

From the Editor

This issue contains Issue 3 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 “The Economic Benefits of Personal Financial Planning: An Empirical Analysis,” is coauthored by Thomas Warschauer and Donald Sciglimpaglia, both at San Diego State University. This research endeavors to measure how the component services which may be included in a personal financial plan are actually valued by clients based upon a national survey of consumers. The authors show that the various financial planning services are valued quite differently by consumers as a whole and by different consumer groups. The authors findings potentially could be used to tailor the services planning firms provide and those emphasized in their marketing efforts.

The second article, “Financial Advice and Trust,” is coauthored by Marie-Eve and Ning Tang, both at San Diego State University. The authors take advantage of new questions in the National Financial Capability Study to examine the determinants of trust in financial professionals and the impact of trust on the use of five types of financial advice. The authors find that trust declines with age and increases with willingness to take investment risk. Having some financial literacy increases trust, but having too much decreases it. Controlling for financial exposure, trust and cost are the two most important determinants of financial advice-seeking behavior. Saving advice is most affected with use increasing from 17% for the least trusting group to 44% for the most trusting group.

The third article, “Direct Stock Purchase Plans Using Batch Trades: Do Investors Buy High and Sell Low?,” is coauthored by Raymond M. Johnson and Joseph A. Newman, both at Auburn University Montgomery. Direct stock purchase plans offer low trading costs, however, some plans batch orders and execute trades once per week. If prices spike during batch buying, or plummet during batch selling, low trading costs may be offset by unfavorable prices. This study examines daily high and low stock prices for companies whose plans require batch trades once per week. The authors’ results suggest that direct stock plan firms do not have higher or lower stock prices during any trade day of the week, therefore investors can use these plans without concern about unfavorable pricing.

The fourth article, “Why Do Mutual Fund Expenses Matter?,” is by David Nanigian at

The American College. The author tests the theory that the intensity of investor monitoring explains much of the relationship between expenses and performance. He finds that the negative expense-performance relationship disappears among funds that cater to a sophisticated clientele of investors. Based on these findings the author suggests that mainstream investors can use the existence of a share class with a high minimum initial purchase requirement as a signal of competitiveness.

The final article, "Mutual Fund Performance Attribution: 1994–2005," is coauthored by LeRoy D. Brooks and Gary E. Porter, both at John Carroll University. The authors examine the performance of two thousand actively-managed equity funds using attribution analysis. For the period 1994 through 2005 the authors show that potential gains from sector allocation were offset by poor stock selection. However, equity managers excelled at sector allocation and stock selection during the bear market of 2000–2002. Over sample period, returns from actively-managed funds dominated returns from passive portfolios with less risk, primarily due to their performance during the bear market.

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*