

June 19-23, 2017

InvestmentNews®

CRAIN \$4.00 / \$69 Year

The Leading Source for Financial Advisers



AARON SCHUMM

BILL SIMONET

ROGER MA

CHRISTINE A. HEALY

LEIGHANN MIKO

40 UNDER 40

PASSION FUELS THE FUTURE

PAGE 8

INSIDE

6 Editorial
8-23 Special report: 40 Under 40
29 IRA Alert

FIDUCIARY FOCUS

2 Annuities and the DOL rule
25 Some prefer using the BICE

TRIAL ENDS

28 Unfair competition
Ameriprise, staffers dinged \$1.5M
for violating fair business practices.

ONLINE



Ways to increase diversity in
the financial advice industry
InvestmentNews.com/Wright



Top independent
broker-dealers by payout
InvestmentNews.com/topIBD

Cover: Erin Patrice O'Brien

CORRECTION

The article "Voya to relaunch buffer annuity" in the June 5 issue mistakenly stated one of the firms offering these products as MetLife Inc. It should have been Brighthouse Financial.

CONNECT WITH US



Contents © Copyright 2017 by Crain Communications Inc. All rights reserved. Vol. 21, No. 24, June 19, 2017. InvestmentNews (ISSN 1098-1837) is published weekly, except the first week of January, the first week and third week of July, the first, third and last week of August and the last week of December, by Crain Communications Inc., 1155 Gratiot Avenue, Detroit, MI 48207-2997. Periodicals postage paid in Detroit, Mich., and additional mailing offices. POSTMASTER: Send address changes to InvestmentNews, Circulation Dept., 1155 Gratiot Avenue, Detroit, MI 48207-2912. U.S. subscription price: \$69 a year. Main editorial and business offices at 685 Third Avenue, 9th floor, New York, N.Y. 10017-4024. Four weeks notice required for change of address. Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement # 40012850, GST #136760444. Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3.

REGULATORY ACTION

Stiffer standard for annuity sales?

State insurance regulators looking at DOL fiduciary rule as guide for adjustments

BY MARK SCHOEFF JR.

STATE INSURANCE regulators are using the Labor Department's fiduciary rule as a benchmark as they begin to mull changes to the annuity sales standard they oversee.

The DOL rule, part of which was implemented June 9, requires advisers to act in the best interests of their clients in retirement accounts. Annuity sales are governed by a suitability standard that has been adopted by almost every state. The standard, which is similar to the suitability rule for brokers that Finra regulates, requires sales professionals to take into account a client's risk tolerance, age, liquidity needs and other factors, but it is less stringent than the DOL rule.

Recently, the National Association of Insurance Commissioners formed a working group to take a fresh look at annuity suitability and consider making it a best-interests standard.

UNIFORMITY, CONSISTENCY
"If that makes some sense, and we can model by our existing suitability rules to reflect something

along the lines of a best interest, we should do that," Ted Nickel, Wisconsin insurance commissioner and NAIC president, said last Tuesday at an Insured Retirement Institute conference in Washington. "We've seen what's happened nationally, and we want to make sure we have uniformity and consistency at the state level."

The IRI and other groups representing the insurance industry have opposed the DOL regula-

Lee Covington, IRI senior vice president and general counsel, said the organization has resisted some provisions of the DOL rule but not the best-interest requirement.

"We have always supported a best-interest standard of care," Mr. Covington said on the sidelines of the conference. "The problem has been the totality of the DOL rule."

But it's the disclosures and other steps that must be taken to

Roper said. "It's a complete transformation to a standard that mitigates conflicts. If they would achieve that, it would be a great step forward, not just for retirement savers but all investors."

MIRROR CURRENT THOUGHT

The NAIC "will take a look at the wording of the best-interest standard in the DOL fiduciary rule, look at some of the other requirements in the DOL rule and see if there's some areas that we could adjust or modernize our existing suitability language to more mirror some of this current thought that was put into the [DOL] best-interest standard," Mr. Nickel said.

Inappropriate sales of variable and fixed annuities have been cited by supporters of the DOL rule as a reason the measure is needed. But Mr. Covington said the existing suitability standard has worked well.

"State regulators have seen complaints drop significantly since adoption of the suitability standard across the country," Mr. Covington said.

mschoeff@investmentnews.com
Twitter: @markschoeff

**"IT'S NOT JUST A LITTLE STEP FROM SUITABILITY TO BEST INTEREST."**

BARBARA ROPER, DIRECTOR
CONSUMER FEDERATION OF AMERICA

tion, which is under a presidentially mandated review that could lead to its modification or repeal. Insurance opponents have filed suits claiming that rule will curtail annuity sales. The products give investors an income stream in retirement but also have been criticized for their complexity and cost.

reduce conflicts of interest that are at the heart of the DOL rule, said Barbara Roper, director of investor protection at the Consumer Federation of America. The NAIC has to be prepared to make a "dramatic" overhaul of its annuity rule.

"It's not just a little step from suitability to best interest," Ms.

EDITOR'S NOTE

The triumph of personal passion



FRED GABRIEL

This year's class of rising stars in the financial advice industry proves that passion trumps just about everything — including power, prestige and money — when it comes to finding fulfillment and achieving early success. The men and women honored in this year's 40 Under 40 issue are fiercely passionate about everything from world travel to education to helping families. They're also passionate about blogging, bobsledding and barbecue.

And, of course, they're passionate about the financial advice industry.

Read their stories, starting on page 8.

Read why they became financial advisers or are committed to serving financial advisers. Read about what gets them out of bed each morning and I guarantee you will wonder the same of yourself. It's a question worth asking ourselves.

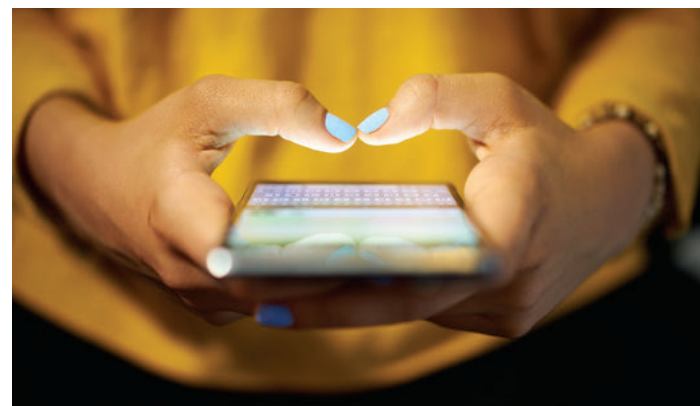
If you want the full 40 Under 40 experience, check it out online at InvestmentNews.com/40. You'll also find some great video that takes you behind the scenes in the making of this week's cover.

One of the things that gets me out of bed each morning is the chance to help shine a light on what the financial advice industry is, and what it could become. This issue is a good example of that. We highlight the tremendous promise and potential of this profession by showcasing its young talent who are doing remarkable things.

This issue would not be possible without months of hard work by staff at *InvestmentNews*: reporters, editors, copy editors, photographers, art designers and web developers. As we stood around a conference-room table last week reviewing final proofs of this report, I could not help but appreciate the passion that drives us all.

And now, meet *InvestmentNews*' 2017 class of 40 Under 40.

fgabriel@investmentnews.com, Twitter: @FredPGabriel



BROKER-DEALERS

Morgan allows texts

Seeks to better serve digitally wired clients

BY JEFF BENJAMIN

MORGAN STANLEY Wealth Management is partnering with tech firm Twilio to enable advisers to communicate with clients via text messaging as part of its latest push to better serve digitally wired clients.

"Digital can't be viewed as something separate from the financial advice business," said Naureen Hassan, Morgan Stanley's chief digital officer.

As Ms. Hassan detailed last Tuesday, the firm's enhanced digital approach goes well beyond just texting and will be rolled out in stages over the next several months.

"The goal is to enable finan-

cial advisers to better service clients by arming them with all the tools they need, and that's why we have partnered with several companies to help advisers with the mountain of information they receive every day," she said.

PRE-WRITTEN POSTS

One example of the beefed-up digital presence is providing advisers with pre-written communications related to various news and economic events that can be customized by the adviser for use in client communications.

Ms. Hassan cited, as an example, the way her own finan-

CONTINUED ON PAGE 30

INVESTINGINTELLIGENCE

Plunge in bitcoin price vindicates skeptics

BY JOHN WAGGONER

ADVISERS WARY OF the bitcoin craze were vindicated last Monday after the digital currency dropped 13%.

After hitting a high of \$3,000 on June 11, bitcoins have dropped more than \$500, and were selling for around \$2,500 late last Friday.

The surge in bitcoin prices had been astonishing. A single bitcoin cost \$968.23 on Dec. 31, according to CoinDesk. Even after last week's drop, the price was still up over 150% on the year. Naturally that attracted some attention from investors, and translated into calls to advisers.

NO CLIENTS CLAMORING

Advisers say — with some relief — that their clients aren't clamoring to get into the electronic currency. "I've gotten a couple calls about cryptocurrencies," said Douglas Boneparth of Bone Fide Wealth. "They're trying to understand how they work, or they're reading about someone who invested \$100,000

that is now worth \$75 million."

Bitcoins are an electronic currency that are created by solving complex mathematical puzzles, a process called "mining." As the number of bitcoins rises and the demand grows, bitcoin mining becomes progressively more difficult. That difficulty translates into greater expenses for both computing power and electricity.

UNREGULATED CURRENCY

Central banks control the amount of conventional currencies in circulation, and those amounts depend on seasonal demand, the economy, government borrowing and sometimes government manipulation. Bitcoins are unregulated — a feature that endears them to hackers. The maximum number of bitcoins that can be mined is 21 million; about 14 million have been mined to date.

The allure of bitcoin is that it lets you send money around the world for little or no cost. You can do bitcoin transactions with other users without disclosing any personal



information. And all bitcoin transactions can be verified through the bitcoin blockchain, a kind of electronic public ledger that's extraordinarily difficult to hack.

The downside? Bitcoin prices are extremely volatile, and those big price spikes are often followed

by equally large drops. No country recognizes bitcoin as legal currency, and none are likely to. And while a few companies, such as Overstock, will accept bitcoins, you're going to get pretty hungry before you can find a store that

CONTINUED ON PAGE 30

LEGALMATTERS

Warnings at ARCP

Exec says accounting red flags were ignored

A FORMER HIGH-RANKING executive at American Realty Capital Properties Inc. testified last week in federal court in New York that in emails and meetings during the spring and summer of 2014 he repeatedly raised the warning of an accounting mistake in the real estate investment trust's calculation of an important cash-flow metric known as adjusted funds from operation.

Just months after those warnings, ARCP revealed that its financial statements for the first half of 2014 were inaccurate, and reduced its AFFO by almost \$23 million. ARCP shares dove after the announcement, wiping out billions of dollars in investor equity. Angry investors, meanwhile, have filed class-action complaints against the company, which changed its name to Vereit Inc. in 2015 to distance itself from its founder, Nicholas Schorsch, who is no longer involved in the company.

The executive who testified, **CONTINUED ON PAGE 30**

LEGALMATTERS

Capital Group sued over 401(k)

The parent of American Funds is accused of self-dealing

BY GREG IACURCI

THE RECENT LAWSUIT lodged against The Capital Group Companies Inc. for alleged self-dealing in its 401(k) plan is one of several similar legal battles being waged against large asset managers, and it could prove difficult for plaintiffs to win, given recent court treatment.

Capital Group, the parent of American Funds, is being sued for allegedly reaping profits from its 401(k) plan at the expense of plan participants by loading its company retirement plan with high-cost proprietary investment options.

STRING OF SUITS

It is the latest in a string of asset managers to be sued for using in-house funds in its company retirement plan.

"I think in terms of why we're seeing this turn to litigation against the financial services plans, we have what we had before in the excessive-fee litigation: big plans with a lot

of money," said John Utz, an employee benefits and executive compensation attorney at Utz & Lattan. "But on top of that, you have what naively looks like a set of conflicted decisions made in choosing these options."

BlackRock Inc., T. Rowe Price, JPMorgan Chase & Co., Jackson National Life Insurance Co., Franklin Templeton Investments, American Century Investments and Allianz Asset Management are among those who have self-dealing cases pending against them.

Some, such as New York Life and TIAA, recently settled their lawsuits, for \$3 million and \$5 million, respectively.

Mr. Utz pointed out a few hurdles for plaintiffs in these sorts of lawsuits. First, there are prohibited-transaction exemptions in the Employee Retirement Income Security Act of 1974 that permit financial services companies to use their own funds in their retirement plans, he said.

Further, many of

these lawsuits, including the one against Capital Group, rely on comparisons of fund fees to those of low-cost provider Vanguard Group to make a claim of fiduciary breach.

ANALYSIS 'TOO SIMPLE'

However, courts have recently rejected this Vanguard argument in lawsuits involving Wells Fargo (Meiners v. Wells Fargo & Co. et al) and Putnam Investments (Brotherston et al v. Putnam Investment LLC et al).

"We're starting to see these decisions that say, 'No, no, no, that's just too simple an analysis,'" Mr. Utz said.

Courts have said Vanguard funds are not completely identical to the proprietary funds in question, and that fiduciary breach is about proving a flawed fiduciary process rather than a flawed result such as fees or performance, Mr. Utz said.

Capital Group spokesman Tom Joyce said the complaint against the company is without merit, and that the funds offered to employees "are recognized in the industry as having among the lowest fees in their peer categories and superior investment results."

CONTINUED ON PAGE 30



HEALTH-CARE PLANNING

Retiree health costs soar

Rise outpaces that in Social Security COLAs

BY MARY BETH FRANKLIN

HEALTH-CARE COSTS in retirement are rising twice as fast as the average annual increase in Social Security benefits, putting a crucial source of retirement income on a collision course with one of the biggest expenses retirees face. Over time, retiree health-care costs for today's workers could exceed their gross Social Security payments.

The third annual "Retirement Health Care Data Report" projects that lifetime health-care premiums for Medicare Parts B and D, supplemental Medigap insurance and dental insurance for an average 65-year-old couple retiring this

year will be \$321,994 in today's dollars. When deductibles, copays, hearing, vision and dental out-of-pocket costs are added, total lifetime retirement health-care costs could top \$400,000, according to HealthView Services, which produces health-care cost-projection software for financial advisers and financial institutions.

While the numbers are eye-popping, HealthView Services CEO Ron Mastrogianni says financial advisers should not dismiss them as outlandish or fail to incorporate them into a retirement income plan, particularly considering the current emphasis on fiduciary duty

CONTINUED ON PAGE 30

\$5M

TOTAL THAT TIAA RECENTLY PAID TO SETTLE A SIMILAR LAWSUIT

RETIREMENT PLANS

Alternative to MEPs gains ground

Small firms can operate retirement plans cheaply with 81-100 trusts

BY GREG IACURCI

MULTIPLE EMPLOYER PLANS have become a hot topic in retirement plan circles of late.

MEPs allow small employers to pool their buying power and achieve the lower costs otherwise reserved for larger-plan counterparts. Some eye them as a way to promote increased retirement-plan

adoption by employers, and recent potential for legislative easing of MEP rules has promoted increased visibility.

But there's another mechanism, with which retirement plan advisers may not be familiar, that largely accomplishes the same goals: an 81-100 group trust.

The trust is a commingled pool of employer-sponsored retirement

plans that, similar to MEPs, offers a common investment lineup to the participating employers.

One large advisory firm, Bukaty Companies Financial Services, which oversees \$9 billion in defined contribution assets, partnered with record keeper Empower Retirement to create an 81-100 trust last year, aimed mainly at small plans with less than \$3 million in assets.

To date, there are 39 plans in the trust, called FreedomTrust, which has \$49 million in assets. Bukaty is aiming to have 50 plans and \$60 million in assets by year-end, said Vincent Morris, the company's president.

MORE SCALABLE

Bukaty offers the trust to advisers affiliated with the firm as well as nonaffiliated advisers.

These trusts allow advisers to provide their investment fiduciary expertise to several small plans in a more scalable way, said Robert Barnett, head of sales for Wilmington Trust Co.'s institutional retire-

ment services group.

"It's a cost-efficient way for the better adviser shops to service down market and provide 3(38) services with a fund lineup," Mr. Barnett said. A 3(38) manager is a type of fiduciary providing discretionary investment management services.

Bukaty, via its registered investment adviser, Resources Investment Advisors Inc., serves as a 3(38) fiduciary for the common lineup for plans in the trust. The all-in plan cost, including record keeping, investments and fiduciary services, is 0.72%, Mr. Morris said.

By comparison, a 401(k) plan

CONTINUED ON PAGE 28



You've always been a generation of rule breakers and change makers, so it's no surprise that you're redefining retirement, too. After all, you've still got it. As the Boomer generation breaks free of the 9-to-5, Jackson® will be there to help you explore new possibilities.

Jackson is proud to be the official U.S. sponsor of *Exhibitionism – The Rolling Stones*, the band's first ever global touring exhibition.

Visit Jackson.com to learn more.

Jackson is the marketing name for Jackson National Life Insurance Company® (Home Office: Lansing, Michigan) and Jackson National Life Insurance Company of New York® (Home Office: Purchase New York). Jackson National Life Distributors LLC.

CMC17868 11/16

JACKSON®



REGULATORY ACTION

Finra to give BDs a hand with rogues

BY MARK SCHOEFF JR.

FINRA INTENDS TO help brokerages better identify and supervise brokers with checkered disciplinary histories who may pose risks to investors.

In the coming months, the broker-dealer self-regulator will delineate Finra's expectations. CEO Robert Cook said in a speech at Georgetown University last Monday.

The Financial Industry Regulatory Authority Inc. put high-risk brokers at the top of its examination priorities list for this year, indicating that it is taking a look at whether brokerages hiring them are implementing heightened supervision to prevent future misconduct. In the ongoing listening tour that has marked the first year of his tenure, Mr. Cook said that Finra members have asked for more direction.

"Based on our conversations with firms, there's potential value in our providing some heightened guidance about what we think they should be looking at," Mr. Cook said. "Our intention is to provide a better understanding of what our expectations are about [the way] they should go about identifying brokers who may merit heightened

CONTINUED ON PAGE 28



Stand up. Stand out.

Our goal is to deliver original insight, tailored sales support, and a diverse product lineup—the tools you need to help you stand out from the competition.

Working with you to bring more to your clients.

ORIGINAL INSIGHT / TAILORED ACCESS / DIVERSE INVESTMENT CAPABILITIES

institutional.fidelity.com/standout

FIDELITY INSTITUTIONAL ASSET MANAGEMENTSM



Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any investment or transaction described herein. Fiduciaries are solely responsible for exercising independent judgment in evaluating any transaction(s) and are assumed to be capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies. Fidelity has a financial interest in any transaction(s) that fiduciaries, and if applicable, their clients, may enter into involving Fidelity's products or services.

Not FDIC Insured • May Lose Value • No Bank Guarantee

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

Fidelity Investments & Pyramid Design is a registered service mark of FMR LLC.

Before investing, have your client consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Have your client read it carefully.

774270.2.0

FIDELITY INVESTMENTS INSTITUTIONAL SERVICES COMPANY, INC., 500 SALEM STREET, SMITHFIELD, RI 02917

1.9861474.104

FROM THE WEB AND PRINT PAGES OF *IN* THIS WEEK

“Big companies shouldn’t get to operate under different rules.”

SCOTT HANSON, co-founder of Hanson McClain, on his firm’s court victory against Ameriprise for violating fair business practices.

“YOU’RE GOING TO SEE A LOT MORE COORDINATION ON CYBERSECURITY GOING FORWARD.”

JOE BORG, Alabama securities director and president-elect of the North American Securities Administrators Association, on addressing regulatory overlap.

“If I had my druthers, we would invest heavily in infrastructure and turn the corner on education and training.”

Former Treasury Secretary **JACK LEW** on a greater macroeconomic policy need than tax cuts.

OPINION

EDITORIAL

Peering into the industry’s future

LET’S LOOK into our crystal ball for a moment to see what the future holds for the financial advice industry.

A couple of coinciding projects at *InvestmentNews* encourage us to do so now, with the benefit of crowd-sourced knowledge from some of the future leaders of the profession — versus the all-too-common guessing-game method. Of course, no one can know precisely what is to come. But having just spent four months with our new crop of 40 Under 40 winners in preparation for publication this week, as well as having wrapped a Future of Our Business event June 7, which tapped the brains of alumni from previous classes, we can share some reasoned insights. And stay tuned for a full debrief from that day-long think tank in a special report publishing this September.

First: There will be fewer advisers, possibly many fewer. The trend line points down, and there’s nothing in the three- to five-year outlook to change that. The surprising upshot from the think tank on this point? That’s A-OK.

FAR MORE CLIENTS

The future leaders of this profession see advisers serving far more clients with a greater assist from technology, as well as more reliance on outsourcing. For those with small shops or in rural areas this could be particularly useful in the form of remote collaboration. In the expanding “sharing economy,” firms will find scale by sharing, for instance, the workday of a paraplanner among several firms — even in other states or countries. One of our previous 40 winners, who is years ahead of many adviser peers in several respects, is already seeing the fruits of this arrangement through a collaboration with talent overseas.

The other side of this coin is financial literacy among average Americans. If we are taught the basics of personal finance along with reading, writing and arithmetic at a very young age — potentially starting in elementary school — those with straightforward financial needs will be less dependent on professional help. Because people are

increasingly responsible for managing their financial well-being throughout life (defined contribution plans, health savings accounts, etc.), this need for some general education will only grow.

COMPENSATION TO EVOLVE

But those requiring expert financial advice will undoubtedly seek a more complete look at all areas where money touches their lives — and how those areas intersect. Who will need it most? A large population that isn’t necessarily today’s prime prospect pool, at least for advisers paid based on a percentage of assets: the HENRYs (high-earner, not rich yet). As investment advisers move beyond mere investments, and the field becomes a profession, compensation surely will evolve to ensure those who most need advice can get it and those giving advice can still run a profitable business.

And as more and more people are drawn into the portable-job world of the gig economy, those with complex financial situations and zero free time will seek quality convenience above all else. We’re already seeing demand for this in another realm: pre-chopped, organic ingredients boxed up and delivered straight to your doorstep for dinner each night. There’s an app for that.

In financial advice this will take the form of a planning quarterback who strategizes the entire financial game plan and keeps clients on track largely through automated accountability programs. Some advisers serve this role today; all will do so in the future. Advances in big data and artificial intelligence will make mere portfolio selection, tax harvesting and whatever else is programmable a computer’s forte alone.

If you find this hard to believe, just wait until Google or Amazon moves full throttle into the asset management business. Who really knows your clients better — you or a company that tracks

your clients’ every online search and can connect a million data points to know what they want or need before they want or need it?

But this doesn’t mean human advisers won’t be essential in the future. People with complicated financial situations will benefit from some personal creativity complementing the cold competence of the machine.

**FINANCIAL
ADVICE
WILL
LEARN A
LOT FROM
A WORLD
BASED ON
EFFICIENCY.**

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.

InvestmentNews

The Leading Information Source for Financial Advisers
InvestmentNews.com

VP-Publisher:
Suzanne Siracuse,
ssiracuse@crain.com

EDITORIAL

Editor: Frederick P. Gabriel Jr., fgabriel@crain.com
Deputy Editor: Robert Hordt
Managing Editor: Christina Nelson
Special Projects Editor: Ralph R. Ortega
Assistant Managing Editor: Lorie Konish
Contributing Editor: Mary Beth Franklin
Senior Columnists: Jeff Benjamin, Bruce Kelly, John Waggoner
Senior Reporter: Mark Schoeff Jr.
Reporters:
Greg Iacurci, Liz Skinner
Editor at Large: Michael J. Clowes
Social Media & Engagement Editor: Scott Kleinberg
Director of Multimedia: Matt Ackermann
Multimedia Producer: Stephen Lamb
Multimedia Manager: Shannon Rosic,
srosic@investmentnews.com

ART DEPARTMENT:

Executive Art Director: Scott Valenzano
Associate Art Director: Pablo Turcios

DIGITAL CUSTOM AND RESEARCH
Associate Publisher: Digital, Custom and Research
Mark Bruno, mbruno@crain.com
Senior Research Analyst: Matthew Sirinides
Research Associate: AnnMarie Pino
Digital Content Producer: Ellie Zhu
Digital Project Coordinator: Gillian Albert

ADVERTISING

National Sales Director: Mary Meagher,
mmeagher@crain.com 212-210-0115
Regional Sales Managers:
New York:
Nicole Casement, ncasement@crain.com
212-210-0167
Kevin Reardon, kreardon@crain.com 212-210-0476
Chicago:
Karen Wahl, kwahl@crain.com 312-649-5226
San Francisco:
Rich Kiesel, rkiesel@crain.com 415-538-0206
Boston:
John Bubello, jbubello@crain.com 978-534-5635
Reprint Manager: Laura Picariello,
lpicariello@crain.com 732-723-0569
Inside Account Manager: Letitia Y. Buchan,
lbuchan@crain.com 212-210-0451

MARKETING AND AUDIENCE DEVELOPMENT

Director of Audience and Analytics: George Ortiz,
gortiz@crain.com
Director of Marketing: Theresa Gralinski,
TGralinski@investmentnews.com
Project Manager: Antoinette Dean,
adean@investmentnews.com
Marketing and Analytics Associate:
Shannon Murphy, smurphy@crain.com
Marketing Coordinator: Kate Arends,
karends@investmentnews.com, 312-649-7816
Audience Data Analyst: Amy Zhu,
azhu@investmentnews.com
Graphic Designer: Kyung Yoo-Pursell,
kpursell@investmentnews.com

Executive Assistant to the Publisher:
Irma Rodriguez, irodriguez@investmentnews.com
212-210-0430

PRODUCTION

Prepress/Production Director: Simone Pryce
Production Manager: Paul Vaccari

INVESTMENTNEWS OFFICES

Headquarters:
685 Third Avenue, New York, NY 10017-4024
Editorial fax: 212-210-0444
Bureau office:
Washington:
1200 G Street NW, 8th Floor, Washington, DC 20005
Fax: 202-638-3155

Advertising main number: 212-210-0774
Fax: 212-210-0117

CRAIN COMMUNICATIONS INC. BOARD OF DIRECTORS

Chairman: Keith E. Crain
President/Editorial Director: Rance Crain
Treasurer: Mary Kay Crain, Cindi Crain

CRAIN COMMUNICATIONS INC.

Senior Executive Vice President: William Morrow
Executive VP/Director of Strategic Operations:
Chris Crain
Executive VP/Director of Corporate Operations:
K.C. Crain
Senior VP/Group Publisher: David Klein
Chief Information Officer: Anthony DiPonio
Chief Financial Officer: Bob Recchia

Founder: G.D. Crain Jr. (1885-1973)
Chairman: Mrs. G.D. Crain Jr. (1911-1996)
Secretary: Merrilee P. Crain (1942-2012)

For subscription information and delivery concerns, please e-mail customerservice@investmentnews.com or call 877-812-1589 (in the U.S. and Canada) or 313-446-0450 (all other locations).



Audit Bureau of Circulations

PLEASE RECYCLE THIS NEWSPAPER



FRANKLIN TEMPLETON
INVESTMENTS

Franklin LibertyShares™

It's time for ETFs to go beyond the benchmarks. Franklin LibertyShares active ETFs offer investors the potential for better outcomes, leveraging seven decades of active experience. Because there's simply no substitute for the Human Factor™.

libertyshares.com



**BECAUSE
WE THINK
ETFs
DESERVE THE
BENEFITS
OF
ACTIVE
INSIGHTS TOO**

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a Franklin Templeton fund summary prospectus and/or prospectus that contains this and other information, call 1-800-342-5236. Investors should read the prospectus carefully before investing.

All investments involve risks, including possible loss of principal.

© 2017 Franklin Templeton Distributors, Inc. All rights reserved.

HEALTH & WELLNES

ENJOY

POSITIVE PROGRESS



AARON
SCHUMM



LEIGHANN
MIKO



ROGER
MA



BILL
SIMONET

EMBRACING DIVERSITY
FINANCIAL P

S
YING LIFECHRISTINE A.
HEALY

40 UNDER 40 PASSION FUELS THE FUTURE



he caliber and breadth of young talent in financial advice never fails to amaze us at *InvestmentNews* — even in this fourth year of our search for the profession's future leaders.

Our 2017 class of 40 Under 40 meets the high standards we've set for the award. They have each attained notable accomplishments to date, contributed meaningfully to the industry and exhibited real leadership and promise. Our goal for this issue each year is that their stories will rekindle some of the spark that got you excited about financial planning way back when — and perhaps give you ideas for taking your practice to the next level.

This year our theme is "passion," and how these individuals' passions (listed above each name) are driving their success and will help fuel the future of the industry at large. Get inspired by our young honorees' stories that follow here, then go to InvestmentNews.com/40 for a behind-the-scenes look at this year's class through videos, interactive graphics and extended profiles.

PHOTOGRAPHY BY ERIN PATRICE O'BRIEN

PLANNING



LIVING CURIOUSLY

BETHANY M. GRIFFITH

Financial adviser
Abacus Planning Group Inc.

BETHANY M. GRIFFITH moved to Germany almost two years ago, and working remotely overseas with almost three dozen clients has had an impact on her financial planning career.

"The exposure to so many different people and cultures has made me more empathetic, a trait I think is the key to being a trusted adviser," she said.

At Abacus, Ms. Griffith does financial planning for all types of clients, from large family offices to elderly widows. She also mentors the less experienced advisers in the office, despite living in Europe.

AGE 29

She is the current president of the National Association of Personal Financial Advisors group for members who are 33 and younger, NAPFA Genesis. The group encourages the professional growth and development of younger advisers.

"I would like to think working from overseas hasn't impacted my clients a lot," Ms. Griffith said. "I work very flexible hours. I thought some of my older clients wouldn't be as receptive to [my] not physically being in the United States. But they said, 'You have the internet there, right?' It was a reminder not to make assumptions about clients."

— Bruce Kelly

"EXPOSURE TO SO MANY DIFFERENT PEOPLE AND CULTURES HAS MADE ME MORE EMPATHETIC."

Bethany M. Griffith



LEARNING

BEN CARLSON

Director of institutional asset management
Ritholtz Wealth Management

BEN CARLSON was a fan of the bloggers and investment advisers Barry Ritholtz and Josh Brown. So a few years ago he thought, why not begin a blog of his own?

Now he works with Mr. Ritholtz and Mr. Brown.

"I cut my teeth in the institutional world, which is a very different model from retail wealth management," he said. "Instead of dealing with one client or a married couple, you are dealing with investment committees and donors."

Mr. Carlson started his blog, A Wealth of Common Sense, in 2013.

"I had zero expectation with the writing thing, but the more I did it the more I liked it," he

AGE 35

said. "I was writing it for so-called normal people, but my audience was financial advisers, because they were

looking for material for their clients."

In 2015, he joined Ritholtz Wealth Management, where he started a new business line of managing portfolios for institutions. He's published two books, most recently "Organizational Alpha: How to Add Value in Institutional Asset Management." He is also a regular contributor to Bloomberg View.

— Bruce Kelly



FAMILY

FELIX MALITSKY

President and founding partner
Fortis Lux Financial

WHEN FELIX MALITSKY emigrated from Russia with his family in 1991, he developed skills that serve him well as a financial adviser.

Mr. Malitsky had to learn English quickly and transition to U.S. culture at his new home in Connecticut.

As an adviser, "you're adjusting to people's needs and objectives and changes in their personal lives," he said.

Mr. Malitsky helped pay for his studies at the University of Connecticut by serving in the U.S. Army. He was turned on to financial services one summer when he worked in the industry.

Since then, his career has soared. In 2010, he joined MetLife as a managing director and built the New York City flagship office, increasing profitability by 60% in two years.

In 2016, he founded Fortis Lux Financial, which has about \$5 billion in AUM and partners with MassMutual for broker-dealer and insurance services. He's also forming an RIA.

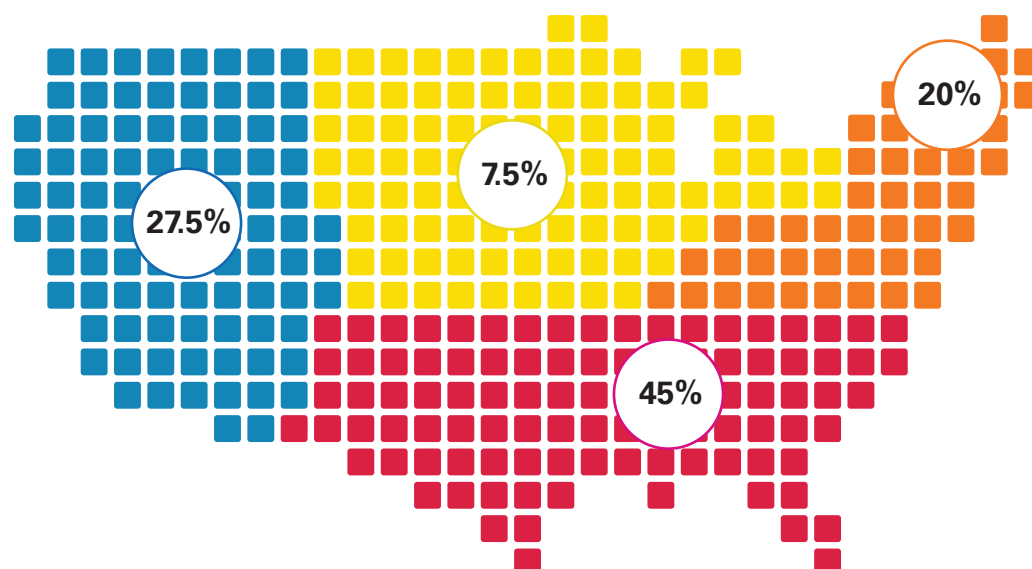
"You can come to this country with nothing and build a business and a bright future," he said.

— Mark Schoeff Jr.

AGE 39

SPANNING THE NATION

Our 40s hail from 16 states and Washington, D.C., and all four regions.



FIDELITY CLEARING & CUSTODY SOLUTIONS

Powering transformation for banks, broker-dealers, and RIAs

The future of financial advice is here.

Empower your vision with the tools, thinking, and support to evolve your business for the future. With Fidelity Clearing & Custody SolutionsSM, you get the technology and collaboration to help you manage today's shifting investor needs, changing advisor demographics, and increasing industry consolidation.

- Actionable insights and deep expertise to help you manage and grow your business
- Committed teams built around your needs to help you achieve your goals
- Technology to help you enhance productivity and deepen client relationships

To learn more about becoming future-ready, visit go.fidelity.com/futurenow or call **800-735-3756**.

Fidelity Clearing & Custody Solutions does not provide financial or investment advice of any kind.

Fidelity Clearing & Custody Solutions provides clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC.

© 2017 FMR LLC. All rights reserved.

767553.5.0





KNOWING PEOPLE'S HEARTS

HUI-CHIN CHEN

Co-owner, financial planner
Pavlov Financial Planning

HUI-CHIN CHEN embodies a borderless world, giving her insight into the financial challenges of her globe-trotting clients.

A dual U.S. and Taiwanese citizen, Ms. Chen earned a master's degree in the United States; worked for three years at Freddie Mac, the government mortgage lender; and then married a U.S. foreign service officer, a union that has taken her to Mexico, back to Taiwan and soon to Chengdu, China. The quantitative credit analyses she did at Freddie Mac left

her cold. While living in Mexico, she became interested in financial planning.

"I wanted more human interaction and to know what I do makes a difference in people's lives," Ms. Chen said.

She earned a certified financial planner credential and attended a residency program in Los Angeles sponsored by the Financial Planning Association. It was there that she met her business partner, Marcio Silveira, whose practice, Pavlov Financial Planning, is based in Arlington, Va.

Ms. Chen developed a niche with younger clients in a "membership-fee" structure and specializes in the expatriate market, helping her clients organize some far-flung assets.

"There are people who call different countries home," Ms. Chen said. "How do you structure [finances] in such a way that you don't leave pieces behind if you know you're not coming back to a country?"

She also works with spouses who may have to find new jobs as they follow their partners around the world.

She tries to help them "invest in themselves for the future," by "trying to raise awareness that the income side can be important." Said Ms. Chen, "You're worth more than just trying to save money [by cutting living costs]."

— Mark Schoeff Jr.



FINANCIAL FREEDOM

CHRISTINA CASTREJON

Wealth adviser, Calamos Wealth Management

CHRISTINA CASTREJON never had a mentor, and that's one reason she's so active in mentoring others.

"It's absolutely huge to get constructive feedback," she said.

Ms. Castrejon is a passionate advocate for the investment industry, promoting it to younger women, especially within the Hispanic community. And she volunteers with the Chicago chapter of Step Up, in which professional women work with girls from disadvantaged backgrounds via after-school and weekend programs.

She has a lot to teach. Ms. Castrejon is the lead adviser for nearly 100 clients at Calamos. She earned her certified financial planner designation at a crucial point at which Calamos, a well-known investment management firm, had just started to focus on the planning side.

"It all tied together," she said.

— John Waggoner

AGE
34

SERVICE

AUSTIN B. COLBY

Owner, The Wealth Group

AUSTIN B. COLBY, who's been in the financial advice business since he graduated from college 15 years ago, is in the midst of reshaping his firm, The Wealth Group.

"At the end of 2012, we had a messy business, with 447 households and \$90 million in assets," Mr. Colby said. The firm now works with 200 clients and has close to twice as much in assets, including both advisory and retirement plan assets.

"We want to serve as many people as we can and not do minimums," he said. Mr. Colby has implemented a retainer-fee system in order to work with a younger client base and help create the millionaires of the future.

And he has traveled to Uganda three times to teach finance, help start microenterprises and create small-business-development opportunities.

— Bruce Kelly

AGE
37



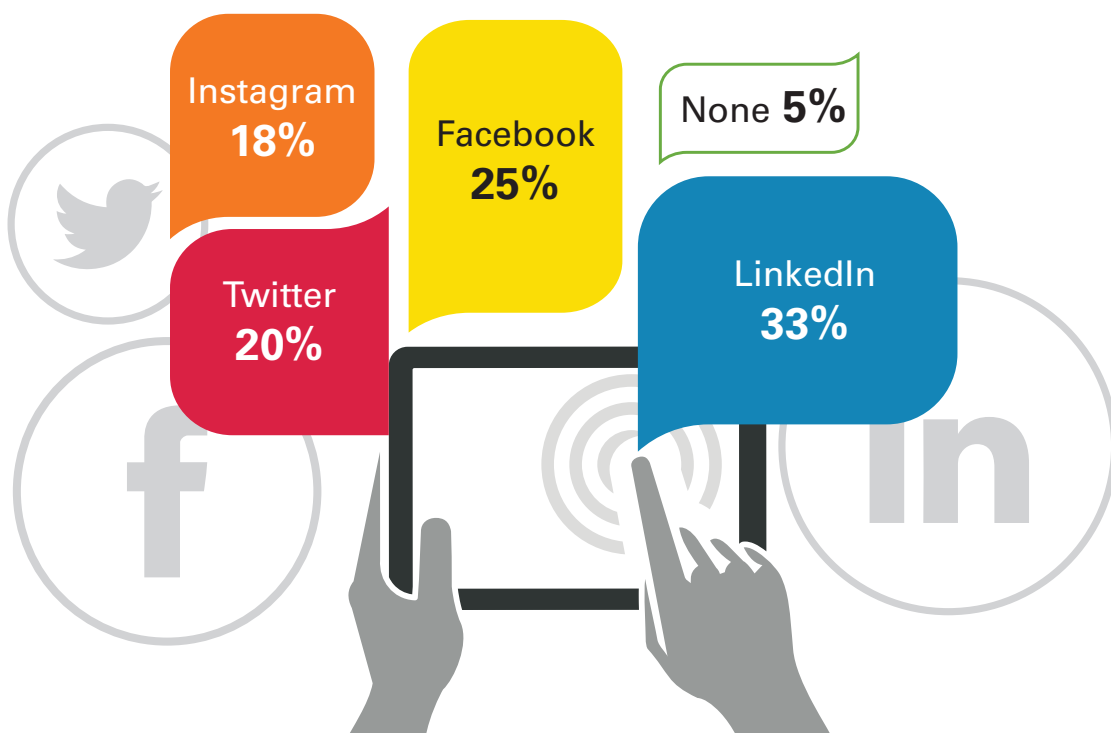
Are your international investments missing something?

If your exposure to Asia is through international or global emerging market funds, you may not be taking advantage of all of the opportunities to invest in thriving companies in the region.

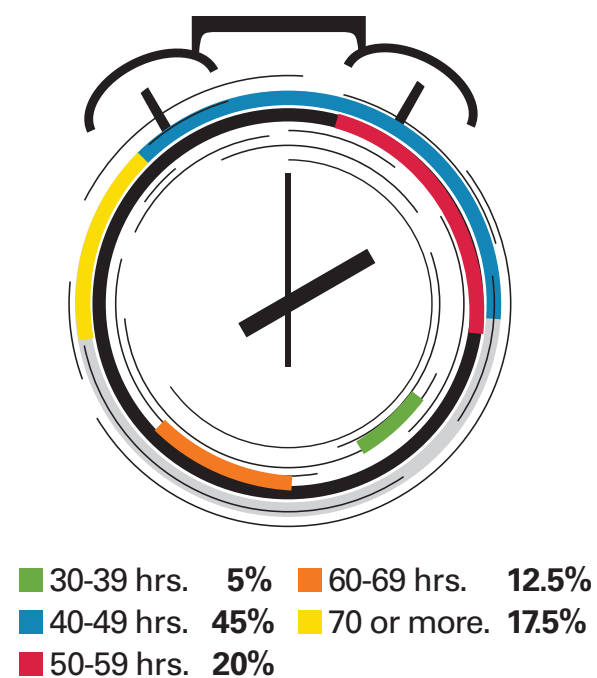


Investors should consider the investment objectives, risks, charges and expense of the Matthews Asia Funds carefully before making an investment decision. This and other information about the Funds is contained at matthewsasiasia.com. Read the prospectus carefully. Investing involves risk including the possible loss of principal. International and emerging markets may involve additional risks including higher volatility and market illiquidity. Foreside Funds Distributors LLC.

FAVORITE SOCIAL NETWORK



HOURS WORKED PER WEEK



PETS OF THE 40s



18: dogs



6: cats



1: bull



1: cow



1: chicken



1: goat



Put the real power of Asia in your portfolio.

With Asia representing one-third of global GDP and more than half of the world's annual growth, we believe that investors should consider making a dedicated allocation to the world's fastest growing region.

For over 25 years, we have pursued an active, fundamental approach to investing in Asia, resulting in portfolios with an average active share of 85% and holdings that we believe represent a better exposure to the future growth of the region.

Find out more about our experience, insight and passion for Asia—and the role Asia can play in your portfolio—at matthewsasiasia.com/missing



Matthews Asia
25 Years of Investing in Asia



CREATING VALUE
BRANDON REMBE

Managing director at **Investnet**, chief technology officer at **Tamarac**

BRANDON REMBE spends about two weeks every month on the road helping to ensure that his firm's technology platform makes financial advisory firms run as efficiently as possible.

"The market downturn was a huge win for Tamarac because it was the first time that advisers had to look at how they were doing operationally," Mr. Rembe said. "They realized they needed to be more efficient, and the Tamarac suite allowed that."

AGE
37

He began working at Tamarac, which was acquired by Investnet five years ago, in 2003. He was the second person hired. Mr. Rembe was 22 at the time, and he had to teach himself to code on the job because his University of Washington degree was in economics, not computer science.

By then he had spent one year at Salomon Smith Barney and decided the technology side of finance was where he belonged.

In the last three years, the popularity of digital financial advice has created a new focus for fintech firms on providing advisers' clients with new tools that make the planning process more interactive, which can make some advisers nervous about their role.

Mr. Rembe said advisers will need to embrace technology to succeed, but that "technology doesn't replace the adviser, it enhances the adviser."

— Liz Skinner



HELPING OTHERS
CHRISTOPHER QUINLEY

Co-founder
Liang & Quinley Wealth Management

DON'T JUDGE Christopher Quinley too harshly, but even though he's a millennial himself, he prefers clients who are part of the baby-boom generation.

"I find that the boomers really value the face-to-face personal relationship with an adviser, and that's what I like about working with them," he said.

AGE
33

In 2011, Mr. Quinley co-founded his advisory firm, which manages \$100 million in client assets. He is getting ready to add another full-time financial adviser and is "in talks with another firm" as part of a plan to "get to the next \$100 million."

Mr. Quinley recently earned the Wharton Certificate of Professional Development in Wealth Management and Aresty Scholar Award.

He teaches the required CFP course Principals of Financial Analysis at the University of California, Irvine.

Mr. Quinley also is active in the San Diego State University mentor program and SDSU Orange County Regional Council.

A near-scratch golfer, Mr. Quinley hosts an annual charity golf outing and also volunteers in the Aztec Mentor Program at San Diego State University.

"Thirty years from now I want to be able to look back and say, 'These are all the people I've been able to help,'" he said.

— Jeff Benjamin

"MINDFULNESS HELPS ME GET PRESENT WITH WHAT I'M THINKING AND FEELING."

Anne McCabe Triana



BEING MINDFUL

ANNE MCCABE TRIANA

President and CEO, **Curo Private Wealth**

WHEN SHE WAS in college, Anne McCabe Triana studied economics and Latin America. She believed she was on track to work for an institution like the World Bank until a professor convinced her that that wasn't what she should do.

The professor argued she would have more of a personal impact on people if she worked, built wealth and then started a foundation.

That's how she "randomly" got into the financial advice business, Ms. Triana said.

She is also an adjunct professor of personal finance and financial institutions at American University and is writing a book to teach parents how to educate their preschool children about finances.

AGE
34

The name of her business, "curo," is the Latin word for "to care for" or "pay attention to," Ms. Triana explained. Through her work, she has received SmartCEO magazine's Brava award, which celebrates high-impact female business leaders. She is also a member of LPL Financial's Freedom and Director's clubs.

"The biggest challenge is behavioral finance and dealing with emotions around money," she said.

— Bruce Kelly



ENJOYING LIFE

BILL SIMONET

Managing principal
Simonet Financial Group

BILL SIMONET learned the value of financial planning after his first tour in Iraq with the Marines. In 2004, he returned to the United States from the Middle East and promptly blew through \$17,000 in back pay, leaving him to wonder why he was having such trouble with money.

"I realized that there's gotta be a better way to handle money," he said. "I was broke. It was a light-bulb moment."

"I got into a car accident, totaled my new SUV and only got a portion of the money back," he said. "When I went on a second deployment, I said, let's be smarter."

Mr. Simonet eventually finished college and began his career as a financial adviser. He now has his own practice, serves on the board of the local Austin Financial Planning Association chapter and is the host of its annual meeting. He also serves as a bugler for military ceremonies and mentors young students.

At the start of his career, he realized clients, no matter their wealth, could have problems with money. "I was working with business owners who did not have a good plan," Mr. Simonet said. "I realized people had the same issues I had. You can be a high six-figures earner and still live paycheck to paycheck."

AGE
33

— Bruce Kelly



MEANINGFUL LIVING

HANNAH MOORE

Owner and financial planner
Guiding Wealth Management

SINCE 2013, Hannah Moore has purchased two practices, left one of them and converted the other into her own RIA, Guiding Wealth Management, after surviving a succession plan that didn't go well.

"I was thrown into the deep end early in my career," she said.

Ms. Moore is using that experience to help young advisers get started. She is the national facilitator for the Financial Planning Association's NexGen Gathering and also helped start the FPA Dallas-Fort Worth NextGen chapter.

She also tries to help other advisers under 40 with a weekly podcast that features guidance on career paths, tips on research and client service, and explorations of the history of financial planning.

— Mark Schoeff Jr.

AGE 31



MEMORABLE EXPERIENCES

LARRY MILES

Principal
AdvicePeriod

LARRY MILES' company is his passion. He started AdvicePeriod from scratch three years ago. The self-imposed challenge: How to create a financial advisory service that offers something that all the other Los Angeles advisory firms don't. "We started with a blank sheet of paper," Mr. Miles said.

His first observation: The extent to which technology has changed the business. His decision: Focus more on financial planning than investing. "People won't pay 1% of assets for asset allocation and bad performance," he said.

Starting and growing a business leaves little time for much else, though he sees the upside.

"The financial services industry moves like a glacier. It's fun to be part of this revolution," he said.

— John Waggoner

AGE 39

HEALTH & WELLNESS

CHRISTINE A. HEALY

Senior financial adviser and vice president, Merrill Lynch

AGE 39

CHRISTINE A. HEALY didn't go through the usual channels to become a financial planner, which is something she sees as an advantage.

The senior financial adviser at Merrill Lynch has been working with individual investors since 2011, but before that she spent seven years cutting her teeth on the institutional side of the wirehouse.

"Because I came from the institutional side, I can speak to a lot of different kinds of products, and I feel like I have more of an in-depth background," she said.

Ms. Healy specializes in working with recently divorced women. She has both certified divorce financial analyst and accredited divorce financial analyst designations. She is a team leader for the Second Saturday divorce workshops, which are part of WIFE.org. She also volunteers to help educate women on financial matters at Jersey Battered Women's Service.

Ms. Healy is also a member of Merrill's diversity council, and is in the process of setting up her own nonprofit organization dedicated to improving financial literacy in children.

— Jeff Benjamin

Here when you need to talk. Still here when you don't.

In today's world, sound advice is invaluable. At Merrill Lynch, we've built our brand on it. Now, we're bringing that advice to you online, in person and through our mobile app. No matter what your financial goals are, you'll have access to the guidance and technology you need — whenever and wherever you need it.

 **Merrill Lynch**
Bank of America Corporation

Learn more or talk to an advisor today.
ML.com | 888.339.9417 | @MerrillLynch

Investing involves risk including possible loss of principal. Merrill Lynch Wealth Management makes available products and services offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated, a registered broker-dealer and Member SIPC, and other subsidiaries of Bank of America Corporation.

Investment products: **Are Not FDIC Insured** **Are Not Bank Guaranteed** **May Lose Value** © 2017 Bank of America Corporation. All rights reserved. ARHG9D8



TRADITION
BRANDON GARRETT

President and wealth adviser
Snow Garrett Wealth Management

FROM THE TIME he was a teenager, Brandon Garrett knew he wanted to be a financial planner.

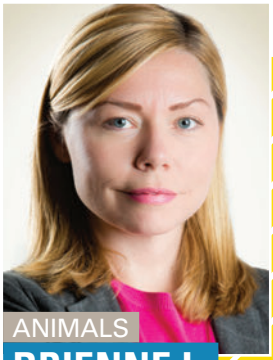
When his father, a CPA and adviser, brought home a financial planning publication one day, the 15-year-old was hooked.

Mr. Garrett eventually graduated from Texas Tech, and is now a Texas Tech Personal Financial Planning Alumni Advisory Board member.

In his current role, he recently led the acquisition of an office in nearby Fort Worth, Texas, and has been a beta tester for LPL's robo-adviser platform.

"I could have been a back-office guy ... But I don't like spending time building financial plans. I like being in front of people."

— Bruce Kelly



ANIMALS
BRIENNE L. DYLEWSKI

Owner
Financial Architects Advisory

BRIENNE L. DYLEWSKI'S relationship with financial matters was established at a young age. Growing up in poverty, she recalls having her own budget at the age of 8 and moving out on her own at 17.

"The way I grew up really influenced my relationship with money," Ms. Dylewski said.

At age 27, she became part owner of her firm, and at 33 she bought the rest of the business, which has \$225 million under management.

She has participated in and developed financial literacy programs for nonprofits, schools and free clinics for government employees.

Ms. Dylewski said her next move will be bringing on a couple more advisers as soon as she finds the right fit.

— Jeff Benjamin

POSITIVE PROGRESS

AARON SCHUMM

Founder and CEO, **Vestwell**

AGE
39

AARON SCHUMM already co-founded and sold one financial services company, FolioDynamix. Now he's getting his second company off the ground: Vestwell, a digital platform advisers can use to manage 401(k) and 403(b) plans.

"I decided I was going into the financial industry in the eighth grade," Mr. Schumm said. "My dad was a carpenter, but dabbled in investing and spoke about the stock market."

His first experiences working in the financial advice industry in Chicago were focused on retirement plans and managed accounts. That niche set the tone for his career, he said. After moving to New York, Mr. Schumm focused on financial technology. He's also been active with various charitable organizations, including being a mentor in a program for inner-city high school students.

Mr. Schumm, who said he is passionate about "creating positive progress," shows the same devotion he has for mentoring in the work he does for his clients.

"I want to leave a positive impact on people on whatever scale I can," he said. "Our sole intent is to help people save for the future and help people make better decisions in that process."

— Bruce Kelly

For your clients'
look after my
better half
side.





PURPOSEFUL LIVING

CHLOE A. MOORE

Founder, Financial Staples

CHLOE A. MOORE'S life plan is pretty straightforward.

"It's important that we use all of our gifts and talents to make this world a better place while we're here," she said.

To that end, Ms. Moore believes in finding a balance between work, play and service.

She launched her first business, C-Level Consultants, three years ago, after spending seven years working with wealthy investors at Diversified Trust. The consulting business provides financial advisers with outsourced financial plans and operations services.

Last year, Ms. Moore launched her second business, Financial Staples, to "get back to working with people like me," meaning younger people who have good incomes but do not yet qualify as rich.

"I truly believe this is what I was put on earth to do," she said. "If I keep my two businesses small, I'll still have time to volunteer and do some other things. I want to have a lifestyle advisory firm with about 30 clients that stay with me for 30 years."

— Jeff Benjamin

**AGE
35**

JOB CREATION

CONOR F. DELANEY

CEO, Good Life Companies

CONOR F. DELANEY identifies big challenges, accomplishes them, then finds more.

Five years after co-founding his own advisory practice, he has built a bustling operation with 200 advisers in 28 offices managing nearly \$2 billion.

"We started out with the idea of having a few branch locations," he said. "Now I'm looking at growing to 1,500 advisers who want to make that meaningful impact in communities around the country."

Good Life Companies, based in Wyomissing, Pa., is a hybrid firm that includes insurance, brokerage and fee-based planning services, and its offices are mostly in small towns.

"We want to look more like Main Street than Wall Street," he said.

— Jeff Benjamin

**AGE
31**

Only Nationwide® variable annuities offer a spousal death benefit on qualified money, at no additional cost.¹

- Benefit paid no matter which spouse passes away first
- Surrender charges are waived
- Contract value is adjusted to equal the death benefit value²

See how it works at:

NationwideFinancial.com/Spousal

Nationwide®
is on your side

For your clients' many sides, there's Nationwide.
mutual funds | annuities | life insurance | retirement plans

¹VARDS, 2017. Nationwide can offer this benefit because we have annuitant-driven contracts. Nationwide's Spousal Protection Death Benefit Feature is available at no additional cost on Nationwide DestinationSM 2.0 products.

²For example, with a Return of Premium Death Benefit, if the contract value is lower than the premium amount, upon the passing of the first spouse, the surviving spouse would receive the higher amount, being the original premium as the death benefit value with surrender charges waived. This assumes no withdrawals were taken.

Variable products are sold by prospectus. Both the product prospectus and underlying fund prospectuses can be obtained by visiting nationwide.com or by calling 800-321-6064. Before investing, carefully consider the fund's investment objectives, risks, charges and expenses. The product prospectus and underlying fund prospectuses contain this and other important information. Read the prospectus carefully before investing.

Variable annuities are long-term, tax-deferred investments designed for retirement that will fluctuate in value. They allow for a fixed or variable stream of income through a process called annuitization and also provide a variable rate of return based on the performance of the underlying investments, which are subject to investment risk, including possible loss of principal. A variable annuity is a contract between the owner and an insurance company and has fees and limitations that include mortality and expense, administrative fees, contract fees and the expense of the underlying investment options. Riders may not be available on all variable annuities and not in all states.

Some death benefits may be available at an additional cost, and the cost of an option may exceed the benefit paid under the option. Any early withdrawals will decrease the death benefit and contract value. If withdrawals are taken before age 59 1/2, a 10% early withdrawal federal tax, in addition to ordinary income taxes, may apply. Guarantees are subject to the claims-paying ability of the issuing insurance company.

Variable products are issued by Nationwide Life Insurance Company. The general distributor is Nationwide Investment Services Corporation, member FINRA.

Nationwide, the Nationwide N and Eagle, and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2017 Nationwide.

NFV-1220AO (04/17)



SUCCESS

BRIAN SHAMBOSenior vice president
Merrill Lynch**BRIAN SHAMBO** signed on to the Bank of America training program a week after graduating from college, 17 years ago.

"I played with all the thoughts of going independent, but at the end of the day, I really feel my firm does a lot right, and we have a great infrastructure," he said.

Mr. Shambo said the frenzy of the dot-com era when he first entered the business convinced him that "people need holistic advice."

His passion for the business is illustrated by his opting to attend executive education programs at Harvard, Duke and Dartmouth rather than top-producer junkets.

Mr. Shambo also recently helped launch donor-advised funds to promote philanthropy and benefit smaller nonprofit organizations.

— Jeff Benjamin

**AGE
38**



CONTINUOUS
LEARNING
JEFFREY LEVINE

Chief retirement strategist
Ed Slott and Co.

THE MORE COMPLICATED an issue, the more Jeffrey Levine revels in explaining it to financial advisers, CPAs and lawyers.

Mr. Levine, chief retirement strategist at Ed Slott and Co., conducts dozens of educational sessions and webinars annually about topics ranging from the Labor Department's fiduciary rule and required minimum distributions for individual retirement accounts to retirement-savings tax policy.

"I love educating people and figuring out all the permutations," he said. "What appears simple on the surface, once you start digging in, is not so simple."

Mr. Levine is the lead contributor to Savvy IRA Planning, a program offered by Horseshoof, which provides online training for advisers. The need for the tutorial was demonstrated by a quiz distributed to about 500 advisers and other users of the site. The results showed a "mind-numbing" ignorance about tax rules affecting retirement accounts, he said.

His ability to quickly examine and explain the consequences of policy proposals made him a go-to source for campaign stories. In that role, he was drawn into the political fray even as he remained neutral toward the candidates.

"It's almost like you cannot have an informed opinion without taking criticism from one side or the other," Mr. Levine said.

— Mark Schoeff Jr.

AGE
34



RUNNING
**JONATHAN J.
ROBERTSON**

Financial adviser
Abacus Planning Group Inc.

JONATHAN J. ROBERTSON'S passion for financial planning led to getting a lot of letters after his name. But his advice to those coming up in the profession, ironically, is not to be too concerned about all those letters.

Mr. Robertson started out in financial planning and took a law degree because he thought it would make him a better tax planner — tax planning requires extensive reading of IRS legal rulings. Then he went on to get his LL.M. in taxation. "It makes you a whole lot of fun at cocktail parties," he joked.

But your passion for your profession isn't measured by degrees, he said. "A lot of younger people aim for this certificate or that one, and sometimes that's good — but sometimes you need to focus more on things that won't have a certificate when you're done with it," Mr. Robertson said.

The biggest thing that doesn't come with a certificate: managing client relations. "The most important thing is the human interaction — how to deliver advice to make it more likely that clients will follow it."

Mr. Robertson is using his experience to mentor younger advisers. Given that he currently oversees more than \$1 million in firm revenue, they would be wise to listen.

— John Waggoner

AGE
34

FINANCIAL PLANNING

ROGER MA

Founder and financial planner lifelaidout

ROGER MA'S CAREER as a financial planner blossomed from his hobby as a financial blogger. The Pittsburgh native launched a website, called lifelaidout, about five years ago. He started by writing about saving money, branching out shortly thereafter into core financial planning topics.

Last year, Mr. Ma, who'd previously worked in investment banking, turned lifelaidout into a registered investment adviser targeting clients in their mid-20s to mid-40s.

AGE
35

"I realized I was really interested in personal finance, and the natural next topics were thinking about investing, insurance, estate planning and things like that," Mr. Ma said.

Pursuing a career in financial planning and spreading financial literacy plays to what the New York City resident describes as some of his primary passions in life: storytelling and "modeling out everyday decisions."

For example, when the Metropolitan Transportation Authority increases subway fares, what's the breakeven to buy a monthly versus a per-ride pass? (The answer, he says, is 47 rides.)

Mr. Ma also holds regular personal-finance talks for employees at companies around New York, such as Google and Twitter, and this summer he will be speaking on a pro bono basis at the New York Public Library through a partnership with the Financial Planning Association.

— Greg Iacurci



IMPROVING LIVES

SARAH ASEBEDO

Assistant professor of personal financial
planning, Texas Tech University

SARAH ASEBEDO had been a financial planner for more than a decade when she made the decision to become an academic, drawing from her background in the field to shape applicable, relevant research for advisers.

"I decided I wanted to make a significant contribution to the future of the profession through training other future financial planners," Ms. Asebedo said.

"I loved the practitioner work, so it was probably one of the hardest decisions I've made in my life," the Lubbock, Texas, resident said. "It was a leap of faith. I didn't know if I'd love academia."

The gamble paid off for Ms. Asebedo, who teaches undergraduate and graduate courses on retirement planning and financial planning technology at Texas Tech University, and "really fell in love with publishing and writing." She taught at Virginia Tech for two years prior to joining Texas Tech.

Ms. Asebedo, who grew up in New Zealand and moved to the U.S. when she was 10, primarily conducts research on the relationship between psychology, financial conflict and financial behavior.

A mother of two, she received her Ph.D. in personal financial planning from Kansas State University in August.

— Greg Iacurci

AGE
35



FINANCIAL EDUCATION

**KATIE
BREWER**

 President
Your Richest Life

KATIE BREWER LIKES helping those who need it most — but often don't get it from the financial planning community. "I've worked for a lot of great firms in the past, but it was impossible to convince them to run a separate young professional division," she said. So she founded Your Richest Life to fill that gap. "It was an experiment to do what I love doing and make a living wage off it," she said.

Ms. Brewer charges clients on a project basis, which typically means a larger upfront fee and a monthly ongoing retainer. She also does outreach in her community and speaks regularly at universities and organizations on the importance of financial literacy, and provides free personal finance education through her blog, Your Richest Life.

— John Waggoner

**AGE
37**


HELPING OTHERS

**REESE
VELTENAAR**

 Partner
Acumen Wealth Advisors

AT THE SUGGESTION of a financial adviser, Reese Veltenaar's mother invested a large chunk of her money in tech stocks in the late 1990s. When the dot-com bubble burst, his mother, a single mom, was left with nearly nothing.

"That made me want to get into financial planning," he said.

Mr. Veltenaar co-founded Acumen Wealth Advisors in 2012; his firm now manages \$145 million in client assets.

He is also chairman of the board at Hospice of Chattanooga, which provides roughly \$1 million in annual patient care for families who don't have insurance or the ability to pay.

— Greg Iacurci

**AGE
38**


FATHER & HUSBAND

JON ANDERSON

Director of retirement plan solutions, Cetera Financial Group

JON ANDERSON IS TAKING the grunt work out of guiding retirement plans so that advisers can spend quality time with plan participants.

At Cetera Financial Group, Mr. Anderson has led the development of a technology platform that allows advisers to aggregate retirement plan data, such as investment analytics, benchmarking and requests for proposals, across providers.

"Whether they do one plan or many, we want more advisers to do plan business so that more people can have access to plans and access to expert advice," he said.

Mr. Anderson came to Cetera about 3½ years ago with a mandate to build the platform that supports about 4,000 Cetera advisers who work with retirement plans and manage more than \$24 billion in assets.

Helping workers ensure that they have enough money for retirement is a fiduciary act akin to his parental responsibility for his three young sons.

"The parallel exists for advisers who care that way about their clients," Mr. Anderson said. "It's very closely aligned."

— Mark Schoeff Jr.

**AGE
36**

FlexShares® BUILT BY INVESTORS, FOR INVESTORS

Corporate credit
scoring + liquidity
= no surprises.

Give your income investors a formula for confidence. Two corporate bond ETFs may help address uncertainties around credit ratings and income. FlexShares SKOR and LKOR use nontraditional indices based on credit scores, which we believe offer a leading indicator of rating changes. Moreover, the indices are limited to only the most liquid issues, in an effort to capture market shifts quickly. Because bond investors want reliable income, not surprises.

For more information, visit flexshares.com/no-surprises

 CAPITAL
APPRECIATION

 RISK
MANAGEMENT

 INCOME
GENERATION

 LIQUIDITY
MANAGEMENT

SKOR
LKOR

Before investing visit flexshares.com/prospectus to obtain a prospectus or summary prospectus that includes the investment risk, fees, expenses and other information you should read carefully and consider carefully. Foreside Fund Services, LLC, distributor.

Investment in FlexShares Credit-Scored US Corporate Bond Index Fund (SKOR) and FlexShares Credit-Scored US Long Corporate Bond Index Fund (LKOR) are subject to numerous risks including possible loss of principal. Highlighted risks: credit (risk that the inability or unwillingness of an issuer or guarantor of a fixed income security, or a counterparty to a repurchase or other transaction, to meet its payment or other financial obligations will adversely affect the value of the Funds' investments and returns); debt extension (risk that an issuer will exercise its right to pay principal on an obligation held by the Funds later than expected); interest rate/maturity (risk that the value of the Funds' fixed income assets will decline because of rising interest rates).

In addition, SKOR and LKOR are subject to corporate bond risk, which is the risk that the issuer is unable to meet principal and interest rate payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of creditworthiness and general market liquidity. When interest rates rise, the value of corporate debt can be expected to decline. The Funds may invest in derivative instruments. Changes in the value of the derivative may not correlate with the underlying asset, rate or index and the Funds could lose more than the principal amount invested. The Funds are also non-diversified meaning the Funds' performance may depend on the performance of a small number of issuers because the Funds may invest a large percentage of assets in securities issued by or representing a small number of issuers. Duration is a measure of the sensitivity of a fixed income security's price (principal value) to a change in interest rates, expressed in number of years.

MANAGED BY


**NORTHERN
TRUST**



GIVING TO OTHERS
KURT J. ROSSI

CEO and wealth adviser
Independent Wealth Management

"MY REAL PASSION is the intersection of money and life, and helping clients through that," said Kurt J. Rossi, describing his approach to the business.

"We leverage our technology, but we humanize it through financial planning," he explained.

Mr. Rossi remembers the time he told a client that he could retire now, instead of working

another two years.

AGE
38

"I said, 'If you continue to work, you'll leave another \$400,000 to your children, but you're never going to be

younger or healthier than you are now.' It was a powerful moment."

Mr. Rossi currently works with about 150 households. He has also served as an undergraduate and graduate professor of finance at Monmouth University, and writes a biweekly finance column for the Trenton Times.

In his spare time he also writes a financial blog, bringyourfinancelife.com.

— John Waggoner



FAMILY & CAREER
NICHOLAS CARR

First vice president
Legates Carr Wealth Management, Merrill Lynch

NICHOLAS CARR DIDN'T realize before entering the financial advice profession that picking the best stocks, bonds and other investments wasn't going to be his most important role.

While he didn't initially recognize how important the adviser-client relationship is in personal finance,

AGE
38

he's now an expert in this area. He has a doctorate in personal financial planning and even created a behavioral finance course that he taught at Kansas State University.

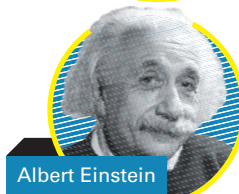
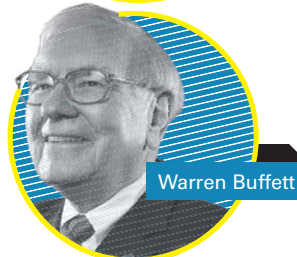
Mr. Carr is one of the rare personal financial planning Ph.D.-holders who is a full-time financial adviser. His team manages about \$265 million in assets.

He also helped start the Southwest Florida Financial Literacy Foundation to provide personal finance education to those underserved by the traditional financial services profession.

So far, the foundation's been reaching out to police officers, firefighters and teachers.

— Liz Skinner

TOP 5
DINNER-PARTY GUESTS
OF OUR 40s



EMBRACING DIVERSITY

LEIGHANN MIKO

Founder
Equalis Financial

IN JANUARY, Leighann Miko finally put to work the business plan she'd been refining for five years, opening Equalis Financial to provide financial planning to the LGBTQ community, women and young professionals.

Even though the Supreme Court legalized same-sex marriage almost two years ago and eliminated many of the unique financial planning situations that gay couples had faced, the community still wants to work with advisers they feel comfortable with, Ms. Miko said.

Being gay, she said she understands the struggles other LGBTQ individuals and couples have gone through.

"They appreciate not having to go to an older, male, pale and stale adviser," she said.

Having her own business after a decade of working at other advisory firms gives her the flexibility to dedicate hours each week to volunteering with LGBTQ youth and women who have been victims of domestic abuse, a dreadful situation she watched her mother endure.

Ms. Miko's proud of helping the Los Angeles Financial Planning Association launch a program with a women's emergency shelter where she and other advisers host basic finance classes and one-on-one mentoring.

"I want to help these women get their lives back on track," she said. "I want to give them the knowledge and resources to break that cycle and show them it's possible to get away from it."

AGE
33

— Liz Skinner

EXCELLENCE
VANESSA WIELICZKO

Director of investments and portfolio management, **HoyleCohen**

VANESSA WIELICZKO STARTED working for HoyleCohen, an independent RIA, after graduating college and right before the financial crisis hit.

She started as a client-relationship manager, and eventually built HoyleCohen's investment department from the ground up, and now leads it.

"I had to fight for it tooth and nail," she said. "It's not typical for firms to have a dedicated investment department."

Ms. Wieliczko is heavily involved in the CFA Society of San Diego. She currently serves as the group's head of programs, and is its youngest-ever president-elect. And she represented the organization at the 2015 International CFA Society Leadership Conference in Hong Kong.

She obtained her chartered financial analyst, chartered alternative investment analyst and certified financial planner designations by the time she was 30.

Ms. Wieliczko was introduced to the finance world during her time at Boston University, both during an internship at Newsweek in London, where she covered business news, and as a pit reporter at the New York Mercantile Exchange.

"It was an interesting way to get exposed to the world of finance," she said.

AGE
31

— Greg Iacurci





BIG ON FAMILY

JENNIFER HOCKINGFinancial adviser
The Hocking Group, UBS

JENNIFER HOCKING joined her husband, Steven, at The Hocking Group, which specializes in 401(k)s, becoming an adviser only within the past couple years. But in that time she's taken over such operational duties as marketing, client services, investment processing and benchmarking.

Ms. Hocking has earned her Series 7 and Series 66 licenses, as well as a chartered retirement plan specialist designation. She also finds time to do pro-bono work with family members of plan participants.

Ms. Hocking is a field leader in a UBS diversity program called All Bar None.

"We can bring people together and learn from each other and help each other out," she said.

— Mark Schoeff Jr.

AGE
37

DOING RIGHT

JON M. LUSKINFinancial planner
Define Financial

JON M. LUSKIN started out working at a nonprofit because he wanted to make a difference in the world, but he found he could make a bigger difference as an adviser.

"I can help people and see real changes in their lives," Mr. Luskin said. "Doing the right thing also means doing the research to figure out the best option. And that's why we use low-cost funds."

Just four years into his career, Mr. Luskin is an active member of the San Diego chapter of the Financial Planning Association's Nex-Gen group, and his research has been published in the *Journal of Financial Planning*. He also provides pro bono planning through FPA, the San Diego Center for Financial Literacy and Junior Achievement, which work with youth, military and low- to moderate-income individuals.

— John Waggoner

AGE
35

HEALTHY LIVING

LAURYN WILLIAMS

Founder, Worth Winning

LAURYN WILLIAMS is no longer competing in track and field or bobsledding, two sports in which she earned Olympic medals. But she's using that same competitive drive to build her financial planning practice, Worth Winning.

"Every day I have to be doing something to grow my firm," she said. "It's like going to practice every day."

Ms. Williams was inspired to become a certified financial planner after she hired a financial adviser at age 20, thinking he would help her manage all her financial affairs, and was disappointed to find he was only interested in providing investment advice. She had gained lucrative sponsorships after winning a silver in track and field at the 2004 Olympics in Athens. Ms. Williams also earned a gold in London in 2012 and another silver on the two-women bobsled team at the 2014 Sochi Winter Olympics, making her the first American woman to medal in both Summer and Winter Olympic Games.

In 2012, a Google search led the University of Miami finance graduate to discover the CFP program. She opened Dallas-based Worth Winning in April 2016 to serve millennials and athletes.

"The biggest thing with professional athletes is not sounding sales-y," she said.

— Liz Skinner

Allianz Life Insurance Company of North America

**WHAT'S THE
DOWN
SIDE?**

Show clients how much loss they may be risking for potential gains, with our Allianz Index Advantage suite of variable annuities.

Along with a built-in death benefit during the accumulation phase and traditional variable options, they offer three innovative index strategies to help you address the challenges of today's volatile markets.

The Index Protection Strategy, for protection from *all* index losses

The Index Performance Strategy, for protection from *small* index losses

The Index Guard Strategy, for protection from *large* index losses

Each strategy offers a different risk-return trade-off – combine them for the performance potential and the level of protection that may be appropriate for your client.

For product positioning ideas and sales support materials, call the Sales Desk at **800.542.5427**.

For all that's ahead.®

Allianz

For more complete information about Allianz Index Advantage® Variable Annuity, Allianz Index Advantage ADVSM Variable Annuity, Allianz Index Advantage NFSM Variable Annuity, and variable and index options, contact Allianz Life Financial Services, LLC for a prospectus. The prospectus contains details on investment objectives, risks, fees, and expenses, as well as other information about the variable and index-linked annuity and variable and index options, which your clients should carefully consider. Encourage your clients to read the prospectuses thoroughly before sending money.

Deduction of an annual product fee (Allianz Index Advantage and Allianz Index Advantage ADV only), withdrawal charge, and contract maintenance charge may result in the loss of principal and performance credits, which are the annual returns your client may receive when they allocate money to an index option.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America (Allianz). Variable annuity guarantees do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

• Not FDIC insured • May lose value • No bank or credit union guarantee • Not a deposit • Not insured by any federal government agency or NCUA/NCUSIF

Products are issued by Allianz Life Insurance Company of North America and distributed by its affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.542.5427 Product and feature availability may vary by state and broker/dealer.

This offer is not valid in the state of New York.

IXA-111

L40538, L40538-NF
(R-4/2017)



TEACHING &
INSPIRING

MEGAN RINDSKOPF

Financial adviser Alpha Financial Advisors

MEGAN RINDSKOPF FELL in love with the financial advice business during an introduction to financial planning class, recommended to her by a career counselor at the University of Georgia. She concluded that her efforts to pursue a degree in physical therapy were not going to work out.

"I realized that the sciences weren't my forte, but I really wanted to do something to help people," she said.

She has been working in fee-only financial advice ever since.

Ms. Rindskopf is also the board president for the south region of the National Association of Personal Financial Advisors, and previously held a board role with the regional NAPFA networking group for young advisers.

She also founded a peer-to-peer networking group to connect advisers, accountants and lawyers in the Charlotte, N.C., region.

At the beginning of her career, Ms. Rindskopf said she jumped around a lot.

"I think I was lacking a true commitment from a firm to develop me as a professional," she said. "I recommend young professionals look for a firm with a career track."

In addition to developing a specialty in helping review insurance needs, Ms. Rindskopf has spearheaded a young professionals program at her firm, Alpha Financial Advisors, to provide financial advice to other millennials.

Outside of the office, Ms. Rindskopf volunteers at SkillPop, where she teaches budgeting and investing classes in small groups, and she's passionate about getting a financial literacy program together to bring to Charlotte-area youth.

— Liz Skinner



FINANCIAL LITERACY

PATRICK O'CONNOR

Senior vice president and regional director, Raymond James & Associates Inc.

PATRICK O'CONNOR'S career choice and his advocacy of financial literacy stem from the tough times that befell his family when he was in high school.

They lost their house and went through bankruptcy after his father, who'd lost his job, withdrew funds from an IRA and failed to pay the associated taxes and penalties. That left Mr. O'Connor's mother with a large amount of debt after his father passed away a few years later.

AGE
38

"This passion for financial literacy and enthusiasm for this business, personal experience from my life shapes some of that," he said.

Mr. O'Connor is a Florida man through and through, having grown up in the Sunshine State, and climbed his way up the ranks of Raymond James over the past 16 years.

By the time Mr. O'Connor was 29, he'd launched and led Raymond James' alternative investments group, structured-products desk and ultrahigh-net-worth consulting efforts. He now oversees the firm's largest of seven regions by revenue, advisers and branch offices.

His proudest professional achievement was overseeing the design and launch of the firm's financial planning software, Goal Planning & Monitoring, in 2013.

In his spare time, Mr. O'Connor volunteers for the charity Junior Achievement, which aims to foster financial literacy and entrepreneurship among kindergarten through 12th-grade students.

— Greg Iacurci



EDUCATION

PAMELA CAPALAD

Founder
Brunch & Budget

PAMELA CAPALAD CREATED her financial planning firm, Brunch & Budget, after noticing that many of her friends during their time out socializing with her would ask questions about credit-card debt, budgeting and 401(k)s.

Ms. Capalad was a financial planning associate at the time, and people in their 20s and 30s were asking her a lot of questions and clearly had fears about money. So in 2015, she built her Brooklyn-based firm to serve them.

"My generation is still reeling from 2008," Ms. Capalad said.

She begins her fact-finding process with clients by having them choose a restaurant for them to share a meal, with the new client picking up the tab.

"It's an easy way to have a conversation together without creating anxiety," she said.

Spreading financial literacy is important to Ms. Capalad, a literature major who discovered a passion for planning after searching for a summer job on Craigslist. She found a position teaching children at a money camp and went back every summer during college, and ultimately decided to get into financial services after graduation.

Ms. Capalad hasn't given up on helping children learn about money. She and her husband, a hip-hop educator, blend their talents to provide hip-hop finance workshops that incorporate rhyming and work to improve communication skills that can help children find jobs.

— Liz Skinner

AGE
31



KNOWLEDGE

KAREN MARIE SARTEN

Senior wealth adviser, Beacon Pointe Advisors

KAREN MARIE SARTEN has wanted to be a financial adviser since ... well, practically always.

"It's been ever since I was in high school," she said. "In my freshman year, I thought stocks were cool, researched them and became very interested in all of what there is to be known about money."

And Ms. Sarten has a simple approach for dealing with clients who might think she's too young to be doling out advice: being confident and being prepared. It's the massive preparation she does that eases the butterflies she gets before every client and prospect meeting.

"Knowledge drives everything I do," she said. "I'm always looking at ways to improve the client experience."

Sharing that knowledge drives Ms. Sarten, who is board chair for the Women's Advisory Institute she helped start in 2012 at her company. "Its mission is to bring women to the table and develop content and resources tailored to the female investor," she said.

Ms. Sarten is also a founding member and contributor to the weekly financial education e-newsletter "The Sense," which the company hopes to spin into a book. "We're really trying to get people engaged," she said.

— John Waggoner

AGE
35

MAXIMIZING
POTENTIAL**DEMETRIUS
FELDER**Founder
Holistic Planners Network**DEMETRIUS FELDER'S PASSION** for his work is helping his clients find the passion in their lives.

Mr. Felder's firm, Holistic Planners Network, specializes in working with women who are older than 45, a time that can be both a challenge and a sweet spot.

"They know exactly what they want from the planning process," Mr. Felder said. "They're clear about what they want to do with the rest of their lives. They come to us to be their life facilitators. We call it life logistics."

Life logistics can involve everything from targeting a client's next career move to managing a divorce to achieving goals that are more emotional or even spiritual in nature. Mr. Felder's firm charges a separate fee for life management but also finds that assets can grow, too, through the process.

"If we get clients to reach their whole human potential, then they'll have a larger, more robust portfolio and higher incomes," he said.

Mr. Felder started pursuing this niche after helping his mother with her finances. He finds that older women, in the 55 to 60 range, have unique needs.

"These folks are trying to redefine themselves," Mr. Felder said.

He started his career on the insurance side of the advice business at Axa, winning awards for production. He then moved to an independent broker-dealer, Commonwealth Financial Network. Mr. Felder established his own RIA, Holistic Planners Network, so he could develop a practice that helps clients with all aspects of their lives. His partner is a neuroscientist.

Mr. Felder's entrepreneurial spirit was sparked in his hometown of Branchville, S.C., where, as a kid, he started his own company, Top of the Line Cleaning Services.

— Mark Schoeff Jr.

AGE
39

**"MY FAMILY
STRUGGLED
FINANCIALLY
GROWING UP,
SO I WANTED
TO HELP PEOP-
LE MANAGE
MONEY
BETTER."**

Sten J. Morgan



IMPROVING LIVES

**STEN J.
MORGAN**Financial planner
Legacy Investment PlanningAGE
30**STEN J. MORGAN WAS** only 25 years old when he quit his job at Raymond James to start his own financial planning firm.

He had just moved with his wife from Oregon to Nashville, Tenn., with zero clients and without really knowing what he was doing at that point, Mr. Morgan said.

Now, roughly five years later, Legacy Investment Planning manages roughly \$120 million in client assets.

"There's a lot going against you, with age and not knowing anyone in the area," he said.

Mr. Morgan wrote a book, "The 7 Mindsets of Success," in which he harnesses lessons from his own experience to provide fledgling advisers a road map to building a successful advisory business in three to five years. It hits bookstores in July.

Mr. Morgan was raised by a single mother, and his family moved 27 times before he reached high school age. Their financial hardship ultimately drew Mr. Morgan to a career in financial planning.

"Realizing you can impact someone so heavily by helping them manage their finances — because I know it would have changed my life when I was young — gave me the passion to get into this business," he said.

Mr. Morgan is a founding member and vice chairman of Tucker's House, a nonprofit that renovates homes for families with special needs children.

— Greg Iacurci



WORLD TRAVEL

**MICHAEL D.
SHANAHAN**President
**Overland & Shanahan
Wealth Advisors Inc.**AGE
39**MICHAEL D. SHANAHAN** had hoped to be a doctor like his father, and even earned a biology degree from the University of Alabama. But he realized during college that the sciences were not what he was really passionate about.

Thanks to his father, who got him interested in investments, it wasn't long before he set his sights on financial services.

"My dad used to show me what was up with my college account, and it really left a mark," Mr. Shanahan said.

Fourteen years ago, Mr. Shanahan moved to San Diego to join a former business partner in starting their own advisory firm providing holistic planning. Their hybrid firm, affiliated with LPL Financial, focuses on serving high-net-worth individuals.

While he's not a physician, he's made helping people a priority. Mr. Shanahan is a coach and mentor to younger advisers, and his team is developing a financial wellness program for local businesses as a way of bringing financial education to more people.

He provides pro bono planning within his local military community (his father was a doctor in the military) and his firm provides each employee with two days of paid time off each year for volunteering.

Mr. Shanahan said he landed in the right profession, even though life as an adviser and firm owner isn't exactly what he expected. He's been surprised at how much time he spends working with clients to understand their personal issues and keep them from making financial mistakes.

"You find yourself playing the role of a psychologist a lot more than I anticipated, getting into this industry," he said.

— Liz Skinner

40
UNDER
40PASSION FUELS
THE FUTURE

What better way to fully experience our 40s than interactively online?

Go to InvestmentNews.com/40 to find fun facts about our winners and watch one of them enjoy his great passion: barbecue!

THE ADVISER CENTER

EXPLORE YOUR NEXT MOVE...

INVESTMENTNEWS.COM/ADVISERCENTER

FEATURED FIRMS

June 28-30
St. Louis, MO

CAMBRIDGE CONNECT

*Qualified advisors welcome

Call 877-688-2369 to register today.
www.joincambridge.com

Member FINRA/SIPC

PARKLAND SECURITIES, LLC
MEMBER FINRA/SIPC

Come grow with us!

Our Firm Development Team is available at 888-744-6264...Call today!
www.joinparkland.com
300 Parkland Plaza, Ann Arbor, MI 48103

Securities offered through Parkland Securities. Member FINRA/SIPC. For Registered Rep use only. Not for use with the public.

Home of the Independent Financial Adviser
Adviser Focused - Technology Leaders - Values Driven
Serving Advisers Since 1990

- Midwest Based
- Weekly Payouts
- Fidelity Clearing & Custody Solutions
- RBC CS Platforms
- RIA Services
- Personal Service You Deserve

Contact: Brent Owens
www.joinCFD.com
Call: 800.745.7776
Email: brent@joincf.com OR brent.owens@cfdinvestments.com

www.cfdinvestments.com www.creativefinancialdesigns.com

Lost in the fog of regulatory complexity?

Let Securities Service Network be your guide.

Expect more. Earn more.

- Comprehensive Education Plans
- Robust Capital Structure
- Cutting Edge Technology
- Flexible Fee-Based Advisory Platforms
- Industry Leading Resources of Ladenburg Thalmann (NYSE: LTS)

joinssn.com
Securities Service Network
Member FINRA/SIPC
(855) 382-8754

WE SHOULD MOVE IN TOGETHER.

START PACKING FOR A SEAMLESS TRANSITION THAT LEAVES NOTHING TO CHANCE.

Call 866.462.3638 today and talk with the firm that does whatever it takes to make sure you never look back. Heavy lifting included.

commonwealth.com | Member FINRA/SIPC

30 Years. ONE Focus.

For over 30 years we have been helping advisors navigate the waves of the markets, providing them with the stability and tools to reach their destination.

Contact us at **888-868-4809** or info@investmentctr.com

investmentctr.com/inc | Seven Time Winner of Investment Advisor Magazine's Broker-Dealer of the Year
Member FINRA/SIPC

The Investment Center, Inc.

Build a practice with both.

autonomy **support**

careers.edwardjones.com/explore

We have the people and strategies to help you grow your business

Become a Voya Financial Advisor
855.698.4900 | JoinVoyaFA.com

CN1221-29888-0118

VOYA FINANCIAL ADVISORS

MAKING BIG WAVES WITH A FRESH APPROACH...

Join the hundreds of happy advisors who have found their independence, perfected. We pick up the phone. We remember your name. We're invested in your success, one advisor at a time.

Make a splash at Independent Financial Group.

CALL DAVID FISCHER AT
(800) 269-1903 x211
www.joinifg.com

Member FINRA/SIPC

Independence unleashes your earning potential.

Western International Securities offers true independence to advisors. No proprietary products. You own your book of business.

- Stability of management, concept and ownership
- Run your practice with autonomy
- Choose between several payout models
- Custodial services strength and support through Fidelity Clearing & Custody SolutionsSM (a Fidelity InvestmentsSM company) and Pershing LLC, a BNY Mellon company

Advisors located nationwide. Corporate Headquarters: Western International Securities, 70 S. Lake Ave., Ste. 700, Pasadena, CA 91101 (888) 793.7717 Fax: (626) 793.7075 Member FINRA and SIPC. ©2016 Pershing LLC, member FINRA, NYSE and SIPC, is a subsidiary of The Bank of New York Mellon Corporation (BNY Mellon). Pershing LLC, Western International Securities, Inc., Fidelity InvestmentsSM, and Fidelity Clearing & Custody SolutionsSM are separate unaffiliated companies that are not responsible for the products and services of the other. Trademarks, service marks and logos belong to their respective owners. All rights reserved. Used with permission. 742761.10.0

joinwestern.com/advantages

Reach Your Growth Potential
Learn why advisors join - and stay - with Kalos Financial

- No. 1 Fastest Growing IBD by Revenue from 2011 - 2015
- 6 Years of 100% Desired Advisor Retention

Contact: Dan Meehan
dmeehan@kalosfinancial.com
www.joinkalos.com
888/356-1950

The Endowment Model Specialists

Securities offered through Kalos Capital, Inc., Member FINRA/SIPC/MSRB. Investment advisory services offered through Kalos Management, Inc., an SEC Registered Investment Adviser. Insurance products offered through Kalos Financial, Inc., a licensed insurance agency. These members of the Kalos Family of Companies are separate affiliated firms that share common ownership and are represented by the Kalos Financial service mark.

Connect with over 153,000* financial advisers.

To place your broker-dealer recruitment ad please call Kelly Maier at 1-888-277-1334 or email KMaier@investmentnews.com

* 2016 InvestmentNews subscriber study, Signet Research, Inc.

FIDUCIARY FUTURE

BICE used for annuities

Reviled exemption preferred to another, 84-24

BY GREG IACURCI

TO OPPONENTS OF the Department of Labor's fiduciary rule, the best-interest contract exemption is something akin to the spawn of Satan.

The fiduciary rule raises investment standards in retirement accounts, and this provision of the rule allows broker-dealers to continue providing investment advice deemed conflicted by the DOL, under certain conditions.

The provision inspires such consternation primarily because it exposes broker-dealers to class-action lawsuits from investors. The BICE also comes with several disclosure requirements that stakeholders are none too fond of.

THE OTHER EXEMPTION

Yet these very same naysayers are wholeheartedly and voluntarily embracing the BICE for annuity sales through January, when the full force of the fiduciary rule is set to kick in, even though another exemption is available for annuities.

That exemption, Prohibited Transaction Exemption 84-24, covers the sale of insurance products such as annuities. It had previously been considered less onerous than BICE by most stakeholders, until DOL action in April reversed that line of thinking.

"BICE was bad, 84-24 was better," Duane Thompson, senior policy analyst at fi360 Inc., a fiduciary consulting firm, said of firms' thinking. "But right now it's kind of the flip side. BICE, ironically, is less onerous than 84-24."

When the DOL delayed the start of the phased implementation of the rule to June 9 from April 10, it also deferred some compliance requirements of BICE until January. Until then, all that's required

**"BICE, IRONICALLY,
IS LESS ONEROUS
THAN 84-24."**

DUANE THOMPSON, SENIOR POLICY ANALYST, FI360

for those providing fiduciary investment advice is adherence to the impartial conduct standards: providing best-interest advice, receiving reasonable compensation, and making no materially misleading statements to clients.

Those impartial conduct standards also apply to PTE 84-24. However, there are additional

disclosure requirements that go along with this exemption during the rule's transition period. Brokers must disclose their initial and recurring compensation, and the client must acknowledge receipt of that information in writing and affirm the transaction.

"Folks that qualify as a fiduciary are tending to want to rely on transition BICE, because it's easier, quite frankly, than 84-24," said Bruce Ashton, a partner at Drinker Biddle & Reath. "There are no formal disclosure requirements, as there are under 84-24."

STRIKING REVERSAL

Prior to the DOL's rule change, firms using BICE would have had to deliver a written statement to clients acknowledging fiduciary status; state in writing that the firm and adviser will comply with the impartial conduct standards and disclose material conflicts of interest; and deliver a one-time disclosure to clients if they had proprietary products or products based on third-party payments, Mr. Thompson said.

The reversal in firms' thinking on BICE is all the more striking since annuity distributors and manufacturers were in an uproar last year upon discovering indexed annuities and variable annuities were required to be sold under BICE.

During the rule's transition period, these annuities can be sold under PTE 84-24, but firms mostly aren't doing so, observers said.

giacurci@investmentnews.com
Twitter: @gregiacurci

RETIREMENT PLANS

New Fidelity funds can make RMDs

Move comes as boomers hit age at which distributions are required

BY GREG IACURCI

FIDELITY INVESTMENTS IS hoping to rouse interest in an otherwise sleepy market for managed-payout funds by launching funds that can make required minimum distributions to investors, at a time when the first baby boomers have started reaching RMD age.

Managed-payout funds, which generally aim to provide investors with regular monthly payments (which aren't guaranteed like annuity payments) have been around since 2007, when Fidelity first launched a version. Other fund companies have joined the fray since then, but the funds haven't seen much uptake.

JUST \$5 BILLION IN ASSETS

Managed-payout funds as a whole have less than \$5 billion in assets, said Jeff Holt, a multi-asset analyst at Morningstar Inc. That compares with the roughly \$900 billion in target-date mutual funds, which are similar to managed-payout funds in that they have an associated target date. But target-date funds are focused on accumu-

lation, not income-oriented like managed-payout funds.

A HOT TOPIC

"Retirement income is a hot topic for a lot of these large asset managers, so it has a lot of attention," Mr. Holt said. "You have asset managers not giving up but revisiting that space. And this is Fidelity's next approach in how to do it."

Fidelity's new funds, the Simplicity RMD Funds, are meant for investors who are close to age 70½, said Andrew Dierdorf, co-portfolio manager of the funds. That's the age at which retirees are required to start taking distributions from their retirement accounts.

The asset-allocation funds, which mix equity, fixed-income and short-term Fidelity mutual funds, act like a typical target-date fund by getting more conservative as an investor ages.

The fund vintages signify when an investor is expected to turn 70. The funds have an optional feature that automatically calculates and distributes an investor's RMD from the account.

Roughly 10,000 boomers will

turn 70½ each day for the next two decades.

"We're just at that first full wave of baby boomers," Mr. Dierdorf said. "I think as individuals get more and more familiar with the complexities of trying to do it themselves, the need for simplicity is something that will become more prominent."

Taking RMDs can be a complex process, depending on an investor's financial situation and the number of retirement accounts from which the investor has to take distributions.

Mr. Holt said other managed-payout funds haven't been explicitly tailored to RMDs. Others pay out a certain percentage of income to investors. Vanguard Managed Payout tried to pay a 4% annual distribution, for example.

For the strategy to make the most sense, Mr. Holt said investors would likely have to put all or the bulk of their retirement assets into such a strategy, which some may be reluctant to do.

giacurci@investmentnews.com
Twitter: @gregiacurci

WEBCASTS

Bridging generational gaps in financial advice: Connecting next-gen advisers with baby boomer clients

Tuesday, June 20, 2017 | 4:00 p.m. to 5:00 p.m. ET

What does it take for a next-gen adviser to work with baby boomers? It takes an understanding of demographic traits, such as developing name recognition with clients and making sure they know an advisers background, including past work and the educational experiences that led them to where they are today.

Register for this exclusive webcast where leading industry experts will discuss:

- How next-gen advisers can develop a deeper understanding of baby boomer expectations. How next-gen advisers separate themselves from their peers to win the confidence of baby boomers.
- Strategies for stronger communications with baby boomers.
- The appropriate and not-so appropriate times to text or email these clients.

Attendees may submit questions before and during the live event. This free and invaluable resource will help you, your current clients and prospects.

REGISTER NOW:

investmentnews.com/bridging_gaps

sponsored by

POWERED BY
IMCA[®]
www.IMCA.org

Emerging Market Debt: 5 Forces at Work

Tuesday, June 27, 2017 | 1:00 p.m. to 2:00 p.m. ET

When it comes to emerging market debt, there are a series of forces that help you drive better results for your clients. In today's continually changing market environment, it is critical to know the forces at play to help keep your investment strategy a step ahead.

In this live, interactive webcast InvestmentNews and Aberdeen Asset Management will examine a number of key trends and see how they are shaping the marketplace. Advisers will learn:

- How attractive yields in emerging markets' fixed income compare to low yields in much of the developed world;
- Dramatic improvement in emerging market currency valuations;
- The growing rebound in emerging market growth;
- How much Chinese demand continues to support emerging market commodities;
- Why Aberdeen's resources and local presence with over 80 emerging market investment professionals around the world will help you deliver diversification advantages and growth to your clients.

For a preview of some of the key trends that will be discussed on this important webcast, see The Forces at Work. Attendees may submit questions before and during the live event.

Attendees may submit questions before and during the live event. This free session could prove to be an invaluable resource for you in ways that could deliver direct benefits for your clients and prospects.

Accepted for 1 CE Credit from the CFP Board. Pending by IMCA for 1 CIMA/CIMC/CPWA CE credit. Approved for 1 CFA Credit.

REGISTER NOW:

www.investmentnews.com/emergingmarket

sponsored by

Aberdeen
Asset management

View upcoming and archived webcasts
at investmentnews.com/webcasts

InvestmentNews

InvestmentNews

BEST PRACTICES WORKSHOP



10-17
BOSTON

Compensation and Staffing Benchmarking Brought to Life

The Industry's Top-Performing Firms in One Room, for One Day

Join *InvestmentNews* for the **5th Annual Best Practices Workshop & Awards**, bringing together the industry's most influential thought-leaders and firms.

Participate in facilitated workshop sessions designed to translate benchmarking studies into personalized, practical strategies for growth—addressing the challenges and opportunities within your business.



**AMIR
GHANNAD**

*Leadership Development Specialist
and Culture Transformation Catalyst*
The Ghannad Group, LLC



**PHILIP
PALAVEEV**

CEO
The Ensemble Practice



**MARK
TIBERGIEN**

CEO
Pershing Advisor Solutions,
a BNY Mellon company

REGISTER TODAY!

SAVE \$50. DON'T DELAY. USE CODE: SPREAD
VISIT WWW.INVESTMENTNEWS.COM/BESTPRACTICES

AGENDA: Tuesday, October 17

■ TRANSLATING COMPENSATION AND STAFFING TRENDS INTO GROWTH

A deep dive into the findings from the 2017 InvestmentNews Adviser Compensation & Staffing Study to reveal the keys to successfully structuring staff and facilitating long-term growth.

■ ACCELERATING EVOLUTION

Get a high-level view of how firms are strategically managing both pay and personnel to drive superior financial performance and achieve elite levels of productivity and profitability.

■ LESSONS IN LEADERSHIP

This session will focus on how you, as an advisory firm leader, can create and communicate a shared vision for your firm's success and future.

■ FOCUS ON STAFFING: STRUCTURING AND DEVELOPING YOUR FIRM FOR GROWTH

This session will focus on how to evaluate – and continuously re-evaluate – the individual roles within an advisory firm, as well as the overall organizational structure.

■ BUILD OR BUY – OR BOTH

With an abundance of merger and acquisition activity, advisory firm leaders can use these opportunities as a strategic means to accelerate the growth of their firms – and also to build longer-term succession plans that can increase the overall enterprise value of a business.

■ TOP ADVISER PANEL: THE BEST PRACTICES OF THE BEST PRACTICES

In this elite adviser panel, three of the industry's top firms of 2017 will discuss the secrets behind their success, as well as their strategies for continuing to out-perform their peers in 2018 – and beyond.

PREMIER



PRESENTING



SUPPORTING



LEGAL MATTERS

Court dings Ameriprise

Finds unfair competition with Hanson McClain

BY LIZ SKINNER

AMERIPRISE FINANCIAL and two of its employees must pay advisory firm Hanson McClain Advisors \$1.5 million for using client information misappropriated by a former employee to solicit business, a trial court judge in California ruled earlier this month.

Hanson McClain filed its initial complaint against its former adviser Thomas Chandler, Ameriprise, and Kable Doria, an Ameriprise branch manager, in September 2014, the month after Mr. Chandler suddenly departed Hanson McClain after 15 years with the firm.



Scott Hanson

Hanson McClain, which has \$2.3 billion in assets under management, alleged Mr. Chandler took confidential information about at least 200 clients who had combined AUM of about \$540 million.

Ameriprise, which manages about \$499 billion in client assets, and Mr. Doria conspired with Mr. Chandler to gain the data and contact Hanson McClain clients whom Mr. Chandler had worked with, to try to convince them to move their business, violating both Mr. Chandler's contract and California law, according to the complaint.

The June 5 court ruling found

that Mr. Chandler had breached his employment contract with Hanson McClain and that all three defendants had violated fair business practices and misappropriated trade secrets.

"We spent over \$2 million to get a judge to say we're right," said Scott Hanson, co-founder of Hanson McClain. "Big companies shouldn't get to operate under different rules."

Ameriprise contends it followed all rules and laws.

"We believe we complied fully with industry standards and the law," Ameriprise spokeswoman Kathleen McClung said in an email.

Mr. Hanson said his firm reached out to the Financial Industry Regulatory Authority Inc. and the Certified Financial Planner Board of Standards Inc. to present its case against Ameriprise and Mr. Chandler, who holds the certified financial planner designation. "Had the regulators or the CFP Board done even part of their job, it would have spared us this," Mr. Hanson said.

"In view of CFP Board's long-standing policy of publicly commenting only on CFP Board disciplinary matters that have resulted in public discipline, CFP Board has no comment on this matter," spokesman Dan Drummond said in an email.

Finra did not respond to a request for comment on this case.

lskinner@investmentnews.com
Twitter: @skinnerliz

MEP alt

CONTINUED FROM PAGE 4

with between \$1 million and \$10 million in assets has an average asset-weighted cost of 1.14%, according to a joint study conducted by the Investment Company Institute and BrightScope Inc.

"Because we leverage scale from a lot of smaller plans aggregated together, it helps reduce cost to the individual employers for offering a plan," Mr. Morris said. "And since everything related to the investments of the plan is done for the plan sponsor, it helps to solve some of the complexity issues with offering a plan."

Other advisory shops such as Captrust, which oversees just shy of \$200 billion in DC plan assets, also serve as investment fiduciaries to 81-100 trusts.

Some observers, including Mr.

Barnett, believe such strategies will only become more popular, especially if the Labor Department's fiduciary rule leads the small market to be underserved by advisory firms.

Rich Rausser, senior vice president of Pentegra Retirement Services, said 81-100 trusts are "very, very similar" to a kind of multiple employer plan known as an open MEP.

BURDENSOME TASKS

Any small employer could theoretically join an open MEP, but individual employers must conduct potentially burdensome administrative tasks, such as filing Form 5500s, conducting plan audits and obtaining an ERISA bond. Closed MEPs are less of an administrative hassle, because there's a single Form 5500, audit and ERISA bond for employers, but companies must share a common nexus to participate — chapters of a nonprofit organization, for example.

Because the 81-100 is essential-

ly a trust of trusts, each plan maintains its own trust, plan document, and files its own Form 5500. And it's theoretically available to many different employers.

It may also prove beneficial to an open MEP for a few reasons, one of which is avoidance of the one-bad-apple rule to which MEPs are currently beholden, said Scott Matheson, defined contribution practice leader at Captrust.

Under that rule, mistakes by one employer, such as not making timely contributions to the plan, theoretically could disqualify the entire MEP.

Legislation that passed the Senate Finance Committee last year would have eased MEP rules to make them more attractive for small employers to join, and easier for third parties such as advisory firms and record keepers to offer. Similar legislation is pending in the current congressional session.

giacurci@investmentnews.com
Twitter: @gregiacurci

Rogues

CONTINUED FROM PAGE 4

supervision and about what the elements of heightened supervision might be."

Finra has been under pressure for years to crack down on recidivist brokers who bounce from firm to firm. It put in place a high-risk broker program that has resulted in barring 120 brokers from the industry since 2014, Mr. Cook said. Another 420 are no longer registered with a Finra-member firm.

At its May meeting, Finra's

board advanced proposals that would allow tougher penalties for brokers with certain past infractions, enable disciplinary hearing panels to restrict the activities of brokers and firms while a case is on appeal, and require firms to strengthen supervision while a "disqualification request" is under review or a broker is appealing a hearing decision.

SPECIAL WORKING GROUP

The board has established a special working group on high-risk brokers led by former Securities and Exchange Commission chairwoman Elisse Walter.

More rulemaking could be on the way.

"We are also considering additional measures," Mr. Cook said in his Georgetown speech. "One approach would be to amend our rules to establish additional requirements when a firm or individual meets specified risk criteria in order to further deter misconduct and incentivize greater focus on the relevant risks."

Any such proposal would be put out for comment, Mr. Cook said. Finra rules must be approved by the SEC.

Finra oversees approximately 3,800 brokerages and 634,800 registered representatives.

mschoeff@investmentnews.com
Twitter: @markschoeff

Business Resources

To place an ad call 1-888-277-1334

ADVISOR RECRUITING

Considering changing Broker Dealers?

Sometimes the grass is greener.

We have spent the last 28 years successfully matching advisors with Independent Broker Dealers.

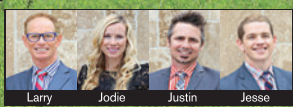
800 • 247 • 3272

Visit our new website!

cross-search.com

- Absolutely No Cost to You
- 100% Confidential
- Over 2,700 Success Stories

Cross-Search
Broker & Executive Placement



RIA REGISTRATION

RIA Registration \$2197

Attorney & Former CCO

www.easy-ria.com

(800) 785-5860

To place your ad call Kelly Maier

1-888-277-1334

kmaier@investmentnews.com

SOFTWARE

RETIREMENT INCOME SOFTWARE

THE **15 MINUTE INCOME PLAN** YOUR CLIENTS WILL FINALLY UNDERSTAND.



"I scored a trifecta! Bucket Bliss is easy to use, intuitive, and very effective. I am now three for three. I have made three client presentations and all three have opened an account!"

- Tony H. - Advisor

\$49
per month

30 DAY FREE TRIAL
NO CONTRACT

www.bucketbliss.com
PROMO CODE: 15MIN

Bucket Bliss

888.799.4328

Get the latest news @ **InvestmentNews.com**



Four ways to reduce RMDs

Required minimum distributions from retirement plans can boost taxes. Here are some fixes

Required minimum distributions usually mean an increase in taxes. Here are four ways you can reduce this RMD burden for your clients.

1. Qualified charitable distributions. QCDs should be in play for every IRA client 70½ or older who is subject to RMDs and who also gives to charity. The QCD amount is excluded from income. This can create a chain reaction of tax savings since a lower income means more of the tax benefits, like deductions, exemptions and credits, that would be reduced or eliminated due to higher income can be retained. Increased tax deductions mean less income tax. The QCD option is only available for IRAs, not company plans.

at a company with a 401(k) plan, a rollover to the company plan can delay future RMDs. To benefit from this, you have to make sure the company allows roll-ins from IRAs.

RMDs from the plan can be delayed until retirement if the client does not own more than 5% of the company and if the plan allows this so-called "still working" exception

for RMDs. Plans do not have to allow this, but many do. Before doing the roll-back to the company plan, the current year RMD must be taken from the IRA. An RMD can never be rolled over.

Once the IRA RMD is taken, the balance of the IRA can be rolled over to the plan and IRA RMDs will be eliminated going forward.

RMDs from the plan will be due for the year of retirement and later years, but the client may be in a lower tax bracket then.

4. Roth conversions. Roth conversions before age 70½ will lower future RMDs, but what can you do once clients begin RMDs after age 70½? Those RMDs cannot be converted to Roth IRAs because a

conversion is technically a rollover and RMDs cannot be rolled over. The first dollars out of the IRA are deemed to satisfy the RMD, but after that, the remaining IRA funds can be converted. That will actually increase the tax for the conversion year, but will reduce future RMDs. Over time, converting smaller amounts each year, filling up lower tax brackets, can reduce or even eliminate future RMDs.

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

25%

PORTION OF THE OVERALL BALANCE OF THEIR RETIREMENT PLAN ASSETS THAT CLIENTS CAN USE TO PURCHASE QUALIFIED LONGEVITY ANNUITY CONTRACTS

We just saw a tax return where the RMD was \$107,000. The return included charitable contributions in excess of that amount that were claimed as an itemized deduction instead of using the QCD. It turned out that over \$30,000 of the charitable deduction could not be taken due to the 50% income limitation. The excess gets carried over (but only for five years). If that individual had used the QCD, he could have excluded \$100,000 of that RMD (the annual QCD limit) and lowered his taxable income by over \$30,000.

2. Qualified longevity annuity contracts. QLACs have two benefits. They can reduce the RMD amount and, in turn, the tax bill. And when the QLAC kicks in, usually at age 85, clients are protected from outliving their IRA money, at least up to the QLAC amount.

The QLAC value can be excluded from the account balance in retirement plans (either IRAs or company plans) used for calculating RMDs. There are limits though. Retirement account owners can purchase QLACs of up to 25% of the account balance, up to an overall maximum of \$125,000.

So a client with a \$600,000 IRA is limited to a QLAC of \$125,000. An IRA owner with \$200,000 is limited to a QLAC of \$50,000 (\$200,000 x 25%). That's a nice chunk to chop off an RMD calculation, not to mention the added benefit of longevity insurance.

3. Rollovers to company plans. Not everyone can take advantage of this but if your client is subject to RMDs from his IRA and still works

IS YOUR TECHNOLOGY STRATEGY WORKING?

Now available! The **2017 Adviser Technology Study** provides a blueprint with benchmarks and action steps to help advisers drive profitability, efficiency and growth.

DOWNLOAD NOW FOR \$299
VISIT: INVESTMENTNEWS.COM/2017TECHSTUDY

InvestmentNews

2017 ADVISER TECHNOLOGY STUDY
DRIVING EFFICIENCY, PROFITABILITY & GROWTH

sponsored by

Laserfiche

Ameritrade
Institutional

ARCP

CONTINUED FROM PAGE 3

Ryan Steel, the former director of financial reporting at ARCP, is a key witness for the federal government in its case against Brian Block, ARCP's former chief financial officer. The Justice Department last September charged Mr. Block with conspiracy, securities fraud and making false filings with the Securities and Exchange Commission.

Mr. Block faced discrepancies over the REIT's AFFO accounting in July 2014 as he was preparing ARCP's second quarter financial statements, according to Daniel Tehrani, assistant U.S. attorney.

"He could make up numbers to make problems disappear," Mr. Tehrani said last Tuesday in the government's opening statements.

"He chose to lie. He chose to deceive the marketplace."

"Boy, do we disagree," countered Mr. Block's attorney, Reid Weingarten, a partner at Steptoe & Johnson.

"I'm asking you to look for good faith in every nook and cranny in this trial."

AFFO can be a tricky financial metric to measure, and ARCP in its filings cautioned against relying on the metric. Indeed, there was no obfuscation of AFFO at the company, said Mr. Weingarten.

Mr. Steel has cut a deal with

federal prosecutors not to be charged in the ARCP accounting matter. He said he was fired by ARCP in December 2014.

In the spring of 2014, Mr. Steel said he first identified problems with ARCP's AFFO calculation. At the time, AFFO was calculated by taking funds from operation, or FFO — which adds back depre-

"HE CHOSE TO LIE. HE CHOSE TO DECEIVE THE MARKETPLACE."

DANIEL TEHRANI
ASSISTANT U.S. ATTORNEY

ciation to net operating income — and then adding back other financial figures, such as mergers-and-acquisitions costs.

INFLATED AFFO

Mr. Steel testified that the problem with ARCP's accounting was that while shareholders accounted for roughly 96% percent of the company's operating partnership units, the add-backs were computed on 100% of the units, causing the AFFO to be inflated. Making appropriate adjustments

to ARCP's accounting for AFFO would result in a per share decrease in the metric.

The company said in its quarterly filings that the AFFO was net of any noncontrolling interests, which Mr. Steel said accounted for about 4% of the company.

In his testimony, Mr. Steel repeatedly referred to such a calculation of AFFO as double-dipping and called it a "hybrid" method.

Mr. Steel said pressure over the AFFO accounting culminated in three meetings on July 28, 2014. The next day, ARCP was to publicly file its second quarter results with the SEC.

Along with Lisa McAlister, ARCP's former chief accounting officer, Mr. Steel and Mr. Block discussed the company's AFFO results and two different methods to calculate that number: the "hybrid" method, which Mr. Steel said he believed to be incorrect, and the "net" method, which he testified was proper.

Mr. Block quickly populated a blank spreadsheet for AFFO using an incorrect accounting method, Mr. Steel said.

"There you go," Mr. Block allegedly said. "What do you think?"

"I was shocked. My jaw dropped," Mr. Steel said. "I knew the numbers were wrong." He said Ms. McAlister started to nod and said that worked and looked good.

bkelly@investmentnews.com
Twitter: @bdnewsguy

Capital Group

CONTINUED FROM PAGE 3

Capital Group is among the largest asset managers in the world, with roughly \$1.4 trillion under management, and its American Funds family of mutual funds is a perennial favorite among advisers.

A plan participant, D'Ann M. Patterson, is seeking to recover losses and secure disgorgement of "unjust profits" to Capital

Group and its subsidiaries for "conflicted, disloyal, imprudent, and self-interested decisions" regarding the company's investment selections.

Using in-house investment funds "resulted in plan participants and beneficiaries paying excessive and prohibited fees that substantially diminished their retirement savings, and resulted in windfall profits for Capital Group and its subsidiaries," according to the complaint, filed last Tuesday in the U.S. District Court for the Central District of California.

In the proposed class-action

lawsuit, D'Ann M. Patterson v. The Capital Group Companies Inc. et al, the plaintiff claimed that roughly 95% to 98% of investment options offered in the plan since June 2011 were "unduly expensive" Capital Group-affiliated funds.

The Capital Retirement Savings Plan, which has roughly \$3.2 billion in plan assets and more than 9,000 active participants, offered between 38 and 46 fund options during that period, according to the complaint.

giacurci@investmentnews.com
Twitter: @gregiacurci

Bitcoin drop

CONTINUED FROM PAGE 3

will let you buy groceries with them.

"I'll give bitcoin a lot more credence when Amazon says it will take it," said Mark Bass, a financial planner with Pennington Bass & Associates.

"Thankfully, I condition my clients from the start that if something is worth consideration for a portfolio, I will likely be the one initiating the conversation," said Kashif A. Ahmed, president of American Private Wealth. "No existing client has approached me about bitcoin, but I did have a prospect who wanted to invest in it. I told him respectfully that I am not the guy for him."

When Mr. Ahmed's client asked why he wouldn't help invest in bit-

coin, he had three reasons: Shiny new things aren't usually good investments, nor are ones that are surging in popularity. And, of course, bitcoins are unregulated.

For many advisers, the main piece of advice is not to invest anything in bitcoin that you can't afford to lose. Erika Safran of Safran Wealth Advisors said she had clients who had been bitcoin investors for about a year. Ms. Safran doesn't give buy-or-sell advice on cryptocurrencies, nor does she have access to clients' digital currency accounts.

'PROJECT AND EVALUATE'

"My advice was to project and evaluate what their future financial security looks like without the cybercurrency funds," she said. "What's the impact, if any, of 100% loss of investment?"

Fortunately, they hadn't bet the ranch.

"The future looked rosy; there

are no financial worries about potentially losing the entire investment — other than bruised egos," Ms. Safran said.

Other advisers are starting to see bitcoin and other cryptocurrencies, such as Ethereum, as another asset class that could be a useful diversification tool.

"A serious investor in any asset class understands diversification, and the same is true of cryptocurrencies," said Samuel Boyd of Capital Asset Management Group. "This is a relatively young asset class and one should tread lightly in terms of the weight to their overall portfolio but, in the same vein as alternative investments, a 5% allocation as a correlation reduction tool or store of value would not be out of the question for those with the liquid assets and [enough] disposable income to weather a bubble burst."

jjwaggoner@investmentnews.com
Twitter: @johnwaggoner

Retiree health

CONTINUED FROM PAGE 3

and acting in clients' best interests.

"Although these numbers may seem out of reach, the savings required to cover health care when meeting retirement savings goals are often more modest than might be expected," he said.

401(K) CONTRIBUTIONS

For example, a 55-year-old who's already on track to replace about 85% of his preretirement income could increase his 401(k) contributions by as little as \$17 per paycheck to address his retirement health premiums, assuming a company match of 50%.

The proper mix of savings vehicles can play an important role in future retirement income and its impact on health care costs.

A client who is stashing all of his retirement savings into a traditional 401(k) may be better off splitting his contributions between a tax-deferred plan and a Roth 401(k) plan that would offer tax-free distributions in retirement, Mr. Mastrogianni said. Fully funding a health savings account during one's working years is another way to increase tax-free sources of income in retirement. HSAs offer a triple tax break: Contributions are tax-deductible; savings grow tax-free; and distributions are tax-free when used to pay for medical expenses.

The principal driver behind rising medical expenses continues to be retirement health care inflation related to Medicare Parts B and D, supplemental insurance and cost sharing, the report said. The standard Medicare Part B premium, which pays for doctors' fees and outpatient services, rose 10% from \$121.80 in 2016 to \$134 per month for new enrollees in Medicare in 2017.

Most Medicare beneficiaries who enrolled before this year pay less because of a "hold harmless" provision that prevents their Medicare Part B premiums from increasing more than the annual increase in their Social Security benefits. With a paltry 0.3% increase in Social Security benefits in 2017, most Medicare

beneficiaries paid about \$5 more per month for Medicare Part B this year.

But Medicare enrollees who are not collecting Social Security, including those who chose to delay claiming benefits until they are worth more at an older age, had to pay the full 10% increase in Medicare Part B premiums. High-income retirees, defined as individuals with modified adjusted gross income (MAGI) above \$85,000 and married couples with MAGIs topping \$170,000, had to pay a lot more for premiums for both Medicare Part B and Medicare Part D, which covers prescription drugs.

TRIPLE THE INFLATION RATE

HealthView projects that the annual retirement health care inflation rate will average 5.5% for the foreseeable future. That is almost triple the U.S. inflation rate of 1.9% from 2012 to 2016, and more than double the projected Social Security cost-of-living adjustments of 2.6%.

Larger Social Security COLAs in the near future mean the hold-harmless provision is unlikely to be invoked. As a result, retirees will pay the full Medicare premium hike each year, further chipping away at their Social Security benefits.

The HealthView Services report shows that a 66-year-old couple retiring this year will need 59% of their Social Security benefits to cover total lifetime retirement health care costs. A 55-year-old couple retiring at 66 will need 92% of their benefits, and a 45-year-old couple retiring more than 20 years from now will need more than their total Social Security benefits — 122% — to cover health care.

"Homes can be downsized and vacations reduced when budgets are tight, but health care premiums and other out-of-pocket costs are not an optional expense," Mr. Mastrogianni said. "The report's data provide a starting point on how to effectively address these expenses."

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

Mary Beth Franklin is a contributing editor to InvestmentNews and a certified financial planner.
mbfranklin@investmentnews.com
Twitter: @mbfretirepro

Morgan texts

CONTINUED FROM PAGE 2

cial adviser sent out an email message the day after the U.K.'s Brexit vote, which included lots of detail and perspectives on what the vote might mean for investors and the financial markets.

ONLINE ACCOUNT OPENING

Going forward, this is the kind of thing that could be prepared at the corporate level and quickly distributed to Morgan Stanley's reps to provide to their own clients.

"Our digital strategy represents what we believe to be the most comprehensive effort in the industry to bring the adviser-client relation into the present and secure it for the future," Ms. Hassan said.

Morgan Stanley has identified

three main areas of focus, she said, including driving client engagement, targeting new client segments and digitizing the process.

Digital communication will become a larger part of helping Morgan Stanley reps be more efficient in terms of working with clients and even opening new accounts.

"We have never even had online account opening here, because you have always had to go through a financial adviser to open an account," Ms. Hassan said. "Interactions between financial advisers and clients should be easy and reflect how people communicate in other aspects of their lives. In response to one of the top requests from our financial advisers, we are enabling them to make more convenient and effective connections with clients where they communicate most."

jbjbenjamin@investmentnews.com
Twitter: @jeff_benjamin

InvestmentNews
**WOMEN
to WATCH**



**2017
NOMINATIONS
NOW OPEN!**

We selected an elite group of 20 Women to Watch in 2015 and again in 2016.

WHO WILL MAKE THIS YEAR'S LIST?

Nominate an extraordinary woman you know who has advanced the financial advice industry and helped others along the way.

To learn more or to submit a nomination visit:
InvestmentNews.com/w2w

For information on sponsorship opportunities, contact Kelly Gormley at kgormley@investmentnews.com.

Schwab gives you a platform
to compete against anyone.

Here's How.

“Without a company like Schwab, a small firm like mine could never have thrived. They not only identify the challenges you face, they actually help find the solutions. I started this company with \$19 million in assets under management, and soon expect to reach \$1 billion. Schwab is best in class.”

Kent Skornia
Krilogy Financial

**We passionately support more independent advisors with
more assets under management than anyone in the industry.**

Learn more at advisorservices.schwab.com or call 877-687-4085

charles
SCHWAB

Own your tomorrow

Results may not be representative of your experience. Krilogy Financial is not owned by or affiliated with Schwab, and its personnel are not employees or agents of Schwab. This is not a referral to, endorsement or recommendation of, or testimonial for the advisor with respect to its investment advisory or other services. Schwab Advisor Services™ serves independent investment advisors and includes the custody, trading, and support services of Schwab. Independent investment advisors are not owned by, affiliated with, or supervised by Schwab. ©2017 Charles Schwab & Co., Inc. ("Schwab"). All rights reserved. Member SIPC. (0417-XHZ7)