spend a little bit of time in our practice talking about different communication types and communication preferences. I believe behavioral finance trends transcend that. I may communicate or take in information differently if I’m a millennial versus a baby boomer, but all are more apt to rely on easy defaults and resist making hard decisions. It’s kind of universal.”

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Going forward Michael believes that over the next five to ten years the financial industry will be going through an evolutionary transition. “When you look at the industry going back 40 or 50 years, we see that once we get good at doing something, we do it for a while and then eventually technology does it better. Then we have to evolve to the next stage. It’s a pattern that continues. We have gone from being stock brokers to mutual fund sales people to asset allocators. Now we are going through another stage that is coming from an increasingly growing need for financial planners and wealth managers.”

When asked about the CFP® certification, he says, “There is no question that this is where the industry is trending – if you just look at the industry statistics from the past 15 years alone you see that 15 years ago there were fewer than one in ten financial advisors who were CERTIFIED FINANCIAL PLANNER™ practitioners; about five years ago it was about one in six; and now it’s one in four. In another few years it will very likely be one in three.”

He continues, “Our biggest challenge by far is attracting young people into financial planning. The College for Financial Planning has done some good studies to demonstrate this. Many young people don’t know our emerging profession exists. They literally don’t know it’s even an option or exactly what it is. Part of this issue is our own challenge around building awareness and, frankly, overcoming some of the less savory members of our industry who have done a very good job in making all things financial advice look like stock brokering and audit sales.”

Adding, “Branding, marketing, messaging, setting good examples and communicating well are ultimately the kinds of efforts that our profession collectively is trying to do through the Financial Planning Coalition. Most importantly we need to be recognized distinctly from product sales. No doubt there is a role for both, but sales people and financial planners should not be allowed to use the same title. This is a global phenomenon. This convergence of financial advisors and sales people bumping into and overlapping each other is happening around the world and creating regulatory change in many countries. However, when

you see what is happening in the U.S. such as the Department of Labor’s (DOL) fiduciary proposal, it is actually very very mild compared to the United Kingdom, where all commissions are banned. Australia not only banned commissions, as a broker you cannot get paid if you switch broker dealers.

Michael has so many ideas, it’s difficult to know where to end the conversation. However we thought this was a relevant not on which to conclude. “The phenomenon of the age of the financial planning generalist is coming to an end. It is going to become increasingly impossible to effectively compete and grow as a generalist. Because in a world when everyone else becomes a specialist, you can’t be a generalist and attract good clients. All the clients who are ‘good’ have significant problems with significant financial stakes. They are the ones who will pay well for services and go to specialists. It’s all about niches and specialization going forward.” He leaves us with the following thought. “Think about something that is common to a 100 human beings on the planet. Become their advisor. What’s your specialization? Don’t overthink it because the age of the generalist is coming to an end, and you don’t want to be the one who lags behind!”

Member Milestones

FIVE YEARS

Barry Cox, CFP®

Rivertech Tax Preparation, LLC

Kathleen A. Stewart, JD, AIF®

BNY Mellon Wealth Management

TWENTY YEARS

Mark B. Trauman, JD, CPA, CFP®, AIF®

Reliance Financial Advisors

Financial "FOUR" UM 2015!

The FPA of Pittsburgh's 7th annual Financial "Four"um took place on October 21st at the Rivers Casino. It was a full house with close to had 265 attendees who enjoyed listening to a wide range of speakers and meeting our much appreciated sponsors. Below are some scenes from the event:



Board Members

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 Nathan Boxx, CFP®
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 CMFC®, AIFA®
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New Members

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Louis C. Rizzo, CFP®
 LPL Financial

Kenneth Sharon
 Merrill Lynch

Paul M. Taylor, CFP®
 PNC Wealth Management

Saluting Service 2015



KEEPING THIS?

The FPA of Pittsburgh honored local veterans at our Fourth Annual Saluting Service event on May 13th at Soldiers and Sailors Memorial Hall & Museum. A donation of \$5,000 was made to The Mission Continues, which empowers veterans facing the challenge of adjusting to life at home to find new missions. From left: Winner of the 2015 First Class Patriot Achievement Award Howard D. Smith, James O'Connor with The Mission Continues, Jay Mastilak, CFP®, Past President and Co-Chair, FPA of Pittsburgh, Sponsor Nick Bruno and Brian Gongaware, Past President and Co-Chair, FPA of Pittsburgh.

Thanks to BPU Investment Management Inc., member FINRA/SIPC and an SEC registered investment advisor, for providing the underwriting to make Quarterly Insights possible.