



NAPFA
Registered Financial Advisor

MILNE FINANCIAL PLANNING, INC.

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Milne Financial Planning would like thank all of our clients for helping us succeed over the past eight years. The continual support and confidence from our clients has allowed Milne Financial Planning to grow both in size and in influence. The past year has brought many changes that have affected both my personal as well as professional life. I would like to share some of these changes with you.

- **The Home:** After 44 years of living in Barre, my nine-year old daughter Alex and I moved to West Danville, VT. Our house is located on Route 15 near Joes Pond.
- **The Office:** Though I now live in West Danville and run a home office, I still maintain an office in Barre. My office is located on the second floor of the Barre Granite Association Building, at the Park in downtown Barre.
- **The Family:** My eldest daughter, Caroline, is in her second year at Cornell University's College of Engineering. For me, sending my first child to college was a huge life transition.

NAPFA BOARD MEMBER

In September 2002, I was officially elected by the NAPFA (National Association of Personal Financial Advisors) members to serve a 3-year term on their board. I ran for NAPFA's board with the desire to give back both to NAPFA and the industry.

I was introduced to NAPFA while working as a life insurance agent. At the time, I struggled with the moral conflict of whether I should do what I felt would best help the client or what I felt would best benefit myself. This became a sizeable issue when I had to decide whether to recommend a mutual fund or an annuity. An annual sale garnered me a larger commission than a mutual fund, though it may or may not have been the best option for the client. It becomes difficult to avoid conflict when a financial planner's compensation comes into the equation.

You may ask yourself, what does this have to do with my election to the NAPFA's board? In 1994, I received a brochure for a NAPFA conference and noticed that the group was for fee-only financial advisors; this concept seemed foreign. How could an advisor give financial advice without earning a commission? The next year, 1995, I attended my first NAPFA National Conference in Philadelphia. Of the 300 planners there, not one of them sold any products!

The NAPFA planners I met were highly dedicated and spoke of their fiduciary responsibility to the client rather than how many "lives" they sold. I started Milne Financial Planning in January 1996 and became a NAPFA member that year. Since then, I have been active in the organization, and have presented many training seminars. This past year I served as NAPFA's Treasurer, and starting this September I am serving as NAPFA's Chair for the coming year. I am honored to be chosen to fill the chair position.

MUTUAL FUND EXPENSES: Pay Attention

Do you know the expense ratio of your funds, and if so, do you consider it important? Assume you have \$300,000 invested in a portfolio of various mutual funds and the average expense ratio is 1.370%. If you invested this for 15 years at 7%, you would have \$827,710. Reducing the average expense ratio of the portfolio to .685% (1/2 of the original ratio), would give you \$910,855 after 15 years. This is an amazing improvement of \$83,145.

I often use the Vanguard Index 500 fund as an expense ratio example for clients. This fund invests in the S&P 500 and compares it to other funds invested in the S&P 500. The underlying investments of these funds remain the same, yet Vanguard charges an annual fee of .18%, while the Morgan Stanley S&P 500 Index Fund, Class A, charges .70% and charges a commission of 5.25%. Vanguard is a no-load fund with no commission or fee applied. It is no surprise that the Morgan Stanley fund trails the actual S&P 500 index by .69%.

Milne Financial Planning is a fee-only advisor by choice! Milne Financial Planning adheres to NAPFA's Fiduciary Oath and offers investment and financial advice with a difference! Fiduciary Oath: "I shall act in good faith and in my client's best interest at all times. I shall provide written disclosure to my client of any conflicts of interest that may compromise my impartiality or independence. I shall not accept any referral fees or compensation that is contingent upon the purchase or sale of a financial product."

LIFE PLANNING

The recent buzz in the industry is something called Life Planning. Life Planning is nothing more than working with clients to help them achieve their dreams, goals and passions. If you take time to think about retirement, take a look at Mitch Anthony's book, The New Retirement Reality. From the Preface:

When people today talk of retiring, they are rarely speaking of retired living; they are usually speaking of emancipated living. They want to be free to pursue their lives. Hundreds of personal interviews revealed two underlying problems:

1. Many people are indulging in their every material whim with little or no regard for their future, because they see no point in waiting until they are old to enjoy themselves.
2. Many others are burning the proverbial candle at both ends in jobs or environments they hate in order to get enough money to someday cut the cord and do what they want.

Both of these scenarios lead to the fatal flaw in traditional retirement – that work and enjoyment are compartmentalized into separate stages of life.

The New Retirementality recognizes the need for balance and the futility of trying to reserve work for one stage of life and leisure for the next.

George Kinder has also done some great work within Life Planning. In his book, The Seven Stages of Money Maturity, Kinder lays out three questions each client should answer. They are to be answered in order and with openness and feeling.

1. If you had all the money you needed, now and in the future, what would you do with it? From that moment forward, how would you live your life? Would you change anything?
2. You have just come back from the doctor and have discovered that you only have 5 to 10 years to live. You will not be sick, but you will die without warning. What will you do in the time you have remaining to live? Would you change your life? If so, what would you change?
3. This time your doctor shocks you with the news that you have only one day left to live. Notice what feelings arise as you confront your very real mortality. What dreams would be left unfulfilled? What would you wish you had done? What did you miss?

If you take the time to really think about the answers to these questions and how you feel, you then have to ask yourself if you are fulfilling your life's ambitions and passions.

CLIENT PROFILE – “Spending all we have.”

It is easy to lose track of how much good we do in our lives. I enjoy helping people. Though, no matter how passionate I may be about planning, I am not always sure that my message reaches the client. Luckily, in the following case, it did. **The Client** - Joe and Sally had three small children and were concerned about their finances. They had both short-term goals (buy a house, repay credit card debt and save) and long-term goals (college and retirement). **The Situation** – They had been spending more than they were earning (aren't credit cards wonderful!) and were concerned about their future. **Suggestions** – from my report:

- How much you are spending is an issue if you are to achieve your goals.
- Reducing credit card debt is a priority.
- It is of utmost importance that you do not incur any additional debt.

I spoke with this client about a year later and they thanked me for getting them back on track and changing their lives.

CLIENT PROFILE - Divorce

Mary called for an appointment; she was looking for a divorce planner and found my name on the Internet. As a divorce planner I offer many services. One of them that Mary found helpful was to plan her future financially after the divorce. Based on various settlement alternatives, I was able to help Mary decide what option best worked for her. More importantly, Mary was able to focus on her future and together we determined a target spending level. Working with clients like Mary before the divorce is final is a much better situation than working with clients who call for advice after the divorce has been settled. Often, the expectations the client has for the settlement are unrealistic. One of the jobs of a financial planner is to manage expectations.

ADV FORM and PRIVACY STATEMENT

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