

## **PRACTICE MANAGEMENT: Cutting Costs - Just Not The Pool Guy**

By **Kristen McNamara**

A DOW JONES NEWSWIRES COLUMN

776 words

26 June 2009

08:47

[Dow Jones News Service](#)

DJ

English

(c) 2009 Dow Jones & Company, Inc.

NEW YORK (Dow Jones)--For Jeffrey Fishman's clients, cost-cutting stops at the pool house door.

Like financial advisers across the U.S., Fishman, of investment advisory firm JSF Financial in Los Angeles, is spending more time on budgets and cash flow with clients who are bringing home less money in these challenging times.

Many of Fishman's clients work in the entertainment industry. A writer or executive producer whose income falls to \$300,000 from \$500,000 because networks are ordering fewer sitcom episodes might not be the neediest of cases. But if her fixed expenses are \$400,000, she's in trouble.

"It's like wage deflation," Fishman says. "People are making less money doing the same jobs they've always done."

Vacations, restaurants and country clubs are getting the ax. The gardener and pool guy often stay, however. Fishman knows clients won't do this work themselves and the monthly fee of, say, \$100 for pool maintenance doesn't have much effect on the bottom line.

Private school, which can cost from \$10,000 to \$25,000 a year, is another matter. If clients believe their income shortfall is temporary and if they can dip into - but not wipe out - their cash reserves, keeping a child in private school for the remainder of the school year can make sense. Switching schools is a huge change for children, and Fisher doesn't want clients to make big decisions in a panic.

But if clients don't have adequate savings, their cash flow situation isn't likely to improve and a new school year is approaching, a change may be necessary.

Fishman's firm earlier this year began actively focusing on investors in transition, such as the recently unemployed, widowed or retired. He says client demand has been strong.

Furloughs, bonus cuts and reduced benefits are hitting employees of all

stripes. With the unemployment rate topping 9%, many workers are grateful to have a job and are looking for guidance on making do with less.

For financial advisers who analyze such clients' expenses, emergency reserves are a top priority.

Everyone should have access to funds - preferably cash - to cover at least six months of living expenses, says Francine Duke, a certified financial planner with Aqua Financial Planning in Vernon Hills, Ill. If a family has just one source of income, she recommends nine months of coverage.

If a salary cut could foreshadow a job loss, Duke says workers should take precautions while they're still employed. She suggests calling a credit card company to request a lower interest rate, even if the client isn't carrying a balance, to ease the pain of having to rely on credit in an emergency. Refinancing a home or obtaining a home equity line of credit, meanwhile, may only be available to the employed.

The hospital that employs one of William Muller's clients recently slashed raises and reduced its medical benefits contributions.

Muller, a certified financial planner with Common Cents Planning Inc. in Glen Mills, Pa., rebalanced the client's portfolio recently and increased her cash reserves to give her peace of mind about meeting short-term expenses. The client intends to use some of that money for necessary home repairs she can't put off any longer, including a new roof.

Marc Schindler, a certified financial planner with Pivot Point Advisors in Bellaire, Texas, scours the itemized expense list he requires of his financial planning clients.

He focuses first on large items - encouraging clients to drive their cars for a few more years instead of buying new ones, for example. Then he digs deeper - have they talked to their insurance agent about bundling their auto, homeowners and liability policies for a lower combined rate?

Advisers say most clients are open to their suggestions.

"I think people are willing to make sacrifices if they know it will keep them from getting into serious trouble later," says Duke.

(**Kristen McNamara** writes Practice Management, a column that looks at ways financial advisers can build and improve their business. She can be reached at 212-416-2238 or by email at [kristen.mcnamara@dowjones.com](mailto:kristen.mcnamara@dowjones.com).)