

## Study Illuminates Opportunity for PFS Practitioners

A recent study based on U.S. census data indicates that, despite the economy's dramatic expansion, the typical American family has modest net worth and less than \$1,000 in savings. Perhaps even more striking is that Americans' failure to accumulate assets often is caused not by a lack of income, but by confusion and ignorance about personal finance issues that a modicum of professional advice could resolve. The need for such guidance, some say, presents an opening for the services of CPA/PFS practitioners.

The study, published in October by the nonprofit Consumer Federation of America (CFA) and Primerica, a financial products division of Citigroup, said most of the families it covered had less income than did households who typically engage PFS practitioners. But experienced PFSs familiar with the study's findings believe the two groups of households share significant financial beliefs and habits. And others think many middle-income families can afford financial planning advice, but just don't seek it. PFS practitioners may benefit from exploring these issues further in preparation for marketing their services to middle-income clients.

The CFA/Primerica study, titled *American Family Wealth: Analysis of Recent Census Data*, was conducted by economist Joseph M. Anderson of Capital Research Associates. Anderson based the study on data collected by the U.S. Bureau of the Census in its 1995 Survey of Income and Program Participation (SIPP), the most recent government data on household assets and wealth. According to the SIPP, 1995 median family income was approximately \$29,000.

Separately, Anderson analyzed a subset of the CFA/Primerica families—those with income of \$30,000 or more. "The net financial assets of this group, which is in the top half of the study's income distribution, are surprisingly low," he said in an interview with the *JofA*. "Plenty of families in this group have enough income to hire a CPA, but don't look for help in accumulating financial assets. They might be a target audience for CPAs." Two PFS practitioners, each with over 20 years' experience, agree.

Dirk Edwards, a partner of Edwards & Meyers in Portland, Oregon, said his typical client has net worth of \$15 million to \$20 million. "Do their assets reflect

those of the people in the survey? Absolutely not,” he told the *JofA*. But, he added, “their mindsets are very, very similar” to people in the survey who would benefit from a PFS’s guidance. “There’s common ground between the low-income person hoping to win Lotto and the high-net-worth person who hopes to get rich by investing in a ‘dot-com’ company,” Edwards said. “They’re both insecure about their financial future and want to know if they have enough money to retire.”

James Shambo, a principal in Lifetime Planning Concepts, PC, in Colorado Springs, Colorado, also deals with high-net-worth clients and sees parallels between their thinking and that of the low- and middle-income families in the CFA/Primerica study. When people with widely different levels of wealth lose proportionately equal amounts of money in an investment, Shambo noted, their reactions are identical. “People suffer the same degree of emotional loss,” he said.

PFS practitioners who deal with high-net-worth clients therefore may be more familiar with the financial problems and mind-set of middle-income households than they think. But how can PFSs develop prospects in that market? By recognizing that “exposure is the name of the game,” said Phyllis Bernstein, director of personal financial planning at the AICPA’s Center for Investment Advisory Services. Essential to success, she added, is a marketing strategy that consists of more than just advertising.

“You need to be widely visible in the public arena,” Bernstein said. “So get your name across through seminars, a newsletter or charitable activities. Sponsor an event so that your firm’s name and logo are associated with more than accounting,” she added. “And take a reporter to lunch; being in front of the media enables more people to see who you are and what you do. You’ll meet people you normally wouldn’t. Once they relate to you personally, they’re predisposed to believe you’re also a good financial planner.”

Any PFS who establishes a broad presence in the public eye, Bernstein concluded, will gain access to a wider range of prospects—both high- and middle-income—with service needs he or she is well qualified to meet.

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