June 18-22, 2018

InvestmentNews®

CRAIN $4.00 / $69 Year | The Leading Information Source for Financial Advisers | InvestmentNews.com

NEWSPAPER | VOL. 22, NO. 24 | COPYRIGHT CRAIN COMMUNICATIONS INC. | ALL RIGHTS RESERVED

PGIM FUNDS: HIGHLY RATED BY MORNINGSTAR. POWERED BY PGIM INVESTMENTS.

Powered by the ninth-largest global investment manager,[1] Prudential Mutual Funds are now known as PGIM Funds. Only the name of each fund has changed, replacing Prudential with PGIM.

With more than 100 funds globally[2] across asset classes and strategies, we're among the fastest-growing fund families.[3] Learn more at **pgiminvestments.com**

PGIM TOTAL RETURN BOND FUND
Intermediate-Term Bond Category
PDBZX
★★★★★
858 Overall Rating

For the 3-, 5-, and 10-year periods, the Fund was rated 5 stars out of 858 funds, 5 stars out of 784 funds, and 5 stars out of 561 funds, respectively.

PGIM SHORT-TERM CORPORATE BOND FUND, INC.
Short-Term Bond Category
PIFZX
★★★★★
455 Overall Rating

For the 3-, 5-, and 10-year periods, the Fund was rated 4 stars out of 455 funds, 4 stars out of 393 funds, and 5 stars out of 255 funds, respectively.

PGIM HIGH-YIELD FUND
High Yield Bond Category
PHYZX
★★★★★
588 Overall Rating

For the 3-, 5-, and 10-year periods, the Fund was rated 5 stars out of 588 funds, 4 stars out of 488 funds, and 5 stars out of 319 funds, respectively.

PGIM JENNISON GLOBAL OPPORTUNITIES FUND
World Large Stock Category
PRJZX
★★★★★
717 Overall Rating

For the 3- and 5-year periods, the Fund was rated 5 stars out of 717 funds and 5 stars out of 591 funds, respectively.

PGIM JENNISON GROWTH FUND
Large Growth Category
PJFZX
★★★★
1,213 Overall Rating

For the 3-, 5-, and 10-year periods, the Fund was rated 4 stars out of 1,213 funds, 5 stars out of 1,099 funds, and 4 stars out of 779 funds, respectively.

PGIM QMA LONG-SHORT EQUITY FUND
Long-Short Equity Category
PLHZX
★★★★
191 Overall Rating

For the 3-year period, the Fund was rated 4 stars out of 191 funds.

Performance by share class may vary.

Overall Morningstar Rating™ for Class Z shares as of 3/31/2018. Morningstar measures risk-adjusted returns. The overall rating is a weighted average based on a fund's 3-, 5-, and 10-year star rating.

PGIM INVESTMENTS

FIXED INCOME | EQUITIES | REAL ESTATE

Consider a fund's investment objectives, risks, charges, and expenses carefully before investing. The prospectus and summary prospectus contain this and other information about the fund. Contact your financial professional for a prospectus or summary prospectus. Read them carefully before investing.

[1]Prudential Financial was named 9th largest institutional asset manager worldwide, *Pensions & Investments*: Largest Money Manager's list, May 2017, data as of 12/31/2016. [2]75 funds domiciled in the U.S. and 26 funds domiciled in Ireland that are managed by an affiliate. [3]Simfund, as of 3/31/2018 among top 50 competitors between 2008 and 1Q2018 based on net flows. Excludes ETFs and money market funds. Mutual fund investing involves risks. Some funds are riskier than others. The risks associated with investing in these funds include but are not limited to: **high yield ("junk") bonds,** which are subject to greater market risks (PIFZX, PDBZX, PHYZX); **foreign securities,** which are subject to currency fluctuation and political uncertainty (PRJZX, PJFZX); and **short sales,** which may prevent from implementing its investment strategy to the extent the Fund is obligated to cover a short position at a higher price (PLHZX, PJFZX). **Fixed income investments** are subject to interest rate risk, and their value will decline as interest rates rise (PIFZX, PDBZX, PHYZX). The risks associated with each fund are explained more fully in each fund's respective prospectus. There is no guarantee a fund's objectives will be achieved.

Some Morningstar Ratings may not be customarily based on adjusted historical returns. If so, an investment's independent Morningstar Rating metric is compared against the retail mutual fund universe breakpoints to determine its hypothetical rating for certain time periods. The Morningstar Rating for funds, or "star rating," is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.

Star ratings shown are for Class Z shares, which are available to individual investors through certain retirement and wrap fee programs, and to institutions at an investment minimum of $5,000,000.

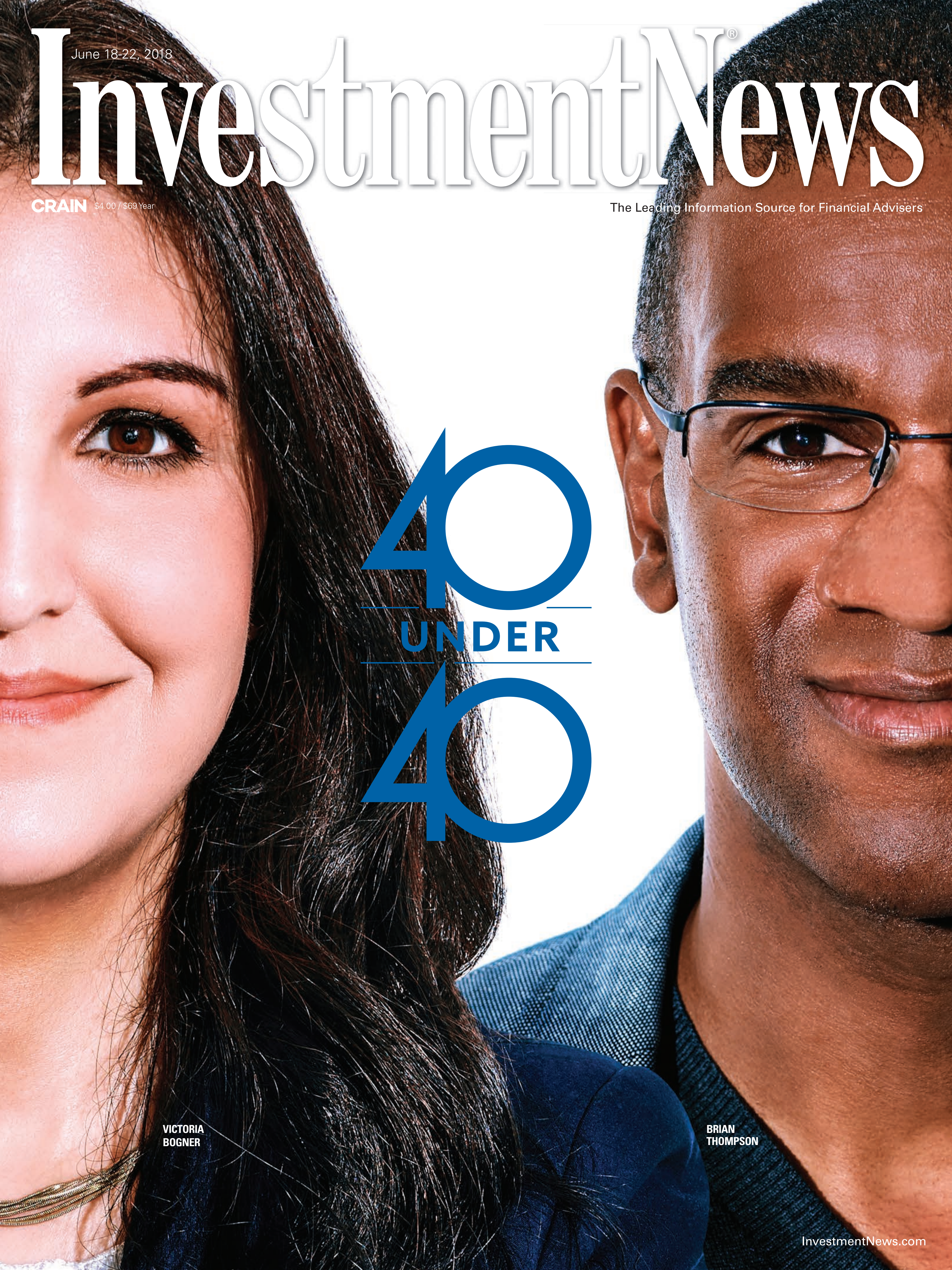
Mutual funds are distributed by Prudential Investment Management Services LLC, a Prudential Financial registered investment advisor and Prudential Financial company. Jennison Associates and PGIM, Inc. (PGIM) are registered investment advisors and Prudential Financial companies. QMA is the primary business name of Quantitative Management Associates LLC, a wholly owned subsidiary of PGIM. PGIM Fixed Income and PGIM Real Estate are units of PGIM. © 2018 Prudential Financial, Inc. and its related entities. Jennison Associates, Jennison, PGIM Real Estate, PGIM and the PGIM logo are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide. The investment return and principal value will fluctuate and shares when sold may be worth more or less than the original cost and it is possible to lose money. This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. Clients seeking information regarding their particular investment needs should contact a financial professional. 0317681-00001-00

June 18-22, 2018

InvestmentNews®

CRAIN $4.00 / $69 Year

The Leading Information Source for Financial Advisers



INSIDE

A CLOSER LOOK

ONLINE

SLIDESHOW

Complicated Medicare rules can hurt your clients
InvestmentNews.com/medicarerules

SLIDESHOW

These 10 funds are offering yields of 5% or more
InvestmentNews.com/5percent

Cover: Brad Trent

CONNECT WITH US

Vol. 22, No. 24, June 18, 2018. **InvestmentNews** (ISSN 1098-1837) Is published weekly, except for the first week of January, the first, third and last week of July, the second and fourth 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**

Industry, advocates split on SEC advice proposal

At investor meeting, both sides say rule must better define what 'best interest' means

BY MARK SCHOEFF JR.

A FINANCIAL INDUSTRY representative defended the Securities and Exchange Commission's proposed investment-advice reforms while investor and adviser advocates said that the changes wouldn't go far enough, as both sides appeared at an SEC Investor Advisory Committee meeting last Thursday.

The session was the first wide-ranging public debate about the proposal, which would require brokers to act in the best interests of clients and is open for public comment until Aug. 7.

The SEC's approach, designed to raise the standard of care for brokers while maintaining separate regulations for brokers and investment advisers, drew criticism from some witnesses at the IAC session held at Georgia State University College of Law in Atlanta.

BROKER STANDARD HAZY

The critics said that the proposal does not subject brokers to a fiduciary standard, which investment advisers already meet, and that the so-called Regulation Best Interest for brokers is hazy.

"The 'best interest' standard is vague and undefined and, depending on how it is interpreted, could do little more than rebrand the existing Finra suitability standard as a best-interest standard," said Micah Hauptman, financial services counsel at the Consumer Federation of America.

But Ira Hammerman, executive vice president and general counsel for the Securities Industry and Financial Markets Association, said that the SEC rule would raise the bar for brokers by requiring them to mitigate conflicts of interest and act with diligence and prudence.

"Regulation Best Interest is essentially a fiduciary standard," Mr. Hammerman said. It "is a significant step up from the existing suitability standard."

SEC Chairman Jay Clayton made a similar assertion last Wednesday during an SEC investor town hall in Atlanta.

CFP AS EXAMPLE

Maureen Thompson, vice president for public policy at the Certified Financial Planner Board of Standards Inc., told the meeting Thursday that her organization's recent update of the designation's standards might provide guidance for the SEC.

"Under our new standards, best interest clearly and unambiguously means a fiduciary duty," Ms. Thompson said.

The proposed best-interest regulation also drew criticism for applying to each investment recommendation a broker makes rather than the body of advice he or she gives to a client.

"It is critically important to resolve any ambiguity regarding what standard of conduct would apply where a broker, whether through agreement, course of conduct or by virtue of holding out, has something other than an episodic relationship with an investor," said Karen Barr, president

CONTINUED ON PAGE 28

EDITOR'S NOTE

Meet our 2018 class of 40 Under 40

FRED GABRIEL

InvestmentNews is proud to announce the winners of our 40 Under 40 awards for 2018.

With the project now in its fifth year, we have honored many up-and-coming leaders in the financial advice profession since 2014, recognizing them for their accomplishments, contributions, leadership and promise at a young age.

Our 2018 honorees include CEOs, entrepreneurs, educators and even a couple of Ph.D. candidates.

In this issue, you'll learn more about our honorees, including:

- The financial planner whose previous job was detecting and removing roadside bombs in Iraq.
- A woman who spent six months in Tanzania as a volunteer teacher and once worked with retired general Colin Powell at the nonprofit America's Promise.
- The chief operating officer who works closely with the Brazilian consulate to create opportunities for Brazilian immigrants.
- The managing director and senior wealth adviser who created a self-guided "Breaking Bad" tour of Albuquerque, N.M.

InvestmentNews' editorial team reviewed about 1,000 nominations to come up with this year's winners. It is never an easy task, but it is always a gratifying one.

If you want the full 40 Under 40 experience, check it out online at InvestmentNews.com/40. You'll get some added interactive data about our honorees, as well as videos and expanded profiles, in the blowout package online.

fgabriel@investmentnews.com, Twitter: @fredpgabriel

FIDUCIARY**FUTURE**

DOL rule not dead yet

DOJ lets appeal go, but 5th Circuit must act

BY GREG IACURCI

THE DEPARTMENT of Labor fiduciary rule is teetering on the brink of death after the Justice Department, which was defending the rule in court, appears to have let a key deadline pass to keep the case alive.

On March 15, the 5th U.S. Circuit Court of Appeals struck down the DOL fiduciary rule, which raises investment advice standards in retirement accounts, in a split 2-1 decision. The Department of Justice had until last Wednesday to appeal to the Supreme Court for a hearing.

A source with knowledge of the legal proceedings confirmed that the DOJ didn't petition the Supreme Court. The plaintiffs' attorney — Eugene Scalia, of the law firm Gibson Dunn & Crutcher — didn't immediately return a call seeking comment. A DOJ spokesperson also didn't return calls for comment.

Effectively, that means the Trump administration is happy to let the Obama-era rule die in court. That may not be a surprise: The Justice Department also had the option to ask the full appellate court for a rehearing by April 30 but chose not to do so.

Three states and the AARP, which represents the interests of older Americans, tried to intervene in the case to defend the fiduciary rule, but the court denied their petitions.

That left an appeal to the Supreme Court as one of the last bastions of hope for proponents of the rule.

CONTINUED ON PAGE 28

REGULATORY**ACTION**

Finra to overhaul database

CRD changes aim to make registration, disclosure processes more efficient

BY BRUCE KELLY

THE FINANCIAL INDUSTRY Regulatory Authority Inc. said last Thursday that it is going to overhaul its registration and disclosure programs, starting with a new web-based system for the data that provides the backbone for BrokerCheck, a database of hundreds of thousands of licensed securities salespeople and executives.

Called the "Central Registration Depository," the CRD is the central licensing and registration system that Finra operates for the U.S. securities industry and its regulators. BrokerCheck is often the first snapshot of a broker's work history that a potential client can see when considering whether to invest with that broker.

END OF JUNE

According to a statement from Finra, a new WebCRD program highlighting important information and activities requiring immediate attention of firms, branches and individuals takes effect at the end of this month.

The overhaul of the information system has the objective of cutting compliance costs for firms as well as making more efficient the registration and disclosure process of the roughly 630,000 licensed securities salespeople, employees and executives, according to Finra.

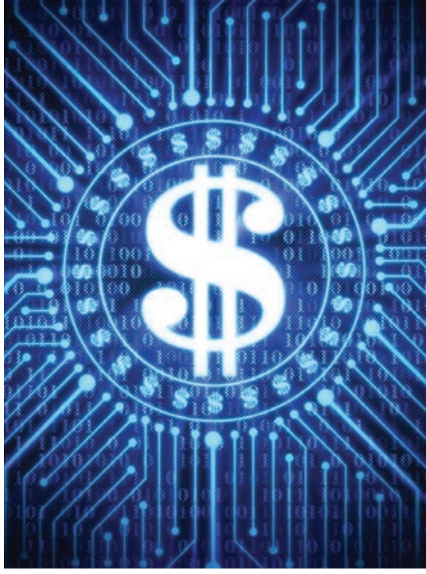
"The transformation will allow Finra to develop systems that help firms effectively maintain compliance programs and reduce compliance costs while continuing to operate and enhance BrokerCheck as an essential tool for investors," said Finra CEO Robert Cook in the statement.

Finra expects the overhaul to be completed in 2021. The changes focus on the CRD system, which is used primarily by industry professionals, not consumers, and will not likely result in broad changes to BrokerCheck.

With the new WebCRD program, a compliance executive should be able to more efficiently sift through information about reps' work histories, such as where they stand with continuing education requirements, according to Finra.

Finra has been looking at its operations, including its disclosure programs, as part of a broad review called Finra 360.

bkelly@investmentnews.com
Twitter: @bdnewsguy



FIN**TECH**

LPL looks to sell platform

BY GREG IACURCI

LPL FINANCIAL is in talks to sell Worksite Financial Solutions, a platform that helps advisers service 401(k) rollovers, to Global Retirement Partners, the largest retirement-focused advisory firm in LPL's network.

LPL, the largest independent broker-dealer in the country, told financial advisers last month that the firm was planning to close Worksite Financial Solutions at the end of September. Andy Kalbaugh, managing director and divisional president of national sales and consulting, said the program didn't serve a "substantial portion" of advisers or meet "the return on investment needed to continue."

But, LPL-affiliated 401(k) advis-

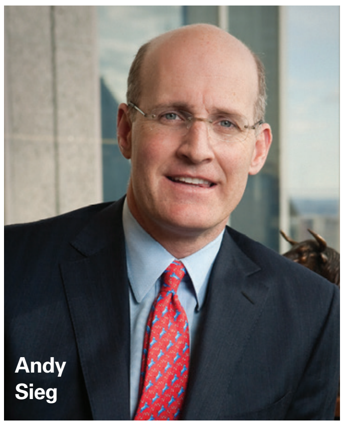
CONTINUED ON PAGE 24

BROKER-**DEALERS**

Merrill rethinks commissions

Dying DOL rule leads firm to reevaluate ban

BY JEFF BENJAMIN


Andy Sieg

IN THE WAKE of last Wednesday's deadline to appeal the 5th U.S. Circuit Court's ruling striking down the Department of Labor's fiduciary rule, Merrill Lynch has announced plans to re-evaluate its ban on commissions in retirement accounts.

Andy Sieg, the head of Merrill Lynch Wealth Management, announced the news during a conference call last Friday with many of the wirehouse's more than 14,000 brokers, according to company spokesman Jerry DuBrowski.

REGULATORY SHIFT

The company issued the following statement following the conference call: "Now that the regulatory environment has shifted, we're taking a look at our policies, especially as they might affect policies and procedures for individual retirement accounts, to ensure we keep our clients' best interest front and center. Our core strategy, consistent with our principles, remains unchanged."

According to Mr. DuBrowski, Merrill will come back to the brokers with more information regarding any changes to the commission policy, which was introduced in April of last year, within 60 days.

He added that Merrill Lynch is

CONTINUED ON PAGE 24

diversity&INCLUSION

Don't just talk, set goals for diversity

Firms with minorities among leadership tend to reach higher profits

BY JIM EVANS

Many companies today are talking about the value of a diverse workforce. After 30 years in human resources at a range of leading companies, I am heartened by the evolution and increased focus on diversity and inclusion. But it's time to move from discussion to action. To see real change, companies must stop treating diversity as a "nice-to-have" box to be checked.

A growing body of research shows that companies with culturally and ethnically diverse leadership are more likely to have above-average profits. A recent

CONTINUED ON PAGE 28

THIS STORY IS part of an ongoing initiative by *InvestmentNews* to cultivate a financial advice profession in which diverse perspectives are welcomed and respected, and industry best practices can be shared across organizations.


Collaboration: A team meeting at Capital Group's Los Angeles headquarters earlier this year.

INVESTINGINTELLIGENCE

How to fit ETFs into a portfolio

Advisers seek guidance as smart-beta, multifactor funds proliferate

BY JOHN WAGGONER

FINANCIAL ADVISERS have one big question for the ETF industry: How the heck do you use these things, anyway? And the question is coming more frequently as smart-beta and multifactor exchange-traded funds proliferate.

Most advisers are fairly well-versed in basic ETFs — low-cost vehicles that weight their holdings by market capitalization, such as the SPDR S&P 500 ETF Trust (SPY). Smart-beta funds, sometimes called "factor funds," add a twist by weighting their holdings according to a stock's earnings growth or relative value, and multifactor funds use a combination of factors. All three types of ETFs can be difficult for advisers to figure out how to fit into a portfolio.

"The questions are beyond, 'What is an ETF?'," said Dan Draper, global head of ETFs at Invesco, which offers frequent seminars for advisers to educate them about smart-beta ETFs and multifactor ETFs.

"We get huge rooms full of advisers," Mr. Draper said. "They need to make decisions and figure out

CONTINUED ON PAGE 27

ONADVICE

Migration at the top

The biggest firms continue to lose groups of financial advisers that have billions of dollars worth of assets under management. These advisers are moving because they want to set up their own shops or to work at smaller rivals where they'll get more autonomy and a nice bump in pay.

The diaspora of financial advisers from Wall Street is occurring despite last year's efforts by Morgan Stanley and UBS Wealth Management Americas to prevent advisers from moving to a new employer.

BRUCE KELLY

Their efforts appeared to work, as the rate of advisers jumping to new employers slowed over the first three months of the year.

The question for the remainder of 2018 is the pace at which advisers leave wirehouses. Is the dispersion a trickle or a torrent?

IBDs MAKING INROADS

There is no doubt that advisers are exiting the four wirehouses — Merrill Lynch, Morgan Stanley, UBS and Wells Fargo Advisors — that have defined and dominated the financial advice industry for decades. *InvestmentNews* reported earlier this year that although the Big Four still get their fair share of recruits from each other, independent broker-dealers have been making considerable inroads in recruiting wirehouse brokers, often the most experienced, productive and profitable in the industry.

The three largest IBDs — LPL Financial, Ameriprise Financial Inc. and Raymond James Financial Inc. — recruited 118 teams from the wirehouses in 2017, a 42% increase over a year earlier, when those same three firms saw 83 such moves, according to *InvestmentNews* data.

Morgan Stanley and UBS turned the landscape for recruiting advisers upside down last fall when

CONTINUED ON PAGE 27

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

"The conversation about fees has become an oversimplification. Cheap is not always better."

MELLODY HOBSON, president of Ariel Investments

"THE DIRT ISN'T EVEN SOLID ON THE GRAVE OF THE DOL RULE AND MERRILL IS ALREADY GRAVE DANCING."

ELLIOT WEISSBLUTH, founder and CEO of HighTower Advisors, on the wirehouse's reconsideration of its ban on commissions in retirement accounts.

"Here we are doing something that almost seems like a suicide mission."

JEFFREY GUNDLACH, chief investment officer of DoubleLine Capital, on increasing the deficit while raising interest rates.

OPINION

EDITORIAL

A more expansive future requires multiple pricing models

CHARGING FEES based on assets under management has served the financial planning industry well for the past few decades. But the modern financial advice business is starting to cut varied paths toward different pricing models that might be better both for clients and the overall industry.

There is no denying the advantages of asset-based pricing, especially when compared with commissions, as a means of aligning the interests of advisers with those of their clients.

Hats off to all those advisers who have thrived under a fee structure that goes up and down with portfolio performance. In addition to illustrating how it puts clients and advisers on the same side of the table, a fee tied to an investment portfolio also avoids the awkward matter of having to send clients a bill for services.

For those registered investment advisers that have ridden the asset-based pricing model wave to build billion-dollar firms, there is probably no reason to change course.

But for everyone else, including the generation of advisers just getting their feet wet in the industry, alternative fee models are your future.

It is not just an ironic coincidence that one of the founders of the XY Planning Network, which strongly encourages retainer-fee pricing, is also doggedly committed to sticking with asset-based pricing for his own clients at the $1.8 billion Pinnacle Advisory Group.

Michael Kitces, partner and director of wealth management at Pinnacle, isn't talking out of both sides of his mouth when he preaches retainer fees for younger advisers but subscribes to asset-based fees for his own clients.

What Mr. Kitces is doing is envisioning the future of financial advice as much more inclusive and expansive.

THERE ARE LOTS OF REASONS TO CONSIDER CHARGING RETAINER OR HOURLY FEES.

He knows that veteran advisers like himself are all "fighting for the same 7 million high-net-worth households." But, he says, the future of financial planning is the untapped market that can be reached by advisers helping less-wealthy clients manage debt and save money.

As *InvestmentNews* detailed in last week's cover story, even though asset-based pricing is the fee model of choice for nearly 90% of RIAs, there are lots of reasons to consider charging retainer, hourly or even single-project fees.

Some advisers are even adopting fee structures modeled on the McDonald's menu format, allowing clients to select the type and level of planning services they want to purchase.

As popular and utilitarian as the asset-based model is, it has its shortcomings, not the least of which is that it places an emphasis on investment management at a time when most advisers should be presenting themselves as holistic planners.

Digital advice platforms that manage portfolios for 25 basis points are often blamed for putting downward pressure on advisory fees. Although there is scant evidence of advisory fees dropping, the robo-platforms are driving an increased focus on fee transparency.

One part of this discussion, which typically lingers more within the advisory space than it does among clients, is the matter of which fee model is the least conflicted.

Despite what some might argue, no conflict-free fee model exists, which means there is no perfect fee model. But because nobody expects advisers to work for free, it makes sense to embrace a pricing model that is straightforward enough that clients understand how much they're paying and what they're getting for that fee.

Over the past few decades, the advice industry thought it had answered that question with asset-based pricing. But like the commission-based brokers before them, the market is heading in a new direction.

Whereas the financial advice industry of old was always focused on those investors with enough assets to manage, the future places less emphasis on the assets and more on the planning, which is where the real opportunity lies.

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
Assistant Managing Editor: Susan Kelly
Special Projects Editor: Liz Skinner
Contributing Editor: Mary Beth Franklin
Senior Columnists: Jeff Benjamin, Bruce Kelly, John Waggoner
Senior Reporter: Mark Schoeff Jr.
Reporters: Greg Iacurci, Ryan W. Neal
Digital Content Producer: Ellie Zhu
Editor at Large: Michael J. Clowes
Social Media & Engagement Editor: Scott Kleinberg
Director of Multimedia: Matt Ackermann
Multimedia Producer: Stephen Lamb

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

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

ADVERTISING
National Sales Manager: John Bubello, Jbubello@crain.com 978-534-5635
Senior Sales Executive: San Francisco: Rich Kiesel, rkiesel@crain.com 415-538-0206
MidWest Regional Sales Manager: Sarah Haase, shaase@investmentnews.com 312-504-8755
Regional Sales Managers: New York: Nicole Casement, ncasement@crain.com 212-210-0167
Kevin Reardon, kreardon@crain.com 212-210-0476
New England Regional Sales Manager: Mark Krawiec, mkrawiec@investmentnews.com 646-431-9323
Reprint Manager: Laura Picariello, lpicariello@crain.com 732-723-0569
Ad Operations 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
Director of Events and Integrated Solutions: Josh Brous, jbrous@investmentnews.com
Senior Operations Manager: Tara Means, tmeans@investmentnews.com
Marketing Coordinator: Kate Arends, karends@investmentnews.com, 312-649-7816
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
Bureau office: Washington: 1200 G Street NW, 8th Floor, Washington, DC 20005

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

CRAIN COMMUNICATIONS INC
Chairman: Keith E. Crain
Vice Chairman: Mary Kay Crain
President: K.C. Crain
Senior Executive Vice President: Chris Crain
Secretary: Lexie Crain Armstrong
Chief Financial Officer: Robert Recchia

Founder: G.D. Crain Jr. (1885-1973)
Chairman: Mrs. G.D. Crain Jr. (1911-1996)

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

FINTECH

Morgan Stanley shows off new tech suite

Firm believes goals-planning system will attract new clients and help brokers offer advice and monitor risk

BY RYAN W. NEAL

IN ADDITION TO accessing a larger share of clients' wallets, Morgan Stanley believes its new integrated technology platform will make it easier for brokers to offer comprehensive financial advice and goals-based planning.

At a demonstration in New York last Monday, the company gave a closer look at its tech suite and how using it can help advisers attract new clients, improve service for current clients and connect with clients' children to secure a pipeline for future business. The overarching theme is shifting client conversations away from investment performance and toward achieving personal goals.

"I think traditionally in wealth management, people think about what product can we sell and then figure out how to package that in a way that's most effective for either the adviser or the firm," said Jed Finn, Morgan Stanley's chief operating officer of wealth management. "We tried to restructure the approach and start from what do our clients actually need and what are they telling us they want."

In addition to goals, clients want advice on all their assets, not just those held by Morgan Stanley, and a better risk system that can take into consideration the daily fluctuations of complex markets, Mr. Finn said.

The company demonstrated its goals-planning system, or GPS, which lets advisers show clients how likely they are to achieve their goals and how to create an investment proposal to help clients get there. Key to GPS is account aggregation, powered by Envestnet Yodlee, to sync held-away assets.

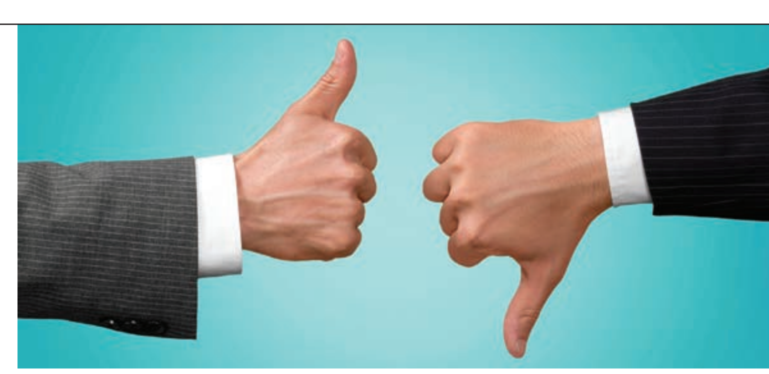
As previously reported by *InvestmentNews*, Morgan Stanley sees this as a key area for growth. The company wouldn't give hard data on how many clients have aggregated their accounts or how many held-away assets it can now see. But Andy Saperstein, co-head of Morgan Stanley Wealth Management, said usage has "exceeded our expectations."

"Historically, there was no good

RETIREMENTPLANS

Pros and cons of limit on record keepers

401(k) advisers face hard choices when deciding how many to work with



BY GREG IACURCI

ALL RETIREMENT PLAN advisers face an important and lingering question: How many record keepers should I work with?

There are clear advantages to having a short roster of "preferred" or "approved" record-keeper partners, such as ease, efficiency and leverage, advisers said. But there are also drawbacks, such as greater difficulty winning new business and client risk.

"We have up to 10 preferred vendors, and probably six we like a lot for different reasons," said Jason Chepenik, managing partner at Chepenik Financial. "We've had as many as 18, and it's not fun. It's hard. So we're actively trying to manage that list."

"You don't want to have one or two, but if I have 20, it's too many," he added.

Record-keeping firms, which track participants' money in defined-contribution plans and perform other administrative functions, come in many varieties. Some specialize in 401(k) plans, others in nonprofit or government-sector plans; some focus on large plans with hundreds of millions or billions of dollars, while others may target plans with less than $20 million. Some have specific investment requirements, while others do not.

For this reason, working with a limited number of providers can help advisers manage their business more easily from an operational standpoint, said Nathan Fisher, senior executive vice president of Fisher Investments' 401(k) Solutions business.

"Each of the record keepers will have its own web interface, terminology and reporting standards," Mr. Fisher said. "If you end up with 10 record keepers, you end up with 10 different reporting standards."

A new approach: Jed Finn of Morgan Stanley says the company is refocusing on client needs.

reason why a client would give [outside account information] to you because you couldn't demonstrate the value they would get from it," Mr. Saperstein said. "Obviously, it's still early days because we just started rolling this out collectively, but when you explain to a client why it would be helpful, and you can actually quantify the benefit for them and show them why it's in their best interest, they've actually been quite receptive."

Part of the value is that Morgan Stanley advisers can monitor risk in clients' held-away assets thanks to an integration with BlackRock's Aladdin software. The adviser can identify areas where their portfolio is dragging and show clients why it would be beneficial to move those assets to Morgan Stanley.

Morgan Stanley also demonstrated Next Best Action, the firm's early foray into artificial intelligence, and Access Investing, the direct-to-consumer robo-adviser it launched in December.

Again, the company wouldn't share metrics about the success of Access Investing, but Naureen Hassan, the chief digital officer of Morgan Stanley Wealth Management, said its robo is accomplishing the firm's internal missions.

"WHEN YOU EXPLAIN TO A CLIENT WHY IT WOULD BE HELPFUL ... THEY'VE ACTUALLY BEEN QUITE RECEPTIVE."

ANDY SAPERSTEIN, CO-HEAD, MORGAN STANLEY WEALTH MANAGEMENT

"The purpose of Access Investing is really to serve our stock plan participants [and] the children of our current clients as a pipeline for the future," Ms. Hassan said. "In terms of meeting those objectives, we're pleased with where it is at."

The firm also demonstrated its platform's capabilities, like e-signatures, digital money movement, video conferencing and tools for providing insurance and mortgages.

Morgan Stanley is rolling out the tools in phases and expects all its advisers to have access to them by the end of the year.

rneal@investmentnews.com
Twitter: @ryanwneal

Having too many partners can make it more challenging to track exactly what each partner is doing, and client service could be negatively affected as a result, advisers say. Also, concentrating more business among a smaller number of firms can give advisers more leverage with the partners they work with.

For example, if there's a service problem, an adviser may be able to more easily reach a record keeper's service manager to resolve the problem, said Mr. Fisher, whose firm actively places business with about five record keepers.

"If we have enough plans with that record keeper, they're more likely to take that call," Mr. Fisher said. "It's the adviser's ability to advocate for the client."

The concept of culling an adviser's list of preferred providers gained steam, especially among broker-dealers, as a result of the Department of Labor's fiduciary rule, which raised investment advice standards in retirement accounts. To better manage their exposure to regulatory risk, many brokerages limited their partners to record keepers that provided access to third-party investment fiduciary services.

PLATFORMS, SERVICE MODELS

However, shortening the list of providers doesn't guarantee that the total number of record-keeping options will also be low. For example, a record keeper may have different platforms or different service models based on a client's plan size that advisers must vet, said Susan Shoemaker, a partner at Plante Moran Financial Advisors.

"WE'VE HAD AS MANY AS 18, AND IT'S NOT FUN. IT'S HARD."

JASON CHEPENIK
MANAGING PARTNER
CHEPENIK FINANCIAL

Her firm has a list of roughly seven go-to providers, but works with about 25 different vendors in total.

"If a client is happy where they are, is being served well and fees are reasonable, we're indifferent as to where they are and don't try to move them," Ms. Shoemaker said. "Unfortunately, that's how we end up with as many as we have, which makes our life a little more difficult."

Forcing a new client to convert to an adviser's preferred record keeper could deter business, Mr. Fisher said. It could ultimately dissuade a prospective client from selecting an adviser. So opening up a preferred list helps advisers to grow faster, he said.

Ms. Shoemaker also believes that narrowing a list too much could pose problems for clients from the standpoint of their fiduciary liability.

"You could put the plan sponsor at risk for not really doing enough due diligence just because you're not being more open about what you're looking at," she said.

giacurci@investmentnews.com
Twitter: @gregiacurci

InvestmentNews

40 UNDER 40

The 40 individuals profiled on the following pages represent some of the brightest young advisers and associated professionals in the financial advice industry. What they have achieved, all before hitting age 40, will astound and entertain you.

Our 2018 class of 40 Under 40 has demonstrated significant accomplishments, contributed meaningfully to the advice business and exhibited inspiring leadership and promise.

This year, our fifth to recognize young talent, includes several individuals who have been elected by their much older colleagues to take over and lead their firms. A few others are military veterans, including one Bronze Star winner.

Among nearly all of this year's 40 Under 40 winners, you'll find a generous dedication to philanthropic efforts, such as one firm that contributes 5% of gross revenues to charity.

And they aren't all about work. Some have appeared on the reality TV shows "Fear Factor" and "Love Connection," and one former athlete played quarterback in both the Rose Bowl and the Ivy League championship game in the same year.

After reading through these pages, go to InvestmentNews.com/40 for even more about this year's class through interactive graphics, videos and more comprehensive profiles.

— Liz Skinner

PROFILES WRITTEN BY FREELANCE WRITERS **EVAN COOPER, DEBORAH NASON AND DAN SMITH**

PHOTOGRAPHY BY **BRAD TRENT**

“My goal is to become an educator; we need more people like me in the class-room.”

32

KATHLEEN BOYD

Wealth adviser, Navigoe

Sometimes even Kathleen Boyd herself can’t believe she is a Ph.D. candidate.

Born in Los Angeles to a poor African-American family that moved to Salt Lake City when she was a child, Ms. Boyd said she felt like a fish out of water and became a trouble-maker. That led her to drop out of high school.

“Still, somehow I knew that education was important,” she said.

So, three years later, and “tired of living in the projects,” she enrolled in a local community college and earned a general equivalency diploma. She then earned two associate degrees and transferred to the University of Utah. While pursuing a graduate degree there, she took a course in financial planning “for fun,” and was encouraged by her professor to enter the field.

Ms. Boyd spent two years in portfolio management at a bank after graduating, then realized she wanted to return to Southern California as well as pursue a growing interest in clients’ emotions and behavior.

To help find a job, she became active in the Orange County chapter of the Financial Planning Association, where she met Evelyn Zohlen, whom she considers her mentor. After a summer internship at Ms. Zohlen’s firm, Inspired Financial, she joined Navigoe in 2017.

She currently serves on her FPA chapter’s committee advocating for legislation on behalf of the financial planning profession, and created Long Beach Financial Planning Day. Continuing to concentrate on the emotional side of planning, she is working remotely on a doctoral degree in financial therapy from Kansas State University.

“My goal is to become an educator; we need more people like me in the classroom.”

— Evan Cooper

37

ANDREW ALTFEST

Managing director, Altfest Personal Wealth Management

Andrew Altfest believes customization is the future. To that end, he has embraced cutting-edge technology at his family’s practice, such as the use of AI software to produce more accurate cash-flow projections.

As chair of the New York City chapter of the National Association of Personal Financial Advisors, Mr. Altfest has customized his approach to attract younger members. He introduced programs that include fintech product demonstrations and topics such as optimizing student debt. He has also mentored New York University CFP students and established networking events for young women advisers. Similarly, he has been leading his firm’s long-term investment in next-gen clients.

“They are attracted to people who really understand their needs and interests,” he said. “And clients love when you help their children.”

— Deborah Nason

30

TOMMY BLACKBURN

Senior financial planner, Verus Financial Partners

Tommy Blackburn is a busy man. He has served with the Financial Planning Association-Central Virginia as PR director, director of student chapters, director of programs, and has been on the planning committee for the annual Forum Conference.

Mr. Blackburn is also co-founder of the Richmond NexGen Chapter.

His passion for the business extends to accounting. He has served on the Virginia Society of CPAs Young Professional Advisory Committee and has helped with their pro bono tax hotline the past four years. He’s also active with Richmond city schools through Junior Achievement.

Mr. Blackburn said of his work, “I discovered it is a puzzle you have to put together to help people ... I enjoy the technical aspects [and] I can attach a face to it.”

— Dan Smith

36

BENJAMIN BRANDT

President and founder, Capital City Wealth Management

Benjamin Brandt spent eight years in the Army National Guard, which included a 15-month deployment in Iraq. He exemplifies Army values in his life and work, especially the ideals of “selfless service” and “integrity.”

After military service, he decided to enter the financial advice profession, inspired by his grandfather.

“He planted the seed. He had a broker and laddered CDs, and I remember him showing me the paperwork when I was six years old,” Mr. Brandt said. “When he died when I was 18, my grandmother was financially illiterate. I started to help her understand how to turn that savings into income.”

As a result, he specializes in retirement and pre-retirement clients.

In 2014, after seven years working for a large insurance company, he decided to strike out on his own, becoming the first ever NAPFA-affiliated firm in North Dakota.

Mr. Brandt also teaches adult education classes in personal finance, blogs and podcasts regularly, and participates in webinars to teach other advisers about marketing.

— Deborah Nason

39
RYAN CALDWELL

CEO, Wacker Wealth Partners

Ryan Caldwell is clear about it: "My most impassioned contribution has been through teaching financial literacy classes to high school students through United Way and to other groups locally that cannot afford professional financial advice."

Mr. Caldwell has been at Wacker Wealth Partners for more than 10 years, and was selected as the firm's CEO by its partners, all senior to him. Prior to joining the firm, he was with Fisher Investments, where he helped create the company's clients-only private alternative funds.

He was a member of the 2016 class of the Schwab Executive Leadership Program, which he said "has been instrumental in my development as a next-generation leader of our firm."

Mr. Caldwell is a strong believer and "torchbearer" for the fee-only model. "It puts me on the same side of the table as my clients," he said.

He has served on the board for the regional Financial Planning Association chapter and was a regional coordinator.

— Dan Smith

34
TESS DOWNING

Senior financial adviser, FJY Financial

At Texas Tech University, financial planning was a "hidden program," Tess Downing said. But when she found it, it resonated with her desire to work in a field that was analytical, detail-oriented and had a direct, personal connection with clients.

Ms. Downing took a job with FJY in Washington, DC, upon graduation. But she's still attached to her alma mater, serving on the Texas Tech Personal Financial Planning Alumni Advisory Board for six years. She also works with the mentorship program for alumni and financial planning students, being a mentor to eight students so far.

"If students understand the relationship, they can blossom and it can be fruitful," she said.

After 10 years with FJY, she now chairs its Financial Planning Committee, which is focused on furthering the knowledge of all the advisers in the office, and is director of technology.

Ms. Downing also speaks at local and national events, and is involved in FPA and FPA NexGen, as well as NAPFA.

— Dan Smith

34
MICHAEL J. HART

First vice president and resident director, Merrill Lynch Wealth Management

His father has worked at Merrill Lynch for years, but when Michael Hart graduated from the University of Florida in 2006, he didn't join the Thundering Herd.

"My father ... wouldn't hire me because he said I didn't know anything that could help him," Mr. Hart recalled.

He got a job in the customer service center of T. Rowe Price during the 2008 financial crisis.

"It sent shockwaves through me, and it was something that an MBA or a certification doesn't help you with," Mr. Hart said.

He joined Merrill Lynch in 2011, and the following year his father asked him to join his team.

Mr. Hart's work resulted in a focus on helping the adult children of many of his father's clients. That, combined with streamlined processes, produced gains of more than 120% in key areas. It led to Merrill Lynch senior management becoming aware of Mr. Hart's talents and asking him to serve on its millennial advisory board.

— Evan Cooper

39
RANDY BRUNS

Founder, Model Wealth

After Randy Bruns had worked at a big bank for 10 years, he "started to understand how simple financial planning is and how complex the industry makes it seem."

As a result, Mr. Bruns decided to design his firm, Model Wealth, to make sense to the average consumer, be fun and remove stress. He is trying "to raise the bar for what clients should expect from us as a financial planning firm."

His efforts have led him to become president and a board member of the Financial Planning Association of Illinois and to serve on this year's advisory task force for FPA's national conference in Chicago.

"My primary agenda [as president] has been to significantly improve financial literacy among consumers, and to build up a community of educated professionals that believes objective financial planning should serve as the backdrop to everything we do," Mr. Bruns said.

He also helps the Chicago Federal Reserve in organizing its Money Smart Week, a campaign to educate the public to better manage their finances.

Mr. Bruns believes the profession is improving.

"That's why I am so involved," he said. "It is not a highly respected profession and there are valid reasons why it is not respected as a whole." He wants to change that.

— Dan Smith

29
KAYLA KENNELLY

Vice president of business development and adviser solutions, BNY Mellon's Pershing

Pershing CEO Mark Tibergien has mentored probably thousands of financial advisers over the years, through his prolific writing, speaking engagements and personal contacts. But who mentored him? Kayla Kennelly.

Ms. Kennelly co-founded Connect, Pershing's reverse-mentoring program in which millennials provide advice and insights to senior executives.

While she prefers the term "co-mentoring" because she has learned so much herself in the process, the idea for mentoring upward sprang from a comment by an executive that the firm's leadership didn't represent the firm's future constituents, she said.

"Because I had sent articles about millennials to that executive, he asked me to do something, and a group of us did a lot of research to find out what others had done," she said. "We proposed a program to our CEO and he backed it."

So far, about 60 executives and 90 millennials have participated.

"The program has taught me a lot about leadership and management, and for the company it's had an unexpected positive effect on retention, largely because I think it gives younger people a sense they are being listened to," she said.

Ms. Kennelly learned about working hard and of the importance of strong teams from her days as captain of the crew team at Iona College. "I learned you have to give feedback, and a small error can throw off the whole boat."

— Evan Cooper

> Reverse-mentoring "gives younger people a sense they are being listened to."

40 UNDER 40

37

VICTORIA BOGNER

CEO and CIO, McDaniel Knutson Financial Partners

It simply never occurred to Victoria Bogner that she would become a financial planner. She majored in math at Kansas State, with minors in computer science and Japanese.

Ms. Bogner was encouraged into the profession by the owners of McDaniel Knutson after doing some work for them. She is now the CEO — selected even though she was the youngest member of the investment committee.

She is also past president of her local chapter of the National Association of Insurance and Financial Advisors, and is founder and current CFO of the Johnson County Business Partners, a networking group for building businesses.

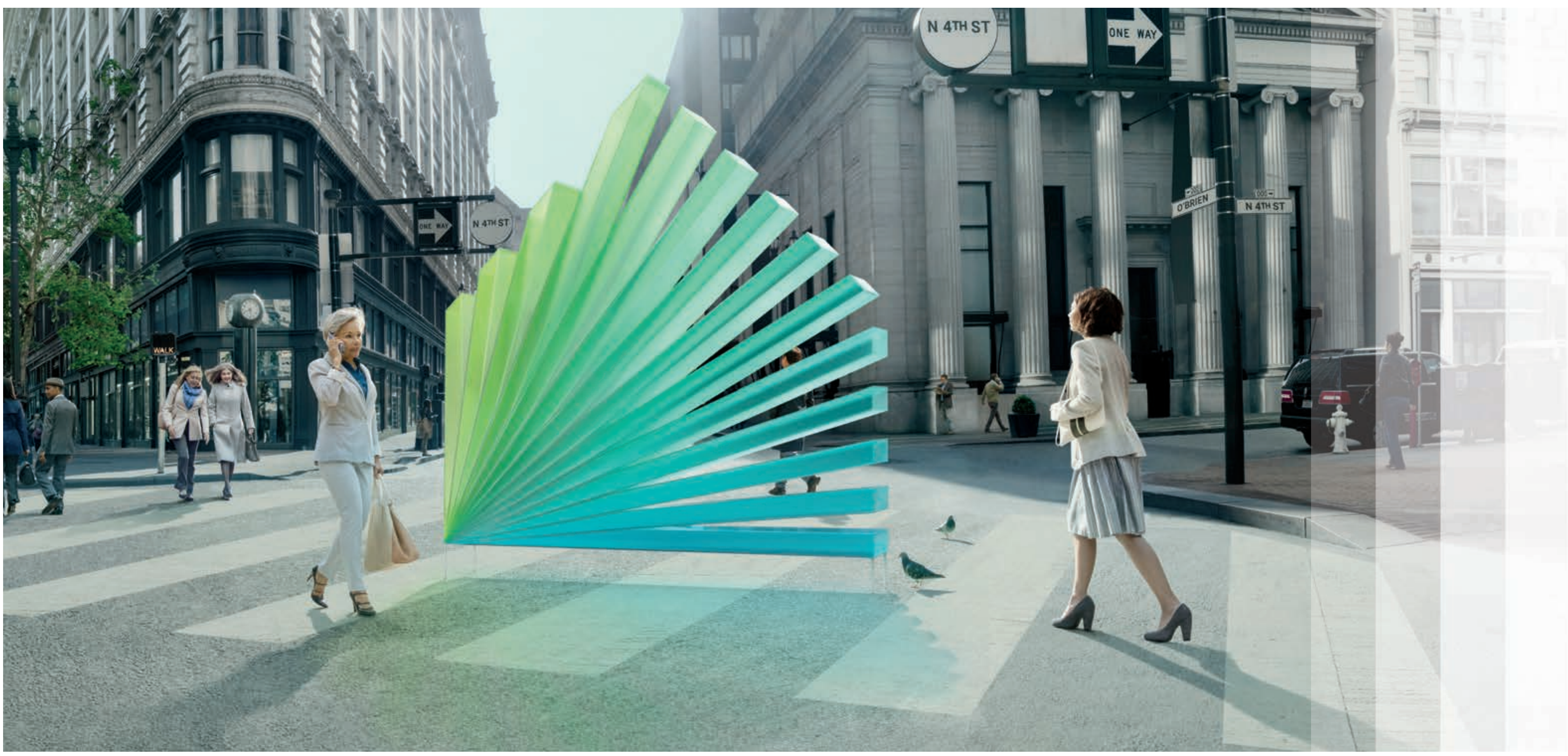
Her mission "is to get every financial advisory firm to add a budget line of 1% to charity," she said.

McDaniel Knutson contributes 5% of gross revenues.

As part of that commitment, the firm partners with an indigenous Indian nonprofit that is committed to bringing opportunity to rural villages in India, and every year since the beginning of the partnership Ms. Bogner's firm has given staff and their family members the opportunity to see and serve the villages it supports with a trip to India.

"By involving our staff and their families, it not only brings us closer together as a team, it demonstrates to our staff and our clients that we stand behind our words of wanting to make this world a better place," Ms. Bogner said.

— Dan Smith



31

DESMOND HENRY

Founder and financial planner, Afflora Financial Life Planning

From the time he was in high school, Desmond Henry knew he wanted a career in financial advice. The day after graduation, he started working at US Bancorp. At the same time, he attended Washburn University for a bachelor's degree, and later Kansas State University, where he received a graduate certificate in personal financial planning.

Mr. Henry earned the certified financial planner designation and two years ago decided to start his own financial planning firm.

"To serve clients' best interests, I felt I would have to be a fee-only adviser," he said.

His firm — an acronym for "a financially fit life offers real abundance" — specializes in retirement planning and helping widows.

"I like to be their advocate because too often they get taken advantage of," he said.

Mr. Henry teaches financial literacy to high school and college students and has given more than $15,000 over the past two years to local charities.

"Giving back is a big part of my firm culture," he said.

— Evan Cooper

32

KATIE HAMMER

Director of development and communications, Foundation for Financial Planning

Katie Hammer admits she didn't know much about the profession when she joined the Foundation for Financial Planning two years ago.

Today Ms. Hammer leads its communications efforts and giving programs, with the intent of raising awareness for pro bono financial planning.

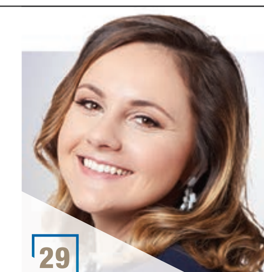
She is perhaps most proud of having created the organization's first issue-based fundraising effort, the Pro Bono Cancer Campaign.

"It began last September, and includes a website, messaging, collateral material and videos," she said. "We've raised $1.2 million, mostly from CFP professionals, and continue to fundraise."

Many families coping with cancer struggle financially, and are almost three times more likely to go bankrupt than others, despite almost 86% of them having had insurance, she said.

"Our volunteers help families get organized, prioritize debt and budget," said Ms. Hammer, noting there is still much to do.

— Evan Cooper



29

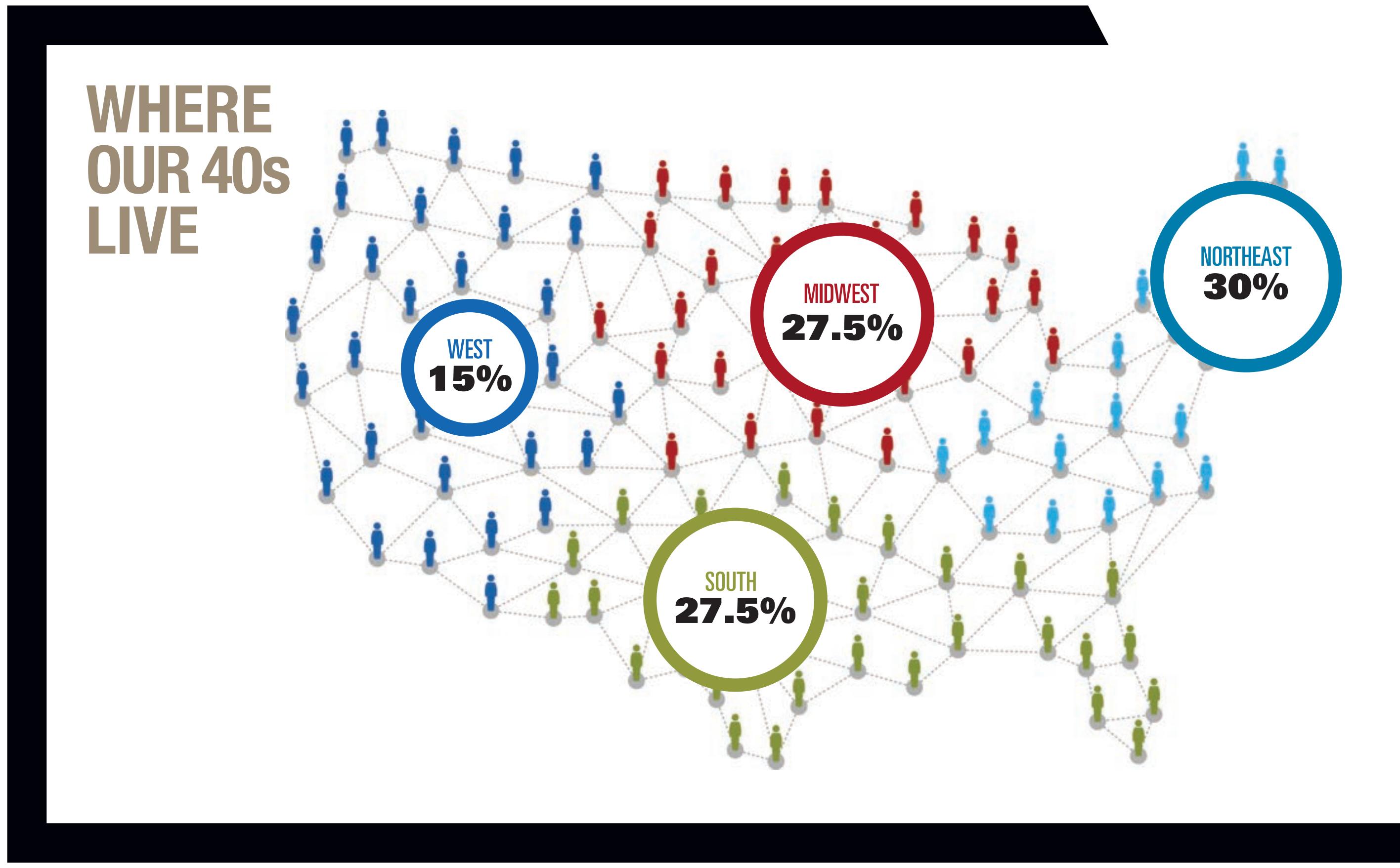
MAGDALENA G. JOHNDROW

Financial adviser, Farmington River Financial Group

The boss and mentor of Magdalena "Maggie" Johndrow is none other than her mother-in-law.

"We work incredibly well together, and when we took a predictive exam to measure our styles, the results were almost

My mission "is to get every financial advisory firm to add a budget line of 1% to charity."



identical," she said.

An adviser for the past two years at a small, all-woman firm, Ms. Johndrow helps retired and pre-retiree clients. But her team found that the children and grandchildren of clients also sought advice, but had most of their assets tied up in 401(k) plans.

"We were looking for a way to provide advice without the AUM," she said.

In response, they created a subscription service that runs goals analyses, provides advice on insurance and paying off student loans, and advises on assets in 401(k) plans.

"We work with a lot of young doctors and become the CFOs of their life," said Ms. Johndrow, who is currently completing work on her CFP certification.

— Evan Cooper

28
IAN HARVEY
Financial adviser, Financial Asset Management Corp.

The 2018 FPA NextGen president has definite ideas about what he wants to accomplish.

"There's no question about our direction," Ian Harvey said. "We want to make sure that planners with lots of experience are working with planners having less experience so that a transfer of wisdom happens."

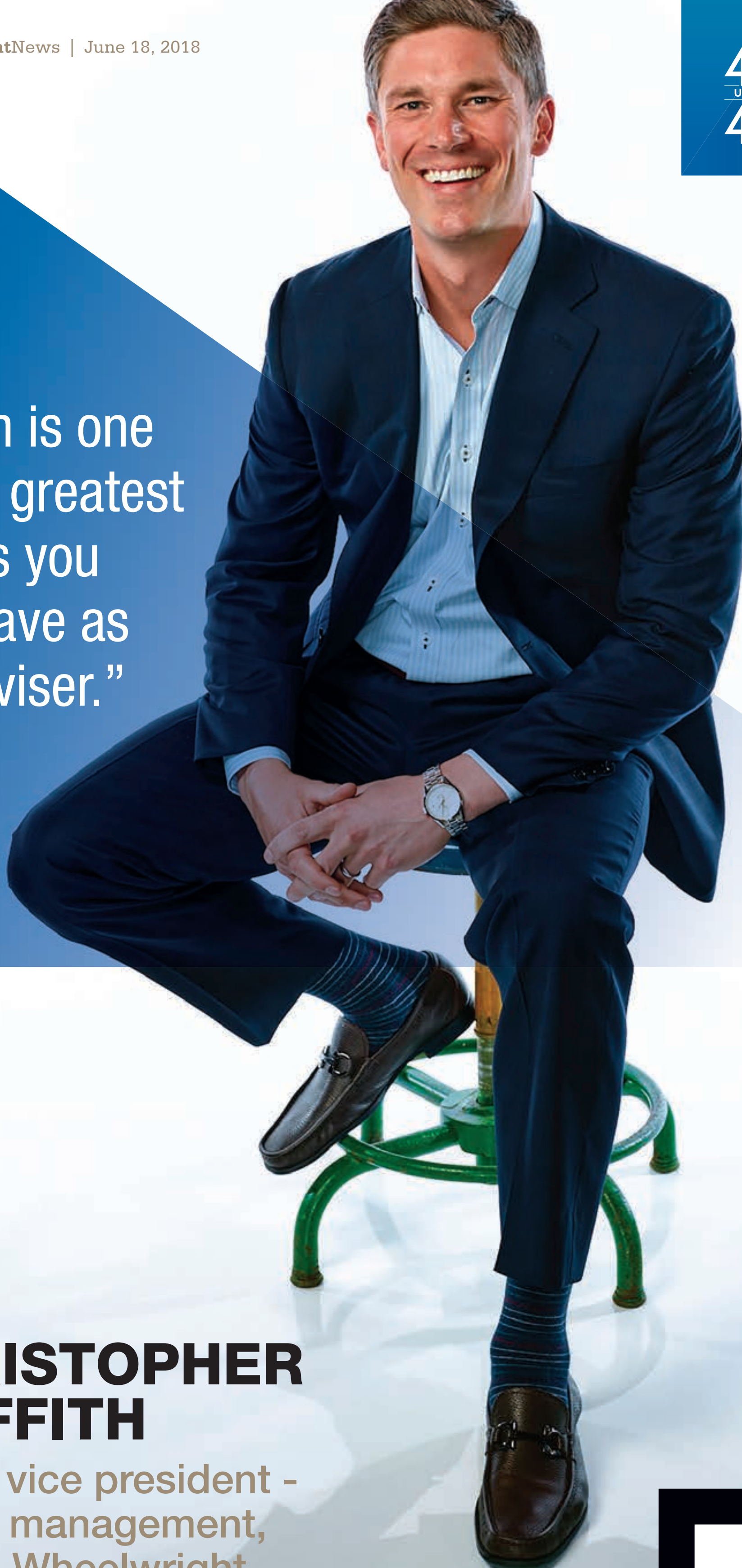
In the six years since he graduated from Virginia Tech University with a degree in financial planning, Mr. Harvey said he has personally benefited from working alongside experienced advisers.

First at Rockwood Wealth Management and from 2015 until earlier this month at Sontag Advisory, he said he has learned a lot from fellow advisers with different areas of expertise. He also hopes to learn as much from Scott Kahan, who is the incoming president of the Financial Planning Association's New York chapter and whose Chappaqua, N.Y.-based firm Mr. Harvey is joining.

But involvement and leadership are two areas the young adviser already seems to have mastered. He started one of the nation's most successful student FPA chapters while in college and then went on to serve as his local chapter's NextGen liaison.

Given his hopes of eventually becoming an equity owner in his new firm, the financial planning community is likely to be seeing a lot more of Mr. Harvey in the future.

— Evan Cooper



"Youth is one of the greatest assets you can have as an adviser."

38

CHRISTOPHER GRIFFITH

Senior vice president - wealth management, Griffith Wheelwright Group at Morgan Stanley

At age 38, Christopher Griffith is already a 17-year veteran of the industry. He didn't waste any time getting started.

Mr. Griffith earned his first license while in college, continuing an interest in investing from his high school years. Upon graduation in 2001, he and his college roommate Henry J. Wheelwright started their own wealth management practice. They are still partners, running a six-person team and managing about $400 million in client assets.

Mr. Griffith attributes his success at such an early age to working long hours, earning a CFP and a CPWA in his 20s, and doing a tremendous amount of outreach. The business took about five years to take off, he said.

Having a partner who was a peer was important.

"It was very helpful that I had someone in the trenches with me; it wasn't a senior-junior thing," he said.

As an established professional, Mr. Griffith gives back to the industry by providing pro bono planning for low-income families, teaching classes on financial literacy, and mentoring interns and new hires.

There's a big opportunity in the industry for younger people, he said.

"Youth is one of the greatest assets you can have as an adviser. [Especially] if you've got some experience, a CFP and existing clients," Mr. Griffith said. "The single biggest concern from clients in our favor is that they worry they'll outlive their advisers."

— Deborah Nason

37

KATHLEEN KENEALY

Managing director and senior wealth adviser, Boston Private Wealth

Kathleen Kenealy's colleagues view her as a stable, reliable hard worker — so much so that they presented her with a celebrity-roast-like "Silent Assassin" award at their annual employee dinner, noting that she "quietly killed it" all year.

Ms. Kenealy majored in finance but had no idea what she wanted to do. Her first job was in wealth management, and thereafter she was part of the inaugural class of the Schwab Executive Leadership Program.

In addition to her role as a wealth adviser and planner, Ms. Kenealy helped create and deliver an internal wealth-management training curriculum, led an initiative to implement new financial planning tools to deepen the advice provided, and advocated for the firm's membership in the Financial Planning Association, in which she has been active since 2005.

Ms. Kenealy gives back to her community by providing pro bono financial advice at local events.

— Evan Cooper

27

RUSSELL KROEGER

Founder and financial planner, Paradigm Wealth Architects

Russell Kroeger learned a hard lesson at age 16, when his father died of cancer and left the family without a financial plan — or any money to speak of.

He grew up in Appalachia, where his family was involved in "taking care of people who didn't have much." Both of his parents were college-educated and worked multiple jobs to support the family.

These days, Mr. Kroeger's goals center on educating people around the philosophy of money and smart financial behavior.

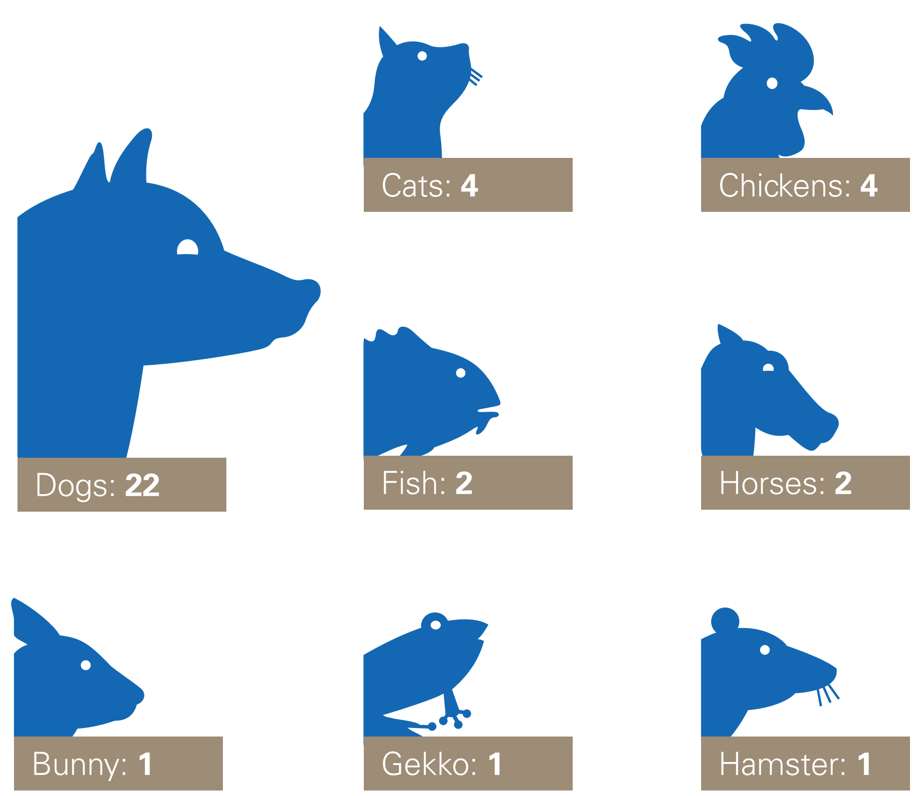
"I want to make financial planning accessible," especially to those who traditionally have been underserved, he said, which is why he launched Paradigm Wealth.

He is a graduate of the Financial Planning Association's Residency Program and is director of advocacy for the San Francisco chapter of FPA.

Mr. Kroeger is also on the Research and Education Task Force for Money Quotient and is pursuing a master's in advanced financial planning at Golden Gate University.

— Dan Smith

PETS OF THE 40s



39

PETER LEE

Founding partner, Summit Trail Advisors

Excelling through teamwork has been Peter Lee's hallmark, regardless of the enterprise.

Mr. Lee, a college football player (and Academic All-American), used that teamwork model three years ago to start his own company with five partners. Today, Summit Trail Advisors has $6.5 billion in assets under management. About 15% of its clients are professional athletes.

"I have always enjoyed connecting with fellow athletes and being a resource to them and their families," Mr. Lee said. "We typically engage with our athlete clients when they are making the transition from college (or sometimes high school) to the professional ranks."

Earlier in his career, Mr. Lee worked on Barclays' wealth and investment management team, as well as for Lehman Brothers.

Mr. Lee is a member of the Economic Club of Chicago and serves on a number of charitable boards.

— Dan Smith

39

SHEILA C. LAWRENCE

Partner and senior client adviser, Ballentine Partners

Sheila C. Lawrence's philosophy revolves around doing the next right thing. Sounds simple enough, but it requires thought and effort.

She joined Ballentine Partners in Waltham, Mass., in 2007, after attaining a master's degree in law and diplomacy at Tufts University's Fletcher School, and became intent on advocating "for significant use of philanthropy, impact investing, values-based estate planning and measuring success based on long, multigenerational time-horizons."

Ms. Lawrence has donated an average 17% of her gross income over the last five years to various causes and mentors students from low-income families.

Ms. Lawrence loves what she does because she has the opportunity to "tangibly make people's lives better."

— Dan Smith

"If you look like you'll have a good future, we'll take you on regardless of your current assets."

39

DANILO KAWASAKI

Vice president and chief operating officer, Gerber Kawasaki Wealth Management

At age 17, on his way to his first class in English in Palo Alto, Calif., Brazilian immigrant Danilo Kawasaki remembers being thrown off a bus because he couldn't understand how to pay the fare and then having to walk three miles. That incident and other challenges he has faced never stopped Mr. Kawasaki, who learned enough English to pass a proficiency test one month later and be admitted to Foothill College.

"My mother, who is a doctor, sent me to the United States because she wanted me to get out of an unstable country," he said.

After transferring to the University of Redlands, Mr. Kawasaki joined SunAmerica Securities in 2002. He turned to the families of his tennis-playing friends in college to start a business, and his hard work paid off when he was made a branch manager at age 24. The financial crisis, however, confirmed his desire to be his own boss.

In 2010, he and partner Ross Gerber founded their firm, with Mr. Kawasaki in charge of operations, compliance and training. He said the firm's client criteria are somewhat unusual: "If you look like you'll have a good future, we'll take you on regardless of your current assets; we have no minimums."

— Evan Cooper

39

SETH A. MILLER

Senior vice president, general counsel and chief risk officer, Cambridge Investment Research

Seth Miller grew up on a farm outside a tiny Iowa town of 300, cultivating rural values. He has since settled down in the nearby metropolis of Fairfield, with a population of 10,000, and works for an 800-employee independent broker-dealer.

Mr. Miller has a degree in finance and management and is an investment adviser representative. But as general counsel, he does not financially advise clients. He is on Cambridge's board of directors and, in a decade, has helped the firm double in size.

In 2016-17, Mr. Miller was an attorney working with several trade organizations challenging the Department of Labor's fiduciary rule. The rule has since been vacated by the 5th U.S. Circuit Court of Appeals.

— Dan Smith

"College students are starving for financial education."

35

CHRISTOPHER M. MOORE

Director of financial readiness, Texas A&M University

Following his intuition through a chain of events led Christopher M. Moore to find his calling as the director of financial readiness for Texas A&M University.

Mr. Moore, a second-generation financial planner and Eagle Scout, was in the middle of his eight-year stint with a wirehouse in 2011 when he fulfilled a lifelong desire to serve in the military and enlisted in the U.S. Navy Reserve.

He soon realized that graduate school would benefit his part-time career in the service and earned an MBA in 2013. Continuing his professional education, he earned his CFP in 2014.

In 2015, the director of the Texas A&M financial planning program got in touch with Mr. Moore about a new financial literacy program for students entering the military.

"We need someone who looks just like you," she told Mr. Moore. He heeded the call and left the wirehouse to lead the new program and teach.

Moving ever forward, he is pursuing a Ph.D. in financial planning to get the academic training to conduct research and validate his teaching.

Mr. Moore's three-part class empowers students to learn financial literacy topics, apply their knowledge to projects and present information to their peers. Within two years, the elective course proved so popular that the university rolled out a version for nonmilitary students. Enrollment has zoomed to more than 300. Other universities have shown interest, too.

"College students are starving for financial education," Mr. Moore said.

— Deborah Nason

37

JASON B. MIYASHITA

Managing director, Raymond James

Many advisers get to work early. But probably not as early as Jason B. Miyashita. A native of Guam, his day starts 14 hours ahead.

Managing $1.5 billion in assets with his team members, Mr. Miyashita's clients include government organizations, endowments and wealthy individuals in the Pacific protectorates and territories, as well as nearby independent nations such as Palau. He regularly visits them all, as well as those on the U.S. mainland, flying to Tokyo (three hours away) rather than to Hawaii (eight hours) to take shorter flights to major American cities.

"My passion is connecting with local people," said Mr. Miyashita, who speaks Palauan, as well as Japanese and Chamorro, the language of Guam and the Mariana Islands.

After graduating from the University of Pennsylvania, Mr. Miyashita worked at a major accounting firm in New York for three years before becoming a financial adviser at Smith Barney in Hawaii. He returned home to Guam in 2007 and stayed at the firm, which was acquired by Morgan Stanley, until moving to Raymond James in 2015.

The father of two says he is "always looking for business," and plans to continue seeking out "U.S. expatriates in Asia looking for a U.S. firm." He sees opportunities in Thailand, the Philippines and elsewhere in Southeast Asia.

"With today's technology, I can do anything from anywhere," he said.

— Evan Cooper

37

DENNIS J. MOORE

Chief operating officer, Quest Capital Management Inc.

Operations may be an atypical career path in the advisory business, but it suits Dennis J. Moore.

The Blanco, Texas, native decided to become an adviser after taking an introductory financial planning course at Texas Tech University. An internship at Quest turned into a full-time job upon graduation, and after a year and a half at the firm, Mr. Moore realized there was value to be added on the business side. To prepare for a management role, the firm permitted him to work remotely from Lubbock so he could return to Texas Tech for a graduate degree.

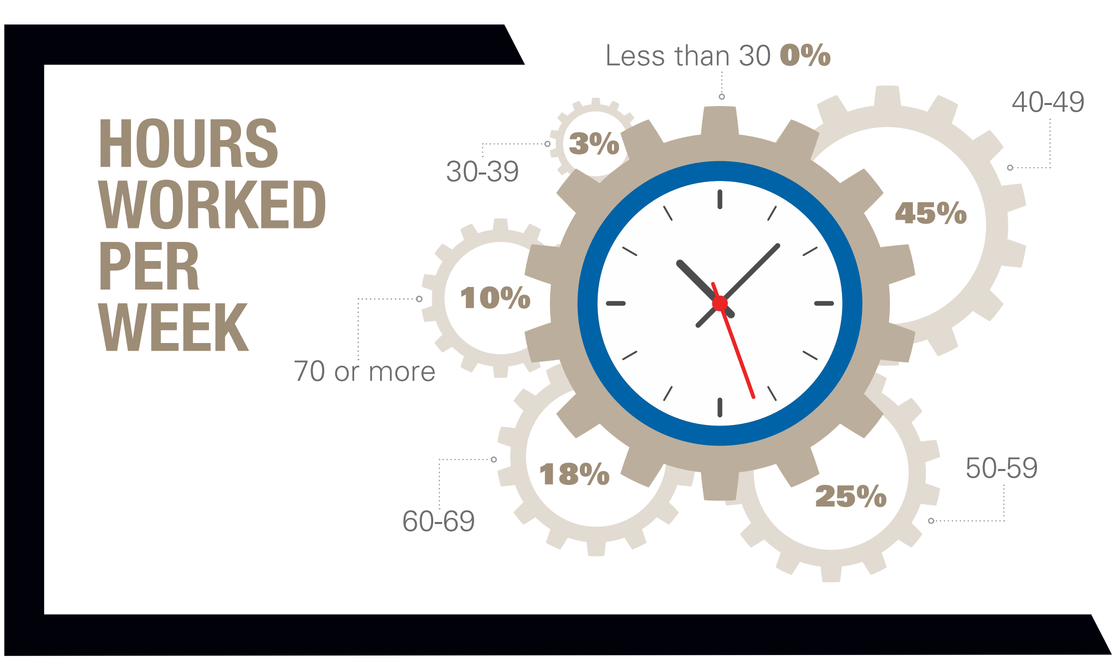
"A lot of people questioned me about getting an MBA and concentrating on operations," he said. "I wondered about it myself, but I really saw how running a business effectively can make a big difference."

Mr. Moore returned to Dallas, and in 2011 became chief operating officer of the $1 billion, 24-person firm, where he helps create capacity for the teams that serve clients, as well as handling the firm's other operational issues.

He has been active in the Financial Planning Association since college and has served as president at two of its chapters. Currently, Mr. Moore is one of the youngest members of the national FPA board and chairs its pro bono advisory committee. He is also a founding member and former president of the Alumni Advisory Board of Texas Tech's financial planning program and former chairman of its mentor committee.

"When I talk to new planners and students, I try to encourage them to look at all the career paths in financial planning," he said.

— Evan Cooper



CEO, Valley National Financial Advisors

Matthew Petrozelli learned his craft by working as a financial adviser for Fidelity Investments for four years and in private banking at HSBC for two.

"But I felt I could be far more effective helping to shape an advisory business than being a full-time adviser myself," he said, which led him to join his current firm in 2011.

Valley National, which has an in-house accounting business in addition to traditional financial planning and wealth management, has since grown to almost $1 billion, with 35 employees.

"The fact that I had been in the trenches as an adviser carries a lot of credibility within the firm," said Mr. Petrozelli, who is a graduate of the Schwab Executive Leadership Program.

He describes his current duties as a mix of recruitment, improving workflows, assessing technology and business development.

"I represent our brand in the community."

— Evan Cooper

Partner and financial adviser, Wagener-Lee with Raymond James Financial Services

Even though Amanda Piper had a satisfying first career in engineering, it seemed preordained that she would join her dad Richard Wagener in the practice eventually.

Her father had dissuaded her from working for him right out of college, she said, so she followed in her sister's footsteps to Virginia Tech. Ms. Piper tried engineering and liked it enough to pursue a bachelor's degree in industrial and systems engineering. A job with Northrup Grumman followed, where she worked as an industrial engineer and then a design engineer for stealth radar systems.

After almost eight years with Northrup, Ms. Piper felt it was time to switch to financial advising. What motivated the change?

"I wanted to have my own business and I wanted to help people," she said. "And I didn't want to wait too long. I've never regretted it."

Using her engineering and corporate experience, Ms. Piper is challenging the thinking at her small company, introducing ideas such as sophisticated presentations and increased efficiency through articulated processes and procedures.

A CFA holder, Ms. Piper has been very active with the Financial Planning Association of Maryland, founding the NexGen study group for those who work with their parents or other relatives in family-run practices. The group examines issues such as formalizing succession planning, perceived preferential treatment and family dynamics.

Always unafraid to try new things and take on challenges, Ms. Piper said simply, "It's what you do."

— Deborah Nason

Vice president of financial planning, Grunden Financial Advisory Inc.

As Dave Ragan headed for a career in photojournalism, he took a course on personal finance at the University of North Texas to help him prepare for life as an adult.

"I fell in love with it," said Mr. Ragan, who promptly changed his college major.

In his senior year, while driving around town, he saw a new road sign for Grunden Financial Advisory and decided to drop in. After his visit, Mr. Ragan kept calling and following up, and six months later he was offered a position.

With the addition of Mr. Ragan, the investment-oriented business added a financial planning component.

Always involved with his alma mater, Mr. Ragan was invited back eight years ago to become an adjunct lecturer in financial planning.

"I started by teaching the same introductory course that changed my career path," he said. "Now I teach the senior capstone class."

— Evan Cooper

39

CHARISSE RIVERS SMITH

CEO and founder, Zinnia Wealth Management

Don’t tell Charisse Rivers Smith that she can’t do something.

At age 22, Ms. Smith willed her way onto two national TV shows. First, she auditioned for “Fear Factor” and was rejected, but psyched herself up and talked her way back into the production. Then she decided to enter “ESPN Fitness America” and came in in third place nationally.

Once Ms. Smith makes a decision, she doesn’t waste time. In 2007, a few months after entering the insurance industry, working for a large company, she decided to open her own insurance agency. The firm, now an independent RIA, developed into a wealth management practice when she earned her Series 65 in 2015.

Raised by a financially struggling single dad in the Florida Keys, Ms. Smith experienced financial privation in her youth. She remembers going to a restaurant with her father and two siblings and ordering one grilled cheese sandwich for all four to share. Not only did the restaurant owner feed the whole family for free, but soon the entire community rallied to help them.

Her experience inspired her to pay it forward by establishing the Grilled Cheese Foundation to help middle school and high school students foster their talents. The foundation provides financial literacy education and fundraises for scholarships that cover either college tuition or activities such as dance or sports.

“The kids and their excitement inspire me and keep my energy up,” Ms. Smith said.

— Deborah Nason

Vice president, Longview Financial Advisors Inc.

Jessica Smith considers herself lucky. Her first bit of professional luck was accepting an internship at a small planning firm in 2005 after majoring in financial planning at the University of Alabama.

“About a week into it, the firm’s full-time planner left, so I was hired as a permanent paraplanner,” she said.

Ms. Smith is now on her way to becoming president of the firm, which manages $158 million — a move she expects will occur in 12 to 18 months.

In 2015, Ms. Smith led a decision to make philanthropy a focus of the firm.

“Among our clients, 70% to 80% want to give back, but we had never targeted them that way,” she said. “Now we focus on attracting clients who are philanthropic regardless of their asset level.”

Ms. Smith herself is philanthropically active and serves as an adviser to a large nonprofit tech incubator and is on the board of a scholarship-granting group.

She also will chair the 2019 conference of the National Association of Personal Financial Advisors.

— Evan Cooper

Principal, Searcy Financial Services

Marc Shaffer, an alumnus of the Kansas State University financial planning program, credits an internship at Edward Jones for teaching him the business and confirming his sense that he didn’t want to do sales.

He always pushed himself into somewhat uncomfortable situations — like becoming president of his local Rotary Club at 29, where he had to speak before large groups.

“I also learned how to be confident and comfortable doing business development,” which he concedes is a type of sales.

Four years ago, he helped Searcy create Allos Investment Advisors, which uses ETFs and mutual funds to serve clients who don’t meet the firm’s minimums.

Active in his profession, Mr. Shaffer served as president, chairman and career chairman of the Kansas City chapter of the Financial Planning Association and is incoming president of the Kansas State University Personal Financial Planning Advisory Board.

— Evan Cooper

President, rebel Financial

Phil Ratcliff gives 15% “off the top” of his company’s income, having founded rebel Financial Foundation. It supports his company’s lobbying efforts to increase funding for the National Institutes of Health and the National Science Foundation.

He also built a 501(c)3 organization, 4 Advisors, that matches people in the investment industry with peer advisers who help them set up their own businesses or make their firms work more efficiently. Mr. Ratcliff said the idea for the organization, which so far has helped half-a-dozen advisers, was the direct result of unexpected challenges he had experienced when setting up his own company.

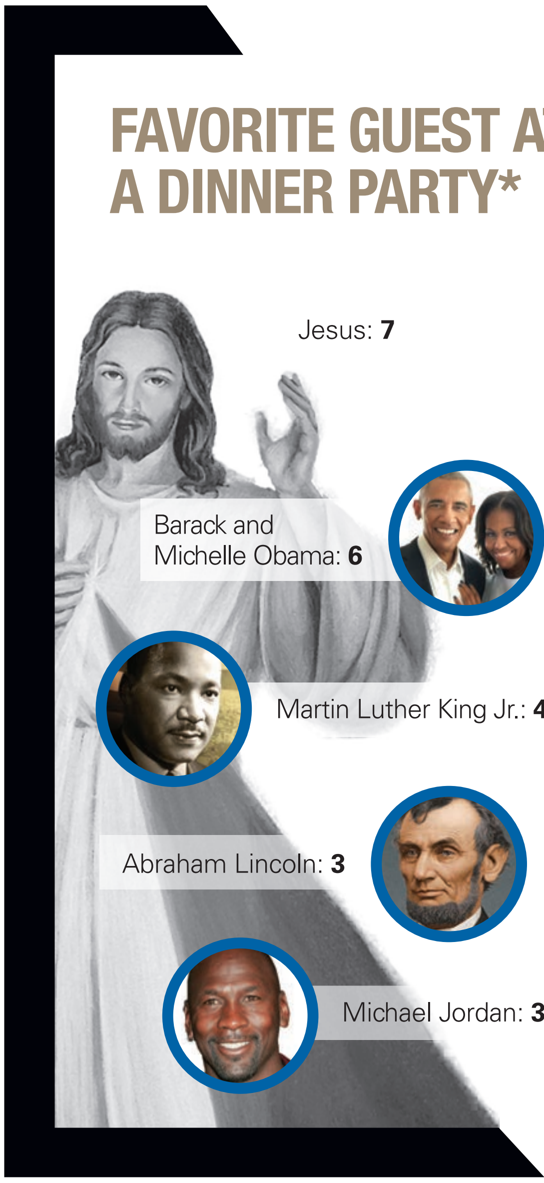
Mr. Ratcliff’s own firm seeks to help people who are often overlooked by the financial services industry.

“We’re beyond helping rich people get richer,” Mr. Ratcliff said. “We want to use the same approach with the middle class.”

Mr. Ratcliff is a certified financial planner and serves as government relations director for his local Financial Planning Association chapter.

— Dan Smith

FAVORITE GUEST AT A DINNER PARTY*



*People our 40s would most like to break bread with.

34

NICK LORING

Vice president and principal, Loring Advisory Group

The events of September 11, 2001, which occurred when Nick Loring was a senior in high school, affected the direction of his life. Mr. Loring remembers the big recruiting push from the Army immediately afterward.

Jolted by the attacks, and interested in the scholarship and work/life experience benefits offered by the military, he enrolled in the Reserve Officers' Training Corps and served in the U.S. Army as a captain for five and a half years after graduating from college. He was awarded a bronze star in Operation Iraqi Freedom.

The values and skills he learned continued to serve Mr. Loring well as he transitioned to the financial advising world.

"[The military] gave me the ability to connect with diverse people," he said. "I learned that if you took care of your soldiers, they took care of you. I take that same attitude with my clients."

His fellow millennials are a focus area of his firm.

He puts them in a program that looks at their long- and short-term goals, coaches them to recognize their behavioral biases, and educates them on concepts like the "rule of seven" and dollar-cost-averaging, he said.

"I tell them to keep investing, buy good stuff and let the money do its job," Mr. Loring said. "Once you build the foundation, it makes my job very easy. The house builds itself — it empowers the client to build their own future."

— Deborah Nason

39

AVI K. PAI

Managing partner, Provence Wealth Management Group

Family influence was undeniable for Avi K. Pai, whose mother is a certified financial planner and father a computer programmer.

A Pittsburgh native, Mr. Pai initially followed in his father's footsteps and earned a B.S. in computer science. However, it didn't take long before he realized he wanted a profession that allowed him more interaction with people. Following his mother's suggestion, he took a few CFP classes to learn about personal finance.

"After two of them, I decided 'I like this,'" said Mr. Pai, who soon stepped away from his computer programming job to join the industry and complete his CFP certification. In 2007, he co-founded his hybrid RIA practice, which now manages more than $200 million in assets. He also has been teaching CFP classes for his alma mater, the University of California, Irvine, for the past 12 years.

His early career change was a scary one.

"Leaving the computer-programming field felt like I was jumping out of an airplane," he said. "There was no turning back, so it made me very motivated."

Programming and financial planning share several traits, Mr. Pai said.

"There's the idea of designing something, combining different ideas together and building something," he said. "Whether it's computer programming, portfolio construction, chemistry, composing music — there's a science and an art to it."

— Deborah Nason

39

JASON J. PEPLINSKI

President, EnTrust Advisors Inc.

Jason Peplinski has been serving many of his current clients for three decades. How does a 39-year-old adviser accomplish that?

"I was their newspaper delivery boy when I was nine," he said.

Today, Mr. Peplinski works just as hard to serve his advisory clients and build his business through acquisitions.

He traces his passion for investing and personal finance to a stock market project in high school. Mr. Peplinski studied business in college and worked part-time at a bank and at Ameritas, the insurer and broker-dealer. He started his own business in 2001.

"Three years into it, I was struggling to earn a living," he said. "After reading an article about retiring baby boomers, I realized that I could help retiring advisers by acquiring their business. I grabbed a Yellow Pages directory and dialed advisers at random. I called only about 10, but several were interested in talking to me, and one — Bob Fitzsimmons — is now my partner."

Mr. Peplinski said many advisers worry that a transition will be sudden, but he has found that a gradual approach, with flexible terms and conditions, allays concerns. He wasn't able to offer the highest price to one adviser looking to sell a small book of business in 2007, but he said his offer to take every client — "even those with just $50 in their account" — was important.

Thinking ahead himself, Mr. Peplinski is committed to hiring recent high school graduates as interns.

"I've found three solid kids who have a phenomenal work ethic."

— Evan Cooper

"I grabbed a Yellow Pages directory and dialed advisers at random."

40 UNDER 40

"I was really fortunate to have found a position that uses my people and technical skills."

31

JUSTIN ADRIAN SULLIVAN

Senior investment manager and vice president, PNC Wealth Management

Relatively few financial advisers work in the bank trust channel these days, but for Justin Adrian Sullivan the fit is just right.

"My job has three parts," he explained. "I'm part of a team where I provide investment advice to clients, I manage and oversee compliance for nine other advisers in the Southeast, and I'm active in client acquisition."

A native of Philadelphia and a graduate of the University of Pittsburgh, he started at PNC Bank as a summer intern in 2007. That led to a full-time job in the trust department and a move to Atlanta when the bank expanded in the Southeast in 2012.

"I knew in college that I wanted to have a career in business, and I was really fortunate to have found a position that uses my people and technical skills," he said.

When he found himself managing money for wealthy clients at a young age, Mr. Sullivan said, "[I] somehow had to make it evident that I knew what I was doing."

That led to his becoming a certified financial planner. Today he serves as a spokesman for the CFP Board's "I Am a CFP Pro" campaign, which aims to bring younger people, women and people of color into the profession.

In Atlanta, he also serves as a volunteer for children in foster care.

"My job is to be an advocate for the child and represent their best interests in court. The volunteers get to be the one consistent person in a child's life, and that's very much needed," he said.

— Evan Cooper

39

BRIAN THOMPSON

Managing member and chief compliance officer, Brian Thompson Financial

"Client couples are so happy to have me. Their previous planners didn't want to know about their relationships," said Brian Thompson, who founded Brian Thompson Financial.

During his 11-year career as a tax attorney, Mr. Thompson, who is openly gay, became a CFP. In 2013, he started a blog to share his financial planning and legal knowledge, impart his personal marriage journey and advocate for gay rights.

In 2016, with more and more friends asking him financial questions, Mr. Thompson decided to change direction and become a full-time adviser with a focus on young adults within the LGBTQ community, as well as people of color.

There are a lot of major financial decisions that need to be made in young adulthood relating to issues such as marriage and prenuptial agreements, merging finances, money goals and having kids, he said.

"As an attorney, I had to be reactive, as people came to me after they had problems," he said. "As an adviser I can be proactive before they make important decisions."

— Deborah Nason

36

CLINT SORENSON

Co-founder, WealthShield

With a combination of quantitative skills and compassion, Clint Sorenson is using his talents to make the world a better place for both clients and advisers.

He is managing partner of two registered investment advisers: Emerald Investment Partners and WealthShield.

When Mr. Sorenson was attending college, his family went through some serious financial struggles. "It defined who I am and inspired me to find out why it happened," he said.

He researched the financial advising field and found himself drawn to both the chartered financial analyst and chartered market technician programs. In earning these designations, he realized that he loved everything about analytics and portfolio construction.

Wanting to address a growing challenge, Mr. Sorenson co-founded WealthShield in 2017 to work exclusively with advisers to build customized client portfolios that incorporate client behavioral profiles, adviser input and a sophisticated digital platform.

"I started seeing troubling trends in the industry — the rise of automated investment management and advisers getting pushed out of investment management," he said.

The business has touched a nerve. WealthShield already has more than $10 billion in assets under advisement, with more than $30 billion expected by the end of the year.

— Deborah Nason

33

PATRICK TRAUGER

Partner, Penn Wealth Planning

Going to summer camp in eastern Pennsylvania and serving in the state's National Guard have been two of the most powerful forces in Patrick Trauger's life.

Mr. Trauger, a financial adviser with Penn Wealth Planning, met his wife at camp, where he developed such strong childhood friendships that he is now neighbors with several of his former camp pals. While working at the camp when he grew older, he met camper parents Frank Policare and Lisa Bodine Policare, founders of the advisory firm where he has worked since 2007 and of which he has been a partner since 2015.

His connection with the Pennsylvania Air National Guard is almost as lengthy. He enlisted at age 17, while still in high school, and still serves. As a technical sergeant, he was deployed to Iraq in 2006-07, and to Afghanistan in 2009.

Today, in addition to helping serve the retirement planning needs of the firm's many clients in the nearby pharmaceutical industry, he helps struggling armed forces personnel and their families through the Active Family Readiness Group at his base.

"I try to help them privately with things like budgeting, loan consolidation, reducing interest on loans and Social Security benefits," he said. "I don't want them to feel awkward by talking about those things in public."

Whether he's working with paying or pro bono clients, Mr. Trauger said the best part of his job is "helping people with all aspects of their lives, not just the S&P."

— Evan Cooper

33

JAMES TRAYLOR

President, Upstate Special Needs Planning

Having grown up with a sister with learning and mental health challenges, James Traylor understood firsthand the complexities of meeting the present and future needs of a child with special needs.

After college, he joined an insurance-owned brokerage firm because it offered to pay for his licenses, but quickly discovered he was "probably the worst insurance agent of all time." To attract and serve clients who wouldn't otherwise deal with a young adviser, Mr. Traylor found he could share his special needs expertise through a consulting firm he formed in 2009. He started a separate financial planning firm four years ago.

Mr. Traylor also serves as the non-paid chairman of the New York State Developmental Disabilities Planning Council, a state agency, and donates hundreds of hours of pro bono services each year to the disabled community in Rochester. In addition, his firm's five female staff members, who all have family members with disabilities, serve as board members for charities for the disabled.

"The alpha and beta of my job are easy, but if we make one little slip-up in advice, a person can lose their housing and health care," he said.

— Evan Cooper

FAVORITE SOCIAL MEDIA

Facebook: **43%**

LinkedIn: **33%**

Instagram: **13%**

Twitter: **13%**

38

ANN YEUNG

Head of technology, global retirement and workplace solutions, Morningstar Inc.

A combination of grit and self-awareness has powered the career trajectory of Morningstar's Ann Yeung. Recently named the company's head of technology, global retirement and workplace solutions, she will be enhancing and developing new software products.

In her sophomore year in college, Ms. Yeung decided she needed to pick a career path. She had both time and debt on her mind and made her needs very clear: a constantly changing, challenging, very dynamic field where she could make good money with just a bachelor's degree. She did not want to spend years in graduate school.

"[The academic adviser] suggested computer science and math, and I thought, 'Let me try it out.' I didn't even own a computer at that time," Ms. Yeung said.

It worked out well, as she has been in demand in a wide range of industries since graduating in 2001.

What does she like about programming?

"I like being able to create and to come into different businesses and learn their challenges and help them solve problems," Ms. Yeung said.

Giving back to her profession, she is also the Chicago director of Women Who Code, a global organization of 127,000 members that aims to elevate women in technology into executive and C-level roles.

What has influenced her success?

"If I fail, I don't give up," Ms. Yeung said. "And being a child of immigrants helped me recognize the importance of hard work, but also taught me it's OK to take risks and embrace change and be adaptable."

— Deborah Nason

WASHINGTONWATCH

SEC's Piwowar under fire

Senate Democrats call for investigation


Michael Piwowar

BY HAZEL BRADFORD

SIX DEMOCRATIC SENATORS asked the SEC's inspector general last Wednesday to investigate whether outgoing Commissioner Michael Piwowar might have abused his position "in an attempt to unduly influence Citigroup" over its decision to limit business with gun firms.

In the letter to Carl Hoecker, inspector general of the Securities and Exchange Commission, the senators questioned reports that, during an April 24 meeting with Citigroup Inc. officials to discuss derivatives rule-making being considered at the SEC, Mr. Piwowar tried to get the Citi officials to reverse their gun policy because it "conflicts with his personal and political views."

Mr. Piwowar is one of three Republicans on the commission, including Chairman Jay Clayton. He is leaving July 7.

"Recent news reports indicate that the commissioner 'castigat(ed) them for straying into social policy' while 'glowering and speaking emphatically' about guns. Most concerning are reports that Commissioner Piwowar delivered a 'thinly veiled threat' by suggesting that the commission would withhold support for Citigroup's regulatory request due to the company's unrelated and entirely lawful corporate practices relating to firearms," the senators' letter said.

ABUSING HIS POSITION

"It is alarming that Commissioner Piwowar, who is expected to be independent, appears ready to condition his support for regulatory change on Citibank's withdrawal of a responsible corporate practice that conflicts with his personal views or political agenda," the senators said.

Regulatory decisions should be based on facts and merits, "not on unrelated corporate practices that a particular commissioner dislikes or that are disliked by organizations they support," said the letter, signed by Sens. Chris Van Hollen of Maryland, Dianne Feinstein and Kamala Harris of California, Christopher Murphy and Richard Blumenthal of Connecticut, and Robert Menendez of New Jersey.

Calls to Mr. Piwowar and the SEC inspector general were not returned.

Hazel Bradford is a reporter at InvestmentNews' *sister publication, Pensions&Investments.*

LPL platform

CONTINUED FROM PAGE 3

ers have privately said the platform is useful and that they were sorry to see it go.

Geoff White, managing partner at GRP, confirmed to *InvestmentNews* that executives from the firms were in discussions over a transaction.

"We're talking to them about it and trying to gauge whether they'd be interested," Mr. White said. "We just haven't had all the conversations yet," he added.

"WE THINK IT'D BE A HUGE VALUE-ADD AND WOULD GENERATE NEW REVENUE."

GEOFF WHITE
MANAGING PARTNER, GRP

An LPL spokesperson wasn't immediately available to comment.

OPEN ARCHITECTURE

Worksite Financial Solutions primarily supports 401(k) rollovers. Advisers can use the open-architecture program, which comes with a call center as well as marketing and other support, to place participants in retail investment accounts when they roll money out of a workplace retirement plan. The platform also gave participants the option to have their 401(k) managed by the LPL home office or an LPL adviser.

If completed, the deal would benefit both firms. Instead of discarding a program it reportedly has invested millions of dollars in over the years, LPL can keep its current users happy and custody new retail assets gathered through the platform.

At GRP, whose 300-plus retirement-plan advisers oversee more than $70 billion in defined-contribution assets, executives see it as a way to potentially generate more wealth management revenue.

"We are very interested in doing it and figuring out if there's something there, because we think it'd be a huge value-add and would generate new revenue," Mr. White said. "As firms continue to develop out the wealth management side of their business, it's a perfect solution for that."

RECRUITING TOOL

GRP also sees it as an effective recruiting tool, especially in the wake of Independent Financial Partners, a mega-hybrid registered investment adviser affiliated with LPL, announcing it will leave LPL next year to start its own broker-dealer. The thinking is, this may give retirement-focused advisers at IFP a reason to join Global Retirement Partners (and therefore remain affiliated with LPL) rather than affiliate with IFP's new broker-dealer.

"We've been asked by a bunch of the current IFP firms to see what we could do about retaining that," Mr. White said, referring to Worksite Financial Solutions.

Chris Hamm, chief operating officer at IFP, said that he is unaware of the ongoing sale discussions, but that the firm is building out its own platform that "does what Worksite does and much more."

"If that's something GRP sees as an important part of their lineup, that's great for them," Mr. Hamm said. "We'll continue building out the equivalent of that."

A deal with LPL would have Worksite Financial Solutions fall back under the purview of Bill Chetney, founder of GRP and former head of LPL Retirement Partners.

giacurci@investmentnews.com
Twitter: @gregiacurci

Merrill

CONTINUED FROM PAGE 3

"not walking away from our commitment to acting in the best interest of the clients. That is not changing, and it will never change."

In October 2016, when the DOL rule still appeared to be on track to become law, Merrill announced it would no longer offer new, advised commission-based IRAs beginning in 2017.

In full-page newspaper ads, Merrill advertised its new policy and its commitment to clients' best interest. The firm said charging fees as a percentage of assets, instead of commissions on trades, is the best way to ensure retirement nest eggs are protected — what it called "a simple, open way to work that is intended to address these conflicts."

"We are committed to your best interest. Not the status quo," the ad stated. "We believe we are honoring the spirit of the new rules — not looking for ways to get around them."

Elliot Weissbluth, founder and chief executive of HighTower Advisors, called the latest move by the wirehouse "completely predictable."

"THIS IS A CLEAR SIGNAL THAT IT'S BUSINESS AS USUAL ON WALL STREET."

ELLIOT WEISSBLUTH
CEO, HIGHTOWER

"The dirt isn't even solid on the grave of the DOL rule and Merrill is already grave-dancing," he said. "This is a clear indication that it's business as usual on Wall Street."

jbenjamin@investmentnews.com
Twitter: @benjiwriter

LEGALMATTERS

Vereit to pay Vanguard $90M

Stems from scandal at former Schorsch REIT

BY BRUCE KELLY

VEREIT INC., a net lease real estate investment trust, has agreed to pay mutual fund giant Vanguard $90 million as part of a settlement stemming from an accounting scandal four years ago when the company was controlled by Nicholas Schorsch, the former nontraded-REIT czar.

Vanguard was the largest shareholder of Vereit, which was known as American Realty Capital Properties Inc., or ARCP, when the scandal broke. Through various funds, Vanguard owned about 13% of the company's outstanding shares.

In the fall of 2014, ARCP revealed a $23 million accounting error that had resulted in the company's reporting inflated financial results. ARCP's stock plunged 21% on the day the accounting mistake was announced and has never recovered.

By the end of 2014, Mr. Schorsch had resigned from the company as its chairman. In March 2015, ARCP restated financial results going back to 2013, hired a new CEO and was eventually renamed Vereit, in order to distance itself from the scandal.

Vereit has been sued by other investment managers, notably TIAA-CREF, so other payments to shareholders could possibly occur in the future.

Vanguard sued Vereit, Mr. Schorsch and other past executives in October 2015, alleging "a multiyear fraud and attempted cover-up orchestrated by the top corporate executives at ARCP" when Mr. Schorsch was CEO and chairman of the company.

The settlement between Vereit and Vanguard also leaves open the potential for Vereit to sue Mr. Schorsch and other former senior executives of the company in the future.

bkelly@investmentnews.com
Twitter: @bdnewsguy

ETF guidance

CONTINUED FROM PAGE 4

how to diversify ETF portfolios."

Antonio Picca, head of factor-based strategies at Vanguard, agreed.

"These are products that need to be bought, not sold," he said.

Unlike basic ETFs, "We believe that multifactor ETFs are a form of active investing, which means there are many choices advisers have to make," Mr. Picca said. "And that means you go through an active due diligence process before you invest."

SEMINARS

ETF providers are responding to advisers' confusion by pouring money into education about their ETFs, particularly multifactor ETFs.

"We had 100 education seminars in the first 100 days after the launch of our multifactor ETFs," Mr. Picca said. Vanguard has also developed an online tool to tell advisers about the factor exposures in their portfolios and how they can replicate that with multifactor and smart-beta funds — essentially replacing high-cost equity portfolios with low-cost factor ETFs.

Invesco has also rolled out analytical tools for advisers, thanks in part to its acquisition of robo-adviser Jemstep in 2016.

"We're increasingly offering solutions with a digital component," Mr. Draper said. Invesco offers in-person seminars as well.

Many ETF providers think it's the in-person seminars that provide the most benefit to advisers.

"THESE ARE PRODUCTS THAT NEED TO BE BOUGHT, NOT SOLD."

ANTONIO PICCA, HEAD OF FACTOR-BASED STRATEGIES, VANGUARD

Charles Schwab Investment Management, for example, provides plenty of online help in the form of white papers and other tools.

ONLINE OFFERINGS

"Sometimes that's better presented in a small group setting of a dozen or 20 advisers," said Jon de St. Paer, head of strategy and product at CSIM. "You get a more thorough, deeper conversation. It's like getting from ETF 101 to ETF 201."

At Columbia Threadneedle Investments, part of the challenge is explaining the uses of its factor-based ETFs, which are based on strategies its active managers use, and the actively managed funds themselves.

"There are many ways you can access what we do along a continuum,' said Marc Zeitoun, head of strategic beta and private-client advisory at Columbia Threadneedle. The company's multifactor ETFs offer insight and exposure to its investment methodology and thinking; the active funds provide access to its best ideas in real time.

jwaggoner@investmentnews.com
Twitter: @johnwaggoner

Migration

CONTINUED FROM PAGE 4

they left the industry agreement known as the Protocol for Broker Recruiting. The broker protocol, agreed to in 2004, made it easier for brokers to move to new firms by allowing them to carry a limited amount of client information during the transition. The protocol also cut down on costly legal fees by limiting lawsuits against brokers who change firms.

"In terms of the number of people leaving the wirehouses, it seems like the numbers are down, likely because of anxiety around the protocol," said Louis Diamond, an industry recruiter. "Advisers are afraid to leave. But it's the size of the groups leaving that's staggering."

LEAVING MERRILL

Earlier this month, Eric Bodner and Ben Sax walked out of Merrill Lynch to launch their own registered investment advisory, Kore Private Wealth. Mr. Sax and the team manage $4.1 billion in client assets, according to the most recent Barron's ranking of top advisers.

In April, Boston-based Merrill Lynch adviser James Atwood left for First Republic Private Wealth Management. According to Barron's, Mr. Atwood managed $4.5 billion.

Both groups were part of Merrill's elite Private Banking & Investment Group, or PBIG.

Neither a spokesperson for Mr. Bodner, nor for First Republic returned calls for comment.

Despite losing such significant teams of brokers, all is well at Merrill Lynch, a spokesperson said.

"The Private Banking & Investment Group of Merrill Lynch is strong and growing," spokeswoman Susan Atran said in an email. "We continue to add private wealth advisers, bringing our overall representation to over 370 advisers. Year-over-year, we have added nearly 40% more new households, and our inflow of client balances is more than 1.5 times that of 2017."

COMPENSATION CONCERNS

The largest teams of advisers at the four wirehouses are concerned that their compensation plans will change from an adviser earning a percentage of sales to a straight salary and a bonus, Mr. Diamond said. Such a change in compensation would be radical, but some industry observers believe it is coming.

And advisers at the two large firms that remain in the broker protocol, Merrill Lynch and Wells Fargo, are worried that those firms could also exit the agreement, despite public comments that they have no intention of doing so, Mr. Diamond said.

"Even if the number of advisers moving is down, the significance and prestige of the groups is up," Mr. Diamond said. "The thinking is, if Jim Atwood left, what am I missing? He must know something I don't."

Merrill Lynch is not the only wirehouse to lose teams of advisers with billions in client assets, he said, adding: "We are very bullish on the rest of the year."

bkelly@investmentnews.com
Twitter: @bdnewsguy

INVESTINGINTELLIGENCE

How will fund families use tax reform benefits?

BY JOHN WAGGONER

MUTUAL FUND COMPANIES are seeing big benefits from tax reform. How they will use that money is an open question.

The 2017 tax law changes sliced the corporate tax rate to 21% from 35%, although it also reduced or eliminated some deductions and credits. Those tax cuts have kicked in and are showing up in first-quarter earnings reports.

T. Rowe Price, for example, reported $236.3 million in tax expense in the first quarter of 2017; that fell to $144 million in the first quarter of 2018 — a savings of $91.6 million. The fund company saw its effective tax rate fall to 24.1% in the first quarter, and it expects its tax rate for 2018 to be between 24% and 27%.

"This should free up additional capital that can be dedicated to seed capital investments, acquisitions, dividends and share repurchases," Morningstar sector strategist Greggory Warren said in his commentary on the stock.

T. Rowe Price's tax savings also gave the company a significant bump in earnings per share, a fact it highlighted in its first-quarter earnings report.

"The growth in the firm's diluted earnings per share year over year is due in part to the significant decline in the firm's tax rate as U.S. tax reform reduced the U.S. federal corporate tax rate beginning Jan. 1, 2018," the company said. T. Rowe Price stock has jumped 16.34% this year, including reinvested dividends.

Similarly, Franklin Templeton reported a $42.3 million tax savings in the first quarter, as its tax expense fell to $150.2 million from $192.5 million a year earlier. And changes to the tax code could allow the company to repatriate as much as $4 billion in cash from overseas.

Nevertheless, Franklin Templeton's stock has fallen 14.26% this year because investors remain skeptical about its growth prospects.

16.34%

AMOUNT T. ROWE PRICE'S STOCK HAS RISEN THIS YEAR

Invesco also saw a nice tax abatement: Its provision for income taxes fell to $68.4 million in the first quarter from $75.7 million a year earlier, a $7.3 million savings for the $420.6 million asset manager. But tax reform hasn't come to the aid of Invesco's stock, which has slumped 20.96% this year on disappointing earnings growth.

Clearly, tax reform has presented most asset managers with a nice gift in the form of lower rates.

Whether those lower tax rates will result in lower fees in the asset management industry is unknown.

jwaggoner@investmentnews.com
Twitter: @johnwaggoner

SEC rule split

CONTINUED FROM PAGE 2

and chief executive of the Investment Adviser Association.

There was some evidence that the industry and investor advocates could find common ground.

Barbara Roper, an IAC member and director of investor protection at the Consumer Federation of America, suggested clarifying steps brokers must take to mitigate conflicts by prohibiting brokerages from creating incentives likely to violate a client's best interests, such as sales quotas for proprietary products.

Mr. Hammerman was receptive.

"To use your example of sales quotas for proprietary products, maybe the commission can address that fact pattern in explaining whether that would or would not satisfy best interest," Mr. Hammerman said. "There could be a dozen or so other fact patterns that would give folks some clear guidance on how to take this principled approach and apply it day-to-day."

A second panel at the IAC session discussed the new disclosures for investment advisers and brokers contained in the SEC advice proposal.

Four of the SEC's five commissioners attended the IAC meeting, the first ever held outside of the SEC's Washington headquarters.

SEC member Robert Jackson Jr. said that the topics aired at the IAC meeting — clarifying the term "best interest," delineating conflicts of interest and testing disclosures — will help determine his vote on advice regulations.

mschoeff@investmentnews.com
Twitter: @markschoeff

DOL rule

CONTINUED FROM PAGE 2

The regulation isn't dead just yet because the 5th Circuit hasn't issued a mandate making its March 15 decision effective. That mandate will officially strip the fiduciary rule from the books.

Though there is no hard-and-fast date by which the 5th Circuit has to issue the mandate, court watchers expected it by May 7, given the typical rules of appellate procedure.

That leaves many asking: What's the holdup?

It's impossible to know for sure, legal experts say. A court clerk in the 5th Circuit couldn't comment on the timing of a mandate.

One popular theory is that the 5th Circuit judges were waiting to see if the Justice Department would appeal to the Supreme Court. The answer may also be as simple as administrative delays, experts say.

"The most likely thing is they're just taking their time," said Kevin Walsh, an attorney at Groom Law Group.

Another theory, although remote, is that one of the 25 judges in the 5th Circuit is seeking a rehearing of the case. If one judge requests a poll and a majority of active judges decides to rehear the case, that route could come to pass, Mr. Walsh said.

"It's rare that that happens," he said. "At the same time, we're now past June 13, so outlandish theories carry a little more weight than they would have on May 8."

RETURN TO STATUS QUO

If the court ultimately issues a mandate taking the regulation off the books, rules would revert to the status quo prior to June 2017, when the first of two phases of the fiduciary rule took effect. The rule significantly broadened the scope of activity leading brokers to be considered fiduciaries for their investment recommendations to clients.

"I think we just have to be a bit patient," George Michael Gerstein, an attorney at Stradley Ronon Stevens & Young, said of the 5th Circuit mandate. "It's probably a fool's errand to read too much into it at this point in time."

giacurci@investmentnews.com
Twitter: @gregiacurci

Diversity

CONTINUED FROM PAGE 3

report from McKinsey found that gender diversity correlates with both profitability and value creation in the workplace.

But despite the business imperative, the financial services industry is falling behind. Women- and minority-owned asset management firms exhibit strong returns, yet are dramatically underrepresented in every asset class, according to a 2017 Knight Foundation report. Only 20% of mutual funds globally have at least one female fund manager, according to a 2016 Morningstar study. And 2017 data from the Bureau of Labor Statistics found that only 4.8% of advisers are African-American, 6.6% are Asian and 8.3% are Hispanic.

COMPANIES MUST STOP TREATING DIVERSITY AS A "NICE TO HAVE" BOX.

The world we live in is diverse, and the lack of diversity in the financial services industry has a real impact on how we relate to clients and ultimately how we do our jobs. The more diversity of background and diversity of thought we can bring to the equation, the better equipped we will be to excel in our work.

TAKING ACTION

At Capital Group, our perspective is that our differences make us better. Our success depends on the ability of our portfolio teams and investment professionals to reflect diverse perspectives to make good investment decisions. To do that, we must recruit, retain and help advance employees who reflect our diverse world.

In my experience, it starts with leadership support and a deliberate approach, followed by a comprehensive program with short- and long-term goals. What makes it work over time is a genuine organizational understanding that a diverse and inclusive business is one that will thrive.

20%
PORTION OF MUTUAL FUNDS GLOBALLY THAT HAVE AT LEAST ONE FEMALE FUND MANAGER

We have embraced the "REAL" model to drive diversity and inclusion firmwide. We realize we can't just invest in recruitment or engagement to create tangible change. We need to develop our future leaders and set an example for the rest of the industry.

- **Recruit.** Attract and retain strong talent that is representative of the diverse world we live in.

The first critical area all financial companies should be addressing is recruitment, specifically bringing new people into the financial services industry. We need to make our industry more appealing to individuals from all backgrounds if we want our businesses and clients to benefit from a diversity of perspectives.

One of our programs, Climb (Capital Leads, Inspires and Mentors in Business), offers skills workshops and networking opportunities to introduce undergraduate students from all backgrounds to careers in financial services. This biannual workshop serves as an opportunity for us to engage with students from across the country and further build out our hiring pipeline for students from underrepresented groups in the financial services industry.

- **Engage.** Inspire current team members to get involved and contribute to an inclusive culture.

We are also taking steps to create a more open and inclusive workplace in all our offices globally. One way we do this is through more than 30 associate-driven Capital Communities, including CG Pride, CG Veterans, Capital Associates of African Descent and various women's groups. Approximately 2,800 employees are involved in this initiative, which allows our employees to connect and celebrate both our similarities and our differences.

- **Advance.** Develop the next generation of leaders and ensure that the group includes people with different perspectives and backgrounds.

To measure and drive accountability, we created a framework for our managers, Leading Capital, which outlines our expectations for leaders and embeds specific people practices during interviews, performance reviews, development programs and talent reviews.

- **Lead.** Set an example that diversity and inclusion are critical to business, the industry and beyond.

We prioritize a focus on participation by our senior leaders in industry conferences and trade groups on topics related to diversity and inclusion. We also have equipped our national financial adviser education team to speak on the role of diversity and inclusion as a healthy business practice.

As an industry, we've done plenty of talking about diversity and inclusion. But it's time to take real action that will have both short- and long-term impacts. We must also hold our colleagues, peers and leadership accountable. Our investors expect it — and depend upon it.

Jim Evans is the head of diversity, inclusion and engagement at Capital Group, home of American Funds.

KNOW SOMEONE?
Do you know a successful adviser from a diverse background who has an inspirational story to tell? If so, email special projects editor Liz Skinner at lskinner@investmentnews.com.