

From the Editor

This issue contains **Issue 4 of Volume 24** 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 “Anchoring, Affect and Efficiency of Sports Gaming Markets around Playoff Positioning” is coauthored by Kevin Krieger at the University of West Florida, R. Daniel Pace at the University of West Florida, Nicholas Clarke at the University of West Florida, and Clay Girdner at KeyBank Corporation. The authors investigate the wagering market of NFL and NBA games when participating teams have secured playoff positions. They use both the opening and closing lines (analogous to asset prices) of spread bets to examine if potential “letdown” effects, either psychologically or strategically, are priced. Their results demonstrate that the initial opening line consistently provides a profitable strategy for those betting against teams that have clinched positions in the post-season. They show that by the close of the betting cycle, closing lines move in the expected direction as the market partially prices the letdown and that many closing lines tighten to the extent that, after paying commissions, the naïve strategy of betting against clinched teams is less profitable. However, certain wagers, for example betting against NFL teams that have clinched top seeds, are statistically significantly economically profitable after paying commissions. Their results appear to support the behavioral finance concept of anchoring.

The second article “The Perfect Withdrawal Amount: A Methodology for Creating Retirement Account Distribution Strategies” is coauthored by E. Dante Suarez at Trinity University, Antonio Suarez (independent advisor), and Daniel T. Walz at Trinity University. The authors present a new way to develop withdrawal strategies from retirement portfolios. It is derived analytically, instead of from empirical testing, and iterates always in the same manner. Based on a new measure they develop, the Perfect Withdrawal Amount, for which they discuss how to construct a probability distribution and how to apply it sequentially. They also derive a new measure of sequencing risk and present new strategies built with this framework.

The third article, “A new strategy to guarantee retirement income using TIPS and longevity insurance: A second look” is coauthored by Paul J. Haensly and K. Prakash Pai, both at The University of Texas of the Permian Basin. Prior research proposes a new investment strategy for retirees that bundles Treasury Inflation Protected Securities with a deferred annuity to guarantee real annual withdrawal rates of 5% or more with no risk of financial ruin. The strategy addresses three problems that retirees face: longevity risk, inflation risk, and liquidity risk inherent in the purchase of an immediate annuity. In this research, the authors evaluate the performance of this proposed strategy under realistic assumptions about costs, security design, and markets. In addition, we evaluate how the bequest motive might affect the choice between the proposed strategy and an immediate annuity.

The fourth article, “The Time Perspective of Financial Advisors and Its Effect on Their Decision-Making” is authored by Kenneth Ryack at Quinnipiac University. Psychological research suggests individuals often display past, present, or future time perspective (TP) biases that impact decision making. The author examines the TP biases of financial advisors from different backgrounds and whether or not the biases impact client recommendations. He

finds that consistent with literature that suggests a link between TP and career choice, advisors are future oriented as a group, regardless of their professional background, but contrary to prior TP research, he finds that the bias does not appear to impact their professional decisions. Instead, his findings are consistent with research that demonstrates psychological biases are mitigated when professional decision makers perform job related tasks.

The final article, “A Further Examination of Equity Indexed Annuities” is coauthored by Andy Terry and Erick Elder, both at University of Arkansas at Little Rock. Equity indexed annuities (EIAs) are deferred annuities that credit interest according to a formula tied to the performance of an underlying equity index. The authors expands previous research, particularly that of Reichenstein (2009, 2011), by examining the distribution of returns that could have been created on a rolling monthly basis since 1928 for 11 through 15-year investment horizons. They also examine investment alternatives that include the options imbedded in EIAs. Finally, rather than assuming constant cap rates they allow cap rates to vary with interest rates. They find that for long time horizons the opportunity costs of investing in EIAs is high.

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. In this last issue of 2015, I would like to specifically thank our anonymous reviewers:

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*

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