InvestmentNews®

JULY 22-26, 2019

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guardians of wealth

GRIFFIN INSTITUTIONAL ACCESS® REAL ESTATE FUND

PERFORMANCE: June 30, 2014 – June 30, 2019

20/20 Quarters of Positive Returns

41.38%	7.17%	2.21%	2.82
Cumulative Return	Annualized Return	Standard Deviation	Sharpe Ratio

Visit griffinrealestatefund.com to learn more.

Griffin Institutional Access Real Estate Fund (the "Fund") is a closed-end interval fund. Limited liquidity is provided to shareholders only through the Fund's quarterly repurchase offers for no less than 5% and no more than 25% of the Fund's shares outstanding at net asset value. The Fund is only suitable for investors who can bear the risks associated with the limited liquidity of the Fund and should be viewed as a long-term investment. There is no secondary market for the Fund's shares and none is expected to develop.

This is neither an offer to sell nor a solicitation to purchase any security. Investors should carefully consider the investment objectives, risks, charges and expense of Griffin Institutional Access Real Estate Fund. This and other important information about the Fund is contained in the prospectus, which can be obtained by visiting www.griffincapital.com. Please read the prospectus carefully before investing.

Past performance does not guarantee future results. Performance data for Griffin Institutional Access Real Estate Fund uses a load-waived Class A share (NASDAQ: GIREX) and does not reflect a maximum sales charge of 5.75% for Class A shares. If the data reflected the deduction of such fees, the performance would be lower. The inception date of the Fund's Class A shares was 6/30/2014. As of June 30, 2019, the Fund's load-waived Class A shares returned 7.17% (annualized) since inception and had a one year return of 6.78% (source: Morningstar Direct). The maximum sales charge is 5.75% for Class A shares and 4.25% for Class L shares. Class C shareholders may be subject to a contingent deferred sales charge equal to 1.00% of the original purchase price of Class C shares redeemed during the first 365 days after their purchase. Performance reflects the reinvestment of dividends or other distributions and reflects Fund management fees and other expenses. Due to financial statement adjustments, returns may differ. Performance data quoted represents past performance. Past performance is no guarantee of future results and investment returns and principal value of the Fund will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than performance data quoted. The most recent performance is available at www.griffincapital.com, which includes returns that reflect a maximum sales charge for Class A shares. As per the Fund's prospectus dated July 2, 2019, the total expense ratio after fee waiver, reimbursement and recoupment is 1.97% for Class A, 2.72% for Class C, 1.72% for Class I, 2.22% for Class L, and 2.47% for Class M. The Fund has contractually agreed to waive its fees (including offering expenses, but excluding taxes, interest, brokerage commissions, acquired fund fees and expenses and extraordinary expenses) to the extent that they exceed 1.91% for Class A, 2.66% for Class C, 1.66% for Class I, 2.16% for Class L, and 2.41% for Class M until February 1, 2020. The Fund's return does not reflect the deduction of all fees and if the Fund return reflected the deduction of such fees, the performance would be lower.

Data source: Morningstar Direct for the period of June 30, 2014 – June 30, 2019. Performance shown does not reflect the impact of third-party brokerage commissions or third-party investment advisory fees paid by investors to a financial intermediary for brokerage services.

Investing involves risk, including loss of principal.

Annualized return is calculated by annualizing cumulative return (i.e., adjusting it for a period of one year). Annualized return includes capital appreciation and assumes a reinvestment of dividends and distributions.

Cumulative return is the compound return of an investment. It includes capital appreciation and assumes a reinvestment of dividends and distributions.

Sharpe Ratio measures risk-adjusted returns by calculating the excess return (above the risk-free rate) per unit of risk (standard deviation). The higher the ratio, the better the risk-adjusted returns. The average 3-month U.S. Treasury T-bill auction was used as the risk-free rate in this material.

Standard deviation measures the average deviations of a return series from its mean, and is often used as a measure of volatility/risk. A large standard deviation implies that there have been large swings in the return series of the manager.

Griffin Capital Securities, LLC, Member FINRA/SIPC, is the exclusive wholesale marketing agent for Griffin Institutional Access Real Estate Fund. ALPS Distributors, Inc. (1290 Broadway, Suite 1100, Denver, CO 80203, member FINRA) is the distributor of Griffin Institutional Access Real Estate Fund. Griffin Capital Advisor, LLC and ALPS Distributors, Inc. are not affiliated.

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RETIREMENT PLAN ADVISER: BROKER-DEALERS TOUT OPPORTUNITIES **PAGE 14**

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CHANGE AGENT

ANDREW SIEG IS PUSHING MERRILL'S ADVISERS TO SIGN UP MORE CLIENTS AND PROVIDE THEM WITH MORE SERVICES

PAGE 10


XLK
XLC
XLB
XLV
XLI
XLP
XLF
XLY
XLE
XLU
XLRE

TOP 10 HOLDINGS AND WEIGHTINGS OF EACH SECTOR OF THE S&P 500 (AS OF 6/30/19)

XLK
TECHNOLOGY
21.48%

- Microsoft
- Apple
- Visa A
- Mastercard A
- Cisco Systems
- Intel
- Adobe
- Oracle
- PayPal Holdings
- Intl Business Machines

XLY
CONSUMER DISCRETIONARY
10.19%

- Amazon.com
- Home Depot
- McDonald's
- NIKE B
- Starbucks
- Booking Holdings
- Lowe's
- TJX
- General Motors
- Target

XLU
UTILITIES
3.31%

- NextEra Energy
- Duke Energy
- Dominion Energy
- Southern
- Exelon
- American Electric Power
- Sempra Energy
- Xcel Energy
- Public Service Enterprise
- Consolidated Edison

XLV
HEALTH CARE
14.20%

- Johnson & Johnson
- Pfizer
- Unitedhealth
- Merck
- Abbott Laboratories
- Medtronic
- Thermo Fisher Scientific
- Amgen
- AbbVie
- Eli Lilly

XLI
INDUSTRIALS
9.38%

- Boeing
- Honeywell Intl
- Union Pacific
- United Technologies
- 3M
- General Electric
- Lockheed Martin
- Caterpillar
- United Parcel Service B
- CSX

XLRE
REAL ESTATE
3.05%

- American Tower A
- Crown Castle Intl
- ProLogis
- Simon Property A
- Equinix
- Public Storage
- Welltower
- AvalonBay Communities
- Equity Residential
- SBA Communications

XLF
FINANCIALS
13.07%

- Berkshire Hathaway B
- JP Morgan Chase
- Bank of America
- Wells Fargo
- Citigroup
- American Express
- US Bancorp
- CME Group A
- Goldman Sachs
- Chubb

XLP
CONSUMER STAPLES
7.27%

- Procter & Gamble
- Coca-Cola
- PepsiCo
- Walmart
- Costco Wholesale
- Philip Morris Int'l
- Mondelez Int'l
- Altria
- Colgate-Palmolive
- Kimberly-Clark

XLB
MATERIALS
2.80%

- Linde
- DuPont de Nemours
- Ecolab
- Air Products & Chemicals
- Sherwin-Williams
- Newmont Goldcorp
- Dow
- PPG Industries
- LyondellBasell
- Ball

XLC
COMMUNICATION SERVICES
10.19%

- Facebook A
- Alphabet C
- Alphabet A
- NetFlix
- Activision Blizzard
- AT&T
- Charter Communications A
- Comcast A
- Walt Disney
- Verizon Communications

XLE
ENERGY
5.05%

- Exxon Mobil
- Chevron
- ConocoPhillips
- Schlumberger
- EOG Resources
- Kinder Morgan
- Phillips 66
- Occidental Petroleum
- Marathon Petroleum
- Valero Energy

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TOPNEWS

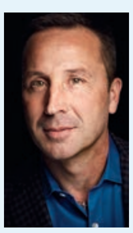
ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

EDITOR'S NOTE

Transition time at *InvestmentNews*

Whoever said change is hard wasn't kidding.

Last week, Suzanne Siracuse, the CEO and publisher of *InvestmentNews*, announced her resignation, effective Aug. 16. After nearly 22 years here, more than 13 of which as our indomitable publisher, Suzanne has decided to spread her wings and try something new.



FRED GABRIEL

While I am happy for Suzanne and look forward to seeing what she does next, my heart is a little heavier than it was before last week.

You see, I have worked with and for Suzanne for nearly all of her time at *InvestmentNews*. I watched her transform this publication into the No. 1 source of news, information and analysis for financial advisers. And I know firsthand just how much passion she has poured into our business, day in and day out. I'll miss Suzanne, as I know everyone else here will, too.

That said, *InvestmentNews* is entering a new chapter. Last week, we also announced the hiring of Christine Shaw as *InvestmentNews*' new CEO. That story is on Page 6.

Christine, who joins us from Future PLC, where she was managing director and senior vice president of global events and B2B, brings a wealth of knowledge and experience to her new role. After meeting with her last week, I can't wait to be a part of *InvestmentNews* 3.0.

To be sure, *InvestmentNews* will continue to produce high-quality journalism. We'll also work even harder to promote diversity and inclusion and the advancement of women in our profession — two endeavors launched by Suzanne.

Change is hard, but not changing is harder. The best is yet to come.

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WE'LL BE BACK

InvestmentNews won't publish a print edition next week. Publication will resume Aug. 5.

Cover: Matt Furman

Labor pick fought DOL fiduciary rule

BY MARK SCHOEFF JR.

PRESIDENT DONALD J. Trump intends to put at the head of the Labor Department the man who was instrumental in killing the agency's fiduciary rule for financial advice in retirement accounts.

In a tweet last Thursday, Mr. Trump said he will nominate Eugene Scalia as Labor secretary to replace Alexander Acosta, who announced his resignation earlier this month.

Mr. Scalia, partner at Gibson Dunn & Crutcher, was the counsel for the financial industry's lawsuit that resulted in a federal appeals court striking down the DOL rule last year.

EUGENE SCALIA

The Labor Department's regulatory agenda says it will propose a revised fiduciary rule by the end of the year. Mr. Acosta indicated to Congress earlier this year that the next iteration of the rule would be fashioned around Regulation Best Interest — a measure in the Securities and Exchange Commission's recently approved advice reform package designed to raise broker standards.

OPPOSITION PERSONAL?

For some investor advocates who said the original DOL rule was stronger than Reg BI, Mr. Scalia's appointment may be discouraging. But Barbara Roper, director of investor protection at the Consumer Federation of America, acknowledged there's a chance Mr. Scalia embraced the industry's opposition to the DOL fiduciary rule because they were his clients, and might not hold the same views as Labor chief.

But she's not hopeful.

"I'm skeptical, in light of the extreme positions he argued

in his briefs, that he would be prepared to adopt a rule that protects workers from harmful conflicts of interest in their retirement investments," Ms. Roper said. "He has been the favorite attorney of the Chamber of

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CFP Board delays enforcement of new standards

BY BRUCE KELLY

BOWING TO PRESSURE from the broad financial advice industry as well as individual advisers, the Certified Financial Planner Board of Standards Inc. said last Tuesday that it will delay the enforcement of its expanded fiduciary standard for financial advisers and brokers who hold the group's CFP mark.

The new enforcement date will be June 30, 2020. It had been Oct. 1.

SEC ADVICE REFORM

The change brings the timing of the CFP Board's new Code of Ethics and Standards in line with the timing of the Securities and Exchange Commission's Regulation Best Interest, known as Reg BI, which is designed to raise the broker standard above suitability by preventing brokers from placing their interests ahead of their clients' interests. Reg BI is also scheduled to take effect next June.

"Since the beginning of the nearly four-year process to review our standards, we said that CFP Board would not be led by what actions regulators take. But we won't ignore them either," Susan John, the chair of the CFP Board, said in a statement. "The board, however, does believe that the alignment of the SEC's enforcement date of Regulation Best Interest is helpful to our CFP professionals in that there is significant overlap in the two sets of standards — with a notable exception that CFP professionals are required to act as a fiduciary whenever they are providing financial advice to clients."

KEY POINTS

- Expanded fiduciary standard will be enforced as of June 30, 2020.
- Chair says alignment of date with new SEC rule will help CFP practitioners.

APPLIES TO ALL MARK HOLDERS

The CFP Board's new code of ethics and standards of conduct, which were approved last year, require all CFPs, including brokers, to act in the best interests of their clients when providing financial advice. In the past, such a fiduciary standard for CFPs only pertained to work on clients' financial planning.

While the CFP Board is pushing back the date for the enforcement of its new standard, it will make it effective in October, as it originally intended. For conduct that occurs between Oct. 1 and June 29 of next year, the CFP Board will continue to enforce the standards of professional conduct it currently has in place for the 85,000 financial advisers who carry the certification.

Both big firms and individual advisers had asked the CFP Board for more time to adjust to the new code of ethics and standards of conduct, Kevin Keller, CEO of the CFP Board, said in an earlier interview. He told *InvestmentNews* earlier this month that the board was considering delaying enforcement of its new standard of care.

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Schorsch settles up with SEC

For the past few years, financial advisers and brokerage industry executives have been asking me the same question: Whatever happened to nontraded REIT czar Nick Schorsch?

I'm sure many *InvestmentNews* readers could never forget Mr. Schorsch. He took the independent broker-dealer industry by storm 10 years ago when hundreds of broker-dealers started selling his American Realty Capital-branded nontraded real estate investment trusts.

BRUCE KELLY

ONADVICE

Mr. Schorsch, 57, built a nontraded REIT empire, launching and merging multiple REITs with tens of billions of dollars in assets.

His American Realty Capital nontraded REITs attracted mom-and-pop investors with promises of annual returns of 7%. Brokers loved them because they charged clients 7% commission. For a short time, broker-dealers and their reps were awash in REIT money, thanks to Mr. Schorsch.

At the height of his REIT sales blitz in the summer of 2014, Mr. Schorsch was worth more than $1 billion, according to Forbes.

That was right around the time the music stopped. An accounting scandal in October 2014 rocked his flagship REIT, American Realty Capital Properties Inc., now called Vereit Inc. and operated by different management.

UNFLATTERING LIGHT

We know now what happened to Mr. Schorsch and how he's been spending his time. Turns out he and his lawyers have spent some part of the past few years negotiating a settlement with regulators that shines an unflattering light on his actions in merging various REITs.

Last Tuesday, Mr. Schorsch, the firm that sponsored and managed his REITS, AR Capital, and AR Capital's chief financial officer and minority owner, Brian Block, agreed to pay $60 million in penalties to settle Securities and Exchange Commission civil charges that they wrongfully obtained millions of dollars in connection with REIT mergers that were managed by AR Capital, according to the SEC.

In a complaint and settlement filed simultaneously, the SEC illustrated how the defendants allegedly inflated compensation numbers and formulas at the expense of shareholders and scooped up fees and stock rewards they were not entitled to.

Problems with math at AR Capital, which was founded by Mr. Schorsch, were at the center of the SEC's complaint and settlement.

"AR Capital, acting through Block

CONTINUED ON PAGE 48

Top-rated brokerages

J.D. POWER'S 2019 U.S. Financial Advisor Satisfaction Study surveyed advisers about the firms they work for or with. Firms were measured on a 1,000-point scale based on seven factors: client support, compensation, firm leadership, operational support, problem resolution, professional development and technology support.

Here are the top five firms as chosen by employee and independent brokers.

EMPLOYEE B-Ds

5 **UBS**
2019 score: 701
2018 score: 707

4 **Ameriprise**
2019 score: 793
2018 score: 740

3 **Stifel Nicolaus & Co.**
2019 score: 848
2018 score: 841

2 **Raymond James & Associates**
2019 score: 864
2018 score: 857

1 **Edward Jones**
2019 score: 926
2018 score: 909

INDIE B-Ds

5 **Cetera**
2019 score: 805
2018 score: 806

4 **Northwestern Mutual**
2019 score: 817
2018 score: N/A

3 **Raymond James Financial Services**
2019 score: 869
2018 score: 865

2 **Cambridge**
2019 score: 873
2018 score: 864

1 **Commonwealth Financial**
2019 score: 960
2018 score: 955

What if Schwab does buy USAA?

BY JEFF BENJAMIN

CHARLES SCHWAB Corp.'s rumored plan to acquire $100 billion worth of brokerage assets from USAA is perceived by market watchers as a prudent asset-gathering move, despite past missteps by the San Francisco-based brokerage giant.

"Schwab will give USAA clients expanded brokerage offerings and most of them will stay with USAA for their insurance products," said Greg O'Gara, senior research analyst at Aite Group's wealth management practice.

"When they press that button [to complete the acquisition], they will know there might be 100,000 accounts with north of $500,000 in them, and those accounts will be eligible to go into the Schwab adviser network, so those RIAs could see this as an opportunity to gain clients," he said.

Talk of the deal, valued at $2 billion, was first reported last week by the Wall Street Journal. So far, neither Schwab nor San Antonio, Texas-based USAA has confirmed the negotiations, but unnamed sources in the Journal story said the deal could be completed within a month.

The sale of the brokerage business would follow USAA's sale of its $70 billion asset management business to Victory Capital for $850 million, which was completed earlier this month. That deal was originally reported in November.

Mr. O'Gara said USAA, which traditionally has marketed itself to active and former members of the military and their families, will continue to develop its diverse insurance business.

"I see it as a great deal for Schwab and USAA, and especially for USAA clients," he said. "If the accounts were branded Schwab accounts, USAA could build onto the Schwab brokerage platform. I would imagine USAA could promote this as something that's good for USAA clients."

REFERRAL PROGRAM

For financial advisers currently participating in Schwab's referral program, Mr. O'Gara said 95% of the accounts will likely not qualify for personalized service beyond what the brokerage platform offers. But if just 5% of the accounts coming over from USAA fit the mass-affluent range of around $500,000, that will represent new business opportunities for financial advisers.

"The wealth management business has been a great division of USAA and a big part of their value proposition to veterans and their families," said Daniel Seivert, chief executive of investment bank Echelon Partners.

"Given its focus on ETFs and model-based asset allocation solutions and its focus on smaller client sizes, it is a natural fit for Schwab, which not only has a wide array of in-house solutions for these clients, but is also at a scale that is much, much higher than that of USAA," Mr. Seivert said. "This all means that Schwab's costs are likely much lower and the

CONTINUED ON PAGE 48

56 firms hit for fund overcharges

BY MARK SCHOEFF JR.

FINRA REACHED settlements with 56 brokerages and obtained $89 million in customer restitution as the result of a crackdown on firms overcharging for mutual funds, the agency announced last Wednesday.

The Financial Industry Regulatory Authority Inc. alleged the firms failed to give sales charge waivers to nearly 110,000 charitable and retirement accounts when they sold Class A shares that offered the price breaks.

The mutual fund waiver initiative began in 2015, when Finra reached settlements with 10 firms that self-reported. The organization continued to find problems with waivers and launched a targeted exam in May 2016 that wound up hitting 11 firms with sanctions.

$89M

AMOUNT OF CUSTOMER RESTITUTION IN CRACKDOWN

Another 35 firms self-reported and reached settlements before the sweep began.

GUIDANCE
Finra clarifies reduced penalties.
PAGE 36

Of the 56 firms involved in the waiver probe, 43 were not fined because Finra gave them credit for extraordinary cooperation. The other 13 were fined a total of $1.32 million. All of the firms paid restitution to clients.

The initiative concluded last Tuesday with the announcement of the final two settlements.

Western International Securities Inc. agreed to pay $375,000 in restitution and a penalty of $75,000 for mutual fund sales that occurred between 2011 and 2017. Park Avenue Securities agreed to pay $640,522 in restitution for sales that occurred between 2011 and 2018.

Park Avenue Securities avoided a fine because it initiated its own investigation before Finra stepped in and promptly took action to address customer harm and stop the violative conduct, according to the agreement.

Neither firm admitted or denied Finra's findings.

UNDERSTAND PROSPECTUSES

Firms should not put fund prospectuses on the shelf without fully grasping their compensation details, said Julie Riewe, partner at Debevoise & Plimpton.

"The regulators are telling advisers and brokers to read prospectuses regularly and understand them," said Ms. Riewe, former co-chief of the Securities and Exchange Commission Enforcement Division's asset management unit. "They also suggest that this review occur through a centralized function and supervision rather than be-

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InvestmentNews announces new CEO

INVESTMENTNEWS

INVESTMENTNEWS announced a new CEO last Thursday.

Christine Shaw will take the helm Aug. 5, succeeding Suzanne Siracuse, who announced her resignation earlier in the week.

Ms. Shaw joins *InvestmentNews* from Future PLC, where she was managing director and senior vice president of global events and B2B, managing a team of 175 people, 55 events, 15 magazines and 16 websites.

Simon Stilwell, CEO of *InvestmentNews*' parent company, Bonhill Group PLC, said Ms. Shaw has all the qualities Bonhill was looking for in a chief executive.

"She has extensive experience in all of our core offerings, as well as change management, building an international business and developing high-performing teams," he said.

CHRISTINE SHAW

SUZANNE SIRACUSE

"I am confident my expertise and leadership experience in B2B media, combined with the expert team at *InvestmentNews*, will lead to continued growth and success for our audience and customers," Ms. Shaw said.

BONHILL ACQUISITION

The CEO transition comes one year after London-based Bonhill acquired *InvestmentNews* from Crain Communications Inc. for $27.1 million.

The outgoing CEO and publisher, Ms. Siracuse, transformed *InvestmentNews* into the No. 1 media brand in the financial advice market, with more than 150,000 weekly print readers and the largest adviser digital audience. InvestmentNews.com garners an average of 545,000 unique visitors each month.

Ms. Siracuse said she's ready for a change.

"Over the years, I've fallen in love with the financial advice profession and the many people, firms and services that we cover and serve," she said. "I plan to explore what my next step will be in the coming months within the industry and want to do that free of obligations."

Keep clients when next bear growls

Unless you've been living under a trading desk since the early 2000s, you've heard all about the shift in wealth management away from investments toward comprehensive financial planning.

RYAN W. NEAL

ONTECHNOLOGY

Investment management is commoditized. Advisers today have to offer financial planning, risk analytics, insurance, tax optimization and all sorts of other services in pursuit of a feel-good, albeit nebulous goal of "providing financial wellness."

Custodians, broker-dealers and wirehouses are all on-board, investing heavily in technology solutions for advisers. But why? What is driving this tremendous shift in the industry?

New regulations, fee compression and changing consumer preferences all play a role, of course, and firms love to talk about the importance of building a digital experience that matches what clients get on Amazon or Netflix.

RECESSION, BUT WHEN?

A less-mentioned factor is a growing concern that this historic bull market may not have much juice left. Three-quarters of business economists expect the U.S. to enter a recession by the end of 2021, according to a survey by the National Association for Business Economics.

While every adviser says they coach clients to focus on long-term investing over short-term gains, institutions still remember how many clients fled the industry in 2008 and 2009. The push toward using digital

CONTINUED ON PAGE 48

OPINION

EDITORIAL / LETTERS / OP-ED / GUEST BLOGS

Women still aren't part of the conversation. They must be

AS YOU SIT THERE READING this editorial in 2019, you may be surprised to hear that the majority of women still defer financial decisions to their husbands. Or, as financial advisers, perhaps you see proof of this every day in meetings with clients.

Well, it is still an issue. And because of the perils inherent in one person relinquishing all financial knowledge and decision-making to another, even a spouse, advisers must actively work to improve the situation.

A recent UBS survey found that 54% of U.S. women said their spouse takes the lead in handling the family's finances beyond paying bills. These women did not participate in long-term financial planning, investing or health-care decisions. An even more surprising fact is that this reality is not limited to an older generation stuck in antiquated gender roles. As *InvestmentNews* senior reporter Mark Schoeff Jr.'s cover story earlier this month noted, that same UBS study showed 59% of women ages 20-34 relegate financial issues to their husbands.

Why do these "separate spheres" of spousal responsibility persist? It turns out society is slower to evolve than we realize. A survey of American adults conducted earlier this year by CreditCards.com found that males were more likely than females to learn about investing from their parents (25% to 19%), and women more often learn about giving from their parents (40% to 35%).

Surely it's natural, and more efficient, for a couple to split up duties, given the seemingly unlimited demands competing for their time. But finances are core to a person's well-being, so not knowing what is happening in that realm is tantamount to ignoring one's own physical health.

As Stacy Francis, CEO of Francis Financial, explained in Mr. Schoeff's cover story, "Kept in the Dark," in the July 8 issue of *InvestmentNews*, during transitions such as divorce or the death of a spouse, women are often "starting at ground zero when there's chaos and many moving parts in their life. It's the worst time to try to understand your finances."

This often results in poor financial choices.

"Either they're completely immobilized out of fear and they don't act at all, or they make a really quick, bad decision," Ashley Coake, owner of Cultivate Financial Planning, said in the same story. "In both cases, had they been in on the planning all along, things would have been very smooth."

A client of Karen Van Voorhis, director of financial planning at Daniel J. Galli & Associates, lost her husband this year. In her 40s and full of grief, the client had to find out how, or even whether, her mate had been filing their taxes. Ms. Van Voorhis' firm helped the client hire a CPA, who petitioned the IRS on her behalf.

"It took weeks to get it straightened out, and that was a shame," Ms. Van Voorhis said. "It was such a distraction. It's really difficult for a surviving spouse to inventory everything."

THE STATUS QUO IN HANDLING A COUPLE'S FINANCES IS NOT GOOD ENOUGH.

Because of the obvious mess resulting from one person's being omitted from decisions of serious consequence to their well-being, the status quo in handling a couple's finances is not good enough.

"The onus is on the financial adviser to include the wife as a core contributor to the financial planning process so that each has an equal voice," Vance Barse, wealth strategist at Manning Wealth Management, said in Mr. Schoeff's cover story.

Advisers must resolve themselves to do two things: 1. Not exclude a woman (purposely or unwittingly) from discussions and decisions about a couple's finances, and 2. Ensure that any female partner not expressing interest in this realm understands why engagement is critical.

In addition to helping clients, financial advisers have a self-interest in this endeavor. More often than not, a wife survives her husband and becomes the sole financial decision-maker. In these cases, do you want the female client to return to you, or find an adviser more willing to place her center stage in the financial life she now controls? It benefits everyone involved to lay that foundation early.

WE WANT TO HEAR FROM YOU. Send a letter to the editor with your thoughts about a story we've published, and include your name, title, company, address and telephone number for verification. Keep your letter under 250 words, and email it to Frederick P. Gabriel Jr. at fgabriel@investmentnews.com. All letters will be edited.

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TEGRATING E UNDERING RD

MERRILL'S ANDREW SIEG DISCUSSES BANK SYNERGIES, CLIENTS' BEST INTERESTS AND TEAM ADVICE

BY EVAN COOPER

A QUICK LOOK AT ANDREW M. SIEG'S BUSINESS card reveals an obvious way Bank of America is changing the firm that brought Wall Street to Main Street.

The card identifies Mr. Sieg as president of Merrill Lynch Wealth Management, a position he assumed in January 2017 after serving as its head of retirement solutions. The card also displays the company's new logo: its iconic bull next to a bold-type "Merrill" above a smaller tag line, "A Bank of America Company."

Compared to the name surgeries that took place at other bank units following a recent corporate rebranding — the venerable U.S. Trust became Bank of America Private Bank and the investment banking business known as Bank of America Merrill Lynch became BofA Securities — dropping the "Lynch" part of the brand seems merely cosmetic. But the changes Mr. Sieg and Bank of America top management want to bring about at the wirehouse are far from superficial. Fundamentally, they want to eliminate organizational impediments that stand in the way of maximizing the value of the bank's vast customer base — empowering its 14,690 brokers and advisers to be more effective at gathering assets and meeting the full range of clients' financial needs.

To find out where Merrill wants to go with its Thundering Herd and how it plans to get there, *InvestmentNews* recently spent some time with Mr. Sieg. Edited highlights of the conversation appear here.

CONTINUED ON PAGE 12

CONTINUED FROM PAGE 11

InvestmentNews: Where do you see the wealth management business now?

Andrew Sieg: We're in a unique and positive period for the industry, and over the next 10 or 20 years I see a bull market for advice. There are probably more American families in need of broad-based financial advice than at any time in the past, driven by the complexity of what they now have to manage. Traditional pensions have faded away and people are on the hook to provide for their own retirement income at a time when the investment landscape is very complicated. The high-stakes decisions that have to be made are a challenge for even the most sophisticated families, which is why we see people of all kinds looking for professional advice. Even when you look at millennials, for example, many studies find they are even more inclined to seek professional advice than baby boomers.

_IN:_ This changing landscape is one of the main drivers of regulatory proposals designed to insure advisers deliver advice that is in the client's best interest. What's your view of regulation in that regard?

AS: We've been very outspoken in our support for a higher standard of care and a framework that encompasses all the players in our industry. When you think about what our advisers do for clients, we are very confident that in a world of increasing fiduciary standards we are well-positioned to succeed and thrive.

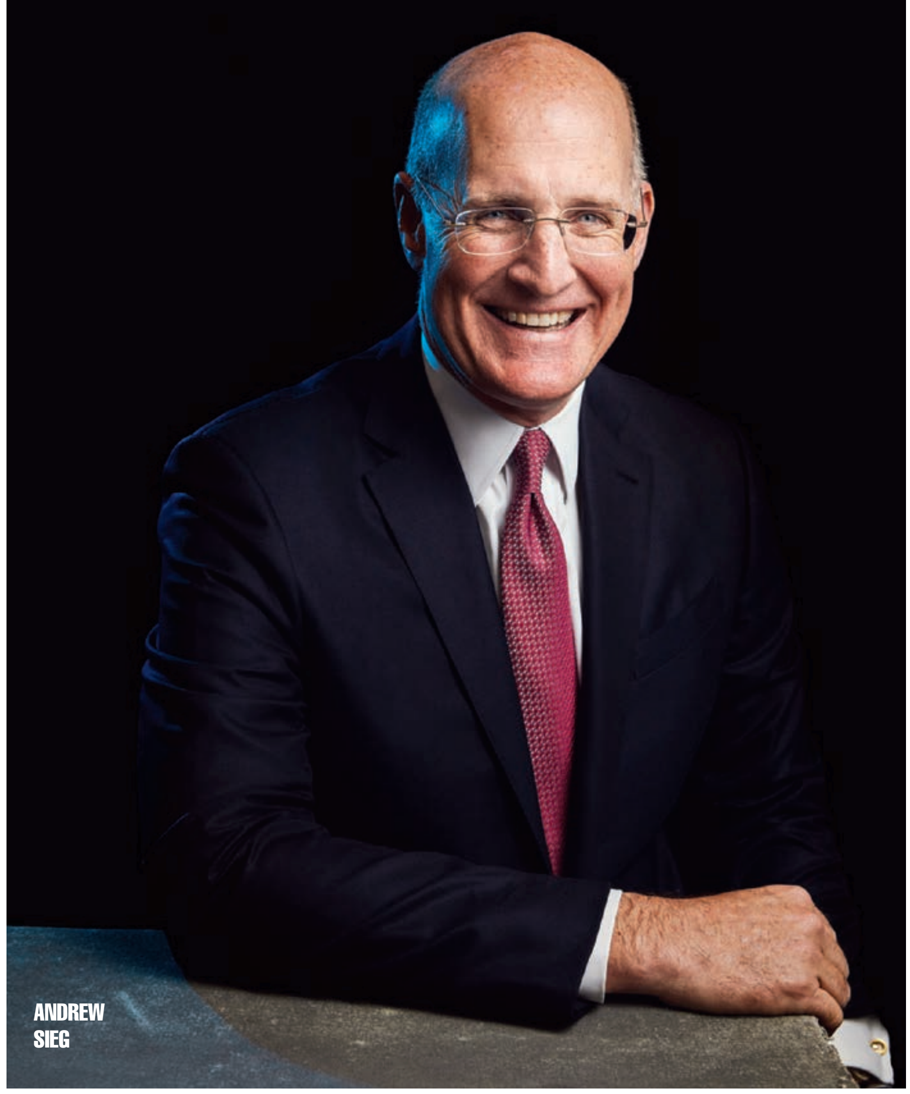
We plan to continue to work with regulators to ensure that clients are protected and that their ability to choose how to pay for wealth management services is preserved.

_IN:_ How do you define 'best interest'?

AS: I'm not an attorney, and when you really start to parse a rule it becomes a legal discussion pretty quickly. For me, it's ensuring that we have an expectation enshrined in regulation that a client's interests come first. It means that we proceed with a real understanding of the client today and their real objectives over time, and that our recommendations are anchored in what's best for the client, not the adviser or the firm. There also must be a rigor and discipline in the way advice is being generated and delivered, and finally, a commitment over time to maintain and oversee the client relationship.

The transition to serving clients in that manner at Merrill Lynch began more than 25 years ago in the move away from transactional brokerage as the key activity we engaged in toward fee-based investment advisory as a key framework of providing advice. So rather than being an event that will change the direction of the firm dramatically, we think regulation in this area is more of a next step.

_IN:_ Let's talk about the next generation of advisers. Are you looking for hunter-gatherers who can bring in assets or nurturers who can satisfy clients over the long run?



ANDREW SIEG

AS: We want both, and we want them playing the right role in a team context. All advisers should have strong interpersonal and client skills. They need to be able to engage and develop relationships. But the role of the adviser has become very complex, which is why the business has gone from being one of sole practitioners to one of teams.

About 78% of our advisers now work as part of a team, up from 38% five years ago. When you think of all the knowledge needed and the activities that must be done, it's almost unimaginable that one person could do it all. With teams, the delineation of roles permits scale and enables us to serve clients with high quality.

For example, we have 4,000 CFPs, making us the largest employer of CFPs in the business. And we have other advisers who have become very sophisticated managers of their own business, managing 25 or 30 people. In fact, one of our most popular management programs is about [financial advisers] as CEO.

_IN:_ Why would these CEO-type advisers stay with Merrill when they can go out on their own as registered investment advisers?

AS: The combination of our unique and powerful culture and the unmatched breadth and depth of capability we can offer clients make this an unmatched platform for financial advisers. You can talk about providing a comprehensive relationship, but it's challenging to walk that walk unless you have a platform that can deliver it, and we think that ours is the most powerful platform for advisers to serve clients and for advisers to grow their practice.

You know, it's not easy or inexpensive to make an icon on a smartphone do everything the customer wants. Here, advisers can benefit from a company spending more than $3 billion a year on technology and giving them many other resources to support the growth of their business. There's also new energy and support of the brand in the marketplace. If you decide to become an independent adviser, you lose most of what I've described.

"THERE ARE PROBABLY MORE AMERICAN FAMILIES IN NEED OF BROAD-BASED FINANCIAL ADVICE THAN AT ANY TIME IN THE PAST."

_IN:_ Have the support and investment paid off in terms of more new clients for advisers and the firm?

AS: In the first half of the year, we achieved record net new household growth, up 45% compared to the first half of 2018. Our average adviser will bring on six new households this year, which is a threefold increase over three years ago, and retention is very strong. Before we embarked on what we call our responsible growth strategy, in a typical year on a net basis Merrill Lynch would bring in 5,000 new households. In the first half, we brought in 11 times as many net new households as we did in the first half of 2017.

We're also seeing a meaningful percentage of new relationships being referred to us by the consumer bank. Last year, approximately 12% of the 54,000 gross new relationships brought in came via a referral from the bank. This year, our advisers are on track to bring in 70,000 gross new households, and in the second quarter, 10% of new Merrill Lynch client relationships came as the result of a referral from another area of the company.

_IN:_ How did you break down the silos?

AS: Credit for that goes to Brian Moynihan. When you have a leader who's made it clear he doesn't want internecine P&L concerns and management lines to interfere with bringing everything together for the benefit of the customer, the strategy can make a lot of progress very quickly.

But the integration isn't just pushed down from the top; it's being brought together at the ground level through local market presidents in 90 markets around the country, whose job it is to make sure all lines are working together and that integration is happening. Twice a year for 10 years, senior BofA team and market leaders [have] come together to gauge progress on integration.

The payoff for clients is that we can deliver what they have been asking for for 25 years: the ability to see everything in one place. Whether they access their BofA account or their Merrill account, they can see all their investment, banking and retirement accounts and loans in one view. This enables financial advisers to give practical advice about cash flow, monthly budgets and spending goals, which covers the full range of activities in a client's life, not just investments.

_IN:_ What changes have you made in the management of the business?

AS: The view across BofA is that frontline managers are critical to success. After 15 or 20 years of the pendulum swinging in the direction of reducing frontline managers' ability to make decisions and having their authority and compensation come down while being asked to do more, we're trying to move the pendulum the other way.

To make that a reality, we created a rapid development program for about 102 market executives, and I'm involved personally in their training and development. The executives are all senior, nonproducing field managers, with about 150 financial advisers, on average, under each of them. These executives are in receipt of the overall strategy of BofA and Merrill and are responsible for translating it, making the necessary changes in the field and delivering performance. My strategy is to have as little distance as possible between me and them.

Last year, for the first time, we held a three-day training program for the group and asked them to create a written plan about the challenges, opportunities and key initiatives they are driving in their market for this year and for the next two years. Each then came to New York so I could spend one-on-one time reviewing their plans. This helps me understand each market, assess talent and galvanize the focus of our marketing executives on the growth of the Thundering Herd and delivering on our aspiration to serve clients on a high level. We've also asked the 102 market executives to join a staff call every Monday in an effort to improve communication and provide access to senior management.

_IN:_ How is Merrill addressing diversity and inclusion?

AS: One theme at the core of the modern Merrill is the need to drive more diversity among the ranks of leaders and advisers. Obviously, there is a moral imperative for this, but also a very strong commercial imperative to better reflect the profile of the marketplace of the 2020s, where women increasingly are decision-makers, where people of color are growing wealth at rates in excess of growth rates generally and where the LGBT community has $1 trillion in purchasing power.

Currently, more than one-third of our financial adviser trainees are women, which is not where we'd like to be, but that does represent progress. And financial advisers are now realizing that it is quite difficult for them to have a dialogue with the next generation unless they have a millennial on their team. They are also realizing that as advisers age, clients want them to have a succession plan.

Until two years ago, we never built diversity into the scorecard of how we measure advisers and their managers — or the growth that we wanted. Now that we've incorporated both, we're seeing significant progress.

Evan Cooper is a freelance writer.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InvestmentNews

RPA

RETIREMENT PLAN ADVISER

BROKER-DEALERS SEE PROMISE IN FUTURE OF RETIREMENT ADVICE

Changes are expected to improve adviser businesses and participant engagement

InvestmentNews gathered executives from the nation's leading broker-dealers to discuss the future of retirement advice, initiating debate about how retirement plan advisers can improve their businesses.

While opinions varied on some issues during our Retirement Plan Adviser Broker-Dealer Think Tank, an overall conclusion from the high-level group was that retirement advisers will increasingly be adding more wealth management clients, and retail advisers will be looking to integrate more retirement plan business in the coming years.

The result of this convergence?

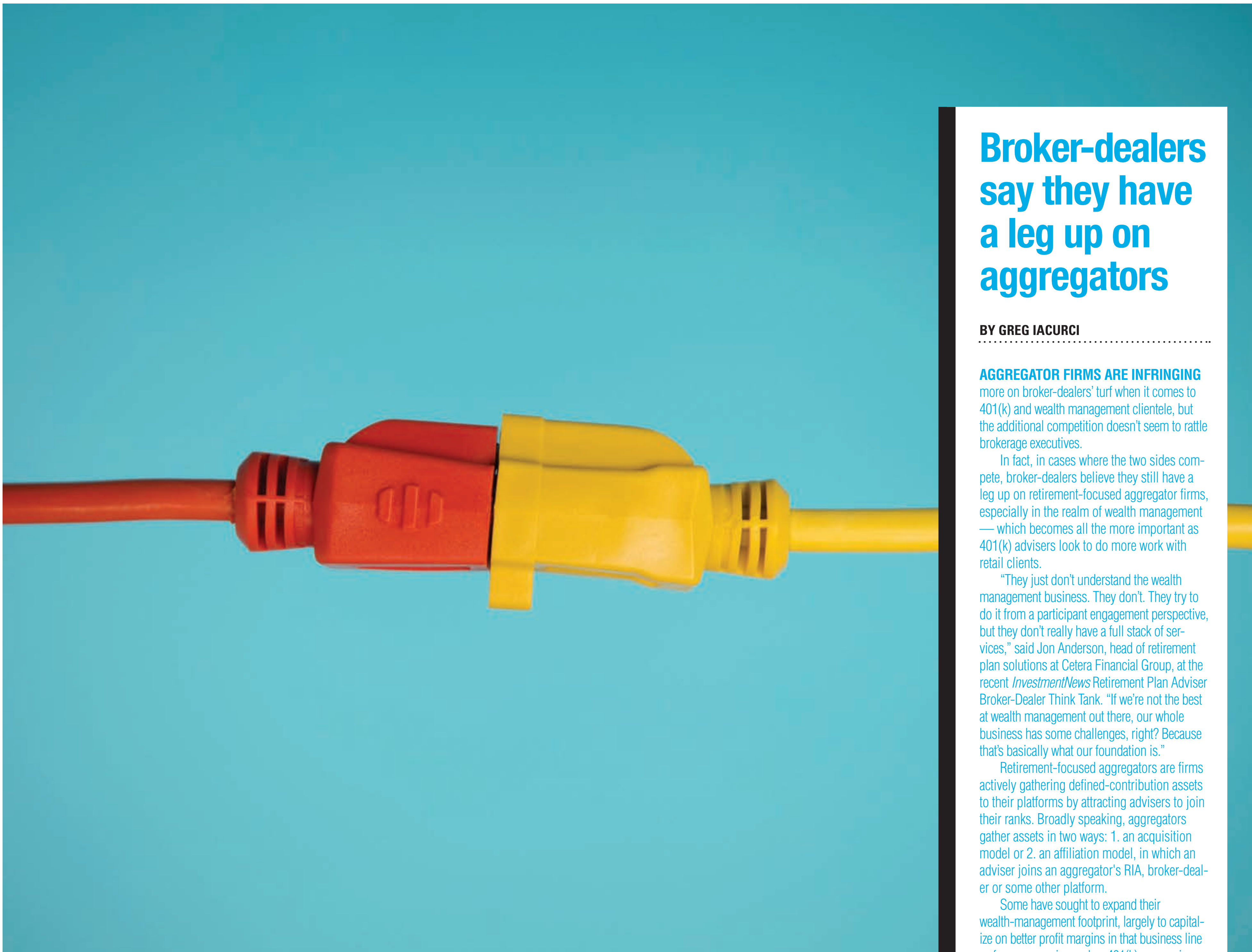
More revenue for advisers, engagement of more 401(k) participants, and ultimately, a boost to overall retirement savings.

Check out the stories and columns featuring the key issues discussed at the June event in New York on the following pages of *InvestmentNews*.

Also find videos with think tank participants at InvestmentNews.com/RPABD.

— Liz Skinner, special projects editor

INSIDE



Broker-dealers say they have a leg up on aggregators

BY GREG IACURCI

AGGREGATOR FIRMS ARE INFRINGING more on broker-dealers' turf when it comes to 401(k) and wealth management clientele, but the additional competition doesn't seem to rattle brokerage executives.

In fact, in cases where the two sides compete, broker-dealers believe they still have a leg up on retirement-focused aggregator firms, especially in the realm of wealth management — which becomes all the more important as 401(k) advisers look to do more work with retail clients.

"They just don't understand the wealth management business. They don't. They try to do it from a participant engagement perspective, but they don't really have a full stack of services," said Jon Anderson, head of retirement plan solutions at Cetera Financial Group, at the recent *InvestmentNews* Retirement Plan Adviser Broker-Dealer Think Tank. "If we're not the best at wealth management out there, our whole business has some challenges, right? Because that's basically what our foundation is."

Retirement-focused aggregators are firms actively gathering defined-contribution assets to their platforms by attracting advisers to join their ranks. Broadly speaking, aggregators gather assets in two ways: 1. an acquisition model or 2. an affiliation model, in which an adviser joins an aggregator's RIA, broker-dealer or some other platform.

Some have sought to expand their wealth-management footprint, largely to capitalize on better profit margins in that business line as fee compression makes 401(k) economics more challenging. Captrust, for example, the largest of the aggregators, aims to boost its annual wealth management revenue to roughly half of the firm's total revenue within the next few years, up from roughly 30% historically.

"They'll do a lot of different things to go after that business that they wouldn't have talked about two years ago," said Mark Dence, who manages Capital Group's sales team interfacing with broker-dealers.

Aggregators, typically made up of 401(k) specialist advisers targeting larger retirement plans, also seem to be working with small plans.

"They're moving down-market into what our advisers' core has been. And that's a challenge," said Jessica Gieseke, product manager on RBC Wealth Management's retirement solutions team. "But it creates a healthy marketplace as well and it shakes things up."

Some believe broker-dealers have cause for concern.

As aggregators inevitably improve their wealth management capabilities, they'll threaten participant rollovers to advisers at brokerage firms, said Dick Darian, CEO of consulting firm The Wise Rhino Group.

"I think they better be [scared]," he said of broker-dealers.

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Convergence of retirement and wealth management is next 'battleground'

The ultimate goal is to engage all 401(k) participants by offering in-plan financial advice

BY GREG IACURCI

Brokerage executives and financial advisers see the convergence of wealth management and the retirement business as a major moneymaking opportunity, and are implementing measures to capitalize on it.

This convergence, which sees wealth managers do more business with 401(k) plans and participants, and 401(k) advisers do more wealth management for individual clients, is occurring as firms see the need to diversify revenue streams and cater to client demand, executives said at *InvestmentNews*' recent Retirement Plan Adviser Broker-Dealer Think Tank in New York.

BLURRED LINES

"The lines are blurring now. It is not so much siloed," said Bryan Hodgens, senior vice president, retirement partners, at LPL Financial, said of wealth management and retirement. "I think it's just going to continue to merge together. I absolutely do."

Being able to do both 401(k) and wealth management work provides a natural referral system for new business. For instance, a business-owner wealth management client may need help managing the company 401(k) plan, and vice versa. 401(k) participants also represent a captive audience of potential retail customers — for the vast majority, a 401(k) adviser will be the only financial adviser with whom they ever come in contact.

The ultimate goal is to engage 401(k) participants, from the highly compensated C-suite executives through the rank-and-file employees, by offering in-plan financial advice. That allows advisers and broker-dealers to potentially capture both retirement and other household assets.

"To me that will be the battleground over the next 10 years," said Dick Darian, CEO at consulting firm The Wise Rhino Group.

Broker-dealers aren't the only group to recognize the opportunity. Many retirement-focused aggregator firms, which acquire advisory shops specialized in the

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Scope of protecting participant account information not clear

By blocking access, sponsors may actually increase chance of harm

While plan fiduciaries should undoubtedly protect participants' confidential information, the scope of that duty is not entirely clear. By focusing solely on blocking access to participants' account information, plan sponsors may actually increase the likelihood their plan participants will be exploited for commercial purposes — especially at retirement.

PHIL TROYER

The danger of adopting a complete hands-off approach to participants was best exhibited by the Department of Labor's prior position on rollovers. According to DOL Advisory Opinion 2005-23A, if someone who was already serving as a plan fiduciary provided rollover advice to a participant, it could be deemed a prohibited transaction. By contrast, if someone who was not a fiduciary to the plan recommended a rollover to a participant, it was not even considered fiduciary investment advice.

CONTRADICTION

The fallout from this position should have been predictable. Plan advisers who were already subject to the fiduciary standard were discouraged from assisting participants when a termination event occurred. By contrast, brokers who had no relationship with the plan were free to swoop in and sell retired participants expensive investment products for big commissions.

Fortunately, the DOL eventually recognized this overly paternalistic approach was leading to the exact result it had sought to prevent. Its amendment of the "fiduciary rule" reversed Advisory Opinion 2005-23A by deeming all rollover recommendations to be fiduciary investment advice, regardless of the provider's prior fiduciary status.

Similarly, plan sponsors that seek to create a protective wall around their participants fail to appreciate that at some point, many of those participants will leave the plan with sizeable account balances and they'll have no idea how to manage them. In many cases, that is like throwing sheep to the wolves.

However, some plan sponsors have embraced a more nuanced approach. Rather than attempting to create a barrier, they have proactively engaged with advisers to ensure their participants will receive the guidance they need.

For example, a construction company that sponsors a very lucrative employee stock option plan recently insisted we provide holistic financial wellness counseling to its employees. At the same time, it required us to offer investment management services to its retiring employees at a reduced fixed rate to ensure they would receive appropriate advice at a reasonable cost as they departed the plan.

Such arrangements do not violate the law.

In fact, the standard proposed by the plaintiffs' counsel in Cassell, et al v. Vanderbilt University, et al is much more restrictive than the applicable regulations. For example, federal privacy laws (SEC Regulation S-P) do not apply to retirement plans. However, even when Reg S-P does apply, it actually permits investment advisers to market products and services to their clients and to enter into joint marketing agreements with unaffiliated third parties, so long as those activities are properly disclosed in the advisers' privacy policy.

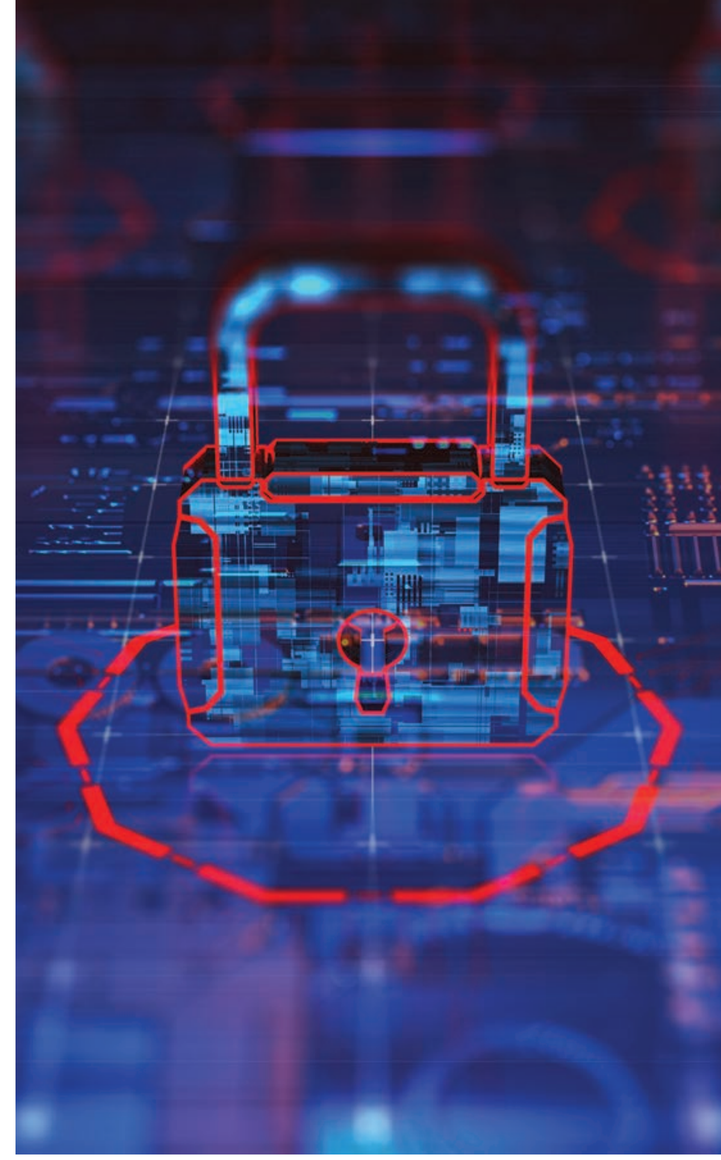
ADDITIONAL SERVICES

That is not to say additional protections for plan participants do not or should not exist under ERISA. For example, a plan adviser utilizing a third-party marketing agreement permitted under Reg S-P could be deemed to have engaged in a prohibited transaction under ERISA section 406(b). However, as long as it is charging a reasonable fee, ERISA section 408(b)(2) would permit the adviser to offer additional services to the plan and its participants.

All of this begs the question, which plan sponsor is truly acting in the best interests of its participants?

The one that blocks participants from receiving the advice many desperately need (thus leaving them vulnerable to exploitation from outsiders) or one that leverages its status to ensure its participants receive advice on fair terms from someone who is required to act in a fiduciary capacity?

Phil Troyer is chief compliance officer of Resources Investment Advisors and securities principal with Triad Advisors.



Do data-privacy rules make cross-selling more difficult?

Security concerns change dynamic of 401(k) information ownership

BY GREG IACURCI

Data privacy rules are causing concern that cross-selling retail products and services to 401(k) plan participants may not always be kosher.

Brokerage executives attending *InvestmentNews*' recent Retirement Plan Adviser Broker-Dealer Think Tank in New York said data security questions that have emerged in the wake of state legislation and scandals from large corporations like Facebook are changing the dynamic over the ownership of participant data.

"I THINK ALL THE REGULATIONS ARE SAYING ... THE PARTICIPANT OWNS THEIR OWN DATA."
JON ANDERSON, HEAD OF RETIREMENT PLAN SOLUTIONS, CETERA FINANCIAL GROUP

It's unclear whether financial advisers and other parties like record-keepers can use 401(k) participants' individual information, such as investment choice and proximity to retirement, to sell them a product like insurance that's outside the scope of a workplace retirement plan, executives said. It may also be a thorny issue for managed-account providers, since account aggregation may run afoul of the rules, as well as some financial wellness services, they said.

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Dearth of young advisers to meet participant needs

One solution is hiring 'coaches' or 'mentors' and paying them a salary plus bonus compensation

FRED BARSTEIN

The cliché that problems are just opportunities in disguise is rarely true. But sometimes they can be. And sometimes they can solve really big problems. For example, there are tens of millions of defined contribution participants in need of financial guidance and there's a dearth of young professionals becoming financial advisers.

Here's how these two problems can create one big solution.

Arguably, the greatest value of DC plans like 401(k)s are the almost 80 million participants looking for financial solutions at work, who either cannot afford a traditional adviser or don't want one. It's the reason why so many fintechs are targeting DC plans through myriad financial wellness or management solutions. There's an emerging market of younger investors willing to manage their finances digitally and there are an estimated 80 million baby boomers retiring over the next 20 years, many invested in DC plans.

But where fin meets tech, compliance can often stop everything — not to mention the challenge of navigating the convoluted financial service adviser distribution system, made more complicated when DC record keepers are included. And while younger people may be more open to digital solutions, pure tech financial wellness solutions have been largely ineffective because most investors still want to call a human who provides coaching.

On the other hand, the graying of the adviser industry is historic, as younger people are not attracted to jobs where they either have to cold-call stale lists or sell insurance to relatives while making little in an eat-what-you-kill compensation model. Not only are the job and compensation unattractive, especially given historically low unemployment rates, there is no noble purpose. Younger people want a career that helps others, which is often lacking within wirehouses and insurance companies, the traditional training grounds for financial advisers.

PURE TECH INEFFECTIVE

The pure tech financial wellness solution for less affluent participants has been ineffective. And while plan advisers are getting better at providing advice, especially

with the push toward wealth management and financial planning, many struggle to hire and train younger advisers to provide one-on-one advice.

On the other hand, wealth managers who have five to 10 DC plans to accommodate or protect a key client are starting to realize that these plans offer a cost-effective way to find wealth management and IRA clients.

So what's the solution?

Why not hire younger people to become financial coaches or mentors help-

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Think tank attendees

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Head of retirement plan solutions, Cetera Financial Group

Fred Barstein
Founder, TRAU & TPSU

David Curylo
Pension consultant, MML Investors Services

Dick Darian
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CHALLENGE OR OPPORTUNITY?

Broker-dealer leaders discuss the future of plan advice and the participant experience

“We have so much more data today. Broker-dealers and advisers in the past might have been trying to provide scalable advice in a way, saying, here’s a model portfolio. But now it can be really personalized to the individual. … We have a managed account solution, as an example, that provides very personalized advice. We now allow the adviser to play an active role in that solution, when in the past they couldn’t.”

Brock Johnson, president, global retirement and workplace solutions, Morningstar Investment Management

“RPAs should have a story that’s personal, whether it’s something that affected them personally, their family, a client, anything where they can encapsulate why they do what they do, why they get up in the morning, why they serve retirement plans and the participants. So that plan sponsor or that prospect goes, ‘Wow.’”

John Peters, senior business development consultant, retirement consulting services, Commonwealth Financial Network

“One opportunity is to really work with the retirement plan adviser, because he’s the adviser who’s currently servicing 10, 20, 30, maybe even 100 or more retirement plans that have the benefit of covering hundreds, if not thousands, of individual plan participants. He’s the one who has the opportunity to get up in front of that audience and help them understand not only what they need to be doing from an accumulation phase, but more importantly what do they do at that point when it’s time to take a distribution.”

Taylor Hammons, head of retirement plans, Kestra Financial

“There is so much focus in our industry on total financial wellness. People are looking at things outside of retirement plans that get in the way of that, whether it’s student loans or health care or … being a caregiver to a disabled person. If one in five U.S. employees are caregivers, which is what the statistics show, this is a big population that needs more help.”

Doug Murray, senior vice president, retirement strategic growth and partnership, Voya Financial

“Advisers are facing a challenge in the DC marketplace around ensuring that their business has a process and there’s proper oversight, not only for one plan they do, but maybe they’re doing 10 or 12. It’s making sure that that oversight is consistent across all of their plans. … It’s a need for consistency both for the plan sponsor and often for the employer.

Mark Dence, accounts manager, Capital Group | American Funds

“What we’re looking at right now for advisers are custom solutions that they can’t get anywhere else, that their competitors can’t get and that they are the only ones in their marketplace that can deliver. That might be a turnkey 3(38) solution, that might be custom price CITs of some of the best money managers out there. We’re trying to find solutions that advisers can differentiate themselves from at the sales point, while also helping them be more efficient in their service capabilities.”

Jesse Taylor, assistant vice president, marketing, RPAG

“We can best help advisers by enabling them to work as a fiduciary with the clients, where they can be free from the other restrictions they might otherwise face, not knowing all the other alternatives in terms of plan-based fees or investment alternatives.”

Scott D. Smith, head of wealth management services, HighTower Advisors

“Technology is evolving customer expectations. They are changing at the speed of light. And, we know from research that these evolving client expectations are not just impacting all the industries around us, they’re also impacting the retirement plan industry. The opportunity for RPAs is to really meet those needs and help set them apart long-term.”

Valarie Vest, vice president, fiduciary service, Cambridge Investment Research

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CONVERGENCE

CONTINUED FROM PAGE 16

401(k) market, are aggressively building out their wealth management capabilities. Record-keepers are building out financial-wellness services to address participants' financial issues, in some cases giving them the opportunity to buy in-house retail products like insurance. And, in a sign of the times, a private-equity firm bought 401(k)-focused managed-account provider Financial Engines for $3 billion last year and merged it with Edelman Financial Services, a retail advisory firm.

FEWER ROLLOVERS

The result will be fewer rollovers from 401(k) plans to retail accounts as more investors keep their money in-plan or with the 401(k) adviser, Mr. Darian said. That's significant because in the past, a rollover event is historically where many brokers and advisers have gotten new business.

While executives see the opportunity, they concede that firms haven't yet succeeded in capitalizing.

Jon Anderson, head of retirement plan solutions at Cetera Financial Group, said he was recently addressing a room of 150 401(k) investors, all making roughly $150,000-$200,000, and asked how many had ever been contacted by their plan's 401(k) adviser. Only two raised their hands.

"I don't know exactly why that's happening, but I know it's happening at scale out there and the participants are just not getting that connection," Mr. Anderson said.

"Whoever does that best and first, I think, is going to be a leader in the marketplace," he said.

There are some challenges to tackling the issue.

One primary challenge: figuring out ways to mitigate corporate risk across thousands of advisers who may be doing retirement-plan business but most likely are not specialists. Many wirehouse and independent brokerages in recent months and years have offered options to relatively inexperienced 401(k) advisers interested in working with retirement plans; such services give responsibility for fiduciary investment management to the home office rather than the adviser to help control risk.

Scaling financial advice for all plan participants also becomes a drain on advisers' time and resources, which many executives see as a reason to implement technology as one part of the equation.

> **"YOU NEED TO BUILD A PIPELINE OF PEOPLE WHO ARE GOING TO BUILD WEALTH OVER TIME."**
> CHRISTINA MARSCHINKE, SENIOR VICE PRESIDENT, RETIREMENT PARTNERS, LPL FINANCIAL

Changing advisers' mindsets toward a long-term asset-gathering framework is also tough but necessary, they said, since 401(k) participants are not often the wealthiest of clients.

"This isn't an immediate game. You need to build a pipeline of people who are going to build wealth over time," said Christina Marschinke, senior vice president, retirement partners, at LPL Financial. "I don't think that's been the mindset of advisers two years ago, three years ago, five years ago."

SUPPORT INFRASTRUCTURE

Some brokerage firms have taken concrete steps to build an infrastructure to support the convergence of wealth and retirement.

David Curylo, pension consultant at MML Investor Services who works with the firm's roughly 9,000 advisers on retirement-plan issues, said the broker-dealer is looking at tiering advisory firms and advisers based on their book of business and recent sales to identify their quantity of retirement business.

Ultimately, the firm's goal is to have an identified retirement-plan specialist in each firm considered to be a "two-plan Tony," or one with only a handful of 401(k) plan clients.

Fred Barstein, founder and CEO of The Retirement Advisor University, said it's imperative for broker-dealers to find a way to support these advisers dabbling in the 401(k) business from the point of getting more small-business employees access to a 401(k) plan, since more-experienced advisers tend to focus on larger plans.

"I think it is that wealth management adviser, the dabbler, the one who maybe doesn't have that billion-dollar book, we've got to help them, we've got to enable them," Mr. Barstein said. "They're the future."

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SALARY MODEL

CONTINUED FROM PAGE 20

ing DC plan participants using a salary plus bonus compensation model? Merrill is using this model for their Edge advisers, which is likely a sign of the times. There's no need for these young financial coaches to cold-call, as their "prospects" are already in the plan. Also, since the plan is overseen by the employer fiduciary who has explicitly endorsed the adviser, that provides a built-in high level of trust.

As more retirement plan advisers move to flat fees for triple-F services (fees, funds and fiduciary) with participant fees dwarfing plan fees, these financial coaches can be paid from a $20-$50-per-life model, assuming a 20% uptake rate, plus the value of fees earned from the additional assets garnered from the participants.

> **80M**
> NUMBER OF BABY BOOMERS RETIRING OVER NEXT 20 YEARS

As an example, a 1,000-life plan can garner up to $50,000 in fees annually paid either directly by the plan sponsor or out of plan assets supporting a large percentage of the salary of one financial coach — fees on additional assets would supplement compensation. Leveraging technology, one financial coach could easily handle 100-life plans, where in-person meetings could be minimized using phone and digital interfaces.

There are two issues with this model. Baby boomers may not want to have someone half their age providing them financial guidance. One answer could be reaching out to the other end of the employee spectrum. The financial service industry has been letting go of a lot of older professionals either for cost-cutting or right-sizing who may have some degree of financial security but still want to work. Being a financial coach, working from home and occasionally meeting with people at the workplace helping baby boomers while leveraging decades of professional training would be attractive to many.

TECH-ENABLED COACHES

The second issue is hiring, training and managing financial coaches, not to mention obtaining the required enabling technology. Advisers and broker-dealers are reluctant to use provider call centers, but there are firms emerging like Prime Capital's Financial Fitness for Life that have hired an army of tech-enabled financial coaches whom advisers can leverage for their own plans, increasing revenue while offering enhanced services to clients.

So the problem of providing help to tens of millions of less-affluent participants and that of the inability to attract younger financial advisers truly are opportunities when combined. An integrated solution provides plan sponsors with the ability to improve workers' enhanced financial security, reduce stress and increase productivity while offering greater benefits to their employees and, at the same time, helping advisory firms attract younger advisers offering new revenue opportunities.

Fred Barstein is the founder and CEO of The Retirement Advisor University and The Plan Sponsor University. He is also a contributing editor for InvestmentNews' *Retirement Plan Adviser newsletter.*

DATA PRIVACY

CONTINUED FROM PAGE 18

"Ultimately what I think all the regulations are saying is the participant owns their own data," said Jon Anderson, head of retirement plan solutions at Cetera Financial Group.

"We want to provide holistic advice and what's in the best interest of the individual. Sometimes that requires ancillary products," Mr. Anderson said. "But the data environment is almost not allowing those conversations."

There appear to be a number of new — and emerging — ways advisers and broker-dealers could be ensnared.

For example, the California Consumer Privacy Act, which gives consumers new rights regarding collection of their personal data, takes effect in January 2020. The law, passed in 2018, generally applies to large companies interacting with California residents, said Kevin Walsh, principal at Groom Law Group. Its ultimate impact on broker-dealers and the broader retirement industry is unclear, since some parties, such as the state's attorney general, are still hashing out final details.

Nevada also signed a data privacy bill into law this year, though it differs from the California rule in that it only applies to operators of internet websites and online services. However, it signals growing interest among states for such data rules. Currently, New York, Texas and Washington are among the states seriously considering legislation, and there's a bipartisan group working on draft legislation at the federal level, Mr. Walsh said.

The issue around investors' 401(k) information plays into broader discussions playing out globally about how technology companies, such as Facebook, collect and leverage user data. The European Union has clamped down on data protection with its General Data Protection Regulation.

An open question in the retirement-plan industry is to what extent there already is federal law on the books, namely the Employee Retirement Income Security Act of 1974, which has jurisdiction in the realm of data security. Lawsuits have begun to address this issue, which examines whether data is considered a "plan asset."

In one recent lawsuit settlement, Vanderbilt University agreed to tell Fidelity Investments, the record-keeper for the school's retirement plan, to refrain from using participants' information to cross-sell unrelated products and services unless participants request it. Lawyers said it was the first time they'd seen such a settlement provision in a retirement plan lawsuit.

BETTER PRODUCTS, SERVICES

However, not all parties believe the fuzzy legal environment will necessarily preclude brokerage firms and advisers from developing better products and services for 401(k) participants.

Christina Marschinke, senior vice president, retirement partners, at LPL Financial, said firms should focus on offering financial wellness services without needing access to all participant data.

"I think it's very possible. We're working on that," she said. "You don't need to have everybody's balances to have a good wellness program."

And although the data issue is more broadly visible, firms should be able to address whatever data laws are passed, said David Levine, principal at Groom Law Group.

"It's not clear who owns what data and what the constraints are," he said. "I think it's definitely on people's minds. But I wouldn't say it's stopped this entire cross-selling discussion at this point."

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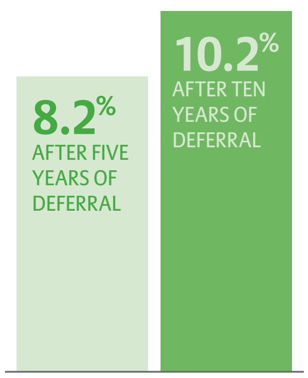

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[3] As of July 2, 2019. Lifetime Income Percentages are set at issue; income percentage increases are set on Index Effective Date (based on eligible person's age).

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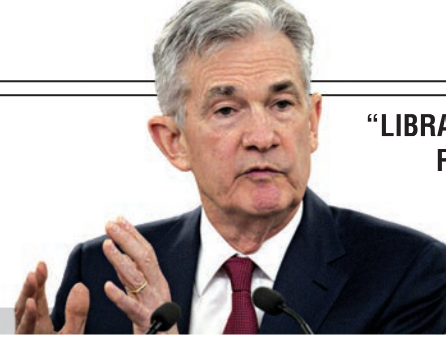

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— FEDERAL RESERVE CHAIRMAN JEROME POWELL ON FACEBOOK'S PROPOSED DIGITAL CURRENCY

Bond index adds climate-risk screen

BY JEFF BENJAMIN

FOR THE FIRST time ever, the sovereign debt issued by the world's developed nations is being indexed according to each country's climate-risk factors.

The FTSE Climate Risk-Adjusted World Government Bond Index is the latest example of the expanding migration of environmental, social and governance investing into the global fixed-income markets. The new index, created by FTSE Russell, essentially reweights the existing FTSE World Government Bond Index (WGBI) from market capitalization to an allocation based on climate-risk factors.

While the index has not yet been licensed as an investible product, FTSE Russell chief executive Waqas Samad said it is designed to provide investors with reduced exposure to climate-related factors that could affect a country's sovereign debt.

"All the commitments governments are making to address climate issues will need to be financed," he said. "And end investors buying government debt need to start taking account of climate risk in the way they invest in bond portfolios."

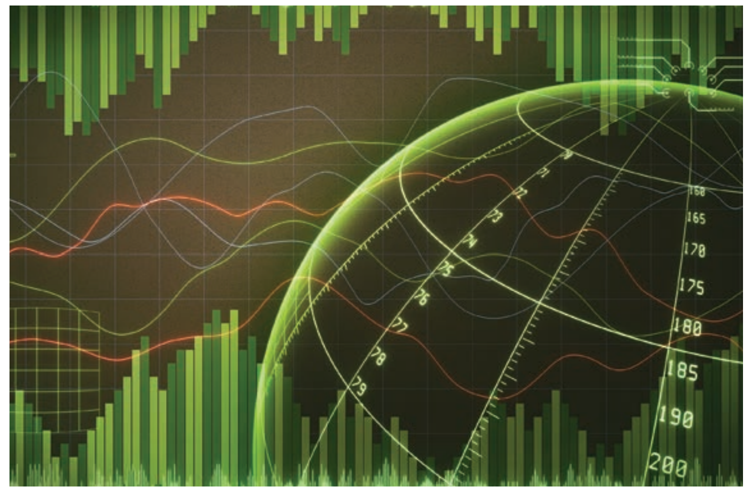
DIFFERENT WEIGHTING

The difference between the traditional cap-weighted index and the climate-risk version is subtle but telling.

The United States, for example, is the largest portion of the cap-weighted index of 22 countries at 38%, but when climate-risk factors are included, the U.S. weight drops by more than three percentage points.

At the other end of the spectrum, the United Kingdom represents just 5.2% of the cap-weighted index but balloons to 7.7% when climate-risk factors are added.

The climate-risk index increases or decreases country weightings based on three primary criteria: transition risk, physical risk and resilience.



>3
PERCENTAGE POINT DROP FOR U.S. IN CLIMATE INDEX

Transition risk reflects the impact on the country and its economy from efforts to mitigate climate change by reducing greenhouse gas emissions to meet the Paris conference target of less than 2 degrees of global warming.

Physical risk encompasses the physical effects of climate change, one factor being how many people in a country live close to or below sea level.

Resilience measures a country's preparedness and actions to cope with climate change.

David Knutson, head of credit research for the Americas at Schroders, called the climate-risk index the "natural progression" for a bond market that has been behind the equity markets when it comes to applying ESG strategies.

"You want to tilt your capital toward countries that have a demonstrated ability to manage ESG factors," he said. "If the bond market perceives a lower risk because of ESG factors, they will lower the cost of borrowing."

Mr. Samad said the climate-risk analysis is just scratching the surface of the opportunities to fine-tune and customize strategies.

Read the full story at InvestmentNews.com/climate.

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Morningstar to emphasize fees in forward-looking ratings

BY JEFF BENJAMIN

KEY POINTS
- New scores designed to give investors, advisers perspective on future performance.
- Different shares of same fund will be ranked separately.

IN THE LATEST iteration of its forward-looking analysts' ratings, Morningstar Inc. is placing more emphasis on fees and raising the bar for actively managed funds, which will be required to beat both their benchmark and their peer group to earn higher scores.

Unlike Morningstar's better-known star rating system, which is based on historical performance, the analysts' ratings are designed to give investors and financial advisers a perspective on how a fund is likely to stack up in the future.

As a part of the increased focus on fees, the rating system will factor in fees at different share-class levels. Until now, the gold, silver, bronze, neutral and negative ratings were applied singularly across a fund's various share classes.

"What that [original method] missed was conveying the differences in share classes, so we're now tailoring ratings to individual share classes," Jeffrey Ptak, Morningstar's global director of manager research said. "For example, share classes that embed fee increments to pay for distribution will now be penalized, and we'll probably see downgrades outnumber upgrades."

MULTIPLE SHARE CLASSES

Globally, the analysts' ratings cover 4,004 unique funds, which expands to 21,415 when taking into account multiple share classes.

There are analyst ratings for 1,914 U.S. funds, which expands to 8,330 when factoring in multiple share classes.

Among the unique U.S. funds, 172 are gold medalists, 388 are silver-rated, 618 bronze-rated, 694 neutral-rated and 33 have negative ratings. (Another nine funds are under review and not currently rated.)

Mr. Ptak said that unlike the performance-based star ratings, the analysts' ratings tend to skew more positive because the funds are being subjectively selected for review.

"WE'LL PROBABLY SEE DOWNGRADES OUTNUMBER UPGRADES."
JEFFREY PTAK, GLOBAL DIRECTOR OF MANAGER RESEARCH, MORNINGSTAR

The new evaluation process includes an analysis of the "people, process and parent company," Mr. Ptak said.

Price will be evaluated after all other analysis has been completed.

EMPHASIS WELCOMED

Todd Rosenbluth, director of mutual fund and ETF research at CFRA, said fees are front and center for more advisers and any increased emphasis will be welcomed.

"Advisers are increasingly gravitating to the cheapest mutual funds and incorporating fund expense ratios into their due diligence rather than relying on performance success that can be fleeting," Mr. Rosenbluth said. "In the past, strong-performing funds would see strong inflows, but given the competition from ETFs, some of these funds have been bleeding assets."

Mr. Ptak said that performance analysis "is not going away, but we wanted to make sure it's evaluated in the right context. If a value strategy does well in a growth market, for example, we want to make sure it's truly a value strategy."

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Highs and lows of cannabis investing

When it comes to investing risks and opportunities, there is currently nothing quite like cannabis. While its use is still illegal at the federal level, the momentum behind a push to regulate marijuana is unmistakable.

INBLOG
JEFF BENJAMIN

Since Colorado and Washington set the pace in 2012 by making cannabis legal for recreational use, nine other states have followed suit. Marijuana has been decriminalized in 15 states and is legal for medical use in 47 states. One could say marijuana is less illegal than it is frowned upon, at the federal level.

There are currently four proposals before Congress that present various ways to decriminalize cannibus, which should open the floodgates for investment opportunities.

FOR NOW, ADVISERS JUST SAY NO

Until then, despite the availability of some easy entry points into the space, financial advisers, being the responsible adults they are, have generally shunned the opportunity to jump on the pot bandwagon.

"Because the federal rules haven't changed, LPL and the bank I work for won't allow us to touch cannabis companies," said Dennis Nolte, vice president at Seacoast Investment Services. "We certainly can't recommend them, and until the federal laws change, I don't see this changing. My bank won't even lend to cannabis-oriented companies."

It's impossible to know how advisers might respond to other "alternative" investments, but I'm betting most could more easily explain cannabis than bitcoin.

Read the full story at InvestmentNews.com/cannabis.

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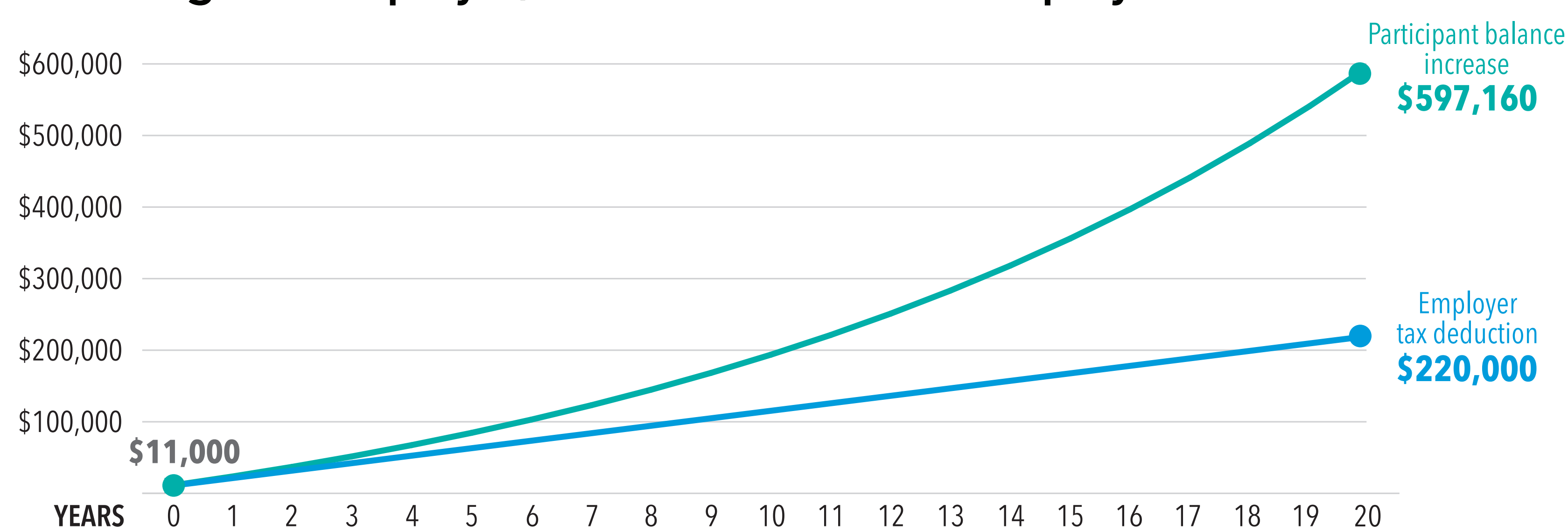
Why should plans pay 401(k) expenses with company assets?

- Tax savings
- Reduced liability
- Better potential plan pricing

Tax savings for employer, increased assets for employees



Hypothetical example assumes a $1 million retirement plan with 30 participants and annual recordkeeper costs of $4,000, advisor costs of $5,000 and TPA costs of $2,000, totaling $11,000, that are added to principal at an assumed growth rate of 8% over 20 years with quarterly compounding.

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TOP 50 EQUITY ETFs, SECOND QUARTER 2019

RANKED BY QUARTERLY RETURNS

	Name/ticker	3-month return	1-year return	3-year annualized return	Net assets ($M)	Expense ratio*
1	Breakwave Dry Bulk Shipping ETF (BDRY)	**39.27%**	-39.69%	N/A	$4.3	0.15%
2	iPath Exchange Traded Notes Global Carbon	**23.56%**	78.42%	90.56%	$11.2	0.75%
3	Invesco Solar ETF (TAN)	**21.41%**	22.63%	13.22%	$359.4	0.70%
4	Global X MSCI Greece ETF (GREK)	**20.61%**	7.00%	14.48%	$385.7	0.59%
5	iShares MSCI Argentina and Global Exposure ETF (AGT)	**17.77%**	22.19%	N/A	$26.3	0.59%
6	Global X MSCI Argentina ETF (ARGT)	**17.60%**	22.15%	14.33%	$96.0	0.59%
7	iShares MSCI Global Gold Miners ETF (RING)	**17.38%**	18.17%	-3.35%	$235.8	0.39%
8	Franklin FTSE Russia ETF (FLRU)	**16.59%**	24.01%	N/A	$14.9	0.19%
9	ALPS Sprott Gold Miners ETF (SGDM)	**16.02%**	14.50%	-5.02%	$170.4	0.57%
10	iShares MSCI Russia ETF (ERUS)	**16.02%**	23.96%	18.55%	$654.7	0.59%
11	VanEck Vectors Russia ETF (RSX)	**14.76%**	19.19%	14.76%	$1,249.9	0.65%
12	VanEck Vectors Gold Miners ETF (GDX)	**14.31%**	15.67%	-2.05%	$10,541.9	0.52%
13	Invesco KBW Property & Casualty Insurance ETF (KBWP)	**13.56%**	$20.7	14.26%	$94.4	0.35%
14	iPath ETN Bloomberg Coffee Subindex Tot Ret	**13.49%**	-19.52%	-21.20%	$55.0	0.75%
15	SPDR S&P Kensho Clean Power ETF (CNRG)	**13.44%**	N/A	N/A	$6.3	0.45%
16	SPDR S&P Aerospace & Defense ETF (XAR)	**13.43%**	20.76%	24.25%	$1,601.7	0.35%
17	VanEck Vectors Russia Small-Cap ETF (RSXJ)	**12.55%**	-0.06%	12.65%	$39.2	0.76%
18	Invesco Aerospace & Defense ETF (PPA)	**12.14%**	19.19%	21.44%	$983.7	0.60%
19	SPDR S&P Kensho Final Frontiers ETF (ROKT)	**11.99%**	N/A	N/A	$3.4	0.45%
20	Invesco Dynamic Building & Construction ETF (PKB)	**11.98%**	2.03%	6.34%	$114.5	0.58%
21	iShares MSCI Brazil Small-Cap ETF (EWZS)	**11.96%**	40.45%	23.34%	$88.2	0.59%
22	Invesco WilderHill Clean Energy ETF (PBW)	**11.65%**	21.32%	17.71%	$171.5	0.70%
23	iShares US Insurance ETF (IAK)	**11.59%**	17.27%	13.79%	$109.6	0.43%
24	Invesco DWA Financial Momentum ETF (PFI)	**11.57%**	9.39%	7.56%	$70.7	0.60%
25	VanEck Vectors Brazil Small-Cap ETF (BRF)	**11.56%**	$37.1	21.28%	$91.0	0.60%
26	First Trust NASDAQ Clean Edge Smart Grid Infra Idx (GRID)	**11.37%**	0.54%	12.58%	$29.0	0.70%
27	First Trust Brazil AlphaDEX Fund (FBZ)	**11.25%**	44.51%	18.47%	$137.3	0.80%
28	Global X Gold Explorers ETF (GOEX)	**10.98%**	5.48%	-5.14%	$39.2	0.65%
29	US Global GO GOLD and Precious Metal Miners ETF (GOAU)	**10.61%**	12.15%	N/A	$14.9	0.60%
30	Invesco DWA Healthcare Momentum ETF (PTH)	**10.55%**	0.80%	25.47%	$176.3	0.60%
31	iPath ETN Bloomberg Coffee Subindex Tot Ret B (JO)	**10.51%**	-16.00%	N/A	$88.4	0.45%
32	SPDR S&P Insurance ETF (KIE)	**10.50%**	16.17%	14.74%	$1,073.1	0.35%
33	VanEck Vectors Junior Gold Miners ETF (GDXJ)	**10.36%**	7.82%	-4.51%	$4,135.3	0.53%
34	ALPS Clean Energy ETF (ACES)	**10.34%**	19.40%	N/A	$68.0	0.65%
35	ALPS Sprott Junior Gold Miners ETF (SGDJ)	**10.11%**	4.46%	-8.73%	$59.3	0.57%
36	AdvisorShares Dorsey Wright ADR ETF (AADR)	**9.69%**	-6.15%	9.27%	$108.2	0.88%
37	iShares Global Clean Energy ETF (ICLN)	**9.65%**	23.85%	9.52%	$256.8	0.47%
38	iPath ETN Bloomberg Cocoa Subindex Tot Ret;A (NIB)	**9.62%**	-5.43%	-9.02%	$17.2	0.75%
39	iPath ETN Bloomberg Grains Subindex Tot Ret	**9.60%**	-1.04%	-10.91%	$39.1	0.75%
40	Aberdeen Standard Physical Palladium Shares ETF (PALL)	**9.48%**	58.96%	36.46%	$208.7	0.60%
41	iShares MSCI Thailand ETF (THD)	**9.37%**	18.91%	14.39%	$505.0	0.59%
42	Tortoise Digital Payments Infrastructure Fund (TPAY)	**9.34%**	N/A	N/A	$4.5	0.40%
43	ETFMG Prime Mobile Payments ETF (IPAY)	**9.31%**	21.91%	26.34%	$717.4	0.75%
44	UBS E-TRACS Bloomberg CMCI Gold Total Return (UBG)	**9.11%**	12.02%	1.36%	$7.1	0.30%
45	iShares Gold Strategy ETF (IAUF)	**9.05%**	12.16%	N/A	$5.4	0.25%
46	Pacer Benchmark Industrial Real Estate SCTR ETF (INDS)	**8.86%**	24.24%	N/A	$12.5	0.60%
47	Franklin FTSE Switzerland ETF (FLSW)	**8.81%**	18.38%	N/A	$5.1	0.09%
48	SPDR Long Dollar Gold Trust ETF (GLDW)	**8.80%**	16.97%	N/A	$33.7	0.50%
49	iShares MSCI Switzerland ETF (EWL)	**8.76%**	17.54%	10.91%	$1,077.6	0.47%
50	Global X DAX Germany ETF (DAX)	**8.76%**	-2.31%	8.68%	$16.1	0.20%

LARGEST INFLOWS

	Name/ticker	3-month estimated net flows ($M)	3-month return	1-year return	Net assets ($M)	Expense ratio*
1	iShares Russell 1000 Value ETF (IWD)	**$4,603.4**	3.80%	8.31%	$43,830.0	0.20%
2	iShares Core MSCI EAFE ETF (IEFA)	**$4,598.2**	3.54%	0.21%	$65,771.1	0.08%
3	iShares Russell 1000 Growth ETF (IWF)	**$3,952.8**	4.59%	11.38%	$48,646.4	0.20%
4	Vanguard 500 Index Fund;ETF (VOO)	**$3,158.2**	4.30%	10.40%	$114,960.2	0.03%
5	Vanguard Total Stock Market Index Fund;ETF (VTI)	**$2,614.1**	4.09%	9.02%	$116,336.1	0.03%
6	iShares Edge MSCI Min Vol USA ETF (USMV)	**$2,339.9**	5.56%	18.56%	$28,587.6	0.15%
7	iShares Russell Mid-Cap Growth ETF (IWP)	**$1,863.8**	5.34%	13.70%	$12,665.2	0.25%
8	iShares Core S&P Total US Stock Market ETF (ITOT)	**$1,848.6**	4.07%	8.89%	$21,285.8	0.03%
9	iShares Russell Mid-Cap ETF (IWR)	**$1,334.7**	4.07%	7.73%	$20,661.3	0.20%
10	iShares ESG MSCI USA Leaders ETF (SUSL)	**$1,331.6**	N/A	N/A	$1,407.4	0.15%
11	JPMorgan BetaBuilders Canada ETF (BBCA)	**$1,305.6**	4.83%	N/A	$3,774.1	0.19%
12	Invesco QQQ Trust Series 1 (QQQ)	**$1,235.6**	4.19%	9.97%	$74,330.2	0.20%
13	iShares Core MSCI Total International Stock ETF (IXUS)	**$1,232.5**	2.88%	0.49%	$15,140.7	0.10%
14	Vanguard Total International Stock Index Fund;ETF (VXUS)	**$1,225.2**	2.76%	0.63%	$13,264.2	0.09%
15	Vanguard High Dividend Yield Index Fund;ETF (VYM)	**$1,164.0**	2.75%	8.73%	$24,578.7	0.06%
16	JPMorgan BetaBuilders Europe ETF (BBEU)	**$1,121.2**	4.29%	2.20%	$4,398.3	0.09%
17	Vanguard Dividend Appreciation Index Fund;ETF (VIG)	**$1,086.7**	5.55%	15.67%	$35,617.4	0.06%
18	Invesco S&P 500 Low Volatility ETF (SPLV)	**$966.4**	5.13%	18.70%	$11,604.4	0.25%
19	First Trust Utilities AlphaDEX Fund (FXU)	**$940.7**	1.87%	11.93%	$1,353.7	0.63%
20	Schwab US Large-Cap ETF (SCHX)	**$881.4**	4.25%	10.18%	$17,007.2	0.03%
21	iShares Core Dividend Growth ETF (DGRO)	**$845.5**	4.63%	14.22%	$7,717.8	0.08%
22	iShares Core S&P Small-Cap ETF (IJR)	**$814.2**	1.87%	-4.85%	$44,741.1	0.07%
23	iShares Russell 2000 Value ETF (IWN)	**$804.2**	1.32%	-6.36%	$10,022.3	0.24%
24	Schwab International Equity ETF (SCHF)	**$792.6**	3.52%	0.58%	$18,383.5	0.06%
25	Vanguard Growth Index Fund;ETF (VUG)	**$789.3**	4.74%	10.47%	$40,897.8	0.04%

LARGEST OUTFLOWS

	Name/ticker	3-month estimated net flows ($M)	3-month return	1-year return	Net assets ($M)	Expense ratio*
1	SPDR S&P 500 ETF Trust (SPY)	**-$5,736.1**	4.26%	10.31%	$268,033.5	0.10%
2	iShares MSCI EAFE ETF (EFA)	**-$3,409.8**	3.75%	1.04%	$61,105.6	0.31%
3	iShares MSCI Emerging Markets ETF (EEM)	**-$2,333.1**	0.50%	0.72%	$32,246.9	0.67%
4	iShares Russell 2000 ETF (IWM)	**-$1,744.5**	2.07%	-3.36%	$42,257.7	0.19%
5	Health Care Select Sector SPDR Fund (XLV)	**-$1,326.3**	1.36%	12.86%	$18,370.5	0.13%
6	iShares MSCI Japan ETF (EWJ)	**-$1,152.9**	0.93%	-4.52%	$12,435.7	0.47%
7	VanEck Vectors Gold Miners ETF (GDX)	**-$1,064.4**	14.31%	15.67%	$10,541.9	0.52%
8	Energy Select Sector SPDR Fund (XLE)	**-$974.5**	-2.76%	-13.30%	$12,342.5	0.13%
9	First Trust Health Care AlphaDEX Fund (FXH)	**-$966.9**	1.38%	4.46%	$1,162.4	0.63%
10	iShares MSCI Hong Kong ETF (EWH)	**-$833.2**	0.89%	9.79%	$2,290.4	0.48%
11	iShares MSCI Eurozone ETF (EZU)	**-$715.6**	5.69%	-0.53%	$6,072.1	0.47%
12	Vanguard Total World Stock Index Fund;ETF (VT)	**-$634.1**	3.50%	5.19%	$12,513.8	0.09%
13	iShares Russell 3000 ETF (IWV)	**-$559.9**	4.05%	8.81%	$9,447.8	0.20%
14	Xtrackers Hvst CSI 300 China A-Shs ETF (ASHR)	**-$536.9**	-2.60%	7.04%	$1,639.2	0.66%
15	SPDR S&P MidCap 400 ETF (MDY)	**-$513.0**	2.97%	1.15%	$19,555.2	0.24%
16	iShares China Large-Cap ETF (FXI)	**-$496.5**	-2.16%	0.93%	$5,530.6	0.74%
17	SPDR S&P Regional Banking ETF (KRE)	**-$486.4**	4.98%	-10.18%	$2,221.5	0.35%
18	KraneShares CSI China Internet ETF (KWEB)	**-$423.6**	-6.65%	-23.54%	$1,521.5	0.70%
19	iShares MSCI Taiwan ETF (EWT)	**-$405.7**	0.81%	0.10%	$2,971.2	0.59%
20	SPDR S&P Bank ETF (KBE)	**-$372.1**	4.80%	-5.74%	$1,785.9	0.35%
21	Alps Alerian MLP ETF (AMLP)	**-$369.7**	0.13%	4.51%	$8,675.9	0.85%
22	Xtrackers MSCI All China Equity ETF (CN)	**-$367.7**	-4.22%	-2.99%	$38.4	0.50%
23	SPDR Dow Jones REIT ETF (RWR)	**-$360.9**	0.77%	9.61%	$2,542.7	0.25%
24	iShares Nasdaq Biotechnology ETF (IBB)	**-$314.2**	-2.34%	-0.52%	$7,538.5	0.47%
25	iShares S&P GSCI Commodity-Indexed Trust (GSG)	**-$312.8**	-1.63%	-12.33%	$934.5	0.75%

Notes: As of June 30, 2019. Excludes conventional mutual funds, leveraged funds and dedicated short bias funds. *Most recently reported net prospectus expense ratio. N/A = not available.
Source: Lipper Data from Refinitiv

TOP 50 FIXED-INCOME ETFs, SECOND QUARTER 2019

RANKED BY QUARTERLY RETURNS

	Name/ticker	3-month return	1-year return	3-year annualized return	Net assets ($M)	Expense ratio*
1	PIMCO 25+ Year Zero Coupon US Treasury Index ETF (ZROZ)	**7.84%**	14.18%	0.95%	$265.3	0.15%
2	iShares 10+ Year Invest Grade Corporate Bond ETF (LLQD)	**7.55%**	15.71%	N/A	$12.9	0.06%
3	FlexShares Credit-Scored US Long Corp Bd Index Fd (LKOR)	**7.51%**	16.11%	5.01%	$19.3	0.22%
4	iPath ETN US Treasury 5Yr Bull ETN (DFVL)	**7.35%**	17.60%	-0.57%	$5.1	0.75%
5	Vanguard Extended Duration Treasury Index Fd;ETF (EDV)	**7.28%**	14.25%	1.00%	$1,116.2	0.07%
6	SPDR Portfolio Long Term Corporate Bond ETF (SPLB)	**7.22%**	14.82%	5.32%	$644.9	0.07%
7	iPath ETN US Treasury 2Yr Bull A (DTUL)	**7.15%**	14.66%	-1.69%	$5.5	0.75%
8	iShares Long-Term Corporate Bond ETF (IGLB)	**6.97%**	14.53%	5.06%	$1,061.0	0.06%
9	Vanguard Long-Term Corporate Bond Idx Fund;ETF (VCLT)	**6.91%**	15.20%	5.33%	$4,057.4	0.07%
10	iShares Core 10+ Year USD Bond ETF (ILTB)	**6.55%**	13.97%	4.13%	$296.1	0.06%
11	Vanguard Long-Term Bond Index Fund;ETF (BLV)	**6.29%**	13.74%	3.63%	$3,449.4	0.07%
12	iShares 20+ Year Treasury Bond ETF (TLT)	**6.07%**	12.07%	1.14%	$14,554.7	0.15%
13	iPath ETN US Treasury 10Yr Bull A (DTYL)	**6.02%**	$15.0	$0.0	$5.4	0.75%
14	SPDR Portfolio Long Term Treasury ETF (SPTL)	**6.02%**	12.25%	1.26%	$2,394.1	0.06%
15	UBS AG FI Enhanced Global High Yield ETN (FIHD)	**5.84%**	13.39%	14.42%	$2,036.0	0.80%
16	Vanguard Long-Term Treasury Index Fund;ETF (VGLT)	**5.69%**	12.23%	1.25%	$1,174.8	0.07%
17	iShares iBoxx $ Inv Grade Corporate Bond ETF (LQD)	**5.36%**	12.50%	4.00%	$36,802.3	0.15%
18	VanEck Vectors JP Morgan EM Local Currency Bd ETF (EMLC)	**5.36%**	8.24%	3.07%	$5,287.2	0.30%
19	WisdomTree Emerging Markets Local Debt Fund (ELD)	**5.25%**	8.31%	3.33%	$187.8	0.55%
20	iShares JP Morgan EM Local Currency Bond ETF (LEMB)	**5.23%**	7.55%	2.29%	$571.4	0.30%
21	Invesco Emerging Markets Sovereign Debt ETF (PCY)	**5.05%**	15.07%	4.57%	$3,393.0	0.50%
22	iShares iBonds Dec 2028 Term Corporate ETF (IBDT)	**5.01%**	N/A	N/A	$64.9	0.10%
23	First Trust Long Duration Opportunities ETF (LGOV)	**4.99%**	N/A	N/A	$10.9	0.65%
24	Invesco BulletShares 2028 Corporate Bond ETF (BSCS)	**4.99%**	N/A	N/A	$32.2	0.10%
25	iShares Edge Investment Grade Enhanced Bond ETF (IGEB)	**4.91%**	$11.8	N/A	$100.2	0.18%
26	iPath ETN US Treasury Long Bond Bull A (DLBL)	**4.89%**	11.49%	0.46%	$0.6	0.75%
27	Principal Investment Grade Corporate Active ETF (IG)	**4.88%**	10.96%	N/A	$120.5	0.26%
28	iShares 10-20 Year Treasury Bond ETF (TLH)	**4.86%**	11.66%	1.32%	$1,131.3	0.15%
29	First Trust Emerging Mkts Local Currency Bond ETF (FEMB)	**4.85%**	8.65%	2.68%	$110.8	0.85%
30	ProShares S&P 500 Bond ETF (SPXB)	**4.84%**	11.17%	N/A	$27.9	0.15%
31	Saba Closed-End Funds ETF (CEFS)	**4.84%**	10.61%	N/A	$49.9	2.56%
32	JPMorgan USD Emerging Market Sovereign Bond ETF (JPMB)	**4.82%**	13.60%	N/A	$64.5	0.39%
33	Franklin Liberty Investment Grade Corporate ETF (FLCO)	**4.80%**	10.63%	N/A	$126.4	0.35%
34	iShares iBonds Dec 2027 Term Corporate ETF (IBDS)	**4.80%**	11.94%	N/A	$173.8	0.10%
35	Invesco BulletShares 2027 Corporate Bond ETF (BSCR)	**4.74%**	12.18%	N/A	$67.5	0.10%
36	SPDR Bbg Barclays Emerging Markets Local Bond ETF (EBND)	**4.66%**	7.70%	2.95%	$810.7	0.30%
37	Aptus Defined Risk ETF (DRSK)	**4.66%**	N/A	N/A	$114.2	0.78%
38	Cambria Sovereign Bond ETF (SOVB)	**4.58%**	6.99%	3.59%	$19.4	0.59%
39	SPDR Bloomberg Barclays Corporate Bond ETF (CBND)	**4.56%**	10.61%	3.87%	$74.3	0.06%
40	iShares ESG USD Corporate Bond ETF (SUSC)	**4.55%**	10.64%	N/A	$41.2	0.18%
41	PIMCO 15+ Year US TIPS Index Exchange-Traded Fund (LTPZ)	**4.53%**	5.06%	2.63%	$178.9	0.20%
42	JPMorgan Corporate Bond Research Enhanced ETF (JIGB)	**4.53%**	N/A	N/A	$28.5	0.14%
43	Goldman Sachs Access Investment Grade Corp Bd ETF (GIGB)	**4.50%**	10.92%	N/A	$461.9	0.14%
44	Invesco 1-30 Laddered Treasury ETF (PLW)	**4.48%**	9.88%	1.12%	$107.4	0.25%
45	iShares 5-10 Year Invest Grade Corporate Bond ETF (MLQD)	**4.45%**	11.68%	N/A	$12.8	0.06%
46	iShares Intermediate-Term Corporate Bond ETF (IGIB)	**4.45%**	11.24%	3.83%	$6,640.8	0.06%
47	Invesco Investment Grade Value ETF (IIGV)	**4.44%**	N/A	N/A	$9.3	0.13%
48	WisdomTree Fundamental US Corporate Bd (WFIG)	**4.43%**	10.45%	3.50%	$5.1	0.18%
49	Franklin Liberty International Aggregate Bond ETF (FLIA)	**4.36%**	4.74%	N/A	$5.1	0.35%
50	Fidelity Corporate Bond ETF (FCOR)	**4.35%**	10.85%	4.07%	$105.9	0.36%

LARGEST INFLOWS

	Name/ticker	3-month estimated net flows ($M)	3-month return	1-year return	Net assets ($M)	Expense ratio*
1	iShares Short Treasury Bond ETF (SHV)	**$5,153.9**	0.68%	2.35%	$24,594.5	0.15%
2	iShares 20+ Year Treasury Bond ETF (TLT)	**$3,821.6**	6.07%	12.07%	$14,554.7	0.15%
3	iShares 7-10 Year Treasury Bond ETF (IEF)	**$3,621.3**	3.93%	10.00%	$16,828.9	0.15%
4	iShares Core US Aggregate Bond ETF (AGG)	**$3,453.7**	3.07%	7.84%	$64,059.0	0.05%
5	iShares US Treasury Bond ETF (GOVT)	**$2,823.6**	2.98%	7.10%	$11,733.1	0.15%
6	Vanguard Total Bond Market Index Fund;ETF (BND)	**$2,345.5**	3.02%	7.90%	$41,531.2	0.04%
7	iShares iBoxx $ Inv Grade Corporate Bond ETF (LQD)	**$1,766.8**	5.36%	12.50%	$36,802.3	0.15%
8	iShares Short-Term Corporate Bond ETF (IGSB)	**$1,673.8**	2.12%	6.12%	$12,435.2	0.06%
9	Vanguard Total International Bond Index Fund;ETF (BNDX)	**$1,523.0**	2.93%	7.85%	$18,312.4	0.09%
10	iShares iBoxx $ High Yield Corporate Bond ETF (HYG)	**$1,475.6**	2.34%	7.62%	$17,747.3	0.49%
11	Vanguard Mortgage-Backed Secs Idx Fund;ETF (VMBS)	**$1,249.1**	1.77%	5.87%	$9,840.2	0.07%
12	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF (BIL)	**$1,241.3**	0.58%	2.13%	$9,306.4	0.14%
13	JPMorgan Ultra-Short Income ETF (JPST)	**$1,024.7**	0.92%	3.22%	$7,405.9	0.18%
14	SPDR Bbg Barclays Intermediate Term Treasury ETF (ITE)	**$996.5**	3.00%	7.73%	$1,706.2	0.06%
15	iShares Preferred and Income Securities ETF (PFF)	**$937.8**	2.29%	3.61%	$15,366.5	0.46%
16	iShares MBS ETF (MBB)	**$810.2**	1.94%	6.19%	$16,909.6	0.07%
17	iShares Intermediate-Term Corporate Bond ETF (IGIB)	**$798.9**	4.45%	11.24%	$6,640.8	0.06%
18	SPDR Portfolio Long Term Treasury ETF (SPTL)	**$594.8**	6.02%	12.25%	$2,394.1	0.06%
19	iShares Broad USD Investment Grade Corporate Bond (USIG)	**$590.7**	4.29%	10.33%	$3,487.1	0.06%
20	Vanguard Long-Term Corporate Bond Idx Fund;ETF (VCLT)	**$573.5**	6.91%	15.20%	$4,057.4	0.07%
21	Vanguard Tax-Exempt Bond Index Fund;ETF (VTEB)	**$563.2**	2.28%	6.56%	$5,163.4	0.08%
22	Schwab Intermediate-Term US Treasury ETF (SCHR)	**$547.9**	3.01%	7.75%	$4,552.2	0.06%
23	iShares Broad USD High Yield Corporate Bond ETF (USHY)	**$525.5**	2.61%	7.62%	$1,379.3	0.22%
24	iShares 0-5 Year High Yield Corporate Bond ETF (SHYG)	**$492.7**	1.52%	5.82%	$3,042.2	0.30%
25	iShares National Muni Bond ETF (MUB)	**$491.7**	2.23%	6.42%	$12,971.0	0.07%

LARGEST OUTFLOWS

	Name/ticker	3-month estimated net flows ($M)	3-month return	1-year return	Net assets ($M)	Expense ratio*
1	iShares 1-3 Year Treasury Bond ETF (SHY)	**-$3,017.7**	1.41%	3.84%	$17,673.5	0.15%
2	iShares JPMorgan USD Emerging Markets Bond ETF (EMB)	**-$1,917.7**	4.08%	12.42%	$15,704.3	0.39%
3	iShares TIPS Bond ETF (TIP)	**-$1,846.2**	2.77%	4.59%	$20,375.2	0.19%
4	Vanguard Short-Term Bond Index Fund;ETF (BSV)	**-$1,602.3**	1.84%	5.26%	$22,445.0	0.07%
5	iShares Floating Rate Bond ETF (FLOT)	**-$509.5**	0.86%	2.79%	$9,923.8	0.20%
6	Vanguard Short-Term Corporate Bond Idx Fd;ETF (VCSH)	**-$369.2**	2.01%	6.20%	$24,057.4	0.07%
7	VanEck Vectors JP Morgan EM Local Currency Bd ETF (EMLC)	**-$278.7**	5.36%	8.24%	$5,287.2	0.30%
8	PIMCO 0-5 Year High Yield Corporate Bond Index ETF (HYS)	**-$265.2**	1.85%	5.71%	$1,460.2	0.56%
9	SPDR Bbg Barclays Short Term High Yield Bond ETF (SJNK)	**-$161.5**	1.53%	5.36%	$3,038.8	0.40%
10	Invesco BulletShares 2019 Corporate Bd ETF (BSCJ)	**-$161.3**	0.69%	2.80%	$1,133.2	0.10%
11	Invesco Emerging Markets Sovereign Debt ETF (PCY)	**-$146.9**	5.05%	15.07%	$3,393.0	0.50%
12	Highland/iBoxx Senior Loan ETF (SNLN)	**-$122.3**	1.06%	1.94%	$263.2	0.55%
13	Principal Investment Grade Corporate Active ETF (IG)	**-$120.8**	4.88%	10.96%	$120.5	0.26%
14	iShares Interest Rate Hedged Corporate Bond ETF (LQDH)	**-$107.6**	1.43%	3.60%	$136.4	0.25%
15	Invesco BulletShares 2019 Hi Yld Corp Bd ETF (BSJJ)	**-$100.7**	0.77%	3.54%	$855.7	0.42%
16	iShares Intermediate Govt/Credit Bond ETF (GVI)	**-$88.4**	2.53%	6.73%	$2,077.6	0.20%
17	ProShares Investment Grade-Interest Rate Hdg ETF (IGHG)	**-$67.1**	2.36%	5.70%	$307.8	0.30%
18	Invesco 1-30 Laddered Treasury ETF (PLW)	**-$65.9**	4.48%	9.88%	$107.4	0.25%
19	PIMCO 1-5 Year US TIPS Index Exchange-Traded Fund (STPZ)	**-$65.2**	1.72%	3.16%	$748.3	0.20%
20	iShares 0-5 Year TIPS Bond ETF (STIP)	**-$64.6**	1.60%	3.14%	$2,337.4	0.06%
21	SPDR Bloomberg Barclays Mortgage Backed Bond ETF (MBG)	**-$59.4**	1.97%	6.21%	$224.4	0.06%
22	iShares Treasury Floating Rate Bond ETF (TFLO)	**-$40.2**	0.54%	2.09%	$588.7	0.15%
23	iShares iBonds Dec 2019 Term Corporate ETF (IBDK)	**-$40.0**	0.68%	2.80%	$765.9	0.10%
24	FlexShares Disciplined Duration MBS Index Fund (MBSD)	**-$39.5**	1.65%	4.63%	$30.5	0.20%
25	SPDR Bbg Barclays International Treasury Bond ETF (BWX)	**-$33.1**	3.64%	4.78%	$1,123.0	0.35%

Notes: As of June 30, 2019. Excludes conventional mutual funds, leveraged funds and dedicated short bias funds. *Most recently reported net prospectus expense ratio. N/A = not available.
Source: Lipper Data from Refinitiv

TOP 50 EQUITY MUTUAL FUNDS, SECOND QUARTER 2019

RANKED BY QUARTERLY RETURNS

	Name/ticker	3-month return	1-year return	3-year annualized return	Portfolio net assets ($M)	Expense ratio*
1	Kinetics Internet Fund;No Load (WWWFX)	**21.92%**	18.16%	19.14%	$138.7	1.84%
2	OCM Gold Fund;Investor (OCMGX)	**16.24%**	11.78%	-3.76%	$28.1	2.86%
3	Voya Russia Fund;A (LETRX)	**15.96%**	23.81%	20.24%	$86.3	2.00%
4	VanEck International Investors Gold Fund;A (INIVX)	**15.47%**	8.60%	-3.93%	$666.0	1.45%
5	Firsthand Alternative Energy Fund (ALTEX)	**15.46%**	14.25%	12.54%	$5.7	1.98%
6	Kinetics Global Fund;No Load (WWWEX)	**14.40%**	5.04%	16.01%	$14.2	1.39%
7	Invesco Oppenheimer Gold & Special Minerals Fd;A (OPGSX)	**14.33%**	15.22%	-0.22%	$1,099.2	1.17%
8	American Century Global Gold Fund;Investor (BGEIX)	**14.29%**	13.75%	-2.37%	$449.0	0.67%
9	Wells Fargo Precious Metals Fund;Inst (EKWYX)	**14.09%**	15.59%	-3.79%	$308.2	0.79%
10	Jacob Micro Cap Growth Fund;Institutional (JMIGX)	**13.44%**	29.82%	25.10%	$14.6	2.41%
11	ABR Dynamic Short Volatility Fund;Institutional (ABRSX)	**13.24%**	11.03%	N/A	$3.7	2.50%
12	Fidelity Select Gold Portfolio (FSAGX)	**13.03%**	13.63%	-4.40%	$1,439.9	0.86%
13	Midas Fund (MIDSX)	**12.93%**	15.93%	-2.19%	$16.9	4.29%
14	Morgan Stanley Inst Dicovery Portfolio;I (MPEGX)	**12.78%**	30.68%	27.81%	$927.3	0.72%
15	Gabelli Gold Fund;AAA (GOLDX)	**12.66%**	12.51%	-5.15%	$268.5	1.55%
16	Fidelity Latin America Fund (FLATX)	**12.17%**	29.00%	11.56%	$554.1	1.07%
17	USAA Precious Metals & Minerals Fund;Fund (USAGX)	**12.13%**	11.51%	-3.85%	$586.1	1.23%
18	First Eagle Gold Fund;A (SGGDX)	**11.75%**	8.82%	-4.85%	$1,121.5	1.29%
19	Tocqueville Gold Fund (TGLDX)	**11.43%**	5.99%	-5.48%	$982.2	1.43%
20	Columbia Acorn European Fund;I (CAEZX)	**11.39%**	4.92%	13.65%	$80.5	1.20%
21	US Global Investors Gold & Precious Metals Fund (USERX)	**11.27%**	6.63%	-3.49%	$102.3	1.78%
22	DF Dent Small Cap Growth Fund;Investor (DFDSX)	**11.26%**	15.01%	16.92%	$19.1	1.05%
23	Equinox Ampersand Strategy Fund;I (EEHIX)	**11.20%**	16.15%	11.04%	$6.7	0.99%
24	Franklin Gold and Precious Metals Fund;A (FKRCX)	**11.16%**	11.55%	-7.73%	$847.8	0.98%
25	Rydex Precious Metals Fund;Investor (RYPMX)	**10.94%**	6.85%	-5.64%	$89.3	1.28%
26	Needham Small Cap Growth Fund;Retail (NESGX)	**10.88%**	16.76%	18.35%	$37.4	1.93%
27	Wells Fargo Discovery Fund;Institutional (WFDSX)	**10.82%**	17.82%	20.71%	$2,582.4	0.88%
28	Fidelity Select Insurance Portfolio (FSPCX)	**10.82%**	17.32%	13.10%	$260.3	0.82%
29	BlackRock Mid-Cap Growth Equity Portfolio;Inst (CMGIX)	**10.66%**	20.37%	24.36%	$4,326.6	0.80%
30	DWS Latin America Equity Fund;S (SLAFX)	**10.33%**	39.69%	15.23%	$320.3	1.41%
31	DF Dent MidCap Growth Fund;Investor (DFDMX)	**10.29%**	20.27%	20.39%	$101.3	0.98%
32	Artisan Mid Cap Fund;Investor (ARTMX)	**10.12%**	19.45%	16.27%	$5,486.9	1.18%
33	PIMCO StocksPLUS Long Duration Fund;Inst (PSLDX)	**10.05%**	22.35%	17.26%	$430.9	0.85%
34	Lateef Focused Growth Fund;I (LIMIX)	**9.99%**	15.40%	15.98%	$52.2	0.85%
35	Wells Fargo Traditional Sm Cp Gr Fd;I (EGRYX)	**9.97%**	17.42%	21.91%	$101.9	0.92%
36	WCM Focused International Growth Fund;Inst (WCMIX)	**9.92%**	11.99%	13.70%	$8,739.9	1.06%
37	ATAC Rotation Fund;Investor (ATACX)	**9.87%**	-5.51%	9.33%	$74.2	1.95%
38	Baron Asset Fund;Retail (BARAX)	**9.85%**	19.39%	20.49%	$4,431.5	1.30%
39	DF Dent Premier Growth Fund (DFDPX)	**9.83%**	21.14%	22.23%	$209.4	1.10%
40	Osterweis Emerging Opportunity Fund (OSTGX)	**9.78%**	10.67%	N/A	$108.6	1.13%
41	Needham Growth Fund;Retail (NEEGX)	**9.77%**	8.77%	10.15%	$96.6	2.76%
42	Invesco Oppenheimer Discovery Fund;A (OPOCX)	**9.70%**	12.59%	19.00%	$2,721.2	1.08%
43	US Global Investors Emerging Europe Fund (EUROX)	**9.66%**	5.61%	10.36%	$33.8	2.43%
44	Segall Bryant & Hamill Fundamental Intl Sm Cp;Rtl (WTIFX)	**9.61%**	1.06%	11.21%	$34.2	1.25%
45	Alger Small Cap Focus Fund;I (AOFIX)	**9.59%**	17.26%	27.07%	$3,766.6	1.17%
46	T Rowe Price Emerging Europe Fund (TREMX)	**9.51%**	10.19%	11.71%	$160.3	1.42%
47	Virtus KAR Mid-Cap Growth Fund;A (PHSKX)	**9.48%**	19.48%	25.19%	$427.3	1.41%
48	Putnam Small Cap Growth Fund;A (PNSAX)	**9.42%**	12.37%	20.76%	$498.0	1.20%
49	Wells Fargo Enterprise Fund;Inst (WFEIX)	**9.41%**	18.78%	18.87%	$782.4	0.85%
50	Hennessy Large Cap Financial Fund;Investor (HLFNX)	**9.40%**	6.19%	18.99%	$34.2	1.70%

LARGEST INFLOWS

	Name/ticker	3-month estimated net flows** ($M)	3-month return	1-year return	Portfolio net assets ($M)	Expense ratio*
1	Fidelity Series Total Market Index Fund (FCFMX)	**$17,513.4**	N/A	N/A	$17,541.8	0.00%
2	Vanguard Total Stock Market Index Fund;Investor (VTSMX)	**$7,466.9**	4.05%	8.87%	$814,085.6	0.14%
3	Fidelity 500 Index Fund (FXAIX)	**$4,563.4**	4.30%	10.41%	$198,287.0	0.02%
4	American Funds American Balanced Fund;A (ABALX)	**$2,390.2**	2.80%	7.01%	$146,670.0	0.57%
5	Strategic Advisers Fidelity US Total Stock Fund (FCTDX)	**$1,992.0**	3.60%	6.12%	$24,325.2	0.35%
6	JPMorgan Equity Income Fund;I (HLIEX)	**$1,737.6**	4.25%	11.45%	$23,652.3	0.75%
7	Fidelity Series Commodity Strategy Fund (FCSSX)	**$1,471.5**	-1.26%	-6.95%	$5,983.2	0.05%
8	MFS International Diversification Fund;I (MDIJX)	**$1,349.0**	4.06%	4.22%	$18,012.6	0.87%
9	Vanguard 500 Index Fund;Investor (VFINX)	**$1,235.4**	4.27%	10.27%	$207,512.7	0.14%
10	Fidelity Small Cap Index Fund (FSSNX)	**$1,230.6**	2.13%	-3.21%	$9,398.6	0.03%
11	AQR Large Cap Defensive Style Fund;I (AUEIX)	**$1,196.5**	4.97%	14.70%	$4,368.0	0.39%
12	Fidelity Total Market Index Fund (FSKAX)	**$1,173.3**	4.08%	8.89%	$48,078.6	0.02%
13	American Funds 2030 Target Date Retirement Fd;A (AAETX)	**$1,127.5**	3.00%	5.85%	$23,103.4	0.72%
14	Fidelity International Index Fund (FSPSX)	**$1,070.7**	3.70%	1.21%	$27,594.8	0.05%
15	T Rowe Price Blue Chip Growth Fund (TRBCX)	**$1,059.7**	4.04%	10.34%	$63,955.1	0.70%
16	American Funds 2025 Target Date Retirement Fd;A (AADTX)	**$1,017.1**	2.91%	6.00%	$21,253.0	0.70%
17	MFS Emerging Markets Equity Fund;A (MEMAX)	**$995.0**	0.54%	-0.22%	$3,000.7	1.31%
18	Fidelity Mid Cap Index Fund (FSMDX)	**$960.8**	4.14%	7.88%	$10,321.1	0.03%
19	American Funds 2035 Target Date Retirement Fd;A (AAFTX)	**$954.6**	3.11%	5.73%	$18,434.1	0.72%
20	Fidelity Contrafund K6 Fund (FLCNX)	**$936.9**	5.50%	8.14%	$8,752.6	0.45%
21	WCM Focused International Growth Fund;Inst (WCMIX)	**$827.1**	9.92%	11.99%	$8,739.9	1.06%
22	American Funds 2040 Target Date Retirement Fd;R4 (RDGTX)	**$823.6**	3.11%	5.70%	$16,067.4	0.75%
23	Columbia Dividend Income Fund;I (GSFTX)	**$811.2**	4.12%	12.92%	$14,745.7	0.71%
24	Fidelity Series Global ex US Index Fund (FSGEX)	**$782.7**	3.03%	1.37%	$7,900.4	0.06%
25	Vanguard Target Retirement 2030 Fund;Investor (VTHRX)	**$742.6**	3.41%	6.42%	$38,403.3	0.14%

LARGEST OUTFLOWS

	Name/ticker	3-month estimated net flows** ($M)	3-month return	1-year return	Portfolio net assets ($M)	Expense ratio*
1	Vanguard Institutional Index Fund;Institutional (VINIX)	**-$5,274.5**	4.30%	10.39%	$228,884.5	0.04%
2	Fidelity Contrafund (FCNTX)	**-$3,889.5**	5.44%	7.92%	$121,774.0	0.82%
3	Dodge & Cox International Stock Fund (DODFX)	**-$2,598.4**	2.81%	-0.31%	$49,883.3	0.63%
4	Invesco Oppenheimer International Growth Fund;A (OIGAX)	**-$2,578.4**	5.94%	-2.13%	$17,750.4	1.10%
5	Oakmark International Fund;Investor (OAKIX)	**-$2,412.9**	3.36%	-6.53%	$33,013.4	0.96%
6	BlackRock Global Allocation Fund;Institutional (MALOX)	**-$1,924.1**	2.89%	4.06%	$26,927.9	0.81%
7	Vanguard Wellington Fund;Investor (VWELX)	**-$1,811.3**	3.89%	10.31%	$105,380.7	0.25%
8	American Funds Growth Fund of America;A (AGTHX)	**-$1,611.8**	3.47%	4.87%	$193,392.2	0.62%
9	Janus Henderson Balanced Fund;T (JABAX)	**-$1,441.8**	3.90%	9.96%	$14,972.5	0.82%
10	Fidelity Low-Priced Stock Fund (FLPSX)	**-$1,381.6**	1.42%	-0.93%	$30,090.3	0.62%
11	Vanguard Health Care Fund;Investor (VGHCX)	**-$1,303.2**	-0.98%	7.30%	$44,747.7	0.34%
12	Vanguard PRIMECAP Fund;Investor (VPMCX)	**-$1,076.7**	2.17%	6.11%	$64,289.3	0.38%
13	American Funds EuroPacific Growth Fund;A (AEPGX)	**-$1,075.2**	3.80%	1.57%	$161,660.6	0.83%
14	T Rowe Price Growth Stock Fund (PRGFX)	**-$1,074.1**	3.79%	8.31%	$55,453.6	0.66%
15	Fidelity Freedom 2020 Fund (FFFDX)	**-$1,057.2**	2.96%	5.10%	$27,513.6	0.60%
16	MFS International Intrinsic Value Fund;A (MGIAX)	**-$1,052.1**	4.27%	6.59%	$28,592.7	0.98%
17	Lazard Emerging Markets Equity Portfolio;Inst (LZEMX)	**-$1,036.0**	2.66%	2.57%	$8,366.3	1.07%
18	Invesco Diversified Dividend Fund;A (LCEAX)	**-$1,000.0**	3.29%	8.68%	$19,193.8	0.81%
19	Oakmark Fund;Investor (OAKMX)	**-$997.4**	3.22%	0.39%	$17,773.3	0.85%
20	T Rowe Price Retirement 2020 Fund (TRRBX)	**-$987.0**	3.39%	6.66%	$18,452.6	0.61%
21	Vanguard Windsor II Fund;Investor (VWNFX)	**-$983.8**	3.85%	7.07%	$46,295.9	0.33%
22	First Eagle Global Fund;A (SGENX)	**-$967.1**	3.63%	5.56%	$50,426.7	1.11%
23	ClearBridge Aggressive Growth Fund;A (SHRAX)	**-$946.9**	1.80%	-1.96%	$7,898.4	1.12%
24	Franklin Mutual Global Discovery Fund;Z (MDISX)	**-$895.9**	3.45%	4.14%	$15,763.0	0.98%
25	JPMorgan US Large Cap Core Plus Fund;I (JLPSX)	**-$855.8**	4.06%	7.11%	$6,421.3	1.70%

Notes: As of June 30, 2019. Primary share only, excludes ETFs, and excludes leveraged funds and dedicated short bias funds. *Most recently reported net prospectus expense ratio. **Portfolio estimated net flows. N/A = not available.
Source: Lipper Data from Refinitiv

TOP 50 FIXED-INCOME MUTUAL FUNDS, SECOND QUARTER 2019

RANKED BY QUARTERLY RETURNS

	Name/ticker	3-month return	1-year return	3-year annualized return	Portfolio net assets ($M)	Expense ratio*
1	Eaton Vance Emerging Markets Local Income Fund;A (EEIAX)	**7.45%**	10.18%	5.31%	$1,019.0	1.22%
2	Vanguard Extended Duration Treasury Index Fd;Inst (VEDTX)	**7.28%**	14.25%	1.00%	$2,561.7	0.06%
3	Ryan Labs Long Credit Fund (RLLCX)	**7.12%**	14.91%	4.68%	$111.7	0.50%
4	SEI Long Duration Fund;A (LDRAX)	**6.88%**	14.39%	4.65%	$1,461.0	0.37%
5	PIMCO Long-Term Cr Bd Fund;Institutional (PTCIX)	**6.85%**	15.55%	6.45%	$4,094.0	0.85%
6	PIMCO Extended Duration Fund;Inst (PEDIX)	**6.84%**	13.87%	1.03%	$1,416.3	0.94%
7	T Rowe Price Institutional Long Duration Credit Fd (RPLCX)	**6.84%**	15.16%	4.70%	$34.8	0.45%
8	SEI Inst Inv Long Duration Credit Fund;A (SLDAX)	**6.81%**	14.55%	4.74%	$4,087.5	0.37%
9	PIMCO Emerg Markets Local Currency and Bd Fd;Inst (PELBX)	**6.81%**	9.80%	4.55%	$2,392.2	0.92%
10	Wasatch-Hoisington US Treasury Fund;Investor (WHOSX)	**6.79%**	12.20%	0.67%	$352.8	0.70%
11	Schroder Long Duration Investment-Grade Bond;Inv (STWLX)	**6.78%**	13.50%	3.68%	$136.4	0.32%
12	MFS Emerging Markets Debt Local Currency Fund;I (EMLIX)	**6.70%**	11.30%	4.84%	$336.8	0.86%
13	Delaware Extended Duration Bond Fund;Institutional (DEEIX)	**6.65%**	13.44%	4.85%	$659.9	0.57%
14	Vanguard Long-Term Investment-Grade Fund;Investor (VWESX)	**6.45%**	14.65%	4.53%	$18,636.6	0.22%
15	PGIM Emerging Markets Debt Loc Currency Fd;Z (EMDZX)	**6.41%**	9.56%	3.78%	$75.0	0.88%
16	Vanguard Long-Term Bond Index Fund;Investor (VBLTX)	**6.33%**	13.71%	3.57%	$12,382.0	0.15%
17	Invesco Oppenheimer Emerging Markets Local Debt;Y (OEMYX)	**6.32%**	10.61%	5.05%	$236.3	0.95%
18	Goldman Sachs Local Emerging Markets Debt Fund;Ins (GIMDX)	**6.28%**	9.29%	3.14%	$161.8	0.91%
19	Calvert Long-Term Income Fund;A (CLDAX)	**6.23%**	13.32%	4.02%	$70.6	0.92%
20	Payden Emerging Markets Local Bond Fund;Investor (PYELX)	**6.02%**	8.83%	4.06%	$213.7	0.92%
21	PIMCO Long Duration Total Return Fund;Inst (PLRIX)	**5.95%**	13.29%	4.77%	$3,717.3	1.00%
22	Stone Harbor Local Markets Fund;Inst (SHLMX)	**5.93%**	6.88%	2.81%	$702.8	0.90%
23	TCW Emerging Markets Local Currency Income Fund;I (TGWIX)	**5.86%**	7.62%	4.42%	$231.2	0.85%
24	Fidelity SAI Long-Term Treasury Bond Index Fund (FBLTX)	**5.77%**	12.20%	1.27%	$78.9	0.03%
25	Fidelity Long-Term Treasury Bond Index Fund (FNBGX)	**5.74%**	12.22%	N/A	$2,171.4	0.03%
26	Vanguard Long-Term Treasury Fund;Investor (VUSTX)	**5.70%**	12.10%	1.06%	$3,752.0	0.20%
27	T Rowe Price US Treasury Long-Term Fund (PRULX)	**5.69%**	11.90%	0.97%	$5,562.3	0.34%
28	Fidelity Series Long-Term Treasury Bond Fund (FTLTX)	**5.68%**	12.23%	N/A	$10,793.1	0.00%
29	Ashmore Emerging Markets Loc Currency Bd Fund;Inst (ELBIX)	**5.68%**	9.29%	4.58%	$73.8	0.97%
30	Barings Em Mkts Debt Blended Total Return Fund;A (BXEAX)	**5.66%**	12.55%	7.17%	$50.5	1.20%
31	Hartford Emerging Markets Local Debt Fund;Y (HLDYX)	**5.63%**	8.71%	4.48%	$158.0	0.91%
32	T Rowe Price Emerging Markets Local Currency Bd (PRELX)	**5.60%**	8.61%	4.37%	$450.2	0.92%
33	Voya Emerging Markets Local Currency Debt Fund;P (ILCDX)	**5.49%**	8.33%	3.48%	$77.3	0.15%
34	Metropolitan West Corporate Bond Fund;I (MWCBX)	**5.40%**	13.80%	N/A	$2.2	0.50%
35	DoubleLine Long Duration Total Return Bond Fund;I (DBLDX)	**5.38%**	10.89%	1.43%	$89.6	0.65%
36	PIMCO Emerging Markets Full Spectrum Bond Fd;Inst (PFSIX)	**5.30%**	10.20%	5.37%	$355.1	0.96%
37	American Funds Emerging Markets Bond Fund;A (EBNAX)	**5.24%**	11.39%	5.70%	$841.9	1.01%
38	PIMCO Long-Term US Government Fund;Institutional (PGOVX)	**5.14%**	11.01%	1.13%	$929.8	0.78%
39	BlackRock Emerg Market Flexible Dynamic Bd Port;K (BREDX)	**4.98%**	5.29%	3.09%	$102.2	0.64%
40	Federated Corporate Bond Strategy Portfolio (FCSPX)	**4.90%**	11.68%	5.02%	$98.7	0.00%
41	PIA BBB Bond Fund;MACS (PBBBX)	**4.86%**	11.11%	4.32%	$146.9	0.17%
42	Ivy Crossover Credit Fund;I (ICKIX)	**4.85%**	11.55%	N/A	$39.8	0.65%
43	Voya Investment Grade Credit Fund;SMA (ISCFX)	**4.83%**	11.83%	5.13%	$157.0	0.00%
44	Emerging Markets Debt (SEDAX)	**4.81%**	9.42%	4.88%	$2,286.8	0.94%
45	Ivy Pictet Emerging Markets Local Currency Db Fd;I (IECIX)	**4.81%**	4.69%	0.56%	$140.6	0.80%
46	PGIM Global Total Return Fund;A (GTRAX)	**4.78%**	9.22%	4.27%	$2,133.8	0.88%
47	Cohen & Steers Preferred Securities and In SMA Shs (PISHX)	**4.76%**	N/A	N/A	$11.3	0.46%
48	Northern Multi-Manager Emerging Mkts Debt Oppty (NMEDX)	**4.76%**	9.79%	4.09%	$158.5	0.95%
49	John Hancock Emerging Markets Debt Fund;I (JMKIX)	**4.75%**	11.72%	6.09%	$1,093.5	0.89%
50	Morgan Stanley Inst Corporate Bond Portfolio;I (MPFDX)	**4.75%**	10.50%	5.03%	$127.9	0.70%

LARGEST INFLOWS

	Name/ticker	3-month estimated net flows** ($M)	3-month return	1-year return	Portfolio net assets ($M)	Expense ratio*
1	PIMCO Income Fund;Institutional (PIMIX)	**$6,746.3**	2.40%	6.93%	$127,806.5	0.74%
2	Fidelity Series Bond Index Fund (FIFZX)	**$6,569.8**	N/A	N/A	$6,758.9	0.00%
3	Vanguard Total Bond Market Index Fund;Investor (VBMFX)	**$4,702.4**	3.05%	7.75%	$229,332.8	0.15%
4	TIAA-CREF Bond Index Fund;Institutional (TBIIX)	**$3,874.1**	2.93%	7.72%	$15,639.8	0.12%
5	Vanguard Total Bond Market II Index Fund;Investor (VTBIX)	**$3,349.3**	2.98%	7.75%	$181,700.1	0.09%
6	PGIM Total Return Bond Fund;A (PDBAX)	**$3,068.8**	3.58%	8.83%	$43,915.8	0.76%
7	Lord Abbett Short Duration Income Fund;A (LALDX)	**$3,034.8**	1.66%	4.90%	$49,594.6	0.59%
8	Vanguard Total International Bond Index Fund;Adm (VTABX)	**$2,763.3**	2.93%	7.81%	$131,613.5	0.11%
9	Baird Core Plus Bond Fund;Institutional (BCOIX)	**$2,128.0**	3.23%	8.39%	$21,337.4	0.30%
10	PIMCO Investment Grade Credit Bond Fund;Inst (PIGIX)	**$1,871.5**	4.16%	10.71%	$14,161.8	0.59%
11	Vanguard Intermediate-Term Tax-Exempt Fund;Inv (VWITX)	**$1,778.4**	2.02%	6.37%	$68,299.5	0.17%
12	Strategic Advisers Fidelity Core Income Fund (FIWGX)	**$1,777.7**	3.07%	N/A	$17,710.7	0.26%
13	American Funds Bond Fund of America;A (ABNDX)	**$1,701.6**	2.98%	7.57%	$44,769.1	0.60%
14	Fidelity US Bond Index Fund (FXNAX)	**$1,468.1**	2.97%	7.88%	$41,740.7	0.03%
15	Dodge & Cox Income Fund (DODIX)	**$1,467.2**	2.79%	7.58%	$59,621.2	0.42%
16	Morgan Stanley Inst Ultra-Short Income Ptf;A (MUAIX)	**$1,412.4**	0.59%	2.37%	$16,572.1	0.50%
17	DoubleLine Total Return Bond Fund;I (DBLTX)	**$1,360.1**	2.34%	6.38%	$52,852.3	0.47%
18	Fidelity Total Bond Fund;Fidelity Total Bond (FTBFX)	**$1,351.7**	3.07%	7.75%	$23,821.6	0.45%
19	BlackRock Short Obligations Fund;K (BBSOX)	**$1,303.3**	0.88%	3.00%	$2,209.4	0.30%
20	Western Asset Core Plus Bond Fund;I (WACPX)	**$1,256.9**	3.90%	9.46%	$27,172.9	0.45%
21	Nuveen High Yield Municipal Bond Fund;I (NHMRX)	**$1,241.7**	3.25%	8.61%	$20,143.8	0.78%
22	Metropolitan West Total Return Bond Fund;M (MWTRX)	**$1,221.0**	3.14%	7.82%	$75,625.7	0.67%
23	Western Asset Core Bond Fund;I (WATFX)	**$1,196.6**	3.14%	8.59%	$11,873.6	0.45%
24	Goldman Sachs Dynamic Municipal Income Fund;A (GSMIX)	**$1,160.6**	1.94%	5.55%	$5,655.2	0.76%
25	Baird Aggregate Bond Fund;Institutional (BAGIX)	**$1,147.1**	3.16%	8.16%	$20,552.0	0.30%

LARGEST OUTFLOWS

	Name/ticker	3-month estimated net flows** ($M)	3-month return	1-year return	Portfolio net assets ($M)	Expense ratio*
1	PIMCO Short-Term Fund;Institutional (PTSHX)	**-$1,597.6**	0.50%	2.04%	$17,212.6	0.57%
2	PIMCO Total Return Fund;Institutional (PTTRX)	**-$1,379.6**	3.21%	7.64%	$66,012.7	0.55%
3	Lord Abbett Floating Rate Fund;F (LFRFX)	**-$1,262.6**	1.66%	3.00%	$11,276.0	0.69%
4	Templeton Global Bond Fund;A (TPINX)	**-$1,094.8**	0.70%	5.27%	$32,937.7	0.94%
5	Invesco Oppenheimer Senior Floating Rate Fund;A (OOSAX)	**-$1,073.0**	0.65%	1.64%	$11,817.3	1.12%
6	PIMCO Emerg Markets Local Currency and Bd Fd;Inst (PELBX)	**-$977.1**	6.81%	9.80%	$2,392.2	0.92%
7	Janus Henderson Flexible Bond Fund;T (JAFIX)	**-$962.2**	2.95%	6.85%	$4,175.7	0.68%
8	Fidelity Series Long-Term Treasury Bond Fund (FTLTX)	**-$828.5**	5.68%	12.23%	$10,793.1	0.00%
9	T Rowe Price New Income Fund (PRCIX)	**-$731.9**	3.13%	7.72%	$25,413.7	0.53%
10	Fidelity New Markets Income Fund (FNMIX)	**-$726.3**	2.16%	7.11%	$8,691.7	0.84%
11	TCW Total Return Bond Fund;I (TGLMX)	**-$692.6**	2.76%	7.21%	$5,803.6	0.49%
12	Wells Fargo Ultra Sh-Tm Muni Inc Fd;Inst (SMAIX)	**-$680.1**	0.53%	1.93%	$1,894.7	0.37%
13	Eaton Vance Floating-Rate Fund;Institutional (EIBLX)	**-$616.5**	1.10%	3.06%	$7,792.2	0.77%
14	Fidelity Advisor Floating Rate High Income Fd;I (FFRIX)	**-$612.4**	1.51%	3.79%	$10,355.9	0.75%
15	PIMCO High Yield Fund;Institutional (PHIYX)	**-$605.0**	2.81%	8.67%	$7,966.4	0.57%
16	PIMCO Real Return Fund;Institutional (PRRIX)	**-$589.8**	2.70%	4.51%	$9,438.4	0.88%
17	Virtus Seix Floating Rate High Income Fund;I (SAMBX)	**-$587.8**	0.98%	3.34%	$4,264.6	0.62%
18	Fidelity Series High Income Fund (FSHNX)	**-$503.3**	2.90%	7.03%	$1,519.3	0.00%
19	Principal High Income Fund;Inst (PYHIX)	**-$492.6**	1.90%	5.58%	$3,138.2	0.66%
20	Eaton Vance Floating-Rate Advantage Fund;B (EBFAX)	**-$459.4**	1.22%	2.95%	$8,257.0	1.75%
21	BlackRock High Yield Bond Portfolio;Institutional (BHYIX)	**-$456.1**	2.66%	6.70%	$16,226.1	0.61%
22	John Hancock Strategic Income Opportunities Fd;NAV	**-$452.3**	2.60%	5.44%	$5,582.6	0.65%
23	JPMorgan Floating Rate Income Fund;I (JPHSX)	**-$443.4**	1.04%	3.03%	$1,567.0	0.75%
24	TIAA-CREF High-Yield Fund;Institutional (TIHYX)	**-$436.3**	2.95%	8.39%	$3,809.0	0.36%
25	AB Intermediate Dvsfd Muni Port;A (AIDAX)	**-$424.8**	1.74%	5.06%	$6,429.4	0.73%

Notes: As of June 30, 2019. Primary share only, excludes ETFs, and excludes leveraged funds and dedicated short bias funds. *Most recently reported net prospectus expense ratio. **Portfolio estimated net flows. N/A = not available.
Source: Lipper Data from Refinitiv

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Finra notes enforcement breaks for cooperation

BY MARK SCHOEFF JR.

FINRA GAVE MORE detail July 11 on how brokerage firms and registered representatives can reduce enforcement penalties by cooperating with the agency.

In a regulatory notice, the Financial Industry Regulatory Authority Inc. reiterated that credit can be given for self-reporting, taking extraordinary steps to correct faulty procedures or to provide remediation to customers, and for giving Finra substantial investigation assistance.

That rubric has been in place since 2008. What Finra did July 11 was expand one-paragraph explanations into one page for each criteria.

"This has been a long time coming," said Susan Light, partner at Katten Muchin Rosenman and former Finra senior vice president for enforcement. "It's extremely helpful as a guide."

Susan Schroeder, Finra executive vice president for enforcement, said in a statement the regulator is responding to a call from the brokerage industry for more transparency around how it decides what kind of cooperation has gone beyond regulatory requirements. For instance, in correcting deficient procedures, Finra is looking for steps such as hiring an independent auditor, creating new supervisory positions and implementing broader reforms than those just targeted to the violation.

ACCELERATED PROCESS

When assessing remediation, Finra will see if firms accelerated the process for identifying and paying back harmed customers. For self-reporting, it will evaluate whether firms discovered misconduct through their own audits rather than from customer complaints.

Finra also outlined 10 steps firms can take that might qualify as substantial help to a Finra probe.

"They're looking for comprehensive action and they want it to happen quickly," said Emily Gordy, partner at McGuireWoods and former Finra senior vice president for enforcement.

In addition, Finra said it will be more transparent about the type of breaks it gives firms — such as reducing fines or forgoing enforcement — by describing them in settlement letters of acceptance, waiver and consent under the heading "Credit for Extraordinary Cooperation."

"Every law firm and every brokerage firm will be scouring the [settlement letters] for that section," Ms. Light said.

Finra also might highlight cases where there was no settlement because the regulator walked away.

"We will think about — going forward — whether there are times when it is appropriate to talk at a high-level about, for example, steps that a firm took that caused us to forego a formal action, of course keeping the firm anonymous — not disclose any details — but trying to provide more information to the industry," Ms. Schroeder said in a video posted on the organization's website.

> **"THEY'RE LOOKING FOR COMPREHENSIVE ACTION AND THEY WANT IT TO HAPPEN QUICKLY."**
>
> EMILY GORDY, PARTNER, MCGUIREWOODS

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New York lawmaker crafts bill requiring fiduciary duty

BY MARK SCHOEFF JR.

A New York lawmaker is working on legislation to raise investment advice requirements in the state.

Assemblyman Jeffrey Dinowitz, D-Bronx, was the author of a bill that would have required financial advisers in the state to disclose whether they are fiduciaries. That measure died in the legislative session that ended last month, as Mr. Dinowitz put it on hold while the Securities and Exchange Commission completed work on its investment advice rulemaking package.

JEFFREY DINOWITZ

He is now crafting a bill that likely would impose a fiduciary standard on all advisers in New York. He hopes to introduce it at the beginning of the next legislative session in January.

"This would be a stronger bill, because [brokers] are not required to act in a consumer's best interest," said Mr. Dinowitz, chairman of the Assembly's Judiciary Committee. "New York — of all places, given our role in the financial industry — we need to do everything possible to ensure consumers are protected from unscrupulous [brokers]."

STATE MODELS

Mr. Dinowitz said he is watching "what is happening in other states to come up with the best possible legislation."

Next door in New Jersey, the state's Bureau of Securities took comments on a fiduciary duty proposal through last Thursday and held a public hearing the day before. In addition, Nevada is working on a fiduciary regulation and Massachusetts recently introduced a proposal.

The brokerage industry is pressing to stop the state-level fiduciary activity, arguing that the SEC rule package — the centerpiece of which, Regulation Best Interest, raises broker requirements — should be the national standard.

Mr. Dinowitz said he'd prefer a national advice rule, too, but the SEC's effort fell short.

"I don't think their changes went far enough to protect consumers," he said. "The federal government in the Trump era doesn't work to protect average people."

Bruce Ashton, partner at Drinker Biddle & Reath, is watching "blue states," such as California, Oregon and Washington for potential action next.

To read the full story, go to InvestmentNews.com/NY.

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Clayton defends Reg BI, ignites more criticism

BY MARK SCHOEFF JR.

SECURITIES AND EXCHANGE Commission chairman Jay Clayton took on critics of the agency's recently approved investment advice reform package in a lengthy defense July 8, but his remarks failed to calm the fierce debate.

In a speech at Babson College in Boston, Mr. Clayton addressed "criticism and misinformation" about the new advice measures, which the SEC passed by a 3-1 vote on June 5.


JAY CLAYTON

One measure, Regulation Best Interest, aims to raise the broker advice standard.

"I believe that much of the criticism — which focused broadly on the extent of the investor protections under Reg BI and our fiduciary interpretation — is false, misleading, misguided and, unfortunately, in some cases is simply policy preferences disguised as legal critiques," Mr. Clayton said.

In an interview and a series of tweets July 9, Barbara Roper, director of investor protection at the Consumer Federation of America, essentially told Mr. Clayton: right back at you.

"He is mischaracterizing our arguments in order to create a false narrative," said Ms. Roper, a member of the SEC Investor Advisory Committee. "That's not honest disagreement about policy. That's just gamesmanship."

SEC commissioner Robert Jackson Jr., the agency's lone Democratic appointment and the only vote against the reform package, assured critics a new SEC in a Democratic presidential administration would take another shot at advice reform.

In Boston, Mr. Clayton responded to several criticisms made by rule detractors. Among them:

Claim: Reg BI will not do enough to protect retail investors.
Mr. Clayton said Reg BI's disclosure, care, conflict of interest and compliance obligations set a higher bar for broker conduct than the current suitability standard, and that brokers must affirmatively act in their customers' best interests.

Ms. Roper tweeted: "We've faulted Reg BI for allowing firms to artificially create conflicts that undermine the best interest standard and for failing to do anything meaningful to ensure those conflicts don't taint recommendations."

Claim: Reg BI is deficient because it does not require a broker to recommend the best investment product.
"Neither investment advisers nor broker-dealers are required to recommend the single 'best' product," Mr. Clayton said. "Many different options may in fact be in the retail investor's best interest, and what is the 'best' product is likely only to be known in hindsight."

Ms. Roper tweeted: "We asked for a principles-based definition to make clear that brokers, and advisers, must recommend the investments and investment strategies they reasonably believe are best for the investor."

Claim: The fiduciary interpretation weakens the existing fiduciary duty applying to investment advisers.
Mr. Clayton said an advisory firm must "not place its own interests ahead of its client's interests."

"They would prefer the formulation that an adviser must 'put its client's interest first,'" Mr. Clayton said. "I have no qualms with ... an adviser saying that."

Claim: The fiduciary interpretation weakens fiduciary duty by not requiring advisers to avoid all conflicts
"There is no legal or regulatory basis for this claim," Mr. Clayton said.

Ms. Roper tweeted: "No one said advisers should avoid all conflicts. The complaint is that the SEC wrote the obligation to seek to [cut] avoidable conflicts out of the standard entirely."

In addressing other claims, Mr. Clayton said that neither Reg BI nor fiduciary duty can be satisfied by disclosure alone.

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David Lerner's financial condition declines

BY BRUCE KELLY

DAVID LERNER Associates Inc., once known for its radio ads selling municipal bonds, reported in a recent regulatory filing that its financial condition deteriorated in 2018.

The filing with the Securities and Exchange Commission, an annual audited financial statement known in the industry as a Focus report, indicated the firm's negative net worth had grown to $17 million from $9.2 million at the end of 2017.

The firm said it had a net loss of $6.3 million on revenue of $53.5 million in 2017. No comparable figures were available for 2018.

The phrase "negative net worth" in a broker-dealer's Focus report means that its "liabilities are greater than the assets," said Terry Lister, a legal and compliance consultant and former Waddell & Reed chief regulatory officer. "The question is what are the firm's actual liabilities."

Another brokerage executive, who asked not to be named, noted that the firm has been borrowing money from founder David Lerner, the firm's sole stockholder, and now has subordinated debt of $21 million.

$17M

DAVID LERNER ASSOCIATES' NEGATIVE NET WORTH IN 2018

"This is the shareholder lending money to himself and therefore converting equity to debt," said the executive. "He's subsidizing the broker-dealer through these loans. They're running at a loss but still have $2 million in excess net capital."

In a statement, David Lerner Associates said it received a clean report from its auditor for 2018 and that its deficit in its financial statement is "offset by subordinated loans, which qualify as regulatory capital."

CLIENT ACCOUNTS HELD SEPARATELY

Because client accounts are held at its clearing firm, RBC Correspondent Services, client investments "are in no way impacted by David Lerner Associates' financial position," according to the company.

David Lerner Associates' "ownership is committed to maintaining the financial viability of the firm," according to the company.

David Lerner Associates was once well known in the New York area for radio ads that asked prospective investors to "Take a tip from Poppy," referring to Mr. Lerner, who promoted municipal bonds.

According to its website, the firm has $4.5 billion in client assets and six branches in the Northeast and Florida.

A decade ago, David Lerner Associates relied on proprietary, in-house products for the majority of its sales. In addition to trading and selling municipal bonds, the firm offered an exclusive line of nontraded real estate investment trusts called the Apple REITs, and also offered proprietary mutual funds under the Spirit of America brand.

KEY POINTS

- Firm reports a growing negative net worth in 2018.
- Its website claims $4.5 billion in client assets and six branches.

Last year, an executive from David Lerner Associates told *InvestmentNews* that sales of proprietary products had declined dramatically at the firm, to 38% of revenue for the 12 months ended April 2018, from 92% in calendar year 2011.

REGULATORY ACTION

Meanwhile, the firm has been the subject of regulatory action.

In 2012, the Financial Industry Regulatory Authority Inc. ordered the firm to pay more than $3.7 million in fines and restitution for overcharging retail customers on sales of more than 1,500 municipal bonds and 1,700 collateralized mortgage obligation transactions.

Later that year, Finra ordered David Lerner Associates to pay $12 million in restitution to clients who had purchased shares of a nontraded REIT called Apple REIT 10. Finra also fined the firm more than $2.3 million for charging unfair prices on municipal bonds and CMOs.

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Dealing with widows requires empathy and patience

MARY BETH FRANKLIN

ONRETIREMENT

I often write about the need to protect clients from the financial risks of living too long, but recently I was reminded that not everyone is blessed with long life.

In May, my husband Mike decided to accompany me on a trip to Chicago for my presentation to the annual *InvestmentNews* Retirement Income Summit. It gave him a chance to visit with two college friends who live there.

But things didn't go as planned. He never got to see his friend Jeff, who died the day after we arrived following a massive heart attack. Jeff was 66 and enjoying a well-planned retirement after a successful career.

Mike was shocked and heartbroken over the sudden loss of his fraternity brother. My sympathies lay with Jeff's wife, who had no warning that her husband of 42 years would be taken from her in an instant.

Ironically, we received the news of Jeff's passing just after I completed an interview with Kathleen Rehl, author of "Moving Forward on Your Own, a Financial Guidebook for Widows," as part of my new podcast series, Retirement Repair Shop. Each podcast focuses on a single issue that can derail retirement plans, such as widowhood, gray divorce, disability or job loss. I interview experts in the relevant fields who offer strategies on how individuals can get their lives and retirement plans back on track.

KEY POINTS

- 70% of married women will experience widowhood.
- Financial advisers should be aware of similarities in what their clients are facing.

Ms. Rehl is a leading expert on widowhood, both as a researcher and a certified financial planning professional. She helps financial advisers develop and hone their skills to deal with widowed clients and connect with potential clients.

Widows comprise one of the fastest growing segments of the U.S. population. More than 1 million women are widowed every year and the total number of widows will soon reach 13 million, according to the U.S. Census Bureau.

MAJORITY OF MARRIED WOMEN

While no woman wants to join this heartbreaking club, 70% of all married women will experience widowhood and 80% of women will die single. In contrast, 80% of men die married.

The average age of the onset of widowhood is 59 and widows are likely to live another 15 years or more on their own. But they are unlikely to continue working with their current financial advisers; 70% of widows fire their adviser after their spouse dies, according to 2011 research by Spectrum Group.

When those widows walk, they will take their money with them. That can be a substantial loss to advisers as women are often dual inheritors, receiving assets from both their deceased spouses and their deceased parents.

"Financial advisers ought to spend more time and effort learning about the unique needs, wants and aspiration of the widowed population," Ms. Rehl and her co-authors wrote in an article, "Widows Voice: The Value of Financial Planning," in the January 2016 issue of the Journal of Financial Service Professionals.

Although every widow's journey is different, financial advisers should be aware of some of the similarities in what their current or potential clients may be facing. Bottom line, most widows have the same question: Will I be OK?

(Questions about Social Security? Find the answers in my ebook at InvestmentNews.com/mbfebook.)

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.

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The perils of do-it-yourself IRA transactions

IRAALERT
ED SLOTT

Do you have clients who are do-it-yourselfers? While consulting YouTube for tips on a minor home improvement project may work out just fine, DIY can create serious problems when it comes to moving retirement funds.

The tax laws are particularly complicated and unforgiving. Some mistakes, usually the biggest ones, cannot be undone. Advisers can help clients avoid these tax disasters and provide real tangible value, before the damage is done.

We hear from taxpayers and advisers all the time, but usually when it is too late. Take these cases we heard about from advisers.

DECIMAL POINT ERROR

An IRA owner went went online to do a $20,000 Roth conversion, but entered $2 million instead. He missed the decimal point. Unfortunately, his IRA contained more than $2 million, so the $2 million was converted, per his input request.

The Tax Cuts and Jobs Act eliminated the recharacterization of Roth conversions, so there was no going back on this.

If this person had worked with an adviser, and it was the financial institution or the adviser who made this error, it might have been correctable since the $20,000 conversion order was not properly followed.

But since he did this himself, there is no one to blame and no relief available. He could possibly go to the IRS for a private ruling on this and they might privately let this obvious egregious error be reversed, just in good conscience, which IRS has been known to do.

WE HEAR FROM TAXPAYERS ALL THE TIME, BUT USUALLY WHEN IT IS TOO LATE.

Even so, it would be expensive and time-consuming. Advisers should not let clients do Roth conversions on their own, especially now that they cannot be undone and the tax will be owed.

CHECKED THE WRONG BOX

Carol Mulhern was employed at the Coatesville Veterans Affairs Medical Center in southeastern Pennsylvania, where she enrolled in a thrift savings plan, or TSP. In attempting a direct tax-free rollover to an IRA, she failed to seek competent advice, botched her withdrawal/transfer form and suffered through a losing court case.

When Ms. Mulhern tried to fill out her company plan rollover form herself, she hit the wrong box. Instead of electing a direct rollover, she mistakenly requested a full distribution and 20% was withheld for taxes.

The Coatesville VA Medical Center TSP sent Ms. Mulhern a check in the amount of $127,381.

Ms. Mulhern ultimately realized her mistake and sent multiple letters to the TSP requesting the original check be voided. Her requests were denied.

She sought to fight this in Tax Court and lost. The court dismissed all counts, stating that the TSP had followed her instructions for a "withdrawal request" and that she had left the "transfer election" box blank.

To make matters worse, it appears Ms. Mulhern compounded her error by again failing to seek competent retirement advice after the check for $127,381 was issued. She was not without recourse. She could have deposited the amount she received into her IRA within 60 days of the date she received the check. She could have even rolled over the "missing" 20% by using other funds to make up the difference.

It is imperative to know which clients intend to move retirement dollars and offer them proactive guidance. Had either of these two people worked with a professional adviser, there's a good chance these errors and the resulting tax disasters could have been avoided.

Ed Slott, a certified public accountant, created the IRA Leadership Program and Ed Slott's Elite IRA Advisor Group. He can be reached at irahelp.com.

6 TO 5 CETERA FINANCIAL GROUP IS DOWNSIZING ITS SIX BROKER-DEALERS TO FIVE, WRAPPING SUMMIT BROKERAGE SERVICES INC. INTO CETERA ADVISOR NETWORKS.
INVESTMENTNEWS.COM/CETERA5

FPA unveils curtailed plan for chapters

BY GREG IACURCI

THE FINANCIAL PLANNING Association issued its final plan July 11 for restructuring the trade group, confirming it will back off a controversial earlier proposal to merge its local chapters, and providing clarity around how it will gauge the plan's success.

The FPA, a group representing financial planners with 23,000 members, said its final OneFPA Network Plan is an overhaul necessary to adapt to competition, shifting member demographics and business diversity, and technology.

Evelyn Zohlen, president of the FPA, said "substantively little" has changed from the most recent proposal to the final plan, which took into account feedback received during a 45-day comment period on its second proposal issued in April and an extensive listening tour of chapters across the country.

SEPARATE LEGAL ENTITIES

The FPA had experienced a backlash after it proposed its initial restructuring plan last November, especially around the idea of dissolving its 86 local chapters and merging them with the national FPA entity. All chapters are currently their own legal entities with autonomy over functions such as finances and event programming, and critics feared a power grab from FPA national.

Leadership listening: FPA president Evelyn Zohlen says group conducted extensive chapter tour for feedback.

The FPA backed off that idea in its amended proposal and kept that stance intact in its final version. The group said, however, that it may revisit the idea in the future, depending on the success of so-called "beta-test" chapters.

In fact, the greatest difference in the final plan is new details around these beta-test chapters, Ms. Zohlen said, 10 of which will be selected by the FPA to study the effects of more coordination and centralization between the chapters and FPA national.

During the two-year beta test, which begins Jan. 1, the FPA will measure goals and performance around themes such as member recruitment, retention and composition; member engagement and satisfaction; staff satisfaction; and chapter viability (increase or decrease in revenues and expenses). These metrics were developed by a third-party consultant.

Chapters that wish to be part of the beta test must fill out an application by Sept. 15 and will be selected in mid-October.

The FPA also indicated that chapter executives of beta-test chapters would now work under FPA national, consistent with their current employment status.

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PORTFOLIO MANAGER VIEWPOINT

WHAT'S DRIVING ESG INVESTING IN ASIA?

Evan Cooper of InvestmentNews recently discussed ESG investing in Asia with experts from Matthews Asia: Vivek Tanneeru, Kathlyn Collins and Darryl Celkupa

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Portfolio Manager
Matthews Asia

KATHLYN COLLINS
ESG Analyst
Matthews Asia

DARRYL CELKUPA
Vice President
Matthews Asia

EVAN COOPER
Executive Editor
InvestmentNews
Content Strategy Studio

CELKUPA: ***Talk to us about the first component of ESG—environment.***

TANNEERU: Asia has accounted for about 85% of the growth in carbon emissions, with China notching 61% of that. Eight of the most polluted countries on the planet are in Asia, and 90 of the 100 most polluted cities are in China and India. China has done some tremendous things, becoming a global leader in renewables and installed solar power.

An investment opportunity here is in the electric vehicle market. The median estimate is 85 million EVs on the road by 2030. The single biggest component of an EV is the battery, and Asian companies produce these batteries.

CELKUPA: ***Can you provide an example of a social challenge and an opportunity?***

Tanneeru: In 2015, 26% of Japan's population was 65 years or over. In a few decades, about a third will be 65 years or older, so I'm looking at companies that offer elder day care, which is a popular solution there. One of the companies has about a 2% market share and strong growth prospects.

CELKUPA: ***Is governance improving?***

COLLINS: Slowly. One of the things that investors look for in evaluating corporate governance is the protection of minority shareholder rights. Countries including Vietnam, China and India have been moving in the right direction on that. China showed a 40% year-over-year rise in the number of listed companies disclosing environmental information in 2018, and some countries are using quotas to increase female representation on the boards of listed companies.

CELKUPA: ***What should advisers keep in mind as they go about researching ESG-related strategies?***

TANNEERU: Asia has accounted for about 60% of global GDP over the last decade. Investors get secular, not cyclical, growth, as in some other emerging markets. The region is at the center of a range of global ESG challenges and is addressing them in profitable and innovative ways. The marginal ESG dollar will most likely make the most attractive return in Asia, and that's why it's a compelling long-term opportunity.

COOPER: ***Can you find high-caliber companies in EM and Asia?***

COLLINS: Yes. Institutions in these markets have always done ESG, as they had to have an extra layer of due diligence, and the companies they invested in have benefited from that scrutiny.

COOPER: ***How do Asian ESG companies fit into a portfolio?***

CELKUPA: Asia accounts for about a third of global market cap and two-thirds of emerging markets, and that will only go up. The EM benchmark will probably do a disproportionate amount in Asia in a few years—and one of the things your clients pay you to do is anticipate the investment landscape.

It's a good time to be investing in Asia. Evaluations are reasonable, on both an absolute and a relative basis. In five years we may see this as an inflection point, with Asia taking over market leadership from the U.S. ■

To learn more, please visit investmentnews.com/invest_asia_2019

Finalists named for Invest in Others

BY BRITTNEY GRIMES

FIFTEEN ADVISERS have been named finalists for the 13th annual Invest in Others Awards, in recognition of their generosity and demonstrated philanthropic commitment to their communities and beyond.

"This year's finalists made a significant impact on those in need," said Megan McAuley, executive director of the Invest in Others Charitable Foundation.

Together the finalists volunteer more than 450 hours each month, raise $6 million a year and help more than 2.5 million people through their designated charities involved with education, child wellness, human services, economic development and veterans.

The advisers, who will be celebrated at an awards dinner in Boston on Sept. 26, are being recognized across five categories.

Catalyst Award: Mike Berry at Legacy Wealth Management in Grand Junction, Colo., for his work with Kids Aid, which provides bags of food each weekend to children who don't have enough to eat; Dan Hintz at UBS Financial Services in Indianapolis, for his work with Million Meal Movement, which provides meals to the hungry; David A. Pickler at Pickler Wealth Advisors in Collierville, Tenn., for his work with the American Public Education Foundation, which helps educate and inspire K-12 youth through learning service projects.

Global Impact Award: Richard S. Brown at JNBA Financial Advisors in Minneapolis, for his work with Starkey Hearing Foundation, which provides the gift of hearing to those in need; Matt MacLean at Affirm Wealth Advisors in Peoria, Ariz., for his work with Quenched, which brings clean water to people in Nepal and India; Mike Mayernick at Mayernick & Associates in Nashville, for his work with Love One International, which helps malnourished and vulnerable children in Uganda receive medical treatment.

Global pursuit: Mike Mayernick and his wife Suzanne volunteer with Love One International, which helps malnourished and vulnerable children in Uganda.

Lifetime Achievement Award: Eric Candelori at Merrill Lynch in Vienna, Va., for his work with Marine Corps Scholarship Foundation, which provides scholarships for the children of marines and navy servicemen and women; Andy Schwartz at Bleakley Financial Group in Fairfield, N.J., for his work with New Jersey SEEDS, which provides high-achieving students from poor families with support; Fred Taylor at Northstar Investment Advisors in Denver, for his work with Children's Hospital Colorado Foundation, which helps to fund the state's only nonprofit pediatric hospital.

Community Service Award: Michael Deutsch at United Capital Financial Advisers in Memphis, Tenn., for his work with Memphis Inner City Rugby, which provides athletic instruction and academic support to high schools in low-income neighborhoods; Rachel Schwarz at The Short Hills Group at UBS Financial Services in Short Hills, N.J., for her work with the Greater Newark Conservancy, which aims to improve the environment within urban neighborhoods; Lawrence D. Sprung at Mitlin Financial in Hauppauge, N.Y., for his work with the American Foundation for Suicide Prevention.

Volunteer of the Year Award: Wayne F. Holly at Sage Rutty and Co. in Rochester, N.Y., for his work with the Bivona Child Advocacy Center, which provides a safe and welcoming place for children who have suffered from trauma and abuse; Brock Moseley at Miracle Mile Advisors in Los Angeles for his work with the Big Brothers and Big Sisters of Greater Los Angeles; Kevin M. Nast at NastGroup Financial in Northville, Mich., for his work with Life Remodeled, which supports projects that improve Detroit neighborhoods.

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WAS BOSTON 2019

Branding tips for advisers looking for strong growth

BY LIZ SKINNER

FINANCIAL ADVISERS who seek to develop a growing and sustainable business should be deliberate about creating brands that resonate with the type of clients they're aiming to attract, industry experts said.

"It's incredibly important that financial advisers think about their brand in a very intentional and disciplined way," said Katherine Mauzy, principal at Edward Jones. "They should include it as part of their business plan and in thinking about how they make that brand come to life."

Part of that branding includes thinking about the entire team with whom the client works, and every interaction the client has with each member of that team, Ms. Mauzy told about 180 financial advisers at the *InvestmentNews* Women Adviser Summit in Boston on July 9.

"Do the clients see, feel and hear that value so that they can articulate it to others?" Ms. Mauzy said.

STORIES, NOT JARGON

Advisers also should avoid using industry lingo that doesn't really mean anything to clients, and they should tell more stories, said Liz Manibay, managing director of business consulting at Charles Schwab Advisor Services.

"Stories are more memorable than facts," she said. "For instance, tell how you helped a business owner sell their business in the most tax-efficient way."

Christine Pacini, financial adviser with AXA Advisors, said she is careful not to use industry jargon that might make clients feel intimidated.

She also constantly follows up with clients — something she said many advisers say they will do but fail to carry out.

"I have a 24-hour rule of returning emails and phone calls," Ms. Pacini said.

WOMEN IN LEADERSHIP

Among other sessions at the daylong summit, financial advisers heard from Joseph Keefe, president of Impax Asset Management, who spoke about the importance of gender diversity at companies and the need for women in leadership positions.

"Put diversity in diversification," Mr. Keefe said. "By investing in the S&P 500, you are overweight in old, white men."

Another theme was the link between improving financial literacy and boosting diversity in the advice industry.

The Boston event is the third of six Women Adviser Summits this year, with the remaining ones taking place in Denver, New York and San Francisco.

The first Women Adviser Summit of 2019 was in Huntington Beach, Calif., in March, followed by Chicago's event in May.

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GRETA FOX

WAS attendees: Top, from left: Christine Pacini of AXA Advisors and Susan E. Sukys of Mosaic Financial Group; Christy Rutherford, author. Bottom, from left: Lisa Kueng of Invesco; Beth Blecker of Eastern Planning and Heather Ettinger of Luma Wealth.

Developing and implementing a winning retirement income strategy for clients

There's no such thing as a one-size-fits-all approach to retirement

There are many factors a financial adviser needs to take into consideration when developing a retirement income strategy for a client. It's likely that today's healthy 65-year-olds will live well into their 80s or even 90s. So constructing a strategy that is tailored to a client's personal objectives and situation is critical to a successful retirement outcome. Sudipto Banerjee, an economist in T. Rowe Price's retirement thought leadership team, shares research about the actual behaviors and spending patterns of retirees. Michael Oler, a retirement income product manager within the multi-asset solutions team, sheds light on the evolving role of plan sponsors in steering employees toward a successful retirement outcome, and Judith Ward, CFP®, a financial planner at T. Rowe Price, shares her insights on how to help clients transition from the accumulation phase of their retirement journey.

INVESTMENTNEWS: **What have you learned about the spending behavior of retirees?**
SUDIPTO BANERJEE: Our research on how retirees spend as they age is clear—household spending decreases as retirees age. The median around age 65 is a little over $35,000, and by age 75, that goes down to around $29,000, so that's about a 19% drop in the first 10 years of retirement. Retirees at 85 spend less than $24,000, so that's about a 34% drop compared to age 65. So by age 85, household spending has dropped by almost a third.

MICHAEL OLER
Vice President
T. Rowe Price Group, Inc.

JUDITH B. WARD, CFP®
Senior Financial Planner
and Vice President
T. Rowe Price Associates, Inc.

SUDIPTO BANERJEE, PH.D.
Senior Manager
T. Rowe Price Group, Inc. and
T. Rowe Price Investment Services

INVESTMENTNEWS: **What does that mean in terms of retirement income planning?**
SUDIPTO BANERJEE: The conventional thinking goes that a successful retirement income plan should replace about 70% to 80% of pre-retirement income. It's a good rule of thumb at least at the beginning of retirement, but it becomes an oversimplified rule. If spending keeps going down, and if we're replacing a constant level of income, then there is a discrepancy.

INVESTMENTNEWS: **Considering the role of a DC plan, how are employers engaging with their employees around this focus on generating retirement income?**
MICHAEL OLER: The employers' view of the defined-contribution plan is changing. They're recognizing the heightened importance of the DC plan in terms of helping employees reach their retirement income goals. When we talk with plan sponsors, they just want to get it right for their participants.

INVESTMENTNEWS: **How does that translate into action?**
MICHAEL OLER: Well, it brings a heightened focus on the whole asset and retirement life cycle, with an emphasis on outcomes. And that actually changes the conversation a little bit. The conversation becomes a bit more strategic. What I mean by that is we find that our clients, and our prospects, respond well to a fundamental question of, what are you trying to solve for? `Help us understand what you're trying to solve for and more specifically what outcomes are being targeted for your participants.' When you can get to that bottom-line question, everything else unpacks from there.

INVESTMENTNEWS: **Planning for retirement income is one thing. Implementing that plan is another. What factors have to be taken into consideration when implementing a retirement income plan?**
JUDITH WARD: Moving from accumulation to retirement is a very challenging time. Clients are facing a lot of uncertainty from a financial and emotional standpoint. They need a lot of support during that transition. Advisers commonly find that their client's needs are unique and that they have to think of a more tailored approach to coming up with retirement income solutions. ■

For more information, please visit www.investmentnews.com/investingwebcastprint

LABOR NOMINEE

CONTINUED FROM PAGE 4

Commerce and business monied interests in their efforts to fight regulations designed to protect workers and investors. His record speaks for itself."

Another fiduciary advocate was more optimistic.

"Mr. Scalia is a gifted lawyer. I trust that he will enforce the law that protects the retirees' source of income," Tamar Frankel, professor of law emerita at Boston University, said in a statement. "Having served brokers, he is well aware of their activities. He is no longer their lawyer. He is the American people's and their retirees' lawyer, and I am sure he will serve his new clients as effectively as he served his clients in the past."

OVERTURNING REGULATIONS

Industry opponents of the DOL rule likely hired Mr. Scalia, son of the late Supreme Court Justice Antonin Scalia, for the lawsuit because of his history of successfully overturning securities regulations in court. They're looking forward to his leading the DOL.

"If he's confirmed, we're confident he'll be an outstanding secretary of Labor," Financial Services Institute chief executive Dale Brown said. "I'm confident that under a Secretary Scalia, the department will take an appropriate, measured approach [on revising the fiduciary rule], including close coordination with Reg BI."

Another industry trade group echoed the sentiment.

Mr. Scalia "is a fantastic pick to serve as the next Labor secretary," Christopher Iacovella, chief executive of the American Securities Association, said in a statement. "ASA looks forward to working with him to ensure the DOL harmonizes its rule with the SEC's Regulation Best Interest rule."

While Mr. Scalia goes through the Senate confirmation process, Patrick Pizzella, former deputy Labor secretary, is serving as acting agency chief. Mr. Brown doesn't believe DOL leadership turnover will delay the promulgation of a new fiduciary rule.

"I don't think the change in the secretary of Labor slows that down a lot, because [DOL] career people in the building are working on the details," he said.

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SCHWAB-USAA

CONTINUED FROM PAGE 5

opportunities for synergies when taking over USAA business in these areas are huge."

US TRUST PURCHASE

For Schwab, which has $3.5 trillion in platform assets, the potential USAA deal is sparking comparisons to its $2.7 billion purchase of U.S. Trust in 2000.

In 2007, Schwab sold that business to Bank of America for $3.3 billion, but Mr. O'Gara said that acquisition stands out as a rare misstep for the discount brokerage behemoth.

"The USAA deal is a stark contrast to the U.S. Trust deal, which didn't work out for them," he said. "In that case, it was at a time when Schwab didn't really have a clear value proposition, but they eventually refocused on the core value proposition of the mass-affluent market of investors with $500,000 and below."

For financial advisers who custody client assets with Schwab, the message seems clear that there is more upside from potential client referrals than downside from Schwab trying to compete with advisers.

"I don't view Schwab or USAA as competitors because they provide limited financial advice," said David Bize, adviser at First Allied Advisory Services.

Dennis Nolte, vice president of Seacoast Investment Services, said he sees the acquisition of USAA's brokerage business as a basic asset grab.

"It's the way of the world, and if advisers don't have a value proposition they deliver, and where the clients are willing to pay for that value, they are going the way of the dinosaur," he said.

Jen Butler, director of asset management and brokerage research at Corporate Insight, also called the potential deal logical and well-suited to Schwab.

"It contributes directly to their bottom line because they certainly have the scale and ability to handle the additional assets," she said. "For Schwab, the focus is on gathering and managing assets, and they should be aggressive."

"I DON'T VIEW SCHWAB OR USAA AS COMPETITORS BECAUSE THEY PROVIDE LIMITED FINANCIAL ADVICE."

DAVID BIZE, ADVISER, FIRST ALLIED ADVISORY SERVICES

For USAA, Ms. Butler said, "brokerage is not their core competency, and this is something that didn't work out for them."

Mr. Seivert of Echelon said the deal looks good for all parties involved and added that USAA is likely getting back to its original focus of providing insurance to military families.

"It is not clear if Schwab approached USAA or if the division was shopped," he said. "It is clear that this asset will have much better economics in the hands of Schwab to own and manage it."

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SCHORSCH SETTLES

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and Schorsch ... improperly inflated an incentive fee calculation which operated as a fraud or deceit on" American Realty Capital Properties Inc., the acquiring REIT known as ARCP, and its shareholders, the SEC alleged.

Mr. Schorsch, Mr. Block and AR Capital "disregarded ... formulas and disclosures" linked to their compensation, the SEC alleged.

The defendants agreed to the settlement without admitting or denying the SEC's findings.

'AT LEAST NEGLIGENT'

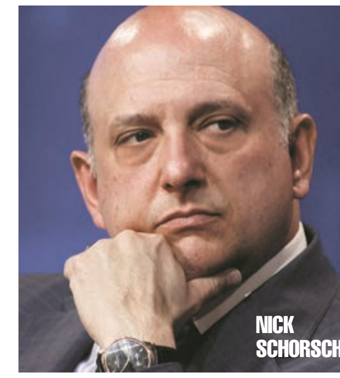
In its complaint, the SEC made no allegations of intentional wrongdoing by Mr. Schorsch. Instead, the complaint alleged Mr. Schorsch was "at least negligent" about the various calculations behind the allegedly inflated fees.

Mr. Block has his own set of problems. The $23 million accounting error ARCP revealed in October 2014 eventually led to criminal charges against Mr. Block. He was found guilty of securities fraud and sentenced to 18 months in prison. Mr. Block's appeal of his conviction is ongoing.

An attorney for Mr. Block, Michael C. Miller, did not respond to a request for comment.

"We are pleased that AR Capital was able to amicably resolve this matter," said Anthony Galioto, deputy general counsel of AR Global, a separate REIT manager that Mr. Schorsch also controls. "Having put this matter behind us, we will continue to focus on serving the interest of and creating value for the shareholders of the REITs we manage."

According to the SEC, AR Capital, Mr. Schorsch and Mr. Block agreed to pay disgorgement of more than $39 million, which includes cash and the return of the



NICK SCHORSCH

wrongfully obtained ARCP operating partnership units; and civil penalties of $14 million against AR Capital, $7 million against Mr. Schorsch and $750,000 against Mr. Block. The settlements are subject to court approval.

Now advisers and brokerage executives want to know what's next for Nick Schorsch. I can't answer that question. But the allegations in the SEC complaint make it clear that investors in the REITs Mr. Schorsch and AR Capital managed deserved far better than they received.

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KEEP CLIENTS

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technology and offering "comprehensive advice" is, in part, to build stickier relationships, said Cerulli Associates director of advice relationships Scott Smith.

MAJOR DIFFERENTIATOR

Technology is helping advisers change their sales pitch. Many institutions are pushing model portfolios to take investment decisions out of advisers' hands. Combined with automated investing and rebalancing, this can also free up time for advisers to talk to clients during rough times, which Mr. Smith said was a major differentiator between advisers in 2008.

"Advisers who didn't reach out lost clients. Those who did gained clients," he said.

The threat of a prolonged downturn also can explain why firms like Fidelity and Envestnet put such a high value on financial planning technologies eMoney Advisor and MoneyGuide, respectively. With financial planning, advisers can talk to clients about individual progress toward long-term goals, a message much more likely to resonate during tough times than quarterly investment returns.

Envestnet MoneyGuide co-CEO and chief technology officer Tony Leal said that although he's witnessed the shift toward financial planning for years, the company sees an uptick in interest when markets take a hit, especially from nonplanners.

It's also why so many firms are talking about helping advisers expand into areas beyond traditional portfolio management. Just look at Envestnet launching a digital insurance exchange, or Ladenburg Thalmann looking at student loans and health care.

All of this is helping advisers better quantify the benefit they provide to clients outside of stock picking and market timing, said Jack Sharry, chief marketing officer of LifeYield, a technology helping advisers offer clients tax optimization strategies.

HAVING A PROCESS

"We are shifting the metric away from guessing on a stock, or an [investment] style or model or whatever. Frankly, it's a guessing game around all that stuff," Mr. Sharry said. "When the market gets rocky, advisers can point back to the process they took to get [clients] through it and have a more reasoned conversation."

However, most institutional firms shy away from questions about market forces influencing tech strategy. While Tricia Haskins, Fidelity Institutional vice president of digital strategy and platform consulting, said technology can be particularly helpful in times of market volatility, it isn't what is driving strategy.

"The shift toward planning isn't necessarily tied to a market cycle event — it's an evolution we're seeing in the industry as advisers increasingly look to provide more value to today's discerning clients," she said in an email.

But advisers seem to recognize the importance of technology in surviving the next downturn. In a recent report from Schwab Advisor Services, 94% of advisers expect to grow over the next five years, despite two-thirds expecting a major market drop. The reason? Investments in technology they believe will help them weather the storm.

Not only will this new world of tech-powered advice help advisers through the next crash, it should help clients as well.

"It's more productive," Mr. Smith said. "Advisers aren't great portfolio managers; clients are probably going to have better outcomes if advisers focus on goal management."

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56 FIRMS SETTLE

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ing left to individual reps to figure out."

The SEC and Finra have zeroed in on potential customer harm from high-fee mutual funds.

Earlier this year, the SEC concluded the first round of its share-class initiative, with another tranche of settlements expected. In January, Finra launched a self-reporting program centered on 529 college savings plan costs.

Those efforts highlight the regulators' emphasis on retail customers, Ms. Riewe said.

"They're very focused on point-of-sale fees and expenses," she said.

Last week, Finra issued guidance on how it determines whether firms can reduce enforcement penalties by cooperating with the regulator. It followed up on that theme last Wednesday.

MAKING CUSTOMERS WHOLE

"Ensuring that harmed customers are made whole is our highest priority, and in some instances Finra granted credit for extraordinary cooperation to those firms who were proactive in identifying and fixing the issue and who quickly remediated affected customers," Susan Schroeder, Finra executive vice president and head of enforcement, said in a statement.

A chance to avoid fines will get firms' attention, Ms. Riewe said.

"By offering a concrete measure of credit, regulators force firms to consider seriously whether to self-report to take advantage of that carrot," she said.

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