FINANCIAL
SERVICES
REVIEW

Financial Services Review 19 (2010) v–vi

From the Editor

This issue contains Issue 2 of Volume 19 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 is by Haiwei Chen, University of Texas, Pan American and Jim Estes, California State University, San Bernardino. The study conducts Monte Carlo simulations to compare the performances of three popular asset allocation strategies in the financial press, i.e., dollar-cost-averaging, value averaging, and proportional rebalancing, in the 401(k) plan framework. The authors find that based on the overall consideration of terminal value, total risk, modified Sharpe ratio, modified Sortino ratio, and dominance frequency, a targeted annual growth rate of between 9% and 11% for the equity account should be used as the target growth rate in conducting value averaging.

The second article is authored by Sherman D. Hanna, Ohio State University and Suzanne Lindamood, research attorney, Columbus, Ohio. The authors address three types of benefits that planners provide: increasing wealth, preventing loss, and smoothing consumption. They use theoretical examples based on comparisons of optimal decisions to naïve alternatives. They find that the value of advice varies with a client's risk aversion and the percentage of wealth that could be gained or lost. Further, the most risk averse households should place the highest value on comprehensive financial planning advice.

The third article is by Brian Starr at Lubbock Christian University. The author explores the theoretical foundations of demand for 403(b) services, estimates an average willingness to pay for these services and compares that estimate with empirically observed data. He concludes by determining that some 403(b) service providers have historically captured the bulk of the consumer surplus afforded to individual consumers in this market.

The fourth article is by C. Edward Chang, Missouri State University and Thomas Krueger, University of Wisconsin-La Crosse. The authors provide a comparison of EIFs and pure index funds (PIFs). They find that EIFs, as a whole and in domestic stock fund categories, appear to have performed worse than their PIFs counterpart with lower returns, higher risks and lower risk-adjusted returns. Additionally, enhanced index funds behaved more like actively managed funds, with higher expense ratios and turnover rates.

The final article of this issue is by Axel Grossmann and Steven L. Beach, both at Radford

University. The authors investigate if constructed portfolios of ADRs from six countries provide a useful vehicle for international diversification in the Markowitz sense for U.S. investors and if those diversification gains differ from the results obtained from matched portfolios of the underlying assets (UAs). They find that investors in U.S. equities benefit from allocation towards U.S. bonds and ADRs or their UAs. The return-to-risk benefits of the UAs over ADRs support the strategy of investing directly in foreign equities to construct an investor's globally diversified portfolio.

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*