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From the Editor

This issue contains Issue 2 of Volume 21 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 will more appropriately relate to financial planning issues.

The lead article "Compensation and Client Wealth Among U.S. Investment Advisors," is coauthored by Lukas R. Dean William at Paterson University and Michael S. Finke at Texas Tech University. The authors use disclosure data from 7,043 Registered Investment Advisors (RIAs) to examine differences in client wealth by type of compensation. Their results show that firms charging commissions and hourly fees appear to have a higher proportion of low net worth clients. Wealthier clients are more likely to be charged performance-based fees and fees based on assets under management. RIA firms that charge commissions are more likely to provide financial planning services in addition to investment advice. The author's results suggest that policy restricting compensation may impact the provision of advising services to average investors.

The second article, "Virtual Financial Planners: Product, Market, and Challenges," is coauthored by Emery A. Trahan at Northeastern University, Lawrence J. Gitman at San Diego State University, and Michael D. Trevino with GT Finance, LLC. Due to today's complex financial and economic environment and individuals increasing need for personal financial services, the authors provide an analysis of on-line financial planning industry trends. Their results suggest that there is a potential market for virtual financial planning tools, although acceptance of these tools will depend on pricing, provider reputation, and features.

The third article, "Defining and Measuring Risk Capacity," is by Shawn Brayman, President, PlanPlus Inc. New generation models of assessing a client's profile for investment purposes differentiates among factors like the client's tolerance for risk, the client's required risk, and risk capacity. This article introduces a proposed mechanism and new metric to measure the "risk capacity" inherent in the client's ability to adjust lifestyle or goals, the portfolio construction and the use of guarantee products. He develops a model using Monte Carlo randomization and mortality randomization that allows isolation of sub-factors of risk capacity. This article also looks at two additional factors; the number of periods with a shortage and the depth of the gap based on the percentage of the target that is achieved.

The fourth article, "Empirical Analysis of ETF Intraday Trading," is coauthored by Mingsheng Li at Bowling Green State University, Dan Klein at Bowling Green State University, and Xin Zhao at Pennsylvania State University at Erie. The authors investigate the trading of benchmark ETFs, leveraged ETFs, and leveraged inverse ETFs. They find that ETF trading is very active and average daily trading volume for the most active ETF is more than $25 billion during the period of March 2007 to December 2009. The daily turnover ratio of leveraged and leveraged inverse ETFs are about 4 to 6 times the turnover ratio of the benchmark ETFs on average, and spreads and price volatility of the leveraged and leveraged inverse ETFs are also significantly larger than those of the benchmark ETFs. Trading volume and turnover ratio of all ETFs increased significantly during and after the financial crisis. They also find that small trades dominate trading of all ETFs, and yet they do not play an important role in daily price movements.

The final article, "The Impact of Housing on a Homeowner's Investment Portfolio," is coauthored by Chen Y. Wu and Vivek K. Pandey, both at the University of Texas at Tyler. The authors examine the inflation hedging and portfolio enhancing properties of residential real estate. Using 22 S&P/Case-Shiller city-level and composite indices, the authors show that residential real estate is at best a modest hedge against inflation and that adding residential real estate can potentially enhance the mean-variance efficiency of portfolios made up of financial assets such as stocks and bonds.

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.

Stuart Michelson
Editor *Financial Services Review*