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'TILL MONEY DO US PART'

IN MANY MARRIAGES, MEN CONTROL LONG-TERM FINANCIAL PLANNING. THAT'S A BIG MISTAKE. PAGE 8

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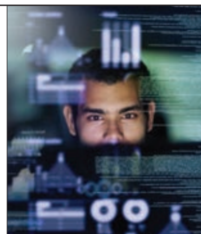

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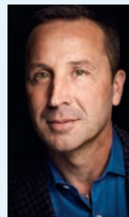
EDITOR'S NOTE

Owning her own financial destiny

This week's cover story, "Kept in the Dark," which begins on Page 8, strikes close to home.

I grew up in the 1960s and 1970s in a "traditional" Irish-Italian household in the suburbs. My father, a high school teacher, controlled our family's finances. My mother, who stayed at home to take care of their five children, managed the family's day-to-day spending on a weekly stipend she received from my father. She was meticulous at budgeting, jotting down every expenditure — from shoes to coffee to newspaper subscriptions — in a spiral-bound notebook.



FRED GABRIEL

If she needed money for an unforeseen expense, she'd have to ask my father for a little cash and, more often than not, she'd receive a long lecture about managing "her finances" better.

Once, after my father rejected her request to replace the family station wagon, she retaliated by borrowing the money from her father. He charged her interest.

She got fed up. She started squirreling a little bit of the money she received from my father into a private bank account. When my Aunt Mary died, she left my mother a small inheritence of $10,000.

My mother used that money to get a divorce.

And, at the age of 47, she went back into the workforce and began saving for her own retirement. She retired much more successfully than my father.

My mother was determined to control her financial destiny. Even though she lives on a modest pension, she still manages to tuck away a little bit of money each week into her "funeral account."

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WE'LL BE BACK

InvestmentNews won't publish a print edition next week. Publication will resume July 22.

Lawsuit over VA commissions given green light by judge

BY GREG IACURCI

A BROKER AT LPL Financial Inc. has won an important round of legal sparring with Ohio National Life Insurance Co., with a judge ruling that the broker's class-action lawsuit over variable annuity trail commissions should move forward.

> **KEY POINTS**
> - Lawsuit centers on Ohio National's plan to discontinue paying trail fees.
> - Insurer claimed plaintiff shouldn't be allowed to sue.

U.S. magistrate judge Stephanie Bowman ruled that Ohio National's motion to have broker Lance Browning's case tossed out should be denied. Mr. Browning, suing on behalf of other LPL brokers, alleged the insurer acted unlawfully last year when it terminated trail commissions paid to brokers who'd sold certain variable annuity products.

The judge's ruling, made June 28, took the form of a recommendation to the U.S. District Court for the Southern District of Ohio. Ohio National has the opportunity to file an objection, and the district court will weigh the material to issue its final determination on whether to proceed.

INSURER TO OBJECT

Ohio National spokeswoman Lisa Doxsee said the firm disagrees with the ruling and intends to file an objection.

Dennis Concilla, an attorney representing the plaintiff, said the district court often sides with the recommendations of magistrate judges. If that happens, the case would head to trial.

"Obviously, we're pleased. The court agreed with us on virtually all the points we raised," said Mr. Concilla, who heads the securities practice group at Carlile Patchen & Murphy. "This is a significant step."

Mr. Browning's case, filed Nov. 6, was among the first against Ohio National in the wake of its decision to stop paying trail commissions to brokers who had sold clients variable annuities with a guaranteed minimum income benefit rider. Mr. Browning is set to lose around $89,000 a year as a result of the decision.

The insurer faces legal challenges from more than 10 parties, including brokers and a number of broker-dealers, over the new commission policy, which the firm announced in September.

The legal issue at the center of the Browning case is whether LPL brokers are intended third-party beneficiaries of the selling agreement between Ohio National and LPL, the nation's largest independent broker-dealer.

NO STANDING

Ohio National contends the individual advisers who filed this suit don't have standing to sue because they aren't parties to the insurer's selling and servicing agreements. The contracts, the insurer said, are with broker-dealers, who in turn contract with the individual advisers and pay commissions to them directly. Mr. Browning argues he and other LPL brokers are third-party beneficiaries because the intended relationship between Ohio National and LPL can't function without the role of brokers.

But Geoffrey Moul, attorney at Murray Murphy Moul & Basil who represents broker-dealer Veritas Independent Partners in a separate lawsuit, said the ruling bodes well for other outstanding lawsuits against Ohio National.

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Insurers' projections too rosy?

BY GREG IACURCI

INSURERS APPEAR to be sidestepping a recent rule meant to tamp down on overly rosy projections of returns in indexed universal life insurance policies via new product features — an alarming trend that may deceive or confuse would-be buyers, advisers said.

The features, known as interest bonuses or multipliers, have become mainstream among insurance companies selling indexed universal life, a type of cash-value insurance that's become increasingly popular over the past few years.

The uptake of these features, advisers said, coincides with a rule issued by the National Association of Insurance Commissioners in 2015. That rule, Actuarial Guideline 49, tried to rein in unrealistically high projections for the cash accumulation in IUL policies. The rule set a formula to determine a maximum rate of accumulation insurers could use in illustrations — a primary sales tool for insurance agents, since they help clients visualize what they can expect from a product.

UNREALISTIC GROWTH RATES

Now though, bonuses and multipliers have created an environment in which some insurers are projecting cash-value growth at a greater and more unrealistic rate than under the prior regime, advisers said.

"It certainly makes the illustration look better," said Tom Love, vice president of insurance analytics at ValMark Financial Group.

"I think without a doubt it's a

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TIAA's exit could hurt advisers

BY GREG IACURCI

TIAA'S DECISION TO exit the life insurance market by year-end exposes a glaring void, and challenge, for some financial advisers who recommend life insurance to clients.

TIAA is one of the few companies that sells no-load life insurance — basically, insurance sold without a commission. After this year, fee-only advisers will not only lose the biggest brand-name firm in this niche, but they'll have few options remaining.

"Even if they don't know it, I feel like people have lost a little bit from TIAA's exit from the marketplace," said Scott Witt, a fee-only insurance adviser. "It dramatically lessens the visibility and number of options available for those who don't want to go the traditional commission route."

FEW SELLING NO-LOAD POLICIES

Ameritas Life Insurance Corp. is the one other company advisers could readily point to that currently sells no-load policies. Even so, it sells only one kind, variable universal life insurance.

Since fee-only financial advisers and financial planners can't accept commissions, there appears to be a gaping shortfall in the insurance market from a product-availability perspective — a problem exacerbated by the shift that's occurred among advisory practices toward the fee-only model.

Ameritas spokesman Hunter Reeves said interest in its products has increased over the last 12 to 24 months.

Of course, advisers don't need a no-load policy to give life insurance advice — they could recom-

mend a certain product to a client, who could then purchase it directly from an insurer. But no-load policies come in handy for advisers who bundle the insurance cash value into their assets-under-management compensation model and take an annual fee for their advice.

"If advisers want to be the ones to write the life insurance business, and it doesn't align with their compensation model, it causes a problem for them," Tom Love, vice president of insurance analytics at ValMark Financial Group, said of the challenge created by having few available no-load products.

ADVANTAGES FOR CLIENTS

Structurally, no-load policies have advantages for some clients — which becomes especially important as lawmakers at the federal and state

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Finra lost $68.7 million in 2018

BY MARK SCHOEFF JR.

FINRA SUFFERED A net loss of $68.7 million in 2018 despite increasing revenue and declining expenses, according to the regulator's annual report released June 27. The primary culprit was a 2.3% decline in its investment portfolio.

The Financial Industry Regulatory Authority Inc.'s net revenue, and interest and dividend income, was $946.1 million in 2018, up from $919 million in 2017, while expenses dropped to $975.3 million in 2018 from $992.3 million in 2017.

INVESTMENT LOSSES

But the loss of $29.2 million, along with a $51.1 million drop in the investment portfolio resulted in a $68.7 million net loss. The portfolio, which represents the organization's financial reserves, fell 2.3% in 2018 compared to an 8.8% gain in 2017.

Finra took the investment losses in stride, noting that the fourth quarter was characterized by broad-based losses in global equity markets.

"Although the portfolio lost 2.3%, this loss is modest relative to several common market indices and standard portfolios of equities and bonds," the annual report states.

Finra recorded $1.5 billion in net assets at the end of 2018, compared to $1.6 billion in 2017.

The regulator typically draws from investment returns from its balance sheet to fund regulatory operation expenses that exceed annual revenue.

Mr. Cook reiterated that Finra projects expenses to again exceed operating revenues this year, as reported earlier in its budget summary.

For the sixth year in a row, Finra will not increase member fees and instead will draw from its financial reserves to fund regulatory operations.

FINE TOTAL DECLINED

In other highlights of the annual report, Finra conducted more than 6,300 exams in 2018, levied $61 million in fines and provided $25.5 million in restitution to harmed investors. The fine total was down from $64.9 million in 2017.

Last year, Finra expelled 16 firms, suspended 472 brokers and barred 386 brokers.

Finra regulates 3,712 broker-dealer firms and 629,112 registered representatives.

ROBERT COOK

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WHAT TOP FINRA EXECUTIVES ARE PAID

Four Finra executives earned more than $1 million in total compensation in 2018, and two others came within $80,000 of that mark, according to the Financial Industry Regulatory Authority Inc. annual report released June 27.

MARCIA E. ASQUITH
Executive vice president, board and external relations and corporate secretary
2018 compensation: $900,048
% change from 2017: 7.0%

THOMAS R. GIRA
Executive vice president, market regulation and transparency services
2018 compensation: $923,680
% change from 2017: -16.7%

SUSAN SCHROEDER
Executive vice president, enforcement
2018 compensation: $965,338
% change from 2017: 15.2%

ROBERT L.D. COLBY
Executive vice president and chief legal officer
2018 compensation: $1.1 million
% change from 2017: -7.8%

STEVEN J. RANDICH
Executive vice president and chief information officer
2018 compensation: $1.3 million
% change from 2017: -3.9%

TODD T. DIGANCI
Executive vice president, chief financial and administrative officer
2018 compensation: $1.4 million
% change from 2017: -5.2%

ROBERT W. COOK
President and CEO
2018 compensation: $2.9 million
% change from 2017: 99.8%

Wirehouses moving into RIA business

The purpose of Wall Street is to chase, create and sniff out profits. By its nature, the Street will always move to where the money goes.

In the financial advice industry, money and margins are moving slowly and inexorably away from the bank-owned wirehouses to independent registered investment advisers, along with other business models that either pay more or give advisers equity in their practices.

BRUCE KELLY
ONADVICE

When advisers leave Wall Street to start or join an RIA, they get a higher payout, greater control of the relationship with the client and the ability to own a business that could potentially be quite lucrative when they retire.

Recent events show that the four bank-owned wirehouses — Merrill Lynch, Morgan Stanley, Wells Fargo Advisors and UBS Financial Services, the heart of Wall Street's wealth management industry — are trying to figure out how to walk, crawl or perhaps tiptoe into the independent RIA marketplace.

STRATEGIC MOVES

At the same time, these four firms are making strategic moves to harness their roughly 51,000 brokers and financial advisers to their mother ship and make it less desirable to walk out the door and open their own firm.

17K
NUMBER OF RIA FIRMS IN 2018, UP 10% FROM 2013

In other words, Wall Street is going RIA-ish.

Leaving Wall Street to launch an independent RIA is clearly not a career path many financial advisers at the wirehouses want to take.

With that in mind, the banks and wirehouses are trying to figure out how to move into the RIA business, and they are doing so in a variety of ways.

Let's look at a couple of numbers.

The independent and hybrid RIA channel has increased its adviser head count to 63,000, up 21%, in the five years ended in 2018, 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.

Wall Street is leaking financial advisers, including advisers who are among their largest and most profitable. These veterans can't be replaced, so banks and wirehouses are creating business models and tools that kinda, sorta, maybe if you squint a little, look like an independent RIA for advisers.

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Hard to plan ahead in partisan era

BY MARK SCHOEFF JR.

OPPONENTS OF THE Securities and Exchange Commission's recently approved investment advice reform, including the SEC member who voted against it, suggest the regulations would be revisited and changed by a new SEC in a Democratic administration.

If one of the two dozen or so Democrats in the hunt for the White House topples President Donald J. Trump next year, he or she will have the opportunity to appoint a new SEC chairman and give the panel a Democratic majority.

In recent years, a change in political tide has brought with it a reversal in the course of investment advice regulation.

The Obama administration championed the Labor Department's fiduciary rule, which was supported by many investor advocates and investment advisers but strongly opposed by Republican lawmakers and most of the financial industry. It died in court when the Trump administration stopped defending the measure.

SPLIT SUPPORT FOR ADVICE REFORM

The SEC's advice package — of which the centerpiece is Regulation Best Interest, designed to raise the broker advice standard — was approved by the agency in a 3-1 vote. Democratic member Robert Jackson Jr. dissented while most of the financial industry, as well as the GOP, cheered it on.

Late last month, the House approved an amendment to a spending bill written by Financial Services Committee chairwoman Maxine Waters, D-Calif., that would effectively kill the SEC advice regulations.

"We're in an era where the regulation of the securities markets in

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CNC22663 06/19

LPL courts $11T employee channel

BY BRUCE KELLY

AT A TIME when broker-dealers are increasingly trying to come up with business models for advisers who want to act as registered investment advisers, recent moves by LPL Financial left some wondering if the firm was taking a step back in time.

LPL Financial, the largest broker-dealer with an independent contractor model, raised some eyebrows in May when it said it was adding an employee channel for advisers who want to work directly for the firm.

To that end, LPL Financial's parent company, LPL Financial Holdings Inc., said in May it was buying a small employee model broker-dealer in Florida, Allen & Co., with 30 advisers and about $3 billion in assets. As part of the deal, LPL will keep the firm's operations and brand. Terms of the deal, which is expected to close by the end of the year, were not revealed.

BROADEN RANKS

LPL's move is an effort to broaden its platform and appeal to brokers and advisers who do not want to start their own business or work as independent contractors.

"Over the last 30 years LPL has focused on advisers who are independent small-business owners," said Rich Steinmeier, managing director and head of business development for LPL. "As we explore the market, we see tremendous advisers who are independent-minded and want to build the business, but moving to the independent side can be a step too far for them. They don't want to find benefit programs, do HR or find an office space."

Mr. Steinmeier, who is in charge of the new effort, noted that advisers controlling $11 trillion work in the employee segment of the industry, most of them for wirehouses.

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

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6 ways Social Security will change in 2020

Over the past 10 years, the U.S. population age 65 and over has increased 34% to more than 50 million, as baby boomers continue to retire at the rate of 10,000 people a day. Here are six ways Social Security will shift next year.

1 Dipping into the trust fund
Unless Congress acts, the current $2.8 trillion in excess trust fund revenue will be exhausted by 2034, leaving Social Security able to pay only 77% of promised benefits from ongoing FICA taxes.

2 Smaller COLA
Due to persistent low inflation, the annual Social Security cost-of-living adjustment for 2020 is expected to be about 1.8%.

3 More benefits will be taxed
Higher benefits from the COLA mean more retirees will be subject to income taxes on at least a portion of their Social Security benefits. Last year, nearly half of older households paid taxes.

4 Full retirement age increases
For those born in 1960 or later, the full retirement age increases to 67.

5 End of file-and-suspend bonus
The last batch of people eligible to file and suspend benefits (the bonus that triggered payments for eligible family members while their own benefits continued to grow by 8% per year) will turn 70 in 2020, the age at which their Social Security benefits automatically begin.

6 Spousal benefit strategy disappears
A congressional change prevents people who reach full retirement age in 2020 or later from filing a restricted claim for spousal benefits, which would have allowed them to claim half of their spouse's or ex-spouse's full retirement age benefit while their own benefits continued to earn delayed retirement credits.

Rollovers are changing under Regulation Best Interest

BY GREG IACURCI

THE SECURITIES and Exchange Commission in early June made the most significant changes to investment-advice standards in more than two decades — and rollovers were no exception.

Regulation Best Interest imposes a new standard for brokers, broadly saying they must make investment recommendations that are in retail customers' best interest. That extends to advice on rolling over assets from a workplace retirement plan to an IRA.

Rollovers constituted one of the major revisions from the proposed SEC rule to the final version. Contrary to the initial draft, the final rule lays out explicit steps broker-dealers and brokers must take when recommending rollovers.

Most experts agree the new standard for rollovers is higher than the existing "suitability" standard for brokers, although that will ultimately depend on how the SEC and the Financial Industry Regulatory Authority Inc., interpret and police the new rules.

"This does elevate the standard of conduct for broker-dealers in pretty concrete ways," said Aron Szapiro, director of policy research at Morningstar Inc.

MORE REG BI
How tech is helping firms prep
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The new rules encompass three elements of a rollover, according to Fred Reish, partner at law firm Drinker Biddle & Reath, including recommendations to: take money out of a 401(k) plan, put that money into an IRA and invest the money.

One major point is that a broker must compare a client's 401(k) and an IRA based on several factors. Those include: fees and expenses, level of service, investment options, ability to take penalty-free withdrawals, application of required minimum distributions, protection from creditors and legal judgments, holdings of employer stock, and any "special features" of the existing account. This list isn't exhaustive, according to the SEC, and some factors may have more or less relevance given the particular client.

The SEC also said broker-dealers can't rely on an IRA having more investment options than a 401(k) as "the basis for recommending a rollover."

Those factors are in addition to other general requirements under Reg BI, such as consideration of a client's investment profile and the potential risks, rewards and costs of a particular security or investment strategy.

COST A BIG FACTOR

Cost can be a "fairly significant factor" in assessing such recommendations, because IRAs are almost always more expensive than 401(k) plans, Mr. Reish said.

The new rollover standard, he said, "looks identical" to the SEC fiduciary standard for registered investment advisers.

Finra will need to update its rules and regulations to reflect the SEC's new standard, but broker-dealers shouldn't wait to start amending their rollover processes since the implementation deadline is just a year away, Mr. Reish said.

Micah Hauptman, an investor advocate, agrees the new rollover standard represents at least a "marginal improvement over the status quo," since it requires broker-dealers to take a range of factors into account for clients. However, he's worried broker conduct won't "meaningfully change" from current practice.

"[Reg BI] potentially gives brokers the road map to rationalize what they're doing while failing to properly address conflicts of interest that arise," Mr. Hauptman, financial services counsel at the Consumer Federation of America, said of rollovers.

For instance, Reg BI prohibits some — but not all — sales contests and quotas. Product-specific contests are no longer allowed, but those related to asset accumulation, for example, weren't prohibited. That, Mr. Hauptman believes, may still offer an incentive to brokers to recommend rollovers that aren't in customers' best interests.

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Milestone planning helps clients and advisers

New trends and developments are always on the horizon in the financial planning industry. For the past few years, the focus on retirement income planning has been growing and taking the country by storm.

The growth and integration of financial planning software and robo-advisers also has been a fascinating trend. But it's just the tip of the iceberg of technological disruption in financial services. As advisers try to keep up with emerging trends while still showing their value to clients, a new focus could be arising: milestone planning.

WHAT IS MILESTONE PLANNING?

Milestone planning is a significant part of many project management and planning teams. The idea is that you project what you're supposed to achieve by a preset date. As you pass milestones, you can review whether or not your plan is on track.

Not only does the process give the planner the ability to evaluate the plan's performance, it also can provide a good history of the project once it's complete. Because milestone planning focuses on the most visible, important and easily identifiable events, it allows focus and planning to develop around them.

It's easy to see how these project management themes can be incorporated into the financial planning process. The top financial Google searches, for example, revolve around guidance for milestone events: How to pay off a student loan, what is a 401(k), how do car loans work, how to buy a house, etc.

GUESTBLOG
JAMIE HOPKINS

Many clients experience a similar need for guidance toward and past milestones. For instance, young clients go through significant life events such as starting a new job, opening a 401(k) account, paying off student loans, getting married, having children and buying a house.

Once clients are a bit further into their work career, they might need an adviser's help with starting a business, saving for children's college funding or deciding when to retire. Retirement clients also will have milestones like relocation, long-term-care needs and end-of-life planning.

Many milestones in life relate to the client's own goals, like marriage, having children and starting a business. But other milestones will be brought on by loved ones, like children going to college or getting married. Other major life events are driven by tragic situations, like the loss of one's parents or spouse. These major life events will have a huge impact on the client's lifestyle and financial situation.

PUTTING IT INTO ACTION

Financial advisers often start with goal-based planning: what the client wants to accomplish. This is just a start, though. This goal-based aspect of planning is lost along the way as the focus becomes more tactical in nature. Milestone planning can be beneficial in keeping the focus squarely on the client's goals.

Research has shown that clients who spend more time thinking about future goals and events are more likely to feel a connection to their future self. Therefore, they are more likely to follow through on savings goals for the future.

> **ADVISERS CAN LEARN FROM PROJECT MANAGEMENT TECHNIQUES.**

By planning around milestones in a person's life, an adviser is given the opportunity to discuss both what the client wants to happen and some of the external risks involved. While the timing of these risk events is unknown, they will occur. People pass away, retirement happens, sickness happens — we need to be prepared for external changes that'll affect our financial plan.

Milestone planning also allows the adviser to show additional value that's not directly tied to investment gains and losses from each year. Instead, the value is accompanying a client on a journey to help them conquer life challenges and meet goals — a huge shift in the client-adviser paradigm. Previously, advisers focused on product and investment. Under milestone planning, advisers focus on a whole life and building a relationship.

Annual reviews can include a look back at milestones clients have passed. Advisers and clients will have a clearer picture of the importance of their relationship and the value of advice the client is paying for. Everybody wins, right?

Milestone planning helps companies around the world accomplish big goals every day. Why shouldn't it be the same for financial advisers? Take a page from project management and consider focusing on milestone planning.

Jamie Hopkins is director of retirement research and vice president of private client services at Carson Group.

OPINION

EDITORIAL / LETTERS / OP-ED / GUEST BLOGS

Educate clients on the reality of Social Security benefits

YEAR AFTER YEAR, despite hand-wringing from experts, nothing much seems to happen to address the draining of the Social Security trust funds. Perhaps no one is worried because the well won't run dry for more than a decade, and much of the public is resigned to a partisan Congress unwilling to compromise on anything controversial until a crisis is imminent.

The main Old-Age and Survivors Insurance Trust Fund continues its inexorable march toward depletion — the latest Social Security Board of Trustees' annual report pegs it at 2035.

But higher taxes, a delayed retirement age and means testing all may be part of the solution. Barring some unimaginable catastrophe, the system won't go bust or renege on its societal commitment to pay participants a benefit, even if that benefit turns out to be smaller than participants anticipate.

What many don't appreciate, though, is that lower Social Security income is not just a possibility for the 2030s. Right now, millions of Americans on the cusp of retirement or in early retirement are finding that their monthly income from the benefit is lower or will be lower than they anticipated. And that poses challenges and opportunities for financial advisers.

Much of the disappointment that many Social Security beneficiaries experience comes from a misunderstanding of the system's benefits and rules. As *InvestmentNews* contributing editor Mary Beth Franklin recently noted, most future retirees are misinformed about the age of eligibility for full retirement benefits, with 70% of those surveyed by the Nationwide Retirement Institute believing they are eligible for full benefits earlier than they actually are. In addition, most expect they'll receive an average of $1,805 a month in benefits, when in fact the current average is $1,408 — a 28% difference.

But wait — to paraphrase infomercials — there's less!

As much as they are confused or misinformed about their Social Security benefits, pre-retirees are probably even more confused about Medicare and how much its Part B premiums, which are deducted from each monthly Social Security payment, will cut into their expected income.

This year, the standard Medicare Part B monthly premium is $135.50. But since the premium is based on modified adjusted gross income taken from an individual's tax return two years earlier, someone who just retired could face significantly higher Medicare premiums if his or her income was at a peak during their last years of working. An individual filer who reported income between $133,501 and $160,000, for instance, would pay a Medicare premium of $352.20 a month.

> **INCOME LIKELY WILL BE LOWER THAN FUTURE RETIREES EXPECT.**

To be sure, those with higher incomes are likely to receive higher-than-average Social Security benefits as well. But income after the Medicare deduction is still likely to be sharply lower than expected, and that's before the impact of federal and state income taxes in retirement, which many about-to-be retirees ignore or underestimate as well. A retired married couple where both spouses receive Social Security and take distributions from qualified retirement plans can wind up with a hefty tax bill.

Advisers have an important role to play in educating their clients about the realities of Social Security and Medicare. Discussing claiming strategies and explaining the nuances of how each client's unique circumstances can affect benefits provides tremendous value. Offering other income solutions through investment choices, as well as practical noninvestment advice to increase income, such as how to find satisfying part-time work in retirement, can also be a welcome way to help clients face any personal Social Security "crisis" of confusion that may arise.

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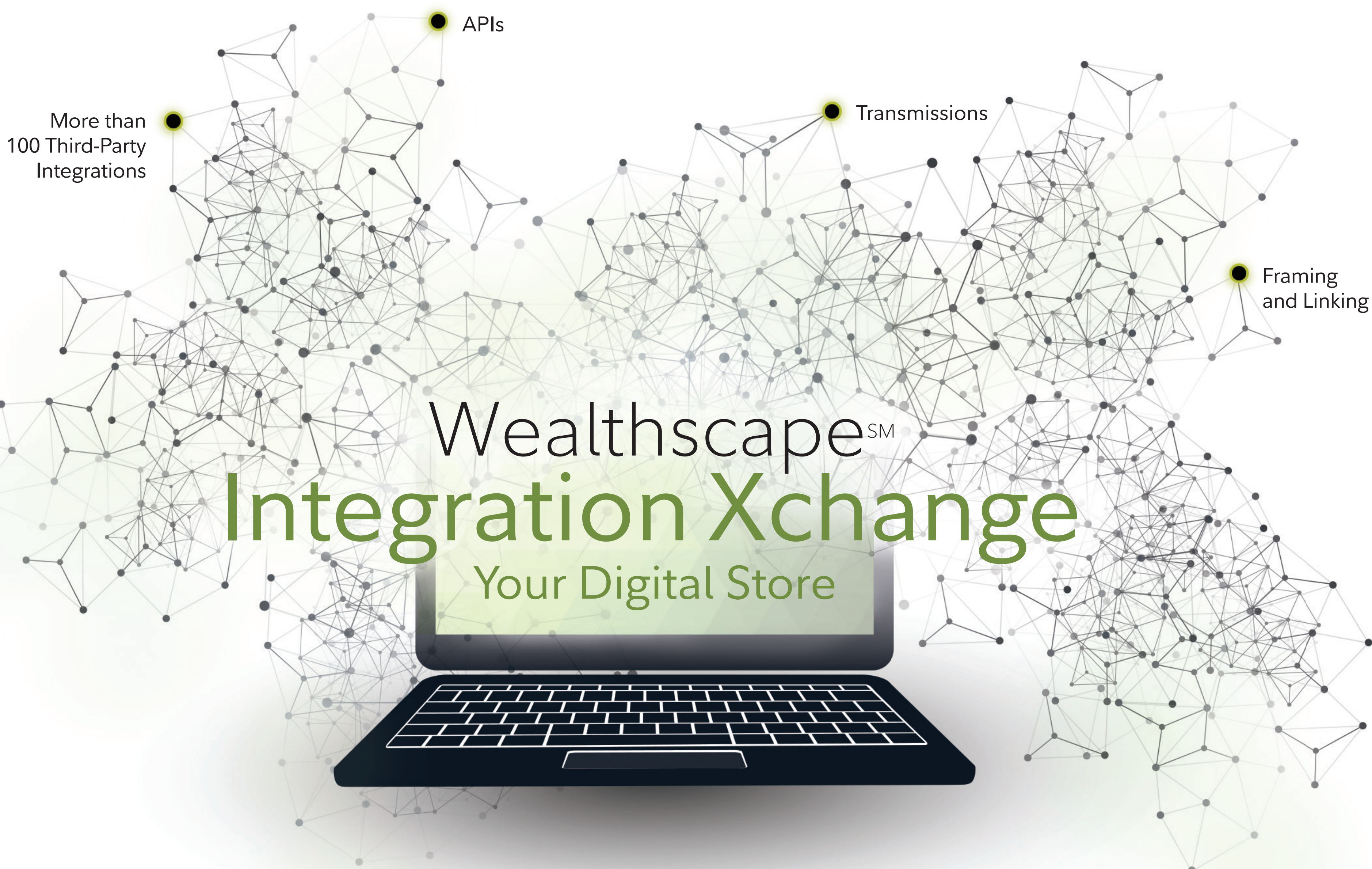

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KEPT IN THE DARK

WOMEN WHOSE SPOUSES STEER THE FINANCIAL SHIP ALONE MAY BE PUTTING THEMSELVES AND THEIR FAMILIES AT RISK

BY MARK SCHOEFF JR.

Over 40 years of marriage, one of Stacy Francis' clients took a back seat to her husband when it came to the family's investments and finances.

In fact, she was given a strict budget she felt didn't provide enough money to cover expenses for their life in New York with their two children. Her husband took delight in her struggles, said Ms. Francis, president and CEO of financial planning firm Francis Financial.

"She thought they were destitute because she was given so little to live on," Ms. Francis said. "That was his way of controlling her."

Later, when her client got divorced, she learned the couple had more than $10 million in investments.

Even though she took steps to stand up for herself by getting out of the marriage, financial autonomy is still a long way off for the client. She had worked with Ms. Francis on an hourly basis through the divorce but, against Ms. Francis' counsel, decided to continue to rely on her husband, who was himself a financial planner, for financial advice.

"Unfortunately, it's still going to take time for her to have confidence in herself to make these [financial] decisions," Ms. Francis said.

A generation has passed since Betty Friedan and Gloria Steinem led a feminist movement to give women more power in society, but many women are still second-class citizens when it comes to financial planning. There are several reasons — some practical, others cultural — why women allow their spouses to steer the financial ship. But advisers warn that women who defer to men when it comes to finances may be putting themselves and their families at risk.

A UBS poll of 3,652 women around the world found 58% defer long-term financial decisions to their spouses or ex-spouses. Participants included 2,241 married women with at least $1 million in investible assets and 1,401 who were divorced or widowed.

Among the women surveyed in the United States, 54% said their spouse takes the lead in handling the family's finances beyond paying bills. The women did not participate in long-term financial planning, investing or health-care decisions.

"It was startling to find out that most of the women that we talked to had little or no involvement with those decisions," said Jane Schwartzberg, head of strategic client segments at UBS. "There is such a high cost to women not being involved."

'STARTING AT GROUND ZERO'

"The majority of the women who come to us don't have a clear understanding of the finances of their marriage," said Ms. Francis, whose firm specializes in women going through transitions such as divorce or the death of a spouse. "They're starting at ground zero when there's chaos and many moving parts in their life. It's the worst time to try to understand your finances."

Karen Van Voorhis, director of financial planning at Daniel J. Galli & Associates, had a client in her 40s whose husband died in March. While she was griev-

CONTINUED ON PAGE 10

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ing, she had to tackle the family's taxes.

"She had no idea whether he filed taxes," Ms. Van Voorhis said.

Her husband had managed all of the household assets, including their retirement accounts. She scoured TurboTax and paper files without finding evidence of a tax filing. Ms. Van Voorhis' firm helped her hire a CPA, who petitioned the IRS on her behalf.

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

LOW CONFIDENCE

UBS' survey found women step aside when it comes to financial planning because they think their partner knows more about it, they're not interested in planning and investing, or they divvied up household responsibilities, and financial planning fell to the husband.

In addition, there is a strong cultural dimension. Women are taught little about money when they are growing up, and men have traditionally taken the lead in handling family finances.

"Gender roles run deep," Ms. Schwartzberg said.

That current continues to course through the millennial generation. The UBS survey showed that 59% of women ages 20 to 34 let their husbands take the lead on financial management, compared with 55% of women over 50.

Being out of the loop on family finances doesn't break down along education lines, either. Women with advanced degrees also tend to be left out.

Joe Wride, owner of Crafted Finance, had a client who had a law degree but wasn't kept

54%

PORTION OF WOMEN IN THE U.S. WHO SAY THEIR HUSBANDS TAKE THE LEAD ON FINANCES

Situation no better with millennials

If any generation would have strong feminist tendencies, it would seem to be the millennials. They grew up seeing women gain power and influence.

But when it comes to managing their family's investments and planning for their financial future, more millennial women cede control to their husbands than do women of older generations, according to a recent UBS study.

"I was very surprised," said Marielle Schurig, a UBS vice president of wealth management. "It's still engrained in our culture that that is a man's job to do."

In talks with millennial women, Ms. Schurig has tried to get them interested in financial planning by making it more relatable than simply information in a portfolio.

"I talk about finances as part of your overall health and wellness routine," Ms. Schurig said. "It's a good way to help them realize it's not just about numbers. It's about your lifestyle and goals."

ROAD MAP

When working with women going through divorce or the death of a spouse, Stacy Francis uses a "wealth management road map" that outlines their income, real estate, retirement plan, expenses, Medicare and long-term care insurance, emergency fund and insurance. The document, which is never longer than eight pages, is easily digestible and focused on life planning.

"There is no gobbledygook with charts and graphs no one can understand," said Ms. Francis, president and CEO of Francis Financial. "It makes much more sense and is less intimidating."

In the right environment and with the right education, women can thrive while managing a family's finances.

"Women can make better decisions with money than men," Ms. Francis said. "We have these fantastic skill sets. No one has taught us how to use them."

Helping a women achieve autonomy on finances can be fulfilling for an adviser, said Wendy Holmes, a UBS managing director and private wealth adviser.

"There's just nothing like seeing someone start to engage and take ownership," Ms. Holmes said. "It's probably the best thing that we do."

— Mark Schoeff Jr.

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apprised of the family's daily cash flow by her husband. She was 60 and they had two children in college when she filed for divorce. The woman, originally from Brazil, found out she was not as close to retirement as she had hoped.

"She was unaware of how much wealth she had and whether she could retire soon or pay her monthly bills," Mr. Wride said.

He worked with her to establish a household budget and project longer-term needs. They determined she had to go back to school and back to work. Her retirement was moved to 70.

No matter what a woman's background may be, the challenge of catching up on family finances during a traumatic life transition is daunting. When women come to financial professionals for help sorting out their financial situation, the process starts with the basics of determining where money is located.

> **"THE ONUS IS ON THE FINANCIAL ADVISER TO INCLUDE THE WIFE AS A CORE CONTRIBUTOR."**
>
> VANCE BARSE, WEALTH STRATEGIST, MANNING WEALTH MANAGEMENT

That first step, though, requires turning on a computer and facing hard numbers, which was difficult for a client of Marielle Schurig, a UBS vice president of wealth management. The client, who was going through a divorce, was terrified by the prospect of what she might find once she started looking into the couple's finances.

"She was frozen," Ms. Schurig said. "She was scared about the numbers she would see."

ALL OR NOTHING AT ALL

Ashley Coake, owner of Cultivate Financial Planning, said female clients in dire financial circumstances following a divorce or death of a spouse tend to do too little — or too much — in response.

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

Financial professionals themselves share some of the blame for women being out of touch on family finances, several advisers said. One of the problems is that when couples come to an adviser, husbands are often allowed to dominate the conversation about financial planning. Sometimes advisers will meet with the husband without the wife being present.

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

Advisers also can make the mistake of focusing too much on beating the market, a goal that can turn off women.

"Our industry has been completely, completely complicit in making this about returns and jargon and keeping the emotion out of the financial planning conversation," Ms. Schwartzberg said. "In fact, financial planning should be all about who and what a person cares about."

'MEANING BEHIND THE NUMBERS'

That's the approach that Lisa Kirchenbauer, president of Omega Wealth Management, takes to get women enthusiastic about long-term financial projections.

"When we do life planning, it starts to put meaning behind the numbers," Ms. Kirchenbauer said. "Women start to get quite engaged because it means more than focusing on: 'Are we going to get a 6% return or an 8% return?'"

But the journey to autonomy in financial decisions can take time when women start from way behind after a long marriage in which they didn't pay attention to financial planning.

"It's a long-term educational road women have to be on in order to be able to take back control of their financial future," said Vincent Fiorentino, a UBS adviser and owner of the Fiorentino Group.

The UBS survey indicates that 98% of divorced women and widows say they encourage other women to be more involved in their family finances.

"The message is out there from women who have been through this transition, but, unfortunately, the message doesn't seem to be getting across," said Jeff Scott, head of client and adviser insights at UBS.

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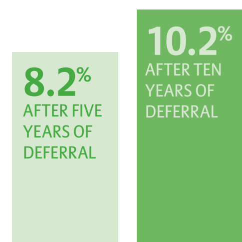

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An Article From the Brighthouse Financial Insights Panel

A group of leading independent experts to help you and your clients stay ahead of the curve.

Grow Client Opportunities Through Key Milestones

Build stronger client relationships with milestone planning

Milestone planning can be a very effective business growth strategy for advisors to engage clients and develop financial solutions that are truly tailored to their needs and goals. At its core, the milestone planning process involves looking at the scenarios your clients will likely experience in their lives and developing approaches to make sure they're prepared to manage them from a financial perspective.

Financial capability expert J. Michael Collins, financial psychology expert Susan Zimmerman, and advisor champion Jamie Hopkins explain the foundations of milestone planning and how advisors can use it to build trust with clients and add efficiency to their practice.

Leverage milestone planning for business growth

Milestone planning can strengthen your business with existing clients. Susan suggests that this happens in five main ways, which she calls the five R's. Milestone planning:

- Deepens your **relationship** with clients by illustrating how much you care about their futures
- Helps drive **retention**
- May lead to **referrals** since it makes clients comfortable and appreciative of your input
- May lead to more **recommendations,** as clients are more likely to talk about positive experiences with their friends
- May have a positive impact on **revenue,** for both the client and your business

You can also use milestone planning to inform your marketing strategy. As prospects near key life events, they will begin to search for information about related topics, such as refinancing loans, paying off credit card debt, or saving for retirement. Jamie notes, "If you're building materials and blogs and social media posts that relate to those questions that people actually have about their milestones, that's how they're going to find you."

Michael adds, "If you can present yourself as somebody who can help them through each of these milestones, they'll be more willing to work with you on a regular basis."

Preparing clients for legislative birthdays

Legislative birthdays are age-based milestones that will trigger financial decisions and present choices that may affect their retirement income. As you're working with clients, keep these legislative birthdays in mind:

50: Clients may be able to increase their retirement plan contributions

Jamie explains: "Fifty's the first time in which we can do what we call catch-up provisions to our retirement accounts. We can actually put a little bit more money away into our IRAs, our 401(k)s, our 403(b)s – so there's a new savings opportunity."

Michael adds: "That's a key reason why people see an advisor, start to think about contributing more to their retirement, and shift toward more savings. Now they can catch up and put more money into these plans."

From 55 onward, clients can retire early without having to pay the early-withdrawal penalty tax.

59½: Clients may be able to take distributions from eligible plans without a tax penalty

As a result, Michael points out, "We oftentimes see a lot of shifting of money across retirement accounts around 59, 59½."

60: Widows and widowers may be able to collect reduced Social Security benefits

Jamie has found that this can be a missed opportunity that advisors might fail to consider since clients may not be aware of it. Working with clients to anticipate this milestone, therefore, offers a unique chance to add value to their financial planning.

62: Most clients are able to receive Social Security benefits

As Michael's observed: "A lot of people in their early 60s aren't really sure about how to claim, when their spouse should claim, and what decisions they should make. It's one of the main reasons that people in their early 60s would visit an advisor in the first place."

65: Medicare may become your clients' primary health insurance provider

Clients getting ready to turn 65 need to make several important decisions about their health coverage. If they're not automatically enrolled in Medicare and wait too long to apply, they may have a gap in coverage. Jamie has seen that a lot of clients aren't aware of this. He emphasizes, "That really highlights why this planning needs to occur sometimes months, years, or even much longer beforehand."

70½: People need to start spending down certain retirement assets to avoid penalties

At 70½, clients reach RMDs – required minimum distributions. Although some exceptions apply, clients generally have to start spending from tax-deferred retirement accounts, such as IRAs and 401(k)s.

Michael adds that many people with retirement plans will be required to start spending down money, but "some of them aren't prepared for this. If they don't do this, they're going to face some penalties. And they often need help to decide what to spend [and] when."

Jamie suggests getting in touch with clients before legislative birthdays take place. "We need to be reaching out to clients six months ahead of time, a year ahead of time, because that's when the planning around those legislative birthdays should be occurring," he advises.

For a structured approach to milestone planning, Jamie recommends electronically tracking your clients' key data, such as their date of birth and family members. Jamie calls this electronically collected and managed information "clean data" and says that it can streamline your meetings. He illustrates: "When a client comes in, they don't have to re-enter their birthday every time they come into your office. You know about their kids. You can track this and have a system in place for reaching out for milestones."

Use each meeting as an opportunity to get to know your clients better and collect more information so that you can anticipate what advice and communications they'll need at which point.

Life event milestone planning and how to overcome client barriers

In addition to the legislative birthdays, your clients will also experience life events that happen to them and their loved ones.

Jamie says that these milestones include a range of scenarios: "Getting married, buying a home, dealing with student loan debt, credit card debt, getting that first job, and trying to figure out, 'What do I do with my 401(k)? How much money do I put into this? How do I save it? What investment options do I pick?'" Once clients start to think about financially driven milestones and look for help around financial planning options, advisors are in a strong position to add value.

However, when you start to work with your clients to plan for these life milestones, you may see that they're reluctant to talk about specific issues. Jamie suggests approaching milestone conversations with sensitivity from the outset: "Ask open-ended questions. Listen. Be confident but not patronizing."

Michael says it's also important to bear in mind that, even though a client might be hesitant to share information at one specific meeting, they could be more open at the next one, so make sure that you have regular catch-ups. If you do hit a wall when trying to talk to clients, he recommends that you shift focus on that occasion: "Talk about more technical things, like who are their beneficiaries on their different accounts. Steer away from these more emotional issues, toward issues that people are willing to talk about that are a little more mundane."

Similarly, Susan suggests that you take a break when you notice clients getting anxious. She advises, "Let them know in friendly, non-clinical language that you've noticed they seem to have some uneasiness."

Beyond deepening your relationship with your clients, milestone planning and preparing them for key life events also presents a unique opportunity to engage their children.

Learn more about how to make the most of milestone planning by visiting brighthousefinancialpro.com/insightspanel

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InvestmentNews
TECHNOLOGY THINK TANK

HOW FINTECH CAN IMPROVE THE CLIENT EXPERIENCE

ROUNDTABLE OF INDUSTRY EXPERTS DISCUSS PROSPECTING, ONBOARDING, MANAGEMENT AND DIGITAL COMMUNICATION

INVESTMENTNEWS gathered many of the nation's top broker-dealer, custodian and RIA technology executives in May for its annual Fintech Think Tank to ask which issues and industry developments are shaping firm strategies going forward.

It turns out the executives have big plans for the critical role technology will play in delivering better financial advice to clients, and making the overall process more efficient for advisers so they can serve more clients.

In this section, InvestmentNews reporters Ryan W. Neal and Mark Schoeff Jr. offer a glimpse into the May 22-23 roundtable of executives and subsequent workshops held in New York. Also on these pages, you'll discover some of the executives' notable predictions and ideas for the industry in their own words.

For additional coverage, check out videos from the event at InvestmentNews.com/fintechthinktank.

— Liz Skinner, special projects editor

CLIENT TECH INTERFACE STILL COMES UP SHORT

BY RYAN W. NEAL

WITH MOST ADVISERS ON THEIR WAY to having a core technology stack in place that digitizes much of their day-to-day work, industry leaders are now turning their attention from the back office to the front of the house.

For many advisers, the technology that clients use to interact with the firm just isn't up to par. No one doubts advisers have more to offer than the relatively simple allocation strategies provided at digital-advice startups. However, the digital experience offered by automated advisers like Betterment and Wealthfront is still light years beyond what traditional firms can provide.

"I think one of the challenges we're facing is when we digitize, we digitize portions of the experience," Apurva Mehta, chief technology officer and head of architecture at UBS Wealth Management Americas, said at the *InvestmentNews* Fintech Think Tank in May. "You may build this elaborate, beautiful client experience and then you're going to fax them a form to sign.

"You either digitize the whole thing or nothing at all, because it's silly to do partials; it actually reflects poorly that we didn't think through what the eventual journey is going to be," Mr. Mehta said.

With consumer-facing technology giants inching their way into financial services, making financial services as intuitive and easy to use as Netflix, Uber or Amazon is paramount for the incumbent industry. Standing in the way of a truly Uber-like experience for clients is a fragmented financial advice industry.

STREAMLINED EXPERIENCES

Fintech platforms like Quicken mortgage, for example, can offer such streamlined experiences because it's only one product and one platform from a single company.

Financial advice is much more complex. Just consider something as small as account registration types, said Lisa Burns, senior vice president of strategic platform development at Fidelity Investments.

"[Institutional firms] want to step a toe into it because the amount of work it would take to do this, it's going to be a multimillion-dollar project," Ms. Burns said. "Before we go out and overhaul our entire infrastructure, we want to test this first."

At the two-day think tank and roundtable, executives from custodians, broker-dealers and RIAs focused on four areas of the client experience: pros-

CONTINUED ON PAGE 17

MOVING ACCOUNTS AFTER A MERGER IS FAR TOO COMPLEX

As chief technology officer at my firm, probably the biggest challenge I face is the technological onboarding of sometimes massive numbers of new clients. Even at 26 years old, our advisory firm is still growing, having acquired or partnered with several others in a short period of time.

Why is it such a challenge? Because of huge gaps between the technologies we use to manage the assets, information, investments and communications that are all necessary to properly serve our clients.

GUEST BLOG

ADI GARG

While some of the firms we've acquired or partnered with have systems in place that require less ingenuity than others, each new acquisition entails the onboarding of large numbers of clients not only over to an entirely new custodian but to an unfamiliar portfolio management system, a brand new customer relationship management system and an unfamiliar trading system, just to name a few.

All that, and — from a communications standpoint — we must still gracefully and legally acquire the clients' "consent" so we can become their adviser and complete the transfer.

If they don't like what they're hearing or how we're explaining it, we risk losing them before they ever come on board.

That's the human side of the process, which should never be taken for granted. That is, it's the clients who, through no action of their own, are being asked to consent to substantial changes to some important professional relationships, many of which they've had for years. And this delicate communication occurs while we wrestle behind the scenes with the cumbersome technological side of the process.

Most growing firms onboard only a handful of new clients each month. Seamlessly transitioning 1,000, or even 3,000, clients from the acquired or partner firm's portfolio accounting, CRM and trading systems over to our systems takes an astounding amount of effort and coordination by our technology and operations teams. Frankly, it's a highly complex process that some firms never master.

SOPHISTICATED PROCESS

Conquering these obstacles is something that's become an obsession of mine. Just managing the documents is itself a monumental task. To do this, we've created a sophisticated process that uses a custom-built application that prefills data, routes documents and, where appropriate, utilizes e-signatures.

In short, in spite of the obvious barriers, we've grown and learned to adapt. And via trial, perseverance and necessity (and the use of some proprietary technology), we've mastered it.

Yet I admit that I look forward to the day when the available technology actually catches up to and unifies these disparate, labor-intensive processes, and we can move away from juggling various systems into more streamlined automation.

While that day is surely coming, it's not here yet. And in an industry that in some ways still relies on technology that lags behind the technology of some other major sectors, it will be a great moment indeed when we can leave the world of mix-and-match technology behind and enjoy one-stop shopping in which onboarding seamlessly meets the needs of both client and the advisory firm.

Adi Garg is chief technology officer at Allworth Financial.

ADVISERS WANT BETTER CLUES ABOUT BEHAVIORS

BY MARK SCHOEFF JR.

Financial professionals who are increasingly competing with online digital-advice firms are looking for their own set of advancements: tools that highlight the benefits of human advice for clients and notifications that help advisers anticipate clients' changing needs.

"The technology that's coming will be technology that better reinforces our value proposition as financial advisers and puts us far ahead of today's robos, which are really tackling just one problem: investments," Andrew Altfest, managing director of Altfest Personal Wealth Management, said at the *InvestmentNews* Fintech Think Tank on May 22.

He and other industry professionals want clients to understand exactly how advisers are helping them.

"When a client goes home, there should be much more balance, like, 'Here's what we have done for you recently,'" Mr. Altfest said. "'We helped you refinance a mortgage that had a balloon payment in two years; we also made these changes in your portfolio. And here's a lot of other stuff that we're doing.'"

Nick Graham, chief technology officer at Cambridge Investment Research, said technology that interfaces with clients shouldn't be so simple that it hides an adviser's efforts.

DEMONSTRATE VALUE

"The fact that he stayed on Saturday and worked Monte Carlo scenarios to be able to come up with the unique answer for the question that the client had, should be something that he can demonstrate without having to walk [the client] through it," Mr. Graham said.

Advisers also are seeking richer client data to predict what customers will do or might need next.

Christopher Cordaro, chief investment officer at RegentAtlantic, said his watch notifies him when he's been sitting too long and needs to stand up. He'd like a similar prompt about his clients.

"The planning side, that's where we're in the Stone Age," Mr. Cordaro said. "I need some type of planning, behavioral triggers like that for my clients so that I can service more clients in a more efficient way and give them a better experience."

> **"THE NO. 1 THING THAT OUR ADVISERS FEEL WOULD BE OF VALUE IS CLIENT ATTRITION BEHAVIORS."**
> DOREEN GRIFFITH, SVP AND CHIEF INFORMATION OFFICER, LADENBURG THALMANN

Doreen Griffith, senior vice president and chief information officer at Ladenburg Thalmann, said advisers are seeking such clues to client behavior.

"The No. 1 thing that our advisers feel would be of value is client attrition behaviors that they could be proactively aware of so that they can do a proactive reach out to understand," Ms. Griffith said. "The confidence level in the data is just not there."

Richard Keltner, director of product management and investment services at Fiserv Investment Services, said the market is about to deliver.

"We're on the cusp of being able to offer a highly personalized experience," Mr. Keltner said.

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ROUNDTABLE PARTICIPANTS

Andrew Altfest, president, Altfest Personal Wealth Management

Kol Chu Birke, managing principal, technology & corporate strategy, Commonwealth Financial Network

Lisa Burns, head of platform technology, Fidelity Investments

Christopher Cordaro, chief investment officer, Regent Atlantic

Paul W. Ewing, chief executive, Prosperity Advisory Group

Adi Garg, chief technology officer, Allworth Financial

Nick Graham, chief technology officer, Cambridge Investment Research

Doreen Griffith, senior vice president and chief information officer, Ladenburg Thalmann

*** Kyle Hiatt**, executive vice president of business development, Orion Advisor Services

*** Richard Keltner**, director of product management and investment services, Fiserv Investment Management

Britton Lombardi, vice president of sales operations and strategic partnerships, Apex Clearing

*** Zaheer Master**, president, Accelerated Information Systems

Apurva Mehta, chief technology officer, UBS Wealth Management Americas

Jon Patullo, managing director of technology product management, TD Ameritrade

Loren Pierson, chief operating officer, Mercer Advisors

Andrew Salesky, senior vice president of digital adviser solutions, Charles Schwab

Christina Townsend, director and head of platform strategy, BNY Mellon's Pershing

Timothy Welsh, president, Nexus Strategy

*Sponsor participants

10 YEARS FROM NOW I PREDICT…

Fintech experts offer suggestions about how the advice industry will be different in a decade

"Ultra-personalized, deeply holistic planning at scale. Scale driven by great client engagement, scale enabling protection of margins as fees compress and scale enabling the broadening of the client base served. Ultra-personalized down to the behavioral advice, actions and prompts."

— Kol Chu Birke, managing principal - technology & corporate strategy, Commonwealth Financial Network

"The future metric is financial well-being."

— Christopher Cordaro, chief investment officer, RegentAtlantic

"One trend is toward the client-centric experience. The clients of advisers expect an experience that is tailored toward their needs, that anticipates their unique goals, their aspirations, and really delivers an outcome that's specific to them. ... Firms that try to apply a cookie-cutter approach to this will find themselves quickly becoming obsolete."

— Richard Keltner, director, product management and investment services, Fiserv Investment Services

"Advisory firms will have shifted from investment and planning to [being] experience-focused by leveraging technology, digital plus AI, plus new fintech solutions."

— Christina Townsend, director and head of platform strategy, BNY Mellon's Pershing

"The next great revolution in fintech advisory technology is going to be robotic process automation. This gives advisers the ability to create super macros that could automate a lot of their work without having to be a developer and without having to have any coding skills. So any user can go in, be able to point and click and transfer data between systems."

— Zaheer K. Master, president, Accelerated Information Systems

"Clients will enjoy a universal digital identity with their relationship to their investment providers and have immediate access to their investment progress details."

— Nick Graham, chief technology officer, Cambridge Investment Research

"Virtual reality will be the way advice is delivered."

— Timothy Welsh, president, Nexus Strategy

"I believe advisers really need to be looking at technology and how they communicate with their clients, so things like chat capabilities built right into their websites, the ability to do screen-sharing. ... Also, video conference capabilities and other communications outside of traditional emails and phone calls."

— Kyle Hiatt, executive vice president, business development, Orion Advisor Services

"Convergence. RIAs will become financial well-being advisers through their ability to integrate and utilize best-in-breed providers to cover the entire financial life of their clients: income, expenses, wealth management, lending/borrowing, estate planning, etc."

— Britton Lombardi, vice president - sales operations and strategic partnerships, Apex Clearing

CONTINUED FROM PAGE 14
pecting, new client onboarding, ongoing management and digital communication.

The discussions showed that despite all the digital marketing tools available to advisers, most prospecting still relies on word-of-mouth referrals.

Consumers are more well-informed than ever before thanks to Google, so advisers need to take advantage of data to deliver targeted messaging relative to the services they provide. The adviser platform of the future must integrate with an adviser's website and support customized content to keep a prospect engaged, the participants concluded.

Ideally, technology can guide a prospect all the way through to opening a new account, but it also can bring in the adviser at any step of the process to answer client questions. Digitizing the process for prospects can also improve an area many said remains the worst part of an advisory experience — onboarding a new client.

> **"YOU EITHER DIGITIZE THE WHOLE THING OR NOTHING AT ALL."**
>
> APURVA MEHTA, CTO AND HEAD OF ARCHITECTURE, UBS WEALTH MANAGEMENT AMERICAS

MANUAL INPUT

Advisers still spend too much time manually gathering information and inputting it into a brokerage or custodial platform just to open a new account.

There is also no consistency across the industry on which forms can be completed digitally using an electronic signature, said Ladenburg Thalmann chief information officer Doreen Griffith.

She and several other participants said institutional firms should focus less on flashy new technologies like AI and instead aim to perfect simple client tasks, such as opening and funding accounts.

"We're going back to that basic," Ms. Griffith said. "Basic data transmission standardization would be such a leap forward with us trying to meet the needs of financial advisers."

Advisers would also like to see some improvement in the ongoing management they provide clients.

For example, Andrew Altfest, president of Altfest Personal Wealth Management, would like to see financial planning become more proactive and behavioral, identifying and recommending new opportunities to engage with clients.

DIGITAL COMMUNICATIONS

Technology platforms also should have greater support for digital communications, whether that means video conferencing, phone calls or text chat, Mr. Altfest said.

"A highly personalized experience is taking in real-time data about your clients and turning that into recommendations on how to engage your client," said Richard Keltner, director of product management and investment services at Fiserv Investment Services.

He said the industry is on the verge of offering such applications.

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VIDEO WEBCAST: JULY 30, 2019 | 4:00-5:00 P.M. ET

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"MOST FOUNDERS OF ADVISORY FIRMS 10 YEARS FROM NOW WILL EITHER BE UNDERGROUND OR ON THE BEACH. EITHER WAY, THEY'LL BE CLOSER TO THE SAND."
— MARK TIBERGIEN, CEO AT BNY MELLON'S PERSHING, ON THE NEED TO ATTRACT YOUNG, DIVERSE PEOPLE TO THE PROFESSION

SEC advice rule brings compliance focus back to tech

BY RYAN W. NEAL

THE SECURITIES AND Exchange Commission's new reforms on financial advice could push firms to rethink how they invest in technology.

KEY POINTS

- Reform triggers flurry of questions on how tech can assist with compliance.
- Small B-Ds and insurance firms have the most work to do.

Technology vendors say they've experienced a flurry of questions from broker-dealers, registered investment advisers and insurance providers about how technology might help them comply with Regulation Best Interest and other rules.

Top of mind is ensuring that the technology can help demonstrate to regulators the reasoning behind investment recommendations, said Adam Holt, CEO of adviser technology firm Asset-Map. He said Asset-Map has already heard from three of the largest financial services firms asking what they need to do to keep advisers in compliance.

"Best interest advice gets sticky when the financial advisers get questions as to how they came to their recommendation," Mr. Holt said.

Firms, especially broker-dealers and insurance agents, need more documentation, workflows and client validations proving "a very clear and prudent process was used."

Reg BI is pushing compliance back to the forefront of firm conversations about technology, Mr. Holt said. Since the death of the Department of Labor's fiduciary rule, compliance took a back seat to modernizing the firm's core tech stack with new marketing and client experience tools.

"However, we think that managing that technology in light of this new regulation is going to move to the forefront of conversations once again," Mr. Holt said. "This may distract from the momentum a lot of firms have achieved in reviving their tech tools and now re-prioritize compliance with the regulation."

A DIFFERENT APPROACH

Riskalyze chief investment officer Mike McDaniel said questions from across the advice industry reached a fever pitch in the first week after the SEC revealed Reg BI, but has calmed down a bit recently. But he said firms are taking a different approach after the DOL's head fake.

"Many of them took precautions prior to [the fiduciary rule] going live, and then it never ended up going live," Mr. McDaniel said. "They'll probably wait until the last second this time."

Many large firms have tools in place to comply with a best interest standard, he said. It's the smaller broker-dealers and insurance firms that have the most work to do.

Some firms see the SEC rules as an opportunity to further a technology agenda they already have.

"Firms are reluctant to roll out new technology that is forced upon their advisers. This allows them to say, 'Hey, we're not the bad cop. We're doing this because of the regulations,'" Mr. McDaniel said.

Reg BI probably won't require much technology investment, if any, for RIAs, said G.J. King, president of RIA in a Box. But they will need to be careful with the new record-keeping requirements under another part of the SEC's reform package: Form CRS.

Firms are now required to produce a standardized client relationship summary of information about services, fees and costs, conflicts of interest, and the legal standard of conduct, and to disclose disciplinary history related to the firm or the adviser. Mr. King said many RIAs were caught off guard by this and are unsure of how it impacts them.

FIDUCIARY QUESTIONS

"In the last five days, we've had more questions about fiduciary than in the last three years," Mr. King said. "But to be fair, I don't think this is going to require new technology purchases for RIAs."

Prosperity Advisory Group CEO Paul Ewing doesn't expect the SEC reforms to have any impact on technology strategy at his firm, nor at his affiliated broker-dealer, Cetera Advisors. He said he doesn't know of advisers who shelved technology investments made toward complying with the DOL fiduciary rule.

"Cetera made the decision to become advice-centric, and we're still on that path," Mr. Ewing said.

If anything, Reg BI will just make the adoption of certain technology tools and workflows more of a priority, especially for documenting decision making and the delivery of services.

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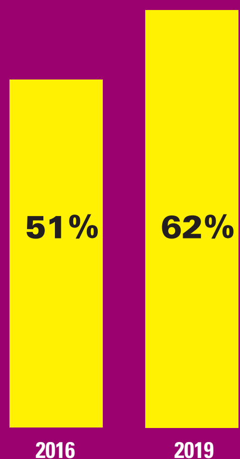
GROWING DEMAND

The number of Americans with a financial adviser continues to grow through the long bull market, and investors say volatility would encourage more to hire one.

U.S. INVESTORS WITH AN ADVISER



Source: Nationwide Advisory Solutions, 2019

5 important pieces of social media news

SCOTT KLEINBERG

ONSOCIALMEDIA

We're more than halfway to 2020, and while that in and of itself could be a fascinating topic for a different kind of column, I thought I would use this opportunity to round up some pretty important things going on across different social media platforms.

LINKEDIN

Hashtags matter just a little more now. On the right side of your feed on your desktop or laptop, you'll see a space for hashtags you follow. On mobile, see this by clicking on your profile picture at the top left. This means people are "following" hashtags now. So if you're on the fence about whether or not to add a hashtag to a LinkedIn post, consider doing it.

Usual hashtag rules apply: aim for concise and on-topic. If you are writing about something with an established hashtag, use it.

You can now tag people in photos. We've been doing this on other platforms for like 100 years, but photo tagging is just becoming a thing on LinkedIn. You don't have to tag people, but you should consider it. And if someone tags you, you should be notified, depending on how your notifications are set up.

INSTAGRAM

Your bio link is all powerful. Anyone who uses Instagram knows you can't put links in comments or posts. The reason is Instagram wants people to stay on Instagram. The link in your bio is the only link you can edit on Instagram. If you are working on something you want to draw attention to, rewrite your bio and explain that. No matter what, you should at least put something there, whether it's your personal website or firm's.

TWITTER

Twitter is removing something most people don't use anyway. Seems unimportant based on the description, but it really depends on how you use Twitter. According to the official @TwitterSupport account: "Most people don't tag their precise location in tweets, so we're removing this ability to simplify your tweeting experience." To be completely honest, I used to freak out when I mistakenly tweeted my precise location. Clearly, there's no need to do this. If I tweet from Niagara Falls, you'll know it, you don't need the hotel room I'm staying in.

FACEBOOK

About the "About" section. This only applies if you have a page, not a personal profile. However, for those who do, it's significant. Facebook will be removing several parts from your About section: Mission, company overview, biography, affiliation and personal interests. Facebook suggests you add this to the main area at the top, but that area is limited to a few hundred characters. While it's possible that limit may be lifted, assume you'll have a lot less space, so make every word count.

ALL PLATFORMS

Speaking of making things count, I hope you find some or all of these useful. The start of a new season is a great time to do a tune-up on your social media accounts. I highly recommend making sure each of your accounts is secure. Make sure your passwords aren't 123456 or Password. If the platform allows two-factor authentication of some kind (usually using a phone or other device), you should take advantage of it. And if you follow a whole bunch of people you never interact with, clean up your contact list(s) to make your conversations more meaningful.

If you have a social media question or idea for a column, please let me know. Tweet them to me with the hashtag #onsocialmedia or email me.

And remember to follow *InvestmentNews.* We're at @investmentnews on Twitter, and @newsfromIN on Facebook and Instagram. For LinkedIn, please search *InvestmentNews.*

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EVOLVING MODELS OF ADVICE IN THE AGE OF LONGEVITY

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Evan Cooper of *InvestmentNews* recently joined Joseph Coughlin of the AgeLab at the Massachusetts Institute of Technology and Transamerica to discuss Americans' increasing longevity and its practical implications for advisers.

DR. JOSEPH F. COUGHLIN, PH.D.
Director
Massachusetts Institute of Technology

ADVANCED MARKETS
Transamerica

EVAN COOPER
Executive Editor
InvestmentNews
Content Strategy Studio

COOPER: ***What do the demographics tell us about longevity?***

COUGHLIN: Baby boomers are turning 73 at the rate of one about every eight seconds. The U.S. birth rate is lower than at any time since the Great Depression. According to a number of studies, half of the children in the industrialized world born in 2007 will live to be over 100.

COOPER: ***Can you talk a bit about what you call the longevity economy?***

COUGHLIN: The longevity economy is like an entire emerging market, but hiding in plain sight and consisting of those with the most buying power. It consists of all the products and services and experiences that this population will need, want, and purchase throughout retirement — which is becoming a substantial part of life rather than just a brief few years.

COOPER: ***How do healthcare costs affect this economy?***

COUGHLIN: The investment community has largely based health care discussions on insurance, but that's incomplete in a longevity economy. New technologies, devices, and specialties to manage chronic conditions won't be covered by any insurance but will be out-of-pocket expenditures.

COOPER: ***How do you see the longevity economy affecting the average advisory practice?***

COUGHLIN: Retirement is the biggest purchase your clients will ever make. In this economy, the advice business becomes not just about investing and saving but about navigating longevity and all its considerations.

COOPER: ***How might advisors approach these longevity issues from an investment viewpoint?***

TRANSAMERICA: We need to offer clients a strategy that will provide a sustainable, predictable income stream. Social Security is the core of almost every retirement income strategy, but over 40% of people claim at 62 and over half before their full retirement age. Less than 5% wait until 70. So one of the first things we can do is make clients understand that they can dramatically improve their retirement resources by waiting to claim — and devise ways to help them do that.[1]

COOPER: ***What's a way into that discussion?***

TRANSAMERICA: A recent Fidelity study found that a married couple aged 65 should expect healthcare costs of estimated $280,000 through their retirement. That number frightens many people into action. You can catch clients still in their 50s to assess the whole picture: assets, savings, budgeting.[2]

COOPER: ***What about people who say they plan to keep working?***

TRANSAMERICA: You have to remind them that their health or that of a loved one is the No. 1 predictor of when people retire or when they leave the job they took after retirement.

COOPER: ***Do annuities have benefits here?***

TRANSAMERICA: Annuities can help produce more income from less capital; they can free up other assets and increase flexibility. In a survey of 1,000 people aged 55 to 75, 70% said financial professionals have a responsibility to show them options for guaranteed income.[3] ■

TO LEARN MORE, PLEASE VISIT WWW.INVESTMENTNEWS.COM/MODELS_OF_ADVICE_PRINT OR PURCHASE DR. COUGHLIN'S BOOK AT LONGEVITYECONOMY.COM

[1] "Trends in Social Security Claiming," by By Alicia H. Munnell and Anqi Chen, Center for Retirement Research at Boston College, May 2015, Number 15-8.
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Underserved niche: Deaf clients

BY JEFF BENJAMIN

> **KEY POINTS**
> - Some advisers who serve deaf clients know sign language.
> - Even with that skill, financial terms can be difficult to translate.

JAMES ROONEY hadn't planned on carving out a niche working with deaf clients. But nearly 30 years after his first encounter with a deaf client, he has become Morgan Stanley's go-to adviser for this unique community of clients.

"If a deaf client were to walk into any Morgan Stanley office anywhere in the country, they will find me," he said.

Mr. Rooney, based in West Hartford, Conn., has been an adviser at Morgan Stanley for 20 years. He was with Merrill Lynch in Long Island, N.Y., in the early 1990s when he noticed the receptionist struggling to communicate with a deaf client.

"I walked over and started talking to the person in sign language," Mr. Rooney said. "Within six months, I probably got a dozen or more unsolicited walk-in deaf clients."

Mr. Rooney, who now has 225 deaf clients, learned sign language as a child growing up in a household with two deaf parents.

Even though he and his team also work with about 1,000 clients without hearing impairments, he considers his work with deaf clients a "way to honor my parents."

There are an estimated 2.2 million deaf people in the U.S., a number that is shrinking as a result of medical and technological advancements. But financial advisers who work with deaf clients uniformly agree it is an underserved market.

It was fewer than two years ago that wealth adviser Matthew Phillips had his first encounter with a deaf prospective client who emailed him at Trilogy Financial and closed with the explanation, "We are deaf."

Mr. Phillips, who had studied sign language in college but didn't consider himself fluent, wasn't sure how to proceed.

"I reached out to our team to ask how we should handle this, and nobody had any idea," he said. "I started to realize no one at Trilogy [which has 250 advisers in 10 offices] had dealt with this before."

Mr. Phillips, who now works with 20 deaf clients, contacted his former sign language instructor at California Baptist University for some advice. The instructor, W. Daniel Blair, organized a tutorial for a half-dozen Trilogy advisers.

INTERPRETING FINANCIAL WORDS

One of the challenges when it comes to providing financial advice to a deaf person is clear communication. With technology and creative determination, it can be managed, even if the adviser isn't fluent in sign language. But even being fluent in sign language doesn't guarantee perfect communication.

"There's so much in the financial world that doesn't exist in sign language," Mr. Blair said.

Not only does sign language differ by region, similar to regional accents, but he said some words just don't exist in sign language.

"Take 'compound interest,' for example, which I don't think most hearing people even understand, but there's just no way to interpret that in sign language," Mr. Blair said.

In another example, he recalls watching an American Sign Language interpreter signing for the word "investment" in a way Mr. Blair would have signed for "contribute."

"And what I was signing for 'investment,' the interpreter was using for 'saving,'" Mr. Blair said.

Mr. Rooney has had similar experiences.

"There's a sign for 'interest' and most everyone understands that, but I found there was not a sign for 'dividend,'" he said. "So I decided to make a sign for 'dividend,' and now I see other signers using it."

Of course, many financial advisers don't even have a foundation in sign language to start with. But that hasn't prevented John Cooper, private client adviser at Greenwood Capital, from working with a deaf client for the past 10 years.

"We meet in person once a year, and I give him a notepad and I have a notepad, and that's how we communicate," Mr. Cooper said.

Technology, including the internet and smartphones, has made communication a lot easier.

To read the full story, visit InvestmentNews.com/deaf.

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RIA with $15B appoints first female president

BY JEFF BENJAMIN

WENDY HARTMAN

WENDY HARTMAN has become the latest example of women making inroads into the C-suites of the financial services industry with her promotion to president of Buckingham Strategic Wealth, an RIA with $15 billion in assets.

Ms. Hartman, 44, stepped into the president's role on June 1, becoming the first female president of the 25-year-old St. Louis-based registered investment adviser.

Buckingham has 150 advisers located in 33 offices in 19 states. Ms. Hartman said 40% of the RIA's client-facing employees are women.

Buckingham, which is partially owned by roll-up firm Focus Financial Partners, has acquired five women-led RIAs over the past two years.

"I think other female financial advisers find great value in a firm that values diversity," said Ms. Hartman, who also became a member of the board of directors at Buckingham.

MOVED UP THROUGH RANKS

Ms. Hartman, a St. Louis native who joined Buckingham in 2010 as a wealth adviser, moved up through the ranks from working with clients to managing teams of advisers. Immediately prior to becoming company president, she was a managing director responsible for the firm's client services team and the client development department.

> "WENDY HARTMAN ... IS EXACTLY THE RIGHT FIT, WHO ALSO HAPPENS TO BE A WOMAN."
>
> TINA POWELL, CEO, C-SUITE SOCIAL MEDIA

Ms. Hartman replaces David Levin, who had been both president and chief operating officer of the broader Buckingham Family of Financial Services.

"The talent, energy, vision and experience that Wendy brings to this role are an exceptional fit for Buckingham," said Mr. Levin, who retains the COO role.

Buckingham Strategic Wealth was ranked the 17th largest fee-only RIA last year by *InvestmentNews'* research. The significance of a female president was not lost on industry representatives, who said even more could be done to bring women and minorities into the industry.

"I think that is great, and the industry still has a long way to go," said Carolyn McClanahan, founder and director of financial planning at Life Planning Partners. "I'll feel we've arrived when half of all leadership roles are filled by women, and people of color are in leadership positions that at least reflect their numbers in the larger population."

"There is a significant shortage of women in asset management in general and in senior roles in particular," said Meredith Jones, blogger and author of "Women of the Street: Why Female Money Managers Generate Higher Returns (and How You Can Too)" (2015, Palgrave Mcmillan).

"At present, only about 35% of registered investment advisers are women, along with 23% of CFPs and 18% of CFAs," Ms. Jones said. "Without strong female role models, mentors and sponsors at the senior level, I worry that the almost glacial pace of change will remain the status quo."

Tina Powell, chief executive of C-Suite Social Media, acknowledged the value of having another woman represented in a senior position in financial services.

'GREAT LEADER'

"What defines a great leader should not be based on gender, race or sexual orientation, but rather emotional intelligence, their relationships within an organization to the people and culture, and the ability to shape a strategic vision and navigate change," she said. "With that said, organizations and high-performing teams achieve greatness when there is people alignment. In this case, Wendy Hartman, through her tenure, hard work, dedication and depth of her experience at Buckingham, is exactly the right fit, who also happens to be a woman."

Ms. Hartman, who worked as an equity analyst at Bank of America prior to joining Buckingham, was hired as part of a succession-plan transition for co-founder Bert Schweizer.

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In this video webcast, sponsored by Brinker Capital, Matt Ackermann of *InvestmentNews*, and Brinker Capital's Daniel Crosby and Noreen Beaman will examine clients from the inside out to make the unpredictable more predictable and examine how a more behavioral approach can give you a leg up when it comes to your clients and your business.

In this exclusive webcast our panel of experts we will examine:

- What makes your clients tick?
- How can you use behavioral tactics in your practice?
- What are some strategies for success?
- How can this help your practice soar?

SPEAKERS

Daniel Crosby, Ph.D.
Chief Behavioral Officer
Brinker Capital

Noreen D. Beaman, CPA
Chief Executive Officer
Brinker Capital

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T.Rowe Price

Finding investment value in the wake of an airline bankruptcy

When American Airlines reorganized, thorough analysis and foresight discovered opportunity

When investing, sometimes a turn for the worse can be a sign that conditions are about to improve. That was the case with American Airlines, which had been struggling financially for some time before filing for bankruptcy reorganization in 2011. T. Rowe Price had avoided investing in airlines for years due to the idiosyncrasies of the capital-intensive business, which made U.S. airlines debt-laden as well as subject to swings in revenue and high labor and fuel costs over which they had little control. Jim Murphy, a portfolio manager in the fixed income division of T. Rowe Price, explains why the airline's bankruptcy — and the firm's thorough analysis —led to a change of thinking that he believed had the potential to benefit investors.

JIM MURPHY
portfolio manager in the fixed income division
T. Rowe Price

***INVESTMENTNEWS* CONTENT STRATEGY STUDIO: You had avoided the debt securities of American Airlines and other carriers for many years, so why did the airline's bankruptcy trigger an interest?**

JIM MURPHY: To some degree it was the timing of the filing and the size of American Airlines in the marketplace that prompted us to take another look. The airline was one of the last legacy carriers such as United and Continental to go bankrupt, and it was one of the largest issuers of high yield, tax-exempt municipal bonds. The proceeds of those bond issues were used to pay for things like gates, maintenance hangers, and storage facilities at airports owned by municipalities. The airline's bankruptcy essentially wiped the slate clean and provided an opportunity to look at the company in a fresh new way.

INCSS: What were you looking for?

JIM MURPHY: To use an analogy popular here in Maryland, making a great crab cake requires having great big lumps of jumbo crab meat and just a little filler. That's sort of the recipe we were trying to find in the aftermath of the bankruptcy filing — more good things about the company in the way of its enterprise value and prospects than things that were of little value to investors.

INCSS: And what did you find?

JIM MURPHY: What stood out was the potential for the company when it emerged from bankruptcy. Our analyst did a deep dive into the potential recovery prospects for bond holders and really had conviction about the sheer magnitude of the opportunity. Still, we had to do more homework because it could have led us to avoid the company just as we had in the past. When we did our research, and we saw what was going on in the airline industry, we came to the conclusion that there were probably going to be just three or four major players emerging out of the decade-long period of restructuring, and we believed that each had the potential to be profitable. So we decided to invest in the bonds.

INCSS: T. Rowe Price is not often thought of as an investor in defaulted or distressed debt. What about your investment process made you comfortable with your decision?

JIM MURPHY: It's true, most of the time we use our research capabilities to try to avoid companies whose debt is likely to become troubled, but we felt that by analyzing American's financials, and then by going beyond the numbers to understand the industry and the broad impact of consolidation, we were convinced the next 10 years would look a lot different for the airline industry than the previous 10 years. ■

To learn more about Informed Investing, please visit www.investmentnews.com/informedinvesting.

To be sure, those who bought the bonds before the airline went bankrupt probably were looking for a way out of their investment, not a way in. But because we had been cautious before and hadn't been an investor, we were able to take a completely fresh approach and look for a potential outcome that perhaps would be atypical for a municipal high yield investor.

Others in the market may have been surprised by our investment decision, but we felt that over the intermediate and longer term our shareholders could be well rewarded for our effort.
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PROJECTIONS

CONTINUED FROM PAGE 2

response to [AG 49], bowing to competitive pressures," Mr. Love said. "I think [insurers] might be following the letter of the law but not the spirit of the law."

Indexed universal life insurance sales have grown significantly. IUL's share of overall universal life insurance product sales is currently more than 50%, roughly two and a half times what it was at the beginning of the decade, according to Limra, an insurance industry group. The first quarter of 2019 marked the 10th consecutive quarter of sales growth for IUL.

HOW IT WORKS

The product works similarly to an indexed annuity. Growth in a policy's cash value is linked to a stock market index such as the S&P 500 and capped to the upside; interest credited to a policy over a given period can't be less than 0%.

Bonuses and multipliers give the client an extra annual boost in the credited interest rate. Lincoln's WealthAccumulate IUL, for example, offers clients the option of a 56% or 28% bonus. If the client were to get a 6% return one year, a 56% bonus would increase the total credited interest rate to 9.36%.

Clients often pay extra money — in excess of 1% annually — for these bonuses. Lincoln's WealthAccumulate product, for example, allows clients to buy four different bonuses with asset-based fees that range from 0% up to 6% annually. Those are in addition to other policy charges. Clients run the risk of paying a high annual fee to insurers to access a bonus, but not getting a substantial return from the bonus in a year of down markets, advisers said.

"Lincoln's WealthAccumulate IUL product provides policy owners protection and choice, and complies with all applicable regulations and actuarial guidelines, including AG 49," said spokesman Jay Russo. "We explain what each bonus does for each index-linked account and what the fees are."

Pacific Life Insurance Co., the largest IUL seller, has a PDX product with a unique multiplier — its formula isn't explicitly explained in the insurance contract, yet it drives a "significant portion," roughly 40%-50%, of the illustrated performance, Mr. Love said.

A Pacific Life spokesman didn't return a request for comment.

ILLUSTRATIONS A 'FACADE'

The problem, advisers said, is insurers seem to be using these bonuses to illustrate returns at rates higher than they otherwise could under the AG 49 rules, and don't clearly disclose that returns are based on that higher amount, advisers said.

Paul Berlin, president of Executive Planning Inc., described it as "a facade."

"You're lucky if you're going to get half [of what they've illustrated]," he said.

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TIAA EXIT

CONTINUED FROM PAGE 3

level continue strengthening investment-advice standards for advisers. New York state, for example, has a rule going into effect next year requiring life insurance sales to be in clients' best interests. The Certified Financial Planner Board of Standards Inc. also has a new fiduciary standard for financial planners taking effect this October.

No-load, cash-value life insurance avoids some of the traditional "gimmicks" of commission insurance, said Mr. Witt, owner of Witt Actuarial Services. Insurers that pay a commission to insurance agents have mechanisms to recoup this cost and other so-called acquisition expenses. The bulk of a client's first-year premium goes toward these expenses, essentially leaving their cash value at zero. Many companies also inflate cost of insurance charges during a policy's surrender period to recoup costs.

This gives an almost immediate leg up to no-load policies, in which the cash value isn't immediately eroded and has more runway to compound. Plus, there's almost complete liquidity with no surrender charge.

NOT ALWAYS BETTER

There's one caveat to this advantage, however, Mr. Witt said: While initial cash value is better in a no-load policy, it may not be if a client holds the policy for decades, depending on the interest that's credited to a no-load vs. commission policy.

The good news for advisers is that the shifting regulatory environment is causing a few big brand-name insurers to explore offering no-load products, Mr. Love said. He declined to identify the companies due to nondisclosure agreements. TIAA's exit, however, may cause those firms to pump the brakes, Mr. Love said.

Michael Ross, president of advisory firm Financial Connection Inc., expects firms to debut more no-load products in the future as advisers trend more toward the fee-only model.

"There's not a lot of product out there right now — the companies haven't jumped in," Mr. Ross said. "I think as time goes on, they will."

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PARTISAN

CONTINUED FROM PAGE 4

general has become more political, and the regulation of brokers and advisers has become one instantiation of that," said Arthur Laby, professor of law at Rutgers University. "To the extent they have to worry about how the political winds are blowing, it makes it harder for anybody in business to plan for the future."

Investor advocates criticize the new SEC rules as being too weak to curb broker-dealer practices that lead to conflicted advice. They want a do-over from a new SEC.

"We're in a situation where it could be the third time's the charm," said Barbara Roper, director of investor protection at the Consumer Federation of America. "I don't think this will go back and forth forever."

SEC chairman Jay Clayton missed an opportunity to reach a compromise on advice rules that would have achieved a unanimous vote, according to Ms. Roper.

"He could have occupied the middle ground, and he chose not to do that," she said. "A new SEC has an opportunity to come back and find that middle ground and finally end the debate."

WRONG APPROACH

A former Republican SEC member, however, said Reg BI should stay in place and changing direction based on politics is the wrong approach.

"To go down that road, that's not good for the markets, it's not good for investors," said Paul Atkins, chief executive of Potomak Global Partners.

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WIREHOUSES

CONTINUED FROM PAGE 3

Some big banks are being quite deliberate in their efforts to add an RIA arm to their platforms.

In May, Goldman Sachs, the most formidable investment bank on Wall Street, said it was buying a leading RIA network, United Capital, for $750 million in cash. The move gives Goldman an opportunity to reach more high-net-worth clients, namely those with $1 million to $15 million in assets.

Wells Fargo Advisors is also making a move to building an RIA business. Wells Fargo & Co., the bank parent of the wealth management group, has been struggling with client-related scandals, which has affected the morale of many advisers, with hundreds leaving over the past few years.

At the start of this year, Wells Fargo Advisors broadened its platform to allow its reps to work as registered investment advisers, a move its three wirehouse competitors have not yet made.

How has it gone so far?

"We are on target with our expectations," said spokeswoman Shea Leordeanu. "We've on-boarded practices managing $1.4 billion in assets, with additional practices managing $2.2 billion on track by the end of the year."

OFFERING MORE FLEXIBILITY

"The RIA model is an attractive opportunity as RIAs continue to steal market share from larger firms," said Marina Shtyrkov, an analyst with Cerulli Associates. "Advisers are continuing to choose control and flexibility over the traditional model. At the same time, firms are trying to find ways to give advisers more flexibility. One way to do that is expand ways for advisers to affiliate."

"The question is, how do the big banks couple the mindset and appeal of an independent with the horsepower of a national firm with its technology, marketing and back-office support," she asked.

Good question. In the coming months, Wall Street banks will undoubtedly provide more answers.

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