

ACADEMY OF FINANCIAL SERVICES

OFFICERS

President

Lance Palmer
University of Georgia

President-Elect

William Chittenden
Texas State University

Executive Vice President-Program

Thomas Coe
Quinnipiac University

Vice President-Communications

Christine McClatchey
University of Northern Colorado

Vice President-Finance

Diane Docking
Northern Illinois University

Thomas Langdon
Roger Williams University

Vice President-International Relations

Claire Matthews
Massey University

Vice President-Professional Organizations

Tom Warschauer
San Diego State University

Vice President-Mktg & Public Relations

A. William Gustafson
Texas Tech University

Vice President-Membership

Larry Prather
Southeastern Oklahoma State University

VP Local Arrangements 2014

Duncan Williams
William Patterson University

VP Local Arrangements 2015

Benjamin Cummings
Saint Joseph's University

Immediate Past President

Frank Laatsch
Univ. of Southern Mississippi

EDITOR, FINANCIAL SERVICES REVIEW

Stuart Michelson
Stetson University

DIRECTORS

Robert Moreschi
Virginia Military Institute

Dale Domian
York University

Charles Chaffin
CFP Board of Standards

Rich Fortin
New Mexico State University

Grady Perdue
University of Houston Clear Lake

Jacob Sybrowsky
Utah Valley University

PAST PRESIDENTS

Frank Laatsch, 2012-13
Univ. of Southern Mississippi

Brian Boscaljon, 2011-12
Penn State University-Erie

Halil Kiyamaz, 2010-11
Rollins College of Business

David Lange, 2009-10
Auburn University, Montgomery

Vickie Hampton, 2008-09
Texas Tech University

Frank Laatsch 2007-08
University of Southern Mississippi

Daniel Walz, 2006-07
Trinity University

Anne Gleason, 2005-06
College of Charleston

Stuart Michelson, 2004-05
Stetson University

Grady Perdue, 2003-04
University of Houston-Clear Lake

Vickie Bajtelsmit, 2002-03
Colorado State University

Karen Eilers Lahey, 2001-02
University of Akron

Tom Eysell, 2000-01
University of Missouri-St. Louis

Jill Lynn Vihtelic, 1999-00
Saint Mary's College

Terry Zivney, 1998-99
Ball State University

Don Holdren, 1997-98
Marshall University

Robert McLeod, 1996-97
University of Alabama

Walt Woerheide, 1995-96
The American College

Dixie Mills, 1994 -95
Illinois State University

Ted Veit, 1993-94
Rollins College

Mona Gardner, 1992-93
Illinois Wesleyan University

Jean L. Heck, 1991-92
Villanova University

Frank K. Reilly, 1990-91
University of Notre Dame

Lawrence J. Gitman, 1989-90
San Diego State University

Travis S. Pritchett, 1988-89
University of South Carolina

Tom Potts, 1987-88
Baylor University

Robert F. Bohn, 1986-87
Golden Gate University

Tom Warschauer, 1985-86
San Diego State University

published in collaboration with the
Financial Planning Association

Financial Services Review is the journal of the Academy of Financial Services, published in collaboration with the Financial Planning Association. Membership dues of \$75 to the Academy include a one-year subscription to the journal. Financial Planning Association members receive digital access to the current volume/issue of the journal.

Membership forms can be downloaded from the journal website at <http://www.academyfinancial.org>. Or for membership, subscription, and address change notification, please contact Stuart Michelson, School of Business, Stetson University, 421 N. Woodland Blvd., Unit 8398, DeLand, FL 32723. Email: smichels@stetson.edu.

Editorial: Authors should submit their papers electronically (Word format, no PDFs please) as an e-mail attachment to the Editor at smichels@stetson.edu. AFS Member submission fees are \$50. The AFS non-member submission fee is \$125, which includes a one year membership to AFS. Concurrent with the submission, please pay online or mail a check (for US funds) payable to AFS to Stuart Michelson at the address above. Should a manuscript revision be invited, no additional fees will be required. Style information for manuscripts is on the inside back cover of this journal.

Copyright © 2014 Academy of Financial Services. All rights of reproduction in any form reserved.

Financial Services Review

The Journal of Individual Financial Management

Vol. 23, No. 3, 2014

EDITOR

Stuart Michelson, Stetson University

ASSOCIATE EDITORS

Benefits and Retirement Planning

Vickie Bajtelsmit

Colorado State University

Stephen M. Horan

CFA Institute

Walter Woerheide

The American College

Estate Planning

Ning Tang

San Diego State University

Investments

Robert Brooks

University of Alabama

Dale Domian

York University

Jim Gilkeson

University of Central Florida

Jason Greene

Georgia State University

William Jennings

United States Air Force Academy

Larry Prather

*Southeastern Oklahoma State
University*

Insurance

Larry Cox

University of Mississippi

David Lange

Auburn University

Financial Institutions

Stanley D. Smith

University of Central Florida

Investor Psychology and Counseling

John Nofsinger

Washington State University

Meir Statman

Santa Clara University

Real Estate

International

Bill Blair

MacQuarie University

S. J. Chang

Illinois State University

Lawrence Rose

Massey University

Sharon Taylor

University of Western Sydney

Education

Jean Louis Heck

Saint Joseph's University

Financial Planning Profession

Tom Warschauer

San Diego State University

Co-Published by the Academy of Financial Services and the Financial Planning Association

The editor of *Financial Services Review* wishes to thank the Stetson University, School of Business, for its continuing financial and intellectual support of the journal.

Aims and Scope: *Financial Services Review* is the official publication of the Academy of Financial Services. The purpose of this refereed academic journal is to encourage rigorous empirical research that examines **individual behavior** in terms of financial planning and services. In contrast to the many corporate or institutional journals that are available in finance, the focus of this journal is on individual financial issues. The Journal provides a forum for those who are interested in the individual perspective on issues in the areas of Financial Services, Employee Benefits, Estate and Tax Planning, Financial Counseling, Financial Planning, Insurance, Investments, Mutual Funds, Pension and Retirement Planning, and Real Estate.

Publication information. *Financial Services Review* is co-published quarterly by the Academy of Financial Services, and the Financial Planning Association. Institutional subscription price for the year 2014 is \$100. Personal subscription price for the year 2014 is \$75 and is available by joining the Academy of Financial Services. Further information on this journal and the Academy of Financial Services is available from the website, <http://www.academyfinancial.org>. Postmaster and subscribers should send change of address notices to Stuart Michelson, Academy of Financial Services, Stetson University, School of Business, 421 N. Woodland Blvd., Unit 8398, DeLand, FL 32723.

Editorial Office: Stuart Michelson, School of Business, Stetson University, 421 N. Woodland Blvd., Unit 8398, DeLand, FL 32723. Phone: (386) 822-7376. Email address: smichels@stetson.edu. Web address: www.academyfinancial.org.

Advertising information. Those interested in advertising in the journal should contact Stuart Michelson, School of Business, Stetson University, 421 N. Woodland Blvd., Unit 8398, DeLand, FL 32723. Email address: smichels@stetson.edu, (386) 822-7376.

Printed in the USA

© 2014 Academy of Financial Services. All rights reserved.

This journal and the individual contributions contained in it are protected under copyright by the Academy of Financial Services, and the following terms and conditions apply to their use:

Photocopying

Single photocopies of single articles may be made for personal use as allowed by national copyright laws. In addition, the Academy of Financial Services hereby permits educators and educational institutions the right to make photocopies for non-profit educational classroom use. Permission of the Academy is required for all other photocopying, including multiple or systematic copying, copying for advertising or promotional purposes, resale, and all forms of document delivery. Permissions may be sought directly from the Editor, Stuart Michelson. Contact information: Stuart Michelson, School of Business, Stetson University, 421 N. Woodland Blvd., Unit 8398, DeLand, FL 32723. Phone: (386) 822-7376. Email: *smichels@stetson.edu*.

Derivative Works

Subscribers may reproduce tables of contents or prepare lists of articles including abstracts for internal circulation within their institutions. Permission of the Academy is required for resale or distribution outside the institution.

Permission of the Academy is required for all other derivative works, including compilations and translations.

Electronic Storage or Usage

Permission of the Academy is required to store or use electronically any material contained in this journal, including any article or part of an article.

Except as outlined above, no part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without prior written permission of the Academy.

Address permissions requests to the Editor at the address noted above.

Notice

No responsibility is assumed by the Academy for any injury and/or damage to persons or property as a matter of products liability, negligence, or otherwise, or from any use or operation of any methods, products, instructions, or ideas contained in the material herein. The Editors, the Academy, and our sponsors assume no responsibility for the views expressed by our authors.

From the Editor

This issue contains **Issue 3 of Volume 23** of *Financial Services Review (FSR)*. I would like to thank the board and members of the Academy of Financial Services for their continued support. I continue to work in broadening the scope of articles, while still focusing on individual financial management and personal financial planning. I encourage authors to reach out when discussing implications of their findings in a more comprehensive way. As such, all articles in the Journal more appropriately relate to financial planning issues.

The lead article “WHAT DETERMINES RISK TOLERANCE?” is coauthored by Michael Guillemette at the University of Missouri and David Nanigian at The American College. In this article, the authors investigate what drives risk tolerance as it directly influences the portfolio allocation preference of clients. Analyzing average monthly scores from a widely used risk tolerance questionnaire, they find that habit formation, loss aversion, and sentiment proxies account for -1.06%, 38.51% and 13.21% of the variation in average monthly risk tolerance, respectively. They also find that habit formation did not account for additional variation in average monthly risk tolerance when controlling for loss aversion and sentiment.

The second article “Structured Certificates of Deposit: Introduction and Valuation,” is coauthored by Geng Deng, Tim Dulaney, Tim Husson, and Craig McCann, all with the Securities Litigation and Consulting Group. In this paper, the authors examine the properties and valuation of market-linked certificates of deposit (structured CDs). They review the market for structured CDs and provide valuations for several common product types. They find significant mispricing of several common types of structured CDs across multiple issuers, which is similar in magnitude to the well-documented mispricing in the structured products market. In particular, they estimate that structured CDs are typically worth approximately 93% of the value of a contemporaneously issued fixed-rate CD. These results suggest that un-sophisticated investors may not understand the value, risks, and subtleties of these seemingly conservative investments.

The third article, “Using the New Portability Election of Deceased Spouses: A pedagogical example” is coauthored by De’Arno De’Armond, Darlene Pulliam, and Robin Patterson, all at West Texas A&M University. The authors investigate the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The Act contains a provision which will allow the unused portion of a decedent’s exclusion (taxable estate protected by the unified credit) to be used upon the subsequent death of the surviving spouse. The portability election is simple for situations where it appears the surviving spouse will not

remarry, however, it becomes much more complicated if the surviving spouse should remarry. The authors provide an interesting explanation, along with examples and an Excel application model developed for use in the academic environment. .

The fourth article, “Does active management work? Evidence from equity sector funds” by Crystal Y. Lin at Eastern Illinois University, In this research, the author presents evidence that equity sector mutual funds, the nine Fidelity Select Portfolios, have provided better after-expense returns against broader market ETF, SPY, and their peer sector ETFs, the nine Select Sector SPDR Funds, over the sample period 1999 -2010. Not only do they achieve higher nominal returns over the twelve years, some of the funds also generate higher risk-adjusted returns measured by Sharpe Ratio and alpha from various asset pricing models. None of the sector mutual funds generates a significant negative alpha for the sample period for all asset pricing models.

The final article, “Investor Profiles: Meaningful Differences in Women’s Use of Investment Advice,” by Kathryn Simms at Old Dominion University. U.S. women face numerous financial challenges, they typically earn less than men do; they have greater probabilities of living in poverty; and they need substantial retirement funds, given their average longevity. The author investigates how women use investment advice to remedy these challenges. This article fills the gap in the literature by evaluating two profiles of female investors through cluster analysis and logistic regression conducted on a large, nationally representative database. She finds that predictors of female investors seeking investment advice vary considerably across profiles.

I would like to send a special thank you to the many reviewers that have significantly contributed to the quality of our journal by providing timely and thorough reviews of the submissions to our journal. Thanks to those who make the journal possible, especially the referees and contributing authors.

Please consider submission to the *Financial Services Review* and rely on the style information provided to ease readability and streamline the review process. The Journal welcomes articles over the range of areas that comprise personal financial planning. While FSR articles are certainly diverse in terms of topic, data, and method, they are focused in terms of motivation. FSR exists to produce research that addresses issues that matter to individuals. I remain committed to the goal of making *Financial Services Review* the best academic journal in individual financial management and personal financial planning.

Best regards,
Stuart Michelson
Editor *Financial Services Review*