February 16-20, 2015

InvestmentNews

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Trustbuster

As TV newsman Brian Williams learned, lies can lead to big trouble. What are the lessons for advisers?

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Pimco regains a star — and some luster

By Trevor Hunnicutt

When it comes to performance, at least one influential third party says Pimco is back on top.

At the end of January, Morningstar Inc. raised its star rating on Pacific Investment Management Co.'s Total Return's institutional share class, PTTRX, to the highest-possible mark, five stars on a scale of one to five. The fund's previous rating was four stars.

That's the highest star rating for the fund since November 2013, when concern over Federal Reserve monetary policy led to a disturbance in the bond markets called the Taper Tantrum. Pimco Total Return's performance faltered then, trailing competitors that year and again in 2014.

Over the three months ended Jan. 31, however, the fund returned 3.16%, beating by 24 basis points its Barclays U.S. Aggregate Bond benchmark, as well as 95% of its competitors, according to Morningstar.

One of the three people who run Pimco Total Return — which is the world's largest bond fund — said last Monday that it is benefiting in part from management's correctly estimating the effects of central bank policies around the world as the U.S. winds down its historic attempt at stimulus and the eurozone embarks on its own quantitative easing policies.

In an interview with *InvestmentNews*, Total Return co-portfolio manager Scott A. Mather said the fund is positioning for an interest rate rise in the U.S. this summer, ahead of many other institutional investors, which appear to be positioned for such a rise at the end of the year.

The potential for the central bank to raise rates, which are currently around zero, has continued to haunt investors who expect that move to erode bond returns.

Mr. Mather said the fund's positioning with respect to macroeconomic numbers accounts for about 60% of its return.

"Duration is just one tool," he said.

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John Bunch: Former head of a network of Schwab branches, he's well-versed in the retail investment landscape.

JOHN BUNCH: WALT WHITAKER; BRIAN WILLIAMS: JUSTIN STEPHENS/NBC; STARS: ISTOCK

RIA BUILDING ITS BRAND

The Mutual Fund Store is adding new products and services on its way to an eventual IPO

By Trevor Hunnicutt

Three years after taking over leadership of The Mutual Fund Store from its charismatic, straight-shooting founder, Adam Bold, John Bunch is starting to make his mark by expanding its products and services.

The company is expanding its financial planning practice, has added exchange-traded funds to its menu of investments and this month bought an insurance company. And in the next three to five years, it could be going public.

The Mutual Fund Store, based in Overland Park, Kan., is a nationwide operation, standing nearly alone as an established brand in the balkanized industry of mom-and-pop registered investment advisers.

The firm was the brainchild of Mr. Bold, who started it in 1996 and filled its client list with adoring listeners who called into his weekly radio program, The Mutual Fund Show.

The company accumulated assets in simple portfolios of mutual funds it built and sold to clients with account balances in the thousands, not millions, slowly crafting a chain of dozens of company- and franchisee-owned storefronts.

Its business model is more akin to the Subway sandwich chain than the average fee-only RIA, an industry channel in which it ranks 10th as measured by assets under management, according to

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Activist investor Keith Meister calls for the resignation of most board members of American Realty Capital Properties.

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Former Merrill Lynch boss warns that online advice is reaching new clients and filling a key gap.

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Mother Merrill strikes back big with $1.2B hire

Century City, Calif., team had generated $5.8M in revenue for Morgan Stanley

By Mason Braswell

After losing a series of private wealth advisers to Morgan Stanley earlier this year, Bank of America Merrill Lynch has hit back with a large recruiting win of its own.

Merrill Lynch said last Wednesday that it had scooped up a $1.2 billion private wealth team in Century City, Calif., that had previously generated some $5.8 million in annual revenue at Morgan Stanley. The nine-person team, which is led by long-time industry veteran Bruce Munster, will report to Michael Rogers, managing director and head of Merrill Lynch's private banking and investment group in Los Angeles.

It's a win for a firm that began the year with the loss of a $6.5 billion private banking team to Morgan Stanley following the 2014 loss of advisers managing a total of $18.6 billion.

Some advisers in Merrill's private banking group, many of whom have large institutional clients, left as the firm has retreated from managing public funds business over the past few years.

Mr. Munster's group focuses on wealthy families and serves more than 60 "entrepreneurs, inventors and M&A professionals," Merrill Lynch spokeswoman Ana Sollitto said in a statement.

BANK OF AMERICA CONNECTION

Merrill Lynch, which usually announces new hires with a one-sentence description of their location, assets and business, touted the firm's platform and also emphasized the Bank of America partnership.

"[Mr.] Munster believes being part of Bank of America means he can offer a broad lending platform, a full suite of private banking services and other capabilities that his clients need," Ms. Sollitto said in the statement.

Mr. Munster, 39, began his career at UBS Wealth Management and had been with Morgan Stanley since 2007, according to registration records.

He is joined by his partners, advisers John Paffendorf and David Freeman.

The Private Banking and Investment Group comprises around 150 teams who manage money for ultrawealthy clients. Merrill Lynch had 14,085 advisers as of the end of last year.

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Top tip from Daniel Kahneman: Resist overtrading accounts

By Trevor Hunnicutt

Asked to crystallize a career of studying how people think into one bit of guidance for financial advisers, the Nobel laureate Daniel Kahneman didn't hesitate.

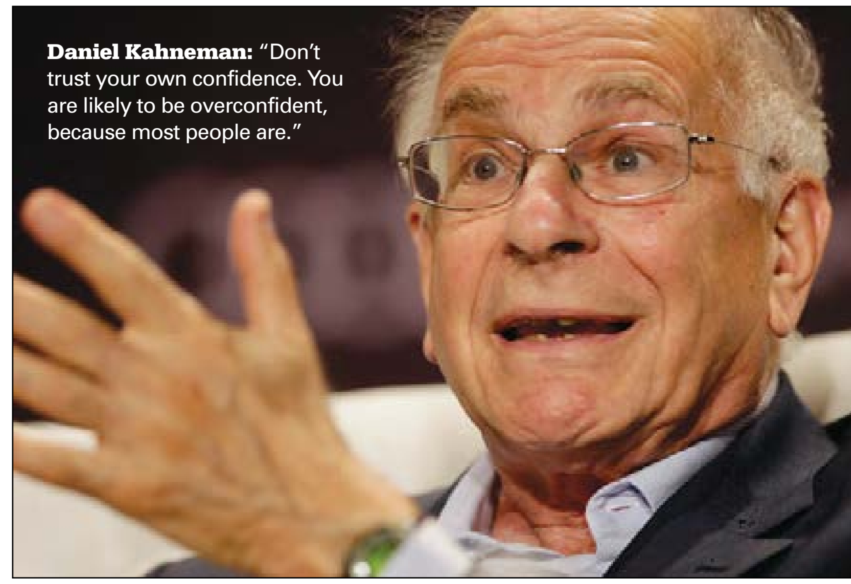
His advice: Don't churn accounts and trade too much.

"Don't trust your own confidence," Mr. Kahneman said last Tuesday in a keynote address to a conference of money managers and financial advisers in New York hosted by the Investment Management Consultants Association. "You are likely to be overconfident, because most people are."

In a wide-ranging and challenging speech, the man credited with popularizing the study of how human behavior affects economic decision-making warned advisers that, while it's part of their job to project confidence, overconfidence in their ability to predict the markets could hurt their clients.

"By and large, having few ideas is better," said Mr. Kahneman, an eminent Princeton University psychologist.

Referencing a study of chief financial officers at Fortune 500 companies who wrongly predicted the moves of the S&P 500, he asked advisers why they would expect to do any better.



Daniel Kahneman: "Don't trust your own confidence. You are likely to be overconfident, because most people are."

BLOOMBERG

Mr. Kahneman said the role of advisers is less about portfolio positioning than understanding the frequently irrational biases of their clients. In his view, behavioral research shows that clients have an exaggerated bias against losses as well as a hindsight bias that gives them the false sense that the future is predictable.

Those biases, among other implications, mean that clients will blame themselves and their advisers for not

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Activist investor targets ARCP board

Corvex Management's Keith Meister has called for most members' resignations

By Bruce Kelly

Activist investor Keith Meister last Monday called for the resignation of most of the board members of real estate investment trust American Realty Capital Properties Inc., or ARCP. He claimed a lack of shareholder representation on the REIT's board as it continues its search for a new chief executive and chairman.

ARCP was the jewel in the crown of the real estate empire of REIT czar Nicholas Schorsch, who served as ARCP's chairman and CEO from its launch in September 2011 until the beginning of October 2014.

That is when Mr. Schorsch, who led the company's breakneck growth, stepped aside and David Kay took over as chief executive.

7.7% Portion of ARCP common stock owned by Corvex and its affiliated funds

At the end of October, the company announced that it had discovered a $23 million accounting error over the first half of 2014 that had been intentionally uncorrected. Two senior executives resigned at that time.

In the middle of December, Mr. Schorsch resigned as chairman and Mr. Kay resigned as CEO.

The lead independent director, William Stanley, has been appointed interim chairman and CEO. The company has not yet released earnings for the quarter that ended Sept. 30.

Mr. Meister is managing director of Corvex Management, a hedge fund. Corvex and its affiliated funds collectively own more than 70 million shares of ARCP.

That represents about $650 million in ownership and 7.7% of ARCP's common stock, according to Mr. Meister's letter to the board, which he released last Monday. The holdings make Corvex ARCP's second-largest shareholder, the letter states.

SHAREHOLDER REPS

At the end of December, Corvex announced that it had acquired 64.7 million ARCP shares, or 7.1%.

"We have repeatedly stressed to you the importance of adding shareholder representatives to the board at a time when the most far-reaching decisions of any company's existence are being made," Mr. Meister wrote in the letter.

One intent of the letter, Mr. Meister wrote, was "to communicate what we expect in future leadership since your track record in hiring CEOs (both of

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Compliance exec sues Cabot Lodge owner

By Bruce Kelly

A former compliance officer for broker-dealer Cabot Lodge is suing the firm's owner, Jacob Frydman, alleging he was fired after reporting "certain improprieties" to authorities, including the Financial Industry Regulatory Authority Inc.

Between March 31 and Oct. 31 of last year, "there were numerous transactions that were cause for concern, and in some instances, in complete violation of the law," according to the plaintiff, Albert Akerman, who filed the complaint Feb. 6 in New York State Supreme Court.

The specific details of the transactions were redacted.

According to the complaint, the plaintiff "acted in the best interests of the company and took action by reporting certain improprieties to the proper authorities, including Finra."

UNDER INVESTIGATION

Mr. Akerman also was aware that Mr. Frydman and Cabot Lodge CEO Craig Gould were "under investigation by Finra, and Finra had referred its findings to its enforcement division."

Mr. Gould, who was named in an amended complaint filed last Monday, did not return a call seeking comment.

A Finra spokeswoman, Michelle Ong, did not return a call for comment.

On Dec. 15, Mr. Frydman and Mr. Gould told Mr. Akerman he was being "terminated" from his job as compliance officer at Cabot Lodge.

According to his profile on BrokerCheck, Mr. Akerman was "discharged" from Cabot Lodge. The management filed a restraining order against him and recipients of the information "to not allow further dissemination, and to destroy all documents," according to BrokerCheck.

Mr. Akerman has no other reported events on his BrokerCheck profile.

In his complaint, Mr. Akerman said he was "terminated for his reluctance to follow [Mr. Frydman's] mismanage-

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ISTOCK


GERARDO TABONES/ISTOCK COMPOSITE

Unmarried couples raise distinct planning concerns

By Darla Mercado

Fewer young people are taking the trip down the aisle, opting instead to cohabitate, which is giving rise to a variety of unique planning considerations.

Data from the Pew Research Center show that in 2012, 20% of American adults age 25 and over — 42 million people — had never been married. In contrast, in 1960, 9% of adults in that age range had never been married.

But Pew has also pointed out that not all these individuals are necessarily single: About 24% of Americans 25 to 34 who have never been married are living with a partner. The Internal Revenue Service may identify them as single, but they are not.

Advisers say they're running into that issue with a number of their clients. Often, the choice not to or the inability to marry is accompanied by a different set of financial planning concerns.

"It's absolutely a decision that people have to make when it comes to marriage or cohabitating," said John J. Voltaggio, managing director and senior wealth adviser at Northern Trust. "There are financial implications to this."

WHEN IT PAYS TO BE SINGLE

The first thing that comes to mind when high earners tie the knot is that they most likely will be subject to a marriage penalty in the form of higher income taxes when filing jointly than the taxes they would have paid as singles.

And being single in the eyes of the law makes sense for a couple who might prefer to keep assets separate, according to Mr. Voltaggio.

"In marriage, the spouse has a right to certain assets when you accumulate things together," he said.

There are other reasons couples might want to remain together without marrying.

Scott Squillace, a lawyer and founder of Squillace & Associates, said he has a client with a live-in partner, both of whom are nearing retirement age. Though they could get married, they won't.

"She doesn't want to be on the hook for his nursing-home care," Mr. Squillace said. "They are very committed. They share household expenses, did their wills and health care proxies, but you count both people's assets for nursing-home care if you're married."

In addition, he pointed out, if you're not married to your long-term partner and you have a child from a previous marriage, the partner's assets won't count for purposes of financial aid.

"There are reasons that drive people to say, 'We better not,'" Mr. Squillace said.

PROTECTIVE NEEDS

But clients who cohabitate shouldn't assume state law protects them as common-law spouses.

To begin with, not many states recognize that status. That means those individuals aren't afforded the same tax and other protections as married people in the event of death

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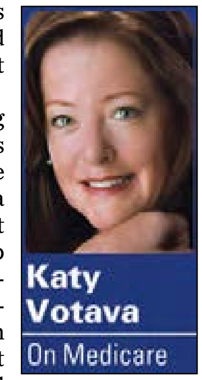
Truckin': Medicare's long and strange trip

From barely registering to integral component



Fifty years ago this year, both Medicare and the Grateful Dead got their start.

Today, all the surviving members of that famous San Francisco band are eligible for Medicare. It's a fair bet that they, like most people in their age group in 1965, didn't pay attention to the law that President Lyndon B. Johnson signed that year — let alone realize how integral the program would become to American culture.

One of the most dramatic changes in Medicare over the past five decades is the method used to set some of the biggest out-of-pocket costs for beneficiaries.

In the beginning, beneficiaries paid $60 a year for Part B coverage — an amount so small that people hardly noticed it coming out of their Social Security checks. There was no such thing as a Part D plan in 1965.

Now, in addition to prescription drug coverage, certain Medicare out-of-pocket costs are adjusted based on income. The more people make, the more they pay — without getting any more benefits.

This year, each Medicare recipient (except those with very low income) pays between $1,259 and $4,878 for income-related Medicare Parts B and D charges. Going $1 into the next bracket will cost your

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Kinder automates life-planning process

Father of holistic approach creates online tool that incorporates the first steps of his system

By Liz Skinner

The father of holistic planning has automated his process for helping people determine the most important things in their lives, essentially robotizing the first few steps of the life-planning process he created almost 20 years ago.

"Everyone has always said you can't do this online, so I set my mind to it," said George Kinder, founder and president of The Kinder Institute of Life Planning.

The institute recently created the website Life Planning for You, a tool that leads users through a series of deeply personal exercises, including asking them to imagine what they would feel they had missed out on doing or being if they learned they had only a day left to live.

One reason that it's better to go through the process online than live is that a client can delve into the private nature of the questions more thoroughly, according to Mr. Kinder.

But he acknowledged that a web-based system also has some weaknesses.

The challenges of an automated program include creating intimacy

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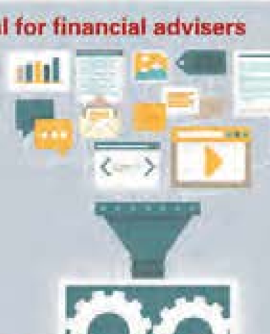
Big data has big potential for financial advisers

Advisers collect a ton of data on clients but are not necessarily aggregating and applying it to boost business intelligence, according to FPPad.com founder **Bill Winterberg**. Plus, find out which digital offerings all advisers should have.



InvestmentNews.com/bigdata

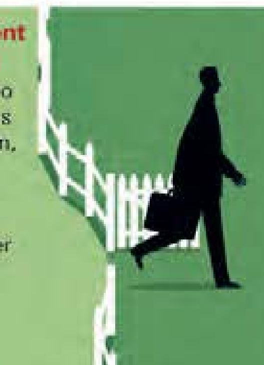
Why advisers have a fiduciary responsibility to share their continuity plans

Advisers should detail their continuity and succession plans to clients, who are probably unsure about what to do if something unexpected were to happen to their adviser, according to **Todd Clarke**, CEO of CLS Investments. Here's what to tell clients today.

InvestmentNews.com/continuity

Breakaway-broker movement shows no signs of stopping

The trend of advisers' moving to RIAs and away from wirehouses isn't going to stop anytime soon, according to **Fred Tomczyk**, president and CEO of TD Ameritrade. Find out why RIA business models are even better positioned for the future.



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Sallie Krawcheck warns media not to underestimate robo-advisers

Former brokerage exec says online advice is filling a gap in the market

By Trevor Hunnicutt

Former Merrill Lynch boss Sallie Krawcheck says the financial press is underestimating the potential impact of digital wealth managers by calling them robo-advisers, a term she considers derogatory.

Ms. Krawcheck, a former board member of the online adviser startup Motif Investing Inc., pointed to the millions of dollars in venture capital that online money managers have raised from firms such as Goldman Sachs & Co. and JPMorgan Chase & Co.


BLOOMBERG

Sallie Krawcheck: "There's no bubble at all," she said of investment in web-based advice businesses.

The smart money recognizes those businesses are reaching new clients and delivering consistent service that's available around the clock, said Ms. Krawcheck, speaking at the IMCA 2015 New York Consultants Conference last Monday.

'SEEING SOMETHING'

"Clearly they're seeing something," said Ms. Krawcheck, the former head of the brokerage units at Citigroup Inc. and Bank of America Corp.'s Merrill Lynch. "What they're seeing are significant groups of clients — millennials — who are not being served. That doesn't sound as bad as robo-adviser, does it?"

Ms. Krawcheck said challenges for wealth managers include proprietary technology, compliance units and public shareholders.

"It's tough to innovate at big companies," she said, identifying the ATM as the last major innovation in banking.

She proposed looking at the options broadly, including firms like HelloWallet — bought by Morningstar Inc. last year — which uses data to drive better results for investors.

Ms. Krawcheck disputed the idea that venture capital firms invested in the space are overextended. "There's no bubble at all," she said.

The remarks come as advisers wrestle with how to incorporate digital wealth offerings into their businesses, and whether to perceive online upstarts as competitors.

Jeffrey Levi, a consultant at Casey Quirk who spoke at the conference, said direct-to-consumer online money managers have limited ability to compete with financial advisers — at least in the short term — because of their high cost of acquiring clients and the limited assets of those clients.

"I'm not bullish on this completely disrupting the financial adviser market in the United States," Mr. Levi said.

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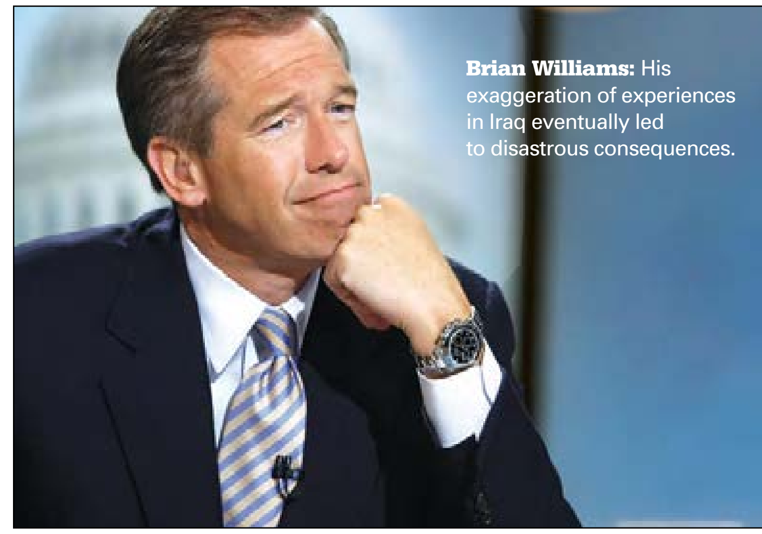

Brian Williams: His exaggeration of experiences in Iraq eventually led to disastrous consequences.

GETTY IMAGES

Lies break client trust

Brian Williams' fall offers lesson for advisers

By Liz Skinner

The lightning pace at which NBC News anchor Brian Williams lost credibility with the public is a cogent reminder to advisers that even a tiny fib can breach trust or confidence.

Advisers should avoid telling clients even so-called white lies, because broken trust is nearly impossible to repair, experts said.

"Trust is the commodity with which we work," said Dan Candura, a financial adviser who conducts ethics seminars for other advisers. "It's what people are looking for most in a financial adviser."

While parents and other family members often can forgive dishonesty, it's a different story with clients, according to Mr. Candura.

The deception just "hangs there," he said.

Advisers should steer clear of telling even innocuous lies, such as, "Sorry, I'm busy with a client right now," when they're actually enjoying their morning coffee and crossword puzzle, said Mr. Candura, founder of Candura Group.

They should cultivate an open and honest relationship with clients, and

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Target date funds playing a perilous game

Chasing performance, strategies too risky for those near retirement

The more than $700 billion in assets under management in target date mutual funds is proof of the 21-year success story of the vehicles, which provide investors with diversified portfolios set to individual retirement dates.

But success breeds competition. As the market has grown to 54 target date fund series (from 51 with $600 billion in assets a year ago) catering to retirement dates as far out as 2050, it's only natural that performance would start to overshadow risk management.

Risk is less of an issue for younger investors, but some target date fund managers are stepping on the gas to a dangerous extent for those in or nearing retirement.

It might seem counterintuitive, especially considering that the average 401(k) account has just $91,000, but investors shouldn't try to make up for savings shortfalls by getting overly aggressive as they approach retirement.

That is essentially what is happening in many target date strategies, although the companies I spoke with claim their approaches are aggressive for other reasons.

PHILOSOPHICAL APPROACH

In many respects, it boils down to a philosophy, along with assumptions about how long individuals will stay invested in a particular target date fund after they retire.

One school of thought — generally represented by proponents of more-aggressive portfolios — embraces the so-called through glide path, which factors in a few decades of income needs in retirement.

According to Morningstar Inc., 32 of the 54 target date series use a through glide path strategy. The remaining 22 use a more conservative "to" glide path. That assumes most investors at retirement age will be rolling over their company-sponsored retirement savings accounts, where most target date funds are offered.

The assumption reflects the fact that 80% of retirees roll over those assets within three years after retirement — often into individual retirement accounts.

NOT STAYING INVESTED

That prompts the question of why most target date funds use a through glide path when they must know most investors do not remain invested very long after they retire.

"We know that investors withdraw a substantial portion of assets when they retire," said Anne Lester, head of the global retirement business at JPMorgan Chase & Co., which uses a to glide path. "So we based our glide path on empirical data and on what investors do rather than on what we think they should do.

"To build a product for people who aren't there — I just don't understand," Ms. Lester said.

What she does understand is the double-edged sword some of the more-aggressive target date strategies employ.

"I think performance chasing is absolutely a potential issue," Ms. Lester said.

"We think of risk as the risk of a market drawdown, inflation risk, rising interest rates and longevity risk," she added.

Jeff Benjamin
On Investments

Longevity risk — the risk of outliving one's assets — is the point that through path proponents tend to lean on to justify riskier allocations for even the most mature target date strategies.

For example, Ms. Lester said that at JPMorgan, the 2015 target date strategy will have between 30% and 35% allocated to equities.

By comparison, the 2015 target date strategy offered by AllianceBernstein has an equity allocation of 65%.

In January, AllianceBernstein introduced a multimanager target date series that has a slightly less aggressive 55% allocation to equities for the 2015 portfolio.

"We're clearly known as the high-equity guys, but we don't think we're going to be known for that as much going forward," said Richard Davies, head of the defined-contribution business at AllianceBernstein.

"We are designing these funds as best we can to support a reasonable level of withdrawals for 25 or 30 years of retirement, because longevity risk is one of the risks that retirees face," Mr. Davies said.

LIMIT THE DOWNSIDE

James Lauder, portfolio manager and chief executive of Global Index Advisors Inc., which subadvises the Wells Fargo target date funds, said it is more a matter of managing portfolios for retirees than it is of boosting performance numbers to attract the attention of plan sponsors, consultants and financial advisers that manage company retirement accounts.

"We know that, over the long term, the median outcome from being aggressive to conservative is not that much different," Mr. Lauder said. "But being more conservative limits the downside potential as investors get near retirement.

"If I were a plan sponsor, I would err on the side of being conservative and cater to the most risk-averse and least-sophisticated investor I have," Mr. Lauder said.

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Banes of your existence? There's an app

Tasks that devour advisers' time can be handled with a click

By Alessandra Malito

In a frantically paced world, almost all financial advisers need help with the daily must do's that keep them from attending to existing clients or prospecting for new ones.

There are apps for that.

Those obligatory tasks — managing email, scheduling appointments, taking calls, booking reservations for client dinners — don't have to be as time-consuming as they once were, thanks to programs designed with the end-user in mind.

There are apps to remind advisers about emails they didn't respond to and to keep them from being distracted by the Internet. There's even one that will provide a "virtual assistant."

Employing apps that target efficiency not only saves time and other resources, but provides advisers with the opportunity to concentrate on the people that matter the most: clients.

"When you talk to an adviser, almost without exception, they would love to spend 100% of their time with their clients or with their prospects," said John Vanderheyden, chief operating officer of NFP Advisor Services.

The Austin, Texas-based firm focuses on wealth management for high-net-worth clients. It has a proprietary workstation tool, AdvisorComplete, that meshes client data with daily functions.

AVOID PHONE TAG

Russ Thornton, an adviser and

PHOTOS: ISTOCK

founder of Wealthcare for Women in Atlanta, said he uses **ScheduleOnce**, an appointment-making app, at least once a day.

Instead of having to exchange emails and phone calls in an attempt to find a date and time that works for all parties involved, the app syncs with his calendar. It can be sent as a link to an existing or prospective client, who can then choose a time slot.

"It prevents a lot of the back-and-forth," Mr. Thornton said. "It's a headache saver and timesaver in a big way."

Clients also like ScheduleOnce, he said.

The $9-per-month premium plan offers calendar integration, booking with approval and reminders. At $19 a month, the professional plan includes booking forms, reports and website integration as well.

DON'T FORGET EMAIL

Unanswered email sometimes ends up at the bottom of the inbox or even disappears altogether.

FollowUp.cc lets financial advisers pick emails they can't immediately respond to and send them to the app. In an amount of time the adviser designates, the email will return as a reminder. The app also allows advisers to schedule emails in advance and tracks when an email has been read.

A few plans are available, but the professional plan provides 2,500 reminders a month, 10GB of attachment support and unlimited open-email tracking for $18 a month.

The basic plan, which is $12 a month, offers 250 reminders a month, 5GB of attachment support and limited open tracking.

With the help of this app, advisers may gain something few people

have: an empty inbox.

"It's not hard for me to get back to zero," Mr. Thornton said.

BE PROACTIVE

RescueTime is a time-management app that runs in the background on an adviser's computer. While advisers go about their business on their desktop or laptop, the app tracks the time they spend on

each application and website. At the end of the day, it produces an activity report.

A free version of the program tracks time in websites and applications, sets goals and provides a weekly report via email.

A premium plan, priced at $9 a month or $72 a year, also gives alerts when goals are achieved, blocks distracting websites and has a faster data-processing time.

Another recommended app is **Fancy Hands**. It provides users with a live virtual assistant to help with such activities as doing research, making restaurant reservations and doctor appointments, and managing schedules and travel itineraries.

Advisers are allowed five requests a month under the basic plan, which is $29.99 monthly. For $49.99, the professional plan gives them 15 requests a month.

GET SPECIFIC

The popular **eMoney Advisor** offers overviews, data analytics and goal planning, and integrates with advisers' other systems.

Alison Murray, a partner and director of client experience and adviser transition at Snowden Lane Partners in New York, said the app helps the firm's advisers work more efficiently.

"As with anything, tech should

help — not slow them down," Ms. Murray said. "So simplifying access points with day-to-day work flow

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TA Associates gets Orion with NorthStar

By Alessandra Malito

TA Associates, a Boston-based private equity firm, announced last Monday that it is buying a majority interest in NorthStar Financial Services and its nine subsidiaries, including Orion Advisor Services.

NorthStar, with $275 billion in assets under management and more than 650 employees, has a variety of companies with services for financial advisers.

Those include Orion, which offers software and portfolio accounting services to registered

> **"WE'RE GOING ... to dot some i's and cross some t's on our existing platform."**
>
> **Eric Clarke**
> CEO
> Orion Advisor Services

investment advisers; Gemini Fund Services, which provides mutual fund administration and pooled investment solutions; and CLS Investments, an exchange-traded funds strategist.

Terms were not disclosed.

The purchase could lead to more deal-making.

"We're looking to do some acquisitions in the future across multiple industries because of how diverse the subsidiaries are," said CLS chief executive Todd Clarke.

For CLS, that means looking for another ETF strategist.

LOOKING FOR TECH

Orion also is eyeing future deals.

"We're going to be looking for tech companies to dot some i's and cross some t's on our existing platform — things that our advisers are looking for us to accomplish," said Eric Clarke, Orion's CEO. "It allows us to be on a level playing field with our publicly traded competitors."

This is not TA Associates' first technology-rich addition. Last year the firm bought Idera, an application and server management software company.

'A GREAT COMPANY'

"They have a lot of experience," said Andrew Rogers, CEO of Gemini Fund Services. "We worked really hard to build a great company over the years. We think ... [TA Associates'] expertise in financial services and ability to access capital will transform us from being a great small company to ... a great midsize company."

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ISTOCK

BlackRock launches impact investments

World's largest money manager sees a future for portfolios that emphasize social goals

By Trevor Hunnicutt

BlackRock Inc., the world's largest money manager by assets, last Monday announced the launch of BlackRock Impact, a unit that will cater to investors who want to incorporate social or environmental goals into their portfolios.

It said Deborah Winshel, a figure in New York's philanthropic scene who most recently ran the Robin Hood Foundation, had been hired to manage BlackRock Impact.

The unit will bring together BlackRock's values-based investment strategies — $225 billion across mutual funds, exchanged-traded funds and other products — and develop more.

The move is the latest endorsement by a major money manager of building investment vehicles that are focused on goals beyond performance.

While much of the growth has come from institutional investors — ranging from retirement funds for religious organizations to large countries investing on behalf of their pensioners — the retail wealth management space has recently zeroed in on this activity.

Wealth advisory firms from Morgan Stanley to Merrill Lynch, for instance, have made significant investments in recent years. BlackRock did not say how much of its effort will concentrate on retail investors.

Its existing offerings include iShares MSCI ACWI Low Carbon Target ETF (CRBN), introduced in December, which allocates a higher portion of its funds to companies with a low carbon footprint.

In addition to her background with philanthropic organizations, Ms. Winshel has a history at investment banks, including JPMorgan Chase & Co.

She will report to BlackRock's chief executive, Laurence D. Fink, and its chief product officer, Richard Kushel. She also will lead BlackRock's philanthropic activities.

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Advisers in limbo as RBC unwinds international unit

Not long after being hired, many are looking for new jobs

By Mason Braswell

After aggressively expanding an elite unit of U.S.-based advisers serving international clients over the past two years, RBC Wealth Management U.S. has reversed course, leaving nearly 40 brokers scrambling for new jobs.

The company has been winding down its international advisory group, which primarily served clients in Latin America. In an announcement in November, parent Royal Bank of Canada said it was exiting the region as it realigned to focus on "priority markets."

Around that time, advisers in the International Advisory Group (which comprises RBC brokers who make most of their money from international business) were told they would eventually have to give up their clients and most likely would have to go to another employer, multiple sources at RBC said.

As of Dec. 15, advisers were told that they could no longer open accounts and that a final deadline for transitioning their business would be announced later.

"It's disappointing to see them do a 180," said one adviser, who spoke on condition of anonymity. "I was very excited to come over to RBC."

International clients have been a tricky market for firms in the U.S. as anti-money-laundering regulations have grown stricter. Barclays, HSBC Holdings PLC and other companies have pulled back from certain international markets.

Anti-money-laundering concerns also were behind the Royal Bank of Canada's decision, according to reports in The Wall Street Journal, although the company has disagreed with that characterization.

Still, the sudden reversal caught many off guard. RBC had planned to have as many as 100 advisers in the group working with international clients from offices in Miami, New York and San Diego. The company has added a significant number of internationally focused advisers and had a strong infrastructure for serving international clients from the U.S.

A NUMBER OF QUESTIONS

The advisers are sorting through a number of questions as they wonder which firms will continue serving their international clients.

Advisers who spoke to *InvestmentNews* — all of them on the condition of anonymity because they did not have permission to speak publicly — are also concerned about what will happen to their recruiting bonuses. Representing a large portion of their annual revenue, the bonus is given as an upfront loan that vests over several years provided they remain at the firm.

The advisers said they are frustrated because nothing definitive has been provided in writing. Some options that purportedly have been considered include a referral program that will allow them to transition their business to Banco Sabadell, a Spanish banking group, they said.

RBC also reportedly has mentioned — though it could not be confirmed — that it may offer advisers what has been called a "special exit bonus" to help compensate them for the unvested portion of their loans.

To date, the advisers have not been given anything official that could be distributed to clients to detail the move.

"The way they have handled this whole decision to exit — I have been extremely disappointed," said the adviser who called RBC's move a "180."

Some from the international advisory group have already left. Morgan Stanley Wealth Management has hired 11 advisers from RBC so far this year, seven of whom are based in Miami, according to Morgan Stanley spokeswoman Christine Jockle.

For those who remain, the clock continues to tick. Two advisers said they expected RBC to make an official announcement this week that advisers would have to be finished serving clients in Latin America or leave by April 30. They also expected some official client communication to be distributed then.

BLOOMBERG

RBC: Advisers in the unit wonder what will happen to their clients and bonuses.

RBC spokeswoman Jonell Lundquist said in an emailed statement that the company would continue to serve the clients during the transition to provide advisers "with time to make informed and considered decisions.

"These decisions in no way reflect the quality of our employees or our clients but are the result of a strategic review of our business," Ms. Lundquist wrote. "We are committed to providing all impacted employees with support and assistance throughout this time of uncertainty."

The international unit represents a small portion of the company's wealth management operations. RBC, which has more than 2,000 advisers, has been concentrating on expanding U.S.-based operations. It announced a major acquisition, of City National Corp., last month.

RBC advisers still will be allowed to serve clients in Asia and other select markets, sources said.

Additionally, those with an international financial adviser designation will be allowed to serve some clients in Latin America and other locations.

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VIEWPOINT

EDITORIALS

Thirty strikes, not out

A lot of fire-breathing has been going on around the industry this month in reaction to the Securities and Exchange Commission's decision to grant Oppenheimer & Co. Inc. a waiver from an "automatic" five-year bar on conducting private placement activities with accredited investors. The bar would have been the result of improper penny stock trades by a separate segment of the company.

The controversy began when two SEC commissioners, Luis Aguilar and Kara Stein, wrote a fierce dissent to the majority order, supported by the other three commissioners, to spare Oppenheimer this bar. The company did agree to pay $20 million in penalties, admit guilt and hire an independent law firm to review its compliance program.

Though the prohibition would have punished a part of the company not involved in the misdeeds at hand, the dissenting commissioners argued that this compliance breach was only the most recent of at least 30 regulatory actions against the company for a variety of violations.

Clearly, Mr. Aguilar and Ms. Stein argued, such a history indicated that Oppenheimer has a "wholly failed compliance culture."

So the battle began between what is fair and what is effective.

The question was the fairness of keeping a unit not directly involved in the case from doing business to effectively create a costly deterrent to the company.

That's the wrong question.

The crux of the matter is simpler: How can regulators make repeat offenders in the financial arena feel enough heat that they either clean up their act or exit the industry? The threat of a potentially crippling bar that is regularly waived isn't getting the job done.

NEEDED PENALTIES

Targeted, tough penalties that kick the appropriate bad actors out of the business are essential. "Automatic" anything — though meant to save time — often ends up not fitting the best result to the issue at hand.

Since the amendment to Rule 506 of Reg D involving the five-year bar became effective in September 2013, the SEC reports 12 instances of waivers — though it doesn't report which firms have asked for waivers and not received them.

> **HOW CAN** regulators make repeat offenders ... feel enough heat that they either clean up their act or exit the industry?

What might rogue firms rightly or wrongly assume from the only number available here? That the SEC is loath to use its barring capability on some segments of a company to send a message and punish the wider firm. The intended deterrent fades away as a result.

What about monetary penalties, such as the $20 million in the Oppenheimer case, or the $16.7 billion global settlement with Bank of America over bad mortgage loans (another case involving a waiver Ms. Stein criticized)?

Will these payments deter firms? Can companies be deterred?

Corporations have deep pockets, and they don't go to jail. Even when they are made to hand over billions of dollars as punishment — as in the recent currency-rigging cases — it's a drop in the bucket for large banks.

Individual responsibility never comes into play, and corporate reputations, for the most part, survive.

COLD FEAR

We're not prepared to make specific recommendations on regulatory policies that would end consistent misconduct by rogue individuals and companies. But we firmly believe that only penalties that put cold fear into the hearts of those responsible for wrongdoing will deter illegal behavior.

Targeting those responsible and banning them from the industry should stop the chain of illegal events.

If perpetrators aren't in the game anymore, they can't become recidivists.

Technology: It's about more than dollars

How do you view technology? Is it one of those things you know you need to run your business, but you fight tooth and nail because it doesn't come naturally? Because it takes a lot of time to learn to use and maximize? In other words, a lot of trial and error.

Or do you embrace technology and all its accompanying hurdles and time demands, knowing that ultimately it will help you better serve your existing clients and bring in new ones?

Perhaps you're middle of the road, embracing some components but pushing back on others.

One way to determine how you feel about technology is to look at your budget. How much money do you spend on technology? Year over year, has that amount increased, decreased or held steady?

The 2015 *InvestmentNews* Adviser Technology Study found that the most successful advisory firms allocate more of their resources — 11.3% of overhead versus 9.4% at all other firms — to technology.

Further, 56% of firms identified in the study as top performers said they will boost their technology spending this year, with just 2% planning to decrease it. Among other firms, 55% say they intend to raise tech spending this year, while 7% plan to cut it.

> **56%**
> Percentage of top-performing firms that plan to increase technology spending

How do you compare?

Looking at technology spending is one hard and fast barometer of what elevates a firm into the echelon of top performers, but there are other measures.

Top performers believe technology will be critical to their future.

According to the *IN* tech study, two-thirds said fully utilizing their firm's technology will be critical in reaching their growth goals. Only 7% said technology will not play a significant role.

For all other firms, the responses are alarming: Just 51% said technology will play a major role in their firm's future success, and a startling 22% said it would not play a big role.

The point is that technology matters — a lot — and how you think about it, adopt it and build it into your business' daily operations will have a direct impact on your ability to grow and become one of those top performers.

Even if those numbers don't move you, if the specter of learning something new and spending gobs of time getting up to speed on systems, software and workflows stops you in your tracks, consider this final tidbit from the *InvestmentNews* tech study: Advisers at top-performing firms reported spending 85% of their time on "core" activities — developing business and serving clients. Other firms reported that number at 73%.

Isn't that why you're in business in the first place?

Not only does technology matter. It pays.

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A new way for investors to enter the gold market

Bank of Montreal strikes while the metal is hot

By Jeff Benjamin

As gold regains its luster with investors, Bank of Montreal's new gold deposit receipt program offers a way to tap into the market.

The program, GOLDRs, is aimed at U.S. investors. Securities and Exchange Commission-registered and Depository Trust Company-eligible, it is easier for financial advisers to hold inside client accounts.

But like most other gold investing options, GOLDRs, which launched Feb. 4, is criticized by some for not being a silver-bullet solution.

"I don't know how much of a market there will be for something like that," said Jerry Wagner, president of Flexible Plan Investments.

"One advantage is that it puts the gold into a brokerage account, which is an attraction to some," Mr. Wagner said. "But I've found that people interested in owning physical gold usually want to have their hands on it."

The Bank of Montreal stores the gold at Royal Canadian Mint locations in Ottawa, Winnipeg and Vancouver.

But what some see as a downside of GOLDRs is being promoted as a selling point by BMO Capital Markets managing director Simon Carling.

CONTROL ISSUES

"Physical gold bullion is not DTC-eligible, and that creates possession and control issues for investors and financial advisers who have to turn to unregulated private storage," said Mr. Carling.

DTC eligibility "solves the possession and control issues for the custodian by making the gold reflectable in brokerage or fee-based accounts," he said.

Gold investing, as illustrated by the explosive popularity of the $30.8 billion SPDR Gold Shares Exchange-Traded Fund (GLD), continues to gain popularity among investors, even as the price of gold ebbs and flows through market cycles.

Gold is trading at just over $1,200 an ounce, down more than 35% from its peak of nearly $1,900 an ounce in 2011. But global currency depreciation and central bank policies have fueled a fresh run for the metal and its investing proxies.

GLD, which fell 2.2% last year, is up 4.5% this year through Feb. 10. In contrast, the S&P 500 gained 13.7% last year and is up just 0.02% in 2015. The Market Vectors Gold Miners ETF (GDX) lost 12.4% last year but is up 21.3% this year.

In the commodity-precious metals mutual fund category, the Gold Bullion Strategy Investor Fund (QGLDX), which is managed by Mr. Wagner of Flexible Plan Investments, fell 3.8% last year and is up 8.3% this year.

The equity precious metals category as tracked by Morningstar Inc. fell 10% last year but has a category average gain of 9.5% so far this year.

BULLISH OUTLOOK

"We bought more gold in November, when it was about $1,100, and we're pretty bullish on it for the next six months," said Janet Briaud, founder of Briaud Financial Advisors.

Ms. Briaud, who said her clients currently average about 7.5% in gold exposure, agreed with the idea that quantitative easing strategies and the global economy are making a strong case for gold.

"If you're sitting in Russia or Greece, you're going to want to own gold, and that's going to drive up the price," she said.

The price of owning physical gold via a program like GOLDRs — which charges a one-time 2% purchase and storage fee — sounds reasonable, Ms. Briaud said. "You can pay up to 10% at some places," she added.

> "I THINK [GOLDRs] is more complementary than a threat to GLD."
>
> **Dave Mazza**
> Head of ETF research
> State Street Global Advisors

Mr. Carling is betting on investors' comparing its upfront cost to the ongoing cost of the most popular alternative, GLD. It charges 0.4% in addition to a share price that can trade at a discount or at a premium to the fund's net asset value.

"We're not in the business of throwing stones at ETFs, but we don't charge an annual fee," he said. "Our product is just another tool for investing in gold."

State Street Global Advisors, which manages GLD, agreed.

Bank of Montreal "has developed an innovative solution for investors looking for different access points," said Dave Mazza, head of ETF research at SSGA.

"GLD in the exchange-traded product structure is something investors are embracing," Mr. Mazza said. "I think [GOLDRs] is more complementary than a threat to GLD."

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Alternatives earning their keep so far in 2015

Solid performance makes the case for diversification

By Jeff Benjamin

The U.S. equity markets have calmed down since the rocky start of the year, but as hedge fund indexes begin rolling out January performance data, the numbers show that using alternatives to diversify makes sense.

In a month in which the S&P 500 dropped by 3%, most broad hedge fund indexes gained between 1% and 1.5%. Of the seven primary alternative mutual fund categories tracked by Morningstar Inc., only long-short equity was negative in January, posting a 1.4% decline.

TOP PERFORMER

The managed futures mutual fund category was the top liquid-alternative performer in January, with a 3.9% gain; the bear market fund category predictably did well, up 2.8% for the month.

Market neutral, multi-alternative and multicurrency funds, and nontraditional bonds rounded out the Morningstar categories, with January gains of between 0.1% and 0.8%.

In 2014, every liquid-alt fund category underperformed the S&P's 13.7% gain.

Critics, and even some proponents of alternative strategies, will point out that one month is a narrow window for gauging the true value of an investment.

But since the bull market in U.S. equities kicked off in early 2009, there have been few opportunities to test the mettle of liquid alternatives, a category that now includes more than $180 billion in nearly 500 mutual funds.

Joseph Witthohn, vice president at Emerald Asset Management, bristles at the focus on one month's performance and takes issue with comparisons to long-only benchmarks like the S&P.

"Not only are people commenting on things over a very short term, but they're stacking liquid alts and hedge funds against the broad equity market, which is certainly not a fair, nor proper, comparison," Mr. Witthohn said. "These are different animals and should be separated. However, the insatiable need to make comparisons often causes the zookeepers to feel they must continuously open the cages."

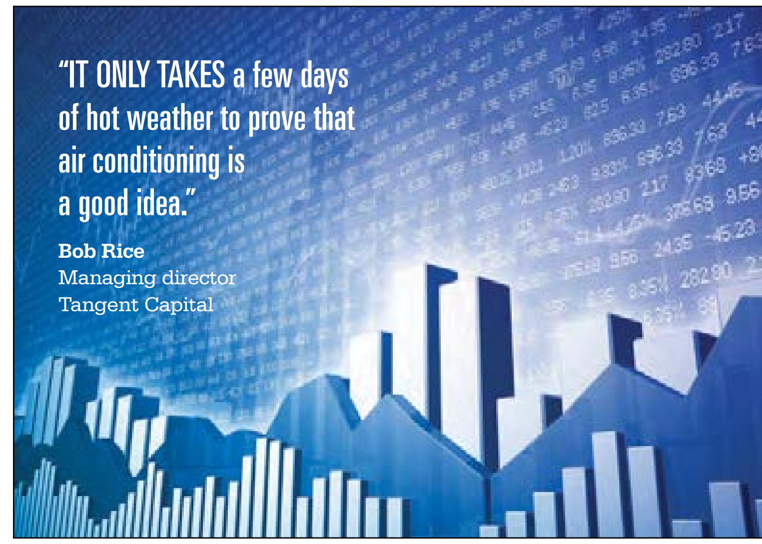
While Mr. Witthohn makes a strong argument against comparisons to the broad equity markets, the fact is they represent the highest-profile benchmarks and an area that easily could be overweighted in an investor's portfolio.

'SMALL TEST'

Bradley Alford, chief investment officer at Alpha Capital Management, who manages two liquid-alt mutual funds, also wasn't ready to make too much of the one-month relative performance advantage over stocks.

"It's a small test for liquid alts; a real test would be a 10% drawdown for stocks," he said. "But if it helps keep people invested, I guess it's a good thing."

Bob Rice, managing director at Tangent Capital, nicely summed up the one-month performance comparison.



ISTOCK

"It only takes a few days of hot weather to prove that air conditioning is a good idea," Mr. Rice said. "January is highly instructive — all the more so because the results simply correspond to common sense."

Over any down period for equities — "from one day to 10 years" — strategies that are less than 100% net long stocks will almost always generate superior returns, he said.

"Yes, alternatives will lag a straight-up market in gross-return terms … but is that what you're willing to bet on?" Mr. Rice said. "The market is very fully priced by nearly every historical measure, and U.S. investors are underpricing a slew of global risks because they sense an improving economy at home."

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Testing Social Security 'what if' scenarios

Client benefits can be bigger than estimated

Increasingly, financial advisers are helping their clients realize that when they retire and when they begin to collect Social Security benefits are two separate decisions.

Stopping work doesn't mean it's time to claim Social Security, particularly if clients can rely on other income sources while they wait to claim a bigger benefit later.

Still, many advisers wonder how they can quantify the value of future benefits, as estimates are based on the assumption that a person continues to work and earn about the same salary through retirement age.

But what happens if there are several years of reduced earnings — or even no earnings — between the end of work and the beginning of benefits?

HANDY TOOL

There's a handy tool on the Social Security website that can help you and your clients tinker with "what if" scenarios. For example, clients can use the Retirement Estimator to alter the dates for stopping work or to create different future earnings. But the Social Security Administration cautions that it can't provide actual amounts until a person applies for benefits.

The tool works for people who have the required 40 quarters of covered earnings and who are not collecting benefits on their own or another's earnings record. Privacy restrictions don't allow advisers to use the calculator for clients, but you can ask them to use it and share the information with you.

"The closer you are to retirement, the more accurate the retirement estimates will be because they are based on a longer work history with fewer uncertainties such as earnings fluctuations and future law changes," Social Security spokeswoman Nicole Tiggemann wrote in an email.

I put my own estimates to the test. Assuming I keep earning the maximum wage or net self-employment income subject to FICA taxes ($118,500 in 2015 and indexed for inflation in future years) over the next six years, until I reach my full retirement age of 66, the estimator projects my benefit at $2,515 a month.

But if I stop working today and earn nothing for the next six years, it projects my monthly benefit will drop to $2,383. Presumably, the difference is based on the missing six years of maximum taxable wages that would not be available to replace six years of lower earnings.

Laurence Kotlikoff, an economics professor at Boston University and creator of Maximize My Social Security software, warns that the Retirement Estimator underestimates future benefits because the agency ignores increases in average wages. As a result, indexing factors are distorted.

Benefits are based on the top 35 years of earnings. Actual earnings

ISTOCK

are indexed to account for changes in average wages since the year the earnings were received. A separate index factor is applied to each year of earnings. Any earnings received after 60 are recorded at face value.

ADDING AND DIVIDING

Social Security adds the top 35 years and divides the total by 420 (the number of months in 35 years); it then divides that number by 12. The result is the worker's average indexed monthly earnings, or AIME. It is used to compute the worker's full retirement age benefit, known as the Primary Insurance Amount.

Bottom line: Your future Social Security benefit could be larger than the official SSA estimate suggests. Mr. Kotlikoff urges consumers and advisers to use third-party software to generate a more precise benefit projection by entering each year of earnings history.

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Lower mutual fund fees hurt UBS revenue in Q4

Clients were moved into less costly institutional shares

By Mason Braswell

Fee-based revenue at UBS Wealth Management Americas fell $10 million in the fourth quarter as the firm began to see the impact of a move last fall to transition clients into cheaper, institutional-class mutual funds.

Recurring net income fell to $1.19 billion "mainly due to lower mutual fund fees partially offset by higher managed account fees," UBS said in its earnings release. Overall revenue was $1.92 billion, up from $1.85 billion a year earlier.

At the end of the third quarter, many of UBS' approximately 7,100 advisers moved clients from class A and C mutual fund shares to institutional class shares, which do not charge annual distribution and marketing fees. It was the last of the four so-called wirehouse firms to make the switch.

$10M
Decline in fee-based revenue

RETAIN RANKING

Despite the 1% quarterly dip, year-over-year fee income was up 9%. UBS had posted 15% average year-over-year growth in previous quarters.

Its advisers retained their ranking as the Street's most productive, generating an average $1.09 million a year versus $1.04 million a year earlier. The firm bested Bank of America Merrill Lynch, which came in second at about $1.07 million.

UBS lost about 2% of its advisers over the year, with headcount falling to 6,997. In the earnings report, the firm cited the attrition of lower-producing advisers.

The productivity gains were driven by a boost in client assets, which totaled $1.08 trillion, up nearly 18% from $914 billion in 2013.

Despite that growth, UBS reported shrinking margins as its cost-to-income ratio rose to 88.5% in the fourth quarter versus 85.9% a year earlier.

RECRUITING COSTS

Financial adviser compensation and recruiting commitments contributed significantly to that rise. Compensation was up 10% year over year, with UBS paying advisers $757 million.

Analysts on the earnings call questioned why margins continued to fall even as revenue rose.

"You're giving away your revenue increases and then some to your employees," said Andrew Lim of Société Générale S.A. "I know you have to compensate them for good performance, but it's aggressive."

Tom Naratil, chief financial officer of UBS Group AG, said he expects that changes made this year will help "normalize" compensation. The firm has shifted its payout plan to provide greater rewards for fee-based businesses and lending.

"We'll start to see more of the [earnings] coming through as we increase our net interest and fee-based business," Mr. Naratil told the analyst.

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TURN OVER

Comparison Chart

Criteria	iShares ETFs	Active Mutual Funds
Performance Goal	Track a benchmark	Outperform a benchmark
Management	Passive	Active
Performance Risks	• Performance may differ from benchmark • Holdings not altered during rising/falling markets	• May not meet performance goals • May underperform due to manager's holding selection
Buying/Selling Shares	Intraday on exchanges	Once per day via fund company
Price to Buy/Sell	Current market price, which may differ from NAV	End-of-day NAV, less fees
Fees	Expense ratio + transaction/brokerage costs	Expense ratio + any sales loads / redemption fees
Tax Impact of Buyers/Sellers	Shareholders only impacted by their own action	Shareholders may be impacted by all other shareholders' actions
Holdings Disclosure	Daily	Typically quarterly

As of 12/31/14			1-Year Returns				5-Year Returns				10-Year Returns			
Ticker	Fund Name	Gross Expense Ratio	NAV	Market Price	Post-Tax Held	Post-Tax Sold	NAV	Market Price	Post-Tax Held	Post-Tax Sold	NAV	Market Price	Post-Tax Held	Post-Tax Sold
IVE	iShares S&P 500 Value ETF	0.18%	12.14%	12.14%	11.31%	7.07%	14.65%	14.65%	14.12%	11.73%	6.59%	6.58%	6.05%	5.20%
IVV	iShares Core S&P 500 ETF	0.07%	13.62%	13.62%	12.89%	7.88%	15.37%	15.38%	14.90%	12.35%	7.62%	7.62%	7.16%	6.08%
IVW	iShares S&P 500 Growth ETF	0.18%	14.67%	14.69%	14.11%	8.43%	15.83%	15.85%	15.46%	12.75%	8.36%	8.37%	8.02%	6.75%
IJJ	iShares S&P Mid-Cap 400 Value ETF	0.25%	11.87%	11.91%	11.20%	6.84%	16.16%	16.15%	15.71%	12.99%	9.15%	9.14%	8.68%	7.36%
IJH	iShares Core S&P Mid-Cap ETF	0.12%	9.64%	9.68%	9.09%	5.55%	16.38%	16.40%	16.02%	13.19%	9.58%	9.59%	9.23%	7.77%
IJK	iShares S&P Mid-Cap 400 Growth ETF	0.25%	7.40%	7.40%	7.04%	4.25%	16.49%	16.50%	16.26%	13.32%	9.85%	9.85%	9.67%	8.09%
IJS	iShares S&P Small-Cap 600 Value ETF	0.25%	7.27%	7.35%	6.73%	4.23%	16.75%	16.81%	16.38%	13.51%	8.39%	8.40%	8.01%	6.74%
IJR	iShares Core S&P Small-Cap ETF	0.12%	5.67%	5.76%	5.18%	3.29%	17.19%	17.25%	16.85%	13.88%	8.93%	8.93%	8.63%	7.23%
IJT	iShares S&P Small-Cap 600 Growth ETF	0.25%	3.71%	3.79%	3.40%	2.14%	17.49%	17.52%	17.24%	14.16%	9.34%	9.35%	9.17%	7.64%

The performance quoted represents past performance and does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when sold or redeemed, may be worth more or less than the original cost. Current performance may be lower or higher than the performance quoted. Performance data current to the most recent month end may be obtained by visiting www.iShares.com or www.blackrock.com. Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Market returns are based upon the midpoint of the bid/ask spread at 4:00 p.m. Eastern Time (when NAV is normally determined for most ETFs), and do not represent the returns you would receive if you traded shares at other times.

iShares® by BLACKROCK®

1. Morningstar, as of 12/31/2014. Post-tax comparison made between the returns at NAV of iShares S&P domestic equity style box funds and all share classes of all active Open-End Mutual Funds within the Morningstar US style box category available in the US at the beginning of the investment period that survived through the end of the investment period. Returns are calculated after taxes on distributions, including capital gains and dividends, assuming the highest federal tax rate for each type of distribution in effect at the time of the distribution. Overall figure is a weighted average of the percentage of funds that the iShares ETF outperformed in each style box, weighted based on assets in each style box. Performance may be different for other time periods. US style box mutual funds are those active funds categorized by Morningstar as US Large Cap Growth / Blend / Value, US Mid Cap Growth / Blend / Value or US Small Cap Growth / Blend / Value. 2. Morningstar, as of 12/31/14. Comparison is between the Prospectus Net Expense Ratio for the average iShares ETF (0.38%) and the average Open-End Mutual Fund (1.27%) available in the US. 3. Based on $4.652 trillion in AUM as of 12/31/2014.

Small-capitalization companies may be less stable and more susceptible to adverse developments, and their securities may be more volatile and less liquid than larger capitalization companies. Diversification may not protect against market risk or loss of principal. • Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. All regulated investment companies are obliged to distribute portfolio gains to shareholders. • The Funds are distributed by BlackRock Investments, LLC (BRIL). The iShares Funds are not sponsored, endorsed, issued, sold or promoted by S&P Dow Jones Indices LLC (S&P), nor does this company make any representation regarding the advisability of investing in the Funds. BRIL is not affiliated with S&P.

Separately managed accounts

Ranked by fourth-quarter returns

U.S. large-cap equity

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Principal Global Investors - REIT	**15.63%**	33.11%	17.74%	17.76%	15.02%	1.18	$7,965.9	Team	Des Moines, Iowa
Chilton Capital Management LLC - REIT	**13.62%**	33.81%	20.87%	19.17%	14.42%	1.32	$286.8	Team	Houston
Polen Capital Management - Large Cap Growth	**10.19%**	17.60%	17.79%	15.59%	15.32%	1.01	$5,362.8	Team	Boca Raton, Fla.
Todd Asset Management LLC - Intrinsic Value Opportunity	**10.12%**	18.52%	24.65%	18.79%	14.89%	1.26	$354.5	Team	Louisville, Ky.
Renaissance Investment Management - Large Cap Growth Equity Strategy Wrap	**9.81%**	21.43%	25.03%	17.11%	17.33%	0.98	$2,927.8	Michael Schroer	Covington, Ky.
The London Company - Large Cap*	**7.86%**	17.85%	20.30%	18.19%	11.72%	1.54	$1,807.4	Team	Richmond, Va.
PNC Capital Advisors - Advantage Growth Equity	**7.84%**	20.36%	21.33%	16.40%	15.08%	1.08	$456.0	Team	Baltimore
Vulcan Value Partners - Large Cap	**7.48%**	15.03%	26.01%	19.08%	14.45%	1.31	$7,023.7	C.T. Fitzpatrick	Birmingham, Ala.
Alta Capital Management - Large Cap Quality Growth	**7.26%**	12.39%	23.12%	15.88%	14.76%	1.07	$1,120.3	Michael Tempest	Salt Lake City
Smith Group Asset Management - Large Cap Focused Growth	**7.26%**	13.96%	20.73%	17.41%	16.59%	1.04	$1,094.4	Team	Dallas
Mount Lucas Management Corp. - MLM Focused Equity*	**7.16%**	13.41%	23.92%	17.14%	19.51%	0.87	$307.4	Team	Newtown, Pa.
Morris Capital Advisors Inc. - Large Cap Growth Equity Strategy	**7.12%**	14.84%	21.98%	16.94%	13.78%	1.22	$390.3	Team	Malvern, Pa.
Cambridge Financial Group - Core Equity	**7.00%**	17.32%	22.62%	14.48%	16.75%	0.86	$193.5	Gregory J. Bauer	Columbus, Ohio
People's United Bank - High Confidence	**6.82%**	16.34%	21.72%	15.61%	14.90%	1.04	$700.5	John Conlon	Bridgeport, Conn.
Coho Partners Ltd. - Coho Relative Value Equity	**6.75%**	15.01%	19.87%	17.24%	11.84%	1.45	$1,973.5	Team	Berwyn, Pa.
S&P 500	**4.93%**	**13.69%**	**20.42%**	**15.46%**	**14.41%**	**1.07**			

U.S. mid-cap equity

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Ariel Investments - Ariel Small/Mid Cap Value Wrap*	**10.71%**	13.94%	24.63%	17.59%	22.49%	0.78	$2,816.5	John W. Rogers Jr.	Chicago
Kayne Anderson Rudnick - Mid Cap Core*	**10.58%**	18.15%	20.84%	17.06%	14.29%	1.19	$136.1	Team	Los Angeles
Great Lakes Advisors - SMidCap	**9.80%**	10.50%	25.02%	20.72%	18.85%	1.09	$398.8	Team	Chicago
Riverbridge Partners - SMID Cap Growth	**9.67%**	3.91%	17.54%	18.98%	13.48%	1.40	$1,726.5	Team	Minneapolis
Kayne Anderson Rudnick - Small to Mid Cap Value Portfolio*	**9.66%**	8.87%	18.10%	17.36%	13.89%	1.24	$150.1	Team	Los Angeles
Congress Asset Management - Mid Cap Growth (SMA)*	**9.54%**	13.05%	19.88%	21.94%	16.37%	1.33	$829.5	Team	Boston
Eagle Asset Management - Small/Mid Cap Core - Retail	**9.27%**	3.84%	18.52%	13.64%	17.19%	0.79	$557.0	Team	St. Petersburg, Fla.
Madison Investment Advisors - Mid-Cap Equity	**9.18%**	11.24%	19.44%	17.29%	15.00%	1.15	$1,275.4	Team	Madison, Wis.
Janus Capital Management - Mid Cap Growth MA (Retail)	**8.53%**	13.13%	21.02%	16.70%	16.09%	1.03	$5,825.7	Brian Demain	Denver
Kayne Anderson Rudnick - Small to Mid Cap Portfolio*	**8.43%**	9.89%	16.29%	15.43%	14.28%	1.07	$712.8	Team	Los Angeles
Robeco Investment Management Inc. - BP Mid Cap Value Equity	**8.37%**	14.38%	24.55%	19.64%	17.79%	1.10	$14,704.1	Stephen Pollack	New York
Anchor Capital - Mid Cap Value Equity*	**8.20%**	11.47%	16.68%	13.32%	11.30%	1.17	$4,347.7	William P. Rice Jr.	Boston
AllianceBernstein - Small to Mid Cap Value*	**7.91%**	10.97%	23.74%	17.86%	20.24%	0.88	$4,260.4	James W. MacGregor	New York
Eagle Asset Management - Small/Mid Cap Core - Institutional	**7.80%**	8.87%	19.22%	15.96%	17.80%	0.89	$204.6	Team	St. Petersburg, Fla.
Ariel Investments - Ariel Mid Cap Value Wrap*	**7.56%**	9.19%	24.61%	17.17%	20.33%	0.84	$3,094.8	Team	Chicago
Russell Midcap	**5.94%**	**13.22%**	**21.40%**	**17.19%**	**16.59%**	**1.03**			

U.S. small-cap equity

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Kayne Anderson Rudnick - Small Cap Growth*	**12.56%**	5.28%	18.47%	17.88%	13.60%	1.31	$301.7	Team	Los Angeles
Kayne Anderson Rudnick - Small Cap Quality Value*	**11.34%**	3.03%	16.64%	16.14%	15.91%	1.01	$1,833.2	Team	Los Angeles
Chartwell Investment Partners - Small Cap Value	**11.22%**	7.75%	19.95%	17.72%	17.55%	1.00	$1,037.4	Team	Berwyn, Pa.
Timpani Capital Management - Small Cap Growth*	**11.14%**	0.91%	23.85%	18.11%	22.00%	0.82	$257.4	Brandon M. Nelson	Milwaukee
Denver Investment Advisors (Westcore) - Small-Cap Value	**10.99%**	7.60%	18.13%	16.50%	16.65%	0.99	$1,812.4	Troy Dayton	Denver
Palisade Capital Management - Small Cap Growth Equity	**10.80%**	3.32%	20.05%	19.48%	20.82%	0.93	$867.8	Sammy Oh	Fort Lee, N.J.
Riverbridge Partners - Small Cap Growth	**10.76%**	-0.33%	19.03%	17.85%	16.27%	1.09	$2,840.2	Team	Minneapolis
PNC Capital Advisors - Small Cap Portfolio	**10.61%**	4.46%	22.74%	19.85%	18.01%	1.10	$939.7	Team	Baltimore
Rice Hall James & Associates - Small Cap Opportunities	**10.38%**	8.41%	24.75%	24.16%	16.66%	1.44	$433.8	Team	San Diego
TCW Investment Management Co. - TCW Small Cap Growth	**10.21%**	1.91%	16.10%	11.69%	21.23%	0.55	$222.7	Team	Los Angeles
TAMRO Capital Management - Small Cap Equity	**10.12%**	1.56%	15.67%	14.83%	19.58%	0.75	$1,411.3	Team	Alexandria, Va.
Atlanta Capital Management - High Quality Small Cap Core*	**10.07%**	3.30%	17.80%	17.77%	16.07%	1.10	$1,856.1	Team	Atlanta
Conestoga Capital Advisors - Small Cap Growth	**9.87%**	-7.53%	16.30%	15.96%	18.17%	0.87	$1,628.7	Team	Wayne, Pa.
The Boston Co. Asset Management - Small Cap Growth*	**9.83%**	3.91%	20.09%	16.39%	18.47%	0.88	$464.1	Todd Wakefield	Boston
Granite Investment Partners - Small Cap Core Equity*	**9.81%**	5.62%	23.14%	22.13%	21.93%	1.01	$165.6	Team	El Segundo, Calif.
Russell 2000	**9.73%**	**4.89%**	**19.21%**	**15.55%**	**18.96%**	**0.82**			

International, global, emerging-markets equity

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Capstone Asset Management Co. - Global Equity Income	**4.48%**	9.63%	13.71%	12.30%	12.19%	1.00	$265.7	John Wolf	Houston
Aristotle Capital Management - Value Equity	**3.94%**	11.66%	21.26%	15.52%	14.82%	1.04	$7,146.7	Howard Gleicher	Los Angeles
Lazard Asset Management - Global Equity Select ADR - SMA	**2.84%**	4.16%	16.43%	11.31%	14.83%	0.76	$2,618.6	Team	New York
Legg Mason Inc. - Legg Mason MDA 7A Global All Cap*	**2.67%**	10.43%	21.21%	14.77%	16.95%	0.87	$256.4	Team	Baltimore
WCM Investment Management - Quality Global Growth Equity	**2.34%**	1.03%	14.55%	13.66%	14.67%	0.93	$679.9	Team	Milwaukee
Legg Mason Inc. - Legg Mason MDA4 Global Multi Cap Growth*	**2.33%**	10.54%	22.18%	15.39%	16.82%	0.91	$126.8	Team	Baltimore
AllianceBernstein - Global Value Equity ADR*	**2.23%**	7.37%	19.12%	9.57%	18.29%	0.52	$2,030.0	Kevin Simms	New York
Capital Group - Capital Group PCS Global Equity Composite*	**1.79%**	4.37%	16.04%	10.44%	14.05%	0.74	$6,282.3	Team	Los Angeles
McKinley Capital Management - International Non-U.S. Growth	**1.35%**	2.85%	12.65%	6.65%	16.66%	0.39	$2,639.5	Team	Anchorage, Alaska
Harding Loevner - Global Equity ADR	**0.86%**	6.34%	15.08%	9.54%	15.94%	0.59	$130.3	Team	Bridgewater, N.J.
WCM Investment Management - International Focused Growth	**0.40%**	1.07%	12.20%	11.12%	16.05%	0.69	$4,770.8	Team	Milwaukee
Scout Investments - International ADR	**-0.31%**	-2.94%	10.86%	6.76%	17.13%	0.39	$368.6	Team	Kansas City, Mo.
Invesco - International ADR Growth SMA/WRAP	**-0.36%**	2.61%	12.16%	8.75%	14.87%	0.58	$5,103.3	Team	Atlanta
Harding Loevner - International Equity ADR	**-1.01%**	-0.17%	11.20%	7.58%	16.26%	0.46	$6,807.4	Team	Bridgewater, N.J.
Capital Group - Capital Group PCS Non-U.S. Equity Composite	**-1.11%**	-2.78%	11.47%	7.37%	13.98%	0.52	$3,192.6	Team	Los Angeles
Russell Dev ex North America Large Cap	**-3.29%**	**-4.54%**	**11.54%**	**5.67%**	**17.22%**	**0.32**			
Russell Dev Large Cap	**1.22%**	**5.16%**	**15.88%**	**10.53%**	**15.33%**	**0.68**			
Russell Emerging Markets Large Cap	**-4.66%**	**-2.00%**	**4.59%**	**2.41%**	**17.97%**	**0.13**			

U.S. fixed income

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Principal Global Investors - Spectrum Preferred Securities	**2.80%**	16.48%	9.41%	9.24%	7.96%	1.15	$14,606.3	Team	Des Moines, Iowa
Delaware Investments - Aggregate Duration U.S. Government	**2.32%**	6.41%	1.85%	4.01%	3.73%	1.05	$159.9	Team	Philadelphia
EARNEST Partners - Core Fixed Income	**2.21%**	7.26%	3.51%	5.30%	3.13%	1.67	$1,813.0	Team	Atlanta
Boyd Watterson Asset Management LLC - Ultra Enhanced Core Fixed Income - Wrap*	**2.02%**	6.33%	3.59%	5.05%	2.57%	1.93	$389.4	David Dirk	Cleveland
Segall Bryant & Hamill - Core Fixed Income	**1.90%**	6.55%	2.92%	4.69%	3.22%	1.43	$1,645.0	Team	Chicago
McDonnell Investment Management - Government/Credit*	**1.82%**	5.82%	2.81%	5.08%	3.91%	1.28	$741.0	Team	Oak Brook, Ill.
McDonnell Investment Management - Core Aggregate*	**1.78%**	5.84%	2.37%	4.38%	3.28%	1.31	$739.0	Team	Oak Brook, Ill.
Seix Investment Advisors LLC - Core Bond*	**1.77%**	5.70%	1.92%	4.28%	4.12%	1.02	$1,286.6	Team	Upper Saddle River, N.J.
Seix Investment Advisors LLC - Core Plus Bond*	**1.70%**	5.61%	2.10%	4.43%	4.13%	1.05	$2,651.0	Team	Upper Saddle River, N.J.
C.S. McKee - Aggregate Fixed Income	**1.65%**	5.76%	3.00%	4.91%	2.79%	1.73	$3,438.4	Team	Pittsburgh
PNC Capital Advisors - Core Fixed	**1.57%**	5.76%	3.11%	4.53%	2.67%	1.66	$1,477.8	Team	Baltimore
Cincinnati Asset Management - Investment Grade Fixed Income	**1.55%**	7.69%	5.01%	6.91%	4.41%	1.55	$1,353.4	Team	Cincinnati
Pacific Income Advisers - Market Duration MACS*	**1.54%**	5.93%	2.84%	4.45%	3.34%	1.31	$176.0	Team	Santa Monica, Calif.
Delaware Investments - Intermediate Aggregate Duration U.S. Government	**1.50%**	4.35%	1.50%	3.26%	2.65%	1.20	$551.9	Team	Philadelphia
Sage Advisory Services - Core Government Credit Fixed Income*	**1.48%**	5.57%	2.96%	4.79%	3.17%	1.48	$308.9	Team	Austin, Texas
Barclays Aggregate	**1.79%**	**5.96%**	**2.66%**	**4.45%**	**3.03%**	**1.44**			

U.S. municipals

Product	4Q return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Assets ($M)	Manager	Location
Lord Abbett & Co. - Long Municipal MA	**2.18%**	12.74%	5.46%	6.24%	5.92%	1.04	$3,902.8	Daniel S. Solender	Jersey City, N.J.
Eaton Vance - Long Municipal Bonds	**2.08%**	12.60%	6.01%	6.20%	5.38%	1.14	$12,796.5	James H. Evans	Boston
Wasmer Schroeder & Co. Inc. - Strategic Tax Exempt Fixed Income	**2.05%**	12.82%	6.41%	6.84%	5.38%	1.26	$246.4	Team	Naples, Fla.
Sit Investment Associates Inc. - U.S. Tax Exempt Fixed Income Intermediate	**2.00%**	11.51%	5.62%	6.38%	4.19%	1.50	$610.2	Team	Minneapolis
GW&K Investment Management - Municipal Enhanced Yield Strategy	**1.99%**	14.64%	6.60%	7.11%	6.48%	1.08	$137.5	Team	Boston
Nuveen Asset Management - Long Municipal Bond*	**1.58%**	12.13%	5.50%	5.95%	5.71%	1.03	$2,168.3	Team	Chicago
Sage Advisory Services - Core Municipal Fixed Income*	**1.43%**	9.02%	4.30%	5.06%	4.13%	1.21	$170.1	Team	Austin, Texas
BlackRock - Long-Term Municipal Fixed Income	**1.22%**	8.50%	3.99%	5.26%	4.58%	1.13	$1,399.0	Team	Wilmington, Del.
McDonnell Investment Management - Medium Duration Municipal Bond*	**1.22%**	7.61%	3.46%	5.11%	4.00%	1.26	$5,267.0	Team	Oak Brook, Ill.
AllianceBernstein - Tax Aware Fixed Income (MA)*	**1.19%**	7.91%	4.38%	5.94%	3.73%	1.57	$1,996.5	Guy Davidson	New York
Cumberland Advisors - Tax-Free Municipal Fixed Income	**1.19%**	9.13%	4.19%	4.96%	4.13%	1.18	$692.8	Team	Sarasota, Fla.
Belle Haven Investments - MuniPLUS	**1.13%**	7.53%	4.35%	5.51%	2.72%	2.00	$580.1	Team	White Plains, N.Y.
GW&K Investment Management - Municipal Bond Strategy	**1.13%**	7.68%	3.77%	5.56%	4.24%	1.29	$13,070.0	Team	Boston
Lord Abbett & Co. - Intermediate Municipal MA	**1.10%**	7.78%	3.37%	5.12%	3.96%	1.27	$2,068.4	Daniel S. Solender	Jersey City, N.J.
Thornburg Investment Management Inc. - Thornburg Intermediate Term Municipal*	**1.07%**	7.39%	4.52%	5.43%	3.25%	1.64	$1,824.0	Team	Santa Fe, N.M.
Barclays Municipal Bond	**1.37%**	**9.05%**	**4.30%**	**5.16%**	**4.09%**	**1.24**			

*Preliminary. The separately managed account products listed in these tables generated the highest performance for the quarter ended Dec. 31. Rankings are based on performance reported to the PrimaGuide research application by Jan. 23. In case of ties, products are listed alphabetically. Past performance is not a guarantee of future results, and advisers should rely on additional factors when determining whether to include SMAs in their client portfolios. The PrimaGuide SMA universe isn't intended to be all-inclusive but rather represents a diversified group of products that are available to, and suitable for, the affluent retail investor.

Source: Envestnet

INVESTMENT STRATEGIES
William J. Kelly

Correlation conundrum and liquid alts

The vast majority of these funds are new, and they require scrutiny in context of other assets

As the popularity of so-called liquid-alternative funds increases, many of us wonder how they will perform in the inevitable bear market.

In fact, it seems as if the entire liquid-alt industry was created as a result of the "lost decade" that ended in 2009, a period in which the S&P 500 posted a 9.1% decline — the worst-ever 10-year performance for the benchmark.

The vast majority of the products available today did not exist during that time, so performance through periods of stress and volatility can be viewed only through a lens blurred by back-testing and optimization. Clarity will ultimately come in waves and over longer market cycles.

Sure, the volatility witnessed in months like October and December 2014 might provide a few signs, but advisers need to take a step back, look at the bigger picture and ask themselves a different question.

One of the basic tenets of Investing 101 is not to put all your eggs in one basket. A contrarian view would espouse owning a single asset class, and plenty of empirical evidence debunks that as a sound investment strategy.

SOLO EGG

But in reality, just one "egg" represents your retirement account or college education fund, or some other goal-oriented strategy.

There is also just one basket: the market, defined in its broadest terms.

The goal should be to allocate this single egg to a series of uncorrelated risks that can all be located in this single basket.

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The question about the expected performance of liquid alts in a future down market seems to play into a theory that investors should be thinking about a core basket with traditional stocks, bonds and cash, and a second basket containing the liquid-alt solutions.

The thinking never followed that path before the advent of liquid alts, and it should not be doing so now.

Are liquid alternatives a product or a solution?

The answer depends on how the user expects to implement them. Most investors — from sophisticated institutional managers to novice retail buyers — have proved that market timing is not a winning strategy.

Past performance does not guarantee future results, and no return stream is truly predictable and linear. This simple axiom applies to equities, bonds, liquid alternatives, real estate, collectibles and virtually any other asset class you can name.

RISK-ADJUSTED RETURN

Why not start with a solutions-based portfolio that examines a wider range of uncorrelated return streams that can create the very best risk-adjusted return?

The true benefit of these liquid-alt products is the wider set of tools now at our disposal.

THE TRUE benefit of these liquid-alt products is the wider set of tools now at our disposal.

Rather than wondering how products might perform given a certain market cycle, you should be thinking about how they will perform relative to one another.

Perhaps funds will correlate more than expected in the short term, but the analysis should be to make sound determinations on how they will or won't correlate over longer market cycles.

BUFFETT WAS RIGHT (AGAIN)

One of Warren Buffett's simplest but most profound quotes defines risk as resulting from not knowing what you're doing.

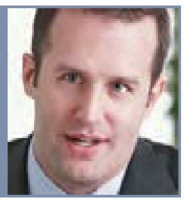
It is not the instrument, product or solution (and that certainly includes liquid-alt funds) that causes or prevents the dreaded drawdown risk. Rather, it is user error, which comes from not understanding the intended use and benefits of all available tools.

Take the time to reacquaint yourself with your portfolio. Ask yourself about its construction. If liquid alternatives are part of the current solution, ask why. If they are not, you also should have an explanation for that.

Get educated, for your sake and that of your clients. Education is the perfect antidote for ignorance.

William J. Kelly is chief executive of the Chartered Alternative Investment Analyst Association.

RETIREMENT WATCH
David Blanchett



Getting a handle on life expectancy

Estimates of how long your clients will live have major consequences for retirement planning

Retirement planning is based on a significant number of assumptions. And from market movements to investor preferences to individual life spans, uncertainty reigns.

It's the job of financial advisers and other investment professionals to bring some order to the chaos. We can't predict the market, but we can help ensure that our investments have the right mix of forecast risk and return. We can measure investors' risk preferences, even as they change over time. And we can shed some light on when a person might be expected to die. It's a delicate matter, but one with major consequences on retirement planning, one in which we need to be as accurate as possible.

IT'S FAR better to die with money in the bank than to live one's later years in poverty.

Here are a few guidelines when estimating a life span for yourself or a client.

First, life span is personal, but the estimation tools are not. Second, conservatism rules: It's far better to die with money in the bank than to live one's later years in poverty. And third, probability is the antidote for uncertainty.

Let's take those in order.

Generic tools have value. We know from actuarial tables, for example, that people are living longer on average. For example, in 1980, the life expectancy for a 65-year-old man was 14 years; it's now closer to 18 years, according to Social Security Administration data. That means the duration of retirement is increasing.

Also, older people are dying later and fewer people are dying early — both of which raise the average life span. We expect a baby born today to live an average of 79 years, while the average 65-year-old man is expected to live to 83.

PERSONAL DETAILS

The problem, of course, is that very few people are average. If your father died at 50 and your mother lived to be 100, should you expect to live to be 75?

When estimating an individual's life span, it is important to consider personal details, such as family longevity, medical history, relevant habits (smoking, diet, exercise) and environment (stress, marital status, etc.). This is inexact, but if all these factors point to a longer life, this should inform your estimate.

It's also useful to point out that richer people tend to live longer. While not every financial planning client is a "one percenter," recent research suggests that wealthier individuals as a group are generally well above average from a longevity perspective. This life expectancy gap for wealthier people is widening, particularly among women.

All of that argues for taking a more conservative approach to estimating life expectancy and the length of retirement.

In my research, I gravitate toward annuity mortality tables, which usually are more conservative than regular mortality tables because of adverse selection. People who buy annuities are likely to be healthier than average and therefore live longer. I like the 2012 Individual Annuity Mortality Table created by the Society of Actuaries.

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PROBABILITIES RULE

These tables help make our estimates more precise, as they provide more accurate longevity probabilities than a traditional mortality table, such as the Social Security Administration mortality table.

For example, the odds that either member of a couple, male and female 65-year-olds, will live past 95 is only about 20%, which makes a 30-year retirement period seem reasonable. Based on the annuity mortality table, however, this probability increases to about 43% when both spouses are 65 today, and is projected to rise to over 50% in about 15 years.

In other words, there's a 50/50 chance that either member of a couple of 50-year-olds planning to retire in 15 years will live more than 30 years after retirement. Therefore, the safety of a 30-year retirement (or assuming death at 95) varies significantly based on your assumption.

There are no easy answers when predicting retirement periods. But make it personal, stay conservative and lean on probability.

David Blanchett is head of retirement research at Morningstar Investment Management.

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RECRUITMENT CONNECTION

Pimco Total Return again scores 5 stars

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"You don't want to be over-reliant on that one tool."

Because holdings disclosures for the period are not yet available, it is difficult to verify Mr. Mather's assessment of the reasons for the fund's outperformance.

The fund manager is pressing a case that a buy-and-hold approach doesn't work in fixed-income investment — an attempt to draw a contrast with notable competitors, including The Vanguard Group Inc. That company has a product lineup that is tilted more toward passive investing and that takes a more conservative posture on bond exposure.

The risk of changing premiums between yields on different types of bonds needs to be effectively managed, said Mr. Mather, whose title is chief investment officer for U.S. core strategies.

"Investors can't just be buy and hold," he said. "You won't do as well in fixed income if you do that."

TEAM APPROACH

Mr. Mather took over management of Total Return last September, after the previous manager, Pimco founder Bill Gross, left for Janus Capital Group Inc.

He and his co-managers, Mark R. Kiesel and Mihir P. Worah, are veterans of Pacific Investment Management Co.

"We continue to debate until we arrive at consensus," Mr. Mather said of the trio's working relationship.

Despite the performance improvement, Pimco's flagship fund has continued to bleed assets since Mr. Gross' departure. It lost about $11.6 billion to investor redemptions last month. The 21-month flight of investors is without parallel in mutual fund history.

Pimco Total Return now ranks No. 5 on Morningstar's list of the biggest mutual funds. It remains the world's largest bond fund. And its new managers have so far met outflows without underperforming or generating an outsized burden in capital-gains tax — one of the major concerns of investors.

Another Morningstar fund rating, which is generated by analysts' judgment of the potential for a manager's success, remains unchanged at bronze — the third-highest possible rating. The Morningstar rating is a controversial benchmark, but often drives money into and out of funds.

Scott A. Mather

Also influential are the ratings generated by broker-dealer home offices — some of which put Pimco on "watch" after Mr. Gross' abrupt exit — and by Morningstar's third-party analyst competitors.

Lipper, for instance, rates the institutional share class four stars on a one-to-five scale, based on past performance. S&P Capital IQ rates it three stars on the same scale, based on performance and broader manager research.

Over three-, five- and 15-year periods, Total Return maintains a record that surpasses most of its peers.

"There's nothing unusual about us being at the top of the performance heap," Mr. Mather said. "That's what we aim to do."

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Kahneman: Don't trade too much

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predicting the future unless they are coached to anticipate failures and do not check their returns daily. And clients with a greater aversion to losses will need a different portfolio than those with less of an aversion, he said.

Women often demonstrate better ability to restrain the destructive impulse to act on investment ideas, as well as to moderate clients' emotional biases, according to Mr. Kahneman.

"Women are quite possibly better at figuring out the client and the emotional state of the client, and men ought to emulate women in those respects," Mr. Kahneman told the audience, which was largely made up of men.

> "WOMEN ARE quite possibly better at figuring out the client and the emotional state of the client."
>
> **Daniel Kahneman**
> Nobel laureate
> Princeton University

While advisers can develop significant expertise about the mindset of clients and about specialized planning issues, such as taxes, the markets don't offer enough consistent information to allow the average person to accumulate that experience, he said.

"You live in a world in which experience is possible," Mr. Kahneman said of the financial markets. "Expertise that supports intuition about the future — that's not possible."

He got a question that put him in an awkward position: What do you think about active management?

"That's a painful question to ask in front of an audience of mostly active managers," said Mr. Kahneman, who wrote about what he sees as the futility of stock-picking in "Thinking, Fast and Slow" (2011, Farrar Straus & Giroux).

He said that he hopes he doesn't have any active management in his portfolio but admitted to not checking in frequently with his financial adviser.

"I'm very interested in him not being too active," Mr. Kahneman said. "I have doubts about active investing."

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Activist targets ARCP's board

Continued from Page 2
whom resigned under sub-optimal conditions, to say the least) is, we believe, undeniably unacceptable."

ISTOCK

In an email to *InvestmentNews*, John Bacon, vice president of corporate and real estate marketing at ARCP, wrote: "The board of directors welcomes input from the company's shareholders on all matters and has had numerous conversations and meetings with Corvex Management since December. The board ... is focused on the completion and release of the company's restated financial statements and the third-quarter 2014 quarterly report, the recruitment of a new CEO and nonexecutive board chair."

Mr. Bacon's email stated that the company would turn to the composition of the board once the other items had been addressed.

FIVE AREAS

In one section of his letter, Mr. Meister outlined five key areas of concentration for a future chairman or chief executive.

ARCP must "purge any remaining ties with past affiliated entities and leadership" and "commit to having a board of truly independent directors, including elimination of the current board members from all positions with the company," according to the letter.

"If a higher level of continuity is desired, then the retention of [independent director] Bruce Frank would be welcome," it states.

The company also should implement best-in-class corporate governance and "immediately cease windfall payments to board members [Mr.] Stanley and [independent director] Thomas Andruskevich, which fly in the face of modern corporate governance," according to the letter.

Finally, Mr. Meister calls on ARCP to hold the 2015 annual meeting as soon as possible, "so shareholders have the opportunity to vote for the new board that [the new CEO and chairman] have helped to select."

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Compliance exec sues Cabot

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ment directives and overlook other violative actions."

Mr. Frydman is engaged in a legal dispute with his former partner, Eli Verschleiser.

In October, he sued Mr. Verschleiser in federal court in New York, alleging that he had left the firm with data concerning deals and potential business partners.

> **$500K**
> Amount that Albert Akerman is seeking from Cabot Lodge

In a statement, Mr. Frydman said Mr. Akerman sold company information to Mr. Verschleiser.

"As such, Mr. Akerman was fired by Cabot Lodge Securities," the statement said. "In an effort to resurrect his career and reputation, he has filed this frivolous lawsuit. A motion to dismiss the Akerman lawsuit will be filed shortly after the papers have been served."

Mr. Akerman, a 30-year veteran of the securities industry, is seeking a judgment of at least $500,000, the amount he contributed to the firm to become a limited partner.

Cabot Lodge, a small retail broker, is also the wholesaling and marketing broker-dealer for United Realty Trust Inc., a nontraded REIT that has met roadblocks in its attempts to raise capital. Cabot Lodge wholesalers are attempting to raise $1 billion in the REIT's initial public offering. So far, the REIT has only $45.8 million in assets, according to its most recent quarterly report.

In May 2013, the REIT halted its IPO after its former marketing broker-dealer, Allied Beacon Partners Inc., ran afoul of industry net-capital regulations.

Allied Beacon had lost a Finra arbitration award of $1.6 million earlier in 2013 and couldn't pay it, which caused the net-capital violation. Finra eventually expelled the firm from the industry, and many of its brokers moved to Cabot Lodge.

From 2005 to 2009, Mr. Akerman was an executive with David Lerner Associates Inc., the marketing broker-dealer for the Apple branded REITs.

In 2012, Finra fined David Lerner $2.3 million and ordered it to pay restitution of $12 million to clients for unfair sales practices in one Apple REIT and excessive markups on municipal bonds.

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ISTOCK

Kinder puts holistic planning online

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and inspiring clients to commit to and live out their life plan, Mr. Kinder said.

Some advisers don't do that particularly well, either, he added.

The institute makes the tool available free to the public and has a modified, paid version for advisers who have been through Mr. Kinder's two-day training on life planning and want to incorporate it into their own processes and business models.

FURTHER GUIDANCE

The planning tool for consumers concludes by offering basic financial advice on investments and insurance, and suggests that those who want further guidance should contact an adviser trained in life planning.

The institute offers a searchable function for finding these advisers, all of whom have completed the life-planning training.

About 3,000 people have used the online system, and about half of those who complete the process look for an adviser, Mr. Kinder said.

"The consumer who has complex issues is going to want an adviser," he added. "We show how they can find one."

The tool that advisers can integrate into their planning process will conclude before giving any financial planning recommendations, as advisers themselves can provide that after clients complete the automated front end, according to Mr. Kinder.

> "THE CONSUMER who has complex issues is going to want an adviser."
>
> **George Kinder**
> Founder and president
> The Kinder Inst. of Life Planning

"If you want clients for life, you want to have a real relationship with them, and we think this makes it easier," he said.

The cost to advisers to integrate and use the tool with clients will range between $4 and $12 a month per adviser, plus a client charge of $1 or $2 a month, depending on the number of advisers and clients involved, Mr. Kinder said.

Life, or holistic, planning came to the forefront in the late 1990s, as baby boomers began to think seriously about retirement.

Then an adviser, Mr. Kinder published "The Seven Stages of Money Maturity" (1999, Dell). The book became a practical guide for other advisers on how to conduct personal, goal-oriented discussions with clients — even though it had been intended for consumers.

Goals-based planning has been growing in popularity ever since and now is included in the process many advisers — including some who work for wirehouses — go through with clients.

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Takeaway from Williams uproar

Continued from Page 4
be comfortable telling them it's not a good time while scheduling another time to talk, he added.

"Little white lies don't accomplish anything," Mr. Candura said. "When people start exaggerating and padding, and trying to inflate themselves, it destroys that credibility, presenting a face to the world that isn't true."

By exaggerating his experiences on a trip to Iraq in 2003, Mr. Williams may have done irrecovable damage to the good faith he had developed with the public over years of reporting and delivering the news.

Steve Burke, chief executive of NBCUniversal, called the anchor's actions "inexcusable" and placed him on six-month leave without pay. NBC is investigating the matter.

"Brian has jeopardized the trust millions of Americans place in NBC News," Mr. Burke wrote to employees.

Justin Paperny, a former broker who served a year in jail for violating securities laws and now is a consultant on white-collar crime, said the financial advisers he knows with thriving businesses have irreproachable ethics.

"The most successful people and advisers embrace the mantra that if you respect someone enough, you tell them the truth," Mr. Paperny said.

SOLICITING BUSINESS

Advisers are most likely to tell "white lies" when they are soliciting business, making promises about their responsiveness and the frequency of meetings, he said.

Another situation ripe for a misrepresentation: Advisers' dealing with smaller clients they may have "outgrown," according to Mr. Paperny. They may think they're being polite by fibbing to get off the phone and take a call from a client with more assets, he said.

Jack Singer, a psychologist who works with financial planners, warned that white lies are a slippery slope.

Trust is critical to people who have invested their family's wealth with an adviser, Mr. Singer said.

"Once they know a person is deceitful, they will assume he or she has been deceitful multiple times they don't know about," he said. "There will always be that doubt."

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TECH CONNECT

Fidelity's acquisition of eMoney a watershed moment

Move could have major consequences for independents

I have written at length about the changing landscape created by robo-advisers and direct-to-consumer megabrands such as the fund companies, banks and custodians. And while I don't have a crystal ball, Fidelity's acquisition of eMoney Advisor — for a rumored $250 million — might be a real canary-in-the-coal-mine moment for every independent adviser.

First, some important disclosures: We have had a deep and good relationship with both Fidelity and eMoney, and they have been an important part of our business for many years.

Second, I have no inside information, so everything that follows is pure conjecture. It is my idea of what might have moved Fidelity and how it might maximize the value of the purchase. Strategic acquisitions are often as much about avoiding future risks as about maximizing future opportunities, however.

TRANSFORMATIONAL

So with that, here are some thoughts on why this deal could be a watershed for our industry and how things could transpire over the next few years.

Fidelity gets three things:

1. A proven client aggregation system. Fidelity could use eMoney as a tool for bringing on all direct retail clients and for seeing all client assets, beyond those held at Fidelity. Will Fidelity now be able to reverse-engineer strategies and tactics to get what it can see but does not hold?

2. Big data about all the advisers on eMoney's system. This is a leap toward the Holy Grail. Fidelity will now know how much advisers have at every custodian and with every investment solution. That's powerful information for salespeople. What's more, past efforts by many, including Fidelity, to link all accounts have been clumsy at best. Could eMoney be successful on this front?

EMONEY

3. A scalable planning system. Fidelity now has a state-of-the-art planning solution it can have fully integrated into the retail client experience; eMoney has one of the best user interfaces in the industry. Could we see this drive other changes at Fidelity and beyond?

Just a few months ago, Charles Schwab & Co. Inc. announced a robo-adviser offering and The Vanguard Group Inc. launched its in-house retail advisers. This month, Merrill Lynch said that over 60% of its advisers are using the company's Clear client app.

Fidelity is making an enormous leap over competitors in terms of the experience for retail clients. The giants are engaging in an arms war, although it pales in comparison to what we are seeing from the robo-types, including Wealthfront, Personal Capital and Betterment.

I am paid to worry about the future, so my paranoid side looks out and imagines a set of what ifs:

- What if a large retail company were to offer a customized aggregated portal and planning tool to its retail clients through its massive network of in-house advisers?
- What if it layered that offering on top of a functional and scalable investment platform?
- What if it could offer such services for 20 or 30 basis points profitably?
- What if the other retail giants were launching their own versions of a self-directed client solution as the starting point to expand and deepen the tools their own retail advisers could offer?

We value the partnerships we have with the large custodians and investment managers. They are making smart decisions about how they will grow in a world with ever-evolving threats. But the consequences for independent firms appear distinct:

- We will need to be comfortable with cross-channel conflicts among the vendors we use, because we have created a unique moat around our client experience.
- We will need to have a differentiated and unique client experience that is engaging and personalized. It must be driven by people but powered by technology.
- We will need to spend big to keep it dynamic, adaptable and fresh.
- We will need to understand that pricing must reflect the amount of human time commitment and have adaptive pricing models.

I hope that those who want to build an enduring firm are accounting for some of these big changes as you plan your strategy for the future or it could be a tough decade ahead. Perhaps none of this will transpire, but there is no downside to planning for this outcome, as it will lead you to create an innovative firm.

Joe Duran is chief executive of United Capital and author of "The Money Code: Improve Your Entire Financial Life Right Now." Follow him on Twitter @DuranMoney.

Apps to help manage your time

Continued from Page 6

makes it easier for them to use it and frees up more of their time to deal directly with clients."

The company has two plans: emX, for $216 a month, and emX Pro, for $324 a month. In addition to the goal planning, aggregation, mobile use, screen sharing and analysis functions that emX delivers, emX Pro is packaged with advanced planning tools.

BROWSE YOUR CRM

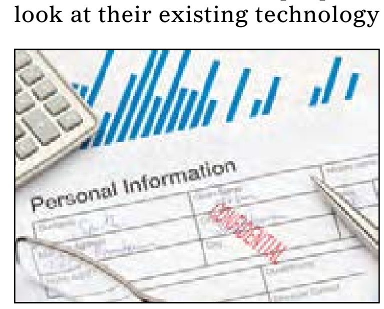
If installing, maintaining and updating apps isn't for you, financial advisers already have another solution at the ready: CRM.

Customer relationship management platforms offer options for managing your time and tasks.

Greg Lessard, founder and president of Aspen Leaf Partners in Golden, Colo., doesn't go in for a lot of apps but needs to manage his time and schedule effectively.

To do that, Mr. Lessard turns to his CRM, which is synced to his calendar and has a task list that he can use to prioritize and rearrange responsibilities.

"I rely heavily on the CRM — its tasks, its calendar, its paperwork tools. I even do my performance reporting with CRM," Mr. Lessard said. "It makes sense for people to look at their existing technology



first, to see if they can use it better."

He also uses **Laser App**, a software that integrates with CRM platforms, including Salesforce and Redtail, to complete forms. The app transfers data and takes clients' information from the

PHOTOS: ISTOCK

CRM system.

LaserApp is priced at $499 for the first year and $219 for annual renewals.

From there, Mr. Lessard's firm uses **DocuSign**, which inserts the transferred information into the online form.

At $10 a month for an annual subscription, DocuSign sends five documents for a single user.

For $20 a month, a firm can send an unlimited number of documents, along with company branding.

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Mutual Fund Store building its brand

Continued from Page 1
InvestmentNews' database of fee-only RIAs.

Under Mr. Bunch (a former Charles Schwab Corp. and TD Ameritrade executive installed after the private equity firm Warburg Pincus bought a controlling interest in 2011), The Mutual Fund Store is expanding its range of products and services.

While the company has always offered some type of financial planning, Mr. Bunch wants to expand the number of plans sold to 38,000 in 2015 from 10,000 last year. It recently began offering ETFs, and its acquisition of Stuart Woodbury Insurance Inc. in Liberty, Mo., allows it to offer term-life policies more readily.

He said that The Mutual Fund Store next wants to bring health-insurance planning to the table.

BROKERAGE VETERAN

Mr. Bunch, described as a jovial, competent skipper by subordinates and competitors, is a brokerage veteran. He ran a network of retail branches for Schwab, The Mutual Fund Store's primary custodian.

"Many advisers won't offer insurance because of the potential perception of conflict related to commissions," said David DeVoe, a former Schwab manager who now heads his own financial services consulting firm.

Mr. Bunch said the ethical standards of advisers remain a primary concern as he moves into insurance sales, so stores and individual advisers will not be paid on the basis of those sales.

"We're not putting the adviser in a position where they feel like there's a conflict," he said.

Combining financial planning and insurance may be a smart move, however.

Timothy D. Welsh, president of Nexus Strategy, said, "Some of the main recommendations that come out of a financial plan steer clients to purchasing insurance, so if you don't offer those products, you miss out on better penetrating the relationship, as well as benefiting from an extremely profitable product line."

But for all his emphasis on new products, Mr. Bunch wants advisers to drive the next wave of growth. This year, he said, The Mutual Fund Store plans to open just six locations — including two franchises — but add 25 advisers to its current roster of 140.

"Their job is to take the lead, cultivate it and to turn it into a new account," Mr. Bunch said. "We're not asking our advisers to go out to the local country club to hand out business cards. We're asking them to take care of the 35,000 leads that we generate on an annual basis and help us add new accounts."

Mr. Bunch's emphasis on advisers is a pivot. When he came on board three years ago, he projected that the company would have 180 stores by this point, up from 80 at the time. Instead, having pulled back from some planned branches, it maintains 124 stores.

Last year, the company added about 4,300 clients and grew to $9.6 billion in assets under management, from $8.8 billion at the end of 2013.

CORPORATE CONTROL

The number of franchises has declined since Mr. Bunch joined, with most stores transitioning to corporate control. He said that reflects the benefits to adviser-owners looking to monetize their business.

But a more important question may be when the company's owner wants to monetize its investment. A

Warburg Pincus spokeswoman did not respond to an interview request.

Warburg Pincus could be hoping it has the dream team and strategy to take the company public. Mr. Bunch says an IPO or other ownership handover could come "within the next three to five years.

"I think that fits in well with the timeline of our owners," he said. "They're extremely happy."

Though Mr. Bold still features prominently in the company's marketing, he's not involved in day-to-day management and no longer hosts the radio show. He contributes a single segment to the flagship show, which is syndicated in about six dozen U.S. markets.

Mr. Bunch describes Mr. Bold as a "very active chairman" with whom he speaks "two or three times a week." Mr. Bold could not be reached for comment.

Radio remains an important source of clients for the company and its national competitors, perhaps most notably industry stalwart Ric Edelman. Mr. Bunch said Mr. Edelman, along with his firm and well-known money manager Ken Fisher, were the best lead generators among independent RIAs.

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Unmarried tax issues

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or divorce.

Domestic partner agreements, whether for heterosexual or same-sex couples, can help address some of the thorny issues around what happens if there's a split: Think of it as a prenup without the "nup."

"Domestic partnership agreements outline the rights and obligations of the couple: Who is paying for what, and how do you divide things up," Mr. Squillace said.

RAMIFICATIONS

As always, people should think about the ramifications of splitting those assets, particularly if they're qualified accounts.

"I've seen complications in breakups where the retirement accounts can't be touched without taxes," said Nan P. Bailey, an adviser at NPB Wealth Management.

Instead, Ms. Bailey suggested, consider negotiating assets in nonqualified accounts or using home equity as a potential bargaining chip in the event of a split.

Another important protection measure is to ensure the committed couple address each other in documents for power of attorney and health care proxies. Asset titling and beneficiary designations are also important.

"Titling of assets becomes essential because there are many states where you can transfer on death or joint tenancy with rights to survivorship that will ensure your partner gets your stuff when you die," Ms. Bailey said.

But beware triggering gift taxes on the nonspouse partner when he or she is added, she warned, as the joint tenant on an asset; this retitling is considered a gift.

To mitigate the tax, the person giving the asset can apply his or her lifetime gift exemption and absorb the gift tax that would otherwise fall to the recipient, Ms. Bailey said.

Finally, unmarried couples may not be eligible for survivorship benefits from pension plans and aren't eligible to collect Social Security benefits on their partner.

It should be noted that President Barack Obama proposed having Social Security spousal benefits apply to same-sex couples who marry in one of the 37 states that permit it, even if they reside in a state that doesn't recognize their marriage.

Protect the domestic partner with life insurance that's equal to the net present value of the pension, Mr. Voltaggio said.

Things also can get complicated if a non-spouse inherits an IRA.

"What gets messed up when the partner dies is the inherited IRA," Ms. Bailey said. "It's an entirely separate set of rules from the spousal IRA. The importance of having that handled properly is foremost and it should be given consideration."

INHERITED IRAS

Spouses benefit from an inherited IRA. Survivors can roll the amount into their own IRA and allow those assets to continue growing. That option isn't available to domestic partners, who can either open up an inherited IRA based on the survivor's life expectancy or open an inherited IRA that requires the assets to be distributed within five years.

Finally, the portability of unused spousal exclusions won't apply for domestic partnerships, where estate and gift taxes are concerned.

"I get asked so often, 'Should we get married?'" Ms. Bailey said.

"My quick answer from a financial-planning viewpoint is that it's not going to work on the income tax side, but it's a blessing on access to divorce courts and estate planning. There are pros and cons both ways."

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Planning for Medicare's impact on retirement savings

Continued from Page 3
clients hundreds or thousands of dollars more year over year. Conversely, going $1 down into the next bracket can save equally as much.

As advisers know, paying for Medicare does not stop here. In addition to these income-related charges, people will pay Medicare copayments, deductibles, Medicare D premiums and supplemental coverage premiums.

By the way, for most people all of these costs are covered in the form of after-tax dollars, making the price tag even higher.

There are ways advisers can help higher-income clients position themselves to avoid paying unnecessarily high Medicare costs.

GIFT OF THE MAGI

By focusing on maximizing nonreportable income and cash flow, you can minimize beneficiaries' Medicare Modified Adjusted Gross Income, or MAGI. It's more important than ever to get a copy of clients' tax returns to project their MAGI bracket and make appropriate modifications in the retirement plan while there is still time.

It is easy to determine the MAGI by looking at the IRS 1040 form. The formula is MAGI equals Adjusted Gross Income (line 37) plus Tax-Exempt Interest Income (line 8b).

The Social Security Administration, the government agency that determines beneficiaries' income-related Medicare charges, uses the tax return from two years prior to the current year. For example, the 2013 tax return is used to set rates for 2015. The year when people are 63 is the first base year used to determine their Medicare MAGI. The brackets are set in law through 2019 and can be used to benchmark where your clients may be and adjust the retirement planning strategy accordingly.

Medicare costs and savings

2015 Medicare Parts B and D income-related out-of-pocket costs and potential savings per person

2013 Modified Adjusted Gross Income bracket		2015 income-related Parts B & D		Cost or saving $1 over or under next bracket	
Single	Married filing jointly	Per person costs	Per couple	Per person	Per couple
< $85,000	< $170,000	$1,259	$2,518	N/A	N/A
< $107,000	< $214,000	$1,910	$3,820	$651	$1,302
< $160,000	< $320,000	$2,899	$5,798	$989	$1,978
< $213,000	< $428,000	$3,888	$7,776	$989	$1,978
> $213,001	> $428,001	$4,878	$9,756	$990	$1,978

Source: Medicare and Goodcare.com

Here are some simple retirement planning steps to follow:

Get a copy of your clients' tax return every year.

Figure out the MAGI and associated income-related Medicare costs. Remember those costs are per person, so multiply by two for a couple.

Consider appropriate retirement-planning strategies to maximize nonreportable income and cash flow. Some solutions worth considering are Roth IRAs, health savings accounts, certain life insurance and annuity proceeds, and reverse mortgages.

You can use that input for planning as clients move closer to and into retirement.

The effect will be to minimize unnecessary decumulation from the retirement nest egg, producing a satisfied client who is not surprised by unplanned expenses. By following these steps you will be able to help your clients keep on truckin'.

(Want to get more out of Medicare? Download my e-book at InvestmentNews.com/medicareguide.)

Katy Votava, Ph.D., RN, is president of Goodcare.com, a consulting service that works with financial advisers and consumers on health care coverage.

BMO Global Asset Management

A part of BMO Financial Group

The BMO TCH investment management team has a proven record of delivering consistent results. With over 25 years of experience, we can offer the team stability your clients are looking for.

Get to know the BMO TCH team at bmofunds.com/team

You should consider the Fund's investment objectives, risks, charges, and expenses carefully before investing. For a prospectus and/or summary prospectus, which contain this and other information about the BMO Funds, call 1-800-236-3863. Please read it carefully before investing. All investments involve risk, including the possible loss of principal.

Performance data quoted represents past performance and past performance is not a guarantee of future results. Investment returns and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Mutual fund performance changes over time and current performance may be lower or higher than what is stated. To receive the most recent month-end performance, call 1-800-236-3863. Returns quoted are pre-tax. Investor should consider his or her current and anticipated investment horizon and income tax bracket when making an investment decision as the illustration above does not reflect these factors. For more information about performance, please contact your investment professional. Total returns for periods of less than one year are cumulative.

For each fund with at least a 3-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and is rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) Morningstar Rating metrics. Morningstar Rating is for the I share class only; other classes may have different performance characteristics.

BMO TCH Core Plus Bond Fund Institutional shares received a 5-star rating for overall performance, 5 stars for 3-year performance among 913 Intermediate-Term Bond Funds and 5 stars for 5-year performance among 807 funds. For the 10-year period ending 12/31/14, the Morningstar Rating is not available.

All investments involve risk, including loss of principal. Keep in mind that as interest rates rise, bond prices fall. This may have an adverse effect on the Fund's portfolio.

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