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NEWSPAPER | VOL. 23, NO. 4 |

InvestmentNews®

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THE LEADING INFORMATION SOURCE FOR FINANCIAL ADVISERS
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Building a home for RIAs

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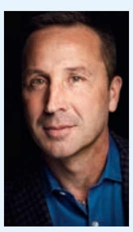
EDITOR'S NOTE

In memoriam

Last week was difficult for many of us at *InvestmentNews*, as we learned of the passing of William T. "Bill" Bisson Jr., our founding publisher.

Many things can be said about Bill. He was intelligent and creative, and beneath his tough exterior was a man who cared deeply about the people who worked for him. He also cared deeply about the integrity of journalism.

As a young reporter covering mutual funds for *InvestmentNews* in the late '90s, I wrote series of articles that were critical of the chief executive of a large mutual fund company that purchased a lot of advertising in *InvestmentNews*. Soon after those articles were published, the company pulled the plug on a year's worth of advertising in the magazine. Bill's advice to me? "Stay on it. Our readers need to know."



FRED GABRIEL

Suzanne Siracuse, who succeeded Bill as publisher of *InvestmentNews* in 2006, credits him with being one of the most influential people in her professional life. "He was undoubtedly both a mentor and a supporter of mine," she said. "I learned that passion and enthusiasm are critical to success. Most importantly, I learned to lead with integrity."

I'll end with this. The word "visionary" gets tossed around a lot, but in Bill's case, it's entirely appropriate. Bill didn't see the financial advice industry for what it was 20 years ago; he saw it for what it would become — a profession, a profession made up of men and women who had answered a calling to protect the financial dreams of ordinary Americans.

That's what I would say about Bill.

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Raymond James buys into RIA M&A trend

BY JEFF BENJAMIN

RAYMOND JAMES FINANCIAL'S announcement last Wednesday that it plans to acquire Silver Lane Advisors signals a recognition of the growing merger and acquisition opportunities in the wealth management business.

Silver Lane is a boutique investment bank specializing in M&A in the financial services sector, particularly the registered investment advisory space.

James Bunn, president of global equities and investment banking for Raymond James, said advising on M&A has become the fastest-growing part of the firm's investment banking operation in the past few years. But Raymond James' 400-person investment bank did not have anyone focused on the wealth management industry, he said.

Following the deal, which is expected to close in April, Silver Lane's 10 professionals will join the 40 Raymond James investment bankers who cover banks and thrifts, asset and wealth managers, insurance companies and specialty finance.

Liz Nesvold, Silver Lane's founder, will head up asset and wealth management investment banking after the acquisition.

'A PIECE OF THE ACTION'

Jason Carver, vice president of mergers and acquisitions at Carson Group, said the deal reflects the increased pace of consolidation within the RIA space.

"Raymond James clearly sees Silver Lane as a source to capture a piece of the action to what they are seeing on the RIA and brokerage side," he said. "As M&A continues to pick up steam and more players are looking to get a piece of the action, we wouldn't be surprised to see similar moves like this in the future."

Terms of the deal were not disclosed.

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BlackRock leak just human error

BlackRock Inc. made headlines last week with a series of stories about its accidental exposure of confidential information on about 20,000 financial advisers. The data, on advisers with LPL Financial, Envestnet and Axa Equitable, leaked onto BlackRock's iShares exchange-traded funds website.

RYAN W. NEAL

ONTECHNOLOGY

The story comes at a time of heightened sensitivity to data and cybersecurity issues across the financial services industry, and some advisers worried what the leak meant for them.

BlackRock is the largest asset manager in the world. If a firm with those resources can't protect information, what chance does the small, independent adviser have?

"Every one of these events is potentially another chink in the armor of a system that needs to

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Unpaid arbitration awards are a stain on securities industry

BRUCE KELLY

ONADVICE

Deadbeat brokers and firms are a persistent problem for the arbitration system managed by the Financial Industry Regulatory Authority Inc.

When investors believe they are wronged by a broker or firm and have lost money, they file a claim through the arbitration system. Investors are forced into the arbitration system under the contracts most broker-dealers require them to sign when they become customers. In most instances, an individual cannot file a civil claim against a broker-dealer in court.

There's a big problem with this system. Winning a claim in arbitration doesn't mean an investor can count on actually receiving the money awarded by the arbitration panel hearing the claim. If a firm goes belly up, it can escape paying an investor's claim.

The same goes for an individual broker. When he declares bankruptcy, investors get in line with all the other creditors banging on the broker's door for money owed on everything from credit card bills and loans from an ex-wife, to payments on his luxury yacht.

The securities industry has long enjoyed the privilege of using arbitration to settle claims. Industry rules do not require broker-dealers or their customers to enter into arbitration agreements, but they have been standard since a 1987 Supreme Court decision upholding their enforceability.

KEY POINTS

- Deadbeat brokers and firms are a big problem.
- Investors are forced into arbitration through brokerage contracts.

EXPLANATIONS RARELY GIVEN

Arbitrators rarely give explanations for their decisions to rule in favor of or against a firm, making the arbitration panels opaque in an industry that claims it strives for transparency.

It's true that the Finra arbitration system works effectively in many cases. Broker-dealers pay the majority of money awarded to investors who sue using Finra arbitration. In 2017, Finra panels made decisions that awarded $84 million. Of that amount, $21 million, or $25%, was not paid.

INDUSTRY WANTS IT BOTH WAYS

Unpaid arbitration awards are an ugly stain on the securities industry. Brokers and firms from 2013 to 2017 failed to pay $167 million in arbitration awards to customers that Finra hearing panels had approved.

The securities industry wants to have it both ways. Brokerage firms should not be able to have contracts that require arbitration for its customers and then turn its back on those same customers when they win a claim against a deadbeat firm or broker.

Rafael Golan, a broker in Delray

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LPL reacts to Ohio National's 'violation of trust'

BY GREG IACURCI

LPL FINANCIAL, the country's largest independent broker-dealer, has renegotiated its contracts with all of its variable annuity partners in the wake of Ohio National Financial Services Inc.'s surprise announcement that it would no longer pay trail commissions to some advisers.

LPL executives sent a memo to its 16,000-plus advisers last Thursday affirming that the brokerage amended contracts with the 15 insurance companies whose variable annuity products LPL brokers can currently sell to clients.

MORE
Readers weigh in on annuity buyout.
PAGE 18

The letter, signed by Rob Pettman, executive vice president of products and platform management, said LPL engaged the insurers following Ohio National's "recent unfortunate business decisions" in order to ensure advisers' trail commissions are contractually protected.

The move, Mr. Pettman told *InvestmentNews*, is also meant to set nervous advisers at ease about selling variable annuities in the future.

"This was a serious violation of trust and one that has the potential to impact the industry as a whole," Mr. Pettman said of Ohio National's decision around trail commissions.

"We need to make sure this doesn't happen again," he added. "There's a lot of nervousness about this being precedent-setting, and we thought it was important to ease advisers' concerns."

Some advisers stand to lose a lot of money because of Ohio National's policy, which took effect in mid-December and affected advisers who'd sold ONcore variable annuities with a guaranteed minimum income benefit rider. One LPL broker, Lance Browning — who filed a class-action lawsuit against Ohio National — stands to lose $89,000 a year, for example.

Lisa Doxsee, a spokeswoman for Ohio National, declined comment for this story, citing pending litigation.

LOSS FOR B-Ds

Broker-dealers, which keep a portion of advisers' commissions, also stand to lose some money. LPL generated $144 million in revenue from variable annuity trailing commissions in the third quarter, 49% of the firm's total revenue from trailing commissions. It's unclear what portion comes from Ohio National products.

Tamiko Toland, head of annuity research at Cannex Financial Exchanges, said she expects other brokerage firms to try going through similar negotiations with insurers as LPL.

"They're just covering themselves," Ms. Toland said. "Now they realize there's a potential gap."

Since early November, several independent broker-dealers have sued Ohio National as well,

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"I SEE PEOPLE LOOKING FOR SECOND OPINIONS A LOT MORE DURING THESE MORE VOLATILE MARKETS."

ERIC WALTERS, PRESIDENT, SILVERCREST WEALTH PLANNING

For more on advisory clients seeking second opinions, see **Page 26**

LPL sues former broker

BY BRUCE KELLY

LPL FINANCIAL is suing a broker it fired last summer after a dispute surfaced between the broker and his ex-wife over the disposition of funds in their joint brokerage accounts.

Last Tuesday, LPL sued the ex-broker, Christopher Lossing, in U.S. District Court in Nevada, according to a court complaint.

Formerly a broker with Edward Jones, Mr. Lossing was hired by LPL in July 2016 and worked in a branch in Las Vegas, according to his profile on BrokerCheck.

During his time with LPL, Mr. Lossing opened three investment accounts on behalf of himself and his wife, Gabriela Canales: a trust account, a traditional IRA and a Roth IRA, according to LPL's complaint. Those accounts were held jointly by the couple, and Mr. Lossing was the account manager.

DIVORCE FILING

In October 2016, Ms. Canales filed for divorce from Mr. Lossing, according to LPL's complaint. A year and a half later, in March 2018, Ms. Canales was granted a divorce and was awarded all of the money in the three jointly held accounts.

But Ms. Canales never received the money from the accounts. Mr. Lossing submitted forms to LPL to move the money and distribute the funds in violation of the divorce decree, according to the complaint. As a result of a system error, LPL processed his request.

Mr. Lossing's family law attorney later told LPL and Ms. Canales that Mr. Lossing had removed the funds, according to the complaint. In June 2018, LPL opened an investigation into the matter, fired him and then soon after settled the matter with Ms. Canales for $292,000, plus a portion of attorneys' fees.

Mr. Lossing could not be reached to comment. A spokesman for LPL, Jeff Mochal, did not comment.

The Financial Industry Regulatory Authority Inc. barred Mr. Lossing last month, according to his BrokerCheck report. He had earlier been suspended.

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$650 million Morgan team goes independent

INVESTMENTNEWS

ADVISERS WHO worked as the 360 Group and managed $650 million at Morgan Stanley in Great Neck, N.Y., have formed Opal Wealth Advisors, a registered investment adviser with offices in Jericho, N.Y. Both communities are Long Island suburbs of New York City.

The firm will use Schwab as its custodian and Purshe Kaplan Sterling as its broker-dealer. Its founders are Lee Korn, Jesse Giordano and Joseph Filosa.

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OPINION

EDITORIAL / LETTERS / OP-ED / GUEST BLOGS

Get ready for ramped-up enforcement on cybersecurity

IF CYBERSECURITY isn't a top priority at your firm, you might have been hacked already.

Long gone are the days of just adopting formal cybersecurity policies and procedures and considering your business and your clients covered.

Thanks to an increased focus on cybersecurity by industry regulators, data breaches and hacks might be only the start of your troubles.

Just ask the folks at Voya Financial Advisors about having to fork over $1 million in September after the Securities and Exchange Commission homed in on a data breach that compromised the personal information of thousands of customers.

In Voya's case, there was a cybersecurity policy in place and it responded to the 2016 breach within hours.

But the SEC, underscoring its ramped-up focus on cybersecurity, said Voya's policies and procedures were out-of-date and that the firm failed to do enough to ensure they applied to its entire workforce of financial advisers.

AN EMAIL PHISHING SCAM

Bringing it down to the individual adviser level, consider the fate of Deming Payne, a former Charles Schwab broker who was tricked by an email phishing scam into wiring nearly $800,000 to someone impersonating one of his clients.

Mr. Deming, who resigned from Schwab in 2017 after admitting he violated firm policy regarding the documentation of outbound calls, was fined $5,000 and suspended for 90 days earlier this month by the Financial Industry Regulatory Authority Inc.

> **RECOGNIZE THAT CYBERSECURITY IS NOT JUST ONE PERSON'S JOB.**

As *InvestmentNews* technology reporter Ryan W. Neal detailed recently, after a decade of stern warnings, federal and state regulators are rolling up their sleeves and ramping up for "a watershed year for holding firms accountable for clients' digital data."

The so-called honeymoon period is over and regulators plan to come down hard on firms that are not making cybersecurity a top priority.

With that in mind, a handful of cybersecurity experts shared the following tips for guarding against data breaches:

- Recognize that cybersecurity is not just one person's job.
- Even if there is a designated cybersecurity officer, there should be continuous collaboration amongst executives to demonstrate shared ownership of the responsibility.
- The importance of cybersecurity should be expressed from the top down, which illustrates and underscores the importance of taking it seriously throughout the firm.
- Don't overlook physical security risks in the form of unsecured servers or hard copies of client information lying around in plain view.
- Create a cross-disciplinary team to meet regularly to discuss cybersecurity risks, which helps spread responsibility beyond just the IT staff.
- Develop an understanding of how all confidential information is shared, and how far down the stream the data is going.

If the risk of hacks and regulatory enforcement isn't enough to move you to take cybersecurity more seriously, try thinking of it as a competitive advantage.

LETTERS

Thumbs down on climate blog

I am reading the Jan. 14 edition of *InvestmentNews*.

Your guest blog taking up two-thirds of the right-hand Page 7 ["How investors fight climate change matters"] reads like a proselytizing manifesto written by some far-left academic stooge.

I'd be curious to know how he eats his own cooking.

I get enough of this crap in my daily diet on social media and the Fake News media. I don't need to read about this nonsense in the trade journals.

Stick to facts and investing, not the repugnant social justice warrior baby food that gets spoon-fed to us endlessly.

Andy Meehan
President
Andrew M. Meehan Inc.
Holland, Pa.

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

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Production Manager: Paul Vaccari

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Audit Bureau of Circulations

PLEASE RECYCLE THIS NEWSPAPER

INDEPENDENT BROKER-DEALERS ARE TRYING TO HOLD ONTO AND ATTRACT ADVISERS WHO WANT TO GO FEE-ONLY

CREATING SPACE

BY BRUCE KELLY

AFTER WORKING for more than 25 years in the securities industry, first as a broker and then as a hybrid adviser, Nathan Bachrach dropped his Financial Industry Regulatory Authority Inc. registration in 2012 and became a fee-only adviser.

Mr. Bachrach is now the CEO of Simply Money Advisors, an $800 million branch of Hanson McClain Advisors. As such, he is one of thousands of brokers who have made the switch to the RIA channel, giving up the security of working for an independent broker-dealer or wirehouse for the freedom — and possibly added income — of working for themselves.

The independent and hybrid RIA channel has increased its adviser head count to 63,000, up 21% in the past five years, according to industry research firm Cerulli Associates.

During the same time frame, the number of RIA firms grew from approximately 15,500 to nearly 17,000, according to Cerulli.

After watching all these brokers flee their firms these past few years, more IBDs are investigating ways of holding onto these so-called breakaway brokers by carving out a new home for them. But the challenge is transforming intentions into a workable business model. The devil, as they say, is in the details. How do IBDs come up with RIA platforms that fulfill the broker or hybrid adviser's goal of a fee-only practice, while addressing issues such as ongoing product income?

"Variable annuity trails, 12b-1 fees, life insurance commissions — the typical adviser with $100 million in assets under management can't afford to lose that revenue," Mr. Bachrach said. "If such an adviser generates $850,000 in revenue for his firm, 40% of the profit can easily come from brokerage or insurance commissions. How much is the broker-dealer willing to commit to the business development of advisers who want to make that move from a hybrid to an RIA only?

"To go from hybrid to 100% fiduciary, you either have to have deep pockets or a partner that really wants to help the adviser and give financing of some sort or business development support," Mr. Bachrach said. "It could be books, seminars, media, connections to trade or local business groups — any way to increase clients.

"ADVISERS ALL STARTED OUT IN THE SWAMP — COMMISSIONS, CONFLICTS, THAT'S THE SWAMP — AND WE'RE TRYING TO PULL OURSELVES OUT."

NATHAN BACHRACH, CEO
SIMPLY MONEY ADVISORS

"The constant question is, how do I get to the cleanest, most straightforward relationship with the client," he said. "Advisers all started out in the swamp — commissions, conflicts, that's the swamp — and we're trying to pull ourselves out and get cleaned up. With these new broker platforms, the firms are going to have to spell it out for advisers how to move to the RIA side."

Shirl Penney, CEO of Dynasty Financial Partners, which helps breakaway brokers set up their own RIAs, said it is not only advisers who are driving the trend toward fee-only. He said clients are becoming smarter and more sensitive to the different ways in which advisers are getting paid.

"As more clients continue to understand these conflicts and true fiduciary-minded advisers become more focused on them, the march to the pure RIA model for clients and advisers will only accelerate," Mr. Penney said.

CLIENTS SENSITIVE TO PAY MODELS

"The massive growth is on the RIA side," said Jodie Papike, president of Cross-Search, a recruiting firm. "Most broker-dealers are defensive of that and are fearful of evolving. [On the other hand] being a totally independent RIA is clearly not for all advisers. The problems facing the broker-dealers is to figure out how to structure the services for breakaway brokers and then what to charge them."

Commonwealth Financial Network, LPL Financial and Wells Fargo Advisors, which operates an independent channel called FiNet in addition to its wirehouse, are in different stages of introducing a variety of new platforms in an effort to hang onto or recruit these brokers and hybrids. Major players such as Raymond James Financial Inc. and Cambridge Investment Research

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FOR RIAs

8 DEVELOPMENTS TO WATCH IN THE IBD INDUSTRY IN 2019

Regulatory upheaval, M&A, recruiting shake-ups and kerfuffles over client relationships will continue to rock advisers' and broker-dealers' worlds in the new year. Here are 8 hot topics to keep an eye on in 2019.

FSI to turn to states for independent status

For years, the Financial Services Institute, which represents independent broker-dealers and financial advisers, has been working to advance legislation that would define independent advisers as independent contractors rather than employees.

The atmosphere around the issue could change now that Democrats have taken control of the House of Representatives. Traditionally, the party has sought to tighten worker classifications so that fewer employers could define their workers as independent contractors and provide fewer benefits.

Partly as a result, expect FSI to turn its attention to lawmakers in individual states to help ensure independent financial advisors are appropriately classified as independent contractors at the state level.

— *Mark Schoeff Jr.*

Regulation Best Interest may be challenged

The centerpiece of the Securities and Exchange Commission's investment advice reform proposal, Regulation Best Interest, would usher in a litany of new requirements for broker-dealers, including written disclosures about fees and conflicts of interest, such as the sale of proprietary products or recommendations regarding high-fee mutual fund share classes.

If adopted in its current form, look for brokers to fight its adoption. "The disclosures in the proposal set a very high bar compared to the current standard," said David Tittsworth, counsel at Ropes & Gray and former CEO of the Investment Adviser Association.

— *Mark Schoeff Jr.*

TOP INDEPENDENT BROKER-DEALERS 2019

IN | TOP INDEPENDENT BROKER-DEALERS 2019

The 2019 *InvestmentNews* independent broker-dealer directory is based on information provided by 75 eligible firms. To be considered for future listings, contact INResearch@investmentnews.com.
Visit InvestmentNews.com/bddata for complete profiles.

				Payout ratio by gross production				
Firm/parent company (if any)	**Phone/website/CEO[1]**	**Recruiting contact**	**Product**	**$0-$249,999**	**$250,000-$499,999**	**$500,000-$749,999**	**$750,000-$999,999**	**$1M and greater**
Alden Securities	(215) 572-8700	John Mulqueen	Mutual funds	75%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	aldensecurities.com	(215) 572-8700	Securities	75%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	Lee Calfo	john@aldensecurities.com	Insurance	75%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	75%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	76%-80%	76%-80%	76%-80%	76%-80%	76%-80%
American Portfolios Financial Services Inc.	(631) 439-4600	Tim O'Grady	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	96%-100%
American Portfolios Holdings Inc.	americanportfolios.com	(800) 889-3914 ext. 285	Securities	86%-90%	86%-90%	91%-95%	91%-95%	96%-100%
	Lon T. Dolber	tograd y@americanportfolios.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	96%-100%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	96%-100%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	96%-100%
Ameriprise Financial Services Inc.	(612) 671-3131	Manish Dave	Mutual funds	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
Ameriprise Financial	joinameriprise.com	(612) 671-0932	Securities	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
	Jim Cracchiolo	manish.p.dave@ampf.com	Insurance	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
			Variable annuities	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
			Limited partnerships	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
Ameritas Investment Corp.	(800) 335-9858	Brandon Mann	Mutual funds	60%-75%	75%-83%	83%-86%	86%-89%	90%-94%
Ameritas Life Insurance Co.	ameritas.com	(402) 325-4185	Securities	60%-75%	75%-83%	83%-86%	86%-89%	90%-94%
	Cheryl Heilman (president)	brandon.mann@ameritas.com	Insurance	60%-75%	75%-83%	83%-86%	86%-89%	90%-94%
			Variable annuities	60%-75%	75%-83%	83%-86%	86%-89%	90%-94%
			Limited partnerships	60%-75%	75%-83%	83%-86%	86%-89%	90%-94%
Arete Wealth Management	(312) 940-3684	Joshua Rogers	Mutual funds	76%-80%	81%-85%	81%-85%	86%-90%	86%-90%
	aretewealth.com	(312) 940-3684	Securities	76%-80%	81%-85%	81%-85%	86%-90%	86%-90%
	Joshua Rogers	joshua.rogers@aretewealth.com	Insurance	76%-80%	81%-85%	81%-85%	86%-90%	86%-90%
			Variable annuities	76%-80%	81%-85%	81%-85%	86%-90%	86%-90%
			Limited partnerships	76%-80%	81%-85%	81%-85%	86%-90%	86%-90%
AXA Advisors	(212) 554-1234	Cheryl Natoli	Mutual funds	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
AXA Financial Inc.	us.axa.com	(980) 308-8242	Securities	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
	David Karr	cheryl.natoli@axa.us.com	Insurance	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Variable annuities	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Berthel Fisher & Co. Financial Services Inc.	(319) 447-5700	Vern Coates	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
Berthel Fisher & Co.	berthel.com	(800) 356-5234	Securities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	Thomas J. Berthel	vcoates@berthel.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
Cadaret, Grant & Co. Inc.	(800) 288-8601	Kevin Beard	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	Negotiated
AWS 4 Inc.	cadaretgrant.com	(646) 887-9023	Securities	86%-90%	86%-90%	86%-90%	86%-90%	Negotiated
	Douglas J Ketterer	kevin.beard@atriawealth.com	Insurance	86%-90%	86%-90%	86%-90%	86%-90%	Negotiated
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	Negotiated
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	Negotiated

[1] If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles.

Source: *InvestmentNews Data*

8 DEVELOPMENTS TO WATCH IN THE IBD INDUSTRY IN 2019

Figuring out how to pay for unpaid arbitration awards

Last year, Sen. Elizabeth Warren, D-Mass., gained bipartisan momentum for legislation that would require the Financial Industry Regulatory Authority Inc. to create a fund using fine proceeds to cover unpaid arbitration awards, a growing problem for the regulator. She will likely reintroduce the bill in the current Congress. The Financial Services Institute opposes such a fund, arguing that it would penalize honest firms and impose a hardship on small brokerages.

— Mark Schoeff Jr.

LPL ups the ante for recruits

In 2018, LPL Financial shook up its competitors when it offered an unprecedented recruiting package: 50 basis points on assets under management transferred to LPL's corporate RIA or under home office supervision. LPL's appetite for assets on its own RIA platform has not abated. This year, look for the firm to introduce even more lucrative recruiting deals.

— Bruce Kelly

TOP INDEPENDENT BROKER-DEALERS 2019

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production: $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
Calton & Associates Inc.	(813) 264-0440	Paul Richardson	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	calton.com	(800) 942-0262	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Dwayne K. Calton (president)	prichardson@calton.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Cambridge Investment Research Inc.	(800) 777-6080	Kyle Selberg	Mutual funds	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	joincambridge.com	(800) 777-6080	Securities	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	Amy Webber	kyle.selberg@cir2.com	Insurance	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
			Variable annuities	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
			Limited partnerships	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
Centaurus Financial Inc.	(800) 880-4234	Kathy Swindell	Mutual funds	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Federation of Financial Services	www.joincfi.com	(800) 880-4234	Securities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
	J. Ronald King	kswindell@cfiemail.com	Insurance	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Variable annuities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Limited partnerships	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Century Securities Associates Inc.	(314) 342-4050	Terrence Frank	Mutual funds	51%-75%	81%-85%	86%-90%	86%-90%	86%-90%
Stifel Financial Corp.	centurysecurities.com	(800) 488-7994	Securities	51%-75%	81%-85%	86%-90%	86%-90%	86%-90%
	Allen Brautigam	frankt@stifel.com	Insurance	51%-75%	81%-85%	86%-90%	86%-90%	86%-90%
			Variable annuities	51%-75%	81%-85%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Cetera Advisor Networks	(800) 879-8100	JC Young	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	ceteraadvisornetworks.com	(310) 257-7300	Securities	N/D	N/D	N/D	N/D	N/D
	Tom Taylor	jc.young@ceteranetworks.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Cetera Advisors	(800) 929-3485	Michael Murray	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	ceteraadvisors.com	(619) 702-9698	Securities	N/D	N/D	N/D	N/D	N/D
	Brett L. Harrison	mike.murray@cetera.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Cetera Financial Institutions	(800) 245-0467	Sean Casey	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	ceterafinancialinstitutions.com	(800) 245-0467	Securities	N/D	N/D	N/D	N/D	N/D
	LeAnn Rummel	sean.casey@ceterafi.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Cetera Financial Specialists	(888) 528-2987	James Alagna	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	ceterafinancialspecialists.com	(847) 330-7828	Securities	N/D	N/D	N/D	N/D	N/D
	Gregg A. Ruvoli	not provided	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
CFD Investments Inc.	(800) 745-7776	Jerry Cronenwett	Mutual funds	N/D	N/D	N/D	N/D	N/D
	joincfd.com, cfdinvestments.com	(574) 536-9101	Securities	N/D	N/D	N/D	N/D	N/D
	Brent A. Owens (president)	jerry.cronenwett@cfdinvestments.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Commonwealth Financial Network	(866) 462-3638	Andrew Daniels	Mutual funds	50%-87%	86%-90%	86%-90%	86%-90%	90%-95%
	commonwealth.com	(866) 462-3638	Securities	50%-87%	86%-90%	86%-90%	86%-90%	90%-95%
	Wayne Bloom	adaniels@commonwealth.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	50%-87%	86%-90%	86%-90%	86%-90%	90%-95%
			Limited partnerships	50%-87%	86%-90%	86%-90%	86%-90%	90%-95%
Correll Co. Investment Services Corp.	(708) 599-2900	M. Nicole Correll	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	cciscinvestments.com	(708) 599-2900	Securities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	James C. Correll (president)	ncorrell@cciscinvestments.com	Insurance	Not offered	Not offered	Not offered	Not offered	Not offered
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Crown Capital Securities	(800) 803-8886	Darol Paulsen	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	crowncapitalsecurities.com	(800) 803-8886	Securities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	Darol K. Paulsen	dpaulsen@crowncapitalsecurities.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Cutter & Co. Inc.	(636) 537-8770	William Meyer	Mutual funds	81%-85%	81%-85%	86%-90%	86%-90%	90%-93%
	cutterco.com	(636) 537-8770	Securities	81%-85%	81%-85%	86%-90%	86%-90%	90%-93%
	Deborah M. Castiglioni	wlmeyer@cutter-co.com	Insurance	81%-85%	81%-85%	86%-90%	86%-90%	90%-93%
			Variable annuities	81%-85%	81%-85%	86%-90%	86%-90%	90%-93%
			Limited partnerships	81%-85%	81%-85%	86%-90%	86%-90%	90%-93%

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. N/D: Not disclosed.

Source: *InvestmentNews Data*

8 DEVELOPMENTS TO WATCH IN THE IBD INDUSTRY IN 2019

More brokers leave Wells Fargo Advisors for an IBD

IBDs over the past couple years have benefited greatly from the loss of brokers and advisers at Wells Fargo Advisors, many of whom were motivated to leave, in part, because of scandals at its parent company's bank. The firm lost an industry-leading 576 brokers in 2018, and while it claims the worst is over, expect the exodus to continue in 2019.

— Bruce Kelly

Sellers' market for big IBDs continues

The mega broker-dealer acquisition last year was private-equity firm Genstar Capital's purchase of Cetera Financial Group for a Bloomberg-reported $1.7 billion. Brokerage industry executives routinely marvel at the amount of private- equity money chasing brokerage and RIA assets. Given those conditions, another giant IBD acquisition is likely this year.

— Bruce Kelly

TOP INDEPENDENT BROKER-DEALERS 2019

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production: $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
David A. Noyes & Co.	(317) 634-6563	Matthew Reynolds	Mutual funds	N/D	N/D	N/D	N/D	N/D
Noyes Group	danoyes.com	(317) 633-1727	Securities	N/D	N/D	N/D	N/D	N/D
	Jim Dickson	mreynolds@sanctuarywealth.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Edward Jones	(314) 515-2000	Amanda Cain	Mutual funds	N/D	N/D	N/D	N/D	N/D
	edwardjones.com	not provided	Securities	N/D	N/D	N/D	N/D	N/D
	Penny Pennington	amanda.cain@edwardjones.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Equity Services Inc.	(800) 344-7437	Jeff Wood	Mutual funds	50%-85%	80%-85%	80%-85%	80%-85%	80%-85%
National Life Group	equity-services.com	(802) 229-7489	Securities	50%-85%	80%-85%	80%-85%	80%-85%	80%-85%
	Lance Reihl	jwood2@nationallife.com	Insurance	50%-85%	80%-85%	80%-85%	80%-85%	80%-85%
			Variable annuities	50%-85%	80%-85%	80%-85%	80%-85%	80%-85%
			Limited partnerships	50%-85%	80%-85%	80%-85%	80%-85%	80%-85%
First Allied Securities Inc.	(800) 336-8842	Michael Murray	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	firstallied.com	(619) 702-9698	Securities	N/D	N/D	N/D	N/D	N/D
	Brett L. Harrison	mike.murray@cetera.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Fortune Financial Services Inc.	(724) 846-2488	Gregory Bentley	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	fortunefinancialservices.com	(724) 846-2488	Securities	Not offered	Not offered	Not offered	Not offered	Not offered
	Gregory J. Bentley	gbentley@fortunefinancialservices.com	Insurance	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Founders Financial Securities	(888) 523-1162	Hank Multala	Mutual funds	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Founders Financial Inc.	foundersfinancial.com	(888) 523-1162 ext. 1257	Securities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
	Bradley M. Shepherd	hmultala@foundersfinancial.com	Insurance	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Variable annuities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Limited partnerships	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
FSC Securities Corp.	(800) 547-2382	Jason Moore	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Advisor Group	joinfsc.com	(770) 690-3507	Securities	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
	Derek Burke	jason.moore@fscorp.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Geneos Wealth Management Inc.	(888) 812-5043	Ryan Diachok	Mutual funds	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	geneoswealth.com	(303) 785-8470 ext.115	Securities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	Russell R. Diachok	rwdiachok@geneoswealth.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
H. Beck Inc.	(301) 944-5800	Scott Thorson	Mutual funds	N/D	N/D	N/D	N/D	N/D
Kestra Financial	www.hbeckinc.com	(301) 944-5800	Securities	N/D	N/D	N/D	N/D	N/D
	Michelle A. Barry (president)	sthorson@hbeckinc.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Harbour Investments Inc.	(888) 855-6960	Aaron Hager	Mutual funds	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
	harbourinv.com	(608) 662-6100	Securities	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
	Nick W. Sondel	ahager@harbourinv.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
			Limited partnerships	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
Hornor Townsend & Kent Inc.	(800) 873-7637	Dusten Long	Mutual funds	75%-85%	78%-85%	80%-85%	80%-85%	81%-85%
Penn Mutual Life Insurance Co.	htk.com	(215) 957-7285	Securities	75%-85%	78%-85%	80%-85%	80%-85%	81%-85%
	Tim N. Donahue	dlong@htk.com	Insurance	75%-85%	78%-85%	80%-85%	80%-85%	81%-85%
			Variable annuities	75%-85%	78%-85%	80%-85%	80%-85%	81%-85%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Independent Financial Group	(858) 436-3180	David Fischer	Mutual funds	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
	ifgsd.com	(800) 269-1903	Securities	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
	Joe H. Miller, Scott Heising,	dfischer@ifgsd.com	Insurance	86%-90%	90%-95%	91%-95%	91%-95%	91%-95%
	David A. Fischer (managing directors)		Variable annuities	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
Infinity Financial Services	(888) 888-5321	Connor McMahon	Mutual funds	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	infinitysecurities.com	(510) 588-8000	Securities	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
	Gregory Gilbert	connor@8financial.com	Insurance	Other	86%-90%	Other	Other	Other
			Variable annuities	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
			Limited partnerships	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. N/D: Not disclosed.

Source: *InvestmentNews Data*

8 DEVELOPMENTS TO WATCH IN THE IBD INDUSTRY IN 2019

IBDs will look for alts in face of market uncertainty

As the broad stock market continues to swing wildly, IBDs will continue to look for products for advisers to sell clients that are not correlated to equities. Firms will ramp up sales of alternative investments, particularly funds that invest in private equity, or hedge funds that promise steady returns.

— *Bruce Kelly*

Force behind bill to ease B-D audits will give it another try

A strong push to gain congressional approval of legislation to ease audit requirements for small broker-dealers fell short in December.

The bill would provide a less costly audit alternative for firms that don't custody client funds.

Paige Pierce, senior vice president of Larimer Capital Corp., intends to come back in the new Congress and try again to get the bill passed.

— *Mark Schoeff Jr.*

TOP INDEPENDENT BROKER-DEALERS 2019

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production: $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
Investacorp Inc.	(305) 557-3000	Leslie Vigil	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Ladenburg Thalmann Financial Services Inc.	investacorp.com	(305) 901-1825	Securities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Patrick C. Farrell	lvigil@investacorp.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Independent Financial Group	(858) 436-3180	David Fischer	Mutual funds	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
	ifgsd.com	(800) 269-1903	Securities	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
	Joe H. Miller, Scott Heising,	dfischer@ifgsd.com	Insurance	86%-90%	90%-95%	91%-95%	91%-95%	91%-95%
	David A. Fischer (managing directors)		Variable annuities	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	90%-91%	91%-95%	91%-95%	91%-95%
J.W. Cole Financial Inc.	(866) 592-6531	John Carlson	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	jw-cole.com	(866) 592-6531	Securities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Robert Wood (principal and owner)	john.carlson@jw-cole.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Kalos Capital Inc.	(678) 356-1100	Dan Meehan	Mutual funds	76%-80%	81%-85%	86%-90%	86%-90%	86%-90%
	joinkalos.com	(770) 407-5417	Securities	76%-80%	81%-85%	86%-90%	86%-90%	86%-90%
	Daniel L. Wildermuth	dmeehan@kalosfinancial.com	Insurance	Not offered	Not offered	Not offered	Not offered	Not offered
			Variable annuities	76%-80%	81%-85%	86%-90%	86%-90%	86%-90%
			Limited partnerships	76%-80%	81%-85%	86%-90%	86%-90%	86%-90%
Kestra Financial Inc.	(844) 553-7872	Daniel Schwamb	Mutual funds	65%-88%	88%-91%	91%-95%	91%-95%	91%-95%
	kestrafinancial.com	(737) 443-2400	Securities	65%-88%	88%-91%	91%-95%	91%-95%	91%-95%
	James L. Poer	daniel.schwamb@kestrafinancial.com	Insurance	65%-100%	88%-100%	92%-100%	93%-100%	93%-100%
			Variable annuities	65%-88%	88%-91%	91%-95%	93%-100%	91%-95%
			Limited partnerships	65%-88%	88%-91%	91%-95%	91%-95%	91%-95%
KMS Financial Services Inc.	(206) 441-2885	Howard Englehart	Mutual funds	65%-90%	90%-94%	91%-95%	91%-95%	96%-100%
Ladenburg Thalmann Financial Services Inc.	kms.com	(206) 441-2885 ext. 232	Securities	65%-90%	90%-94%	91%-95%	91%-95%	96%-100%
	Eric S. Westberg	englehart@kms.com	Insurance	65%-90%	90%-94%	91%-95%	91%-95%	96%-100%
			Variable annuities	65%-90%	90%-94%	91%-95%	91%-95%	96%-100%
			Limited partnerships	65%-90%	90%-94%	91%-95%	91%-95%	96%-100%
Kovack Securities Inc.	(866) 564-6574	Carlo Bidone Jr.	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Kovack Financial Cos.	joinksi.com	(954) 670-0616	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Ronald J. Kovack (chairman)	carlo@kovacksecurities.com	Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
LaSalle St. Securities	(800) 777-7865	Mark Contey	Mutual funds	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
	lasallest.com	(630) 600-0360	Securities	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
	Jack McDermott	mark@lasallest.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Lincoln Financial Network	(866) 533-3410	National recruiting team	Mutual funds	N/D	N/D	N/D	N/D	N/D
Lincoln Financial Group	JoinLFN.com	(866) 533-3410	Securities	N/D	N/D	N/D	N/D	N/D
	David S. Berkowitz (president,	joinLFN@LFG.com	Insurance	N/D	N/D	N/D	N/D	N/D
	Lincoln Financial Network)		Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Lincoln Investment Planning	(215) 887-8111	Thomas Lakatos	Mutual funds	Varies	Varies	Varies	Varies	Varies
Lincoln Investment Group Holdings	lincolninvestment.com	(215) 881-4657	Securities	Varies	Varies	Varies	Varies	Varies
	Edward Forst	tlakatos@lincolninvestment.com	Insurance	Varies	Varies	Varies	Varies	Varies
			Variable annuities	Varies	Varies	Varies	Varies	Varies
			Limited partnerships	Varies	Varies	Varies	Varies	Varies
LPL Financial	(888) 250-2420	Rich Steinmeier	Mutual funds	90%-92%	90%-92%	90%-93%	90%-94%	90%-98%
LPL Financial Holdings Inc.	lpl.com	(888) 250-2420	Securities	77%-79%	82%-84%	83%-86%	83%-87%	83%-91%
	Dan Arnold	not provided	Insurance	90%-92%	90%-92%	90%-93%	90%-94%	90%-94%
			Variable annuities	90%-92%	90%-92%	90%-93%	90%-94%	90%-94%
			Limited partnerships	90%-92%	90%-92%	90%-93%	90%-94%	90%-94%
M Holdings Securities Inc. (M Securities)	(503) 232-6960	Jeff Bear	Mutual funds	N/D	N/D	N/D	N/D	N/D
M Financial Group	mfin.com	not provided	Securities	N/D	N/D	N/D	N/D	N/D
	Bridget McNamara-Fenesy		Insurance	N/D	N/D	N/D	N/D	N/D
	(CEO, M Holdings Securities Inc.)		Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
MML Investors Services	(800) 542-6767	Daniel Flynn	Mutual funds	40%-80%	80%-82.5%	81%-85%	81%-85%	81%-85%
Massachusetts Mutual Life Insurance Co.	mmlinvestors.com	(980) 293-8141	Securities	40%-80%	80%-82.5%	81%-85%	81%-85%	81%-85%
	John Vaccaro	danielflynn@massmutual.com	Insurance	40%-80%	80%-82.5%	81%-85%	81%-85%	81%-85%
			Variable annuities	40%-80%	80%-82.5%	81%-85%	81%-85%	81%-85%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. N/D: Not disclosed.

Source: *InvestmentNews Data*

TOP INDEPENDENT BROKER-DEALERS 2019

				Payout ratio by gross production				
Firm/parent company (if any)	**Phone/website/CEO[1]**	**Recruiting contact**	**Product**	**$0-$249,999**	**$250,000-$499,999**	**$500,000-$749,999**	**$750,000-$999,999**	**$1M and greater**
Nationwide Planning Associates Inc.	(201) 476-0029	Michael De Pol	Mutual funds	Varies	Varies	Varies	Varies	Varies
	nationwideplanning.com	(201) 819-6204	Securities	Varies	Varies	Varies	Varies	Varies
	Michael J. Karalewich	mdepol@nationwideplanning.com	Insurance	Varies	Varies	Varies	Varies	Varies
			Variable annuities	Varies	Varies	Varies	Varies	Varies
			Limited partnerships	Varies	Varies	Varies	Varies	Varies
NEXT Financial Group Inc.	(877) 876-6398	Peter Delehanty	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
NEXT Financial Holdings Inc.	www.nextfinancial.com	(713) 375-2610	Securities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	Barry G. Knight (president)	pdelehanty@nextfinancial.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
Northwestern Mutual Investment Services	(866) 664-7737	Paul Shane	Mutual funds	N/D	N/D	N/D	N/D	N/D
The Northwestern Mutual Life Insurance Co.	northwesternmutual.com	(414) 665-3931	Securities	N/D	N/D	N/D	N/D	N/D
	Eva Marie Schoenborn	paulshane@northwesternmutual.com	Insurance	N/D	N/D	N/D	N/D	N/D
	(president, NMIS)		Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
The O.N. Equity Sales Co.	(877) 663-7267	Patrick McEvoy	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Ohio National Life Insurance Co.	joinonesco.com	(513) 797-3400	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Patrick H. McEvoy	patrick_mcevoy@ohionational.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Park Avenue Securities	(888) 600-4667	Frank Galdieri	Mutual funds	Set by agency	Set by agency	Set by agency	Set by agency	Set by agency
Guardian Life Insurance Co.	parkavenuesecurities.com	(212) 919-7063	Securities	Set by agency	Set by agency	Set by agency	Set by agency	Set by agency
	John Palazzetti (president)	frank_galdieri@glic.com	Insurance	Set by agency	Set by agency	Set by agency	Set by agency	Set by agency
			Variable annuities	Set by agency	Set by agency	Set by agency	Set by agency	Set by agency
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Parkland Securities	(800) 373-1612	Jennifer Bacarella	Mutual funds	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	parklandsecurities.com	(888) 744-6264	Securities	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Jerome Rydell (president)	jbacarella@bdops.com	Insurance	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
PlanMember Securities Corp.	(800) 874-6910	Kevin Twohy	Mutual funds	Other	86%-90%	N/D	91%-95%	90%+
	joinplanmember.com	(800) 874-6910 ext. 2209	Securities	N/D	N/D	N/D	N/D	N/D
	Jon Ziehl	ktwohy@planmember.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	N/D	86%-90%	N/D	N/D	Other
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Principal Securities Inc.	(888) 774-6267	Travis Borchardt	Mutual funds	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
Principal Life Insurance Co.	principal.com	(402) 434-5921	Securities	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
	Michael Murray	borchardt.travis@principal.com	Insurance	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
	(president, Principal Securities Inc.)		Variable annuities	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
			Limited partnerships	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
ProEquities Inc.	(800) 288-3035	Debra Grier	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Protective Life Corp.	joinproequities.com	(205) 268-4494	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Christopher Flint	deb.grier@proequities.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Prospera Financial Services Inc.	(972) 581-3000	Tim Edwards	Mutual funds	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
	www.prosperafinancial.com	(972) 581-3007	Securities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
	David W. Stringer	tim.edwards@prosperafinancial.com	Insurance	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
	(principal and president)		Variable annuities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Limited partnerships	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
Raymond James Financial Services Inc.	(866) 694-5807	Barry Papa	Mutual funds	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
Raymond James Financial	advisorchoice.com	(866) 694-5807	Securities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
	Paul Reilly	advisorchoicerecruiting@raymondjames.com	Insurance	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Variable annuities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Limited partnerships	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
Royal Alliance Associates Inc.	(800) 821-5100	Al Grilli	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Advisor Group	royalalliance.com	(212) 551-5650	Securities	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
	Dmitry Goldin	agrilli@royalalliance.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
SA Stone	(877) 378-3763	Stephen O'Neill	Mutual funds	N/D	N/D	N/D	N/D	N/D
INTL FC Stone	saswealth.com	(205) 414-3349	Securities	N/D	N/D	N/D	N/D	N/D
	Jay Carter	soneill@sterneagee.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
SagePoint Financial Inc.	(866) 462-4432	Genevieve Sisco	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Advisor Group	sagepointfinancial.com	(866) 462-4432	Securities	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
	Jeff Auld	joinus@spfi.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Securian Financial Services Inc.	(651) 665-3500	Robert Subjects	Mutual funds	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
Securian Financial Group Inc.	securian.com	(651) 665-5887	Securities	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
	George Connolly	robert.subjects@securian.com	Insurance	Up to 89%	Up to 91%	Up to 92%	Up to 92%	Up to 93%
			Variable annuities	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Securities America Inc.	(800) 747-6111	Gregg Johnson	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Ladenburg Thalmann Financial Services Inc.	securitiesamerica.com	(800) 747-6111	Securities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
	Jim Nagengast	gjohnson@saionline.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Securities Management and Research	(800) 526-8346	Vern Coates	Mutual funds	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
One Financial Inc.	smrinvestments.com	(800) 526-8346	Securities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	Thomas J. Berthel	vcoates@smrinvestments.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. N/D: Not disclosed.

Source: *InvestmentNews Data*

TOP INDEPENDENT BROKER-DEALERS 2019

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production: $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
Securities Service Network	(855) 382-8754	Landon Moore	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Ladenburg Thalmann Financial Services Inc.	joinssn.com	(855) 382-8754	Securities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
	Wade S. Wilkinson	landon.moore@ssnetwork.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	81%-85%	81%-85%	81%-85%	81%-85%	81%-85%
Sigma Financial Corp.	(888) 744-6264	Jennifer Bacarella	Mutual funds	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	sigmafinancial.com	(888) 744-6264	Securities	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Jerome Rydell (president)	jbacarella@bdops.com	Insurance	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	75%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Spire Investment Partners	(703) 748-5800	LauraMarie Ross	Mutual funds	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	spireip.com	(703) 748-5837	Securities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	David L. Blisk	lauramarie.ross@spireip.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	81%-85%	91%-95%	86%-90%	86%-90%	86%-90%
St. Bernard Financial Services Inc.	(479) 967-1200	Robert Keenan	Mutual funds	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
	stbernardfinancial.com	(479) 967-1200	Securities	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
	Robert Keenan	rkeenan@stbernardfinancial.com	Insurance	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
			Variable annuities	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
The Strategic Financial Alliance Inc.	(678) 954-4000	Jamie Mackay	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
SFA Holdings Inc.	thesfa.net	(678) 954-4058	Securities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
	Clive Slovin	jmackay@thesfa.net	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
Summit Brokerage Services Inc.	(800) 354-5528	Vincent Chiera	Mutual funds	N/D	N/D	N/D	N/D	N/D
Cetera Financial Group	joinsummit.com	(800) 354-5528	Securities	N/D	N/D	N/D	N/D	N/D
	Marshall T. Leeds	vchiera@summitbrokerage.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Thurston Springer Miller Herd & Titak	(317) 581-4000	Todd Kost	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Thurston Springer Financial	thurstonspringer.com	(317) 889-8689	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Richard Parker	tkost@thurstonspringer.com	Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Transamerica Financial Advisors Inc.	(770) 248-3271	Matt Chambers	Mutual funds	N/D	N/D	N/D	N/D	N/D
AUSA Holding Co., an Aegon company	http://www.tfaconnect.com/	(801) 372-6797	Securities	N/D	N/D	N/D	N/D	N/D
	George Chuang (president)	matt.chambers@transamerica.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Triad Advisors	(800) 720-4003	Nathan Stibbs	Mutual funds	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
Ladenburg Thalmann Financial Services Inc.	triad-advisors.com	(800) 720-4003	Securities	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
	Jeff Rosenthal	nathan@triad-advisors.com	Insurance	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
			Variable annuities	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
			Limited partnerships	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
Trustmont Financial Group Inc.	(724) 468-5665	Lacey Dochinez	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	trustmontgroup.com	(724) 468-5665	Securities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	Anthony C. Hladek (president)	lmd@trustmontgroup.com	Insurance	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
United Planners Financial Services	(800) 966-8737	Sheila Cuffari-Agasi	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
United Planners Financial Services	unitedplanners.com	(800) 966-8737 ext. 240	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	David A. Shindel	sjcuffari@unitedplanners.com	Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Veritas Independent Partners	(501) 358-6131	Debra Shannon	Mutual funds	81%-85%	86%-90%	86%-90%	88%-91%	88%-91%
	veritasindependentpartners.com	(501) 358-6131	Securities	81%-85%	86%-90%	86%-90%	88%-91%	88%-91%
	Gail Murdoch	debra@veritasmail.com	Insurance	81%-85%	86%-90%	86%-90%	88%-91%	88%-91%
			Variable annuities	81%-85%	86%-90%	86%-90%	88%-91%	88%-91%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Voya Financial Advisors Inc.	(800) 356-2906	Doug Wallace	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 95%	Up to 92%
Voya Financial	voyafinancialadvisors.com	(855) 698-4900	Securities	N/D	N/D	N/D	N/D	N/D
	Thomas Halloran (president)	douglas.wallace@voya.com	Insurance	Up to 90%	Up to 90%	Up to 92%	Up to 95%	Up to 92%
			Variable annuities	Up to 90%	Up to 92%	Up to 92%	Up to 95%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 95%	Up to 92%
Waddell & Reed Financial Advisors	(913) 236-2000	David Call	Mutual funds	Up to 75%	76%-80%	81%-85%	86%-90%	91%-95%
Waddell & Reed Financial Inc.	joinwaddell.com	(913) 236-3994	Securities	Up to 75%	76%-80%	81%-85%	86%-90%	91%-95%
	Shawn Mihal (president)	dcall1@waddell.com	Insurance	Up to 75%	76%-80%	81%-85%	86%-90%	91%-95%
			Variable annuities	Up to 75%	76%-80%	81%-85%	86%-90%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Wells Fargo Advisors Financial Network	(866) 485-5383	Alex David	Mutual funds	N/D	N/D	N/D	N/D	N/D
	wfafinet.com	(314) 875-3950	Securities	N/D	N/D	N/D	N/D	N/D
	Kent Christian (president)	alex.david@wellsfargoadvisors.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Woodbury Financial Services	(800) 800-2638	Scott Little	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Advisor Group	joinwoodbury.com	(651) 702-1930	Securities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
	Rick Fergesen	scott.little@woodburyfinancial.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
	(president, Woodbury Financial Services)		Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
World Capital Brokerage Inc.	(888) 742-0631	Patrick Dukette	Mutual funds	50%-100%	50%-100%	50%-100%	50%-100%	50%-100%
	worldcapitalbrokerage.com	(303) 626-0601	Securities	50%-100%	50%-100%	50%-100%	50%-100%	50%-100%
	Timothy E. Taggart (president)	pdukette@worldcapitalbrokerage.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	50%-100%	50%-100%	50%-100%	50%-100%	50%-100%
			Limited partnerships	50%-100%	50%-100%	50%-100%	50%-100%	50%-100%

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. N/D: Not disclosed.

Source: *InvestmentNews Data*

CONTINUED FROM PAGE 8

Inc. introduced their fee-only, RIA platforms for brokers earlier this decade.

As you might expect in this hypercompetitive industry, the broker-dealers making the most noise about creating new RIA platforms are playing their cards extremely close to their vest. Details about their plans are sketchy, but that hasn't stopped them from forging ahead.

LPL Financial's largest affiliate, Private Advisor Group of Morristown, N.J., said this month it is launching a new platform its partners believe will give it the ability to attract wirehouse brokers who want to transition to the RIA channel.

WAIVING A FEE

The new wrinkle in Private Advisor Group's platform is LPL's waiving a five-basis-point fee it usually charges advisers who hold assets in custody at competing custodians, including Schwab Advisor Services and Fidelity Clearing & Custody Solutions. But it was not clear if other LPL branches would have the ability to offer the same five-basis-point discount.

> "THE … INDUSTRY HAS … TRANSITIONED FROM THE LEGACY COMMISSION MODEL TO A PRIMARILY FEE-BASED MODEL."
>
> JOHN ROONEY
> MANAGING PRINCIPAL
> COMMONWEALTH
> FINANCIAL NETWORK

Earlier this month, Wells Fargo Advisors opened the first of what it said will be several RIA offices around the country. Carl Schultz, a Wells Fargo private client group adviser in the Philadelphia area, was the first to sign up as an RIA affiliate.

NO PRESSURE

Mr. Schultz's firm, Forefront Wealth Management, uses the custodial services of First Clearing, which is a part of Wells Fargo Advisors. That may appear to be a conflict to some RIA executives, but Mr. Schultz said that he was under no pressure to custody assets with First Clearing.

He said he chose First Clearing in large part because the transition would be the easiest for his clients since they wouldn't have to fill out new account forms at a different firm.

"If I find Schwab is a better place to custody assets, I would move the assets there," Mr. Schultz said. "There's no restriction on custody of assets."

Commonwealth Financial Network has recently seen at least 75 of its 1,800 reps shift their business totally to fee-only from either commissions or a mix of commissions and fees.

To stay ahead of those brokers, the firm intends to launch a separately branded business for RIAs this year and compete with heavyweight custodians such as Schwab Advisor Services and TD Ameritrade Institutional.

"We're simply approaching this from the premise that the financial services industry has clearly transitioned from the legacy commission model to a primarily fee-based model, and now many advisers want to take it further and be fee-only," said John Rooney, managing principal at Commonwealth.

INCREASED INTEREST

Cambridge Investment Research Inc., an IBD that started a standalone RIA earlier this decade, has seen increased interest in the market recently.

"Cambridge has been more reactive in this space until now," said Colleen Bell, senior vice president and chief fiduciary service officer at the firm.

"Last year and this year we are being more proactive," she said. "This business is seeing more of an expansion, due to the increased interest of advisers in becoming fee-only advisers."

One factor that IBDs have going for them as they try to create a fee-only space is that they already have an ongoing relationship with advisers.

"In general, IBDs typically attribute acquiring or creating an RIA as a way to retain their most valuable advisory teams and assets," said Donnie Ethier, director of wealth management research and consulting for Cerulli Associates. "The idea is that if an advisory team is interested in going to the hybrid or RIA channels, it may be an easier transition to do so with their existing IBD."

"Of the 42% of IBD advisers that have at least considered opening an RIA in the past 12 months, 20% indicated they would likely retain affiliation with their current B-Ds' RIA platform, if it's an option," Mr. Ethier said. "Another one-third noted that they would consider it, but also explore other options."

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75% PORTION OF 401(K) PLANS THAT NOW USE COLLECTIVE INVESTMENT TRUSTS, UP FROM 44% IN 2011, ACCORDING TO A SURVEY BY CONSULTING FIRM CALLAN

INVESTMENTNEWS.COM/401KFEES

Readers weigh in on annuity buyout question

As a nation, we have become accustomed to divided politics. As a financial planning community, we have our own version of contentious issues, and one of those hot-button issues involves variable annuities.

When I asked *InvestmentNews* readers to weigh in on whether I should accept or reject a recent buyout offer for my annuity contract from Ohio National, the reaction was swift and vociferous. I feel as if I am facing my own Brexit moment: Should I stay, or should I leave?

KEY POINTS

- Ohio National offered the columnist about $92,000 to cancel her contract.
- The majority of commenters recommended that she reject the buyout offer.

MARY BETH FRANKLIN

ONRETIREMENT

Several readers expressed thanks for sharing the details of the buyout offer, giving them a way to sink their teeth into a real-life case study. I am equally grateful to the scores of readers who posted their recommendations in the comments section following the original article or emailed me directly with their detailed analyses.

The recommendations ranged from "retain the contract" to "dump the annuity," with a host of thoughtful strategies and important questions in-between.

To recap my situation, I used a portion of my qualified retirement savings to buy a deferred variable annuity with a guaranteed minimum income benefit, or GMIB, rider from Ohio National Insurance Co. in September 2009, six months after the stock market had hit its nadir, when the country was still ravaged by the Great Recession. With an eye toward my retirement, which would start in about 10 years, I wanted to create some future guaranteed income.

CONTRACT DESCRIPTION

I purchased an ONcore Flex contract with a GMIB rider that reset annually. My contract includes two balances: my actual account balance based on market performance, and a guaranteed benefit that continues to grow at least 6% per year or the highest anniversary value, whichever is higher.

The contract's annual mortality and expense fee is 1.5% of the cash value. The GMIB rider costs an additional 1.5% of the guaranteed amount. The contract allows me to withdraw up to 6% of the guaranteed amount each year without annuitizing. The withdrawals reduce the benefit base dollar-for-dollar. There is also a "no lapse" provision, which means my actual account balance could fall to near zero and I could still annuitize by age 85 based on the guaranteed benefit amount at that time for the rest of my life or for 10 years, whichever is longer.

My current account balance is about $324,000. The guaranteed amount is more than $508,000 — a spread of about $184,000.

Ohio National offered to pay me half of that $184,000 enhanced value, roughly $92,000, to cancel my contract. Added to my actual account balance, it means I could walk away with about $416,000.

THE QUESTION

I posed this question to readers: If I took the buyout, how would I use that $416,000 to generate secure retirement income that could beat the $30,000 a year that I could take now through the annuity?

Most respondents recommended that I reject the buyout offer. In all fairness, this is not a scientific survey, as all the respondents volunteered to comment, and I have no way of knowing how many embrace annuities versus how many subscribe to the Ken Fisher "I hate Annuities" camp.

"We have completed a massive evaluation and in about 93% of the cases we have determined the benefits are too great to accept the buyout offer," Andrew Cook of Berman McAleer Planning in Timonium, Md., wrote in a lengthy memo outlining my options.

93% PORTION OF CASES IN WHICH ONE FIRM SAYS BENEFITS ARE TOO GREAT TO ACCEPT A BUYOUT OFFER

"The present value of the 6% GMIB, plus the annuitization, far exceeds what is available on the market, and the contract dramatically protects against sequence-of-return risk," Mr. Cook explained as the main rationale for keeping the contract.

"Clients sleep better at night with a portion of their portfolio protected, especially given where we potentially are in the market cycle," he added.

Mr. Cook said maintaining my contract is a "real no-brainer because of the spread between the market value and the guaranteed base."

Several readers raised concerns about having a continued relationship with Ohio National after the company announced it would no longer pay trailing commissions to advisers on existing contracts.

"Ohio National offered one of the richest contracts this adviser ever recalls," wrote Cheryl Glazer, an adviser with Questar Asset Management in Wynnewood, Pa. "But when a company like Ohio National seeks relief from its earlier commitments, this should portend a wider, deeper industry-wide conversation."

The comment about broken promises is fitting given that Ms. Glazer is also president of the Association of Divorce Financial Planners.

Others raised questions about the possible future insolvency of Ohio National and cautioned me to investigate the limits of my state's insurance guarantee fund. Such a situation would not affect the market value of the account but could affect guarantees.

All valid points.

OPTIMAL STRATEGY

The optimal strategy is to strip the policy by taking the maximum roll-up-supported withdrawals immediately, said one reader, who identified himself as an actuary who wanted to remain anonymous.

"In that way you extract the account value, and even with zero account value, your benefit base is still at the original level allowing income for life," he wrote.

He cited an article written by Michael Kitces in 2013 and said its advice about what to do with an existing annuity with guaranteed income benefits is even more appropriate today.

"Just because the annuity might not have been ideal in the first place doesn't mean it should be cancelled now, especially if the benefit base is in fact significantly higher than the current cash value," Mr. Kitces wrote. "In fact, taking ongoing withdrawals from the benefit base may actually be the best course of action at this point."

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

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Schwab DAF grants hit $2.2B

INVESTMENTNEWS

DONORS GAVE a record $2.2 billion in grants to 86,500 charities through Schwab Charitable in 2018, representing a 35% increase from the previous year.

A total of 487,000 grants were made, Schwab said in a release, with Feeding America, Planned Parenthood, Doctors Without Borders, Salvation Army and Campus Crusade for Christ the most widely supported grant recipients last year.

Schwab Charitable said that despite the year-end market correction and concerns over the potential impact of tax reform, donors gave at historic levels, noting that in the last three months of 2018, donors recommended more than 210,600 grants totaling $807 million, up from 163,600 grants totaling $655 million in fourth quarter of 2017.

NONCASH DONATIONS

Schwab said that 67% of contributions to its donor-advised fund were in the form of noncash assets last year. It noted that some donors opted to donate a few years of gifts to their donor-advised funds in 2018 to maximize their tax benefits. Donors can do that by giving enough in one year to make it advantageous to itemize deductions and then taking the new higher standard deduction in other years.

Investing overseas brings a tax twist

TAXPLANNING
TIM STEFFEN

Allocating part of an investment portfolio to non-U.S. stocks may be a good diversification tool, but it can also create unwelcome tax headaches. In particular, your clients may find themselves having to navigate the unfamiliar land of foreign tax withholding.

When an investor owns stocks in countries based outside the United States, either directly or through a mutual fund or ETF, it's common for the other country to withhold taxes on dividend payments from the stock. Typical withholding rates range from 15% to 25% but can be as high as the 35% charged by Switzerland. These extra taxes can be a real drain on an investment's total return.

Before they're gripped by fears of double taxation, U.S. investors should know there are two remedies available to minimize — or even eliminate — this extra tax cost.

FOREIGN TAX DEDUCTION

Just as taxpayers can deduct the income and property taxes they pay to their state or community, they can also deduct taxes paid to a foreign country. Fortunately, foreign taxes aren't subject to the new $10,000 cap on the deduction for taxes. However, there is an exception to that exception. Taxes paid to a U.S. territory (Puerto Rico, Guam, etc.) are considered state taxes, which means they are subject to the limit.

The good news is there's an even better option for dealing with these taxes: the foreign tax credit.

FOREIGN TAX CREDIT

The more common method for recovering these taxes is to claim the foreign tax credit, or FTC. Whereas a deduction reduces the amount of income subject to tax, a credit reduces the actual tax cost itself, meaning the credit provides a greater overall benefit. The downside to the FTC? Completing the tax form needed to claim it.

Form 1116 is used to determine how much of the foreign tax paid during the year can be used as a credit against federal tax. In many cases, the full amount paid during the year is available as a credit, but not always.

This form first calculates the percentage of total taxable income that is foreign-sourced, including not just investment income but also wages or other income from overseas. That percentage is then multiplied by the total U.S. tax liability for the year to determine the amount of U.S. tax paid on foreign income, which is the maximum FTC available for the year. If the amount of foreign tax actually paid is more than that amount, the excess credits can be carried back one year and forwarded up to 10 years before they expire.

To further complicate things, Form 1116 requires foreign income and taxes to be reported on a country-by-country basis. However, holders of registered investment companies, including mutual funds, can skip those details and instead lump all their information together under the country code RIC.

An exemption from filing Form 1116 is available when the only foreign income is interest and dividends, and the total foreign tax paid is less than $300 ($600 for married couples filing jointly). In that case, an FTC for the full tax paid can be claimed directly on Form 1040 (via Schedule 3, which is new for 2018).

Another thing to consider is where the investments generating the foreign tax are held. If foreign tax is withheld from income in IRAs or other sheltered assets, no FTC is available.

Some countries will offer withholding exemptions for income paid to retirement accounts, but not all. Because of this, your clients should carefully consider whether to hold international investments in those accounts because the lack of credit for the foreign taxes makes those investments more expensive.

International investments can be an important part of a portfolio, but remember that foreign taxes increase both the complexity and the cost of holding those investments for clients.

Tim Steffen is director of advanced Planning for Baird. Follow him on Twitter @TimSteffenCPA.

Finra exam focuses on protection

BY MARK SCHOEFF JR.

EMERGING threats to investor protection like the online sale of unregistered securities, and other topics, such as whether new exchange-traded products are suitable for customers, are highlights of this year's Finra examination priorities list.

KEY POINTS

- 2019 Finra exam priorities list highlights investor protection, including regulatory technology.
- Repeat topics include suitability and senior investor protection.

In its 2019 Risk Monitoring and Examination Priorities Letter, the Financial Industry Regulatory Authority Inc. highlights internet sales of private placements, mark-up and mark-down disclosures for fixed-income products, and regulatory technology as brand-new targets.

Within annual focus areas, Finra outlines new topics that will draw attention.

SUITABILITY REMAINS

For instance, suitability is again on the exam list. This year, Finra is targeting overconcentration of illiquid securities, such as variable annuities, non-traded alternative investments and private placements, as well as recommendations of high-fee mutual fund share classes that don't align with a customer's investment objectives.

Another repeat topic on the priority list is senior investor protection. This year, Finra is monitoring for compliance with new rules about obtaining trusted contacts for elderly investors and putting temporary holds on suspicious account distributions. The regulator is also zeroing in on situations where a broker has power of attorney or is a trustee for an older client.

WHITTLED-DOWN APPROACH

The whittled-down approach seems to have emerged from the Finra 360 self-review.

"While we will continue to review and examine for longstanding priorities discussed in greater detail in past letters, we agree with the suggestion from many of our member firms that a sharper focus on emerging issues will help them better determine whether those issues are relevant to their businesses and how they should be addressed," Finra chief executive Robert Cook said in a statement.

The streamlined priority list, which totaled seven pages, was welcomed by compliance attorneys. Last year's list came in at 11 pages, while the 2017 roster was 14 pages.

"It's great they are no longer using an everything-but-the-kitchen-sink approach," said Brian Rubin, a partner at Eversheds Sutherland and a former Finra deputy chief counsel of enforcement. "Some of the prior letters contained far too many subjects for firms to focus on."

Emily Gordy, a partner at McGuireWoods, said the shortened priority list illustrates that Finra is taking a more holistic approach to risk monitoring and exams and creating a unified operation out of what used to be spread across many parts of the organization. "This change of direction will help clarify for members what concerns Finra most.

"It tells firms where they need to look to assess their own regulatory procedures and controls," said Ms. Gordy, a former Finra deputy of enforcement.

According to Susan Grafton, partner at Dechert, the short exam priority list shows that "Finra has adapted its practices to reflect changes in the business, whether it's the increasing use of technology, development of novel products — including cryptocurrencies — or the aging population."

The new emphasis on regulatory technology signals that Finra is taking a hard look at how firms utilize software to perform compliance functions. The regulator doesn't want them to cut corners.

"That reflects a longstanding view that you can't outsource compliance," Ms. Grafton said.

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"A SHARPER FOCUS ON EMERGING ISSUES WILL HELP."

ROBERT COOK
CEO, FINRA

Fiduciary measures continue to advance in states

BY MARK SCHOEFF JR.

A NEW YORK state lawmaker is optimistic about the chances this year for his fiduciary disclosure bill, while a Maryland senator is poised to introduce a measure that would raise standards there.

Adding to the mix is the Nevada Securities Division, which on Jan. 18 released proposed regulations to implement the state's fiduciary law, which was enacted in 2017.

In addition, the New Jersey Bureau of Securities could introduce a fiduciary rule in coming weeks.

As state activity ramps up, the Securities and Exchange Commission is considering its own investment advice reform proposal. Industry opponents of state-level fiduciary laws assert that the SEC should set the policy.

"We always have preferred a national level of standard of conduct for predictability and uniformity," said Andrew Remo, director of legislative affairs at the American Retirement Association. Various state laws "would make the situation for companies that operate in different states complex and costly."

"The vast majority of states will probably wait" to see the SEC's final rule before taking substantial action, according to George Michael Gerstein, counsel at Stradley Ronon Stevens & Young.

NEVADA'S DRAFT REGS

Nevada is moving ahead by introducing draft regulations that require brokers to meet a fiduciary standard of care at all times if they manage a client's assets or create periodic financial plans. Under other circumstances, the broker fiduciary duty is transaction by transaction. Brokers would violate the rules if they put their own or their firms' interests ahead of their clients' interests.

The Nevada regulation says brokers who are dually registered as investment advisers are presumed to be acting as an investment adviser and cannot be exempt from the fiduciary requirement. The measure also says selling proprietary products and earning commissions are not necessarily fiduciary breaches.

Like the SEC proposal, the Nevada draft regulation does not define "best interests" or how brokers can mitigate conflicts.

"There are areas where we want to see clarification or improvements, but it gets a lot of things right," said Barbara Roper, director of investor protection at the Consumer Federation of America.

PUBLIC COMMENT PERIOD

A public comment period on Nevada's proposed regulations is open until March 1.

Many observers expected the SEC to release a final rule by this summer, but that timeline may be stretched out thanks to the partial government shutdown that has halted most SEC activity.

If the shutdown lasts a long time, states could grow impatient.

"Eventually, that creates a vacuum, and there's perceived inactivity in this policy area," Mr. Gerstein said.

In New York, Assemblyman Jeffrey Dinowitz, D-Bronx, earlier this month reintroduced the Investment Transparency Act, which requires brokers and other non-fiduciary financial advisers to tell their clients that they can recommend high-fee products even if they're not in the clients' best interests.

The bill text has not been posted, but the language of the measure is identical to a bill Mr. Dinowitz introduced last year that died in the legislature, according to an aide.

Mr. Dinowitz is confident the legislation will go farther this year because Democrats now control the New York Senate.

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Good, bad in final pass-through regs

BY GREG IACURCI

THE TREASURY Department's new package of rules around the pass-through tax deduction is good news for financial advisers whose clients own rental property or invest in mutual funds that hold real estate investment trusts, according to tax experts. But certain provisions, like one related to retirement plan contributions, may reduce the overall tax break that advisers and clients get.

"My overall reaction is, this is good," said Leon LaBrecque, an adviser and chief growth officer at Sequoia Financial Group. "They didn't give us everything we wanted, but almost everything we wanted."

On. Jan. 18, the Treasury issued final regulations related to the pass-through tax deduction, a 20% tax break applied to pass-through business income that was created as part of the broad tax overhaul that President Donald J. Trump signed into law in December 2017. The deduction applies to businesses such as partnerships, S corporations and sole proprietorships whose income is taxed at the owners' individual tax rate.

250

NUMBER OF HOURS THAT MUST BE SPENT ON RENTAL PROPERTY TO GET DEDUCTION

The final rules created a safe-harbor rule clarifying how clients can claim a tax deduction on profits from rental properties.

KEY ELEMENT

One key element, according to Jeffrey Levine, CEO and director of financial planning at Blueprint Wealth Alliance, is the requirement that owners, employees or independent contractors spend 250 hours on the property each taxable year.

"I think this is the most important thing to come out that is new and materially different than the proposed regulations," Mr. Levine said.

Activities that count toward the 250 hours include negotiating and executing leases; verifying information in tenant applications; collecting rent; advertising to rent or lease the real estate; managing the real estate and purchase of materials; and handling the daily operation, maintenance and repair of the property. Activities such as procuring property, arranging financing, reviewing financial statements and traveling to and from the real estate don't qualify.

It may be difficult to reach 250 hours for a single property, but taxpayers can bundle all like properties together, advisers said. Those with triple-net leases don't qualify for the pass-through deduction.

The Treasury also proposed more rules around the pass-through deduction, including one that would help mutual-fund shareholders by clarifying that REITs held by funds are eligible for the 20% deduction, providing a tax windfall for shareholders. It was previously understood that REITs held outside of funds would get a tax break.

But there was also bad news for financial advisers and clients. For one, the final rules clarified that financial advisers and stockbrokers are "service" businesses who are ineligible for a deduction if their taxable income exceeds $207,500 for single filers or $415,000 for married couples. Insurance agents and mortgage brokers, however, got an exemption from this requirement.

The Treasury also said the tax deductions business owners get for retirement plan contributions, self-employment tax and self-employed health insurance dilute the pass-through deduction because those deductions will count against business income.

For example, the owner of a business with $100,000 in profits would get a 20%, or $20,000, tax deduction. But if that business owner had made $10,000 in retirement plan contributions, the deduction would be only $18,000, which is 20% of $90,000.

Final rules also clarified another unfavorable point for business owners whose firms have multiple business lines, such as one that sells eyeglasses and offers optometry services.

If the business line that counts as a "service" business (optometry, in this example) contributes more than 10% of revenues to the firm, the entire business is ineligible for the pass-through deduction, if the owner's taxable income exceeds the aforementioned threshold.

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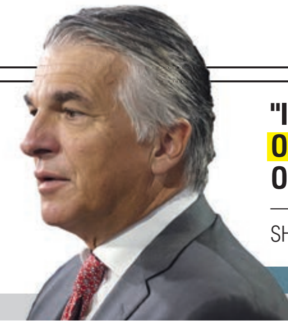

"IN WEALTH MANAGEMENT, PARTICULARLY WHEN I LOOK AT OUR OVERALL RESULTS, OF COURSE THEY ARE NOT UP TO OUR AMBITIONS AND OUR EXPECTATIONS."
—UBS CEO SERGIO ERMOTTI ON THE WIREHOUSE'S FOURTH-QUARTER EARNINGS, WHICH SHOWED NET NEW CLIENT MONEY DOWN 5% FROM THE YEAR-AGO PERIOD

Great-West sells life insurance, annuity business

BY GREG IACURCI

GREAT-WEST LIFE & Annuity Insurance Co. has agreed to sell the bulk of its individual life insurance and annuity business to Protective Life Insurance Co. for an estimated $1.2 billion, via a reinsurance transaction, according to a company announcement last Thursday.

The deal, expected to close in the first half of 2019, will see Protective assume the liabilities and administration of insurance policies under the Great-West Financial brand.

Great-West is selling its single-premium life insurance, individual annuities, and closed-block life insurance and annuities, as well as bank- and corporate-owned life insurance. Officials did not quantify the total amount of annuity and life insurance assets being transferred, but said the business delivered $95 million in net earnings to Great-West last year through the third quarter.

KEY POINTS
- Great-West will sell the bulk of its individual life insurance and annuity business to Protective Life.
- Protective will pay $1.2 billion.

After a strategic review, the company decided to focus on other areas such as retirement and investments, where there's more opportunity to grow, officials said. Great-West's parent, Canada-based Power Financial Corp., owns retirement-plan record keeper Empower Retirement as well as Putnam Investments and Great-West Investments.

"We will continue to focus on Empower Retirement and seize the opportunity to further advance our leadership position in the expansive retirement services market," said Robert Reynolds, president and CEO of Great-West Lifeco U.S.

Great-West is retaining a "small" block of life insurance policies, which will be administered by Protective, the company said. Retirement-plan insurance products such as stable-value funds, guaranteed fixed-account products and in-plan annuity options are not affected by the transaction.

SALES AT 16-YEAR LOWS

In 2017, overall industry annuity sales hit their lowest level in 16 years, at $203.5 billion, according to the most recent annual data from Limra, an insurance industry group. Great-West was the No. 17 seller of variable annuities last year through the third quarter, with $679 million in sales.

There have been other notable insurance transactions within the past year or so. Voya Financial Inc., for example, sold off more than $50 billion worth of annuities to three private-equity firms last year. That business is housed within a company called Venerable Holdings Inc. The Hartford Financial Services Group sold off roughly $48 billion of annuity contracts to a group of six investors.

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diversity&INCLUSION

He marries math skills with the gift of gab

BY MARK SCHOEFF JR.

Gerald Loftin hasn't faced unique challenges in the financial advice profession because he's African-American — his successes have come in the same way they do for advisers of any color.

As the principal at Proficient Wealth Counselors in Norwood, Mass., he's built strong relationships with a wide range of clients across many ethnicities.

"They enjoy working with me not because I am an adviser of color but because I'm actually a good adviser," Mr. Loftin said. "My clients say, 'Gerald, if you were polka dot, we would still work with you because your style works for us.' They're ultimately looking for me to deliver on the goal that we set out to achieve."

Like most in the industry, Mr. Loftin said the obstacles he's had to overcome relate to marketing, back-office systems and other business operations.

"It's not an easy profession, I don't care what color you may be," Mr. Loftin said. "You've got to put the work in. It's not going to happen overnight."

In 2000 he founded the firm that was renamed Proficient Wealth Counselors in 2006. It provides financial planning and asset management to 141 clients and has about $60 million in AUM, according to its latest Form ADV.

'GIFT OF GAB'

Part of Mr. Loftin's success reflects his facility with numbers and his ability to talk finances.

"When I marry my math skills with my gift of gab … it makes it a little easier for me to have a dialog with a stranger about financial matters," he said.

He also cites his being wired to work through potential setbacks. "If I sense that failure may be in the course, it motivates me," Mr. Loftin said.

He has tried to pass that mindset along to others who run their own advisory firms.

"Gerald is very dedicated to helping other advisers move forward in the industry," said Chloe Moore, founder and principal at Financial Staples and fellow board member for the Association of African American Financial Advisors. "He's very passionate about providing resources and support to those of us who are business owners."

He also tries to instill the benefits of intensity and eliminating distractions, she said.

"There are some times when you have to be selfish a little bit, and focus on doing what's right for your business," Ms. Moore said.

There will be more advisers of color as minority populations become bigger and wealthier, Mr. Loftin said.

"In time, these numbers will certainly get larger as these communities have more influence, and the need for financial planning services increases," he said.

BOSTON CHILDHOOD

Mr. Loftin's career has also been shaped by the economic circumstances of his childhood. He was raised in a "below-middle-class" neighborhood in Boston.

"Having that experience of growing up in a working-class community, it can be a driver along the career path," Mr. Loftin said.

He supports his community with pro bono work, such as teaching financial literacy. "I recognize there is a need and try to give back when I can," he said.

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GERALD LOFTIN

KNOW SOMEONE?

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

American College sees retirement leaders exit

BY GREG IACURCI

THE AMERICAN College of Financial Services is losing the brain trust behind its retirement income designation, RICP, coming on the heels of a shake-up in its executive ranks.

Jamie Hopkins, former director of the college's retirement income center and a professor of taxation, left earlier this month to take a job as director of retirement research and vice president of private client services at Carson Group, the firm helmed by adviser Ron Carson.

Mr. Hopkins is a co-creator of the American College's retirement income certified professional designation, one of nine the institution offers in niches like life insurance, wealth management, financial planning, special needs and philanthropy.

David Littell, another RICP co-creator who coordinates its course curriculum, also is leaving the college, having decided to retire after 2½ decades there.

The American College also saw the resignation of its president and CEO, Robert Johnson, last April due to what he called "differences of opinion" with the board of directors on strategic direction.

In November, he was succeeded by George Nichols III, former head of governmental affairs at New York Life.

Stressing the importance of retirement income education to today's financial advisers, Mr. Nichols said the college is "doubling down" on the RICP designation despite the departure of its two biggest champions. The group's legacy designation, and the one it's probably best known for, is the chartered life underwriter, or CLU, said Mr. Nichols — but he wants to change that.

"We're still very proud of [CLU] and support it. We've done a lot with RICP, but I'd almost like to see RICP become our flagship designation," he said.

> **"I'D ALMOST LIKE TO SEE RICP BECOME OUR FLAGSHIP DESIGNATION."**
> GEORGE NICHOLS III
> PRESIDENT AND CEO, THE AMERICAN COLLEGE

There's currently a national search underway to replace Mr. Hopkins and Mr. Littell, and the goal is to have their successors in place by the end of the first quarter. Steve Parrish, current director of the retirement income center, will serve as co-director of RICP in the interim. Wade Pfau, professor of retirement income, will oversee the curriculum.

Mr. Hopkins will stay on board in an adjunct teaching role. His decision to leave his post after six years, announced Jan. 11, related largely to having a more consumer-facing role at Carson Group, he said.

"That doesn't really exist in the academic world," Mr. Hopkins said.

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Make 2019 your 'prove it' year

GUESTBLOG
RON CARSON

Looking back, I feel as though 2018 was the advisory industry's first real year of momentous consolidation. We saw the beginnings of billion-dollar mergers (think Edelman and Financial Engines), broker-dealer acquisitions, initial public offerings, fintech buyouts and harbingers of more wirehouse breakaways.

It was also the year of the Department of Labor rule's demise, and we witnessed more penalties and fines from government agencies for mismanagement of assets and transparency violations.

If 2018 set the stage for the "movers," 2019 will be the year of the "shakers" — our "prove it" year, of sorts.

Organizations will need to follow through on acquisitions. Institutions will need to substantiate their promises on delivering integrated value for the end client and the adviser. And as the rest of the profession continues to plot more deals, everyone will work to improve their client experience — a notion that will only grow in popularity as firms construct digital platforms designed to give investors a seamless experience.

CLIENTS NO LONGER ACCEPT CONFUSING COMPLEXITY.

TECHNOLOGY IS A DEFINING FACTOR

Which brings us to technology. It's become the defining factor for leading providers of financial advice, as well as the battleground upon which we are reinventing our menu of services.

It has never been more critical to deliver a flexible, singular client experience. Advisers no longer tolerate disjointed technology, and clients no longer accept confusing complexity.

We're in the middle of an arms race to meet the demand for end-to-end, immersive experiences that fulfill clients' needs without their ever having to leave. Instead of finding ways to position our value in the minds of our clients, we must focus on positioning ourselves in the lives of our clients.

So how can we provide transparency and flexibility in the client experience? Start with examining six key areas:

1. Client data. How are you using technology to get to know your clients better? How do you use your customer relationship management software to gather, store and leverage important details? Without having this data, you can't serve your clients in an efficient way.

2. Service. Where and when can you create memorable moments with your clients? Find ways not only to benefit your clients but also to deepen your relationship with them.

3. Technology. Is the way your clients currently engage with your team and access their information frictionless? Do your online and offline experiences blend well together and give your clients access to the information they need, when they need it, and without confusion?

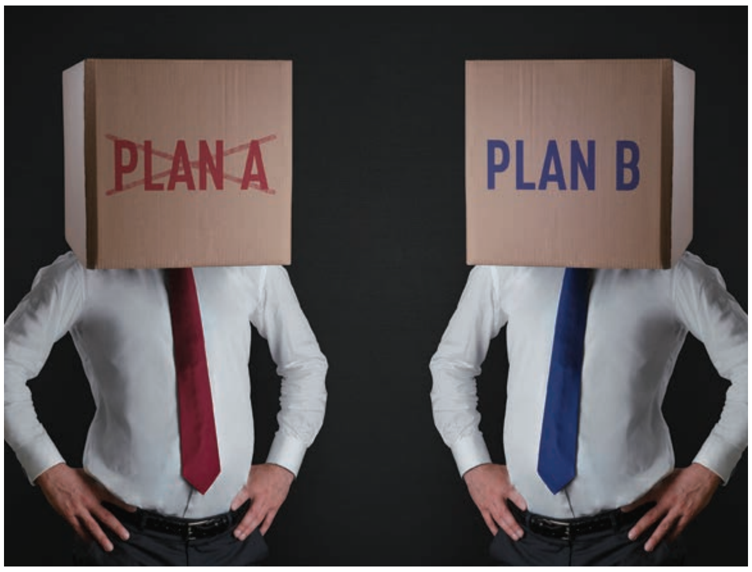
4. People. People can sometimes get buried in the discussion of process and profit. Don't let that happen. They're your secret weapon. As consumers, we want to build relationships with brands, which means your clients are hungry for a more meaningful experience not just with your services but with your people. How can you weave your people into your process?

5. Atmosphere. What feeling are you trying to create with your office, your people, your technology and your value proposition? How can you make your clients's experience more immersive and interactive so they understand the intangible value you bring to the table?

6. Pricing/fees. Much of the industry consolidation we're seeing comes down to fee compression. Be transparent and straightforward. Advisers who find simple ways to explain their value and their fees are the ones who will win the business.

Build an end-to-end experience clients can live in. They should see your menu of services as less of a platform and more of an ecosystem.

Ron Carson is CEO and founder of the Carson Group, which serves advisers and investors through its businesses: Carson Group Coaching, Carson Group Partners and Carson Wealth. Follow him @RCHusker.



Second opinions wanted

BY JEFF BENJAMIN

IN THE LATEST sign that financial planning is gaining professional status, clients are increasingly seeking second opinions.

Some advisers attribute the trend to clients' growing awareness of fiduciary duty, while others say it comes with market volatility.

What is certain is that clients are embracing the idea of double-checking the quality of the financial advice they are receiving.

"Over the past year or so, we've picked up a number of good client relationships solely because they were looking for a second opinion," said Jeffrey Trugman, managing partner at Attitude Financial Advisors.

Advisers say that providing second opinions doesn't always lead to recruiting a new client because often, people are just looking for confirmation that they're with the right financial planner.

"Second opinions are actually a regular part of my business," said Kristi Sullivan, owner of Sullivan Financial Planning.

"I tell people that since I am paid by the hour and have no desire to manage their assets, my advice is neutral," she added. "If they have a good set of investments, I'll say so. If there are questions I think they should ask their adviser, I'll give them language for that. If I think it's awful, I'll tell them that, too."

Eric Walters, president of SilverCrest Wealth Planning, estimates that up to 40% of his clients started out as consumers seeking a second opinion. "I see people looking for second opinions a lot more during these more volatile markets," he said.

In terms of losing some of his own clients to other advisers offering second opinions, Mr. Walters said he tries to guard against that by "checking in with clients at least annually to ask how we can do a better job."

"It hasn't happened to me yet, but one has to be humble in this business," he added.

Gregory Kurinec, vice president at Bentron Financial Group, said second opinions are part of being a fiduciary.

"I've had people come to me for a second opinion, and I've had my own clients go elsewhere for second opinions," he said. "I do a lot of public speaking, and I always encourage people to get second or even third opinions."

Mr. Kurinec said a lot of requests for second opinions come from do-it-yourself investors who want the perspective of a professional adviser.

KEY POINTS

- More financial planning clients are seeking second opinions.
- The trend is attributed by some to growing awareness of fiduciary duty.
- Opinions vary on whether advisers should worry.

DO-IT-YOURSELFERS

But he doesn't believe advisers should feel threatened if their clients seek a second opinion.

"One of two things will happen: They will either find something I missed, or find out they are on the right track," he said. "I've never lost a client by telling them to go get a second opinion. If you're acting in a fiduciary role, you should want what's best for the client."

Skip Fleming, owner of Lodestar Financial Planning, also sees a lot of do-it-yourself investors looking for a checkup on their strategies, especially as they get closer to retirement.

He said requests for second opinions on other advisers often come when a client is assigned to a different adviser at a firm.

"Sometimes they've been working with another adviser and he retired or moved on, so now they have a new adviser they are not comfortable with," Mr. Fleming said. "They don't want to fire the guy, but they want a second opinion."

Kashif Ahmed, president of American Private Wealth, believes the increased trend toward seeking second opinions reflects advisers who are not properly tending to their clients' needs.

"I see it when their current adviser is not responsive, which is unprofessional," he said.

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New payment tool for hybrids

BY RYAN W. NEAL

ALAN MOORE and Michael Kitces are bringing their adviser payment processing tool to hybrid broker-dealers and large registered investment advisers.

Mr. Moore and Mr. Kitces, who also co-founded the XY Planning Network, launched AdvicePay in January 2018 as a compliant tool for fee-based financial planners to bill clients and collect payment through a credit card, bank or brokerage account.

A year later, 700 advisory firms are using the tool, Mr. Moore said. After introducing a less expensive version of AdvicePay for firms with fewer than 10 clients, the two are turning their sights to the other end of the adviser market with AdvicePay Enterprise.

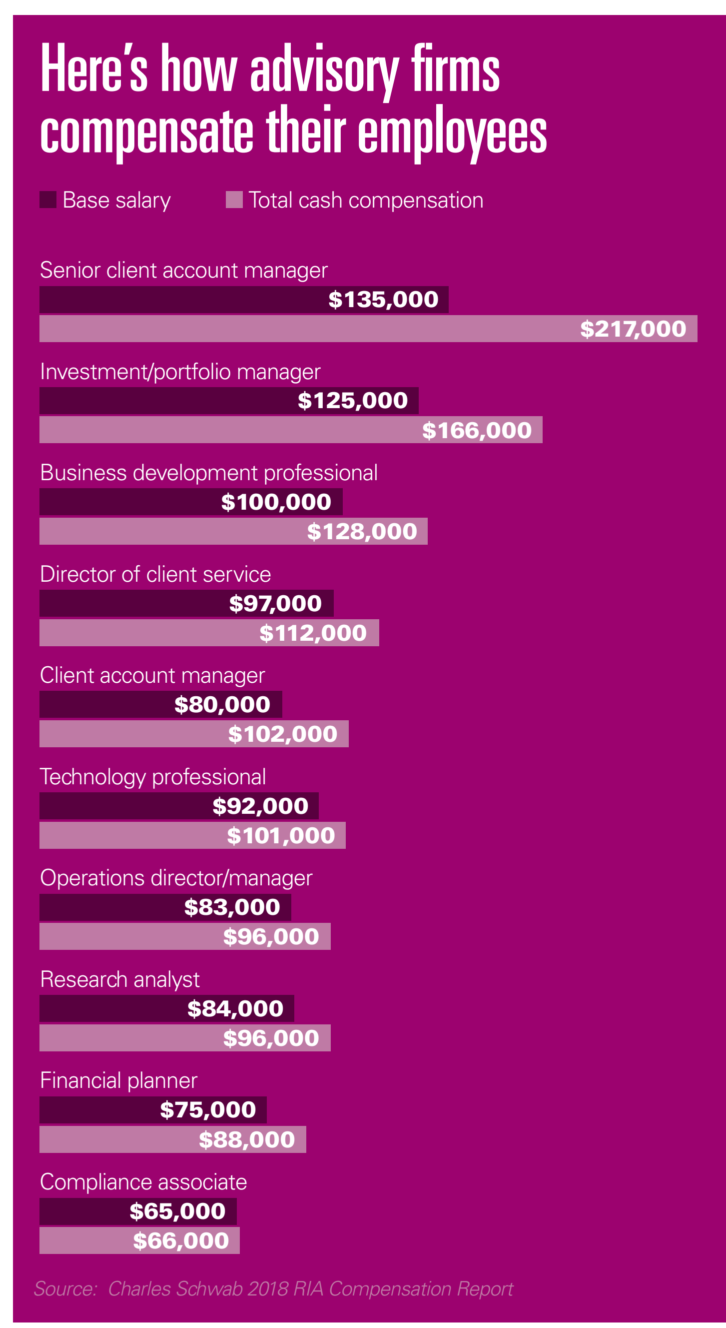
The new version has expanded features and functionality, and tools built specifically for firms with a large number of advisers, such independent broker-dealers with a corporate RIA.

"[These firms] have a unique pain point," Mr. Moore said.

While solo RIAs can always accept a check from clients, broker-dealers have a complicated workflow between the client, the home office and the financial adviser. For example, the enterprise version of the payment software has a dedicated portal for home offices to centrally manage and control billing, while allowing for some flexibility at the adviser level.

45 TO 60 DAYS

"For an adviser to get paid to do financial planning, it can take 45



to 60 days to see their money," Mr. Moore said. "But a lot of these corporate RIAs attached to broker-dealers are doing a ton of financial planning work. Some are doing several million dollars worth."

STRUGGLE TO COLLECT

The struggle to collect fees is a major obstacle preventing broker-dealers from embracing fee-for-service compensation models, he said. Older advisers may not care about changing their fee structures, but firms that are interested in hiring younger advisers need to be able to support this model.

"[THESE FIRMS] HAVE A UNIQUE PAIN POINT."

ALAN MOORE
CO-FOUNDER
ADVICEPAY AND XY PLANNING

To build AdvicePay Enterprise, Mr. Moore and Mr. Kitces eschewed traditional venture capital and instead crowdfunded $2 million from other financial advisers.

This allowed the company to focus on building a product that is "for advisers, by advisers," Mr. Moore said.

The duo turned to Mr. Kitces' Nerd's Eye View blog to get the message out, and the pair reports it gathered the funds in less than two months.

"We chose the innovative approach of crowdfunding with advisers versus going the traditional venture capital route to ensure that we would be able to stay focused on serving the needs of our core target market of financial advisers," Mr. Kitces said in a statement.

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Instagram for advisers

BY RYAN W. NEAL

INSTAGRAM IS one of most popular social media networks among young people, but it isn't yet a part of most financial advisers' media tool kits.

To help out, Hearsay Systems is adding Instagram to Hearsay Social, a social media platform for financial advisers.

Donna Prlich, Hearsay Systems' chief business officer, said Instagram can help financial advisers connect and build relationships with younger investors. About 70% of Instagram's 1 billion users are under 35, a demographic that still evades advisers.

"Advisers and agents have to connect with clients and prospects on their preferred network or channel, which for millennials and Gen X means being on Instagram," Ms. Prlich said in a statement.

PICTURES OF FOOD

But how exactly would financial advisers use an app that's most popular for sharing selfies, jokes or pictures of food?

Ms. Prlich said advisers can use Instagram to provide inspiration and show millennials what they can accomplish through positive financial habits.

Priya Malani, a partner at Stash Wealth, said Instagram has "certainly" been a part of brand awareness efforts for her firm, which focuses on HENRY (high earners, not rich yet) investors.

"We don't use social media on a regular basis to sell any product or service," Ms. Malani said. "Instead we use it to deliver the brand's mission, identity, values and nonspecific advice."

COMPLIANCE A BARRIER

But for many advisers, compliance remains a factor preventing them from diving into Instagram. As an app built for sharing photos, its content can be harder to capture and archive than the text-based posts on Facebook, Twitter or LinkedIn.

On Twitter, Matthew Ricks, an adviser with Ameriprise Financial Services, cited compliance concerns as a reason he doesn't use Instagram for business, adding that he's "personally unsure how to best translate topics to pictures."

"It could be great to show more personal touches and build bonds with clients [or] prospects," he said.

Advisers like Mr. Ricks, as opposed to power users like Ms. Malani, are the people Hearsay is targeting, Ms. Prlich said. In addition to archiving and other compliance functions, Hearsay will help advisers with content to share and how to use hashtags to get the content noticed.

"For folks who aren't that savvy on social media but want to get going and get comfortable, that's something we spent a lot of time considering," Ms. Prlich said.

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BLACKROCK LEAK

CONTINUED FROM PAGE 2

get sorted out," said Robert Miller, CEO of data aggregation firm Private Client Resources. "Fundamental changes to the system need to be in place."

The good news is the BlackRock data breach was not the result of a malicious hacker trying to gain access to information. This time, the breach was due to good old-fashioned human error, as someone at BlackRock accidentally posted spreadsheets of sales information to a public part of the website.

In more good news, the spreadsheets don't appear to have included much information that wasn't already publicly available on BrokerCheck or included in Form ADVs. The data were pretty standard stuff for what sales teams put into customer relationship management software: names, email addresses, the amount of assets the adviser has in iShares ETFs and names of the BlackRock sales reps they work with.

DABBLERS VS. POWER USERS

One spreadsheet categorized advisers by the extent to which they use BlackRock products — with smaller clients labeled as "dabblers" and bigger clients being called "power users" — which could lead to some awkward conversations in the future. But at least it wasn't personally identifiable information like Social Security numbers, account information or passwords.

Nor did the spreadsheets report any client information, thus allowing every adviser involved to breathe a sigh of relief.

That doesn't mean BlackRock isn't taking the matter seriously. In a statement, the asset manager said that it "recognizes the seriousness of the error, and we deeply regret that it occurred. We always seek to treat the information entrusted to us with great care."

> **"THE TAKEAWAY HERE IS THAT HUMANS ARE NOT PERFECT."**
> ROBERT MILLER, CEO, PRIVATE CLIENT RESOURCES

The lack of personally identifiable information also means BlackRock might avoid any regulatory enforcement, at least in the U.S., Mr. Miller said.

However, it could be argued in Europe that adviser names and email addresses do count as personally identifiable information under the General Data Protection Regulation.

Mr. Miller also believes the U.S. could adopt similar regulations in the near future.

Any information leak reflects a breakdown in a firm's policy framework for handling sensitive information, said Sid Yenamandra, CEO of cybersecurity firm Entreda. The BlackRock episode highlights the fact that good security is just as much about human behavior as technology.

"What are the checks and balances of the organization?" Mr. Yenamandra asked, noting that his firm sees scenarios like this fairly frequently. "Folks accidentally text stuff to the wrong person, post stuff to their websites, or email something and attach a sensitive spreadsheet. It happens a lot."

THIRD-PARTY ACCESS

Mr. Yenamandra recommended that advisers affected by the data leak immediately contact BlackRock to ask if there is anything they need to do. He also suggested advisers take the opportunity to evaluate how third parties can access their data and review policies around approvals for sharing sensitive information.

"You've got to have a protocol," he said. "You can't post information that contains any data about anybody without going through approval."

SWIFT RESPONSE

Mr. Yenamandra also commended BlackRock for its swift and decisive response.

"The fact that BlackRock actually came out and was upfront about this demonstrates they were proactive," he said. "A lot of organizations don't even know that there was a data leak until it comes up in a dark web search."

Although BlackRock attributed the breach to human error, Mr. Miller said there are plenty of ways the company could improve its infrastructure to avoid such a mistake. For example, the spreadsheets could have required a password to download.

Private Client Resources splits all client information among three different databases, he said. Therefore, if there were a breach, not enough information would be exposed to be useful.

"The takeaway here is that humans are not perfect, and this could have been critical," Mr. Miller said. "It highlights how hard data security is. The upcoming years are going to make these events very costly for businesses. It's not just going to be public relations."

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LPL MEMO

CONTINUED FROM PAGE 3

the most recent being RBC Capital Markets on Jan. 9.

LPL didn't file a lawsuit, Mr. Pettman said, because the firm's advisers have a "material" amount of trail commissions unaffected by Ohio National's decision that could be put at risk by legal action. LPL will also try to renegotiate contracts with former variable annuity partners, as well as with insurers that sell other types of annuities, Mr. Pettman said.

The Ohio National move around trails isn't completely without precedent. MetLife Inc. drastically cut annuity pay for some advisers following the 2016 sale of its Premier Client Group to Massachusetts Mutual Life Insurance Co., for example.

However, Ohio National's decision to cut 100% of annuity trails is unprecedented, according to industry executives. Not all brokerage firms were affected, though.

Morgan Stanley brokers, for example, will retain their Ohio National annuity trails because of certain contract language in place with the insurer before the decision. Brokers at Ohio National's own broker-dealer, the O.N. Equity Sales Co., are also unaffected.

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ARBITRATION STAIN

CONTINUED FROM PAGE 3

Beach, Fla., is the latest example of the securities industry's inability to solve the pressing problem of unpaid arbitration awards. Since 2007, Mr. Golan has been registered with a firm named Crystal Bay Securities, which he also owns, according to the firm's BrokerCheck profile.

In December, Mr. Golan and Crystal Bay Securities lost an arbitration award that alleged the exploitation of a vulnerable, disabled adult. The claim stemmed from the client buying real estate investment trusts from Mr. Golan.

A Finra arbitration panel awarded Mr. Golan's client close to $300,000, including attorney fees and $25,000 in punitive damages, on Dec. 10. A month later, Mr. Golan filed for Chapter 11 in federal bankruptcy court in southern Florida.

MORE PENDING CLAIMS

According to his BrokerCheck report, Mr. Golan has at least two more pending arbitration claims against him. And the broker-dealer he operated, Crystal Bay Securities, is in the process of shutting down, according to its BrokerCheck profile.

Mr. Golan did not return calls to his office this week for comment.

Mr. Golan offered to settle the $300,000 arbitration award for "pennies on the dollar," said Walter J. Matthews, the claimant's attorney.

> **$300K**
> AMOUNT AWARDED TO CLIENT BY FINRA PANEL

Mr. Golan is just one example of a broker in an arbitration system that sometimes fails clients.

Finra appears to be making an effort to bring more attention to the problem.

"Finra is fully committed to reducing the incidence of unpaid awards and judgments in the financial services industry," said Richard W. Berry, executive vice president, Finra Dispute Resolution, during an industry forum last month.

Sen. Elizabeth Warren, D-Mass., a candidate for president in 2020, has introduced legislation to create a fund for unpaid awards that would be funded by Finra fines.

These recent steps are positive but fall far short.

Wall Street is awash in cash. Securities industry pretax profits totaled $13.7 billion in the first half of 2018, or 11% higher than a year earlier, according to the New York State comptroller.

Good for Wall Street. But where is the money for clients who play by the rules of arbitration only to have brokers not pay them?

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