December 17-21, 2018

InvestmentNews®

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

ADVERTISEMENT

TOMORROW'S FORECAST: DOUBLING YOUR CLIENTS' WITHDRAWAL BASE

That's what FREEDOM looks like.

7.2%
GROWTH RATE

OPPORTUNITY TO
DOUBLE
THEIR WITHDRAWAL BASE
IN 10 YEARS*

*If no withdrawals are taken. The withdrawal base does not establish or guarantee policy value, surrender value, minimum death benefit, or return for an investment option.

TRANSAMERICA®

NEWSPAPER | VOL. 22, NO. 45 | COPYRIGHT INVESTMENTNEWS LLC | ALL RIGHTS RESERVED

A Transamerica variable annuity combined with the *Retirement Income Max®* optional living benefit offers your clients the confidence, security, and stability of knowing they have future income they can count on.

CONFIDENCE

Invest now and receive straightforward **7.2% minimum annual compounding growth** to the withdrawal base for up to 10 living benefit years if no withdrawals are taken. That's an opportunity to double an annuity's withdrawal base.

SECURITY

Clients can take early withdrawals if they wish, and rest assured their **consistent, guaranteed income** will never run out or be reduced even if the policy value reaches zero as long as no excess withdrawals are taken.* Withdrawals of taxable amounts are subject to ordinary income tax and may be subject to a 10% additional federal tax if withdrawn before age 59½.

STABILITY

In an up market, there is opportunity to receive an automatic step-up with our ***Monthiversary***SM feature. Automatically lock in the highest monthly value, on the monthly anniversary, if it exceeds 7.2% annual compounding growth. And in down markets, it provides the opportunity to receive 7.2% annual growth. That means the withdrawal base has the opportunity to grow whether investments perform well or underperform. The withdrawal base does not establish or guarantee policy value, surrender value, minimum death benefit, or return for an investment option.

Stable income your client can never outlive from a withdrawal base that has the opportunity to double.

*Should the variable annuity's policy value fall to zero, your client will receive payments up to the amount allowed under the living benefit for life. If an excess withdrawal causes the policy value to reach zero, the living benefit and policy will terminate.

Talking about health today can better protect wealth tomorrow.

Withdrawals may be subject to surrender charges.

Your client must wait until the living benefit year after they turn age 59 (age 62 for joint life option in New York) to begin withdrawals permitted under the living benefit. If the living benefit is purchased prior to age 59, however, the living benefit fee will still apply.

All guarantees, including optional benefits, are based on the claims-paying ability of the issuing insurance company.

The withdrawal and growth percentages and living benefit fees may change and the amounts listed herein may not be the most current rates. The most current percentages and living benefit fees are disclosed in the applicable Rate Sheet Prospectus Supplement, which may be amended by us from time to time. Please contact our administrative office to determine whether the rates above have been amended.
Your client should not purchase this living benefit without first obtaining the applicable Rate Sheet Prospectus Supplement.

The living benefit *Monthiversary*SM component of an automatic step-up is not applied in living benefit years when an excess withdrawal has been taken.

The withdrawal base (WB) is equal to the policy value when the living benefit is added, plus any additional premiums, and less any adjustments for excess withdrawals after the living benefit is added. The WB is used to determine the living benefit withdrawal amount and the amount of the living benefit charge. Retirement Income Max initial fee is 1.35% for single life and 1.45% for joint life. In New York the joint life fee is 1.35%. The maximum living benefit fee percentage allowed is 0.75% higher than the initial percentage.

Transamerica variable annuities' range of fees and charges include 0.20% - 1.90% M&E&A, 0% - 9% surrender charges, $50 annual service charge, and investment option expenses (including 12b-1 fees, if any). A fund facilitation fee of up to 0.60% annually may apply for certain investment options.

Variable annuities are sold by prospectus. Before investing, your client should consider a variable annuity's investment objectives, risks, charges, and expenses carefully.
Go to transamerica.com for prospectuses containing this and other information. It is encouraged to read it carefully.

A variable annuity is a long-term investment product designed for retirement purposes. The variable annuity policy value, death benefit, and other values will fluctuate based on the performance of the investment options and may be worth more or less than the total of all premiums paid when surrendered.

Living benefits are referred to as riders in the contract.

Annuities issued in all states except New York by Transamerica Life Insurance Company, Cedar Rapids, Iowa and in New York by Transamerica Financial Life Insurance Company, Harrison, N.Y. Annuities are underwritten and distributed by Transamerica Capital, Inc. 1801 California St. Suite 5200, Denver, CO 80202. Member FINRA.

All policies, living benefits, and forms may vary by state, and may not be available in all states. ICC12 RGMB410513(IS), ICC12 RGMB410513(IJ),

RGMB 41 0111 (IS) (FL), RGMB 410111 (IJ) (FL), RGMB 41 0514R (IS)(NY), RGMB 41 0514R (IJ)(NY)

109706 ©2018 Transamerica. All rights reserved.

TRANSAMERICA®

2 OHIO NATIONAL BEGINS DREADED TRAIL CUTS
3 WELLS FARGO REVEALS 2019 COMP PLAN
4 BLACKROCK HAS NEW LINK WITH EMONEY
12 3 REASONS TO DO A ROTH CONVERSION NOW

December 17-21, 2018

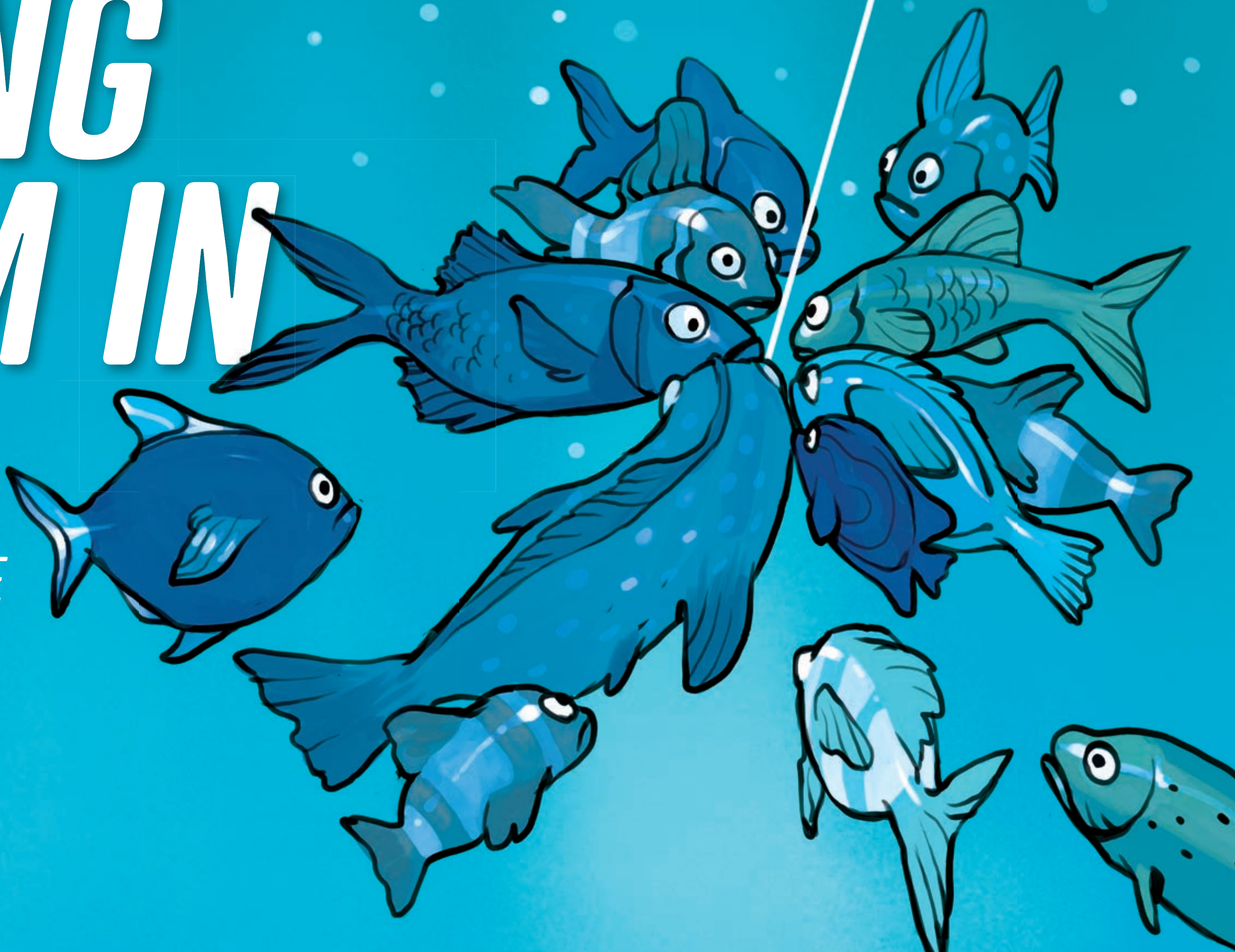
InvestmentNews®

$4.00 / $69 Year

The Leading Information Source for Financial Advisers

REELING THEM IN

REGIONAL BROKERAGES ARE ENJOYING SOME NEWFOUND SUCCESS LURING WIREHOUSE BROKERS PAGE 8



INSIDE

3 Diversity & Inclusion
6 Editorial
16 *IN* Voices
20 On Retirement
21 IRA Alert

A CLOSER LOOK

4 New leader at UBS
Wirehouse taps Jason Chandler to head wealth management in the U.S.

14 Retirement man
Richard Neal will chair the Ways and Means Committee in January.

ONLINE

10 must-know facts about today's 401(k) plans
InvestmentNews.com/today

WE'LL BE BACK

InvestmentNews won't publish a print edition Dec. 24 or 31. Print publication will resume Jan. 7.

Cover: Asaf Hanuka

CONNECT WITH US

Contents © Copyright 2018 by InvestmentNews LLC. All rights reserved.
Vol. 22, No. 45, December 17, 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 two weeks in December by InvestmentNews LLC. The agent is Crain Communications Inc., 1155 Gratiot Avenue, Detroit, MI 48207-2912. Periodicals postage paid at Detroit, MI 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.

INSURANCE**ISSUES**

VA trails stop, questions abound

Ohio National has ceased commissions on some annuities

BY GREG IACURCI

OHIO NATIONAL FINANCIAL Services Inc. ceased payment of advisers' variable annuity trail commissions last Thursday, and advisers are left wondering how they're going to deal with the fallout.

The insurer stunned the brokerage and insurance industries in late September when it announced the policy, which applies to variable annuities with a certain income feature called a guaranteed minimum income benefit rider. Thousands of affected advisers are still trying to make sense of what the policy — which appears to be the first of its kind among annuity providers — will mean for them and their clients.

"There are just a lot of question marks," said Timothy Holsworth, president of AHP Financial Services Inc.

For some advisers, the loss of annual trail compensation is substantial. Mr. Holsworth, whose clients have roughly $5 million in the affected Ohio National variable annuities, stands to lose $50,000 in annual revenue.

Lance Browning, an adviser with LPL Financial, filed class-action litigation against Ohio National; he stands to lose $89,000, according to the lawsuit. One of his lawyers, Dennis Concilla of Carlile Patchen & Murphy, said he's spoken with other advisers with much more money at stake — some in excess of $400,000.

'BITTER PILL'

"That's a pretty bitter pill to swallow," Mr. Concilla said. "It's life-changing, really."

David Berman, co-founder and CEO of Berman McAleer, said the firm has had to adjust its

CONTINUED ON PAGE 26

REGULATORY**ACTION**

Clayton: Advisers can dodge fiduciary

BY MARK SCHOEFF JR.

SECURITIES AND Exchange Commission chairman Jay Clayton told lawmakers last Tuesday that investment advisers can dodge a requirement to put their clients' interests ahead of their own if they include exceptions in their client agreements.

In an appearance before the Senate Banking Committee, Mr. Clayton said the "baseline standard" for advisers is to act in the best interests of clients. But not all of them adhere to that duty.

"Advisers are allowed to contract around this standard; it's not well-known," Mr. Clayton said. "This is something that we want people to understand."

Under questioning from Sen. Elizabeth Warren, D-Mass., Mr. Clayton said the goal of the agency's advice-reform proposal is to hold brokers to the same fundamental requirement as advisers — that they must act in the best interests of their clients — while keeping adviser and broker regulation separate. "It's the same, but it's a different type of relationship," Mr. Clayton said. He describes advisers as working with clients on an ongoing basis and brokers working on a transactional basis.

Ms. Warren pressed Mr. Clayton to clear up the semantics in the SEC proposal, saying the agency's own investor testing showed that customers don't understand the differences between brokers and advisers.

"If it's the same, just use the same words," she said.

"We may do that," he said.

Later, Mr. Clayton told Sen. Catherine Cortez Masto, D-Nev.: "The bedrock principle is that I can't put my interests ahead of my clients' interests."

In another exchange, he said broker sales incentives designed to increase assets under management don't violate a client's best interests, but that programs to increase sales of specific products can be harmful.

"What [investors] don't want are hidden incentives," Mr. Clayton said.

SUITABILITY STANDARD

Echoing the doubts of most investor advocates, Ms. Warren asserted that the SEC's proposal fails to raise broker advice requirements above the current suitability rule that governs them because the measure does not put them under the same fiduciary standard that advisers must meet.

"We need a clear, uniform fiduciary standard for advisers and brokers," Ms. Warren said. "It's the only way to make sure that people who are trying to save for their kids' college ed-

CONTINUED ON PAGE 28

FIN**TECH**

Wirehouse aims to find prospects with Alexa

Morgan Stanley partners with Yext to modernize websites

BY RYAN W. NEAL

MORGAN STANLEY wants to modernize how prospects find its advisers — and that means getting in good with Siri, Alexa and Google.

Last Tuesday, the wirehouse announced a partnership with Yext, a publicly traded technology company, to offer online brand management to help its advisers modernize their websites and enhance their digital presence.

Today the deal means using Yext's technology to ensure the websites of Morgan Stanley financial advisers, teams and branches end up near the top of text-based search engine results. But Morgan Stanley envisions a quickly approaching future where investors can ask a device, "Find me a financial adviser in San Francisco with a CFP designation, and who can speak Mandarin."

> **"WITH SIRI AND ALEXA ... YOU'RE ONLY GOING TO GET ONE ANSWER BACK."**
>
> ERIK JEPSON, HEAD OF DIGITAL MARKETING, MORGAN STANLEY WEALTH MANAGEMENT

By moving back-end management of adviser websites to the Yext platform, Morgan Stanley wants to be the brand recommended in voice searches.

"The problem with Siri and Alexa is you're only going to get one answer back, an educated guess. It can't serve up a page of links," said Erik Jepson, head of digital marketing at Morgan Stanley Wealth Management.

DATA MANAGEMENT

A big reason Morgan Stanley chose Yext is its data management system, which Yext calls the Knowledge Engine.

"It's really about the underlying data structure that supports the websites. They're curating that data, marking up that data so it's optimally available to search engines," Mr. Jepson said.

Like the firm's push toward

CONTINUED ON PAGE 28

BROKER-DEALERS

Wells Fargo reveals 2019 comp plan

Most reps will see no change, but lower producers will get rate cut

BY BRUCE KELLY

WELLS FARGO ADVISORS told the 9,000 or so advisers in its private client group last Thursday that the overwhelming majority of them will not see changes in their pay plan next year.

Wells Fargo reps who produce more than $250,000 will continue to be paid the same rate they have received since 2011, according to executives at the firm.

However, less profitable brokers, those who generate less than $250,000 in annual fees and commissions and have been at the firm seven or more years, will feel some fresh pain.

Wells Fargo Advisors has a two-tier system for paying its financial advisers. The majority will continue to see compensation plan grid rates that pay 22% of a base amount, known as a monthly hurdle, that advisers produce in fees and commissions each month. That base amount, or hurdle, ranges from $11,500 to $13,250 and has not changed since 2014.

In the second step of the system, advisers generating $250,000 or more will keep 50% of production above those base amount hurdles.

For advisers who generate less than $250,000 in fees and commissions, those payout rates will fall to two tiers of 19% on the base amount and 47% after that.

The number of advisers facing a pay cut in 2019 is "well below" 5% of those with the firm, John Alexander, head of Advisor-led Business-West, said in an interview last Thursday.

"We've had this plan in place since 2004, and it's been largely unchanged," Mr. Alexander said. "We are obviously committed to it. The fact that we are making minimal changes in 2019 is evidence of that."

LOSING BROKERS

Wells Fargo Advisors has lost more than 1,000 advisers since September 2016, when the brokerage network's parent company, the giant bank Wells Fargo & Co., revealed that bank employees had secretly created millions of unauthorized accounts in customers' names without their consent. While many advisers have retired, hundreds have left Wells Fargo Advisors to work at com-

CONTINUED ON PAGE 26

MERGERS&ACQUISITIONS

Kestra Financial latest brokerage up for sale

Stone Point Capital taps Goldman for deal

BY BRUCE KELLY

KESTRA FINANCIAL Inc. is the latest large independent broker-dealer to be put up for sale and is currently being shopped around by its private-equity parent, according to industry sources.

Kestra was formerly known as NFP Advisors when it was owned by insurance brokerage and consultant NFP Corp. The broker-dealer was sold in 2016 to private-equity shop Stone Point Capital, which bought a majority stake at the time and changed its name to Kestra.

Three industry sources who wished to remain anonymous told *InvestmentNews* last week that Stone Point had recently hired Goldman Sachs as its banker in the transaction. The first round of bids may be due as soon as this week, those sources said.

One of those sources added that the bankers at Goldman were the same team that successfully led the sale over the summer of a majority stake of Cetera Financial Group to Genstar Capital, another private-equity investor.

James Poer, the CEO of Kestra, did not return a call last Friday for comment. A spokesperson for the

CONTINUED ON PAGE 26

INVESTINGINTELLIGENCE

Fidelity dominates money-market industry

Added $50B this year as stocks, bonds flag

BLOOMBERG NEWS

FIDELITY INVESTMENTS is dominating a business that is thriving even as stocks and bonds struggle.

Fidelity's money-market assets grew to $629 billion as of Oct. 31 — nearly twice as much as its closest rival, Vanguard Group, according to Crane Data. The Boston-based fund company has added more than $50 billion this year, mostly from inflows.

Rising short-term interest rates have lifted yields on the cash-like funds to about 2%, magnifying their allure at a time when other asset classes are under pressure. The trend has helped companies including Vanguard, JPMorgan Chase & Co. and Goldman Sachs Group Inc. As the biggest provider, Fidelity is benefiting the most, raising its market share to more than 20%.

$629B

AMOUNT OF FIDELITY'S MONEY-MARKET ASSETS AS OF OCT. 31 — NEARLY TWICE THAT OF VANGUARD

Today, the firm's 41 funds make up one-fourth of its $2.5 trillion under management.

"Fidelity has more buckets and bigger buckets than anyone else and it is starting to rain again," said Peter Crane, president of Crane Data, the Westborough, Massachusetts-based industry tracker.

The $3.1 trillion money-fund business suffered after the financial crisis as the Federal Reserve slashed rates to near zero and held them there until 2015. Low rates forced fund companies to waive fees, crimping profitability on the funds that focus on short-term, relatively safe debt. The squeeze, plus added costs that came with the implementation of federal reforms in 2016, spurred industry consolidation.

CONTINUED ON PAGE 28

diversity&INCLUSION

Represent the people you serve

Create an inclusive experience for employees, beginning Day 1

BY RON ADAMS

Truly diverse companies emerge from the inside out. Corporations such as Comcast, Marriott Hotels and Coca-Cola are fostering communities of professionals from all backgrounds. While no strategy is ever a one-size-fits-all approach, diversity and inclusion programs can be tailored by individual companies to create sustainable growth and pave the way to more inclusive industries in general.

Team play: Northwestern Mutual reps gather in Milwaukee in October.

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 are shared across organizations.

Specifically, in the financial services space, it is vital for companies to represent the people they serve. The experiences of diverse communities need to be interwoven into the company in order to truly help people with one of the most personal areas of their lives: their money. People feel comfortable with financial advisers who understand and have walked in their shoes.

Companies can attract and retain team members from all walks of life if they focus on improving the experience they offer individuals from the first day they walk through the doors.

CREATE SMALL TEAMS TO INTRODUCE COMPANY CULTURE

First, as part of the onboarding process, use small teams to help new employees find their footing at the company. Embracing the culture at any new company takes

CONTINUED ON PAGE 28

EXECUTIVEMOVES

UBS names wealth unit head

Jason Chandler will take over from Brian Hull

BLOOMBERG NEWS

UBS GROUP AG is promoting a long-time executive in the U.S. as it seeks to expand in the region and offer ultra-rich clients more bespoke investments.

Jason Chandler will become head of wealth management in the U.S. after more than two decades at the bank, according to a memo sent to staff last Monday. That gives him oversight of almost 7,000 financial advisers in the region. He's been co-leading investment platforms globally, and succeeds Brian Hull, who's becoming executive vice chairman Americas. The changes will be effective Jan. 1.

UBS chief executive Sergio Ermotti is targeting the U.S. for its growth opportunities. More than a third of the wealth manager's $2.4 trillion in assets are invested in the Americas, a region long dominated by local behemoths such as Morgan Stanley, which has more than double the number of UBS' advisers in the area, and JPMorgan Chase & Co. The Swiss bank is undergoing the biggest overhaul of its technology in the Americas since its 2000 acquisition of retail brokerage Paine Webber Group.

There are 174 U.S. billionaires among the world's 500 richest people, with a combined net worth of $2 trillion, according to the Bloomberg Billionaires Index.

UBS also is trying to lure more

JASON CHANDLER

clients in China and Latin America, offering them investment capabilities around the world and harder-to-access wagers like private equity and hedge funds. It's also increasingly seeking to lend to ultra-wealthy clients.

Christian Wiesendanger, who co-led the investment-platforms business with Mr. Chandler, will be the sole head of that unit from Switzerland.

IF YOU THINK AN ANNUITY IS
HARD TO EXPLAIN,
TRY TELLING A CLIENT
THEY MAY RUN
OUT OF INCOME.

People trying to save for the future face many obstacles. A variable annuity with the purchase of an add-on benefit[1] can help address many of these challenges. So, isn't it worth the time to understand a product that can provide a protected lifetime income stream[2], growth potential, and even the comfort of leaving money to loved ones?

Visit Jackson.com to learn more about how you can help your clients create lifetime income.

Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact The Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

[1]Optional benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity. The long-term advantage of the optional benefits will vary with the terms of the benefit option, the investment performance of the variable investment options selected, and the length of time the annuity is owned. As a result, in some circumstances the cost of an option may exceed the actual benefit paid under that option. Death benefits terminate if the contract value falls to zero.

[2]Protected lifetime income of the optional lifetime benefits becomes effective at issue if the designated life/owner is age 59½ at issue, or upon the contract anniversary following designated life's/owner's 59½ birthday, provided the contract value is greater than zero and has not been annuitized.

Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company® or Jackson National Life Insurance Company of New York®.

The latest income date allowed is age 95, which is the required age to annuitize or to take a lump sum. Please see the prospectus for important information regarding the annuitization of a contract.

In certain states, we reserve the right to refuse any subsequent premium payments. Does not apply in Oregon.

Annuities are issued by Jackson National Life Insurance Company (Home Office: Lansing, Michigan) and in New York by Jackson National Life Insurance Company of New York (Home Office: Purchase, New York). Variable annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states and state variations may apply. These products have limitations and restrictions. Contact the Company for more information. Jackson is the marketing name for Jackson National Life Insurance Company and Jackson National Life Insurance Company of New York.

Not FDIC/NCUA insured • May lose value • Not bank/CU guaranteed
Not a deposit • Not insured by any federal agency

CNC18955 09/17

JACKSON®

FINTECH

Blackrock integrates with eMoney

BY RYAN W. NEAL

BLACKROCK CONTINUES its push into the market of retail financial advisers with a new integration between its iRetire retirement income calculator and eMoney Advisor, one of the most popular financial planning tools among independent advisers.

Advisers can use iRetire to illustrate how working longer, saving more, spending less and changing investment strategies can impact their income in retirement. The new integration lets advisers move from iRetire to eMoney with a single sign-on, to more easily build and manage a plan that meets a client's retirement income needs.

MORE TRANSPARENCY

The integration produces a more transparent retirement planning experience while increasing operational efficiency and facilitating better conversations about financial wellness, said Jess Liberi, eMoney head of product. While the Fidelity-owned financial planning company would love to see advisers use its own retirement income tools, the company recognizes that that simply is not always going to be what happens.

"What we see is advisers will start a planning conversation in a tool like iRetire then move into eMoney," Ms. Liberi said.

The integration with BlackRock is about giving advisers more technology options, she said.

"We know advisers start planning conversations in different ways," Ms. Liberi said.

While the initial integration provides just support for single sign-on, the companies have discussed how they could extend the integration in the future, Ms. Liberi said.

The partnership with eMoney is the latest effort from BlackRock to get in front of more financial advisers. The asset manager's Aladdin risk analytics technology plays a central role in Morgan Stanley's WealthDesk platform that the wirehouse is rolling out to its 15,000 financial advisers.

In November, BlackRock acquired a 5% stake in Envestnet to build an integration between its platforms and iRetire and FutureAdvisor, BlackRock's robo-advice platform. About 93,000 advisers from 3,500 different firms use one of Envestnet's platforms.

The latest partnership could potentially put BlackRock's retirement income calculator and, presumably, investment products in front of the 50,000 advisers who use eMoney Advisor for financial planning.

BlackRock declined to comment.

rneal@investmentnews.com
Twitter: @ryanwneal

12/18

TOGETHER, WE'RE UNSTOPPABLE.

Transamerica Financial Advisors, Inc.

FUELED BY FEMALES

We're proud to have more producing female reps than any other independent broker-dealer for the 5th year in a row.*

Transamerica Financial Advisors, Inc. Member FINRA, SIPC and Registered Investment Advisor Headquarters: 570 Carillon Parkway, St. Petersburg, FL 33716
*https://data.investmentnews.com/broker-dealer-data/rankings
110750
© 2018 Transamerica

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

“This is a test. We pride ourselves on acting in the best interest of our clients. That’s easy to do when your interests and theirs coincide; it’s perhaps more important to do when they don’t.”

DAVID BERMAN, co-founder and CEO of Berman McAleer, on whether or not to continue advising clients with Ohio National contracts after commissions are cut off

“FIDELITY HAS MORE BUCKETS AND BIGGER BUCKETS THAN ANYONE ELSE, AND IT IS STARTING TO RAIN AGAIN.”

PETER CRANE, president of Crane Data, on the firm’s money-market assets growing to $629 billion — a more than 20% market share

OPINION

EDITORIAL

Take another look at Roths in this tax, market environment

IF THERE’S AN upside to the slumping financial markets it might be that it provides a fresh opportunity for financial advisers to strut their stuff with a year-end value-add in the form of Roth IRA conversions.

For financial advisers who might be struggling to find some positive news to present to clients as the year winds down — and we know you’re out there — this could be the ticket to showing an ability to leave no stone unturned on their behalf.

As *InvestmentNews* reporter Greg Iacurci detailed recently, there is still time and a host of new reasons to consider converting traditional individual retirement accounts to Roth IRAs that grow tax-free.

For starters, under the category of turning lemons into lemonade, a Roth conversion in the midst of a market pullback means a smaller tax hit when assets held in a traditional IRA are converted.

While advisers might not want to draw attention to prior asset levels and recent portfolio shrinkage, it is a legitimate conversational counterpoint that the same shares at lower current values will mean a smaller tax bill from Uncle Sam.

There’s still time to complete a conversion in 2018, and the tax bill won’t be due until April 15.

But even if that’s too much hustle for the final weeks of the year, the Roth conversion is a tool advisers should keep handy well into next year and beyond.

SAVVY ADVISERS WILL LOOK FOR WAYS TO TAKE ADVANTAGE OF THIS MOMENT.

The 2017 tax law changes are among the bigger drivers of why the time is ripe for many to consider Roth conversions. While the new law didn’t push everyone into a lower tax bracket, it created enough of a shuffle to merit a closer look at whether it makes sense to convert a traditional IRA, that incurs taxes on withdrawals at retirement, to a Roth IRA, which taxes contributions that are withdrawn tax-free.

In theory, the tax-law changes that dropped the top bracket to 37% from 39.6% will be in place until 2025. But with another presidential election just around the corner and a newly split Congress already revealing some fangs, there is no telling how long the current tax rates will survive. And there’s no guarantee they’ll be extended.

MORE
3 reasons to consider a Roth
Page 12

Originally designed as another way to get retail-class investors saving for retirement, the pros and cons of the Roth have long-since evolved beyond a simple bet on what taxes will look like in the future.

A savvy adviser or CPA should be keeping an eye out for new opportunities, including, for example, how elimination of the marriage penalty will affect income taxes and the ability to convert all or a portion of a traditional IRA to a Roth over the next few years.

For example, under the new tax law, a married couple filing jointly with taxable income between $165,000 and $315,000 falls into the 24% tax bracket. Until this year, that same couple would have been taxed at a blend of 28% and 33%.

In terms of timing, most experts say it’s now better to wait until the end of the year to do a Roth conversion because it offers a clearer picture of the year’s taxable income so you don’t accidently bump into a higher bracket. In prior years, the timing of a conversion was less of an issue because of the ability to “recharacterize” a conversion, which is essentially taking a mulligan and converting back to a traditional IRA for tax purposes.

The new tax law removed the recharacterization option though, so being certain of tax levels for the year is more important than ever, before making a move. But waiting might be betting against a roaring market recovery.

Clearly, there’s plenty to consider, including having enough cash to pay the tax bill and the impact a conversion will have on future Medicare premiums or the ability to take the new pass-through business income-tax deduction.

Just think of the Roth as a fountain of value-added service.

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**

CEO/Publisher:
Suzanne Siracuse
ssiracuse@investmentnews.com

EDITORIAL
Editorial Director: Frederick P. Gabriel Jr.
fgabriel@investmentnews.com
Deputy Editor: Robert Hordt
Managing Editor: Christina Nelson
Assistant Managing Editor: Susan Kelly
Special Projects Editor: Liz Skinner
Copy Editor: Anne Marie D. Lee
Contributing Editor: Mary Beth Franklin
Senior Columnists: Jeff Benjamin, Bruce Kelly
Senior Reporter: Mark Schoeff Jr.
Reporters: Greg Iacurci, Ryan W. Neal
Digital Content Producer: Ellie Zhu
Social Media & Engagement Editor: Scott Kleinberg
Director of Multimedia: Matt Ackermann
Senior Multimedia Manager: Stephen Lamb
Multimedia Project Manager: Audrey Rose Joseph
Special Projects Coordinator: Brittney Grimes

ART DEPARTMENT
Executive Art Director: Scott Valenzano
Associate Art Director: Pablo Turcios
Graphic Designer: Kyung Yoo-Pursell

DIGITAL, CUSTOM AND RESEARCH
Managing Director, Associate Publisher:
Mark Bruno, mbruno@investmentnews.com
Director of Digital Products & Strategy:
Michael Palazuk
Senior Manager, Research and Data:
Matthew Sirinides
Research Associate: James Gallardo
Digital Project Coordinator: Gillian Albert

ADVERTISING
National Sales Manager:
John Bubello, Jbubello@investmentnews.com
978-534-5635
Senior Client Relationship Manager, Western Region:
Rich Kiesel, rkiesel@investmentnews.com
415-538-0206
Client Relationship Manager, Midwest Region:
Sarah Haase, shaase@investmentnews.com
312-504-8755
Client Relationship Manager, East Region:
Nicole Casement, ncasement@investmentnews.com
212-210-0167
Client Relationship Manager, SouthEast Region:
Kevin Reardon, kreardon@investmentnews.com
212-210-0476
Client Relationship Manager, NorthEast Region:
Lauren DeRiggi, lderiggi@investmentnews.com
212-210-0154
Client Relationship Manager:
Mark Krawiec, mkrawiec@investmentnews.com
646-431-9323
Strategic Project Sales Manager:
Julie Parten, jparten@investmentnews.com
952-495-0422
Manager US Event Sales:
Dan Rubinetti, drubinetti@investmentnews.com
212-210-0432
Reprint Manager: Laura Picariello,
lpicariello@investmentnews.com 732-723-0569
Ad Operations Manager: Letitia Y. Buchan,
lbuchan@investmentnews.com 212-210-0451

AUDIENCE, MARKETING AND EVENTS
Director of Audience and Analytics:
George Ortiz, gortiz@investmentnews.com
Audience Data Analyst: Amy Zhu
Digital Marketing Specialist: Rebecca Tilbor
Director of Marketing: Theresa Gralinski,
tgralinski@investmentnews.com
Director of Events and Integrated Solutions:
Josh Brous, jbrous@investmentnews.com
Senior Operations Manager: Tara Means
Marketing Coordinator: Kate Arends
Marketing and Sales Coordinator: Madeline Terrell

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:
601 13th Street, N.W. Suite 900 South
Washington, DC 20005

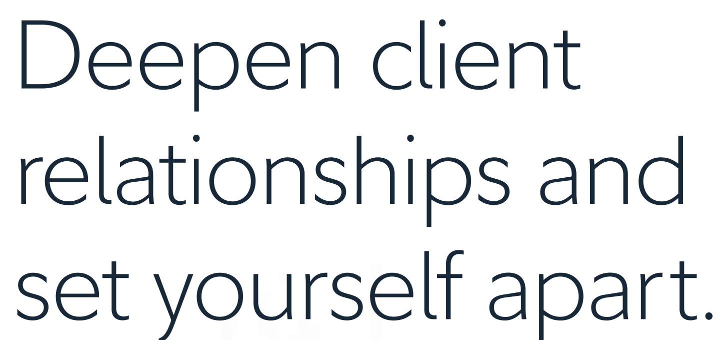
Advertising main number: 212-210-0451
Fax: 212-210-0117

BONHILLGROUP, PLC
Chief Executive Officer: Simon Stilwell
Chief Operating Officer: James Robson

Head Office:
Bonhill Group, Plc
14 Bonhill Street, London EC2A 4BX

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).

PLEASE RECYCLE THIS NEWSPAPER



Managing investments efficiently can give you more time to focus on solving your clients' needs. Fidelity offers a range of tools, research, and solutions to help you manage portfolios more effectively and create deeper client relationships—allowing you to differentiate yourself as an advisor.

Benefit from our expertise, backed by 70+ years of investment experience and our work with over 12,000 advisory firms.*

View our guide to deepening client relationships at
go.fidelity.com/yourvalue

ORIGINAL INSIGHT / TAILORED ACCESS / DIVERSE INVESTMENT CAPABILITIES

FIDELITY INSTITUTIONAL ASSET MANAGEMENT®

Not FDIC Insured • May Lose Value • No Bank Guarantee

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

Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, act as an impartial adviser, or to give advice in a fiduciary capacity.

*Fidelity corporate statistics and recordkeeping data, as of 12/31/17.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

The Fidelity Investments and pyramid design logo is a registered service mark of FMR LLC.

Before investing, consider the mutual fund's or exchange-traded product's investment objectives, risks, charges, and expenses. Contact Fidelity or visit institutional.fidelity.com for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

841808.1.0 FIDELITY INVESTMENTS INSTITUTIONAL SERVICES COMPANY, INC., 500 SALEM STREET, SMITHFIELD, RI 02917 1.9888048.100

A COMEBACK IN THE MAKING

After a period of decline, the regional brokerage industry is scoring recruiting gains at the expense of wirehouses

BY BRUCE KELLY

The financial advice industry frequently focuses on the rise of registered investment advisers and the independent broker-dealer market when it talks about trends in the business. But quietly making a comeback are regional broker-dealers, firms that traditionally focused on a specific part of the country but which in some cases have grown into national firms.

As wirehouses such as Morgan Stanley, UBS Financial and Merrill Lynch have scaled back their recruiting efforts, or in the case of Wells Fargo Advisors, watched its workforce flee the firm because of a series of scandals at its parent bank, regional firms have been aggressively hiring wirehouse brokers. Many regionals still offer attractive signing bonuses and competitive compensation packages, but most of all, they maintain a workplace culture that harkens back to a time when brokers did not have to comply with so many rules.

"[Brokers] are not pleased with the controlling nature of the bank parent of the wirehouse broker-dealer and how the banks impose restrictions on communication or freedom of movement," said Jerome F. Lombard Jr., president of the private client group at regional broker Janney Montgomery Scott. "It's a refrain I hear over and over again. Wirehouse advisers say, 'I'm tired of it. They don't trust me.'"

Less the five years ago, the regional brokerage market was all but left for dead. Many of the more well-known regionals such as A.G. Edwards, Advest Inc., and McDonald & Co. had been acquired, and their names were slowly fading from the public's memory. The credit crisis hastened the demise of other firms such as Morgan Keegan and Stone & Youngberg, which were bought by other, stronger regional firms.

And yet, the remaining regionals, firms such as Janney Montgomery Scott, Hilliard Lyons, D. A. Davidson, and Robert W. Baird and Co., along with others such as Benjamin F. Edwards & Co. and RBC Wealth Management, are growing. Two other regionals, Raymond James and Stifel Financial Corp., have evolved into broker-dealers with national footprints.

INCREASE IN ADVISERS

Going back to 2016, those firms collectively have seen a net increase of 392 advisers or teams and a corresponding net increase of $116.5 billion in assets under management associated with those brokers, according to an analysis of *InvestmentNews* data. (*InvestmentNews* tracks adviser moves, but its database is not complete.) The vast majority of those advisers or teams — about 75% — were recruited from one of the four wirehouses.

The rate of growth in assets at regional firms has recently outpaced the increase at the wirehouses, according to a report earlier this year from Sanford C. Bernstein & Co. From 2007 through 2017, the four wirehouses had a compound annual growth rate of 3% of client assets.

Regional firms did better, though they admittedly have smaller amounts of assets. RBC recorded a compound annual growth rate of 5% over the same period, while Raymond James and Stifel, respectively, posted growth of 13% and 17%, according to the report. Those last two firms also made acquisitions during that time, adding to the growth of client assets.

RECRUITING PULLBACK

Facing regulatory hurdles for recruiting bonuses under the Department of Labor's former fiduciary rule, the wirehouses started to pull back from recruiting in 2016. Regional firms, along with independent broker-dealers and RIA breakaways, stepped into the fray.

Morgan Stanley and UBS opened the door wider last year when they announced they were leaving the broker protocol for recruiting agreement that makes it easier for brokers to move to a new employer, causing some of their advisers to bolt before the new policy took effect. And Wells Fargo Advisors has seen close to 1,000 advisers leave over the past two years in the aftermath of a barrage of client scandals at Wells Fargo Bank.

"The regional or national regional firm is capitalizing on wirehouses stepping back from recruiting," said Ed Louis, senior analyst at Cerulli Associates.

For wirehouse brokers who want to continue to work for a firm as an employee as opposed to starting their own firm as an RIA or as a contractor affiliated with an independent broker-dealer such as LPL Financial, regional firms can be attractive.

The regionals will pay the most substantial recruiting bonuses in the industry, from 150% to 300% of a broker's prior year's fees and commissions in the form of a seven-to-nine year forgivable loan. For example, RBC last year was offering a recruiting bonus of 250% to 300% of a broker's prior year's fees and commissions, known in industry parlance as a broker's trailing 12.

While RIAs and IBDs lure wirehouse brokers with substantially higher overall payouts, regionals match or sometimes surpass wirehouses'.

Wirehouses typically have a payout grid in the range of 35% to 45% of an adviser's trailing 12, but Stifel, for example, has a payout of 50%, and that figure is almost sacred within the firm, said one executive.

"The grid has changed twice in 20 years," said John Pierce, Stifel's head of recruiting, noting that wirehouses often tinker or change their grids annually. "And we pay the same for brokerage or fee-based business. Most firms don't do that. Advisers don't have to worry about getting paid less or more based on what the firm wants them to do."

Regional firms are not just competing on a financial basis. They also try to ensure that they can offer the same services as wirehouses and also try to differentiate themselves in terms of corporate culture.

"Those regional-type firms recognize the opportunity, and are spending the money on recruiting and are also investing in their technology," Mr. Louis said. "They want to make sure the big teams coming over from the wires have the same level of resources, while also keeping their top teams happy."

Meanwhile, the regionals present themselves to recruits as an antidote to the bureaucracy of large institutions; they also eschew the wirehouse push for cross-selling, having brokers sell high-margin banking products to clients — a corporate initiative that many wirehouse advisers dislike.

Unlike all of the wirehouses, Raymond James makes it clear to recruits that they own the relationship with their clients, and that the firm will not try to hold onto the clients if the broker decides to leave the firm down the road.

Concerns about large-firm culture and frustration with senior management were the two leading complaints of advisers who left one firm for a new employer, according to a survey from Cerulli.

Ronald Holmes worked for Merrill

CONTINUED ON PAGE 10

CONTINUED FROM PAGE 9

Lynch for 10 years before moving over to Janney Montgomery Scott in November.

"We had been unhappy where we were," said Mr. Holmes, whose team manages more than $200 million in client assets. Earlier he had worked at Legg Mason Wood Walker Inc., a regional brokerage that was sold in 2005 to Citigroup Inc. and merged with Smith Barney.

"We knew what it was like to work at a regional firm," said Mr. Holmes, who was made available to *InvestmentNews* by his firm. "At Janney, we wanted to get back to a more compressed management structure. There were so many layers at Merrill between the broker and management that there was not a lot of opportunity for us to be heard."

And Merrill's emphasis on banking products for advisers' clients also got under Mr. Holmes' skin. "We were feeling more pressure of late to sell proprietary bank services and we were starting to feel a little uncomfortable," he said.

In a statement, Merrill Lynch spokeswoman Susan Atran said her firm offers "distinct competitve advantages" over regional firms.

"We offer a broad, open architecture platform covering a wide range of managers and offerings," she said. "And, our advisers have access to a strong and stable balance sheet that can provide solutions tailored to clients' lending and financing needs."

Wells Fargo Advisors has "vast resources available to advisers and clients," said Rich Getzoff, head of Advisor-led East, in a statement. "Our multi-channel model gives advisers the flexibility to choose a career path that meets their needs. Our compensation plan is one of the best in the industry, and we have the capital to invest in industry-leading platforms that focus on client experiences and outcomes."

Morgan Stanley spokeswoman Susan Siering said in statement: "Attrition is at record lows and productivity continues to increase as our advisers do more for their clients and leverage our full platform and technology to serve them."

UBS did not respond to a request for comment.

CHALLENGES AHEAD

While the regionals have enjoyed a bit of a renaissance in the past decade, this set of brokerage firms is facing the same hurdles as the rest of the financial advice industry. That means growth in the future could be difficult.

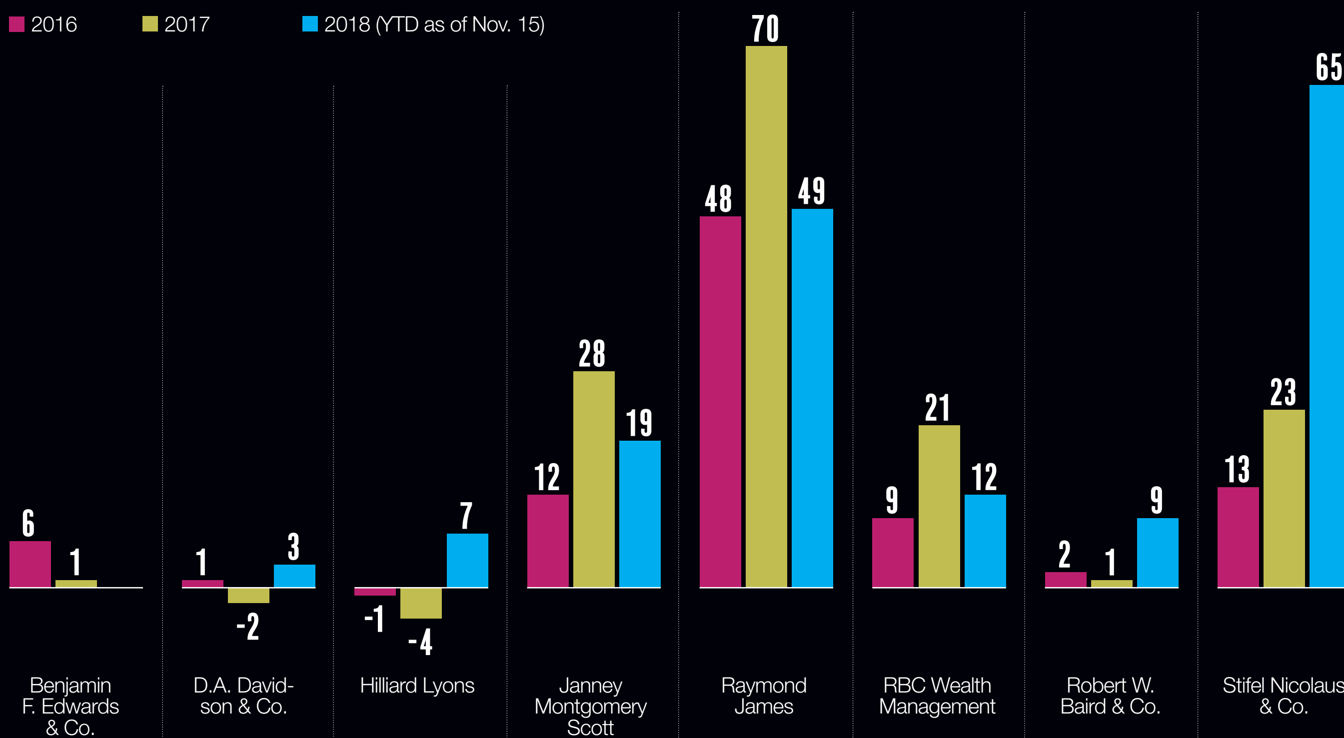
Regionals don't train new advisers at the same scale as wirehouses, executives and recruiters said, and advisers at the regionals are aging and considering retirement, just like advisers across the business.

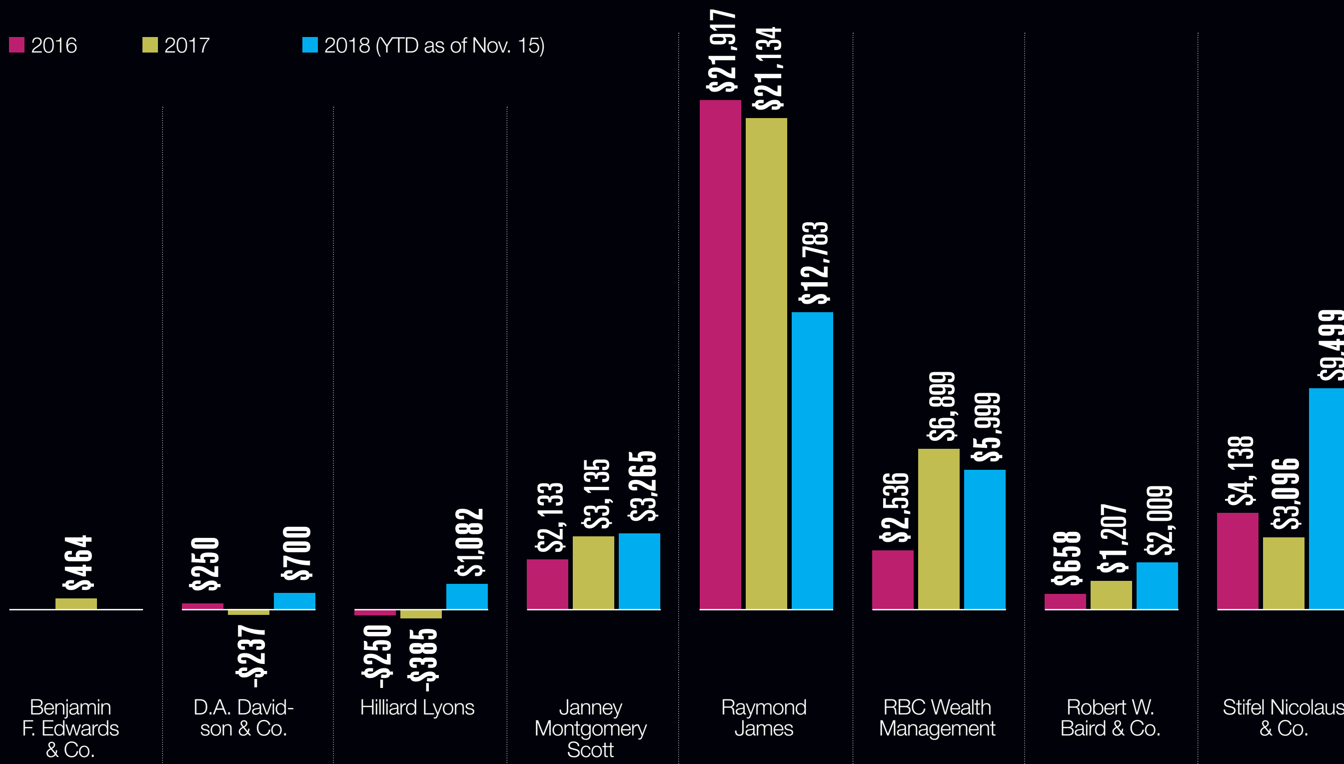
And, as noted, the wirehouses are trying to turn off the spigot of brokers leaving their shops, going so far as to file legal action against them if they believe the brokers have violated employment contracts. That could have a chilling effect on the pipeline of future prospects for the regional firms, experts said.

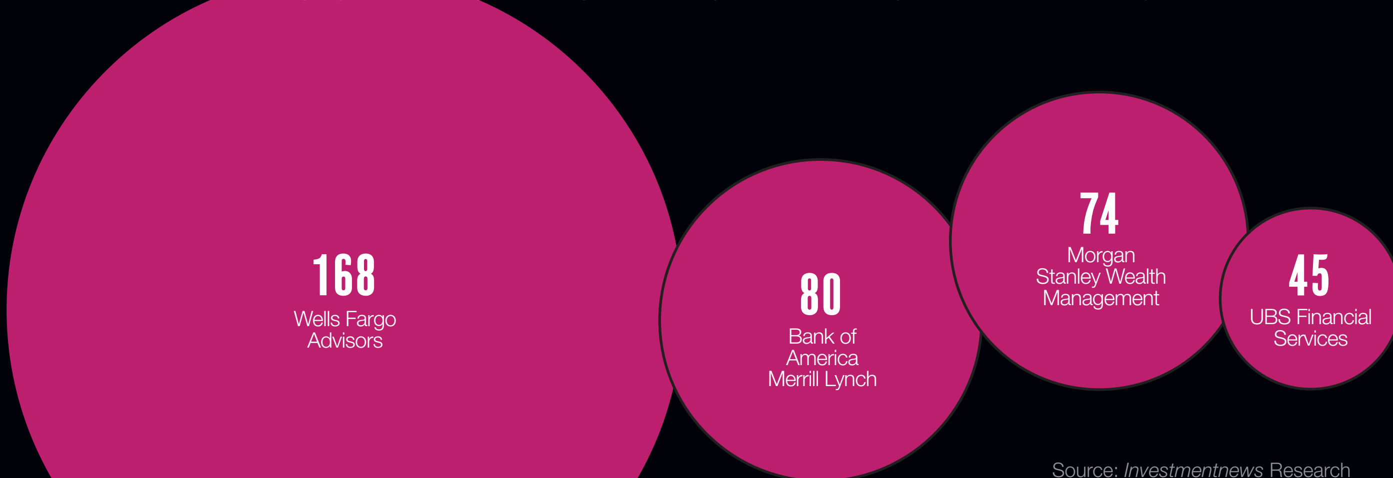
Last month, Baird said it agreed to acquire Hilliard Lyons. Combined, the two will have 1,270 brokers. There will be more consolidation in this segment of the brokerage industry in the future, executives and recruiters said.

"It makes sense to combine and give a solution for two firms," said Danny Sarch, an industry recruiter. "Any given firm has to come up with a way to compete or stay afloat because they all have the same aging adviser problem."

bkelly@investmentnews.com
Twitter: @bdnewsguy







Source: *Investmentnews* Research

THRIVENT® MUTUAL FUNDS

Lucky for you, there are some families you can choose.

Thrivent Mutual Funds helps investors on their journey to a more secure financial future. Now that's a fund family worth choosing. Learn more about our fund family at ThriventFunds.com.

Call: 800-521-5308	Email: sales@ThriventFunds.com	ThriventFunds.com

Past performance is not indicative of future results. Investing in a mutual fund involves risks, including the possible loss of principal. The prospectus and summary prospectus contain more complete information on the investment objectives, risks, charges and expenses of the fund, which investors should read and consider carefully before investing. Updated performance information and prospectuses are available at ThriventFunds.com.

The principal underwriter for Thrivent Mutual Funds is Thrivent Distributors, LLC, a registered broker/dealer and member of FINRA and SIPC. Thrivent Asset Management, LLC, an SEC-registered investment adviser, serves as the investment adviser for Thrivent Mutual Funds. Both entities are wholly-owned subsidiaries of Thrivent Financial for Lutherans and have principal places of business at 625 Fourth Ave S., Minneapolis, MN 55415.

2278835

RETIREMENTINCOME

3 reasons to do a Roth conversion now

The time is ripe for many to convert a pretax IRA to a Roth account

BY GREG IACURCI

LOWER TAX RATES, a slumping stock market and the end of the year offer pristine conditions for financial advisers to do a Roth conversion with clients.

Roth conversions allow clients to convert all or a portion of their traditional, pretax individual retirement account assets into a Roth IRA. Clients pay the tax upfront in exchange for tax-free distributions later.

The 2017 tax law reduced tax rates for the majority of Americans this year, meaning many clients would pay less tax on a conversion. A drop in market values for IRA holdings yields a similar result, since the tax would be calculated on a reduced asset base.

Further, since it's the end of the year, clients have a clear picture of their total income for 2018. This is important because a Roth conversion would increase a client's taxable income and could inadvertently push them into a higher tax bracket.

"It's a triple benefit," said Ed Slott, head of an eponymous retirement advice firm.

The tax law, signed by President Donald J. Trump in December 2017, reduced marginal income tax rates across the board, bringing down the top bracket to 37% from 39.6%. Not all Americans will fall into a lower bracket though: Some taxpayers previously in the 33% bracket are now in the 35% bracket, for example, due to a change in income levels associated with the brackets.

Aside from reduced marginal rates, married couples filing jointly get an added benefit — the elimination of the so-called "marriage penalty." Under previous rules, a couple with combined income exactly double that of a single filer often moved into a higher tax bracket than the single individual. The new law puts them on more-equal footing.

Consider the new 24% tax bracket, covering married couples filing jointly with taxable income between $165,000 and $315,000. Most of that income would have been taxed at 33% and some at 28% under the prior rules, making it less expensive for these married couples to do a Roth conversion now, said William Reichenstein, professor emeritus of investments at Baylor University.

TIME IS OF THE ESSENCE

There's some urgency to acting on Roth conversions sooner rather than later — individual tax rates are set to revert to the prior (higher) rates after 2025, and could potentially change sooner, depending on the outcome of forthcoming presidential and congressional elections, experts said.

The tax law also eliminated the ability of taxpayers to "recharacterize" — or undo — their Roth conversions, making the end of the year a more prudent time to do a conversion, experts said.

"You have a much better handle on what your income will look like for the year and can pretty much nail down the cost of your Roth conversion," said Tim Steffen, director of advanced planning in Robert W. Baird & Co.'s private wealth management group.

This all combines with the market's recent lackluster performance.

"You can't wait around for the market to dip further" to do a conversion, Mr. Slott said. "You've got a bird in the hand now, so you should probably take advantage."

Of course, clients shouldn't consider Roth conversions in a silo — there are a number of other factors aside from the conversion tax.

FOUR LENSES

Robert Keebler, founder of Keebler & Associates, said he thinks about Roth conversions through four lenses: how a conversion will affect a client's tax bracket today, how it would affect a client and spouse at age 70½ (since conversions could help reduce future required minimum distributions), a client's tax bracket if a spouse were to die (Would doing a conversion now be cheaper than as a single tax filer?), and the children's tax situation (Will the client be able to convert at a lower tax rate than a child, thereby creating a better wealth transfer?).

There are a few other caveats, too. Clients need to have cash on hand to pay the resulting conversion tax. And the ability to take some tax deductions could be impacted by a conversion if it bumps income too high. For example, owners of many pass-through businesses can't claim the new 20% pass-through deduction if taxable income exceeds $315,000 (married filing jointly).

giacurci@investmentnews.com
Twitter: @gregiacurci

REGULATORYACTION

Adviser gets $1.2M from B-D

BY JEFF BENJAMIN

A FINRA ARBITRATION panel has ruled in favor of adviser Brian Taylor Kirkpatrick in a share-ownership dispute with his former employer Capital Guardian, a now defunct broker-dealer.

According to the dispute resolution from the Financial Industry Regulatory Authority Inc., Mr. Kirkpatrick has been awarded $1.2 million for his 15% ownership stake in Capital Guardian, a Miami-based firm.

The ownership stake was worth approximately $960,000, but the award included a $255,000 compounded interest penalty.

The award valued Capital Guardian at approximately $6.4 million when Mr. Kirkpatrick left the firm and sought to sell his shares in late 2017.

Capital Guardian's broker-dealer was shut down and the assets were sold to Kovack Securities Inc. in September 2017.

jbenjamin@investmentnews.com
Twitter: @benjiwriter

GUESTBLOG

We owe employee caregivers

Firms should help workers who help elders

WALTER WHITE

Financial services firms are in the business of caring for customers — resolving issues, addressing multiple needs and providing a high-touch experience. But some of that care and concern should be directed to our own employees, many of whom currently serve, or will serve, as the caregiver of a senior family member.

With more than 40 million caregivers across America, many employees have in effect a second job — a role that can take a physical, financial and mental toll.

Responsibilities can vary, but the average caregiver spends more than 10 hours per week offering support, doing such things as helping with grocery shopping, driving to appointments and engaging with other service providers. Less than half of current caregivers receive any form of financial assistance for that support, yet the average caregiver spends more than $7,000 per year helping the elder in their care, according to the Safeguarding Our Seniors study from Allianz Life.

STOPPING FINANCIAL ABUSE

One key issue facing both seniors and their caregivers (and one very relevant to our industry) is elder financial abuse. Financial abuse can severely reduce a senior's hard-earned savings, but the damage doesn't stop there.

According to the Allianz study, nearly 90% of both active and potential caregivers said they experienced a financial impact when their elder was financially abused, with the average cost to those caregivers reaching a staggering $36,000.

In addition, those who are providing care for past victims of financial fraud are spending significantly more than those caring for elders with no history of financial abuse, which in turn negatively affects the caregivers' ability to save for their own needs.

Under the recently enacted Senior Safe Act, all financial services firms are required to provide training to employees to help them spot signs of elder financial exploitation, and firms are empowered to notify the proper agencies and local units of government if they believe a client may be the target of financial exploitation — without fear of negative repercussions. That is an important step forward, but in addition to watching out for their customers, financial services firms should also make protecting their employee caregivers from financial abuse a top priority.

Here are a few ways that financial services organizations can help employee caregivers:

• Educate employee caregivers on the red flags to help them spot potential financial abuse in their own families. Although the signs may be different for financial professionals, family caregivers are likely to be much more in tune with their elder's finances and should be aware of any warning signs. This may include changes in financial activity such as inconsistent transactions, opening new debit or credit cards, adding new account holders or changing a power of attorney.

• Keep employees up to speed on trending methods of exploitation, including phishing and internet scams, phone calls from people pretending to be family members needing help, home repair fraud, messages from someone pretending to be from the IRS, and fake lottery and sweepstakes winnings. This training could be offered more often than the annual or biannual training that should already be in place to comply with the Senior Safe Act.

• Encourage employees to talk about the issue with the person they care for. Elder financial abuse can be a sensitive topic, but starting a dialogue and sharing examples of potential fraud are the first steps in raising awareness.

• Offer access to care management programs, which are often available through health insurance providers. These programs provide resources for caregivers, such as connecting them with relevant local agencies, and can help if someone suspects their family member is undergoing or being targeted for financial abuse.

BEING A CAREGIVER CAN TAKE A PHYSICAL, FINANCIAL AND MENTAL TOLL.

Beyond elder financial abuse, firms should consider adding extra benefits and support programs for caregivers, such as paid caregiver leave or flexible work schedules to help accommodate their needs.

The financial services industry is already on the front lines of addressing elder financial abuse among customers, but the caregivers within our own walls may be facing these same challenges.

In our industry, best practices in protecting consumers should start at home. Financial services firms have an important opportunity to help their own employee caregivers protect and support the elder members of their families and in the process help reduce elder financial abuse among the growing population of older adults.

Walter White is president and CEO of Allianz Life Insurance Co. of North America.

WELLS FARGO | ASSET MANAGEMENT

Yield

matters in munis.

Until volatility rears its ugly head.

Then a focus on total return may

suddenly look pretty compelling.

Real insights lie beyond surface impressions.
Disciplined investment professionals who look through a risk-adjusted lens may see a more complete picture than yield alone.

See the power of perspective.
wfam.com/muni

Carefully consider a fund's investment objectives, risks, charges, and expenses before investing. For a current prospectus and, if available, a summary prospectus, containing this and other information, call 1-888-877-9275. Read it carefully before investing.

All investing involves risks, including the possible loss of principal.

Wells Fargo Asset Management (WFAM) is the trade name for certain investment advisory/management firms owned by Wells Fargo & Company. These firms include but are not limited to Wells Capital Management Incorporated and Wells Fargo Funds Management, LLC. Certain products managed by WFAM entities are distributed by Wells Fargo Funds Distributor, LLC (a broker/dealer and Member FINRA). FN 317539 11-18

NOT FDIC INSURED ▪ NO BANK GUARANTEE ▪ MAY LOSE VALUE

© 2018 Wells Fargo Funds Management, LLC. All rights reserved.

WASHINGTONWATCH

Richard Neal: The new face of retirement policy

Richard Neal

BY GREG IACURCI

RETIREMENT POLICY will have a new face in Washington next year, and that could mean major changes to the 401(k) industry.

Rep. Richard Neal, D-Mass., will become chairman of the House Ways and Means Committee when Democrats take control of the chamber from Republicans in January for the first time in eight years.

Mr. Neal has been perhaps Congress' staunchest defender of retirement legislation, experts said, making his leadership of the powerful tax-writing committee, which has jurisdiction over retirement plans, a pivotal moment for stakeholders in the 401(k) industry.

"We've never had a chairman of Ways and Means or the [Senate] Finance committee who's been so knowledgeable and interested in retirement policy," said Brian Graff, CEO of the American Retirement Association. "That's what makes it a big deal: He's knowledgeable, he cares and it's a priority."

THREE DECADES IN CONGRESS

Mr. Neal has served in the House for three decades and is currently ranking member of the Ways and Means committee. He sponsored or co-sponsored eight retirement bills this congressional session, covering policy issues such as nondiscrimination requirements, leakage from 401(k) plans, retirement-plan tax credits for small employers, portability of managed accounts and plan annuities, and required minimum distributions.

But retirement plan coverage — specifically, increasing the number of employers offering a workplace retirement plan to employees — is where he's poised to leave his biggest mark.

"I think his legacy ultimately will be that he was the leader who finally spearheaded the breakthrough in retirement coverage, which has eluded us for nearly four and a half decades, since ERISA was enacted," said Mark Iwry, former deputy assistant secretary for retirement and health policy at the U.S. Treasury Department during the Obama administration.

'CHAMPION' LIKE NO OTHER

Mr. Iwry, a nonresident senior fellow at the Brookings Institution, believes the congressman will be the "champion of that issue in a way no other committee chair has ever been before."

Mr. Neal last year introduced the Automatic IRA Act of 2017, a piece of legislation he's sponsored each two-year congressional session going back a decade. The bill aims at closing the so-called coverage gap, which refers to the tens of millions of working Americans who don't have access to a retirement savings plan at the workplace.

The bill would require employers that don't sponsor a workplace retirement plan to offer and automatically enroll employees into a payroll-deduction individual retirement account, known as an auto-IRA. The bill would apply to employers with more than 10 employees.

A handful of states — California, Connecticut, Illinois, Maryland and Oregon — have seized on the concept and created their own auto-IRA programs, which are in various stages of rollout. Mr. Neal's bill would expand the concept nationwide.

Meanwhile, he sponsored a separate bill, the Automatic Retirement Plan Act, last year — the first time he'd done so — that would require businesses with at least 10 employees to have a workplace retirement plan with automatic enrollment.

"I think either one would be a game-changer," John Scott, director of retirement savings at The Pew Charitable Trusts, said of the bills.

Either of these bills, which experts agree could be combined together in some form, would likely bring the most sweeping reform to the retirement system since passage of the Employee Retirement Income Security Act of 1974.

About 40 million new plan participants would enter the system as a result, said Mr. Graff, who said he recently met with Mr. Neal. Mr. Graff said the congressman plans to reintroduce a bill "very early next year."

OPTIMISM AND SUPPORT

Experts are optimistic that such provisions could become law. For one, it's the first time Mr. Neal has been chairman of Ways and Means, and Democrats will control the House for the first time since 2011. Several big industry trade groups, including ARA and the Insured Retirement Institute, are supportive.

The Senate, where Republicans will keep their majority, presents the biggest challenge. But retirement appears to be a rare area of bipartisan agreement, including the idea of expanded coverage, experts said. Given Mr. Neal's other existing retirement proposals, he'd likely be able to bundle a package that's palatable to both parties, they said.

Also, Sen. Chuck Grassley, R-Iowa, is incoming chair of the Senate Finance Committee. He also held that post from 2003-07, the time during which the Pension Protection Act — the last major piece of retirement legislation — was signed into law.

giacurci@investmentnews.com
Twitter: @gregiacurci

RETIREMENTPLANNING

Chatbot tells real story of confusion

BY RYAN W. NEAL

IF CLIENTS COULD ask any single question about retirement without fear of judgment or embarrassment, what would they ask?

Contrary to what many advisers think, or hope, investing advice is far from clients' top concern. What people really want is help understanding the basics of how a 401(k) works, according to data collected by Dream Forward Solutions, a turnkey retirement plan provider.

Dream Forward analyzed three years' worth of questions that plan participants asked its online retirement chatbot. The majority of questions were about how 401(k) accounts work, such as "how does my money get from my paycheck into this account?"

The chatbot also received a lot of questions about financial planning, tax rules and financial jargon.

> **"WE ASSUMED A LOT OF THE QUESTIONS ... WOULD BE AROUND INVESTING."**
>
> GRANT EASTERBROOK, CO-FOUNDER, DREAM FORWARD

Inquiries about investment options available in plans accounted for 10% of questions received, the lowest rate of any category tracked by Dream Forward.

WITHDRAWAL QUESTIONS

Rollovers and understanding employer matches were the subjects of frequent questions, but the topic causing the most confusion appears to be the process of withdrawing money from a retirement account. Investors struggle to wrap their heads around the differences between in-service withdrawals, 401(k) loans, early withdrawal tax penalties, hardship withdrawals and in-kind distributions.

"We assumed a lot of the questions the AI would get would be around investing, financial concerns and priorities," said Grant Easterbrook, co-founder of Dream Forward. "Actually, the complexities and headaches of managing your own 401(k) is a much bigger burden that people give credit for."

rneal@investmentnews.com
Twitter: @ryanwneal

GUESTBLOG

Why the industry needs more women

Ultimately, the skill so often required, and lacking, is empathy

When I joined Balentine & Co. in 1994, every partner of the firm was male, and the women were either sales associates or assistants. It might seem to have been the status quo, but I soon realized I'd joined a firm that was different. I had direct access to the president and the CEO, and they were genuinely interested in teaching me and hearing my opinions. I wasn't seen as anything but a hungry kid eager to learn, grow and contribute.

After 25 years of continual learning and growth, I am now president of Balentine, an Atlanta-based wealth management firm with $3.2 billion in assets under advisement. My story is unique, but it should not be. We have a responsibility to make sure there are more opportunities like I had for young women in wealth management, where the only thing you need to shatter a glass ceiling is talent, drive and a passion for what you do.

BRITTAIN PRIGGE

Having helped hundreds of clients develop and execute their wealth management plans, I've come to believe women have a unique gift that makes us better equipped to nurture people through the wealth development and management process.

SOLVING PROBLEMS

The core of wealth management is helping people solve problems. Many believe analytical skills and investment expertise are required to get it right. Professional designations may get you in the room, but I've found that listening and understanding the question behind the question are more important.

Ultimately, the skill so often required, and lacking, is empathy. Take for instance the business owner with tears streaming down her face as she learns what her assets may look like upon the sale of the family business. Following decades of hard work and living within her means, her biggest concern is how this newfound wealth will affect her children. She needs assurance her family will be OK.

Similarly, consider the newly engaged grandson of a wealthy client, furious at learning that his family wants his fiancé to sign a prenuptial agreement. He could not care less about risk management, instead demanding, "Why are you trying to ruin my marriage before it even starts?" Helping him think beyond the present and take a long-term view can be a challenge. By applying empathy, a trusted wealth adviser can help people understand the impact of their decisions.

At Balentine, we take clients through an educational process that includes learning how to become good stewards of wealth. One element involves engaging the entire family in philanthropy and legacy planning. This is critical for families to ensure the wealth they have doesn't end up transforming them into someone they don't recognize or want to be.

Counseling of this nature requires a level of empathy that's innate for most women, and that is one of the best-kept secrets of the wealth management industry. We have a responsibility to dramatically increase the number of women in our field, which will ultimately make us all better.

Brittain Prigge is president and head of relationship management at Balentine & Co.

PUTTING THE INVESTOR FIRST

LET CLIENTS FOCUS ON WHAT MATTERS MOST

No investment firm is the best at managing every asset class, so we apply a diversified approach to choosing asset managers. Through our *Investor First*℠ process, we:

- Partner with well known money managers in each class
- Monitor their work every day
- Make sure their performance meets high expectations

A variety of strategies for a variety of needs.

866-505-3920
transamerica.com/mutual-funds

16 Overall ★★★★ and ★★★★★ **MORNINGSTAR RATED FUNDS***

*Source: ©2018 Morningstar, Inc. All Rights Reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. For each fund with at least a 3-year history, Morningstar calculates a risk-adjusted return measure that accounts for variation in a fund's monthly performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receives a Morningstar Rating™ of 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. (Each share class is counted as a fraction of one fund and rated separately.) A fund's overall rating is derived from a weighted average of the 3-, 5-, and 10- year (if applicable) rating metrics. Morningstar Rating™ is for Class I shares only; other classes may have different performance characteristics. Morningstar Rating™ does not include any adjustment for sales load, which would lower performance.

There are no sales charges on Class I shares. Class I shares are currently primarily offered for investment to institutional investors including, but not limited to, fee-based programs, pension plans, and certain endowment plans and foundations.

Mutual funds are subject to market risk, including the loss of principal. Past performance is not indicative of future results. *Mutual Funds are sold by prospectus. Before investing, consider the funds' investment objectives, risks, charges, and expenses. This and other important information is contained in the prospectus. Please go to transamerica.com or contact your financial professional to obtain a prospectus or, if available, a summary prospectus containing this information. Please read it carefully before investing.*

Transamerica Funds are advised by Transamerica Asset Management, Inc. (TAM) and distributed by Transamerica Capital, Inc. (TCI) member of FINRA. 1801 California St., Suite 5200, Denver, CO 80202
33924_ADMFP1218 ©2018 Transamerica Corporation.

TRANSAMERICA®

IN | VOICES

InvestmentNews readers react to top stories

Really, Ohio National?

MARY BETH FRANKLIN, a columnist for *Investment-News,* recently wrote about her disappointment that Ohio National had cut her financial adviser's trailing commission for servicing her annuity. At the same time, the insurer is offering buyouts that customers might have trouble assessing on their own: "How many of the existing policyholders will be left to their own devices if their current advisers are not willing or able to advise them for free?"she asked.

Readers reacted with their own experiences — and feelings about variable annuities in general. Read the full story and leave your own comments at InvestmentNews.com/Ohio.

"Mary Beth Franklin is right on. Her adviser's comp is eliminated but the cost of her contract is not reduced."
— james_lorence

"The actuaries realized they overpromised on a crummy product and won out over the salespeople who realized this was a death knell."
— loneMADman

"Variable annuities are not in the best interest of clients. Exactly the reason why VA sales declined when the fiduciary standard for advisers seemed destined to pass, and why they increased when the fiduciary standard failed."
— DONALD_LAFRONZ

"Low risk contracts will transfer to other firms, leaving the contracts that cause the highest risk of loss to Ohio National."
— Thierry_Sommer

"Saying a product isn't the best because of your opinion without doing the math on the upside capture and downside protection that is most appropriate for a client is a breach of fiduciary standard."
— NJadvisor

"It's not right for a rep to refuse to service the client, simply because they're not being paid … While I'm sure my opinion isn't popular, I believe that is how regulators would view the issue. Clearly, this is a bad situation all around."
— ACRONYM

IT'S READY. ARE YOU?

IF YOU'RE A CFP® PROFESSIONAL, WATCH YOUR MAIL.

CFP BOARD'S NEW *CODE OF ETHICS AND STANDARDS OF CONDUCT* IS ARRIVING SOON.

For more information and guidance on the new *Code and Standards*, visit:

CODE & STANDARDS

CFP BOARD'S CODE OF ETHICS AND STANDARDS OF CONDUCT FOR CFP® PROFESSIONALS

EFFECTIVE OCTOBER 1, 2019

CFP BOARD

MARCH 2018, AS REVISED IN NOVEMBER 2018

SPONSORED BY
charles SCHWAB
Advisor Services

Why Laurie Nardone Chose Independence

In this final installment, **InvestmentNews** *Content Strategy Studio discusses the journey to becoming an independent Registered Investment Advisor (RIA) through the lens of three advisors' unique experiences. Below, Laurie Nardone, CFP® and managing principal of Shira Ridge Wealth Management in Larkspur, California, explains how she made the transition to independence and how Schwab Advisor Services™ served as a resource before, during, and after the move.*

LAURIE NARDONE
Managing Principal
Shira Ridge Wealth Management

***INVESTMENTNEWS* CONTENT STRATEGY STUDIO: Tell us about your firm.**

LAURIE NARDONE: We're a four-person, all-female independent Registered Investment Advisor firm providing financial planning and wealth management services for about 120 households. We manage more than $120 million in assets and are based in Marin County, outside San Francisco. I started the business in 2006, and its name emerged after I climbed Mt. Kilimanjaro on a trip I made to Africa in 2005. Shira Ridge is the name of one of the longer routes to the summit, but the one that affords the highest probability of reaching the goal; the parallel with achieving financial and retirement success was so clear it inspired our firm name.

INCSS: Speaking of routes, explain your background and how you came to start your firm.

LN: I took a very circuitous route to get here. I started in the corporate world as an accountant and served as the controller of a publicly traded financial services company for many years. Then I became a Certified Financial Planner™ and started my own financial planning practice while at the same time working as a wholesaler on an independent contractor basis for a third-party asset manager. The two roles didn't conflict, but after a while it got to be too much, so I left wholesaling in 2012 and affiliated with a large independent broker-dealer where I could have a hybrid business.

After a few years, I decided that being affiliated with a broker-dealer was no longer for me. I just wanted to do what was in the best interest of my clients with my time, my money, and my staff. Instead, I often felt that I was filling out forms to satisfy the broker-dealer's compliance arm. I also felt that even though I was fee-based, I was always apologizing to a degree or doing extra explaining about why I was associated with a broker-dealer. So I decided to leave and convert my business to a fully independent RIA.

INCSS: Explain the process of doing that.

LN: I'm a planner, so I planned — for about a year. We made the move in May of 2015 because I wanted to get past the tax season. Through my experience as a wholesaler in this area for a dozen years, I got to know many advisors who had made the move, and I still have very good relationships with them. Over several months, I was able to talk to them about what they liked and what they didn't like about being independent and the custodians they chose. We also discussed why they made their choices and whether they would make those same choices again. For us, the choice came down to two custodians.

The turning point came after we spent a great due diligence day at Schwab's operations center in Arizona. I went down there expecting a dog and pony show — which we got — but we were also able to stop and speak with anyone we wanted, and we were able to get answers to our questions right there on the spot from the people who actually were doing the work in lots of different areas. I was very impressed.

INCSS: Describe the actual transition.

LN: When I was a wholesaler, I knew lots of advisors who went through the process, so I recognized that all transitions are a big deal. I thought Schwab was fantastic in this area, and by that I mean they prepared all of the necessary documents to help transition our clients to Schwab, which were extensive. In fact, one of the great things about being associated with Schwab is that there is a high level of professionalism in all aspects of what they do for us, which our clients see and appreciate. Schwab provided guidance through the entire transition process, including assigning a Conversion Consultant to help us. We organized a transition party, with clients coming in and signing papers. I can't tell you how valuable it was to have that Schwab person helping our team, because it was all new to us, and he had a great attitude, great energy, and worked really long hours as part of our team. It was incredibly helpful.

INCSS: It sounds like the transition was a success.

LN: It was; 100% of our clients followed us and our AUM rose from $45 million to $100 million in just three years. The relationship with Schwab helped us grow. Many of our prospective clients already have their assets at Schwab, so when they decide to work with us, it's very easy to just transfer the assets over and have us start managing them. It's also easy to consolidate a client's prior 401(k)s and multiple IRAs. That has helped us build our business.

INCSS: What about the ongoing level of service you receive?

LN: That has been one of the big "aha" surprises. The support we continue to receive still makes us feel terrific about Schwab. Whoever we talk to there is helpful. Prior to Schwab, we sometimes found service people who viewed our questions or phone calls as a problem, not as an opportunity to provide help. My team's experience with Schwab has been one where their information is accurate and they sincerely want to help us with our issues or questions. I appreciate that tremendously.

INCSS: Any other takeaways for advisors considering a move to independence?

LN: I have three. First, I now feel like I have found my community, which I never felt when I was with the broker-dealer. As an RIA, I've found that the other RIAs I meet through Schwab always want to learn and will always share, and they approach taking care of clients the way I do, from a moral and ethical point of view. Second, I never have to apologize to clients anymore for any perceived, hidden, or even unintended conflicts; our business is completely independent and the client is the only one for whom we work, period. Finally, independence makes a lot of sense for my clients and me; I'm sorry I didn't make the move earlier. ■

To find out what going independent could mean for you, visit advisorservices.schwab.com/goindependent.

Schwab does not supervise investment advisors and takes no responsibility to monitor the services they provide. Schwab Advisor Services™ includes the custody, trading, and support services of Charles Schwab & Co. (Member SIPC). (1218-8N80)

This is a sponsored special feature developed by the *InvestmentNews* Content Strategy Studio and supported by Charles Schwab.

InvestmentNews CONTENTSTRATEGY STUDIO

Advisor Services

We made the move to full independence with $45 million in AUM.

Here's Why.

"When I left my broker-dealer it wasn't a light decision, but I wanted the freedom and control that comes with running an independent RIA. And now we're at $120 million in AUM. When you do the right thing for your clients, it just works. Our Schwab team has helped us build a business with our vision in mind."

Laurie Nardone–**Shira Ridge Wealth Management**

charles SCHWAB

Charles Schwab is proud to support more independent advisors of all sizes and their clients than anyone else.

Own your tomorrow®

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

Results may not be representative of your experience. Shira Ridge Wealth Management is not owned by or affiliated with Schwab, and its personnel are not employees or agents of Schwab. This is not a referral to, endorsement or recommendation of, or testimonial for the advisor with respect to its investment advisory or other services. Schwab Advisor Services™ serves independent investment advisors and includes the custody, trading and support services of Schwab. Independent investment advisors are not owned by, affiliated with, or supervised by Schwab. ©2018 Charles Schwab & Co., Inc. ("Schwab"). All rights reserved. Member SIPC. (1218-8341) ADP105222-00

ONRETIREMENT

Benefits hurdles for public employees

Pension offsets reduce Social Security claims, with some exceptions

There are about 2,700 different rules that govern Social Security benefits, but two of them stand out as the most confusing and unfair — at least according to the subset of workers and family members who are subject to them.

About a quarter of employees of state and local governments — including public school teachers, first responders and civil servants in select states — as well as federal employees hired before 1984 do not pay FICA taxes on their earnings and therefore do not qualify for Social Security benefits. But many of them are eligible for Social Security benefits based on their work in the private sector or as a spouse or surviving spouse of a worker who is entitled to benefits.

MARY BETH FRANKLIN

In many cases, retirees and their financial advisers are shocked to discover that those Social Security benefits can be reduced or even eliminated if those retirees also receive a public pension based on work where they did not pay FICA taxes.

The Windfall Elimination Provision applies to workers with non-covered public pensions who also worked at least 10 years in the private sector and are eligible for Social Security benefits on their own earnings record. A good way to remember this rule is to focus on the "w" as in worker and windfall.

The WEP can reduce such workers' Social Security benefits by up to half of the amount of their pension, but by no more than $447.50 per month in 2018. For example, if a retired public employee receives a pension of $3,000 a month and is entitled to a Social Security benefit of $1,000 per month, his Social Security benefit would be reduced by the maximum $447.50 to $552.50 per month.

A separate rule — the Government Pension Offset (GPO) — applies to spouses and widows or widowers, as well as ex-spouses and surviving ex-spouses, who were married at least 10 years before divorcing (and who did not remarry before age 60).

LOWER SPOUSAL BENEFITS

The GPO can reduce a Social Security spousal or survivor benefit by two-thirds of the amount of the government pension, with no dollar limit. So if a retired public school teacher in one of the 15 affected states has a pension of $3,000 per month, her potential Social Security spousal or survivor benefit could be reduced by $2,000 per month (two-thirds of $3,000). That would wipe out any spousal benefit and significantly reduce or even eliminate most survivor benefits.

A spousal benefit is worth up to 50% of a worker's full retirement age benefit amount if the spouse claims it at full retirement age or later. A survivor benefit is worth up to 100% of what the deceased worker was collecting or entitled to collect at time of death, including any delayed retirement credits, if the surviving spouse is at least full retirement age.

There are a dozen states where public employees are not covered by Social Security: Alaska, California, Colorado, Connecticut, Illinois, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio and Texas. In addition, employees of certain local governments in Georgia, Kentucky and Rhode Island do not participate in Social Security.

HIRING DATE

Federal employees hired before 1984 who participate in the Civil Service Retirement System also are affected by WEP and GPO rules. So are people who receive a pension from an employer in a foreign country.

Federal employees hired after the Social Security reform legislation of 1983 pay FICA taxes as part of the Federal Employees Retirement System and are not affected by the WEP reductions. Neither are railroad retirees whose only pension is from railroad employment.

The triggering factor for benefit reductions is the receipt of a non-covered pension, so it is possible for someone to claim unreduced Social Security benefits first and reduced benefits later once their pension begins. And don't think you can skirt the rules by collecting the pension in a lump sum. The Social Security Administration will calculate the annuity value of the pension and apply the offsets accordingly.

There are some escape hatches to these offset rules, including working longer and paying FICA taxes at the end of a public service career.

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

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

ARE YOU PREPARED TO NAVIGATE FIXED INCOME RISK?

We're with you the entire way.
Through rigorous credit research, MFS assesses risk and explores opportunities to help advisors help their clients.

Explore our risk-aware approach at **mfs.com/fixedincome.**

©2018 MFS Investment Management 39791.1

IRA ALERT ED SLOTT

For archived columns, go to InvestmentNews.com/iraalert

A younger spouse can lower RMDs

Depending on the age span, the IRA owner can use a different IRS table

Here's one I haven't heard before.

I received a question from a financial adviser wondering if he could help his client reduce his required minimum distribution burden and the resulting tax on his $2 million individual retirement account by using the Joint Life and Last Survivor Expectancy Table (IRS Publication 590-B, Table II).

The client was age 72 and his wife was 48. That table would produce a joint life factor of 36.6 years, resulting in a $54,645 RMD. If he had to use the regular Uniform Lifetime Table (Table III), that factor would be 25.6 years, producing an RMD of $78,125: $23,480 higher, or a whopping 43% increase in taxable income!

However, there was a problem. The client didn't want his wife to actually be the named beneficiary, but he did want to use the joint table and save on the taxes. So his plan was to name his wife as the beneficiary on Dec. 27 and then remove her as the beneficiary on Jan. 3 next year. He thought that if she was the named beneficiary on the last day of the year, he would qualify to use the joint table and significantly lower his RMD tax bill.

>10

NUMBER OF YEARS THE SPOUSE MUST BE YOUNGER THAN THE ACCOUNT HOLDER TO QUALIFY FOR USING THE IRS' JOINT TABLE TO CALCULATE RMDs

That won't work, not to mention what would happen if he died during those few days over New Year's when his wife was the named beneficiary. Then she would inherit his IRA, which he did not want.

SOLE BENEFICIARY

To qualify to use the joint table, the spouse must not only be more than 10 years younger than the IRA owner but be the sole beneficiary for the entire year.

After I told him that, he had a follow-up idea. What if he named a qualified terminable interest property trust as the beneficiary, where his wife would be the income beneficiary but after her death the IRA funds would go to his other beneficiaries?

That won't work either because in that case the spouse is not considered the sole beneficiary, even though she is the beneficiary of the trust. A discretionary trust also would not qualify since the spouse may not be the sole beneficiary.

One strategy that would work is if the IRA beneficiary were a conduit-type trust in which the spouse would receive the RMDs each year and be considered the sole beneficiary, assuming the trust also met the requirements of a so-called "see-through" trust. But again, she might be entitled to all of the IRA funds, which he did not want.

The majority of IRA owners will use the Uniform Lifetime Table to calculate their annual required minimum distributions. Regardless of who the beneficiary is (even if the estate is the beneficiary), that table assumes that the beneficiary is 10 years younger than the IRA owner and those two ages are built into the table.

Only when the spouse is more than 10 years younger than the IRA owner and the spouse is the sole beneficiary of the IRA for the entire year will the age of the spouse also be used to determine the life expectancy factor for the year. In this case, the IRA owner can use the Joint Life Expectancy Table instead of the Uniform Lifetime Table and take advantage of the lower RMDs and the reduced tax bill.

SPOUSE'S DEATH

If the spouse dies during the year, the IRA owner can still use the Joint Life Expectancy Table for that year only. In subsequent years, the Uniform Lifetime Table must be used. If the IRA owner divorces the spouse during the year and names a different beneficiary for the IRA account that year, then the IRA owner must use the Uniform Lifetime Table for calculating their RMD for that year and all subsequent years.

A marriage to a new spouse who is more than 10 years younger and is a sole beneficiary would allow the IRA owner to go back to using the Joint Life Expectancy Table.

Ed Slott, a certified public accountant, created Ed Slott's 2-Day IRA Workshop and Ed Slott's Elite IRA Advisor Group. For more information, visit www.IRAhelp.com.

THE BEST OF BOTH WORLDS: AUTONOMY, WITH WORLD-CLASS SUPPORT.

THE MORE YOU KNOW, THE MORE WE MAKE SENSE.

Our 16,000 financial advisors run their own offices and make their own decisions. But they have vast resources at their disposal, from a dedicated Branch Office Administrator to state-of-the-art technology. It's a unique business model that's helped us become one of the largest wealth management firms in the country. Maybe it's time to grow your practice here. Maybe it's time you got to know Edward Jones.

Visit edwardjones.com/knowmore

FORTUNE 100 BEST COMPANIES TO WORK FOR 2018

RANKED 5TH-BEST COMPANY TO WORK FOR BY FORTUNE MAGAZINE

From FORTUNE, February 15, 2018. ©2018 Time Inc. Used under license. FORTUNE and Time Inc. are not affiliated with, and do not endorse products or services of, Edward Jones.

Edward Jones®

SIX KEY FINDINGS OF ADVISOR WELLNESS

DAVID PARTAIN
Director of Marketing
FlexShares

ARI LEVY, MD, MBA
Founder and CEO
SHIFT (Life)

BARNABY RIEDEL, PHD
Co-Founder,
Chief Research Strategist
Riedel Strategy

THREE EXPERTS RECENTLY JOINED *INVESTMENTNEWS* TO DISCUSS THE RESULTS OF FLEXSHARES ADVISOR WELLNESS STUDY OF 700-PLUS FINANCIAL ADVISORS.

PARTAIN: ***The idea for this study was based on an industry article I read that stated 93% of advisors report medium to high levels of stress. The research was conducted in 2009—not an easy time for anybody—and the sample size was just 56 advisors, so I decided to do further research and called Barnaby Riedel. Barnaby, can you outline the study methodology?***

RIEDEL: We had over 700 participants, well-distributed across gender, fee structure and practice channel. The survey included general demographic information; practice and other professional characteristics; and valid and reliable measures of stress and life satisfaction. We benchmarked our findings against the data set generated by the American Psychological Association's annual study—so we know the measures are reliable and have been normed against the general population, which allows us to use our data comparatively.

PARTAIN: We want to get to the study's six big findings.

RIEDEL: The first finding was that advisors are 25% more stressed than the general population. We found an age effect, with younger advisors about 40% more stressed than the general population—starting a practice, building a book of business can be incredibly trying; and a gender difference, with male and female advisors 27% and 18% more stressed, respectively, than the general population.

The second and third findings concerned the symptoms and sources of stress. In the former, advisors rated 11 symptoms, with fatigue and muscle tension leading by far. We also had insomnia, headaches and gastrointestinal issues. And of nine professionally related sources of stress, compliance and growing a practice were the highest rated. Trailers included difficult clients and the state of the markets, though fee compression and technology issues have been appearing more as stressors.

PARTAIN: ***Ari, how does Shift treat advisors for these kinds of things?***

LEVY: First, there's no such thing as a zero-stress life, so we need to understand that some stress is good—the kind that makes you run a marathon, say, or finish a big assignment—and that we need to metabolize stress, not just minimize it.

At Shift we have an integrative and holistic approach, helping individuals build health the way advisors help clients build wealth. We assemble a team—a physician, a nurse, a medical assistant, a training staff member, a dietitian and somebody who helps with recovery—and their sole responsibility is to understand you and your life, and contextually help you accomplish what you want. That means helping you modify against

Before investing carefully consider the FlexShares investment objectives, risks, charges and expenses. This and other information is in the prospectus and a summary prospectus, copies of which may be obtained by visiting www.flexshares.com. Read the prospectus carefully before you invest. Foreside Fund Services, LLC, distributor.

VIEWPOINT

SPONSORED BY

your set goals in real time, and it requires work and communication between team members and patients.

RIEDEL: The fourth finding was that men and women experience stress differently—both sources and symptoms. Women were much more likely than men to rank balancing work, family and recreation as a stressor and were much more likely to experience and report symptoms, especially anxiety, headaches and muscle tension, even though they were overall less stressed than male advisors.

PARTAIN: ***Why do you think that might be, doctor?***

LEVY: It's not safe for men to communicate feeling stressed. It's a sign of vulnerability in a field where you should not demonstrate vulnerability, it's perceived as a sign of weakness.

Women have more stress. They're a mother, a wife and a primary bread winner. The commodity they're trading against is time—the currency we're all trying to use properly. Angst and stress express when we don't feel we have enough time to do the work in front of us.

RIEDEL: Men need to all step up at home—that's the takeaway there. And that leads to the fifth finding, which is that marriage plays a big role in mitigating stress and increasing life satisfaction. We found that married advisors were 13% more satisfied with their lives. Psychologists have found that marriage has profound health and wellness benefits, though they're much stronger for men. Men derive more utility from marriage than women do.

Our sixth and final finding was that on-the-job coping strategies were associated with lower perceived stress. At the end of the study we asked, 'What do you do to cope with the stress?' The responses fell into eight basic strategies: mindset, or having a better attitude about work or stress; being good to clients, or knowing that the job is meaningfully related to other people's success; free time; exercise; prayer or meditation; delegating; outsourcing; and time management.

The advisors who recommended on-the-job strategies had 20% less stress. Taking a bike ride or playing golf relieves stress short term but is an avoidant strategy. It's better to get a perspective on your work and tackle stress at its source.

PARTAIN: ***Overall, are advisors happy with their career choice?***

RIEDEL: We asked, 'If you had it to do over again, would you still be an advisor?' For the most part, advisors said yes, that they find great reward in their career.

PARTAIN: ***Did you find any data suggesting that stress levels are different for independent advisors, and what about stress related to assets under management?***

RIEDEL: We didn't see any difference between wirehouse and independent advisors in that regard, but advisors with higher AUM tended to have greater life satisfaction—so maybe money can buy happiness up to a point.

LEVY: Within our practice, we find that advisors with higher AUM tend to have longer periods of low stress. When stress happens, it's an outlier.

PARTAIN: ***Does length of time in the field play a role in work-related stress?***

RIEDEL: We found advisors with more experience were more satisfied, less stressed and better at coping.

LEVY: Experience provides patience, context and some working memory of how to handle things. It lets you say, 'This too shall pass' but also 'Here's how I'm going to crush this.' ■

To view the discussion, please visit www.investmentnews.com/advisor_wellness_2018.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

BROKER-DEALERS

Protocol or not, brokers think of leaving

Few see firms' withdrawals from the agreement as stymieing moves

BY BRUCE KELLY

THE UNCERTAINTY created by large firms pulling out of a brokerage industry agreement that makes it easier for financial advisers to move to a new employer has had little effect on advisers' thinking about leaving the brokerage industry, where they typically are employees and charge commissions, to become registered investment advisers, where they may own their practice and charge fees, according to Schwab Advisor Services.

Last year, Morgan Stanley and UBS Financial Services upended the wealth management industry by withdrawing from the agreement, dubbed the protocol for broker recruiting. The move was a determined effort by the wirehouses to hold on to more of their brokers.

A new survey, "Spectrum of Advisor Independence Study," conducted by Schwab Advisor Services, which serves RIAs, questions whether such moves to scrap the protocol have been successful.

According to the survey of 152 financial advisers who have considered becoming independent registered investment advisers, the majority, 66%, said they basically have no opinion about the potential impact of the broker protocol on advisers' seeking new forms of employment.

SLOW DOWN, SPEED UP

Sixteen percent of the advisers surveyed said the withdrawals from the broker protocol would slow down adviser moves or decrease the number of advisers moving.

Just 9% of advisers said that widespread uncertainty around the broker protocol will speed up or increase adviser movement, while the same portion said the uncertainty about the protocol would have no impact on advisers moving from Wall Street banks and wirehouses to much newer and smaller RIAs.

The study concludes that the changes in the broker protocol have had largely a neutral impact on advisers' moves to RIAs. Sixty-six percent of advisers said that recent changes in the protocol have made no difference in their interest in moving from a bank or wirehouse to an RIA, while 73% said the changes would have no impact on the timing of any change of employers in the future.

One adviser agreed with the study's conclusions.

"I think the protocol has been less of an issue than people make out," said Ryan Marcus, managing director at Aurora Private Wealth, an RIA with $248 million in assets held in custody at Schwab. "Advisers have been transitioning from before the document ever existed. Advisers will continue to leave firms that are non-protocol and join firms that are non-protocol."

Mr. Marcus was speaking at a press event last Wednesday in New York sponsored by Schwab to promote the study. The Aurora Companies collectively are responsible for overseeing close to $4 billion, the company said.

bkelly@investmentnews.com
Twitter: @bdnewsguy

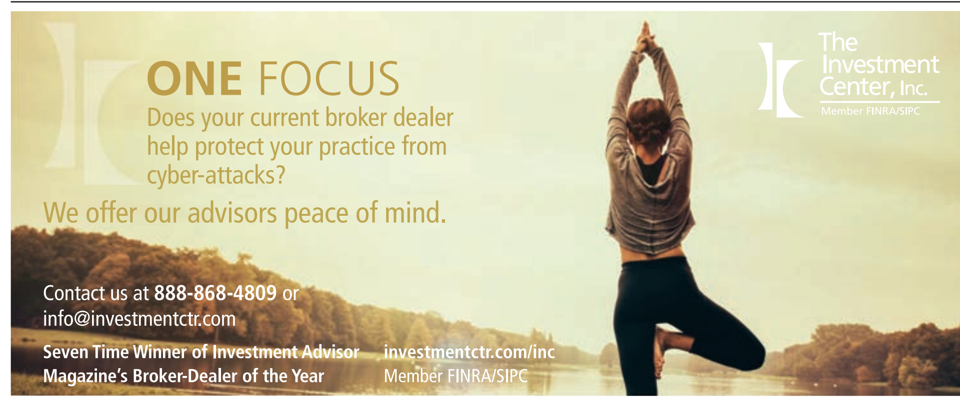
EXPLORE YOUR NEXT MOVE...

THE ADVISER CENTER

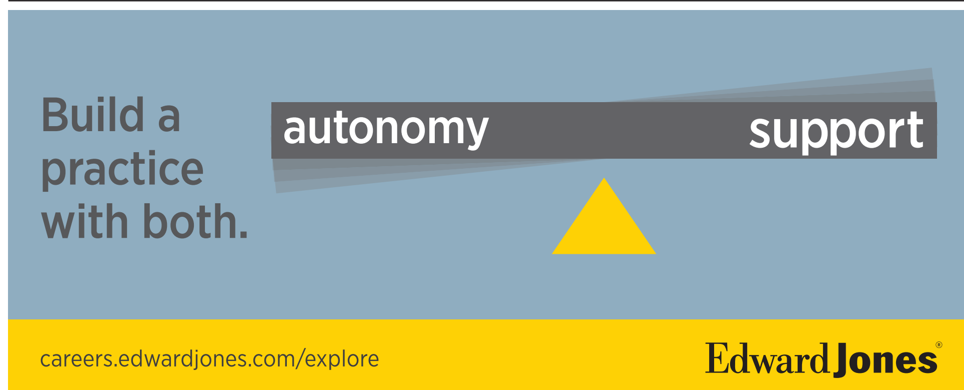
INVESTMENTNEWS.COM/ADVISERCENTER

Call: Kelly Maier at 760-399-6906
Email: KMaier@investmentnews.com

FEATURED FIRMS



Give your business a boost
We've got the brand, technology and people to help you stand out
Become a Voya Financial Advisor
855.698.4900 | JoinVoyaFA.com
CN0922-37305-1019D
voya
VOYA FINANCIAL ADVISORS



THE InvestmentNews ADVISER CENTER

MAKE THE SMARTER MOVE

REGULATORYACTION

Private equity wants BDC rules eased

Industry is lobbying to include SEC changes in year-end spending bill

BLOOMBERG NEWS

APOLLO GLOBAL MANAGEMENT and Ares Management are among the private-equity titans that scored a victory earlier this year when they persuaded Congress to let lending companies they control ramp up risk.

Now, as lawmakers engage in frantic negotiations to avoid a government shutdown, the industry is back in Washington seeking more.

At issue are business development companies, which provide loans to small- and medium-size businesses and are part of a private-lending boom that's exploded since the 2008 financial crisis.

As Congress debates year-end legislation to fund federal agencies, BDCs are urging lawmakers to add a measure that benefits their industry. The push is part of a broader lobbying campaign to get regulators to ease rules.

Congress has already shown it's willing to help BDCs, which have financed a number of businesses in politicians' home states that struggled to get loans from banks. In passing an earlier spending bill in March, lawmakers attached a provision that allowed BDCs to double their leverage — in other words, borrow more money to fund loans. While that change could make the companies more profitable, it would also exacerbate losses if the businesses they lend to default.

COMPLICATED REGULATIONS

In recent months, Apollo and Ares have set their sights on the Securities and Exchange Commission. They want the agency to remove what they say is a key hurdle to BDC growth: Complicated regulations that make it difficult for mutual funds and other big money managers to invest in the companies.

As part of the industry's campaign, it's urging lawmakers to add a measure to the end-of-year funding bill that would force the SEC's hand, according to lobbyists and congressional staffers. But there are risks. Revamping SEC rules could expose more investors — including retirement savers — to the indebted businesses that BDCs lend to.

"The nature of the BDC model is to take credit risk, and at the next downturn, losses will absolutely pick up," said Jason Arnold, an analyst at RBC Capital Markets who follows BDCs.

Apollo, Ares, KKR & Co., BlackRock Inc. and Goldman Sachs Group's asset management unit operate some of the biggest BDCs. The money managers profit by charging BDC investors fees for overseeing the companies' loan portfolios. BDCs manage a combined $97 billion, more than double their assets five years ago.

"The growth of private lending is good public policy — providing needed capital to middle market companies that drive GDP growth," Joseph Glatt, Apollo BDC lawyer, and Joshua Bloomstein, Ares BDC attorney, said in a joint statement.

A big portion of the cash used to finance loans is raised by listing BDCs on stock exchanges, where mom-and-pop investors can purchase their shares. Some of the largest public BDCs carry the names of their private-equity backers, such as Ares Capital Corp. and TPG Specialty Lending Corp.

Yet as a result of the SEC rules, if mutual funds buy stock, they have to include BDC operating expenses in the expense ratios that funds must calculate and disclose to prospective investors. Because that would force mutual funds to overstate their costs, the BDC industry says most funds shun their shares.

EQUITY INDEXES

Adding to frustrations is that the SEC regulations have a similar impact on the expense ratios of broad equity indexes like those operated by Standard & Poor's and Russell. So indexes exclude BDCs, further restricting investment because many mutual funds and exchange-traded funds are set up specifically to track benchmarks.

In September, Apollo and Ares wrote a letter to the SEC laying out why they think BDCs should be exempt from the regulations, known as acquired fund fees and expense rules.

The rules are "misleading and materially overstate" operating costs, Mr. Glatt and Mr. Bloomstein said in their statement, speaking on behalf of a BDC trade group they founded.

Rep. Steve Stivers, an Ohio Republican who's sponsored legislation that would require the SEC to reexamine it rules, said there's a good chance Congress will give BDCs relief in the year-end spending bill because the issue isn't "controversial."

Private-equity firms have given lots of money to politicians over the years, and that should help them get what they want on BDCs, said Isaac Boltansky, a financial regulation analyst at Compass Point in Washington.

"Muscle and money always helps," he said.

CLOSING THE FINANCIAL LITERACY GAP: TURNING PASSION INTO ACTION

Improving the overall financial education of the U.S population is a massive, long-term undertaking, but it is one that financial advisers are uniquely positioned to course-correct. Learn how other advisers are moving the needle and download an action plan to make a difference.

The research paper:

- details how you can get involved across a range of age groups, starting as early as grade school
- provides a set of guidelines for finding the right organization or effort to work with
- includes information on a number of existing groups that partner with thousands of advisers on different financial education initiatives

78% of advisors surveyed strongly agree with the statement "Financial literacy is an issue in our country" but just 41% of advisors surveyed are currently involved in an initiative related to improving financial literacy.

Visit www.investmentnews.com/finlit2018_actionsteps and download your free copy today

BNY MELLON | PERSHING

IN RESEARCH

INDUSTRYISSUES

Covering unpaid awards

Groups spar over pool to fund arb shortfalls

BY MARK SCHOEFF JR.

WHO SHOULD BE on the hook when brokers fail to pay arbitration awards? Interested parties speaking before the SEC Investor Advisory Committee last Thursday disagreed on the answer.

The head of a securities lawyers group told the panel that too many awards go unpaid and that the entire brokerage industry should fund a payment pool, with higher-risk firms ponying up the most money.

"By shifting the cost of misconduct back to the industry, it will have an incentive to regulate its members and weed out the misconduct, which should result in less harm to investors over the long term," said Christine Lazaro, president of the Public Investors Arbitration Bar Association, and a professor of law at St. John's University and director of its Securities Arbitration Clinic.

AMOUNT AT STAKE

From 2012 through 2016, the amount of unpaid arbitration awards has ranged from a high of $75 million in 2013 to a low of $14 million in 2016.

Ms. Lazaro said one option for funding a pool to pay these awards would be through an assessment on Finra firms, with those engaging in high-risk behavior paying more. An alternative option would be to use Finra fine money, an approach at the heart of legislation introduced by Sen. Elizabeth Warren, D-Mass. Ms. Lazaro said Finra fines easily exceeded unpaid arbitration awards from 2014 through 2016.

But Richard W. Berry, Finra executive vice president and director of its arbitration system, cautioned that allocating fines toward an arbitration pool would hurt other Finra programs.

"Our fine money is going for investor protection already," he told the SEC panel.

Robin Traxler, senior vice president and deputy general counsel at the Financial Services Institute, said establishing a fund would encourage reckless behavior by rogue brokers who know they wouldn't have to pay the awards and hurt honest firms that finance the fund.

She also said forcing firms to pay higher insurance rates or increase their net capital would burden small brokerages.

Instead, she suggested banning bad brokers not only from the brokerage industry — which the Financial Industry Regulatory Authority Inc. does when they don't pay arbitration awards — but also from investment advisory and insurance firms through Finra coordination with the SEC and state insurance and securities regulators.

"This would effectively make it impossible for the bad actors to incur an unpaid award and then simply go work in the investment advisory or insurance industries, where they would continue to have access to investors," Ms. Traxler said.

mschoeff@investmentnews.com
Twitter: @markschoeff

Business Resources

FINANCIAL CONSULTANTS ASSOCIATION

Registered Financial Associate
Registered Financial Consultant
Master Registered Financial Consultant

www.iarfc.org

Consumers engage the guidance of consultants to achieve financial security and independence. Your education, experience and ethical background is important to someone who is looking for sound financial advice.

TRUST

Trust Independence

Grow Your Business & Preserve Your Legacy.

ITC Independent Trust Company

To place your ad call Kelly Maier 760-399-6906 or email kmaier@investmentnews.com

Kestra

CONTINUED FROM PAGE 3

firm, Leah Katsanis, said that Kestra Financial was not providing comments about the matter at this time.

A spokesman for Goldman Sachs, Andrew Williams, said the firm had no comment.

GENSTAR

Private-equity investors have continued to buy independent broker-dealers and RIAs lately. Genstar Capital, which paid $1.7 billion for Cetera and financed the majority of that with junk bonds, is one of the most prominent in the space.

According to *InvestmentNews* data, Kestra Financial last year was ranked the 15th largest independent broker-dealer in the industry, when counting total revenue. Kestra reported $475.4 million in total revenue at the end of 2017, with 1,876 registered reps and financial advisers. The firm's assets under management were $75.8 billion at the time.

$76B
KESTRA'S AUM AT THE END OF 2017

Kestra clears with Fidelity's National Financial Services. Matching clearing platforms in a broker-dealer sale is always a consideration because having the same clearing firm makes the transition of advisers' client accounts much easier.

In August 2017, Kestra Financial acquired the 600-rep firm H. Beck Inc.

bkelly@investmentnews.com
Twitter: @bdnewsguy

Wells comp

CONTINUED FROM PAGE 3

petitors or to start their own RIAs.

When asked whether the 2019 compensation plan provided any type of increase for advisers who stayed at the firm in the face of its problems, Mr. Alexander said that the firm did not discuss in detail its recruiting or attrition of advisers.

That struck one recruiter as a missed opportunity for the firm.

"Maybe Wells Fargo could slow the bleeding if it had a new plan that gave advisers an opportunity to earn a few more points," said Casey Knight, executive vice president of ESP Financial Search.

OTHER WIREHOUSES

In September, UBS Financial Services Inc. told its more than 6,900 financial advisers in the United States that they will see little to no change next year in how they are paid by the firm.

While the status quo has prevailed, for the most part, in the pay plans of Wells Fargo Advisors and UBS, advisers with Morgan Stanley and Merrill Lynch saw some changes.

Earlier this year, Morgan Stanley released a pay plan designed to goose its 15,000 financial advisers to chase assets using new technology when it unveiled pieces of its 2019 compensation plan. And last month Merrill Lynch told its 15,000 registered reps and financial advisers that they were facing the prospects of a slight cut in compensation in 2019, when the firm will begin withholding a small portion of advisers' monthly fees and commissions.

bkelly@investmentnews.com
Twitter: @bdnewsguy

Trails stop

CONTINUED FROM PAGE 2

2019 budget, including curtailing payroll raises and spending initiatives. The firm is considering ways to try to preserve some revenue, such as partnering with other advisers at broker-dealers who continue to receive trail commissions from Ohio National. A handful of firms, such as Morgan Stanley Wealth Management, appear able to keep their annuity trail commissions intact due to certain contractual language in their selling agreements with Ohio National.

However, Mr. Berman believes his firm is ultimately "just going to bite the bullet" and continue advising clients despite the lost revenue.

"This is a test," Mr. Berman said. "We pride ourselves on acting in the best interest of our clients. That's easy to do when your interests and theirs coincide; it's perhaps more important to do when they don't."

Ohio National last month began offering buyouts to variable annuity clients with GMIBs, giving them a monetary incentive for cashing in their annuities. Many will require sound advice in weighing their options.

Mr. Holsworth is analyzing client contracts to determine if some clients should take the deal, which is being offered through mid-February.

One factor he's considering in his reasoning — aside from annuity income, fees and the buyout amount, for example — is his erosion in confidence in Ohio National. If the firm can turn off annuity trail commissions for advisers, will the insurer renege on annuity guarantees in the future, he said.

"I think it'd be naive to think everything will just be as it was," he said. "To not acknowledge the fact that things have changed is crazy."

MOVING OUT

One adviser, who wished to remain anonymous, said most of his clients have moved out of their Ohio National variable annuities by taking buyout offers or exchanging them for other insurers' annuity products.

> **"MOST [ADVISERS] ARE JUST WRINGING THEIR HANDS, WAITING FOR SOMEONE TO FIX IT."**
> DENNIS CONCILLA, LAWYER
> CARLILE PATCHEN & MURPHY

The adviser, who's 60 years old, said this is especially true for some younger clients. Since the adviser is planning to retire in about three years, he's afraid they will be stuck with a complicated annuity product and won't be able to get another adviser to provide guidance on it, since those advisers wouldn't be paid for their advice.

Some investor advocates are concerned about conflicts of interest for advisers put in the position Ohio National has configured, such as those who recommend taking the buyout on a product they'll no longer be paid on to free up that money to be invested elsewhere that does pay — whether it's the best option for the client or not. Or those who start taking commissions upfront — out of fear of more insurers cutting trails — possibly having less incentive to advise clients on the product over its long life.

Angela Meehan, a spokeswoman for Ohio National, said all advisers will continue to have access to client information and transactional data, and will be able to continue to service them.

Some advisers are hoping regulators will intervene or judges will rule against Ohio National and restore the commissions. In addition to Mr. Browning's case, two independent broker-dealers have class-action lawsuits in federal court and two have filed Finra arbitrations.

Michelle Ong, a spokeswoman for the Financial Industry Regulatory Authority Inc., declined to comment. Robert Denhard, a spokesman for the Ohio Department of Insurance, said the regulator is aware of the changes Ohio National is implementing and will continue to monitor the firm to ensure compliance with Ohio insurance laws.

"Most [advisers] are just wringing their hands, waiting for someone to fix it," Mr. Concilla said.

giacurci@investmentnews.com
Twitter: @gregiacurci

InvestmentNews

women adviser summit

SAVE $100
Use code: PRINT

HUNTINGTON BEACH	CHICAGO	BOSTON	DENVER	SAN FRANCISCO	NEW YORK CITY
March 26, 2019	May 16, 2019	July 9, 2019	September 10, 2019	October 22, 2019	November (TBD), 2019

COMING TO A CITY NEAR YOU IN 2019.

You deserve one day, in the city of your choice, to invest in your brand, your business and yourself.

Register today at www.investmentnews.com/WAS
Seating is limited for these sell-out events.

Interested in sponsorship opportunities or group registrations?
Contact: Dan Rubinetti | Manager US Event Sales | drubinetti@investmentnews.com | (o) 212-210-0432 | (c) 917-294-9517

Premier sponsors

Supporting sponsors

Morgan

CONTINUED FROM PAGE 2

financial planning, digital advice, data analytics and artificial intelligence on the WealthDesk platform introduced last month, the Yext partnership is about "future-proofing" how advisers find and acquire new clients.

"We could very well see a not-too-distant future where over 50% of searches are voice," Mr. Jepson said, adding that the move from text-based to voice search is one of the key trends occurring in consumer markets.

While Morgan Stanley wants to maintain the current branding and design of its adviser websites, Yext will enable some new features. Mr. Jepson said there's a new editing tool to make it easier for advisers to add or change information on their website.

A new integration will feed contact information entered by a prospect directly into Morgan Stanley's client relationship management software, and advisers can use a new tool to manage and promote events in their communities.

TRAFFIC ANALYTICS

Yext is also providing new capabilities around traffic analytics to show where visitors to an advisers' websites are coming from and what they do once they arrive on the page.

Yext launched in 2016 and did an initial public offering in 2017. The company has worked with banks and insurance companies, but the Morgan Stanley partnership is its first foray into the world of financial advice, said Howard Lerman, Yext's founder and CEO.

Mr. Lerman said voice search is a way to help advisers take advantage of the anticipated transfer of wealth from baby boomer clients to their children, many of whom will take that money to a new adviser if they don't have a reason to stay.

"Sixty-one percent are going to be looking online to find a new adviser," he said. "It's a huge deal."

Morgan Stanley isn't the only firm betting on voice-powered technology. Voice command features were a theme at October's T3 Enterprise conference, and Envestnet Yodlee recently demonstrated Envision IQ, an application that lets advisers answer questions about their books of business using Amazon's Alexa.

rneal@investmentnews.com
Twitter: @ryanwneal

Clayton

CONTINUED FROM PAGE 2

ucation or their retirement are getting the advice that is best for them instead of what's most profitable for the person giving the advice."

In his written testimony, Mr. Clayton said the SEC proposal strengthens investor protections because it requires brokers to mitigate conflicts of interest.

"This is a significant and critical enhancement, as today the federal securities laws largely center on conflict disclosure rather than conflict management," he wrote. But some critics say the SEC proposal would allow disclosure to satisfy mitigation.

The SEC has received more than 6,000 comment letters on its proposal. The agency is expected to release a final rule by the middle of next year, but Mr. Clayton refused to specify a time line.

"It's on the near-term agenda, and it's a priority for me," Mr. Clayton told reporters after the hearing.

For the moment, the SEC is at full strength with five commissioners. But Democratic member Kara Stein must step down at the end of the year. The Trump administration has not nominated anyone for the seat.

Mr. Clayton declined to say whether he would seek a vote on a final advice rule prior to Ms. Stein's successor joining the commission.

"We just move forward, as things go," he said.

mschoeff@investmentnews.com
Twitter: @markschoeff

Fidelity

CONTINUED FROM PAGE 3

"Some of the smaller players have exited and we have been the beneficiary of that," said Tim Huyck, chief investment officer for money markets at Fidelity.

Fidelity has another edge: Its 20 million brokerage customers. When those clients sell securities and leave money in cash, it sits in the company's money-market funds. Those deposits represent more than one-third of Fidelity's money-fund assets.

Industrywide, expense ratios on large money-market funds average about 27 basis points, or 0.27%, according to Crane Data. While their fee levels are below those on most active equity and bond funds, "it is a relatively attractive business, in part because it is very stable," said Kenneth Lee, an analyst at RBC Capital Markets. Fidelity's lineup of index funds has very low fees, and four funds have no charges at all.

Fidelity has been offering money funds since 1974, when it became the first provider to allow customers to write checks from their accounts. Closely held Fidelity doesn't publicly break out revenue for the segment, but Crane estimated it could be as much as $1.7 billion annually based on current management fees.

Fidelity's largest money fund, the $138 billion Fidelity Government Cash Reserves, returned 1.4% this year through Dec. 6 — better than most equity and fixed-income funds.

> **"FIDELITY HAS MORE BUCKETS AND BIGGER BUCKETS THAN ANYONE ELSE."**
> PETER CRANE, PRESIDENT CRANE DATA

"I expect money funds to rise in popularity, especially if they give stocks and bonds a run for the money in 2019," said James Lowell, editor of the newsletter Fidelityinvestor.com.

Represent

CONTINUED FROM PAGE 3

time, but creating small groups helps new employees feel comfortable asking questions or sharing concerns down the road.

This step is particularly crucial in finance to ensure a team's success. Trainees can learn together and have someone there to help them develop a successful practice. This strategy also gives your firm the opportunity to help employees from different backgrounds become actively engaged in the company by introducing them to committees they can join or outings and events in which they can participate.

TRAINING MATERIALS

Give employees the tools they need to succeed and feel comfortable. Accessibility, particularly in financial services, is crucial to bolstering your team members' skill sets and helping them reach their goals. If an employee has an easier time learning in their first language, invest in materials that make that a reality for them.

Partner them with other people who speak their language within the company who can help train them and make them feel at ease during the process.

In addition to embracing different languages, make sure the firm provides regular check-ins during the onboarding process and ask trainees if they need any additional materials. All an employee may need is another few hours of training to be successful. It is up to the company to notice and make the difference.

MEANINGFUL MENTORSHIP

Setting up meaningful mentorship opportunities starts with capitalizing on the connections team members have already created. Use the small teams from onboarding and training, and set time aside for them to meet periodically and provide discussion topics for career development, as well as time for conversation.

In order to implement a meaningful mentorship program at the company, hold these meetings throughout the year on the same day each quarter so team members can plan ahead of time. Make sure they discuss opportunities for growth at the firm.

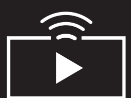
The one thing that new employees at financial services firms most often want to know is their likelihood of success. By connecting them with a mentor from within the organization, your company is providing an example of how far they can go with the firm, and demonstrating the company's investment in them. In addition to this, more tenured team members will feel included in fostering diversity within the firm.

INVOLVE EMPLOYEES

Take advice from your current team members in filling open positions. Involving them in the recruiting process gives them even more buy-in to your firm's goals as well as the team's.

Asking current team members for referrals opens the door for more diverse candidates from their communities, helping the company attract and retain employees from different backgrounds. Businesses can also partner with schools to create programs that help young people envision a future in the industry.

Ron Adams is assistant director for leadership development of diversity and inclusion at Northwestern Mutual.



WEBCASTS

ONDEMAND

Advisor Wellness: Takeaways from Study

DOWNLOAD NOW investmentnews.com/Advisor_wellness_print

Advisors are continually focused on adjusting client portfolios for maximum return while also managing risk. But is the same true for how they manage their own 'wellness' portfolio?

In this exclusive video webcast, we'll discuss the results of the Advisor Wellness Survey with sponsor FlexShares ETFs; research firm Riedel Strategy; and Dr. Ari Levy, a medical doctor and MBA who treats financial advisors in a holistic fashion.

- The six key findings of FlexShares Advisor Wellness Survey
- Why all stress isn't necessarily bad stress
- How advisors can implement the right structure for gains in their personal wellness portfolio.

Sponsored by FlexShares® EXCHANGE TRADED FUNDS

UPCOMING

Listed Real Assets: Why they belong in today's portfolios

Thursday, December 20, 2018 | 4:00pm-5:00pm ET

REGISTER NOW investmentnews.com/Real_Assets_2018

For many years, institutional portfolios have included allocations to listed real assets, such as commercial real estate, electricity transmission lines, natural gas pipelines, seaports, toll roads and cell phone towers. In today's increasingly volatile markets, the addition of listed real assets—whose performance historically has had low correlations to traditional equity or fixed-income investments—may be a timely addition to the portfolios of retail investors.

- Where listed real assets potentially fit in a balanced portfolio
- The impact of the economy and interest rates
- Why diversification of listed real assets is important

Sponsored by Brookfield

View upcoming and archived webcasts at investmentnews.com/webcasts InvestmentNews

Introducing the....

InvestmentNews

INNOVATION AWARDS

FOR FIRMS SUPPORTING THE FINANCIAL ADVICE PROFESSION

Nominate Today!

Recognizing firms that demonstrate innovative approaches to improving how advisers run their businesses, take care of their clients and serve their communities.

Nominate a company that supports the financial advice profession, including custodians, national and regional brokerage firms, independent broker-dealers, asset managers, insurance firms, fintech firms and financial advisory businesses.

2019 INNOVATION AWARD CATEGORIES

Adviser Fintech	Practice Management	Educational Materials	Retirement Solutions	Investment Strategies

Three finalists will be selected per category and the winners will be announced at the LIVE event on April 17, 2019 in New York City.

NOMINATE TODAY!

Go to www.investmentnews.com/nominateinnovation to submit your nomination and to learn more.

Join the conversation on social media with #innovateIN.

*Nominations close February 8th.

THE S&P 500'S BEST DIVIDEND GROWERS

BROUGHT TOGETHER IN ONE ETF

The ProShares S&P 500 Dividend Aristocrats ETF (NOBL) invests in the 53 companies in the S&P 500 with at least 25 consecutive years of dividend growth. Since its inception in 2005, NOBL's index has outperformed the S&P 500 (11.04% vs. 9.39% annual return) with lower volatility.

PROSHARES DIVIDEND GROWERS ETFS

NOBL
S&P 500
Dividend Aristocrats

REGL
S&P MidCap 400
Dividend Aristocrats

SMDV
Russell 2000
Dividend Growers

EFAD
MSCI EAFE
Dividend Growers

EUDV
MSCI Europe
Dividend Growers

EMDV
MSCI Emerging Markets
Dividend Growers

Visit ProShares.com to learn more

NOBL performance as of 9/30/18: NAV 14.81% one year; 13.03% since inception (10/9/2013); Market Price 14.83% one year; 13.02% since inception. Source: ProShares, Bloomberg. Performance quoted represents past performance and does not guarantee future results. Investment return and principal value will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained at ProShares.com.

NOBL's total operating expenses are 0.35%. The inception date of the S&P 500 Dividend Aristocrats Index is 5/2/2005; annualized returns and volatility are 5/2/2005 through 9/30/2018. Each index and its ETF targets consecutive years of dividend growth as follows: 25 years for NOBL, 15 years for REGL, 10 years each for SMDV, EFAD and EUDV, and 7 years for EMDV. There is no guarantee dividends will be paid. Companies may reduce or eliminate dividends at any time, and those that do will be dropped from the indexes at reconstitution. Indexes are unmanaged and one cannot invest directly in an index. Investing involves risk, including the possible loss of principal. There is no guarantee any ProShares ETF will achieve its investment objective. These ProShares ETFs are diversified and entail certain risks, including imperfect benchmark correlation and market price variance, that may decrease performance. Investments in smaller companies typically exhibit higher volatility. International investments may involve risks from: geographic concentration, differences in valuation and valuation times, unfavorable fluctuations in currency, differences in generally accepted accounting principles, and from economic or political instability. In emerging markets, many risks are heightened, and lower trading volumes may occur. Please see summary and full prospectuses for a more complete description of risks.

Carefully consider the investment objectives, risks, charges and expenses of ProShares before investing. This and other information can be found in summary and full prospectuses. Read them carefully before investing. Obtain them from your financial advisor or broker-dealer representative or visit ProShares.com.

The "S&P 500® Dividend Aristocrats®" Index is a product of S&P Dow Jones Indices LLC and its affiliates and has been licensed for use by ProShares. "S&P®" is a registered trademark of Standard & Poor's Financial Services LLC ("S&P") and "Dow Jones®" is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones") and have been licensed for use by S&P Dow Jones Indices LLC and its affiliates. ProShares have not been passed on by S&P Dow Jones Indices LLC and its affiliates as to their legality or suitability. ProShares based on the S&P 500 Dividend Aristocrats Index are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or their respective affiliates, and they make no representation regarding the advisability of investing in ProShares. THESE ENTITIES AND THEIR AFFILIATES MAKE NO WARRANTIES AND BEAR NO LIABILITY WITH RESPECT TO PROSHARES. ProShares are distributed by SEI Investments Distribution Co., which is not affiliated with the funds' advisor. © 2018 PSA AD-2018-3801