

The Monitor

THE VOICE OF
THE INVESTMENT MANAGEMENT CONSULTANTS ASSOCIATION

ISSN 1524-7325

Volume 22 No 4 July / August 2007

RISK MANAGEMENT / COMPLIANCE

- 3 Risk Management Roundtable**
The Monitor asked three experts for their insights on managing risk.
- 8 Taking Stock of Correlation Risk**
An asset allocation policy established with low-correlation expectations now functions in a high-correlation environment. The author discusses why spread and spread volatility more thoroughly illustrate the nature and magnitude of multi-asset risk than correlation alone.
- 15 Overlay Management in the Separate Account World**
Technology is one of the largest influences on the evolution of the separately managed account industry; overlay managers are the next step. This article discusses how advisors can help their clients achieve the right blend of alpha while dealing with the realities of taxes and individual restrictions using an overlay manager.
- 20 Monte Carlo Simulators: Are They Worth the Gamble?**
Monte Carlo simulators forecast portfolio asset values by adding random fluctuations to a steady growth. The author explains three key constraints of Monte Carlo models, why you should be aware of them, and why using better models or actual market history will help forecast portfolio growth.
- 36 The Role and Responsibility of a Chief Compliance Officer**
A firm's compliance program must be integrated into every level and function of the organization. This article discusses the role and responsibility of the chief compliance officer with regard to fostering a culture of compliance.

ALSO INSIDE THIS ISSUE:

- 11** *Monitor* Editorial Calendar and Article Submission Deadlines
- 12** Fund of Hedge Funds Portfolio Optimization Using the Omega Ratio
- 24** IMCA Launches Chartered Private Wealth AdvisorSM Designation
- 25** Evelyn Brust Foundation Educates the Educators
- 26** Risk Management for the Affluent: Property and Casualty Insurance
- 27** IMCA in the News
- 28** Emotions Series: Fear and Risk Tolerance
- 30** Behavioral Finance and Performance Measurement
- 32** Issues to Consider When Outsourcing Compliance
- 33** Compliance Confusion: Understanding the Importance of Due Diligence
- 37** Canadian Connection: Solving Solvency
- 39** IMCA Committees: Mid-Year Accomplishments
- 41** Welcome, New IMCA Members!
- 41** New CIMA[®] License Holders
- 42** IMCA Australia[®] Members
- 43** 2007-2008 Educational Programs Calendar

Editor's Note



MARGARET M. TOWLE, Ph.D.

This issue of the *Monitor* focuses on risk management, and a subset of this topic, compliance. In considering best practices in risk management, you need to consider your capabilities in the following three areas: 1) how well you recognize risks, 2) how well you assess risks, and 3) how well you manage or mitigate risks. Because of the varied kinds of risks that may be brought under the broad umbrella of risk management, I prefer to call an inadequate risk-management program a "spectrum disease," i.e., the symptom and treatment vary depending on where you are along the spectrum.

It is extremely important to prioritize your risks before you start to control or mitigate them. If not, you may end up spending the greatest amount of time on your least important risks; this is not good risk management. To prioritize, you might want to look at those risks that have the greatest probability of occurring and those risks that offer the potential for the greatest loss. I am referring not only to risks such as maximum drawdown. Consider this: Reputation risk offers the potential to completely destroy your business. As an owner, you should consider this as an enormous risk.

It also is important to keep in mind that the objective of a sound risk-management program is not to eliminate all risks but to balance risks with potential reward/loss. For example, many strategies exist to manage and mitigate risk, such as the use of financial instruments to either reduce the risk or transfer it to someone else. To be successful, a risk-management program must be flexible and dynamic, because your internal and external environments are in a state of constant flux. In addition, any effective risk-management program contains a feedback mechanism. As you develop your plan, you will constantly adjust it as you go along.

In this issue, we cover the many facets of risk management, from risk measures for hedge funds to compliance issues, and a special roundtable with top institutional risk managers. Thank you to the following committee members who helped guide this issue of the *Monitor*: Judy Benson, Jim Flinchum, Christopher Holtby, David Krein, Betsy Piper/Bach, Eve Rose, Ben Valore-Caplan, and Jim Weil.

Margaret M. Towle

Margaret M. Towle, Ph.D.
Chair, *Monitor* Editorial Advisory Board

IMCA® BOARD OF DIRECTORS

2007 OFFICERS

PRESIDENT

Jeffrey B. Thomas, J.D., CIMA®, Branch Manager,
Raymond James Financial Services, Dallas, TX

VICE PRESIDENT

Garry Bridgeman, CIMA®, First Vice President—Investments,
Merrill Lynch, Atlanta, GA

SECRETARY

Elizabeth Piper/Bach, CIMA®, CFP®, CFA, President, Cardinal
Wealth Management, McLean, VA

TREASURER

Saverio Paglioni, CIMA®, Owner and Partner, Integer Wealth
Advisors Group, LLC, Kennesaw, GA

PAST PRESIDENT

Norman E. Nabhan, CIMA®, Managing Director and Director,
Institutional and Portfolio Advisory Services, Smith Barney
Consulting Group, Wilmington, DE

DIRECTORS

Edward D. Baker III, London, UK, and San Francisco, CA
Stephen J. DeAngelis, CIMA®, Vice President, Investment
Management Division, Goldman Sachs, Philadelphia, PA

John C. Granzow, CIMA®, Managing Director, Wachovia
Securities LLC, Charlotte, NC

J. Richard Joyner, CPA, CIMA®, CFP®, President, Private
Wealth Management, Tolleson Wealth Management,
Dallas, TX

John A. Nersesian, CIMA®, CIS®, CFP®, Managing Director,
Wealth Management Services, Nuveen Investments,
Chicago, IL

Stuart S. Parker, CIMC®, Executive Vice President,
Jennison Associates, New York, NY

Ronald J. Surz, CIMA®, President, PPCA, Inc.,
San Clemente, CA

Bill C. Taylor, CIMA®, President, Managed Assets, Evergreen
Investments, Boston, MA

MONITOR EDITORIAL ADVISORY BOARD

CHAIR

Margaret M. Towle, Ph.D., Managing Partner, Mcube
Investment Technologies, Plano, TX

EDITORIAL BOARD

Edward D. Baker III, London, UK, and San Francisco, CA

Judy Benson, Managing Member, Benson Associates LLC,
Ormond Beach, FL

John P. Collins, CIMA®, ChFC, Vice President, Van Kampen
Investments, Oakbrook, IL

F. Patrick Cunnane, CIMA®, First Vice President,
Wachovia Securities LLC, Pepper Pike, OH

Jim Flinchum, CIMA®, CFP®, Managing Principal,
Bay Capital Advisors, Virginia Beach, VA

Christopher Holtby, CIMA®, Managing Member, Midland
Asset Mgmt. Ltd., Dallas, TX

Andrew Hyer, CMT, Client Relations, Dorsey, Wright Money
Management, Pasadena, CA

Stephen L. Kessler, CIMA®, Vice President—Investment
Officer, S.R. Schill & Associates, Mercer Island, WA

David Krein, President, DTB Capital, New York, NY

Nick Paterakos, CIMA®, Senior Vice President,
UBS Financial Services, Chicago, IL

Elizabeth Piper/Bach, CIMA®, CFP®, CFA, President, Cardinal
Wealth Management, McLean, VA

Eve B. Rose, CIMA®, ABC, President,
Rose Communications, Staten Island, NY

Brooks C. Sackett, CIMA®, CFP®, President,
Chief Capital Management, Inc., San Jose, CA

Ronald J. Surz, CIMA®, President, PPCA, Inc.,
San Clemente, CA

Benjamin H. Valore-Caplan, CIMA®, PRIME Consultant,
Vice President—Investments, UBS Financial Services,
Denver, CO

Jim Weil, CIMA®, CFP®, ChFC, Financial Planner, Financial
Strategy Network, LLC, Chicago, IL

Scott Welch, CIMA®, Senior Managing Director, Fortigent,
LLC, Rockville, MD

William R. White, CIMA®, CFP®, First Vice President, Merrill
Lynch, Chicago, IL

MONITOR PUBLISHER

Ethythe McClatchy Pahl

MONITOR MANAGING EDITOR

Debbie Nochlin, dnochlin@imca.org, 303.699.7000

MONITOR PRODUCTION

Erin Johnson Design, Design and Production

Mary George, Copy Editor

Henry Wurst, Inc., Printer

MONITOR REPRINTS

publications@imca.org

DISCLAIMER

The *Monitor* is published six times a year for the benefit of members of the Investment Management Consultants Association. Although the commentary provided by the authors who appear in the *Monitor* expresses responsible points of view, it does not necessarily reflect the opinions of the IMCA board of directors, IMCA staff, IMCA members, or the editorial board of this publication.

EVELYN BRIST FINANCIAL RESEARCH AND EDUCATION FOUNDATION

Bonny L. Brill, Executive Director

IMCASM, Investment Management Consultants AssociationSM, and Certified Investment Management AnalystSM are service marks of the Investment Management Consultants Assn. Inc. and denote the highest quality of standards and education for financial professionals.

CIMA® and CIMC® are registered certification marks of the Investment Management Consultants Assn. Inc. CPWASM and Chartered Private Wealth AdvisorSM are pending certification marks of the Investment Management Consultants Assn. Inc.

The Investment Management Consultants Assn. Inc. does not discriminate in educational opportunities or practices on the basis of race, color, religion, gender, national origin, age, disability, or any other characteristic protected by law.

IMCA

5619 DTC Parkway, Suite 500, Greenwood Village, CO
80111 • 303.770.3377 • www.imca.org

MONITOR 2007 DISPLAY ADVERTISING PACKAGES (Four-color, per issue pricing; approximate circulation 6,800)

	1x	2x	3x	6x
Full Page—Package A	\$5,950	\$5,250	\$4,950	\$4,250
Back Cover, one option per issue				
Full page—Package B	\$4,950	\$4,450	\$4,250	\$3,500
Inside front or inside back cover, two options per issue				
Full page—Package C	\$2,850	\$2,550	\$2,350	\$1,950
Inside the magazine, three options per issue				
Marketplace Listings (1/4-page black/white ads)	\$750	\$700	\$650	\$500

IMCA does not endorse any products or services advertised in the *Monitor*. Ads must only be used for the purpose of promoting the advertiser's products or services and are not to be used for recruiting employees, staff, or contractors.

Contact IMCA at 303.770.3377 or publications@imca.org for more information or to place your advertising schedule.

Taking Stock of Correlation Risk

BY DAVID KREIN

Correlation risk is a hot topic. After the equity bubble collapse revealed the severity of this risk within investor portfolios, volumes of research began highlighting a wide array of alternative asset classes, markets, and products. The arguments have been enormously persuasive, and investors since have shifted significant capital away from more-correlated exposures to less-correlated alternatives.

After all, modern portfolio theory no longer may have a sterling reputation, but every financial professional understands its implications: A portfolio of uncorrelated risk assets should have a higher risk-adjusted return than any individual asset within that portfolio.

The effect is so strong that the addition of an asset with uncorrelated risk can improve the risk-adjusted return even if the risk of the additional asset is greater than that of the portfolio itself.

Of course, the fact that an additional asset is risky is a necessary but insufficient criterion. The additional asset also must be *uncorrelated* with the assets already in the portfolio. If the additional asset has a high degree of correlation, then all bets are off.

State of the Market

Unfortunately, several markets and asset classes that historically have had low correlation have become highly correlated in recent months

A strategic asset allocation policy established with low-correlation expectations now functions in a high-correlation environment, and it may offer diminished diversification value relative to the less-correlated historical performance observed over a longer time frame.

and years. Analysts and economists have developed a variety of theories to explain the phenomenon of rising correlation, including the convergence of financial markets, instant communication of ideas, declining asset price volatility, and global liquidity.

Regardless, this evolution has dramatic implications for investors who seek to manage an appropriately diversified portfolio. A strategic asset allocation policy established with low-correlation expectations now functions in a high-correlation environment, and it may offer diminished diversification value relative to the less-correlated historical performance observed over a longer time frame.

Looking Beyond Correlation

Correlation itself, however, is a severely limited metric for diversification and cannot contribute to a meaningful dialogue about financial market relationships. Furthermore, it is a poor foundation for asset allocation decisions, portfolio analysis, risk management, and product development.

It may seem strange to discredit the tool that establishes a common language for this category of risk, but let us examine the following key observations and considerations:

- Correlation is a linear estimation of the relationship between two variables. Nonlinear relationships, outlying observations, and external factors will significantly distort the results.
- Correlation assumes that the variables being considered are both normally distributed and that the combination also is normally distributed. Skew, kurtosis, and higher-order moments cannot be taken into account.
- Correlation assumes that the volatility of each variable does not change. If the volatility increases, the correlation will decrease regardless of the relationship.
- Zero correlation does not imply that two variables are independent. Similarly, knowing that two variables are independent does not mean that their correlation is zero. (They may be influenced by an unobserved third variable.)
- Correlation cannot provide sufficient information, intuitive or



otherwise, on the relative magnitude of risk.

- Most importantly, investors do not directly “experience” correlation.

But If Not Correlation, Then What?

“Spread” and “spread volatility” best describe the risk associated with combining two assets into a single portfolio or adding a new asset class to an existing portfolio. Since they are experienced directly by diversified investors, spread and spread volatility more thoroughly illustrate the nature and magnitude of multi-asset risk than correlation alone.

Let’s define “spread” as a measure of the relative performance of two variables, whether they are asset classes, indexes, sectors, stocks, or specific products.

Let’s define “spread volatility” (also known as “spread dispersion,” or simply “dispersion”) as the variability of the spread. Generally, it will be calculated as the standard deviation of the spread’s distribution over time.

Assembling Spread and Dispersion Data

As an example, consider the relationship between the Standard & Poor’s 500 (SPX) and the Russell 2000 (RTY) indexes from January 1, 1988, through March 31, 2007. Figure 1 shows the two indexes over time.

Figure 2 shows the rolling correlation of three-month returns for SPX and RTY. Each data point shows the correlation of three-month periods of returns for SPX and RTY observed over rolling 24, 36, and 60 month-end to month-end periods. For example, the December 2006 value for the rolling 60-month correlation of three-month returns is 90.5 percent; this is derived from the set of three-month returns observed on the last trading day of December 2006 (calculated as month-end September 2006 to month-end December 2006) and in each of the preceding 59 months (August–November 2006, July–October 2006, etc.).

FIGURE 1 Index Level



FIGURE 2 Rolling Correlation of 3-Month Returns (SPX & RTY)

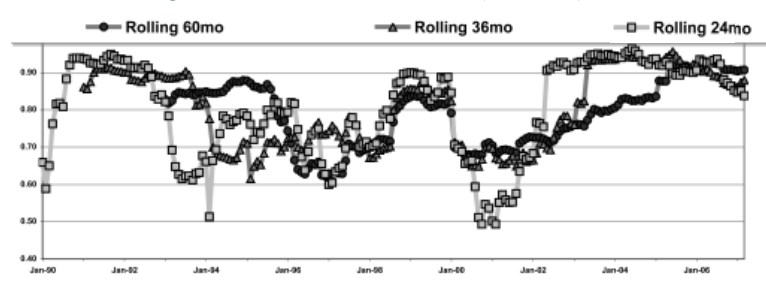


FIGURE 3 Rolling 91-Day Performance

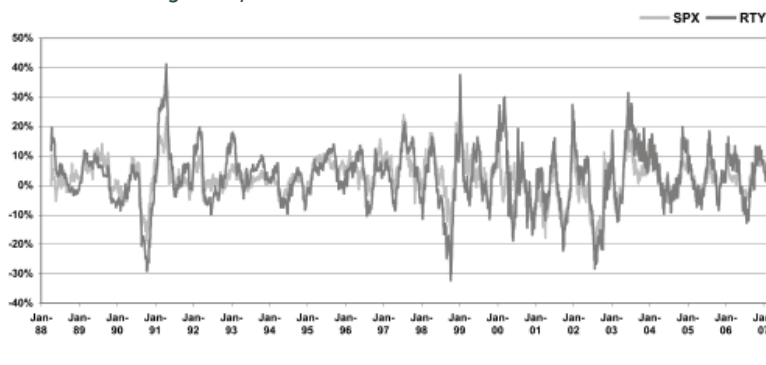
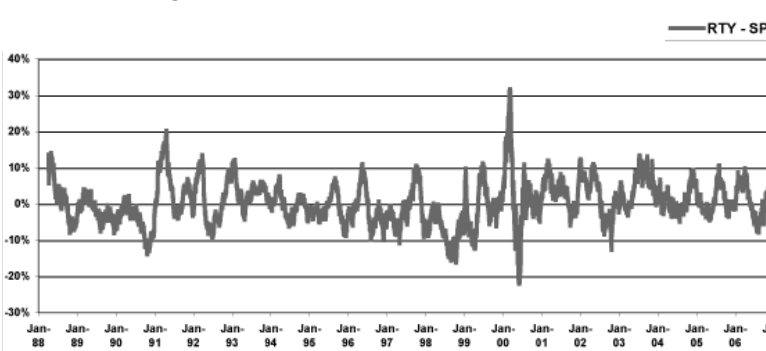


FIGURE 4 Rolling 91-Day Performance Spread



>> “CORRELATION RISK” CONTINUED

Figure 2 allows us to discuss whether the correlation of three-month returns is high or low and whether it is rising or falling. But it provides little if any actionable information for a diversified investor. For example, it doesn't show which index had the better performance, the magnitude of that relative performance, the risk of each underlying, or the frequency of outliers. In short, correlation does not give us much insight into the relationship between these two indexes.

Analyzing spread and dispersion data, however, allows a more thorough analysis.

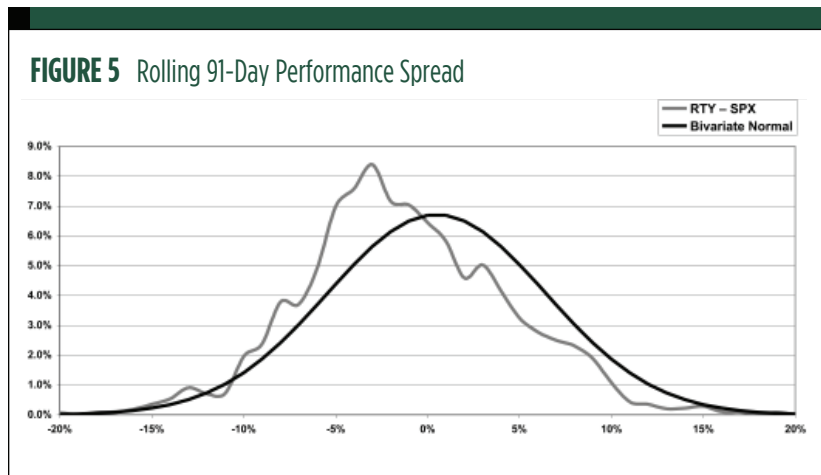
Figure 3 shows rolling performance data for the two indexes. We've used a daily (rather than monthly) rolling calculation, and a 91-day metric better standardizes the subsequent analysis.

We immediately notice that SPX and RTY track each other fairly well in figure 3. By itself, this would suggest a significant degree of correlation, although the correlation strength and variability would not be obvious without further analysis.

Figure 4 shows the spread between the two sets of rolling returns, i.e., the rolling 91-day performance of RTY minus the corresponding rolling 91-day performance of SPX.

Figure 4 provides evidence that the relationship between SPX and RTY is not constant. The spread varies over time in both magnitude and velocity and contains numerous underlying observations. However, each of these aspects tends to be more muted than for either of the individual underlying indexes—just as modern portfolio theory would have it.

Furthermore, we observe an aspect of the relationship that cannot be extracted from the correlation analysis alone: This spread tends to mean-revert to zero. Of course, this likely will hold true for any pair of equity indexes that have similar long-term expected returns. In the case of SPX and RTY, mean reversion may play out over a period of years, but it



certainly will get there. (If it were not the case, one of the two indexes eventually would dominate 100 percent of the equity marketplace.)

Figure 5 shows the distribution of rolling 91-day spread observations over the full period.

Figure 5 also shows the normal distribution that most closely approximates this realized dataset. Its standard deviation is approximately 6 percent—this is the metric that best captures the degree of diversification risk for the pair of underlying indexes over this time frame. Is this value high? Is this value low? Does the distribution show evidence of skew, kurtosis, or other dimensions of risk? A more thorough analysis is beyond the immediate scope of this article, but it would begin to provide the fuller picture of how the relationship between these two indexes impacts the portfolio's diversification.

Product Construction

Remember that all of the data thus far are backward-looking. Relying solely on this data for investment guidance implies that certain historical relationships will persist. It would be challenging to support or justify such simplicity in a complex and rapidly evolving marketplace.

Investors certainly would benefit from having access to the informational building blocks of dispersion—forward-looking financial products that allow for market-based discovery of dispersion. Yet no dispersion in-

dexes, no benchmarks, no exchanges for observing dispersion expectations, and few securities exist for the pricing of dispersion risk. Innovation has been underwhelming at best as this substantial yet obvious piece remains missing from the marketplace.

In the over-the-counter marketplace, however, institutions are witnessing the creation of a dispersion options market.

Dispersion Options

Generally speaking, the price of a dispersion option—an option with a payoff tied to the spread between two underlying instruments—is driven by dispersion expectations. If the dispersion is expected to be wide (i.e., the spread has high variability), the option premium would be large. If the dispersion is expected to be narrow (i.e., the spread has low variability), the option premium would be small.

For example, consider a hypothetical diversified investor with a two-asset portfolio consisting of SPX and RTY. This investor's performance will be the average performance of the two indexes (the baseline performance), which is consistent with the objective of maximizing risk-adjusted returns via diversification.

If the investor believed, however, that RTY likely would outperform SPX this year, the investor could elect to overweight their capital allocation to RTY at the expense

of SPX. In effect, the investor has a view on dispersion and will adjust the portfolio weights accordingly.

But the investor also could instead take a similar position utilizing dispersion options. Specifically, the investor could combine a 100-percent allocation to SPX with a call option on the spread between RTY and SPX.

The net performance of SPX and this dispersion option is economically equivalent to receiving the performance of the better-performing index, whether SPX or RTY, less the dispersion option premium.

If SPX outperforms RTY, then the investor holds 100 percent of SPX (the better performing index) and a worthless dispersion option. If RTY outperforms SPX, then the investor holds 100 percent SPX (the lesser performing index) plus a dispersion option that pays RTY's performance over SPX; the net performance is equal to 100 percent of RTY. In either case, the investor's performance will be the better performing index (less the dispersion option premium).

For target investments that have low spread-variability expectations, dispersion options are a relatively cost-effective approach to diversification, offer protection against cross-market dislocations, and deliver an attractive risk-reward alternative to traditional direct investments.

Further, if the realized dispersion is greater than the dispersion expectation embedded in the option price, then this portfolio's return will be greater than that of the baseline portfolio. If the realized dispersion is less than the dispersion expectation embedded in the option price, then this portfolio's

return will be less than that of the baseline portfolio.

Such a substitution strategy has obvious diversification, risk management, and performance implications. For target investments that have low spread-variability expectations, dispersion options are a relatively cost-effective approach to diversification, offer protection against cross-market dislocation and tail risk, and deliver an attractive risk-reward alternative to traditional direct investments. The capabilities to develop effective solutions tailored to the needs of a specific investor will only continue to grow over time. **M**

David Krein is founder and president of DTB Capital, which offers specialized advisory and strategic services in structured products, derivatives markets, risk management, and alternative indexing. He earned an M.B.A. with honors from The University of Chicago Graduate School of Business and a B.S. with distinction in mechanical engineering from Cornell University. Contact him at david@dtbcapital.com.

Monitor Editorial Calendar and Article Submission Deadlines

Editorial Calendar

ISSUE	EDITORIAL TOPIC	SUBMISSION DEADLINE
2007		
November/December	Wealth Management/Retirement Planning	September 15, 2007
2008		
January/February	Institutional Consulting	September 28, 2007
March/April	Industry Trends	January 11, 2008
May/June	Global Issues	March 14, 2008
July/August	Alternative Vehicles	May 1, 2008
September/October	Practice Management/Marketing Services	July 15, 2008
November/December	Wealth Management/Retirement Planning	September 15, 2008

The *Monitor* welcomes submissions from IMCA members for publishing consideration. For more information about contributing an article, please contact *Monitor* Managing Editor Debbie Nochlin at dnochlin@imca.org or 303.699.7000.

Continuing Education Credit Policy Regarding Original Articles Published in the *Monitor* and the *Monitor Canadian Supplement*

IMCA licensees whose original articles or book reviews are published in the *Monitor* or *Monitor Canadian Supplement* will receive continuing education credit according to the following policy:

- 5 CE credits will be awarded to each author or coauthor for a published article.
- 1 CE credit will be awarded to the author of each published book review.

To show authors our appreciation, IMCA will handle all author-related CE matters and notify authors of the CE credit hours that they have earned under this policy. **M**

The IMCA Monitor is just one of the many benefits of IMCA membership.

To learn about how you can become an IMCA member, visit www.imca.org and click on Membership.

IMCA Launches Chartered Private Wealth AdvisorSM Designation



IMCA is offering a new designation, the Chartered Private Wealth Advisor or CPWASM designation. Candidates who attain the designation will have gained advanced expertise in the life cycle of wealth: accumulation, preservation and protection, and distribution.

In keeping with IMCA's history of working with established business schools, the Chartered Private Wealth Advisor designation will be offered in partnership with The University of Chicago Graduate School of Business.

The program will begin with five and a half months of self-study followed by one week of an intensive classroom lecture/workshop format. Initially, IMCA will conduct two programs per year, the first commences in September 2007 with classes held March 3-7, 2008; the next program will begin in January 2008 with classroom education in September. All classes will be held at The University of Chicago Graduate School of Business. Enrollment for each program will be limited to the first 55 applicants.

"This is an advanced application-based curriculum designed for

immediate integration into one's practice of serving high-net-worth clients," said Richard Joyner, chair of IMCA's wealth management committee and president of private wealth management for Tolleson Wealth Management in Dallas, TX. Mr. Joyner added, "Faculty will include both university graduate school professors and experienced practitioners, which is key to success for the student."

According to the *World Wealth Report 2006*, compiled by Capgemini and Merrill Lynch,¹ the U.S. popula-
CONTINUED ON P.25 >>

Evelyn Brust Foundation Educates the Educators



West Virginia's State Auditor's Office and Department of Education invited the Evelyn Brust Financial Research and Education Foundation back for a third year to provide a half-day investment education seminar at the state's annual Finance University. Finance University is a financial literacy conference for business and economics teachers from across the state. This year's event was co-sponsored by the Federal Reserve Bank of Richmond. By educating the educator, Finance University and the Evelyn Brust Foundation are improving teachers' personal finance skills and providing important investment fundamentals that will carry over into classrooms.

T.J. Atkinson, CIMA®, Merrill Lynch, Frederick, MD, presented "The Six Strategic Steps: Your Roadmap for Investing Wisely for a Lifetime®" at the event held at the James Rumsey Technical Institute in Martinsburg, WV. Don Blandin, president and chief executive officer



T.J. ATKINSON

of the Investor Protection Trust, and representatives from the Washington, DC, Department of Insurance, Securities and Banking also were in attendance. The lecture content and delivery were reported as "exceptional." Other states are considering sponsoring similar programs.

Mr. Atkinson's program was followed by financial wellness workshops. The workshops were facilitated by Evelyn Brust Foundation volunteers and helped reinforce concepts shared during the lecture. Volunteers representing the local financial community led the workshops, including the following:

- David Shives, David Shives Financial
- John Everson, Ameriprise Financial Services
- Ed Slonacker, Morgan Financial Group

Thank you for your time and sharing your expertise. **M**

Florida Statewide Investment Education Initiative

Florida securities regulators and libraries have teamed up with the Evelyn Brust Foundation to offer retirement planning programs throughout Florida this fall. Programs are scheduled to be held in the following cities:

- Fort Lauderdale
- Fort Myers
- Jacksonville
- Miami
- Orlando
- Pensacola
- Tallahassee
- Tampa
- West Palm Beach

Contact volunteers@evelynbrustfoundation.org or phone 303.290.9012 today to apply for Instructor and Workshop Leader positions. IMCA continuing education (CE) credits are available.

www.evelynbrustfoundation.org

>> "IMCA LAUNCHES DESIGNATION" CONTINUED
tion of individuals with at least \$1 million in investable assets—excluding their primary residences—rose 9.4 percent in 2006. "Wealth management as a field has grown exponentially and no designation has yet emerged that appropriately addresses serving the sophisticated needs of high-net-worth clients," said Edythe Pahl, executive director of IMCA.

Topics covered in the course include asset protection, executive compensation plans, charitable planning, and advanced estate and gift planning. "This is not another program in financial planning," Ms. Pahl said. "We have identified a need for advanced financial education designed for experienced financial ad-

visors and consultants who work with high-net-worth clients. Other designations present entry-level curriculum compared with this program."

Candidates will receive the Chartered Private Wealth Advisor designation after successfully completing the "four E's:" experience, education, examination, and ethics. The experience requirement includes a comprehensive background check and five years of client-centered experience in financial services or a related discipline. The education requirement includes a six-month self-study period and one week of classroom instruction at The University of Chicago Graduate School of Business, plus 40 hours of continuing education every two years.

Candidates also must successfully pass a three-hour comprehensive examination and adhere to the IMCA *Code of Professional Responsibility and Standards of Practice*. These standards provide practical guidance to financial services professionals in the course of conducting their practices and providing services to clients.

For more information about the Chartered Private Wealth Advisor designation, visit: <http://www.imca.org/education/wealthmanagement>. **M**

Endnote

1. Capgemini and Merrill Lynch, *World Wealth Report 2006*, available for registered users at <http://www.us.capgemini.com/DownloadLibrary/requestfile.asp?ID=508>.

The IMCA Monitor is just one of the many benefits of IMCA membership.

To learn about how you can become an IMCA member, visit www.imca.org and click on Membership.

IMCA IN THE NEWS

MEDIA COVERAGE

May 7, 2007, *InvestmentNews* (New York, NY)—“Levitt urges one fiduciary rule for all players” and “Wealth experts give tips on client meetings” highlight speakers at the IMCA® 2007 Spring Professional Development Conference in Phoenix, AZ.

IMCA PRNEWSWIRE PRESS RELEASES

June 19, 2007—“The Investment Management Consultants Association, Inc. announces the selection of Sean

Walters, CAE, as its new Deputy Executive Director.”

May 23, 2007—“Investment Management Consultants Association Awards 5,000th CIMA®—Certified Investment Management Analyst Designation.”

CIMA Designees and IMCA Members in the News

May 2007, *Registered Rep.*—“2007 Registered Rep. Outstanding Advisor Awards,” recognized John Christopher Cooke, J.D., CPA, CIMA®,

Wachovia Securities, private client group; Grant Lee, CIMA®, Smith Barney; and Mark J. Smith, CIMA®, CPA, CFP®, Raymond James Financial Services.

May 1, 2007, *Life & Health Advisor* (Waldpole, MA)—“U.S. Wealth Management LLC names Paragon Speakers Bureau” announced that Michael J. Egan, CIMA®, senior vice president, corporate services, Moor & Cabot, is joining the speakers bureau.

CONTINUED ON P.31 >>

The IMCA Monitor is just one of the many benefits of IMCA membership.

To learn about how you can become an IMCA member, visit www.imca.org and click on Membership.

Do You Know What the IMCA Legislative Network Has For You?

• STATE AND NATIONAL BILLS

Lists and summaries of state and national bills
Complimentary copies of bills online

• ENACTED LEGISLATION

Text and updates of the following available online:

- Uniform Management of Institutional Funds Act
- Uniform Management of Public Employee Retirement Systems Act
- Uniform Principal and Income Act
- Uniform Prudent Investor Act
- Uniform Prudent Management of Institutional Funds Act
- Uniform Securities Act
- Uniform Trust Code

• SECURITIES AND EXCHANGE COMMISSION

Direct link to proposals and rules, Commission comments, and actions

• DEPARTMENT OF LABOR

Direct link to news releases, ERISA activities, and opinion letters

• INTERNAL REVENUE SERVICE

Direct link to tax information and tax law changes

For state and national information, visit the IMCA Legislative Network at www.imca.org today!

A free service for IMCA members

The IMCA Monitor is just one of the many benefits of IMCA membership.

To learn about how you can become an IMCA member, visit www.imca.org and click on Membership.

>> "IMCA IN THE NEWS" CONTINUED

May 4, 2007, Advocate (Stamford, CT), Greenwich Time (Greenwich, CT), Weston Forum (Weston, CT), Wilton Bulletin (Ridgefield, CT)—"People & Places," David Rosenberg of Weston has earned the CIMA designation.

May 13, 2007, Grand Rapids Press (Grand Rapids, MI)—"Names and notes in business," Mark Sherwood, Sherwood & Coupe Wealth Management, UBS Financial Services Inc., has earned the CIMA designation.

May 14, 2007, The News Star (Monroe, LA)—"Professional Development," Lewis M. Young, managing director of Young Asset Management, has earned the CIMA designation.

May 18, 2007, Dayton Business Journal (Dayton, OH)—"People on the Move," Richard "Rip" Hale, CIMC®, CFP®, Smith Barney in Dayton, has earned the Endowments and Foundations Certificate from the Investment Management Consultants Association at The Wharton School, University of Pennsylvania

May 20, 2007, Indianapolis Business Journal (Indianapolis, IN)—"Award-winning financial planner not ready for retirement," highlights Brian Cooke, CIMA®, and Chris Cooke, CIMA®.

June 11, 2007, Lansing State Journal (Lansing, MI)—"Business People," Mark Vostrizansky, vice president and investment portfolio manager in East Lansing with Citizens Bank Wealth Management NA, has received the CIMA designation.

June 13, 2007, Daily Times Chronicle (Woburn, MA)—"Winchester's Robert Ryan joins Board of Directors," Robert Ryan recently received the CIMA designation.

June 18, 2007, The Plain Dealer (Cleveland, OH)—"Ask the Expert," Scott P. Snow, CIMA®, answers the question: What is a good investment strategy for money that has to be withdrawn from an IRA due to reaching age 70½?

June 20, 2007, Forbes—"Forward Management Names Two New Members

to Board of Directors," Jeffrey P. Cusack, CIMA®, is managing director for REX & Co., a real estate investment company in San Francisco, CA.

June 22, 2007, National Underwriter (Life & Health) (Hoboken, NJ)—"Personnel Changes: Florida, Lincoln, Others," ULLICO Inc. has hired Richard Larimer, CIMA®, as vice president, sales and marketing for retirement services.

June 25, 2007, Bankrate.com (<http://www.bankrate.com>)—"Older investors need to earn more on investments," highlights Eric Soiland, CIMA®, Citi Smith Barney, in Walnut Creek, CA.

June 28, 2007, Washington Business Journal (Arlington, VA)—"Winning Wealth," by Dawn Bennett, CIMA®.

June 28, 2007, The Denver Post (Denver, CO)—"People on the Move," Scott Middleton, CIMA®, has joined Innovest Portfolio Solutions LLC.

June 28, 2007, Duluth News-Tribune (Duluth, MN)—"Biz Buzz," Bradley Jenson has earned the CIMA designation. **M**



2007–2008 Educational Programs Calendar

2007

- September 8–11 FPA—Seattle 2007 Washington State Convention Center
Seattle, WA‡
- September 10–11 Wealth Management Certificate Program—Part II, Denver, CO
- September 16–21 CIMA® Level II Class*
- September 30–October 5 CIMA® Level II Class*
- October 1–3 2007 Fall Professional Development Conference
Hilton Chicago, Chicago, IL
- October 8–12 Investment Strategist Certificate Program*
- October 15–20 CIMA® Level II Class***
- October 18 “Hot Topic” Audio Conference
- November 5–6 2007 Advanced Wealth Management Conference,
The Ballantyne Resort, Charlotte, NC
- November 11–16 CIMA® Level II Class*
- November 15 “Hot Topic” Audio Conference
- December 2–7 CIMA® Level II Class*
- December 2–4 2007 Practice Management Conference, The Canyons Grand Summit Hotel, Park City, UT

BACKING THE INDEPENDENT™

charles SCHWAB
INSTITUTIONAL

Charles Schwab Institutional
Exclusive Platinum Sponsor of IMCA's 2007 Conferences

2008

- February 4–5 2008 New York Consultants Conference
New York Marriott Marquis,
New York, NY
- February 25–26 2008 Specialty Conference, The Ritz Carlton, Lake Las Vegas, NV
- March 3–7 CPWASM Class
The University of Chicago Graduate School of Business, Chicago, IL
- May 18–20 2008 Spring Professional Development Conference
New Orleans, LA
- September 25–27 2008 Fall Professional Development Conference
Denver, CO

* The Wharton School, University of Pennsylvania.

** Lakeside Conference Center, Plainsboro, NJ

*** Haas School of Business at the University of California, Berkeley

‡ FPA Conferences are listed as a partnership service.

These conferences may be eligible for non-IMCA CE.

Please consult the IMCA Recertification Department for further details.

FORWARD MANAGEMENT

Forward Management
Silver Sponsor of the Cyber Café at IMCA's 2007 Conferences

The IMCA Monitor is just one of the many benefits of IMCA membership.

To learn about how you can become an IMCA member, visit www.imca.org and click on Membership.