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**Strategic business plan: Senior Planning Solutions**

Sherdon Hamel

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STRATEGIC BUSINESS PLAN
SENIOR PLANNING SOLUTIONS

A Project
Presented to the
Faculty of
California State University,
San Bernardino

In Partial Fulfillment
of the Requirements for the Degree
Master of Business Administration:
Entrepreneurship

by
Sherdon Hamel
June 2001
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ABSTRACT

This study was undertaken to develop a strategic business plan for an entrepreneurial venture the author is pursuing. This entrepreneurial venture is an estate planning company that caters to the senior market. The following completed strategic business plan will be the model I intend to use to structure the business as it expands. This plan will also be utilized to make applications for loans and credit lines and a guide for internal practices as the business grows. Writing a rough draft of a business plan for the estate planning company began the study. From the information I compiled in the rough draft I developed a questionnaire in each category that I deemed important to the running of a successful business using the knowledge I have gathered in my academic studies and experience in this particular field of business. The questionnaires were used in interviews I conducted with academics I have studied under and professionals who own successful small businesses. After interviewing the academics and professionals I compiled the information and formulated it into a strategic business plan. I also researched different business models, information platforms, operations systems, and marketing
practices to determine the best model to use in structuring the company.
This work is the product of many knowledgeable individuals, including academics, students, and professionals. The number of people who have shared their experiences, both positive and negative, and have supplied me with the information necessary to complete this project is exhaustive. To name them all would be a project in itself so I will only mention the major contributors to this project.

I will begin with the individuals that were kind enough to allow me to interview them and benefit from their expertise. My thanks goes to Dr. Frank Lin for his suggestions concerning information management, Dr. Victoria Seitz who assisted me in the design of my advertising and gave me marketing suggestions. To Gary Bendemire for helping me with my accounting questions and the treatment of different business cost. A special thanks goes to Bob Neberman and Rene Castro for their interviews concerning by business plan and for their friendship and mentoring throughout the years. The knowledge and insight they have shared with me is invaluable.

I would like to thank the staff at The Inland Empire Center for Entrepreneurship, and especially Angie Webb who
gave me helpful suggests concerning my entrepreneurial studies and assisted me in tracking down my faulty advisor. A thanks also goes Dr. James Rogers for chairing my project committee and to Dr. C.E. Tapie Rohm for standing in as my second reader and assisting me in expediting my project. And lastly, to Dr. Pat McInturff, my advisor and first reader. Words cannot begin to express the help and support he has given me in this last year of education. My thanks for encouraging me to do the graduate project and for helping me overcome the bureaucratic impediments that stood in my way. I could not have completed this project without the aid and assistance of the people named in this acknowledgment. My sincere apologies to anyone I may have neglected to mention.
To Sandy
# TABLE OF CONTENTS

ABSTRACT ................................................................................ iii

ACKNOWLEDGMENTS ................................................................. v

CHAPTER ONE: INTRODUCTION .................................................. 1

CHAPTER TWO: INTERVIEWS

Summary of Interviews .............................................................. 4

Conclusions of Interview Summaries ......................................... 14

CHAPTER THREE: OPERATIONS ................................................ 16

CHAPTER FOUR: MARKETING .................................................... 22

CHAPTER FIVE: CONTROL .......................................................... 30

CHAPTER SIX: SUPPORT .......................................................... 35

CHAPTER SEVEN: PURCHASING ............................................... 39

CHAPTER EIGHT: INFORMATION ............................................... 41

CHAPTER NINE: RESEARCH AND DEVELOPMENT ....................... 43

CHAPTER TEN: HUMAN RESOURCES ......................................... 46

APPENDIX A: ADVERTISING LETTER AND DROP FLYER ........... 53

APPENDIX B: MARKETING STATISTICS AND SALES PROJECTIONS 56

APPENDIX C: EQUIPMENT INVENTORY AND COST ....................... 59

APPENDIX D: MISSION STATEMENT ........................................... 61

REFERENCES ............................................................................. 63
CHAPTER ONE

INTRODUCTION

This is the strategic business plan for Senior Planning Solutions. This business is an estate planning company employing three persons per office. The company’s long-term (five years) goal is to open four offices in the counties of Riverside and San Bernardino. The information in this business plan addresses one office, the reason for this is the future offices will be a replication of the first office.

The first business office will be located in San Bernardino County near the San Bernardino Freeway (10) and the Riverside Freeway (215), because this is the most centrally located area for the company’s present client base. Senior Planning Solutions is an estate planning business that targets the senior market. Senior Planning Solutions markets asset accumulation products such as fixed and equity indexed annuities and other insurance products such as life and long term care insurance. The company also markets revocable living trusts, charitable remainder trusts, irrevocable life insurance trusts, reverse
mortgages, multi-generational Individual Retirement Accounts, and stock protection plans.

The company’s target market are retired seniors sixty years and older who have an annual income of $35,000 plus. The potential clients will be obtained through direct mail inviting the prospect to an educational workshop with a luncheon or dinner included. The mailing list is purchased from database companies who deal in all aspects of demographics.

Advertising will also be utilized through local newspapers such as The Los Angeles Times, The San Bernardino County Sun, and The Riverside Press Enterprise. Mailers, telemarketing, and automated-telemarketing will also be utilized to solicit business. After the workshop all prospective clients will be offered a free one-hour consultation to discuss important matters specific to their estate needs and financial situation.

Each company office is expected to gross approximately $48,000 monthly income from commissions. The venture will be financed with operating leases, credit lines, and monies from personal assets and credit cards of the owner. Once the company is established it plans to receive financing through the Small Business Association’s “First Time
Business Loan Program". This financing will enable the company to expand and open another office until it has reached its goal of four offices. As a contingency plan the owner has a commitment from a close friend for a loan of up to $7,000 if the necessity of more capital presents itself.
CHAPTER TWO
INTERVIEWS

Summary of Interviews

Frank Lin, Ph.D., Information Management, California State University, San Bernardino

My first interview was with Dr. Frank Lin, a professor of Information Management at CSUSB. I explained to him what my business does and what stage it is in at the present time. We discuss how to best manage information such as business contacts, the client base, web sites, and other information management tools. The first topic was presents on the Internet. It was necessary to register my website with the InterNIC (Oz) for a small fee to enable the company to use it as a commercial site. We discussed whether to use it as a senior products and services sales site or a senior oriented information site. The website cannot be a mixture of both due to California state restrictions on agents who have insurance and securities licenses.

Dr. Lin suggested that the website be used as an informational site because of the cost and time consumption of managing a sales website and the amount of competition
involved. He pointed out that managing a sales website would be a big distraction from the company's core business and that it should concentrate on the core business and use the Internet as a tool and not a source of income. He also emphasized that the presents on the Internet would give the company credibility and enhances our business image merely because of its presents there. We also discussed the most cost-efficient way to manage the website. There are a number of very inexpensive ways to manage the site. Dr. Lin suggested I utilize Earthlink, since I am already a customer and am entitled to a free web page. The company can enlarge the page at a minimal cost if the need arises.

The next topic we discussed was the management of client information. I explained that the company needed to be apprised of birthdays, anniversaries, and important dates and be able to contact the clients individually or as a group. The company also needs to manage mailing lists, phone numbers and personal data of each client. Dr. Lin suggested a software program such as Goldmine 5.0 to manage this type of information. There are other programs but he said Goldmine is one of the better programs for contact management.
We then addressed how to manage changing rates, commissions, and amount of premiums collected and the amount pending for each client. Also included in this topic was comparing rates and commissions offered by different companies and how best to evaluate them electronically. Dr. Lin stated that Microsoft Access is a very good program to use for this kind of data management. The only drawback is the amount of data one would have to enter on an ongoing basis. There are a number of companies that will manage your database and update the information monthly for a small subscription fee. Dr. Lin suggested outsourcing may be less time consuming and more cost efficient.

The next subject we investigated was having access to my database from my home or office. Dr. Lin informed me that Microsoft 2000 has the capability of doing that with the use of a dial up modem. Since my office and home will be near each other the cost of the phone line will not be prohibitive. Once I setup the company office and install computers I will be able to use my home computer as a server and have access to my database from either location.

Finally we talked about targeted bulk mail on the Internet. I was curious as to whether bulk email marketing
companies could pinpoint their marketing to certain areas. Senior are the fastest growing user base of the Internet and I think it may be a very good marketing tool in the future. Dr. Lin says there are companies that have the capability of targeting geographic areas such as Southern California. The only drawback is the list is only accessible for one time use. I do not intend pursuing this mode of marketing at this time but it may be an option at a later date. This was the conclusion of my interview with Dr. Lin.

Robert Neberman, C.O.O., Co-Founder, U. S. Logistics

Robert Neberman is the C.O.O. and co-founder of U.S. Logistics, which is based in Ontario, California. We went over a number of topics including accounting and contact management software, lease versus buy concerning equipment, Internet presents, and marketing. Our discussion also consisted of how to establish credit lines and the best way to pursue credit.

I began the interview with questions concerning the accounting software his company used to manage the different accounts they have. I was surprised that a company like U. S. Logistics who has over $25M in revenue
was using Quick Book, a software program by Intuit. He said the program could analyze and categorize all the accounting information and then his company would turn over the data to their accountant on a quarterly basis. He explained that simplifying the procedures and categorizing the data also lowered the cost charged by the accountant.

The next topic was contact management and the best way to accomplish it. I was surprised again went I was informed that his company used Microsoft Outlook for contact management. Mr. Neberman explained that the software could manage appointments, emails, telephone directories, and customer contact information all within the one program. He also said the Microsoft Office Suite, which consists of Word, Excel, and Access enabled him and the other company employees to manage all contact necessary within the software program.

We then addressed whether to buy or lease equipment. Mr. Neberman said that his company leases all their computers, copiers, and printers because of the rapidly changing technology. Another reason is the company can write the leases off as an expense whereas if the equipment were to be bought it would be treated as an asset and therefore wouldn’t receive the tax benefit of an expense.
The company buys equipment such as faxes, phones, and any other devices necessary to conduct business because they are not as prone to obsolescence.

As far as Internet present the co-founder reiterated what Dr. Lin said concerning the use of a website. The presence is merely for information and it enables a prospect to get an overview of what your company does and it adds credibility to your company. If your business is not a web-based business focusing time and money on the Internet distracts from the company's core business. Mr. Neberman told me their company website was built and activated for approximately $500 and the monthly management cost was only about $50. I would be able to establish a website for a considerably less cost using Earthlink or any number of web hosting companies.

In regards to marketing U. S. Logistics uses trade shows, direct mail, and word of mouth. Because our businesses are so much different we would have to use a totally different marketing scheme to reach our target market. Mr. Neberman's company targets commercial users whereas Senior Planning Solutions targets the individual.

We discussed the application and use of credit lines. He stated that like personal credit, to establish credit
you must use it. One must start by using personal credit history to establish credit lines for the company. After establishing the accounts you use the line of credit even if your company has the funds. As your company grows the amount of credit availability will increase if you pay promptly. That concluded the interview with Mr. Neberman.

Victoria Seitz, Ph.D., Marketing, California State University, San Bernardino

I interviewed Dr. Victoria Seitz, a professor in the Marketing Department at CSUSB. We discussed the pros and cons of different kinds of advertising, where to locate different information in the text of the advertisement, the kind and color paper to use, business cards, and logos.

Dr. Seitz’s expertise is in advertising and she assisted me in designing a drop flyer for my newspaper advertisement. We discussed the best way to market company services and how best to get to the company’s target market. She assured me that newspapers are good and would also be the best cost-efficient vehicle to reach the target market the company wishes to solicit. She also suggested newsletters on financial fitness to all my present clients. I was told to stay away from green paper in company advertisements and use a light blue for newspaper drop
flyers. Dr. Seitz informed me the use of fluorescent paper
gave the connotation of cheap and to stay away from its
use. Research has shown that seniors react more readily to
pastels than to fluorescents.

For the text of the advertisement she emphasized I
should stress free, which pertains to a continental
breakfast that I offer in my morning workshop and snacks
and refreshments that I offer in my afternoon workshop. It
was also stressed to make the benefits of the workshop
large and at the beginning of the flyer to attract them and
make the piece more eye-catching. Basically what was
accomplished in the interview was a reinforcement of the
use of my present advertising campaign and some cosmetic
enhancement to the drop flyer I'm presently using.

Gary Bendemire, C.P.A., Assistant Controller,
Indian Health Inc.

Gary Bendemire is the assistant controller at the
Indian Health, Inc. in Banning, California. He is also a
C.P.A. and I interviewed him concerning accounting,
leasing, and accounting software that would be most
beneficial to a small company. I asked many of the same
questions I asked Mr. Neberman of U. S. Logistics and his
answers mirrored those of Mr. Neberman's answers. Therefore I feel it rhetorical to use his interview.

Rene Castro, M.S., C.S.A., C.E.P.S., Owner, American National Senior Services

The last person I interviewed was Rene Castro, an associate who has been in the estate planning business for a number of years. He is the owner of American National Senior Services located in Upland, California. We talked about direct mail marketing and newspaper advertising. We discussed how to choose locations for workshops, and the subjects to use in the seminars to motivate the prospects to act. We also conversed about questionnaires and obtaining information from the prospect. Mr. Castro explained how to determine the program most beneficial to the client and how to stir them to action.

The first topic we went over was whether to use direct mail or newspapers. Mr. Castro stated that if the workshop was being held in a restaurant and food was being served the company should definitely use direct mail as advertising the workshop and foodservice would be cost prohibitive. The reason for this is because the direct mail is directed to your target market and you get a higher quality (more affluent) prospects at a nice upscale
restaurant. By this mode of marketing you attract fewer individuals who are merely there for the free lunch or dinner, depending on the time of your workshop.

If you are presenting your workshop at a location such as a hotel or library the newspaper flyer is most cost-efficient. Since you are paying for space rather than meals and the only draw is the educational workshop you tend to get individuals or couples who are interested in the information you advertised and that will be discussed at the workshop. The subjects to discuss at a senior workshop are of dire importance to attracting the prospect to attend. The main topics are taxes, the use of trusts, I. R. A. and multi-generational I. R. A. planning, retirement plans, Wall Street, banks, healthcare, and family matters that affect how the estate plan is to be structured.

The next topic was the questionnaire used to motivate the prospect into scheduling an appointment. The questionnaire gives the prospect an opportunity to check boxes of any subject covered in the workshop and a free one-hour consultation to discuss these matters. Any estate and financial problems the prospect may have or need advice on are address at the consultation. By having access to
the prospect's assets it enable the planner to better allocate or restructure the prospects assets and better plan his estate.

The last topic was products and how best to use them to benefit the client. This particular conversation was basically about sales techniques and ascertaining the client's risk tolerance and the best way to motivate them to reallocate their assets from one vehicle to another, safer vehicle. It is the philosophy of Mr. Castro and myself that the majority of senior's assets should be allocated to safe accumulation vehicles that are not exposed to market risk with a guarantee of principal regardless of the market activity. This concluded my interview with Mr. Castro.

Conclusions of Interview Summaries

This concludes the overview of the interviews that were conducted and I will incorporate the information gathered into a strategic business plan for Senior Planning Solutions. This information will be very helpful in forming a road map to initiate the plan. With the knowledge I've gathered and experience I have, in both
academic and professional settings, I should be able to provide a very good business strategy for my new endeavor.
CHAPTER THREE
OPERATIONS

Senior Planning Solutions is an estate planning business that targets the senior market. Senior Planning Solutions markets asset accumulation products such as fixed and equity indexed annuities and other insurance products such as life insurance and long term care. The company markets a variety of trusts including revocable living trusts, charitable remainder trusts, irrevocable life insurance trusts. The company also does reverse mortgages, multi-generational Individual Retirement Accounts, and stock protection plans. Our target market are retired seniors sixty years and older who have an annual income of $35,000 plus. This is the fastest growing segment of the population that also controls the largest portion of wealth in this country (Hoyer).

The company will operate the first office from leased property in the county of San Bernardino. Only one office will be discussed in this business plan. The reason for this is the future offices will be a replication of the first office using a holographic model (Morgan). The business office will be located in the vicinity of the San
Bernardino Freeway (10) and the Riverside Freeway (215), because this is the most centrally located area for the company client base. The Center of Gravity Method (Heizer) will be used to ascertain all office locations. The company will have its doors open for business between the hours of 9:00 a.m. to 5:00 p.m. Monday through Friday and by appointment from 10:00 a.m. to 2:00 p.m. on Saturday.

The company will utilize a total of three persons per office to conduct its business. These three persons will be the owner (or licensed agent) and two hourly employees. The two hourly employees will divide their time between handling the reception desk and doing secretarial work for the owner (or licensed agent). The conduct of these employees shall be courteous and helpful to each other and above all to the client.

Our goal is to keep the client informed throughout the transaction process. The owner (or licensed agent) will be on-call 8:00 a.m. to 8:00 p.m. (except Sundays) daily to cater to the needs of the client and promote a sense of security concerning the client’s transaction. If personnel involved with a client are unable to answer a question, the first priority is to find someone who can. Usually this
would be the life insurance carrier's marketing staff or the field marketing organization for the company.

There will be a weekly sales meeting of licensed agents and the owner once other offices are established. The discussions will include any problems or lack of communication between the company and the carriers (life insurance companies) or clients. As more offices are established the meetings will rotate weekly to the different offices to establish equality among the licensed agents and their offices. These meetings will also include any ideas that might expedite the process of transactions and advanced sales techniques. Any information that might give the client value-added will be addressed.

These discussions will include how to better operate the business and give sales personnel an opportunity to air complaints they may have. There will also be an open door policy to the owner (or licensed agent) to voice any complaints or improvements in operating procedures the hourly employees might have.

The duties of the owner (or licensed agent) after taking the initial information is to research the information and find the most appropriate product to meet the client's needs. The application or funds transfer will
then be processed and forwarded to the carrier for processing or transfer of funds. The employees will keep up-to-date records of all transactions and be able to address the status of every transaction in process. The company will be in continuous contact with the carrier to assure the most rapid and expeditious processing is taking place. As information is received from carrier or client the data will be entered into the database and continuously updated.

The licensed life agent of each office will handle walk-in prospects. The agent shall process the transaction and assign the file upon selection of the appropriate carrier. This licensed life agent must be in good standing with the California Department of Insurance. It is the agent’s responsibility to process these files and contact the client as soon as the file is forwarded to the carrier. The agent will follow-up on all transactions they are involved with. Our objective is to earn the client’s respect and confidence for the possibility of referrals after completion of their transaction.

The two hourly employees will be utilized to keep in continuous contact with carriers and clients. After the carrier has been assigned to handle a transaction it will
be these employees responsibility to update changes in client files to better service our clients. Each company office other than the main office will keep the owner apprised of the progress of that office. The hourly employees will have a one-hour lunch break, which will be staggered to assure access to client file status at all times during business hours.

Another responsibility of the hourly employees is to put address labels on pre-printed mailers. These mailers are printed with a bulk rate stamp. The labels are printed from a CD-ROM purchased from a marketing company via a computer program. The program will print a form letter and label for these prospective clients. These letters will offer the prospective client a free one-hour consultation or monetary reward for referring another prospective client to our company.

The owner's responsibility is to create value-added to all aspects of the business. He will seek out carriers who will best service the client. He will have an open door policy to all employees and will address any valid problem or complaint. The owner will work diligently to create strong marketing programs to insure the company of continuous growth. He will continue to educate himself in
the workings of the industry and take advantage of every opportunity that will add value to the company.

The owner will attempt to create a company culture that is friendly and responsive to all employees' needs and concerns. He will work openly to create synergy between the different offices and will continuously work together with them to avoid barriers and enhance the workplace. By doing so this will help insure the well being of the employees and the continued success of the company.
Our marketing program will be the most aggressive aspect of our business strategy and will also be the most costly. The company will utilize direct mail, newspaper drop flyers (See Appendix A), and a referral program for its marketing effort. The company will also use a computer-activated telephone-dialing program. Our website will be informational only but will also create interest in what we do and will contain specific information (Morrow) that will enable the prospective client to find senior related informational websites and also allow them to contact the company. Our objective is to contact as many potential clients for the least amount of marketing dollar. All marketing will be initiated and guided by the owner who will be responsible for its direction.

The first marketing strategy is the use of newspaper drop flyers (See Appendix A) to reach our target market. This strategy will target the local areas, which can be determined by zip codes. An informative flyer in local newspapers would accomplish this goal. The company has
spoken with representatives from The Los Angeles Times, The Press Enterprise, and The San Bernardino County Sun. The company was quoted the following prices and information: The Los Angeles Times charges $31.00 per 1000 single side copies with a minimum of 10,000 circulations. We have the choice of zip codes where the flyers will be circulated. The Press Enterprise charges $28.00 per 1000, with a minimum of 5000, and a 5% discount with a circulation over 30,000. The San Bernardino County Sun charges $28 per 1000 with 5,000 minimum circulations. The cost is $26 per 1000 from 10,000-25,000 and $24 per 1000 over 25,000. They also change $1.00 per 1000 for each color added. All have basically the same stipulations and circulation requirements.

The company will initial a market run in two of the three newspapers with a minimum circulation of 30,000 per paper. This run will be done monthly on the same day in each newspaper, rotating the zip codes and newspapers each run. After a six-month test run we would evaluate the results to see which paper and zip codes are more cost efficient. By advertising in all three of the local newspapers at the 30,000 per paper circulation, it would enable us to reach a total of 60,000 people at a cost of
approximately $1600.00 for each month of advertisement per workshop. Although a number of the people we reach will not be seniors, demographics show approximately 13% will be the target market we're seeking through the choice of zip codes.

In discussion with the representative from The Los Angeles Time, he informed the company that their research showed the subscribers to their paper in the Inland Empire area were middle and upper-middle class individuals. This strategy with the Los Angeles Times would allow us to reach the upper segment of the target market. The San Bernardino County Sun would be used to target the same demographic segment through the use of the same zip codes. The newspaper's breakdown of the same areas shows the percent of affluent prospects will drop approximately 1% to 2% compared to The Los Angeles Times. The Press-Enterprise would enable us to target the Riverside area. We would be able to reach the senior segment in the northern part of Riverside County, and still have our office and workshop location convenient in terms of travel to the prospective client in that area.

After the six-month test run we will evaluate the results and adjust our marketing mix as necessary. This
mode of advertising will also give the company more exposure for any future clients from the baby boomer segment that comes in contact with any of the three newspapers. From historical data gathered by associates in the business the usual response rate is between .35% and .45% (See Appendix B). This would give the company a total of between 210 and 270 prospective clients for the overall drop-flyer strategy for one newspaper run. This marketing strategy will accomplish our drop-flyer program.

The company will also utilize the Internet to solicit prospective clients. We will begin by having a web site, www.seniorps.com that will be linked to different informational websites (Morrow). The components of the website and the links will benefit the user and give the company added exposure. The name of our company, which begins with senior will benefit us by placing our website in the first listings of an Internet search for senior information. The prospective client will go to our website for information and will be able to read about the company and what it does. The web site will cost approximately $500 to construct and have a maintenance cost of $50 per month.
The computer-activated telephone-dialing program will be utilized during the peak hours for telemarketing. This is usually from 4:00 p.m. to 8:00 p.m. but these hours can also be adjusted. The owner will determine the schedules for the program. The company will dedicate two computers to run the computer-activated telephone dialing software program. The cost of this program is approximately $400. The continuously updated telephone number CD-ROM for the program has a monthly cost of approximately $60.

This software program will dial telephone numbers and provide a recorded message to the recipient of the telephone call. If the recipient has interest in a free one-hour consultation or a reservation for one of our workshops they can respond with a touch-tone telephone or call the 800 telephone number given by the recording. These software programs have been found to be very successful and can be operated without supervision.

The company will utilize its own database of clients to create referrals. We will access our database weekly for new clients of thirty days past. The computer software program will print a form letter and label for the clients. The letter will offer the client a monetary reward for referring another prospective client to our company. A
form with four information slots will accompany the referral letter. For each referral that schedules a free consultation and has $35,000 annual income and meets the asset requirement the client will receive $25 compensation. If the referral becomes a client the referring client will receive $100. This is also beneficial for word-of-mouth advertising. In addition to asking clients for referrals we will use a personalized card program to send them cards on birthdays, anniversaries, and other occasions to maintain a continuing presents in their mind.

The company will also utilize direct mail companies to advertise the workshop and a luncheon or dinner. The workshop and a luncheon or dinner invitation is mailed to the prospective client. Through conversation with other associates it has been found to be a very successful and cost-efficient vehicle to solicit prospective clients.

The direct mail company uses their databases to target the demographics our company wishes to market. Usually 6,000 mailers are sent out to prospective clients at a cost of approximately $.37 per mailer at a cost of about $2200. The response rate is approximately 1.75% to 2.25% using this strategy. The workshop is conducted at an upscale restaurant with approximate cost of $13 per person.
Research has found a more affluent prospect will attend these workshops and the returns usually outweigh the cost.

Workshop percentages disclose that about 84% of those making reservations will attend, 74% of those attending are units (a couple, but one buying unit), 25% of units will request visits, 25% of those visited will purchase an annuity or other product. Each client will average $65,000 in annuity sales and the other products have a wide range of variance as to the size of the sale (See Appendix B). These figures are an average of workshop performance statistics of agents working under United Professionals, Inc. in Scottsdale, Arizona and American National Senior Services in Upland, California. Because of the company’s inexperience and the learning curve involved in sales, I have estimated that the company will start at approximately 76% of the industry average. With a 2% increase per month the company should be at industry averages after the first year (See Appendix B).

The owner will continuously monitor all marketing programs. This analysis will be done on an ongoing basis. All programs that are cost efficient will be continued and an increase in the marketing dollars will be applied to that program. Any program that is non-productive will be
dropped. The marketing mix will be adjusted as the market and economic environment changes.
CHAPTER FIVE

CONTROL

The company will lease all equipment necessary to do business because it will be very difficult to finance this equipment given the fact we are a new company. The owner has also chosen service leases as an alternative to purchasing equipment for a number of reasons other than the one previously stated.

Firstly, it frees up capital that would initially be used for down payments on equipment and interest payments on financing. Secondly, if business took a downturn this will also help insulate the company from possible bankruptcy problems. A leaser would allow much more flexibility in payment plans than a financial institution would allow.

Thirdly, leasing is an off balance sheet cost, is tax deductible as an expense, and would in effect, make the company look more financially solvent than if we used debt to finance the company (Skousen). This would give us more latitude in borrowing if more capital becomes necessary. Finally, a service lease would eliminate the company being bothered with maintenance problems and replacement costs.
The rapidly changing technology of today also makes leasing more advantageous because of the availability of regular upgrades to the computer equipment. Because of the competitiveness of leasing companies negotiating a reasonable service lease will be of no consequence to the company.

The company will operate from a leased location in the county of San Bernardino. The first office will be near the San Bernardino Freeway (10) and the Riverside Freeway (215), because this is the most centrally located area for the company client base. The offices will lease for approximately $500 per month. Utilities will add to these expenses by approximately $100 per month.

The company’s equipment inventory (See Appendix C) and infrastructure will consist of a telephone system, website and email, an outside paging system, one high-speed copier, one facsimile machine, and three personal computers with one high-speed printer. Office and waiting area furnishings and any other item deemed necessary to conduct business would be purchased.

The telephone system will cost approximately $400 per month including all equipment necessary to operate the system. This will consist of $100 for lines, $30 for long
distance access and an 800 number, $200 for telephones, including reservation lines and $50 for DSL Internet access. The company will also have a secured website that will be updated monthly and maintained by an outside firm. The approximate cost of the website is $500 to build and a fee of $50 monthly to maintain the site.

The company will employ one high-speed copier. The high-speed copier will be leased and maintained by an office equipment leasing company. Per the agreement of the leasing contract the copier will be replaced every two years with new equipment of the latest design. The lease will be a 48-month lease costing approximately $40 per month. This agreement will enable the company to have use of the latest design in copiers plus a deducible tax benefit. The company will utilize one facsimile machine. This machine will be purchased and maintained by Senior Planning Solutions.

The company will lease a total of three personal computers and one server. All computers will be linked to a company server so information can be exchanged between all personnel (Oz). Each employee will receive an access code to insure security. These computers will also be leased so as to keep up with the latest technology
available. The computers and the server will be leased at a cost of approximately $35 per computer totaling $140 per month. They will be leased on a 48-month lease and will be replaced with upgrades on renewal of the lease. This agreement also includes maintenance and repair. The computer network system will be maintained by the owner and will be updated when necessary.

The high-speed printer will be necessary to print documents and other information directly from the computers. This equipment will also be leased by using a 48-month lease with a maintenance and repair clause. This agreement will also contain the same replacement provisions of the above stated leases. The cost to lease the printer is approximately $30 per month.

The furnishings for the reception area, offices, waiting room, and break area will be bought on an installment plan. This will include desks, tables, sofas and chairs for the waiting area, refrigerator, and any other item deems necessary by the owner. By furnishing the business with new furnishing it will promote an air of success for the clients and give the employees a pleasant environment to work in. The monthly payment for these furnishings will be approximately $200 per month on a two-
year contract. The furnishings will be of the highest quality to insure their durability.

The office leasing company will provide office maintenance services to maintain a clean and desirable work atmosphere. The company will also utilize an accounting service to go over the company books on a quarterly basis. The owner would establish a company checking account and these outflows would include salaries, rental payments, utilities, and monthly lease payments. Commissions earned from business will be paid to the company through direct deposit and checks that will be deposited into the account. The company would also establish an interest earning savings account of $5000 that will be used as an emergency reserve account.

The financing of these funds will be done through the personal assets of the owner and the Small Business Association’s “First Time Business Loan Program”. The credit will be established using the credit worthiness of the owner. The company will apply for a loan that would net the company a sum of $24,000 and repay the loan and all other expenses with the proceeds of the company. There is an itemized list of all expenses (See Appendix C).
CHAPTER SIX

SUPPORT

Each company office support system will consist of a high-tech telephone system, access to an outside paging system, one high-speed copier, one facsimile machine, and three personal computers and one server with one high-speed printer. Office furnishings will be included in this discussion because they are necessary items in the support of a business.

The telephone system will support the operations of the company by facilitating a number exchange with two extension numbers plus a private line to the owner (or licensed agent). The system will consist of telephones, lines, and long distance accesses and DSL Internet access. This will enable all personnel the utilization of a private extension. The system will also have an 800 number that can be utilized by clients living outside the local area, plus 800 numbers give a company an assumed professionalism and credibility.

In addition to the telephone system there will a 24-hours 7 days a week paging system that will enable the clients to contact a representative at anytime of the day
or night. The owner (or licensed agent) will be required to answer pages from 8:00 a.m. to 8:00 p.m. daily Monday through Saturday handling any questions a client might have concerning the status of their file while it is being processed. Call forwarding will also be employed for convenience of the owner and agents. The licensed agent will have client information through the use of a HOT SHEET that will be updated daily and issued to each employee in the office. The client will employ this service very little but it is being initiated to give value-added service to give a secure feeling to the client during the processing of the client’s file.

The company will also have a secured informational website that will be updated monthly with pertinent senior information. Our goal will be to keep the prospective client and client informed of any new senior related information that may interest them. This site will be built and maintained by an outside source.

Each company office will employ one high-speed copier and one high-speed printer. The high-speed copier will be leased and maintained by an office equipment leasing company and the high-speed printer will be leased and maintained by another office equipment leasing company.
Outsourcing this activity will enable company personnel to focus on their jobs and not be concerned with the maintenance or repair of the copier or printer.

Each company office will utilize one facsimile machine to send and receive information in the process of daily business. This machine will be purchased through a local office supply company. The lease arrangement is being done to avoid being dependent of one equipment leasing company. This policy will be a permanent policy of the company.

The company will have a total of three personal computers per office. Each company office will have three computers and will not be linked to the other company offices. Each employee will receive an access code to insure security. These computers will be leased so as to keep up with the latest technology available. This operation will also help the company to come as close to a paperless office as possible. One of the three computers will be dedicated to an automatic computer assisted telephone-marketing program in the main company office (the one used by the owner).

All employees in each company office will be able to access and process any work-in-progress files. They will also be able to access newly received applications or funds
transfers directly from the licensed agent, via the computer network. This procedure will speed up the processing time and help eliminate paper use. The high-speed printer will be necessary to print documents and other information directly from the computers. Unfortunately a paperless office is impossible, but storing information on the computer till the document is complete will help eliminate some of the waste and help maintain uniformity.

The furnishings for the reception area, offices, waiting room, and break area will be purchased through an office furniture company. This will include desks, tables, sofas and chairs for the waiting area, and any other item deemed necessary by the owner. By furnishing the business with new furnishing it will promote an air of success for the clients and give the employees a pleasant environment.
CHAPTER SEVEN

PURCHASING

The owner will approve all purchases and lease contracts. The purchasing by the company will consist generally of paper goods, office supplies, telephone manuscripts, computer software programs, direct mail lists, and updated CD-ROMs for labeling and computer-activated telephone dialing programs. The company will also be purchasing advertising from the three local newspapers. All other equipment will be leased with the exception of furnishings and facsimile machines.

Paper goods will be contracted through a local printer. This will include evaluation forms, company stationary, pre-printed envelopes, business cards, pre-printed mailers, workshop questionnaires, workshop booklets, and any other form deemed necessary to conduct business. Other miscellaneous office supplies will be purchased at a local office supply company. The hourly employees will do the bulk of the office supply purchases on the owner’s (or licensed agent’s) approval.

The owner will purchase all manuscripts, computer software programs, mailing lists, and updated CD-ROM’s
programs. He will also be in charge of purchasing advertising from the three local newspapers. There will be a petty cash fund established in each company office. The fund will be allotted $50, which will be in control of the hourly employees. This fund will be used for package delivery cost, postage, COD's, and any other minor business cost incurred in the process of doing business. All other purchases not covered above must be submitted to the owner (or licensed agent) for approval. If the owner deems these purchases necessary to do business or value-added purchases the employee requesting the purchase will be given the necessary funds.

The owner will negotiate all service leases and rental agreements. This includes, but is not limited to all equipment and property leasing. The owner (or licensed agent) must approve all purchases over the sum of $50. There will be no exceptions to this policy. All purchase receipts must by submitted to the owner. The owner will in turn forward receipts to the contracted accounting service to be tabulated in the quarterly tax return.
CHAPTER EIGHT

INFORMATION

The company will manage its information through a database set up on the company's computer system. The system links all computers in the company facility together with one server. This service will be done in conjunction with the computer installation. This information transfer will be accomplished through the use of software, Microsoft Office 2000 Premium, which will also be installed at the time the system is set up.

The software allows client information to be accessible and transferable from any computer in the office. This system will also allow different employees to work different portions of the same file. The system enables employees to get a status report on all files and then work on files in most need of attention.

All employees will have an email address through our website and Internet Server that will assist them in communicating with each other. This service will also have the capability of sending email outside the company.

Information concerning changes in rates or carrier requirements can be entered into the database by the owner.
through the master database program. This information can be updated daily without the necessity of informing each employee. The updating will automatically alter all necessary file to reflect the latest updates. There will also be a bulletin sent by email to keep all employees apprised of changes. This gives easy access to contract changes and saves paper cost.

This will be a high security database and will require each employee to have an access code. The access code will also act as employee identification and enable management to track the performance of each employee. Management will also be able to check the progress of each application without leaving their desk to insure they are being processed properly. The information on the database will also give the owner a quick overview of incoming funds and will enable him to better plan the company budget.

This accounting system controlled by the owner will be linked to the accounting service and the company payroll. The hourly employees will clock in and out via computer and this information is transferred to the owner’s accounting program. The owner will have total control of this program that will enable his to update the company finances daily.
Our research and development program will be an ongoing affair that will have a certain number of work hours set aside each week devoted to research and development. Since our company is an insurance brokerage firm we are at the mercy of the insurance carrier. We do have control of the service we provide to the client and from what carrier we use to provide that service. This is something that will be a maturing development.

As has been stated in our mission statement (Appendix D) we will provide the best service available to the client within the insurance and securities industry. This service will be developed and adjusted continuously to better meet the client's needs and to display the company's competence.

As a starting point for developing the best service to the client the company will employ the knowledge gained from successful life agents, Field Marketing Organizations, and the different carriers the company is appointed by. Prompt response time and continuous contact with the client to keep them informed of the progress of their applications will be a continuously evolving procedure.
The research will begin by utilizing secondary data to better locate the target market in which we plan to operate. Since our company is new and has no internal or proprietary data we will gather our research data through external secondary sources. There is a wealth of information on the Internet, trade papers, and government sources, not to mention other commercial sources.

We will also gather data obtained through STAT-USA/Internet, this is a government information source that looks at the economic, financial, and trade data of a given industry. Another government source is the Census Bureau; both government sources have websites. Information can be gleaned from these areas concerning demographics, financial, and economic data. Research will also look at Statistical Abstracts, which is a reference book of government statistics. These are only a few of the government sources available on the Internet.

We will also utilize the private sector for research information. Companies like CACI/Instant Demographics and Urban Decision Systems sells CD-ROM’s with government information that has been updated and divided into smaller geographic areas and gives demographic information by zip codes and also gives telephone numbers of the individuals
who are listed. With their software programs one can narrow the geographic area down to a given population and produce mailing lists.

Another source, which we will utilize, is Data Quick, a local company in Corona that does daily updates of the local and region real estate market. This company has a website that can be accessed for a nominal fee and is made available to its customers 24-hours a day, 7 days a week, enabling our company to do research at anytime. The company also has a free training program that is made available to its subscribers. This training program can be utilized to train new employees at no cost to our company.

The program teaches an individual how to do research and gather information from their website. Their program has the ability to breakdown information and match it to any demographic formula the researcher thinks will enable them to location the clients our company is concerned with. The classes are given three times a week or can be scheduled to suit our company's needs at a small fee.
CHAPTER TEN
HUMAN RESOURCES

Three full-time employees will accomplish each office of the company's daily operations. The company will also use an accounting service to maintain the company's financial affairs. At some later time the company's plans are to expand to a total of four offices. Prospective employees will be solicited through help wanted advertisements and word-of-mouth within the industry. The owner will interview all prospective employees.

If the prospective employee meets the qualifications for employment they will be hired and will sign a temporary employee contract (including company rules as established by the owner) with limited benefits. All new hires are upon approval of the owner. There will be a 90-day probationary period for all hourly employees (licensed agents are excluded).

Licensed agents are excluded from the 90-day probationary period. The owner will evaluate the agents after a 30-day probationary period. The owner will also monitor the agents closely during the first 30 days of employment. The reason for this policy is the cost of
obtaining qualified prospective clients. Each agent will be put on a quota and be required to meet that quota.

Upon completion of the probationary periods the owner will evaluate the employee's performance. If at that time the individual is deemed competent to performance necessary work assignments the individual will sign a permanent employee contract (including company rules as established by the owner).

Any employee not accomplishing their work assignments, disrupting the workflow, or any other infraction of company rules or policies will be verbally coached by the owner concerning their behavior. If their behavior continues they will be given a written reprimand. If the employee is given a second written reprimand the employee will be suspended for a period of three days for the infraction. Any disciplinary action following the suspension within a one-year period will result in termination.

The owner will give each employee a monthly performance appraisal. This appraisal will include, but not be limited to, work assignment performance, attitude toward coworkers, attendance and tardiness records. The evaluation will be assisted by computer records advising the owner of the amount of time each employee spends on
client files (this is done through employee access code) and by time clock records of hourly employees.

The system for appraising licensed agents will be a quota system. Each agent will be required to close a minimum percentage of sales calls they are involved in. Each agent will be tracked through the company computer system and the owner will monitor progress of each prospective client’s paperwork. The licensed agent must keep a continuous log of the progress of each sale. This log information will be stored in the company database.

The owner will have an open door policy. Any employee who has a valid complaint is welcome to approach the owner to air their complaint. If the employee is unable to resolve the issue they will be given another audience with the owner. The owner has the final word in the resolution of all complaints.

Three employees will staff each company office and will be under the supervision of the owner. All sales employees will be licensed life agents. This is a requirement of the Department of Insurance of the state of California. The agents will be compensated through straight commissions. The agents will receive 60% of revenue received from each transaction the agent closes.
There will be an incentive program set up for agents consisting of sales contest with prizes and monetary compensation for most sales.

The remainder of company employees are hourly employees and will be required to clock in and out of work via computer. There will also be part time telemarketers and in addition to their hourly wage they will be compensated a determined amount for scheduling an appointment and a small percentage of sales revenue if the prospect becomes a client. The incentives due the employee can be evaluated through computer records. This is the incentive program the company will use in regards to the telemarketers. The two full time employees are hourly employees and will receive a bonus quarterly as incentive pay. The owner will determine the amount of the bonuses for these employees.

All hourly employees will be paid their base wages weekly. Their incentive pay will be paid on a quarterly basis. The reason for this policy is to increase the cash flow and net cash float. Licensed agents will receive their commissions approximately three to seven days after the commission is paid to the company from the carrier used to underwrite the business. The reason for this delay is
again for cash flow and float purposes. The owner will be paid a salary based on the net profit of the company. He will receive a determined percentage of that profit.

All hourly employees will receive one week paid vacation after the first year of employment and two weeks paid vacation per year for years thereafter. Hourly employees will also be given seven sick days yearly. If no sick days are taken during the year the employee will be compensated at year’s end for seven days.

There will also be eleven paid holidays, which will be paid the week after the holiday occurs. This holiday pay will only be paid to hourly employees. The employee must attend work the day prior to and after the holiday to be eligible for holiday pay. The company will also pay a Christmas bonus to all employees including licensed agents. The amount of the bonus will be determined by the amount of net income the company earned during the year.

The company will provide access to a healthcare program for all employees. The employee must pay the payments for this healthcare plan but will receive the group rate, which will lower the monthly payment and make it an affordable plan. If the employee chooses to participate in the healthcare program the payment will be
deducted from the employee’s payroll check once per month. The employee may also include other family members.

The owner will be in charge of issuing payroll. He will issue checks for hourly wages, incentives, and commissions. The owner will also issue checks for monthly payments to vendors, lesers, databases providers, utilities, and any other monthly expense or payment necessary to conduct business.

The accounting data of the company will be stored on disk and kept on the personal computer of the owner. The accounting service will have access to the accounting database. The accounting service will present the owner with an itemized statement every quarter.

It will be necessary for the company to require computer and research training. Training will be conducted in and out of house. The owner and other knowledgeable employees will give training concerning operations of the company database. A new employee will also be given a manual and will be expected to read it and become familiar with the company computerized database system. This database system knowledge will be required of every employee.
The owner (and licensed agents) of the company will also be required to participate in continuing education courses required by the state to keep licensing up to date. This is in addition to the company database training and sales workshops. Different carriers the company has appointments with will conduct this continuing credit training. The employees will be required to go through a minimum number of hours of training per year. They will receive a continuing education certificates upon completion of these programs.

All licensed agents will require these continuing education certificates and may seek other courses to improve their skills and knowledge. If Department of Insurance continuing education requirements are not kept current this is ground for immediate termination of licensed agents not in compliance with state rules.
APPENDIX A:

ADVISING LETTER AND DROP FLYER
Dear (Client's Name):

How would you like the opportunity to enjoy the returns of the stock market with absolutely no risk to your principal? Imagine the possibilities of stock market returns without market risk!

"Equity Indexed" annuities are income tax-deferred annuities with performance that is linked directly to the growth of the stock market and measured by increases in the S&P 500 Index. This is a fixed annuity, not a variable annuity or a mutual fund. You receive a 100% guarantee return of principal so even if the stock market were to adjust downward every year, you would still get all your money back. If the stock market goes up every year, you get all your money back plus a percentage of the market increase. So, if the market goes up, up, up and then goes down, down, down, you get all your money back plus a percentage of the ups and none of the downs. There are no sales charges, management fees, expense charges or mortality costs and since it is a tax-deferred annuity, you don't pay taxes on your gains as long as they remain in the contract.

We will be contacting you over the next two weeks to arrange a time to more fully explain this innovative concept.

Sincerely,

Sherdon Hamel, B.A.
Licensed Agent
SENIORS

Financial Workshop

Learn how to protect and shield your assets!

THE I.R.A. TAX TIME BOMB IS TICKING!
Learn how to avoid the Tax Time Bomb that wipes out the majority of all senior’s assets.
Even if you’ve already begun taking distribution on your I.R.A., it’s not too late to avoid a financial disaster for your beneficiaries.

Also learn how to...

- Lower or eliminate taxes on Social Security, Capital Gains, and Taxes upon death.
- Protect your assets from nursing homes without purchasing nursing home insurance.
- Increase your income and lower your taxes.
- Avoid probate, lawsuits, and legal issues.
- Fund your revocable living trust and what to leave out.
- Apply the Medicaid spend down rules and how they affect your assets.
- Protect your stock market gains against downside market conditions with unlimited upside market potential.

CALL FOR RESERVATIONS TODAY
- ADMISSION IS FREE
- Seating is limited
- Nothing will be sold at this workshop
- Presented by Sheldon Homel, B.A.
  Certified Senior Advisor
  In association with The Senior Benefit Centers

DONT LET THE I.R.S. BE THE BENEFICIARY OF YOUR ESTATE!

Senior Planning Solutions and the Senior Benefit Centers™ cordially invites you for refreshments to discuss very important issues concerning your assets. These are free educational workshops designed to inform you of the latest I.R.A. Tax Rules, Medicare, Medicaid, Capital Gains Taxes, and living trust issues that effect seniors.

Senior Financial Workshop

- Where: Hilton Hotel—San Bernardino Call (909) 889-0133 For Directions
  285 E. Hospitality Lane, San Bernardino, CA
- When: Tuesday, March 13, 2001—10:00 a.m. (Continental Breakfast)
  Tuesday, March 13, 2001— 2:00 p.m. (Refreshments)
  OR
  Thursday, March 15, 2001—10:00 a.m. (Continental Breakfast)
  Thursday, March 15, 2001— 2:00 p.m. (Refreshments)

Door Prizes! Chance to win $1000!

1-800-435-2171 (24 Hour Reservation Line)
APPENDIX B:

MARKETING STATISTICS AND SALES PROJECTIONS
## Estimation Of Monthly Gross Earnings Per Workshop *

<table>
<thead>
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<th>Description</th>
<th>Value</th>
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<td>Flyers dropped</td>
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<tr>
<td>Prospective clients making reservations at .4%</td>
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<tr>
<td>Prospective clients attending (84%)</td>
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<td>Number of units (74%)</td>
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<td>Average commission (8%)</td>
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<tr>
<td><strong>Average total commissions earned per month</strong></td>
<td>$48,484.80</td>
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</table>

* Industry Average

** A unit is a buying unit that consist of a husband and wife in the same household.
Projected Learning Curve For Closing Sales Beginning With 76% of Industry Average And Increasing 2% Per Month.

Assumptions: Meet Industry Average After First Year Of Business. Marketing Response Is Constant.

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<td>Number of units (74%)</td>
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<td>Prospective units that will become clients (25%)</td>
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** A unit is a buying unit that consist of a husband and wife in the same household
APPENDIX C:

EQUIPMENT INVENTORY AND COST
### Equipment Cost: Initial and Monthly

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<tr>
<th>Item</th>
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<td>$ 600.00</td>
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<tr>
<td>Labeling software</td>
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<tr>
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<tr>
<td>Labeling update</td>
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<td>$ 50.00</td>
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<tr>
<td>Mailers (1000)</td>
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<td>$ 108.00</td>
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<tr>
<td>Restaurant or Room Cost</td>
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<tr>
<td><strong>Newspaper Advertisement</strong></td>
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<td><strong>-</strong></td>
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<tr>
<td>L.A. Times</td>
<td>$ -</td>
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<tr>
<td>S.B. Sun</td>
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<td>$ 800.00</td>
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<tr>
<td>Press-Enterprise</td>
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<tr>
<td>Website</td>
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<td>Telephone Dialing Software</td>
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<tr>
<td>Printer</td>
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<tr>
<td>Facsimile Machine</td>
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<tr>
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<tr>
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<td>Office Lease</td>
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<tr>
<td>Utilities (gas &amp; electric)</td>
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<td>$ 100.00</td>
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<tr>
<td>Furniture</td>
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<tr>
<td>Paging Service</td>
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<tr>
<td>Petty Cash</td>
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<tr>
<td>Accounting Service</td>
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<td>$ 100.00</td>
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<tr>
<td>Hourly Employees</td>
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<tr>
<td><strong>Totals</strong></td>
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<td>$ 9,623.00</td>
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<td>Checking account</td>
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<tr>
<td>Emergency reserve</td>
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</table>

**Initial Funds Required** $ 23,265.00

** Two of the three newspapers will be used monthly.
MISSION STATEMENT

The Senior Planning Solutions will aspire to provide the highest level of competent and quality service to all individuals seeking estate planning and asset protection. Our company will strive to offer the consumer the most competitive asset accumulation vehicle available in the market today.

We will make every attempt to conduct business professionally and ethically throughout the relationship. Our aim is to keep the client apprised of progress of their case and be available at all times during the estate planning process. The ultimate goal of the company is to give the client Peace of Mind.
REFERENCES


