From the Editor

This issue completes the second year of publication of the *Financial Services Review*. At this juncture, it is useful to ask whether the new publication appears to be "successful." The answer is mixed.

From an editorial and financial standpoint we are fine. The number of quality submissions increases continually and our total number of subscribers puts us well in the black. From an academic perspective we seem to be on target. Our articles are theoretically rigorous and a sizeable proportion of authors and editors are well-known in the field. Survey data and calls from finance departments around the country indicate that we are regarded as a quality refereed journal in the "good" category, comparable to the *Financial Review*.

Finally, we must ask whether we are having an impact on the practice of individual financial management. In our "Letters to the Editor" section, a thoughtful reader and practitioner (with an MBA) replies in the negative. "As an academic journal it may be fine, but from a practical standpoint, I did not find it very helpful." He goes on to say that ". . . the client does not want generalities and abstractions. He wants practical, specific direction."

In creating this journal, the Academy of Financial Services clearly opted away from the "practical." There are hundreds of thousands of planners, brokers and bankers giving practical advice to clients, but only a few hundred scholars doing the basic research necessary to determine which advice is likely to be correct. There is a clear division of labor, but an unclear channel of communication between the two groups. A tiny handful of practitioners subscribe to the journal (a dozen or so at best) and even our practitioner-readers are apparently dissatisfied. Perhaps diffusion will occur through the textbooks to the classrooms so the next generation of practitioners will benefit from our research. We welcome suggestions.

The lead article in this issue, "An Index of Portfolio Diversification," by Walt Woerheide and Don Persson addresses a relatively practical question for most individual investors, namely how many securities should be held in a portfolio to secure adequate diversification? While most of us are familiar with the academic studies that addressed this question, this article points out that previous studies have assumed that portfolios were evenly divided among their components. With uneven distribution, what is the best measure of diversification? The authors examined five such measures and found that the complement of the Herfindahl index was best.

The second article is somewhat more theoretical than the first. "The Individual Investor in the Market: Forming a Belief Regarding Market Efficiency," by Robert M. Peevy, Gene C. Uselton and John R. Moroney asks whether high market price volatility detracts from market efficiency by causing investors to focus on price movements, per se, and away from information related to the true value of the security. While not concluding that markets are either efficient or inefficient, the authors find that the "variance bounds" literature which attempts to make the case for inefficiency on the grounds of excess price volatility, does not do so convincingly.

The third article directly challenges advice given by many practitioners to their clients, namely that international diversification, through the purchase of shares of international mutual funds, is beneficial to investors. Using recent data, the authors Larry R. Lang and Robert M. Niendorf in their article "Performance and Risk Exposure of International Mutual Funds," find that on a risk-adjusted basis, international funds did not outperform domestic funds.

The last two articles are survey and review pieces, written to bring our readers to the state of the art in the diverse fields that comprise individual financial management. The first, "What Strategies are Estate Planners Recommending? Evidence From Survey Data," by Chris Prestopino summarizes advice from attorney-authors who have published recent articles in the leading estate planning trade publications.

Our featured review article is entitled "The Risks of Pension Plans." Written by Robert W. McLeod, Sharon Moody and Aaron Phillips, this timely piece identifies and describes the risks inherent in today's pension plans. Particular attention is focussed on the roles of ERISA and the Pension Benefit Guaranty Corporation in safeguarding pension assets.