

From the Editor

1. Introduction

This issue contains Issue 3 of Volume 18 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 in this volume is by Stephen Horan (CFA Institute) and Ashraf Al Zaman (Saint Mary's University). The authors study the choice between a traditional IRA and a Roth IRA in the presence of a progressive tax regime, income growth, and exogenous retirement income. These factors affect the tax rate that applies to deductible IRA contributions and taxable distributions and can therefore influence the optimal choice. They show that for aggressive savers that experience high rates of return or high levels of other retirement income, the Roth IRA can be a better choice than a traditional IRA.

The second article is by Larry Prather (Southeastern Oklahoma State University), Ting-Heng Chu (East Tennessee State University), M. Imtiaz Mazumder (SUNY Institute of Technology), and John Topuz (Southeastern Oklahoma State University). The authors investigate alternative S&P 500 indexing strategies for individual investors using S&P 500 index funds and the Standard and Poor's depository receipt (SPDR). They find that when only the reported annual expenses of the mutual funds are considered, mutual funds dominate the ETF's. However, when total annual costs are estimated from the single index model, the SPDR dominates mutual fund alternatives.

The third article is by Scott Below (East Carolina University), Joe Kiely (Kiely Wealth Advisory Group), and Robert Prati (East Carolina University). The authors examine the effectiveness of rebalancing approaches by investigating the performance of both time-based and various asset-level-based triggers using equally-weighted portfolios comprised of six equity style indexes. Although either form of style-rebalancing attains superior performance over a naïve, buy-and-hold approach, they find that trigger-based rebalancing to be marginally superior.

The fourth article by Michael Tucker of Fairfield University investigates optimal retirement ages for couples considering Social Security payments and withdrawals from private

savings. Tucker shows that optimal retirement age is a function of savings and the rate of return on those savings. Savings with zero or minimal return reduce the incentive for postponing retirement. As the rate of return on savings rises, delaying retirement becomes increasingly beneficial.

The final article in this issue is by Joshua Frank with the Center for Responsible Lending. Frank studies credit card policies for allocating payments and its impact on risk-based pricing and comprehension by consumers. He finds that by choosing a favorable method of allocating payments to balances, issuers can significantly raise the interest rates paid by borrowers. This policy causes inverse risk-based pricing, while few credit card users understand the impact of this payment allocation.

Planning is currently taking place for next year's Academy of Financial Services Annual Meeting in Denver on October 9 and 10, 2010. Further information on the meeting is provided on the last page of this journal. If you have any questions on the meeting, contact Brian Boscaljon at blb30@psu.edu. This meeting is, once again, taking place in conjunction with the Financial Planning Association and should be just as successful as our previous two meetings. I would also like to thank our meeting sponsors who are listed in this 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*
