

From the Editor

This issue contains Issue 4 of Volume 20 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, "Overconfidence in Financial Planners," is co-authored by David M. Cordell, Ph.D., CFA, CFP®, CLU the University of Texas at Dallas, Rachel Smith at the University of Memphis, and Andy Terry at the University of Arkansas at Little Rock. Their research examines two groups of financial professionals, one group that has earned a single certification with another group that has earned the first certification plus a second certification, implying greater skill. The authors find that financial professionals in the less skilled group are actually more confident in their investment and portfolio management skills than those in the more skilled group.

The second article, "The role of the equity risk premium in the shortfall risk of target-date funds," is authored by Max B. Kalman at Bank of America Merrill Lynch. Using a bootstrap simulation with forward-looking equity risk premiums, the author illustrates that a 50/50 stock/bond portfolio will run out of money less frequently than a target-date fund if future stock returns replicate past stock returns. This research suggests that target date funds funds may need to reconsider their asset allocation strategies irrespective of market conditions.

The third article, "Do Mutual Fund Managers Adjust Cost Structure in Response to Financial Shocks?", is co-authored by Nancy Lottridge Anderson at Mississippi College and Michael J. Highfield at Mississippi State University. This study investigates supermarket no-transaction fee (NTF) participation of 44,556 unique mutual funds over the global financial meltdown period of 2005–2009 and confirms that NTF participation leads to higher expense ratios. The authors also show that continued participation in the NTF program during this period of negative financial shocks is based on the fund's ability to offset the cost of participation by maintaining a high expense ratio or increasing the expense ratio.

The fourth article, "Asset Allocation, Human Capital, and the Demand to Hold Life Insurance in Retirement," is co-authored by Patrick Collins at the University of San Francisco and Huy D. Lam at Schultz Collins Lawson Chambers, Inc. The authors investigate asset allocation, human capital, and life insurance demand. They take a case by case approach to warn against the dangers of applying general rules of thumb in the investment

decision making process and demonstrate how financial planners can use simulation based risk models to help investors answer the asset allocation question and the demand to hold life insurance question simultaneously.

The final article, "Assessing the effectiveness of lifecycle (target-date) funds during the accumulation phase," of this issue is coauthored by John J. Spitzer and Sandeep Singh, both at SUNY - College at Brockport. Using bootstrap simulations, the authors show that asset allocations that mimic lifecycle fund behavior have lower accumulation efficiency than several available alternatives. The alternatives include fixed stock/bond allocation with 80% or more in stocks and a set of adaptive strategies that attempt to protect gains against catastrophic loss. It appears that during the accumulation phase, lifecycle funds are not as safe, reliable, or effective as implied.

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*