From the Editor

As the *Financial Services Review* enters its third year of publication, the quantity and quality of submissions continues to increase. This was anticipated for two reasons. First, as the scope and standards of the journal have become more widely known, inappropriate pieces are less frequently sent, enabling our editors to offer faster turnaround and better service. Second, a mature journal offers less risk to established authors and encourages them to send their best work in the area of individual financial management to us.

In creating the *Financial Services Review*, the Academy of Financial Services hoped, in part, to encourage a group of scholars to focus on the finances of the individual. A glance at the table of contents of this issue offers some evidence that such a group may be forming. Each of the articles was authored or co-authored by a person who has previously written for this journal and/or who has won the Academy's best paper award. In the case of Jessie Xiaojing Fan, Yu-Chun Regina Chang, and Sherman Hanna, co-authors of "Real Income Growth and Optimal Credit Use," this group has won the best paper award twice in successive years.

While taking pride in its ability to present multiple pieces by the same authors, the *Financial Services Review* also points out that many of the co-authors of articles presented in this issue have not appeared here before. In addition to its desire to showcase the work of experienced scholars in this field, the journal also attempts to develop new authors and authors who are new to the field. For this reason, we encourage calls to the editors to discuss ideas as well as informal submissions seeking comments and direction. We also encourage our readers to direct appropriate research of their colleagues to our attention.

In the current issue, Ronald R. Crabb continues his work in the area of probabilistic estate planning to the formation of efficient frontiers consisting of the most commonly-employed estate planning tools. In the article entitled "Efficient Frontiers in Estate Planning," Professor Crabb uses numeric simulation of the age of death and borrowing and lending rates to see which combination of estate-planning tools is likely to yield the best results. The technique that he develops can be used by sophisticated estate planners and should become the norm among practitioners.

Professors Steven P. Rich and William Reichenstein explain how an individual investor can use market timing to boost portfolio returns. In their article entitled "Market Timing for the Individual Investor: Using the Predictability of Long-Horizon

Stock Returns to Enhance Portfolio Performance," they present evidence that measures of the market risk premium which are readily available to the individual investor show strong ability to time the market. They also offer an economic justification for their results which is not inconsistent with efficient markets.

Consumer borrowing is often justified under the assumption that real income will grow and the relative burden of payback will be diminished. In today's economic era, however, growth in real income is far from assured and people who borrow may end up paying back their debts with a larger piece of their income. This is the problem investigated by Jessie Xiaojing Fan, Yu-Chun Regina Chang, and Sherman Hanna in their article entitled "Real Income Growth and Optimal Credit Use." They approach it theoretically through a two period model of consumption and also analyze the impact of real income growth with numerical analysis.

Income uncertainty crops up again in the question of whether well-heeled individuals should hold private-activity tax-exempt bonds in their portfolios if such bonds may be subject to the alternative minimum tax. In her article entitled "The Individual's Tax-Exempt Bond Portfolio Decision Under Income Uncertainty," Professor Amy Puelz shows that most risk-averse investors will maximize the expected utility of their (uncertain) after-tax income by holding a sizeable proportion of private activity bonds.

The last article is unique in that it addresses the interests of a different group of individuals, using different techniques than the other articles in this issue. "An Empirical Analysis of the Use of Money Orders, the Payment System of the Poor," by Professors Kenneth N. Daniels, Neil B. Murphy and Dennis O'Toole uses Federal Reserve surveys carried out by the University of Michigan's Survey Research Center to find out who uses money orders. The results indicate that money orders are an important part of the payments system of the United States but that they are an inferior good, used primarily by those with lower incomes.

—Lewis Mandell