March 16-20, 2015

InvestmentNews®

crain $4.00 / $65 Year
The Leading Information Source for Financial Advisers
InvestmentNews.com

ADVERTISEMENT

MainStay High Yield Municipal Bond Fund
Class I Shares
I: MMHIX
★★★★★
Class A Shares
A: MMHAX
★★★★
Class A Shares load-waived
★★★★★
Overall rating out of 155
High Yield Muni funds as of 1/31/15

MainStay Tax Free Bond Fund
Class I Shares
I: MTBIX
★★★★★
Class A Shares
A: MTBAX
★★★
Class A Shares load-waived
★★★★★
Overall rating out of 151
Muni National Long funds as of 1/31/15

Active managers to win in today's municipal bond market.

Income and taxes are among the biggest concerns for today's investors. An actively managed municipal bond strategy may be the answer for suitable investors. With vast experience managing and researching municipal credit, MacKay Municipal Managers™ seeks to capitalize on the mispricing of securities in the increasingly complex municipal marketplace. They also have the flexibility to move along the credit curve, based on where they see the best relative value. The team at MacKay Municipal Managers™ leads MainStay's tax-free income solutions, including MainStay High Yield Municipal Bond Fund and MainStay Tax Free Bond Fund, as well as state-specific strategies for New York and California.

To find out more about MainStay's tax-free income funds, visit mainstayinvestments.com/taxfreesolutions.

Ten Independent Boutiques. One Long-Term Perspective.

KEEP GOOD GOING

MAINSTAY INVESTMENTS®

NEWSPAPER | VOL.19, NO. 11 | COPYRIGHT CRAIN COMMUNICATIONS INC. | ALL RIGHTS RESERVED

Tax-free income solutions from MainStay

MainStay Tax Free Bond Fund
MainStay High Yield Municipal Bond Fund
MainStay California Tax Free Opportunities Fund
MainStay New York Tax Free Opportunities Fund

1 Active and dynamic approach. The team's value-oriented approach seeks to capitalize on opportunities created by the mispricing of securities.

2 Optimal risk/reward positioning. The team emphasizes risk management in investing in different segments of the municipal market, based on what they believe is most attractive on a risk-adjusted basis.

3 Tenured team. The portfolio managers are supported by dedicated credit research and risk management personnel, who average 21 years of municipal market experience and have long-term relationships that can help drive success.

MacKay Municipal Managers™

Insights from MacKay Municipal Managers™
Weekly e-mail: mainstayinvestments.com/subscribe
Twitter: @MainStayMunis (twitter.com/MainStayMunis)
Web site: mainstayinvestments.com/taxfreesolutions

Ten Independent Boutiques. One Long-Term Perspective.

Before you invest: A portion of the Funds' income may be subject to state and local taxes or the alternative minimum tax. High-yield securities (commonly referred to as "junk bonds") are generally considered speculative because they present a greater risk of loss than higher-quality debt securities and may be subject to greater price volatility. High-yield municipal bonds may be subject to increased liquidity risk as compared to other high-yield debt securities. The Funds may invest in derivatives, which may increase the volatility of the Funds' net asset value and may result in a loss to the Funds. Funds that invest in bonds are subject to interest-rate risk and can lose principal value when interest rates rise. Bonds are also subject to credit risk, in which the bond issuer may fail to pay interest and principal in a timely manner.

Because the Funds invest primarily in municipal bonds issued by or on behalf of the State of California or the State of New York, respectively, and its political subdivisions, agencies, and instrumentalities, events in California or New York are likely to affect the Funds' investments and performance. Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers, and the possibility of future tax and legislative changes which could affect the market for and value of municipal securities.

There can be no guarantee that investment objectives will be met.

For more information about MainStay Funds®, call 800-MAINSTAY (624-6782) for a prospectus or summary prospectus. Investors are asked to consider the investment objectives, risks, and charges and expenses of the investment carefully before investing. The prospectus or summary prospectus contains this and other information about the investment company. Please read the prospectus or summary prospectus carefully before investing.

Morningstar is an independent fund performance monitor. For each fund with at least a three-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 five stars, the next 22.5% receive four stars, the next 35% receive three stars, the next 22.5% receive two stars, and the bottom 10% receive one star. The Overall Morningstar Rating™ is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating™ metrics. Funds with less than three years of performance history are not rated. The Morningstar Rating™ for load-waived (LW) A shares better reflects the investor experience for those individuals who do not pay the fund's front-end sales load, such as retirement plan participants. Load-waived A shares are displayed and treated like a separate share class. To be eligible for load-waived ratings and returns, the fund must be an A share class, must have a front load, and must be domiciled in the United States. Morningstar ratings as of 1/31/15.

MainStay High Yield Municipal Bond Fund Class I shares rated five (four A) stars overall and five (four A) stars for the three-year period from among 155 High Yield Muni funds. MainStay Tax Free Bond Fund Class I shares rated five (three A) stars overall and five (three A) stars, five (three A) stars, and (three A) stars for the three-, five-, and ten-year periods from among 206, 189, and 151 Muni National Long funds, respectively.

MacKay Shields LLC, a federally registered advisor and an affiliate of New York Life Investment Management LLC, subadvises the Funds. MainStay Investments® is a registered service mark and name under which New York Life Investment Management LLC does business. MainStay Investments, an indirect subsidiary of New York Life Insurance Company, New York, NY 10010, provides investment advisory products and services. The MainStay Funds® are managed by New York Life Investment Management LLC and distributed by NYLIFE Distributors LLC, 169 Lackawanna Avenue, Parsippany, NJ 07054, a wholly owned subsidiary of New York Life Insurance Company. NYLIFE Distributors LLC is a Member FINRA/SIPC.

© 2015 New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010.
Keep Good Going® is a registered trademark of New York Life Insurance Company, all rights reserved.

1642248

March 16-20, 2015

InvestmentNews®

crain $4.00 / $65 Year | The Leading Information Source for Financial Advisers | InvestmentNews.com

GAME CHANGERS/*Billion Dollar Babies*

BIGGER & BETTER

By almost every measure, advisers with assets of more than $1 billion are outperforming their peers

By Trevor Hunnicutt and Mason Braswell

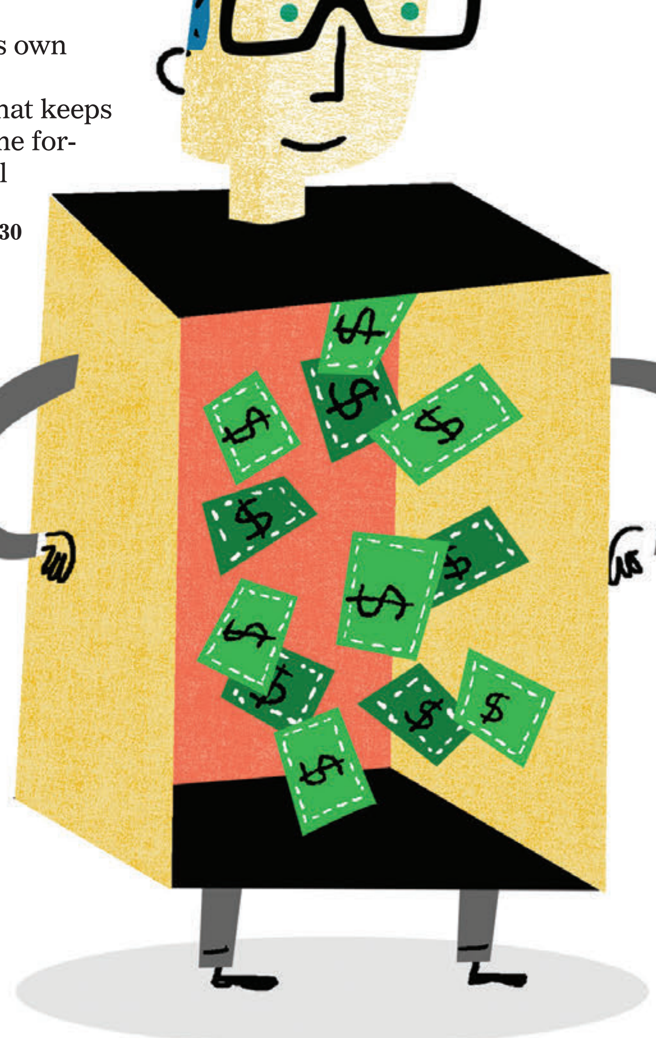
SCOTT HANSON has achieved a level of success and fame uncommon among financial advisers. He has a following of potential clients on radio and a following of advisers who seek his guidance.

PROFILES
Six RIAs that have reached $1B tell their stories.
Pages 31, 32

Mr. Hanson is also his own biggest critic.

"There's something that keeps driving me — pushing me forward," he said. "Quite frankly, I don't feel like a successful adviser. I look at other

Continued on Page 30



JAMES YANG

Inside

NEWSPAPER | VOL. 19, NO. 11 | COPYRIGHT CRAIN COMMUNICATIONS INC. | ALL RIGHTS RESERVED

2 Editor's Note
3 On Investments
6 On Medicare
8 Editorials
23 Investment Strategies
24 Fiduciary Corner
25 Retirement Watch
30 Classifieds
34 Tech Connect

Robo smackdown

Schwab's launch of its online advice offering is met with a torrent of criticism from rivals.

IZHAR COHEN

Spotlight **Succession Planning**

Your practice probably isn't worth as much as you think, but certain factors can help you boost its value. Also, a variety of services help advisers find the right buyer. **Pages 12-16**

EDITOR'S NOTE

Billion dollar RIAs are good at growing

Believe it or not, I remember when billion dollar registered investment advisory firms were few and far between.

Though it's still not an everyday occurrence, RIAs now reach the important threshold of $1 billion in assets under management more frequently — thanks mainly to steady asset growth and the general maturation of the RIA channel.

Frederick P. Gabriel Jr.

When we set out to produce Billion Dollar Babies, which starts on Page 1 and is part of our popular Game Changers franchise, our mission was to go beyond the numbers and identify key attributes of firms that have reached $1 billion in assets — or are destined to do so.

What did we find? Well, these RIAs do a better job of increasing revenue. In fact, the typical billion dollar baby has increased revenue by 23% since the financial crisis, compared with 15% for all other firms. They do that, of course, by managing costs relentlessly and constantly developing new business.

We also found that big firms tend to focus on big clients. For example, clients at billion dollar firms have an average of $2.74 million invested there, nearly three times the average at smaller firms.

TAKING CHANCES

That said, one of the firms profiled on Page 31, Abacus Wealth Partners, crossed the billion dollar threshold by focusing on clients with assets of less than $1 million, and last year eliminated asset minimums altogether.

Which gets to another attribute of billion dollar babies: a willingness to take chances and innovate.

Consider Altfest Personal Wealth Management, also profiled on Page 31. That business, which crossed the $1 billion threshold in 2013, was an early proponent of the fee-only model when it opened in 1983. Or Exencial Wealth Advisors (Page 32), which credits its growth in part to major — and sometimes scary — investments in technology.

I hope you enjoy our latest Game Changers. As with all the pieces in this series, Billion Dollar Babies is really meant to be experienced online. Go to InvestmentNews.com/billion and check out the cool videos, interactive graphics and other pieces of content that accompany this story online.

fgabriel@investmentnews.com, Twitter: @fredpgabriel

Retirement plans warming up to alternatives

But their fee levels and meager track record may prevent widespread use

By Trevor Hunnicutt

Alternative fund managers are getting a boost from a movement among retirement plan advisers to use more open architecture and custom target date funds, according to interviews with managers and advisers who work in the space.

Late last month, Vanguard filed paperwork to launch a multistrategy alternatives fund in order to offer it as part of Vanguard Managed Payout Fund (VPGDX), a fund of funds designed to provide investors with a 4% annual payout, typically in retirement.

The move came on top of the growth of customized target date funds and the open architecture lineup, which provide more access to outside fund managers that offer hedge fund-style investments.

"It's getting better," said Stan Milovancev, an executive vice president at Sequoia Financial Group in Akron, Ohio, who advises plans to use alts for the diversification benefits. "They have as low as about half a percent in alternatives and as high as about 12%."

1.45% Average fee on alternative funds in 2013

Liquid altrnatives — hedge fund-style strategies served up as a mutual fund — have to overcome many of the same challenges to get into target date funds that they must in normal portfolios, said Jonathan Dale, distribution director for the Investment Management Services unit at SEI.

For one thing, few of the funds have extensive track records, Mr. Dale said.

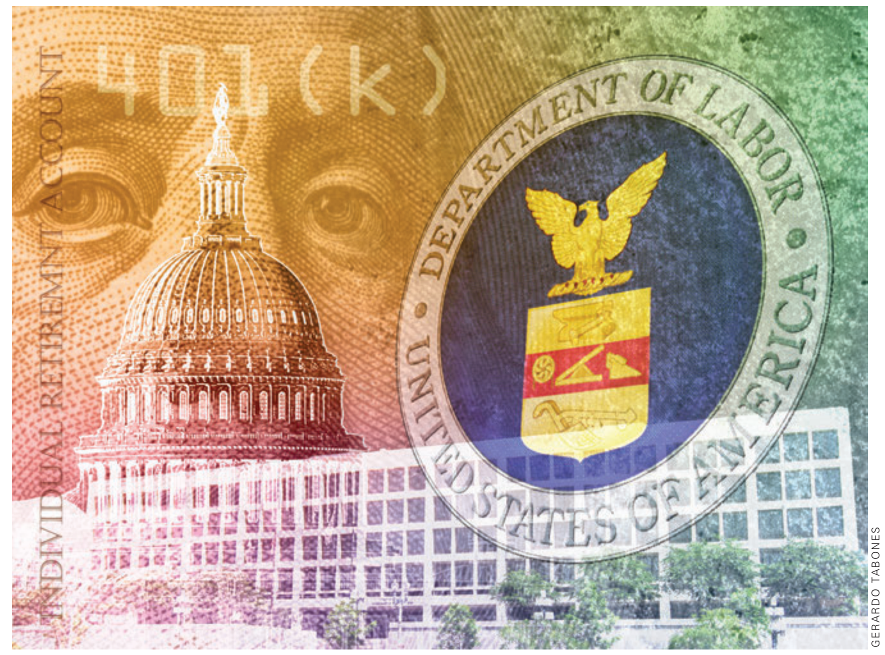
FEE-CONSCIOUS

Some challenges are bigger than others, though, according to retirement plan experts.

For instance, while price is a concern for all investors, the retirement plan marketplace is particularly fee-conscious.

Fund fees dropped nearly 5% to an average of 1.02% in 2013 from 1.07% in 2009. But alternatives charged 1.45% in 2013, down less than 1 percent from 2009, according to Lipper Inc.

Continued on Page 36



GERARDO TABONES

Fiduciary rule fight waged solely by GOP

By Mark Schoeff Jr.

The Obama administration has been hit with a barrage of letters from Capitol Hill since the president voiced support for a pending Department of Labor rule that would raise investment advice standards for brokers handling retirement accounts.

What's missing from the documents designed to slow the rulemaking process? Democratic signatures.

Unlike concerns expressed before Mr. Obama's Feb. 23 speech at AARP, the pushback in the last couple of weeks has been exclusively from Republicans.

"The politics have shifted a little," said Jason Rosenstock, a partner at the consulting firm Thorn Run Partners. "Democrats are going to wait to see what the rule says before they weigh in or decide to weigh in."

In recent years, DOL has worked on reproposing the rule, which was initially offered in 2010. then withdrawn amid fierce industry protest. Democrats have signed letters to the agency warning of the unintended consequences of a rule designed to protect workers and retirees from conflicted investment advice as they build their nest eggs.

Mr. Obama's push is one of the primary factors holding Democrats together.

"That's been the notable change this time around," said Barbara Roper, director of investor protection at the Consumer Federation of America.

"Democrats have to think more seriously about whether they want to get out publicly in opposition, particularly before the rule has been put out for public comment," Ms. Roper said.

The rule would extend the definition of fiduciary to cover more financial advisers of 401(k) and individual retirement accounts, requiring them to act in the best interests of their clients.

Opponents argue that it would limit compensation options for brokers (though the Labor Department has said it will not prohibit commissions and revenue sharing) and raise their regulatory and liability costs, driving them out of the advice market for investors with modest assets.

> "DEMOCRATS ARE going to wait to see what the rule says before they weigh in."
>
> **Jason Rosenstock**
> Partner
> Thorn Run Partners

VETTING PROCESS

The rule was sent to the Office of Management and Budget for review Feb. 25. After the agency has vetted the proposal and signed off, a process that likely will take at least several weeks, it will be released for comment by DOL.

In the meantime, Republicans are trying to slow, or even stop, the rule.

Last week, Sen. John Boozman, R-

Continued on Page 36

It Takes **60 DAYS** to Form a Good Habit. This One's **ON US.**

www.junxure.com/freetrial

JUNXURE CLOUD

Small robos pile on against Schwab's new offering

Claim discount broker is deceiving the public saying platform is free

By Alessandra Malito

The battle between Charles Schwab & Co. and its robo-adviser rivals is getting ugly.

What started last week as a tête-à-tête between Wealthfront and Schwab has grown in scale and significance as other online advice platforms — namely Betterment and Hedgeable — have jumped into the fray by taking Schwab to task over the launch of its retail robo-adviser, Schwab Intelligent Portfolios.

30% Maximum percentage of account value that Schwab can hold in cash

"They have the market all wrong — this isn't what the public is looking for," said Mike Kane, chief executive of Hedgeable, referring to the ads Schwab is airing on television and in train stations. "We think the clients are going to push back and continue to seek solutions. At the end of the day, Schwab is doing work for us."

The launch of Schwab's platform, nicknamed Blue by the company, ignited a no-holds-barred brawl among robos and the discount broker.

Betterment took its beef against Schwab Intelligent Portfolios directly to investors.

"You, the individual investor, are paying a hidden fee via the cash allocation you are forced to hold … With an automated, enforced cash allocation such as Schwab's, you will never be able to withdraw just the cash if a rainy day does come," Dan Egan, Betterment's director of behavioral finance and investments, wrote on its website.

Wealthfront CEO Adam Nash led the digital smackdown last Monday with a post saying Schwab is deceiving investors by promoting its platform as free. He was pleased the blog post caught fire in the industry.

"This is the great thing of social media," he said in an interview last Friday. "There was such an explosion of debate ... I feel good this conversa-

Continued on Page 34

Finra fines UBS, Vanguard $850K

Regulator cited failure to report broker data, including violations

By Mason Braswell

Finra fined two companies a total of $850,000 last week, sending a message that brokerages need to be more diligent about disclosing their brokers' bankruptcies, civil judgments and other violations to regulators.

The Financial Industry Regulatory Authority Inc. handed UBS Financial Services Inc., the broker-dealer unit of UBS Wealth Management Americas, a $500,000 fine last Tuesday for failing to report liens or civil judgments for as many as 100 brokers between 2010 and 2013.

Finra also fined The Vanguard Group Inc. $350,000 March 6 for similar reporting failures involving about 80 brokers between 2011 and 2013.

The regulator's rules require firms to disclose customer complaints, regulator actions and criminal charges, as well as legal actions taken against brokers, such as tax levies, judgments from creditors or child support orders, within 30 days after learning about them.

Most of those actions then are reported publicly on Finra's BrokerCheck record.

BrokerCheck disclosure issues have come into focus following calls a year ago by plaintiffs' attorneys for enhanced disclosure of possible red flags. And a Wall Street Journal analysis found more than 1,500 brokers had bankruptcy filings from 2004 to 2012 that were not disclosed on their public records.

ISTOCK

SUPERVISORY LAPSE

The reporting issues in the cases of UBS and Vanguard were supervisory lapses, Finra said.

For example, the two companies' payroll departments failed to notify compliance or perform further due diligence when they received a wage garnishment order from a creditor.

In September, Vanguard retained an independent consultant to enhance its policies and procedures on reporting disclosure events.

A Vanguard spokeswoman, Katie Henderson, said in an email that the company regrets the lack of timely filings and has taken steps to remedy the process.

Vanguard has roughly $3 trillion in assets across its divisions and 6,000 Finra-registered representatives.

UBS' advisory group has about 7,000 brokers and advisers and more than $1 trillion in assets.

A spokesman for UBS, Gregg Rosenberg, did not immediately respond to an email requesting comment.

mbraswell@investmentnews.com
Twitter: @masonbraswell

Expense ratios conflict in liquid-alt fund listings

Discrepancy lies between managing, trading

Jeff Benjamin On Investments

As more financial advisers wade into alternative strategy mutual funds, many are discovering the unique riddle of variable — and often confusing — expense ratios for certain strategies.

For example, Morningstar Inc. lists an expense ratio of just 25 basis points for the $361 million Vanguard Market Neutral Fund (VMNFX). But on its website, The Vanguard Group Inc. lists the fund's expense ratio at 1.6% — more than six times as high as Morningstar's calculation.

Likewise, Morningstar pegs the expense ratio of the $700 million JPMorgan Research Market Neutral Fund (JPMNX) at 99 basis points, while J.P. Morgan Asset Management reports it as 3.35%.

And nothing drives the point home like the $720 million TFS Market Neutral Fund (TFSMX), which Morningstar says charges 2.02% but TFS Capital reports as 8.4%.

"I'm shocked, to be honest, and I'd like to know what the real freaking number is," said Thomas Meyer, chief executive of Meyer Capital Group.

In the most basic sense, the expense ratio Morningstar lists is what fund companies charge investors to manage the fund; the larger expense ratio listed on fund company websites and detailed in prospectuses reflects the costs of short selling and leverage inside the fund.

The wide variation is primarily concentrated in liquid-alternatives funds because the Securities and Exchange Commission requires them to show the added internal costs of short selling and leverage.

'MORE COMPLICATED'

"There is a difference between what the fund company is charging you and what the fund costs are, and with liquid alternatives, the fee story gets more complicated," said Russel Kinnel, director of mutual fund research at Morningstar.

Part of the cost of short selling, which involves borrowing stock to be sold with the aim of buying it back later at a lower price, is the dividend yield the short seller must pay the original owner of the stock.

And because higher-yielding div-

Continued on Page 35

On InvestmentNews.com NEWS & FEATURES VIDEO DATA & RESOURCES RESEARCH EVENTS

INTV VIDEO Watch this week's clips at InvestmentNews.com/INTV

Practice Makeover
Episode 2: Rallying a team behind a succession transition
Gabe Lapito faces challenges as he takes over his father **Leo's** business, including establishing himself as a leader with staff members who have known him since he was a child. Find out how he wins their respect by assuming a different kind of role.
InvestmentNews.com/practicemakeover

Overwhelmed by technology
With an abundance of new products hitting the market, how should advisers choose? **Sheryl Rowling,** chief executive of Total Rebalance Expert, recommends that advisers build a solid foundation (and offers a few places to begin).
InvestmentNews.com/techtools

The ETF Exchange
Finding value in the fixed-income market
Still waiting for interest rates to rise, investors are dealing with diminishing yields. **Matthew Tucker,** managing director at iShares, discusses areas of opportunity in fixed-income ETFs.
InvestmentNews.com/fixed

Contents © Copyright 2015 by Crain Communications Inc. All rights reserved. Vol. 19, No. 11, March 16, 2015. **InvestmentNews** (ISSN 1098-1837) is published weekly, except the first and third week of July, the first, third and last week of August and the last week of December, by Crain Communications Inc., 1155 Gratiot Avenue, Detroit, MI 48207-2997. Periodicals postage paid in Detroit, Mich., and additional mailing offices. POSTMASTER: Send address changes to *InvestmentNews*, Circulation Dept., 1155 Gratiot Avenue, Detroit, MI 48207-2912. U.S. subscription price: $65 a year. Main editorial and business offices at 685 Third Avenue, 9th floor, New York, N.Y. 10017-4024. Four weeks notice required for change of address. Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement # 40012850, GST #136760444. Canadian return address: 4960-2 Walker Road, Windsor, ON N9A6J3.

Cole Capital execs depart amid sales dive

As fundraising shrivels, 3-person team goes to rival Griffin Capital

By Bruce Kelly

After a devastating slump in sales, a team of senior executives recently left American Realty Capital Properties Inc.'s Cole Capital Corp., the marketing broker-dealer for Cole-branded nontraded REITs, to join rival Griffin Capital Securities Inc., according to executives familiar with the move who did not want to be identified.

Cole Capital had just $8.3 million of sales in nontraded real estate investment trusts last month, or about 1% of its total the same month a year earlier, according to investment bank Robert A. Stanger & Co. Inc.

In February 2014, Cole Capital had sales of $844.9 million, though part of that reflected a surge when one REIT closed out its sales, according to Kevin Gannon, president and managing director at Stanger. Cole Capital had a 30% industry market share that month.

"They can't run a broker-dealer on $8 million of fundraising," Mr. Gannon said.

"Wholesalers and sales teams make money when they are raising money, so they have to go somewhere else" to do that, he added.

Stanger does not count Cole Capital as a client but has worked with the firm in the past, Mr. Gannon said.

COUNTERMESSAGING

The departure of the three marketing and wholesaling managers — James Ryan, Philip Graham and Colin Cosgrove — appears to run counter to recent messages of stability given by top executives at Cole's parent company, American Realty Capital Properties, or ARCP.

"The management team as a company, including both Cole and ARCP, remains deep and robust," ARCP's interim chief executive, William Stanley, said on a conference call with investors and analysts March 2. "We have outstanding veteran teams in all silos of the portfolio, in our office and industrial, in restaurant, in our single-tenant retail, in our multitenant, in our build-to-suit. In addition, our Cole Capital team has a deep and experienced bench."

Mr. Stanley made that statement

Continued on Page 35

PRUDENTIAL INVESTMENTS » MUTUAL FUNDS

LIVING LONGER MAY REQUIRE MORE SOURCES OF INCOME.

Funds from Prudential Investments span a variety of asset classes to help generate income today and through a long retirement, even in an extended low-yield environment.

Visit PrudentialMutualFunds.com to get more fund information, watch videos and meet the managers.

FIXED INCOME
Prudential Total Return Bond Fund, Inc. (PDBZX)
Prudential Global Total Return Fund, Inc. (PZTRX)
Prudential Absolute Return Bond Fund (PADZX)
Prudential Short-Term Corporate Bond Fund, Inc. (PIFZX)
Prudential Short Duration High Yield Income Fund (HYSZX)
Prudential High Yield Fund (PHYZX)
Prudential Floating Rate Income Fund (FRFZX)

DIVIDEND-ORIENTED EQUITIES & REITs
Prudential Global Real Estate Fund (PURZX)
Prudential Jennison Equity Income Fund (JDEZX)
Prudential Jennison Utility Fund (PRUZX)

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

Only eligible investors, including various institutional investors and investors in certain mutual fund wrap or asset allocation programs, may purchase Class Z shares. See the prospectus for eligibility requirements.

Mutual fund investing involves risk. Some funds have more risks than others. The risks associated with investing in these funds include but are not limited to: **derivative securities,** which may carry market, credit, and liquidity risks; **short sales,** which involve costs and the risk of potentially unlimited losses; **leveraging,** which may magnify losses; **high yield ("junk") bonds,** which are subject to greater market risks; **foreign securities,** which are subject to currency fluctuation and political uncertainty; **emerging markets,** which are subject to greater volatility and price declines; **mortgage-backed securities,** which are subject to prepayment and extension risks; and **real estate,** which poses certain risks related to overall and specific economic conditions as well as risks related to individual property, credit and interest-rate fluctuations. Fixed income investments are subject to **interest rate risk,** and their value will decline as interest rates rise. **Sector funds** and **specialty funds** may not be suitable for all investors. Such funds are non-diversified, so a loss resulting from a particular security will have greater impact on the fund's return. The risks associated with each fund are explained more fully in each fund's respective prospectus. There is no guarantee a Fund's objectives will be achieved. There is no guarantee that dividends will be paid. **Diversification** does not assure a profit or protect against a loss in declining markets.

Mutual funds are distributed by Prudential Investment Management Services LLC (PIMS), member SIPC. Prudential Real Estate Investors and Prudential Fixed Income are units of Prudential Investment Management, Inc. (PIM). Jennison Associates and PIM are registered investment advisers. All are Prudential Financial companies. Prudential Investments, Prudential, Jennison Associates, Jennison, the Prudential logo, Bring Your Challenges, and the Rock symbol are service marks of Prudential Financial, Inc., and its related entities, registered in many jurisdictions worldwide.
0246172-00002-00

ARCP has new CEO: Rufrano

By Bruce Kelly

American Realty Capital Properties Inc., formerly a cornerstone of Nicholas Schorsch's empire, has named a new chief executive.

ARCP announced last Tuesday that Glenn Rufrano, a real estate industry veteran, will take over April 1.

Mr. Rufrano most recently served as chairman and CEO of O'Connor Capital Partners, a real estate investment firm. He was also CEO of Cushman & Wakefield Inc., a real estate services company.

ARCP has been in trouble since it announced in October that a $23 million accounting error over the first half of 2014 was intentionally left uncorrected. Two senior accounting executives resigned immediately.

In mid-December, Mr. Schorsch, ARCP's founder and then-chairman, resigned, as did CEO David Kay. William Stanley was named interim CEO; he will continue as interim chairman until the board completes its search for that position.

"I look forward to meeting the management team, thoroughly analyzing the assets and reviewing the details of the balance sheets while seeking thoughts from the institutional investor community," Mr. Rufrano said in a statement.

HOUSECLEANING

Meanwhile, Bloomberg News reported last week that a shareholder with a 1.8% stake in ARCP had called for a housecleaning of the board, saying that all but one director, Bruce Frank, should refrain from seeking re-election.

In a letter to the company, David Simon, CEO of Twin Securities, said he has "deep reservations" about board members, given their long-standing ties to Mr. Schorsch.

"It was on their watch that not only the accounting scandal ... but also several other events that were injurious to the interests of shareholders occurred," Mr. Simon wrote.

bkelly@investmentnews.com
Twitter: @bdnewsguy

A NIMBLE APPROACH FOR TODAY'S FIXED-INCOME MARKETS.

WE THINK IT'S A BETTER WAY TO INVEST.

JOHN HANCOCK BOND FUND

Class A: JHNBX | Class I: JHBIX

Managed by the team at John Hancock Asset Management

Bigger isn't necessarily better. What matters in today's markets is being experienced enough to know where to look for opportunities, and nimble enough to go after them. For more than a decade, this fund's veteran portfolio team has taken an opportunistic approach to managing a high-quality bond fund. It's a philosophy that's helped them outperform 98% of their peers[2] during that time — and it's just what we look for as a manager of managers. **Discover our different approach to investing.**

Top Morningstar ratings[1]

Overall Class I rating as of 1/31/15

(Out of 913 intermediate-term bond funds)

Overall rating is based on a weighted average of the performance associated with the fund's 3-, 5-, and 10-year Morningstar rating metrics.

165+ experts in manager research and oversight.

Over 250 investment strategies vetted annually.

73 proven portfolio teams at 28 elite firms worldwide.

1 For each fund with at least a 3-year history, Morningstar calculates a Morningstar rating based on a Morningstar Risk-Adjusted Return that accounts for variation in a fund's monthly performance (including effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10.0% of funds in each category, the next 22.5%, 35.0%, 22.5%, and bottom 10.0% receive 5, 4, 3, 2, or 1 star(s), respectively. Each share class is counted as a fraction of one fund within this scale and 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 associated with its 3-, 5-, and 10-year (if applicable) Morningstar rating metrics. The fund's Class I share overall rating was 5 stars out of 913, 5 stars out of 808, and 5 stars out of 588 intermediate-term bond funds for the 3-, 5-, and 10-year periods, respectively. Past performance does not guarantee future results. Please note that Class I shares may not be available to all investors and that performance of other share classes will vary.

2 Based on 10-year Morningstar percentile rankings among intermediate-term bond funds as of 1/31/15. Morningstar rankings are based on total return without sales charge relative to all share classes of open-end funds with similar objectives, as determined by Morningstar. The fund's Class I share ranked 114 out of 1,038 funds, 13 out of 913 funds, 3 out of 808 funds, and 9 out of 588 funds for the 1-, 3-, 5-, and 10-year periods, respectively. Past performance does not guarantee future results.

Fixed-income investments are subject to interest-rate and credit risk; their value will normally decline as interest rates rise or if a creditor is unable or unwilling to make principal or interest payments. Investments in higher-yielding, lower-rated securities include a higher risk of default. Foreign investing, especially in emerging markets, has additional risks, such as currency and market volatility and political and social instability. Mortgage- and asset-backed securities may be sensitive to changes in interest rates, and may be subject to early repayment and the market's perception of issuer creditworthiness. Certain market conditions, including reduced trading volume, heightened volatility, and rising interest rates, may impair liquidity, the ability of the fund to sell securities or close derivative positions at advantageous prices. The use of hedging and derivatives could produce disproportionate gains or losses and may increase costs. Fund distributions generally depend on income from underlying investments and may vary or cease altogether in the future. Please see the fund's prospectus for additional risks.

A fund's investment objectives, risks, charges, and expenses should be considered carefully before investing. The prospectus contains this and other important information about the fund. To obtain a prospectus, contact your financial professional, call John Hancock Investments at 800-225-5291, or visit us at jhinvestments.com. Please read the prospectus carefully before you invest.

NOT FDIC INSURED. MAY LOSE VALUE. NO BANK GUARANTEE. NOT INSURED BY ANY GOVERNMENT AGENCY.

John Hancock Funds, LLC, member FINRA, SIPC. © 2015 John Hancock. All rights reserved.

Little-used adjustment may bring big savings

Clients could qualify for lower Part B and D

Katy Votava On Medicare

There are many ways people are overpaying and leaving money on Medicare's table.

An often-overlooked chance to save money is to make sure clients aren't paying too much for their Medicare Part B and D income-related monthly adjustment amount (IRMAA). When income drops because of certain life-changing events, the beneficiary may be eligible for an IRMAA reduction, which can add up to significant dollars.

IRMAA is based on a modified adjusted gross income (MAGI) sliding scale using this formula: MAGI = adjusted gross income (line 37) plus tax-exempt interest income (line 8b) from the IRS 1040.

If the MAGI is more than $85,000 per individual or $170,000 per couple, clients will pay more for Medicare Parts B and D based on a five-tier MAGI cliff bracket hierarchy. Having even $1 dollar less MAGI puts clients in the next-lower IRMAA bracket, which can result in substantial savings.

It's not uncommon for people to qualify for a reduction because their income drops by more than one bracket (as a result of a major life event), which puts even more money at stake.

The problem is that the Social Security Administration doesn't know someone is eligible for an IRMAA reduction unless the person notifies the agency.

Clients have two opportunities to request the Medicare IRMAA reduction from the SSA: When they enroll in Medicare Part B for the first time; and when they receive their annual Medicare Part B premium and IRMAA notice in the late fall for the following Jan. 1.

LIFE-CHANGING EVENTS

The SSA will consider granting the request if clients have had a change in circumstance that puts them in a lower MAGI tier than they were two years before. The qualifying events, which apply to them or their spouse, include:

1) Stopped working or reduced their work hours.

2) Lost income-producing property because of a disaster or other occurrence beyond their control.

3) Experienced a scheduled cessation, termination or reorganization of an employer's pension plan.

4) Received a settlement from a current or former employer because of the employer's closure, bankruptcy or reorganization.

5) Married, divorced or became widowed.

To apply for a Medicare IRMMA reduction, your client needs to:

1) Determine if a qualifying event has occurred and resulted in a lower IRMMA bracket.

2) Make an appointment at the local Social Security office to discuss the reduction process or file

Continued on Page 36

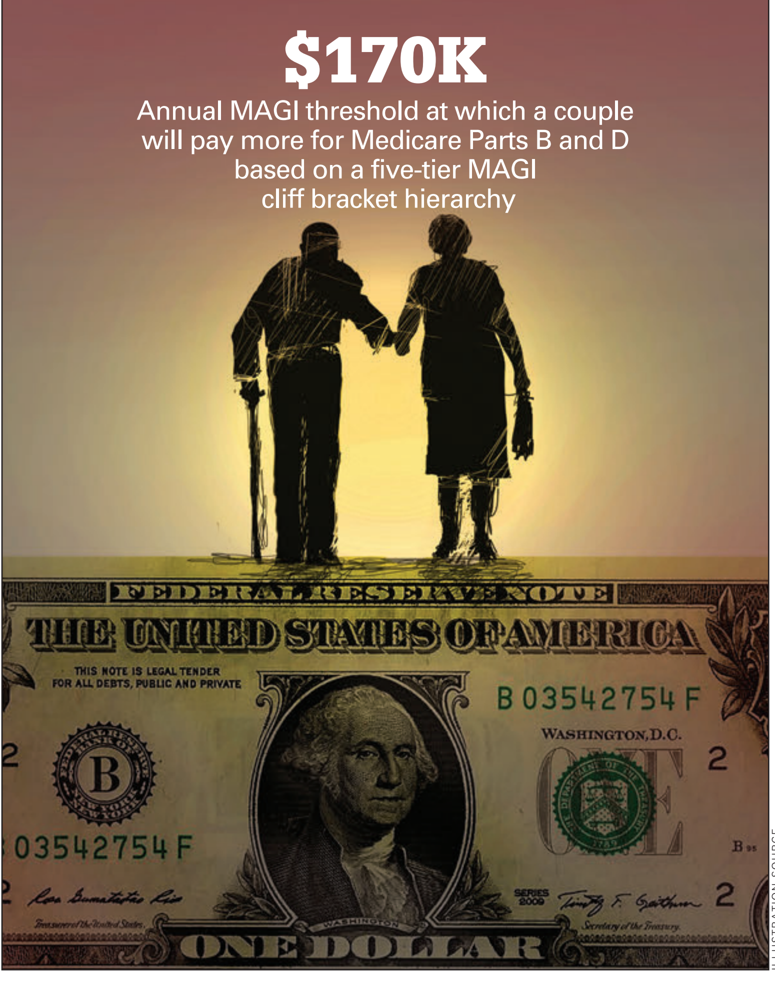


ILLUSTRATION SOURCE

Buried in 1040: Chance for advisers to shine

By Darla Mercado

With the April 15 deadline for tax filing approaching, advisers have plenty of reasons to take a hard look at their clients' Form 1040.

Though the individual income tax return is a window on the past, what it reveals also can shape future savings and investment strategies, as well as add value to the services advisers offer.

"Taxes are something we can exert some control over, whereas it's very difficult to control investment returns," said Dean Mioli, director of investment planning for the SEI Advisor Network.

John Anderson, managing director and head of practice management services for SEI, echoed that, saying, "It's more realistic to tell a client you can save him $8,000 than to say that you can get a return of 10% or 12%."

Here are a few opportunities:

ISTOCK

Reviewing line items

Turn your attention to lines 8a, 9a, 9b and 13. They cover, respectively, taxable interest, ordinary dividends, qualified dividends, and capital gains or losses.

High levels of interest in line 8a should drive advisers to question whether they can reduce that number in the future by reassessing their client's investment mix.

"Would you have been better off with tax-free municipal bond interest?" Mr. Mioli asked.

Another conversation concerns asset location (the tax status of the account in which those investments are held) and whether certain asset classes are tax-inefficient.

Tax-efficient asset classes, such as municipal bonds with low turnover, may be-better suited for a standard brokerage or nonqualified account, Mr. Mioli said. It might be better to put tax-inefficient assets, including emerging market debt, in a tax-deferred individual retirement account or a tax-free bucket.

"By locating assets in the proper tax bucket, I generate an additional 50 to 75 basis points of after-tax alpha," Mr. Mioli said. "It's a free return from being tax-smart."

Discussing dividends

Meanwhile, dividends noted on lines 9a and 9b should drive a discussion of those dividends' source and tax implications.

Stephen J. Bigge, partner with Keebler & Associates, provides the following example: A client reports $10,000 in dividends for 2014, $2,000 of which are qualified (and subject to taxation at the long-term capital gains rate) and $8,000 of which are nonqualified. Taxable interest received by a mutual fund and subsequently paid out falls under nonqualified dividends.

Rather than focus solely on the tax treatment to drive investment strategy, consider the bigger picture, Mr. Bigge said.

"You have to look at the after-tax effect," he said. "Many clients complain that their adviser is generating all these short-term capital gains. You're still getting a great return, and you're still out ahead after taxes."

Reporting capital gains

Line 13 applies to capital gains and may be accompanied by Schedule D, where clients need to report short- and long-term gains and losses.

If a client has loss carryforwards — a blessing, considering how strong the stock market has been over the past few years — be sure to use them efficiently, Mr. Bigge said.

Consider that short-term capital gains are taxed at the same level as ordinary income, which is at a height of 39.6%, versus the long-term capital gains rate of 20%. And don't forget that the net investment income tax applies to both, with an additional levy of 3.8%.

"A long-term loss against a short-term gain is very efficient, and a short-term loss against a long-term gain is very inefficient," Mr. Bigge said. "Long-term losses against long-term gains and short-term losses against short-term gains are neutral."

If capital losses exceed capital gains, the amount of excess loss taxpayers can claim on line 13 to lower their income is the lesser of $3,000 ($1,500 for married-filing-separately) or the total net loss on line 16 of Schedule D, according to the IRS.

At line 13, advisers should ask whether there were opportunities to reduce gains throughout the year.

"We never know when's the best time to tax-loss harvest, so you have to have systems in place so that when the opportunity presents itself, you can pounce on it," Mr. Mioli said.

dmercado@investmentnews.com
Twitter: @darla_mercado

Tips from Social Security boot camp

By Srividya Kalyanaraman

Financial advisers can help clients make the most of Social Security benefits by considering key details about their age, marital status and work history, according to an *InvestmentNews* webcast, "Social Security boot camp: The retirement income puzzle."

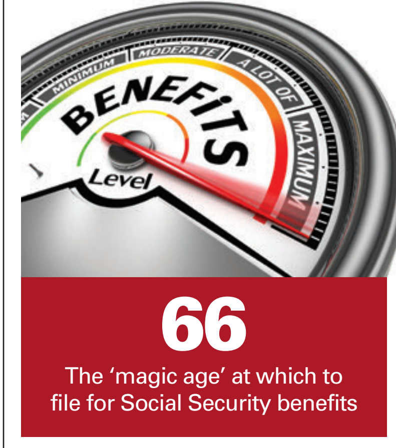
Here are some key takeaways from the March 3 session, as conveyed by *InvestmentNews* contributing editor Mary Beth Franklin on the webcast.

Try to wait until age 70 to collect benefits.

It is key to know the right time to claim benefits. Collecting Social Security at 62 permanently reduces a person's benefits by 25%. Someone claiming before the full retirement age of 66 cannot use creative claiming strategies.

Ms. Franklin described 66 as the "magic age," when people can engage in creative claiming strategies with no earnings cap.

For example, those who wait until 70 to collect benefits will be eligible to earn delayed retirement credits worth 8% a year for every year the benefit claim is postponed.



66
The 'magic age' at which to file for Social Security benefits

That can add up to as much as 32% more — 8% for every year postponed — plus an annual cost-of-living adjustment. It's the hottest deal out there, Ms. Franklin said.

Married couples should coordinate claims.

The best strategy for couples can differ, depending on the spouses' age and income gap.

Couples can file and suspend at 66 to trigger benefits for one spouse while the other's benefit grows until he or she reaches age 70. The second option is to file a restricted claim for spousal benefits and collect half of the spouse's primary insurance amount (PIA) while the other's benefit grows until 70.

If both spouses reach retirement age around the same time, it might be worthwhile to combine strategies.

For example, if both are 66 and entitled to get $2,000 a month, the husband can file and suspend and not collect anything, while the wife claims a spousal benefit equal to half the benefit amount — $1,000. When they turn 70, they each can switch to their own benefits, which

Continued on Page 35

Looking for performance? Look to iShares.

iShares Core S&P 500 Fund delivered 13% return in 2014.

iShares Core S&P 500 Fund

Avg Annual Returns as of 12/31/14	1 Year	5 Year	10 Year
Net Asset Value	13.62%	15.37%	7.62%
Market Price	13.62%	15.38%	7.62%
Gross Expense Ratio	0.07%		

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.

iShares Funds are low cost and tax efficient, costing 1/3 as much as the typical mutual fund.[1]
Get the facts at **iShares.com/IVV**

by BLACKROCK®

BlackRock is trusted to manage more money than any other investment firm in the world.[2]

1. 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. 2. Based on $4.652 trillion in AUM as of 12/31/2014.

Certain sectors and markets perform exceptionally well based on current market conditions and iShares Funds can benefit from that performance. Achieving such exceptional returns involves the risk of volatility and investors should not expect that such results will be repeated. 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.

Carefully consider the Funds' investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the Funds' prospectuses or, if available, the summary prospectuses, which may be obtained by visiting www.iShares.com or www.BlackRock.com. Read the prospectus carefully before investing. Investing involves risk, including possible loss of principal. • Transactions in shares of ETFs will result in brokerage commissions and will generate tax consequences. • 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. ©2015 BlackRock. All rights reserved. **iSHARES** and **BLACKROCK** are registered trademarks of BlackRock. All other marks are the property of their respective owners. iS-14689-0215

VIEWPOINT

EDITORIALS

Momentum building on tax reform

THE LATEST TAX reform plan from Congress has something for everyone, from big corporations to middle-class families. And while we're a long way from seeing a major tax overhaul come out of Washington, it is good to have our elected representatives realize the status quo is not acceptable to most Americans.

Let's start with the complexity of the current tax laws. Unless you are able to file a very basic tax return, most taxpayers find filing their taxes a burdensome chore, right up there with having a root canal at the dentist's office, and are resigned to paying someone to take care of it for them.

But even the tax pros have problems deciphering the tax code.

We're reminded of a recent passage by one of our columnists, who said there is so much confusion about how certain options are taxed that the IRS essentially told stock brokers to make their best effort in following the law but granted them penalty relief in advance if they got it wrong.

You know something's wrong when even the agency in charge of the tax code can't figure it out.

If nothing else, the plan put forward by Sen. Marco Rubio, R.-Fla., and Sen. Mike Lee, R-Utah, two weeks ago is a step in the right direction in terms of streamlining our tax laws. It would reduce the number of tax brackets from seven to two — 15% and 35% — and eliminate all tax deductions except for mortgage interest and charitable giving.

The plan would set the corporate tax rate at 25% for both corporate and pass-through entities. That's important to financial advisers because like other small businesses, many pay their business income taxes on a pass-through basis, meaning they pay them on their individual tax returns.

ELIMINATION

Other elements include ending the estate tax and eliminating taxes on capital gains and dividends. The cost of investment by businesses would be deductible in the year in which it was made, but new business debt would no longer be tax deductible.

Like we said, something for everyone.

And that's the biggest problem with the Rubio-Lee plan. Someone's got to pay for this bag of goodies, and you can guess who that is — the American public. In its present form, the plan would reduce annual tax revenue by $414 billion, according to the Tax Foundation's initial review.

SOMETHING'S wrong when even the agency in charge of the tax code can't figure it out.

The senators don't disagree with this analysis but say it's unfair because it does not incorporate the growth in the economy their tax changes would bring about.

The Tax Foundation agrees with that objection and says that once the tax dollars from the added growth are factored in, the plan could produce a $90 billion increase in annual revenue.

The footnote to that analysis, however, is that it will take 10 years for that growth to fully materialize; in the interim, the tax plan will add to the federal budget deficit.

While a more detailed tax reform plan last year from then-Rep. David Camp, also designed to simplify the tax code, didn't go anywhere, there seems to be momentum building in Washington to do something. It may not be the Rubio-Lee plan, but perhaps a variation on it.

JOIN THE DISCUSSION

Last week, two other senators, Orrin Hatch, R-Utah, chairman of the Senate Finance Committee, and Ron Wyden, D-Ore., ranking member of the committee, invited the public to contact them with ideas on tax reform.

Advisers should take them up on their offer.

The senators want to know how the tax code affects individual behavior. Because of their interaction with clients, advisers are in a prime position to know that. Now is the time to join the discussion.

What was NAPFA thinking?

By requesting the resignation of Bert Whitehead from the compensation committee soon after he made public his opposition to the practice of charging lower fees for the management of cash and some bond allocations, the National Association of Personal Financial Advisors suggests it can't stand disagreement in its upper ranks.

NAPFA chief executive Geoffrey Brown claimed Mr. Whitehead's forced resignation had nothing to do with the substance of his comments on fees but rather with his sharing with the media research he did for the committee.

THE ORGANIZATION should be open to debating Bert Whitehead publicly and learn to tolerate disagreement in its policymaking bodies.

MUDDLED MESSAGE

As a result, Mr. Brown said, the board had "lost confidence in his ability to meet the demands of his assignment on the compensation committee," whatever that means.

In explaining himself, Mr. Brown acknowledged that Mr. Whitehead was under no formal confidentiality agreement with NAPFA or the compensation committee.

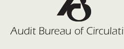
Huh? He was not under a confidentiality agreement, yet he was supposed to keep quiet. That story is not exactly convincing, especially as NAPFA board chairman Robert Gerstemeier did not respond to requests for comment. That made it look as if Mr. Gerstemeier was ducking hard questions.

Mr. Brown suggested that the group might incorporate into its thinking some of Mr. Whitehead's ideas on a tighter fiduciary standard. But it seems that, overall, NAPFA did not like the results of Mr. Whitehead's research because it did not support the group's preferred position.

If NAPFA disagrees with Mr. Whitehead's research, it should explain and prove how the research is wrong, and be open to debating him publicly.

And it should learn to tolerate disagreement in its policymaking bodies. If not, other NAPFA members will think twice about serving on its committees.

InvestmentNews
The Leading Information Source for Financial Advisers
InvestmentNews.com
VP-Publisher: Suzanne Siracuse ssiracuse@crain.com
EDITORIAL
Editors:
Editor: Frederick P. Gabriel Jr., fgabriel@crain.com
Deputy Editors: Greg Crawford, Robert Hordt
Director of Digital Content: Matt Ackermann
Managing Editor: Christina Nelson
Assistant Managing Editor: Lorie Konish
Contributing Editor: Mary Beth Franklin
Digital Copy Chief: Nancy Tappan
Senior Columnists: Jeff Benjamin, Bruce Kelly
Reporters:
New York: Mason Braswell, Trevor R. Hunnicutt, Alessandra Malito, Darla Mercado
Washington: Mark Schoeff Jr., Liz Skinner
Editor at Large: Michael J. Clowes
Art Department:
Art Director: David Stokes
Cartoonist: Roger Schillerstrom
DIGITAL CUSTOM AND RESEARCH
Associate Publisher: Digital, Custom and Research Mark Bruno mbruno@crain.com
General Manager: Digital Operations and Development: Mike Palazuk mpalazuk@crain.com
Data Research Editor: Denise Southwood
Research Analyst: Matthew Sirinides
Associate Content Editor: Andrew Leigh
Web Developer: David Rankin
Web Producer: Ellie Zhu
Digital Account Strategist: Alexandra Schnitta
ADVERTISING
National Sales Director: Mary Meagher mmeagher@crain.com 212-210-0115
Regional Sales Managers:
New York:
Nicole Casement ncasement@crain.com 212.210.0167
Kevin Reardon kreardon@crain.com 212-210-0476
Chicago:
Karen Wahl kwahl@crain.com 312-649-5226
San Francisco:
Rich Kiesel rkiesel@crain.com 415-538-0206
Boston:
John Bubello Jbubello@crain.com 978-534-5635
Reprint Manager: Laura Picariello 732-723-0569 lpicariello@crain.com
Inside Sales Associate: Ayana Reid areid@crain.com 212-210-0774
Sales Coordinator: Letitia Y. Buchan lbuchan@crain.com 212-210-0451
MARKETING AND AUDIENCE DEVELOPMENT
Audience Development Director: George Ortiz gortiz@crain.com
Senior Marketing Manager: Diana Cheruvil dcheruvil@crain.com
Special Projects Associate: Lauren Russell lrussell@crain.com
Creative Marketing Specialist: Lorenzo John ljohn@crain.com
Marketing Associate: Shannon Rosic srosic@crain.com
Executive Assistant to the Publisher: Irma Rodriguez irodriguez@investmentnews.com 212-210-0430
PRODUCTION
Prepress/Production Director: Simone Pryce
INVESTMENTNEWS OFFICES
Headquarters: 685 Third Avenue, New York, NY 10017-4024
Editorial fax: 212-210-0444
Bureau office:
Washington: 814 National Press Bldg., Washington, DC 20045, Fax: 202-638-3155
Advertising main number: 212-210-0774
Fax: 212-210-0117
CRAIN COMMUNICATIONS INC.
BOARD OF DIRECTORS
Chairman: Keith E. Crain
President/Editorial Director: Rance Crain
Treasurer: Mary Kay Crain
Cindi Crain
CRAIN COMMUNICATIONS INC.
Executive VP/Operations: William Morrow
Executive VP/Director of Strategic Operations: Chris Crain
Senior VP/Group Publisher: David Klein
Chief Information Officer: Anthony DiPonio
Chief Financial Officer: Thomas Stevens
Founder: G.D. Crain Jr. (1885-1973)
Chairman: Mrs. G.D. Crain Jr. (1911-1996)
Secretary: Merrilee P. Crain (1942-2012)
For subscription information and delivery concerns, please e-mail customerservice@investmentnews.com or call 877-812-1589 (in the U.S. and Canada) or 313-446-0450 (all other locations)


Audit Bureau of Circulations

PLEASE RECYCLE THIS NEWSPAPER

ONE DAY
+
THREE CITIES
+
INVALUABLE INSIGHT

COUNTLESS RETURNS

Attend the Women Adviser Summit, uniquely designed for the sophisticated adviser who wants to take her personal and professional self to the next level.

Register today and save. Visit InvestmentNews.com/WAS.

MAY 6 CHICAGO | **JULY 14** WASHINGTON D.C. | **NOVEMBER 5** SAN FRANCISCO

premier sponsors

strategic partner

supporting sponsors

Spike in interest rates will help some, hurt others

Savers look forward to a hike, while some borrowers cringe

By Darla Mercado

Higher interest rates will be a blessing for many retirees with CDs and fixed annuities, but they are a terrifying prospect for debtors, particularly those with variable-rate debt.

At the end of February, Federal Reserve Chairwoman Janet Yellen indicated in testimony before the Senate Banking Committee that although the first increase in the key federal funds rate won't take place before June, the time for a hike is rapidly approaching as economic conditions continue to improve.

For now, financial advisers are monitoring their bond portfolios judiciously, avoiding any sharp changes in strategy.

Meanwhile, the possibility of higher rates is a major worry for people who owe money on variable-rate debt. The same low rates that hurt returns on CDs and money market funds are keeping interest rates at rock-bottom levels for variable-rate loans. But when rates rise, debtors are going to find themselves facing climbing debt payments.

Loans with variable interest rates include home equity lines of credit, private student loans, adjustable-rate mortgages and balloon mortgage loans, and credit cards. Anyone making interest-only repayments on a debt will probably have a nasty surprise as rates go up.

HIGHER PAYMENTS

"HELOCs have variable rates, and they will absolutely get hit with higher payments," said Glenn J. Downing, an adviser with CameronDowning in Miami. "That's going to happen … and there's nothing you can do other than to pay it down."

Ideally, clients with ARMs decided to refinance at a more favorable fixed rate while interest rates were low. The hope for clients with private student loans — which Sallie Mae says have rates ranging from 2.25% to 9.37% — is that they have spent the last few years repaying as much principal as possible.

(Full disclosure: I owe about $30,000 in private student loan debt, which is sitting at a variable interest rate of about 3%. I have budgeted for outsized repayments to go toward principal, especially since rates plummeted during the recession. And, yes, I'm meeting my long-term savings goals, too.)

Clients need to make sure that the lender is applying the excess repayment toward principal and not future interest.

Allan Moskowitz, an adviser with Affirmative Wealth Advisors, has two low-income clients who have a HELOC with a balloon payment coming due in three to four years. He has advised those clients to aggressively repay the loan.

"I recommended they pay it down as much as they could, because in three to four years it's going to be at a higher rate," Mr. Moskowitz said. "If people are able to pay down their debts and refinance, this is the time to do it, before rates go up."

Advisers are not telling clients not to take out new loans, however.

"Rates are still very low and attractive," said Gustavo Vega, managing director at Vega & Oprandi Wealth Partners. "The idea of making substantive changes doesn't seem prudent at this moment."

Those who are repaying variable-rate debt but aren't in a dire situation have a few options.

Mr. Vega proposed repaying that debt as if the interest rates were higher now: Budget for a large repayment and make headway on reducing principal. That way, clients will have a smaller balance subject to the higher rates.

If the debt isn't urgent, clients can use the extra cash that otherwise would have gone toward a large repayment and invest it.

PAY DOWN DEBT

"Even if rates don't go up, you have a nest egg," Mr. Vega said. "If rates do rise, you can aggressively pay down the debt."

There isn't one set way for clients to rein in their debt.

"You'll hear people say to start with the smallest balance first — that's a victory," Mr. Downing said. "Then you take the payment and roll it into the next debt."

While it makes sense to first tackle the loan or line of credit with the highest interest rate, doing that could be a problem for clients who are thousands of dollars in debt.

"If you're talking about someone who is $20,000 in debt, whether you pay the 12% or the 14% first, it's not going to make a lot of difference," Mr. Downing said. "So much of this is going to be driven by what the client is most comfortable with."

Regardless of whether clients decide to stack repayments to eliminate variable-rate debt faster, debt management needs to be built into a plan in a way that doesn't interfere with other goals.

"The point for debt management with clients is to not let it tyrannize you," Mr. Downing said. "Make a plan, make the payments you said you would, don't add to your debt, and enjoy your life and be productive."

dmercado@investmentnews.com
Twitter: @darla_mercado

GETTY IMAGES

Maybe they always said you couldn't do it. Maybe they said this was a man's job. So you proved them wrong by working harder, being smarter, and going further than "they" ever imagined. And now you want a broker-dealer that can match you step for step. AIG Advisor Group helps you put your best foot forward with unmatched flexibility and unequalled support. Don't be shy. Let's talk today. It's time to speak loud.

AIG Advisor Group. Four Voices. One Focus.

Whatever you do: #SpeakLoud.
aigspeakloud.com

State Street to close three ETFs

By Trevor Hunnicutt

State Street Corp., bowing to what it called "limited market demand," will close three exchange-traded funds this month.

The announced closure of the ETFs, including one municipal-bond fund in partnership with Nuveen Investments Inc., comes weeks after the ETF pioneer slashed prices on nearly a third of its funds and while the firm faces outflows in its flagship fund.

$441B
Amount of assets in State Street's U.S. ETFs

LOW ASSETS

State Street will shutter its S&P Mortgage Finance ETF (KME), S&P Small Cap Emerging Asia Pacific ETF (GMFS) and SPDR Nuveen S&P VRDO Municipal Bond ETF (VRD), according to a statement last Monday.

Each of the funds is at least three years old, but none holds more than $6 million in assets.

State Street, whose money managing arm is also known as SSGA, has $441 billion in U.S. ETF assets — third behind BlackRock Inc.'s iShares and the Vanguard Group Inc.

The firm is perhaps best known for its SPDR S&P 500 ETF (SPY), which is commonly recognized as the first ETF traded in the U.S. as well as the most widely traded. That fund has lost $26 billion to investor redemptions this year, according to Morningstar Inc. estimates. State Street, whose index-tracking fund is used widely by tactical traders and institutions along with advisers, has said those flows are cyclical.

Meanwhile, the firm also has tried to expand its lineup to more profitable mutual funds and partnerships on ETFs with Nuveen and DoubleLine Capital's Jeffrey Gundlach to attract assets into other product lines.

In recent years State Street has also enhanced its efforts to sell to advisers.

VANGUARD

Those efforts haven't enabled it to match the success of Vanguard, which brought in $82 billion, well more than twice the SPDRs' $32 billion haul in the year ended Feb. 28, according to Morningstar. SSGA managed $2.45 trillion in all as of Dec. 31, including 147 ETFs.

When trading in the three SPDRs halts after Wednesday, it will bring to nine the number of U.S.-listed ETFs that have closed this year, according to ETF.com.

thunnicutt@investmentnews.com
Twitter: @trhunnicutt

Merrill Lynch nabs $300M team from RBC

Exit of New York-based group unrelated to other departures

By Mason Braswell

Bank of America Merrill Lynch has picked up a $300 million RBC Wealth Management U.S. team in New York as Merrill Lynch continues to build out its herd of about 14,100 brokers and advisers.

The trio of former RBC advisers, who are led by Ronald Slevin, brought in revenue last year of about $2.5 million, according to Bank of America Merrill Lynch spokeswoman Ana Sollitto.

Mr. Slevin is joined by advisers George Gladman and Jared Stone, as well as their client associate. They report to Merrill Lynch complex manager Jeffrey L. Tucker, who oversees the firm's Fifth Avenue center.

Merrill Lynch has 734 advisers in 10 branches in New York, according to Ms. Sollitto.

VETERAN LEADER

Mr. Slevin has been in the industry almost four decades. He began his career at J.B. Hanauer & Co. and had been with RBC since 2005, according to records with the Financial Industry Regulatory Authority Inc.

The team did not have international clients, according to Ms. Sollitto, and the move was unrelated to other RBC departures in New York and Miami.

Some internationally focused advisers have left those locations as the parent company, Royal Bank of Canada, shuttered certain business units in Latin America and the Caribbean.

A spokeswoman for RBC, Jonell Lundquist, did not immediately respond to an email requesting comment.

mbraswell@investmentnews.com
Twitter: @masonbraswell

DEAN STEVENSON

Robert Moore: "I look forward to contributing as a board member."

Moore joins board of Carson group

By Srividya Kalyanaraman

Robert Moore, who resigned earlier this month as president of LPL Financial, has joined forces with Ron Carson, head of one of LPL's largest affiliates, by agreeing to serve on the board of Carson Institutional Alliance.

The alliance provides resources and support to advisers who are running their own practices and are looking for help with marketing and compliance, as well as with other operational requirements.

> "[MR. MOORE] will be a true stakeholder in helping develop ... strategic planning."
>
> **Ron Carson**
> Founder and CEO
> Carson Institutional Alliance

Mr. Carson runs the alliance along with his main business, Carson Wealth Management, which has just under $2 billion in assets under management.

'GREAT VISION'

Mr. Moore stepped down as president of LPL to become chief executive of the asset management firm Legal & General Investment Management America.

He had been at LPL since 2008, initially as chief financial officer.

"Robert has been around for a long time and is a veteran in running businesses and has a great vision for the future," Mr. Carson said.

"He will be a true stakeholder in helping develop and improve strategic planning and vision. Robert has a wide skill set, and we plan to use all of it," he added.

In a statement, Mr. Moore said, "I look forward to contributing as a board member, drawing on both my past experience and my new position at LGIMA."

DIVERSIFY WITH CORPORATE INCOME

PACIFIC FUNDS℠ SHORT DURATION INCOME

PLSDX | Share
Out of 435 U.S.-domiciled funds in the Short-Term Bond Morningstar Category™

PACIFIC FUNDS℠ CORE INCOME

PLIIX | Share
Out of 913 U.S.-domiciled funds in the Intermediate-Term Bond Morningstar Category™

PACIFIC FUNDS℠ STRATEGIC INCOME

PLSRX | Share
Out of 214 U.S.-domiciled funds in the Multisector Bond Morningstar Category™

PACIFIC FUNDS℠ FLOATING RATE INCOME

PLFRX | Share
Out of 193 U.S.-domiciled funds in the Bank Loan Morningstar Category™

Overall and 3-Year Morningstar Rating™ as of 12/31/14. The ratings are based on its risk-adjusted return and are derived from their weighted average of its applicable 3-, 5-, and 10-year ratings.

WWW.PACIFICFUNDS.COM

Class I shares are sold at NAV without an initial sales charge and do not include a CDSC. Class I shares are only available to eligible investors. Different share classes may have different expenses and performance characteristics. Please check with your broker/dealer regarding share class availability. These funds are subject to credit, floating-rate loan, liquidity, debt securities, high-yield, foreign markets, and interest-rate risks, among other risks. Please see the prospectus for a detailed description of these risks. Effective December 31, 2014, Pacific Life Funds and its family of mutual funds changed its name to Pacific Funds. In addition, individual funds were also renamed. For more information, please visit www.PacificFunds.com. **Past performance does not guarantee future results.** The investment return and principal value of an investment will fluctuate so, when redeemed, may be worth more or less than the original cost. For the most recent calendar quarter performance, please call (800) 722-2333 (select option 2), or visit www.PacificFunds.com.
Overall Morningstar Rating For each fund with at least a three-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 and loads), 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 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 three-, five- and ten-year (if applicable) Morningstar Rating metrics.
You should carefully consider an investment's goals, risks, charges, strategies, and expenses. This and other information about Pacific Funds are in the prospectus available from your financial advisor or by calling (800) 722-2333, option 2. The prospectus should be read carefully before investing. Mutual funds are offered by Pacific Funds. Pacific Funds are distributed by **Pacific Select Distributors, LLC** (member FINRA & SIPC), a subsidiary of Pacific Life Insurance Company (Newport Beach, CA), and are available through licensed third-party broker/dealers.
© 2015 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Third-party trademarks and service marks are the property of their respective owners.
No bank guarantee • Not a deposit • May lose value • Not FDIC/NCUA insured • Not insured by any federal government agency

Spotlight

Succession Planning

INSIDE

14 Various services help advisers find the right buyers.

15 Before catastrophe strikes, owners should ensure that an appropriate successor is ready to take the helm.

Online Technology expert Sam Attias explains the role it plays when you go to sell a practice: InvestmentNews.com/sp.

IZHAR COHEN

GET REAL

Prices for adviser practices aren't as high as most expect, but some factors can boost value

By Liz Skinner

EVEN THOUGH THE NUMBER of prospective buyers greatly exceeds the number of financial advisory firms on the market, owners often have unrealistic ideas about what their businesses are worth.

About 28% of advisers sought to buy a firm in the past two years, compared with just 4% who tried to sell, according to the 2014 *InvestmentNews* Financial Performance Study of Advisory Firms.

Those numbers are expected to rise to 33% and 5%, respectively, over the next two years.

Though it has become a seller's market, financial advisory firms in general haven't seen the run-up in prices they did between 2006 and 2008.

On average, advisers who want to sell their practices estimate they are worth 2.8 times total revenue, according to Cerulli Associates. But last year, buyers paid about 2.2 times annual revenue for practices, the research firm found.

2.2x
The average multiple of annual revenue paid for firms, compared with adviser estimates of 2.8x

Geoff Frazier, president of Global Financial Private Capital, estimates advisory firm transactions are being priced between 2 times and 2.75 times trailing 12-month recurring revenue.

Jon Moore, who merged Moore Financial Group with EP Wealth Advisors in January, wanted a trusted partner to take over the business he bought from his father, who had started it.

Mr. Moore said it probably was easier for him to have practical expectations about pricing. Founders are typically more sentimental about the business and as a result tend to have inflated expectations.

"In my situation, not being the founder, it somewhat removed me from the emotional aspect," he said. "I could evaluate the transaction more objectively on its own merits."

But that's usually not the case.

"Most people don't have any idea how valuable or not valuable their practices are," said Drew Horter, founder and chief investment strategist of Horter Investment Management.

Certain premiums and discounts factor into whether a firm is priced at the lower or higher end of the range, Mr. Frazier said.

In addition, firms that have developed a succession plan including enough time to build out the more-valuable aspects of the business can pump up their price.

A FORMAL BUSINESS

According to Mr. Frazier, the first step is to make sure the adviser's practice looks like a formal business rather than just a lifestyle practice.

That includes having certified technology and established processes and procedures. Financial records should be systematized, and advisers should have them audited, at the very least by a local accountant, Mr. Frazier recommended.

Another important step is to ensure that client records and other historical data are in a format

Continued on Page 16

Headache is short-lived.
Heartache is forever.
WHAT WILL YOUR LEGACY BE?
Ann F.
Baltimore, MD
13 years with NFP Advisor Services
Are you frustrated with a broker/dealer that doesn't care or understand? It's time to drop the dead weight and get on with business.
Make the transition today and start creating your legacy at nfpadvisorservices.com/legacy
NFP™
Advisor Services
Securities and Investment Advisory Services offered through NFP Advisor Services, LLC, member FINRA/SIPC.

Help is on the way

Today, advisers have more options and services than ever to facilitate a sale

CHANGE IS HARD. No one likes it. So it is no surprise that so many advisers avoid the subject of succession planning. Both a Cerulli Associates study and polling by the Financial Services Institute found that almost 60% of advisers have not yet identified a successor. Yet every year more advisers get closer to their inevitable transition. An estimated $2.3 trillion in assets is controlled by advisers over the age of 60.

It's not all bleak. The need for succession planning in the financial services industry has spawned many alternatives for advisers looking to transition their practices, and they should consider those options as early as five to 10 years before slowing down.

The first decision is whether to establish, train and mentor a team to ultimately succeed the adviser and carry on the legacy, or build the business with the intent of eventually selling it to an outside party.

The next decision is timing — when to sell. Should advisers work until the day they are ready to retire, then sell and walk away? Or would a sale three to five years before retirement, with the adviser being retained on a reduced basis, be the optimal strategy?

Regardless of the answer, every adviser will need the right successor sitting across the table when the time comes.

Today's financial services mergers and acquisitions market offers more options than ever for finding the perfect successor. Here are the most common strategies advisers are using to facilitate the sale of their most valuable asset — their business.

> EVERY ADVISER will need the right successor sitting across the table when the time comes.

Do-it-yourself

For many, the idea that another adviser could take over their business and retain their clients is almost as far-fetched as the notion that some outsider could find their perfect successor.

These individuals will spend their own time identifying, screening and interviewing candidates, then narrow the list and negotiate the deal. In many cases, they might go through this process two or three times before getting it right.

This strategy provides control over the process and can save money. Control comes at a price, however. Most advisers have never sold a business and therefore don't know what they don't know. Outside guidance can be helpful to maintain objectivity.

Online auction services

Services such as AdvisorBoxExchange.com, RIAmatch.com, SuccessionLink.com and SchwabTransitions.com provide sellers with broad exposure for their listing, capitalizing on the sometimes-overheated demand among buyers to realize tremendous value for the exiting adviser.

These nonadvocacy systems are effective marketing tools and cost effective for the seller. But some advisers view posting their client relationships for sale as disingenuous and time-consuming as they sort through the multitude of "tire kickers" to find a good fit.

M&A consultants

M&A consultants are specialists that provide transition services and are hands on throughout the process. Consultants (for disclosure purposes, my firm is one) provide a comprehensive array of resources to a small client pool.

The key benefit these firms provide is their ability to leverage their knowledge of the market and advocate for a client to obtain the best value and terms. But most consultants have a limited bandwidth. They therefore serve a more exclusive clientele and may be more expensive than other solutions.

Recruiters

With a seemingly endless network of connections, recruiters can provide advisers looking to sell their practices with a large pool of succession candidates.

And because recruiters are paid by the buyer or the buyer's broker-dealer or custodian, they are a low-cost solution. However, while recruiters know everyone and can make introductions, facilitating the sale of a business will typically require hiring a consultant or CPA and attorney.

B-Ds and custodians

These organizations have a vested stake in their advisers (and those advisers' assets) remaining on their platform. Because of this, most firms have developed internal solutions and resources, or partnered with external experts, to ensure that their advisers are proactively engaging in the succession process.

Due to the existing relationship, the B-D or custodian is well-positioned to quickly introduce its selling adviser to qualified candidates. But a challenge is posed by the combination of limited experience and budgets, and the conflict of interest resulting from the firm's desire to retain the assets over the seller's interests.

Succession planning done right is done only once. It is important to understand the alternatives, how they relate to the adviser's goals and the transition timeline. Finding the right successor takes time, but with planning and commitment to the process and clients, the results can last a lifetime.

David Grau Jr. is president of Succession Resource Group.

	Do-it-yourself	Online auction services	M&A consultants	Recruiters	Broker-dealers, custodians
Knowledge of the M&A market	★	★★	★★★	★	★
Full suite of resources (valuation, form contracts, checklists and samples)	★	★★	★★★	★	★
Industry knowledge	★★	★★	★★	★★	★★★
Size of buyer pool	★	★★★	★★★	★★	★
Best value/terms	★	★★	★★★	★	★
Turnkey (less adviser time)	★	★★	★★★	★	★★
Low cost	★★★	★★	★	★★★	★★★

Scored on a scale of ★ (lowest/worst) to ★★★ (highest/best)

Source: David Grau Jr.

Join Cambridge, an independent firm focused on you and your clients.

Do you control your journey?

Has your broker-dealer shared and published a plan to remain independent and privately owned?

Does your broker-dealer have a singular focus of being your entrepreneurial partner?

We have a published plan to remain independent and privately owned.

Learn more about our plan and why it is important to you and your clients.
Call us at 877-688-2369 to begin your journey today.

Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC. Advisory services through Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. V.CIR.1114

Don't get blindsided by a catastrophe

Proper planning can help your business make the best of the worst times

AS A FINANCIAL ADVISER, you assist clients in planning for their future. But have you planned for the future of your own practice? What happens to your business if tomorrow you are permanently disabled or die? Where do your accounts go? Will your spouse or other beneficiaries receive economic benefit from your practice? Lots of questions need answers before it is too late.

QUESTIONS TO CONSIDER

Q: Why do I need a succession plan if I don't intend to retire from the business anytime soon?

A: To protect your business, clients and family, you need a written business continuity agreement that addresses death or disability, permanent or otherwise.

Q: What happens if a branch owner dies or becomes disabled without a written succession plan on file?

A: Without a valid written succession plan, the broker-dealer may take over the branch owner's accounts or block other financial advisers from soliciting those clients for a set period of time (for example, 60 days), and the branch may be closed.

In some cases, depending on the business agreement the branch owner has with the firm, the owner's beneficiary may receive only any earned but unpaid revenues, less outstanding expenses.

Q: What happens if a financial adviser in a branch dies or becomes disabled without a written succession plan on file?

A: Depending on the broker-dealer, if the financial adviser does not have a valid written succession plan, the deceased or disabled adviser's licensure is terminated and his or her client accounts could be transferred to the branch owner or the broker-dealer, if the owner requests.

In some cases, branch owners may, at their discretion, make a one-time payment or execute a fixed note with payment to the adviser's beneficiaries. But they may be under no obligation to make such a payment, and it cannot be tied or related to commissions or fees earned.

The reason it is left to the owner's discretion is that there is no contractual obligation to make any payment, and there cannot be sharing of revenue pursuant to Rule 2040 of the Financial Industry Regulatory Authority Inc.

For archived columns, go to InvestmentNews.com/successionplanning

Q: Can I designate an assistant or branch professional as my successor?

A: Some branch owners name a licensed assistant or branch professional as their catastrophic successor. While this may seem preferable to no plan at all, it is better to search for a producing financial adviser to minimize client attrition in coordination with retaining the branch professional.

Any licensed branch professional must meet the experience and qualification standards the broker-dealer applies for approving individuals for the role of branch owner and manager. Being named a successor does not automatically qualify someone to become branch owner.

Q: Can my successor be with another broker-dealer?

A: Depending on the broker-dealer, it can limit transfer of accounts to a financial adviser within the firm.

Clients would need to complete paperwork with the successor to move to another broker-dealer; logistically this would be nearly impossible unless clients were made aware in advance and then chose to work with that financial adviser.

In addition, client privacy laws — specifically Securities and Exchange Commission Regulation S-P — prohibit the unauthorized disclosure of personally identifiable information to anyone external to the broker-dealer of record. There are also state-specific privacy laws that must be observed.

> **YOU CAN** begin to ensure that your staff, family and clients will be taken care of.

Because of these requirements, client retention typically suffers. That, in turn, may lower a successor's payments to a beneficiary based on future revenues (which have to be facilitated from broker-dealer to broker-dealer). Therefore, a successor external to your current broker-dealer would not be a feasible decision.

The following three moves will begin to ensure that your clients will receive the proper service, that your family will be compensated for your years of hard work and that your staff will be taken care of if something catastrophic happens.

STEPS TO FOLLOW

1. Identify a potential candidate to help service your accounts. The person should be a currently licensed financial adviser at your broker-dealer. If you do not know where to start, contact your broker-dealer for several references.

2. Meet with the candidates. Discuss your investment style and client base, as well as your business philosophy and methodology.

3. Complete a business continuity agreement. If you and the candidate are a good match, this document should include specific payment terms and meet the criteria of a bona fide contract.

Your broker-dealer should have form samples.

Patrick Jinks is vice president of succession planning and acquisitions at Raymond James Financial Services Inc.

Looking to refine your yield?

Access energy infrastructure MLPs efficiently with ATMP. Visit barclays.com/ETN to explore a full spectrum of investment opportunities.

ATMP

An investment in the Barclays ETN+ Select MLP ETNs (the "ETNs") involves significant risks, including possible loss of principal and may not be suitable for all investors. For a description of the main risks, see "Risk Factors" in the applicable prospectus supplement and pricing supplement. The ETNs are unsecured debt obligations of the issuer, Barclays Bank PLC, and are not, either directly or indirectly, an obligation of or guaranteed by any third party. The ETNs are riskier than ordinary unsecured debt securities and have no principal protection. The ETNs are speculative and may exhibit high volatility. The ETNs are subject to certain investor fees, which will have a negative effect on the value of the ETNs. Owning the ETNs is not the same as owning interests in the index constituents or a security directly linked to the performance of the Index. Barclays Bank PLC has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus and other documents Barclays Bank PLC has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Barclays Bank PLC will arrange for Barclays Capital Inc. to send you the prospectus if you request it by calling toll-free 1-877-764-7284, or you may request a copy from any other dealer participating in the offering. The Atlantic Trust Select MLP Index is a trademark of Barclays Bank PLC. © 2015 Barclays Bank PLC. All rights reserved. All other trademarks, servicemarks or registered trademarks are the property, and used with the permission, of their respective owners. NOT FDIC INSURED. NO BANK GUARANTEE. MAY LOSE VALUE.

Getting real on firm's value

Continued from Page 12
that's easy to use and that can be transferred seamlessly.

For instance, Mr. Frazier said, an adviser who uses a proprietary client relationship management system would be a less attractive purchase target. That's because the buyer wouldn't be able to export client data without difficulty and the potential for errors, which in turn slows the integration.

In terms of the firm's financials, advisers can enhance earnings by making sure any "personal expense leakage" — such as costs for personal automobiles, supplies or entertainment — is cleaned out of the business, he said.

Buyers will want financial statements to show substantial assets under management and fees generated, according to Mr. Horter, whose firm has $1 billion in assets and oversees a group of affiliated advisers across the U.S.

CLIENT MIX

Advisers also should analyze their client base.

According to Mr. Horter, buyers desire "sticky" clients and value low attrition rates. They favor firms with clients of different ages to ensure a healthy combination of those in the accumulation and decumulation phases of life.

Buyers examine the investment mix of clients to assess volatility risks, he added. For example, asset allocations heavily invested in equities could face major drops in down markets, with a commensurate drop in fees to the adviser.

And buyers will ask for an estimate of the firm's new-client acquisition costs, such as marketing, business development and events.

Advisers should think about their processes and documentation concerning contact with clients.

IZHAR COHEN

Is there a formal communications strategy, with regular and frequent touch points? Buyers like to see this, Mr. Horter said, because it suggests the adviser's relationships with clients run deep.

Sellers also may be able to enhance the value of their business if they have administrative staff and a compliance officer willing to stay with the firm after a sale.

Such continuity makes clients more comfortable and can help the buyer retain them through the transition.

Another consideration for buyers

"Most people don't have any idea how valuable ... their practices are."

Drew Horter
Founder, chief investment strategist
Horter Investment Management

is whether the advisory firm has multigenerational relationships with clients' families.

The Cerulli report said sellers intent on maximizing their business' value should be engaging clients' children and grandchildren to ensure that assets remain with the firm when wealth is transferred to the next generation.

A CULTURAL FIT

Finally, buyers and sellers will be concerned with a good cultural fit, according to Patrick Goshtigian, president of EP Wealth Advisors. His firm's dozen advisers manage about $1.9 billion in client assets.

"The most important factor to getting a deal done is the all-around culture and services the firm provides to clients," Mr. Goshtigian said.

While the financial aspects of an adviser's business are important, buyers most likely can improve those parameters by contributing scale, he added.

Changing the culture to which advisers and staff have grown accustomed is much more difficult. Sellers can help facilitate a good cultural fit if they give some thought to an ideal buyer for their firm well in advance.

lskinner@investmentnews.com
Twitter: @skinnerliz

Your life insurance clients look to you for sound solutions, not sound bites.

At AXA, we've re-engineered our offerings so you can meet your clients' needs with confidence.

We continue to strengthen our life insurance portfolio with competitively priced products like BrightLife Protect® Universal Life Insurance and BrightLife Grow® Indexed Universal Life Insurance. We've got the ideas, tools and know-how to help you develop effective strategies for your clients. To find out how we can help your clients take small, manageable steps toward their financial goals, call our sales desk at 877-216-0470 or visit axa.com/soundsolutions.

Advice | Retirement | Life Insurance

redefining / standards®

"AXA" is the brand name of AXA Equitable Financial Services, LLC and its family of companies, including AXA Equitable Life Insurance Company (NY, NY) and MONY Life Insurance Company of America (administrative office: NY, NY), the issuing companies of the BrightLife® products. AXA S.A. is a French holding company for a group of international insurance and financial services companies, including AXA Equitable Financial Services, LLC. BrightLife® Grow and BrightLife® Protect are registered service marks of AXA Equitable Life Insurance Company, New York, NY 10104. BrightLife® products are co-distributed by AXA Network, LLC and AXA Distributors, LLC. The obligations of AXA Equitable Life Insurance Company and MONY Life Insurance Company of America are backed solely by their claims-paying ability. Life insurance contains exclusions, limitations and terms for keeping it in force. For costs and complete details of coverage, contact a financial professional. GE-101983 (3/15)

Looking to grow faster? Develop a younger clientele.

By Liz Skinner

Advisers who want to create an expanding book of business should consider increasing the number of clients they serve who are under 45, according to a new report.

Financial advisers who have a significant portion of clients under 45 grow an average of 14.1% a year, compared with 7.7% for those who serve older clients, according to a PriceMetrix research paper released last Monday.

Annual revenue for advisers with younger clients was estimated at $890,000, compared with $810,000 for those with older clients.

ASSET GOALS

Traditionally, advisers have focused on older clients because that demographic has the largest concentration of wealth and advisers can more easily meet asset goals by targeting them.

"Older clients are attractive today, but over time that portfolio starts to transition into less actively traded money, and the demands on serving those clients don't really go down," said Pat Kennedy, co-founder of PriceMetrix Inc., a practice management software firm. "If you get them on the way up, you can enjoy the accumulation of wealth and it will help you grow faster."

> "IF YOU GET THEM on the way up, you can enjoy the accumulation of wealth."
>
> **Pat Kennedy**
> Co-founder
> PriceMetrix

The group in the study that showed the faster growth had 27% of clients under 45.

The report also found that the average client age is 62 but will reach 70 in a few years if more advisers don't start incorporating more young clients into the mix.

Even younger advisers appear to be largely ignoring such clients, according to the report. The average client of advisers under 45 is between 16 and 28 years older than themselves.

NEW INCENTIVES

Given the long-term growth rates suggested in the research, firms should consider ways to provide advisers with incentives to bring in younger clients, the report said.

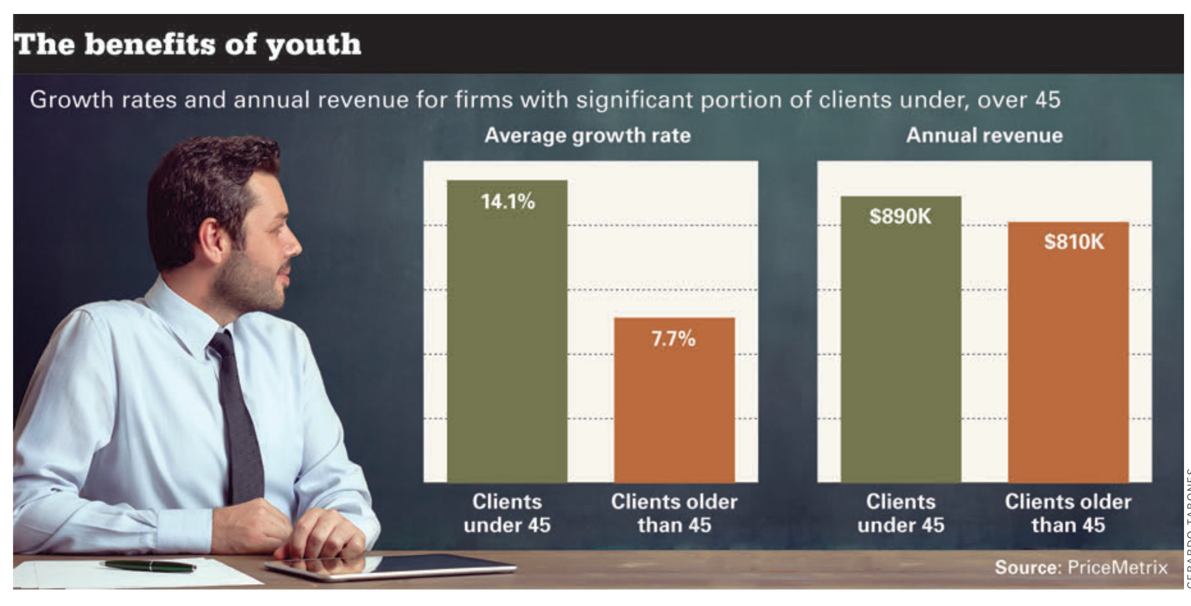
As an example, it showed that a 40-year-old client with $150,000 in assets will produce $1,900 in current annual revenue but grow at 7% a year, while a client 55 to 70 with $500,000 in assets will produce $5,100 in revenue but grow at 3.8% a year.

The average age of advisers — 52, according to this study — comes with its own problems.

Older advisers increase their businesses more slowly than younger ones. After about age 40, practice growth gradually declines until the adviser retires, the study found.

"The impact of the aging adviser base and client base is talked of in terms of what's going to be an issue in the future, but it's affecting growth rates of these firms today," Mr. Kennedy said.

lskinner@investmentnews.com
Twitter: @skinnerliz



TAKE A STEP BACK

and gain better perspective on income investing

Nuveen Closed-End Funds can complete your financial picture by providing broader diversification and enhanced income potential.

Learn more from a leader in closed-end funds. Call 800.752.8700 and visit nuveen.com/cef.

Fund shares are not guaranteed or endorsed by any bank or other insured depository institution, and are not federally insured by the Federal Deposit Insurance Corporation. Shares of closed-end funds are subject to investment risks, including the possible loss of principal invested. Shares of closed-end investment companies frequently trade at a discount from their net asset value. Past performance is no guarantee of future results. When evaluating investment choices, investors should be aware that some closed-end funds include only net investment income in regular payments, while others may include income and/or a portion of realized gains, and/or capital (representing unrealized gains or paid-in/retained capital) in each regular payment. Nuveen Securities, LLC is a subsidiary of Nuveen Investments, Inc.
Mosaic courtesy of Martha Crandall via the Chicago Mosaic School
©2015 Nuveen Investments, Inc.

Obama moves to ease student loan burden

Purpose is to assist borrowers navigating repayment process

By Bloomberg News

President Barack Obama took administration action last Tuesday aimed at helping federal student loan borrowers navigate the repayment process and tightening rules for private companies servicing school debt.

Mr. Obama directed the Education Department to create a website that gives borrowers a simple way to lodge complaints about lenders, collection agencies and universities.

The government also will create a centralized portal for borrowers to access information about and pay their federal loans, regardless of which contractor is servicing their debt.

And the presidential memorandum Mr. Obama signed will implement consumer protections that require contractors to more clearly notify students of their repayment options and when their loans are transferred between servicers.

> "THE IDEA IS to get ahead of students who are encountering challenges and make sure they have access to the information they need."
>
> **James Kvaal**
> Deputy director
> Domestic Policy Council

"Higher education has never been more important, but it has never been more expensive," Mr. Obama told an audience at Georgia Tech in Atlanta, where he outlined what he described as a student bill of rights. "Every student should be able to access the resources to pay for college."

LOWERING PAYMENTS

The steps will help borrowers better understand to whom they owe money, as well as their options for lowering payments and avoiding default, according to the administration.

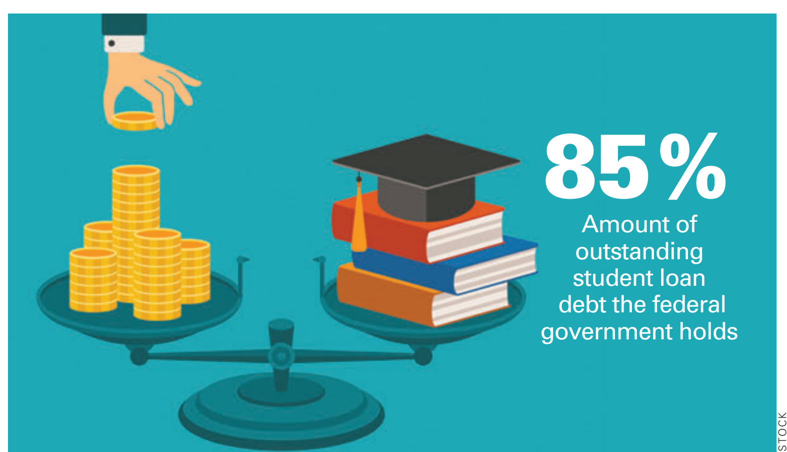
"The idea is to get ahead of students who are encountering challenges and make sure they have access to the information they need to help them manage their payments," James Kvaal, the deputy director of the Domestic Policy Council, said in a conference call with reporters last Monday.

The administration also will develop recommendations for regulatory and legislative changes for student loan borrowers, including possible changes to the treatment of loans in bankruptcy.

Under U.S. law, student loan obligations can rarely be discharged in bankruptcy, making them more onerous than credit card or mortgage debt.

Mr. Obama said the administration would take a "hard look" at whether legislation is necessary.

The moves will increase pressure on private companies hired by the government to collect from borrowers defaulting on their loans. Critics say the companies insist on stiff payments even when borrowers are eligible for deferment programs. They also say the companies don't do enough to make clear why students are receiving the bills and to let them know their options.



ISTOCK

PILOT PROGRAM

Officials say they will use the data collected by the complaint system, set to come online July 1, 2016, to evaluate the practices of contractors and colleges. The administration is also starting a pilot program to directly seek repayment from students in default on their federal loans.

The program is intended to "acclimate" the administration with collection practices, according to Deputy Treasury Secretary Sarah Bloom Raskin.

Ms. Raskin said that while the administration doesn't envision replacing contractors with federal collectors, the pilot program would help them learn "what kind of enhancements" it could require of those servicing student debt.

The federal government holds about 85% of the country's outstanding student loan debt.

The White House has made college lending a central focus of the president's economic agenda. In his State of the Union address in January, Mr. Obama proposed offering free community college tuition to certain students.

GIVE CLIENTS A SOFTER LANDING AT TAX TIME
TO HELP THEIR INVESTMENTS GROW.

Annuities are issued by Pruco Life Insurance Company and by Pruco Life Insurance Company of New Jersey, Newark, NJ (main office).

All references to income certainty and guarantees are backed by the claims-paying ability of the issuing company and do not apply to the underlying investment options.

Before investing, your client should consider the investment objectives, risks, charges and expenses of the annuity and its investment options. Call the National Sales Desk for a free prospectus containing this information. Your client should read it carefully.

Issuing companies are located in Newark, NJ (main office). Variable annuities are distributed by Prudential Annuities Distributors, Inc., Shelton, CT. All are Prudential Financial companies and each is solely responsible for its own financial condition and contractual obligations. Prudential Annuities is a business of Prudential Financial, Inc.

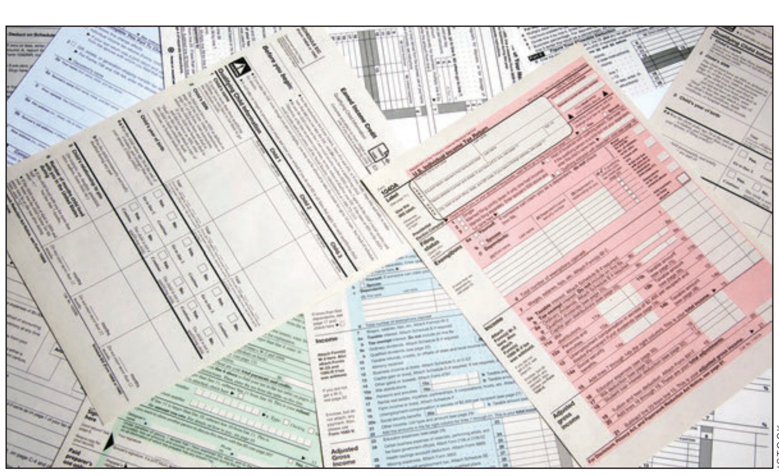
Annuity contracts contain exclusions, limitations, reductions of benefits and terms for keeping them in force. Your licensed financial professional can provide you with complete details.

© 2014. Prudential Financial, Inc. and its related entities. Prudential Annuities, Prudential, the Prudential logo, the Rock symbol, and Bring Your Challenges are service marks of Prudential Financial, Inc. and its related entities, registered in many jurisdictions worldwide.

The Prudential Premier Investment Variable Annuity offers certain subaccounts that invest in underlying Portfolios that are subject to a predetermined mathematical formula applicable to benefits that are not available with this Annuity. Before your clients allocate to these subaccounts, your clients should consider the impact the formula will have on each Portfolio's risk profile, expenses and performance.

0271759-00001-00

Senate leaders are seeking public input on taxes


ISTOCK

Advisers get the chance to share their ideas for reforming the code

By Mark Schoeff Jr.

Investment advisers and brokers have no shortage of opinions on tax policy. Now they can share their thoughts with two lawmakers who will be instrumental in reforming the code.

Last Wednesday, Sen. Orrin Hatch, R-Utah, chairman of the Senate Finance Committee, and ranking member Sen. Ron Wyden, D-Ore., began asking the public for ideas about how to overhaul the tax code.

They are seeking comment from individuals, businesses and interest groups by April 15.

The feedback must be submitted as a PDF attachment in an email to one of five committee working groups: individual income tax (individual@finance.senate.gov), business income tax (business@finance.senate.gov), savings and investment (savings@finance.senate.gov), international tax (international@finance.senate.gov) and community development and infrastructure (communitydevelopment@finance.senate.gov).

"By opening up our bipartisan working groups to public input, we hope to gain a greater understanding of how tax policy affects individuals, businesses and civic groups across our nation," Mr. Hatch and Mr. Wyden said in a statement.

Former congressional aides said the lawmakers and committee staff will listen to the responses, and what will likely catch their ear are new voices and new perspectives.

"This is a golden opportunity for taxpayers interested in tax reform," said Marc Gerson, a partner at Miller & Chevalier and a former Republican tax counsel for the House Ways & Means Committee. "The working group process, the hearings and all the taxpayer comments will influence and frame what a future Senate Finance Committee tax-reform package looks like."

> "THEY VERY MUCH want to understand how things are working in practice."
>
> **Dean Zerbe**
> National managing director
> alliantgroup

"The committee is most interested in hearing from people who don't normally come forward," said Dean Zerbe, national managing director of alliantgroup and former Republican tax counsel for the Senate Finance Committee. "It's an opportunity for people who are not having their voices heard, who don't have the big lobbying shops working for them."

OFFER SOLUTIONS

It's not enough for respondents simply to complain about taxes, the former Hill staffers said. It's best to write a brief and specific letter about solutions.

"More important than being concise is being thoughtful from a policy and technical perspective," Mr. Gerson said. "Tying the benefits [of a particular tax change] to the economy, to job creation, is very important."

Committee staff and lawmakers need to know the daily impact of the tax code.

"They very much want to understand how things are working in practice," Mr. Zerbe said.

Mr. Hatch and Mr. Wyden have set an end-of-May deadline for the working groups to make recommendations for tax changes.

It's unclear how much tax-reform progress will be accomplished during the current Congress, which concludes in late 2016. Nearly half of the business executives polled by Miller & Chevalier and the National Foreign Trade Council in January predicted that tax reform will be enacted in 2017.

"It's not a question of if but when," Mr. Gerson said.

Lawmakers most likely are laying the groundwork for reform that will be enacted over the next couple of years.

"It feels more and more like we're preparing for the next election," Mr. Zerbe said.

mschoeff@investmentnews.com
Twitter: @markschoeff

THAT'S HOW YOU GROW. SMARTER.

DISCOVER PRUDENTIAL PREMIER® INVESTMENT VA.

Is your clients' investment growth compromised every April 15th? Are they paying current taxes on income they're not spending now?

It's time to make the most of opportunities to help your clients grow their assets—and help you grow your business.

Premier Investment VA helps answer the challenge with tax-free asset transfers and tax-deferral as part of an efficient investment growth strategy.

It offers a unique pro-growth fee structure designed to help clients keep more of their assets invested to fuel future growth. It provides a range of investment choices spanning multiple strategies, styles, and sectors, to help clients take advantage of today's market trends and tomorrow's opportunities.

Learn how our Premier Investment VA can help provide a softer landing at tax time to help clients' investments grow. Visit prudential.com/GrowSmarter or call our National Sales Desk at 844-408-0405.

And get ready to help your clients **Grow. Smarter.**

While most traditional VAs assess insurance charges daily based on account value, the insurance charge for the Premier Investment VA is assessed partially on account value and partially on cumulative purchase payments (adjusted for withdrawals). When we refer to the "pro-growth" charge structure, we are illustrating that when compared to most traditional VAs, any growth in your client's account value will result in an overall insurance charge that represents a smaller percentage of account value (a lower "effective charge"). This is because the portion of the charge based on cumulative purchase payments remains constant. Conversely, if your client's account value were to decline below cumulative purchase payments (adjusted for withdrawals), this would result in a higher effective charge.

The Premier Investment Variable Annuities are available at a total annual insurance cost of 1.10% to 1.35%, with additional fees related to the professionally managed investment options. Return of Purchase Payments Death Benefit is available for an additional annual fee of 0.30%. Please see the prospectus for additional information.

A variable annuity is a long-term investment designed for retirement purposes. A financial professional can help determine if it's suitable for you. Investment returns and the principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than the original investment. Withdrawals or surrenders may be subject to contingent deferred sales charges. Withdrawals and distributions of taxable amounts are subject to ordinary income tax and, if made prior to age 59½, may be subject to an additional 10% federal income tax penalty, sometimes referred to as an additional income tax. Withdrawals, other than from IRAs or employer retirement plans, are deemed to be gains out first for tax purposes. Withdrawals reduce the account value and death benefits.

Please note that if your clients are investing in this Annuity through a tax-advantaged retirement plan (such as an Individual Retirement Account or 401(k) plan), they will get no additional tax advantage through the Annuity itself. If your clients are investing through a tax-advantaged plan, they should consult their tax adviser to determine whether the features of this Annuity, such as the optional Return of Purchase Payments Death Benefit, the annuitization options and the investment options, make the Annuity an appropriate investment for their needs. Prudential, its affiliates, its distributors and their respective representatives do not provide tax, accounting or legal advice.

Issued on contract: P-OB/IND(5/14), P-OC/IND(5/14) et al. or state variation thereof. Issued on rider: P-RID-ROP(5/14) et al. or state variation thereof.

March mad for stocks like Buffalo Wild Wings

College basketball boosts beer makers, bars and restaurants

Bloomberg News

GETTY IMAGES

Basketball courts won't be the only place for action when the NCAA championships begin this week. Buffalo Wild Wings Inc. and Domino's Pizza Inc. are among companies that could ride the fan frenzy that accompanies this annual three-week spring sports obsession.

Shares of Buffalo Wild Wings have outpaced the S&P 500 by an average of 5.8 percentage points each March for the past 10 years. The Minneapolis-based chain, which has a sponsorship partnership with the National Collegiate Athletic Association, led the broader market by almost 2 percentage points last March.

That's helped make this "standout stock" a tournament powerhouse, said Chris Bertelsen, chief investment officer of Global Financial Private Capital, a Sarasota, Fla.-based wealth manager with $4.5 billion in assets.

Buffalo Wild Wings is "poised for continued growth" heading into a historically "dynamite" period and on the heels of a 2 percentage point outperformance year to date, Mr. Bertelsen said, adding that his company has owned the stock for about two years.

The sports-themed restaurants are "buoyed by great momentum going into the tournament," said Buffalo's chief executive, Sally Smith. The company has its own goal: to beat last year's chicken wings sales of about 94 million during March Madness.

Even after a 3% menu price increase in November, same-restaurant sales are up year to date. Managers will keep daily tabs on traffic and sales trends throughout the event, Ms. Smith added.

LINING UP

Many locations will be at capacity for the games, which begin March 19, with some fans lining up an hour in advance, she said.

"During those first four days of March Madness, the match-ups are almost immaterial because people just love college basketball."

Fans at home could boost sales for Domino's, said David Yucius, who oversees more than $1 billion in assets as a portfolio manager at New York-based Lebenthal Asset Management. Shares of the Ann Arbor, Mich.-based company are outpacing the S&P 500 by 7.7 percentage points year to date.

This stock hasn't been as consistent a March performer as Buffalo Wild Wings — it has posted average relative gains of 2.2 percentage points in March the last 10 years, but trailed the market by 3.3 percentage points last March.

Mr. Yucius and his colleagues bought Domino's stock about a year ago because the company has invested heavily in technology to make it easier to order food online or via mobile applications, he said.

While other businesses could see a tournament-related boost — brewers and apparel manufacturers come to mind — bars and restaurants tend to dominate attention, Mr. Bertelsen said.

That seems justified as retail sales for food service and drinking places have risen an average of 5.1% in March from the same month the previous year going back to 2000, according to figures from the Commerce Department. That compares with average gains of 4.8% during the remaining 11 months of the year.

Shares of companies that advertised heavily during the 2014 tournament also may have benefited from the event. Capital One Financial Corp., Anheuser-Busch InBev NV, Southwest Airlines Co., AT&T Inc. and Allstate Corp. were the top five advertisers last year, according to Nielsen NV, which tracks TV ratings.

STRONG GAINS

Those stocks outpaced the S&P 500 Index by an average of 4.3 percentage points last March and four of the five had stronger relative gains than their prior 10-year average for that month.

Sports enthusiasts who drive sales for some businesses may do so at the expense of their employers. The cost to U.S. companies is about $2 billion for every hour workers spend watching, researching or talking about basketball during the tournament, according to calculations by Challenger Gray & Christmas Inc.

The first week is "particularly hazardous" to output because there are dozens of weekday games, said John Challenger, CEO of the Chicago-based human resources consulting company.

Still, many employees won't need to hide their obsession — emboldened as they are by a stronger labor market, Mr. Challenger said. Nonfarm hiring averaged 292,800 a month in September through February, the biggest six-month average since 2000, based on data from the Department of Labor.

Some executives will even play along, Mr. Challenger said, as a short-term productivity dip can boost morale and retention, and make work "a little more fun."

SOCIAL ASPECT

That's the case at Seurat Group, where employees are encouraged to fill out brackets for an office-wide pool. Participation offers an opportunity to imbue the workplace with a social aspect, and the benefits of bolstering camaraderie outweigh potential costs, according to Mike Urness, a managing partner of the privately held consulting group, based in Norwalk, Conn.

A self-described "huge fan," Mr. Urness has been known to slip out early to catch a game on television. "I can relate to the idea of lost productivity, but I don't worry about that as a business owner," he said.

Patrons who linger over lunch will be welcomed at Buffalo Wild Wings' 1,080 locations, as the company is gearing up with limited-time menus and a daily, in-restaurant sports competition, Ms. Smith said.

Janus fund's returns trail, assets drop

Bloomberg News

Bill Gross' Janus Global Unconstrained Bond Fund suffered its first month of net client redemptions last month since he joined, as its performance returns trailed peers.

Investors pulled $18.5 million from the fund in February, leaving it with about $1.45 billion in assets, Chicago-based research firm Morningstar Inc. estimated. The fund has declined 0.8% this year, trailing 96% of similarly managed funds, Morningstar said.

The redemptions are a setback for Mr. Gross, 70, who fueled much of the fund's growth last year as assets surged from about $13 million before he joined.

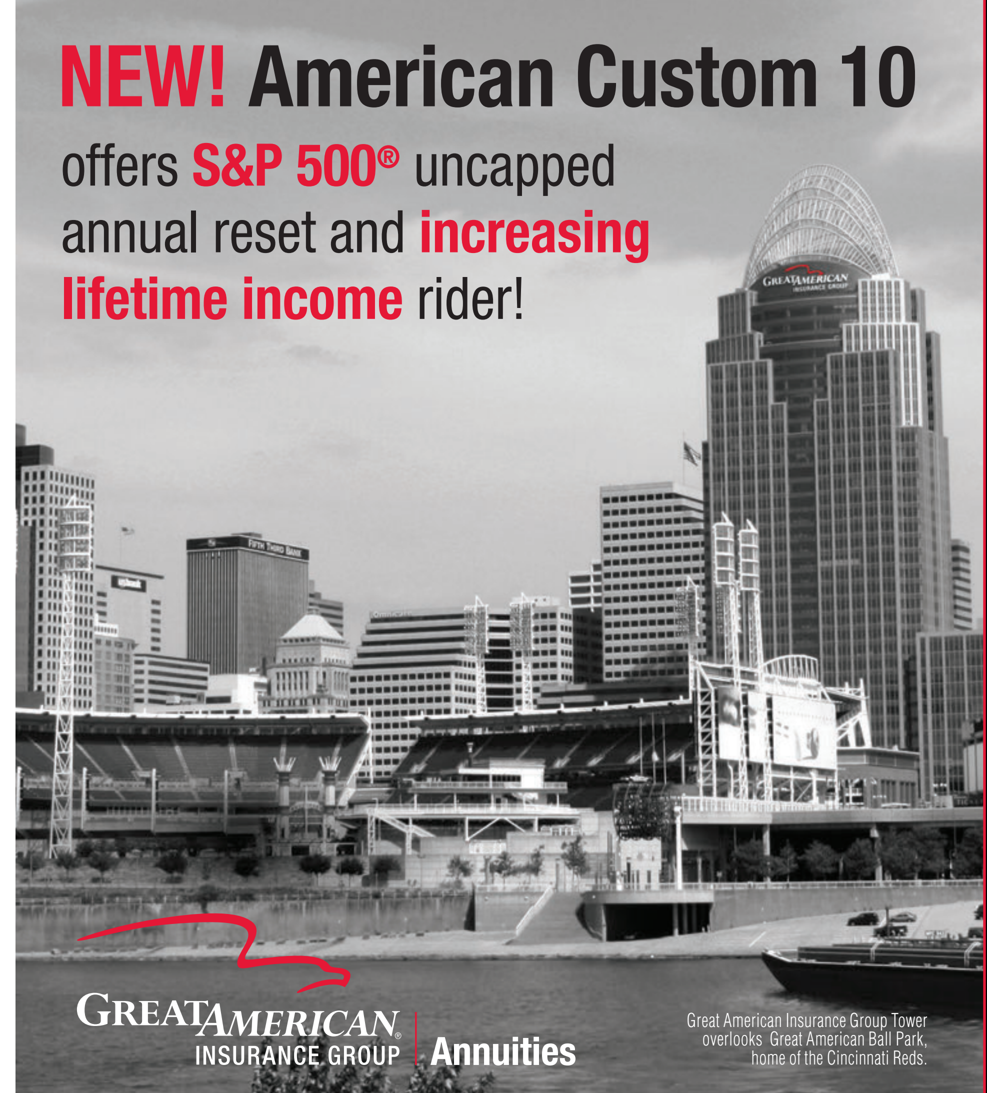
Richard M. Weil, chief executive of Janus Capital Group Inc., said on a Jan. 22 conference call that more than $700 million of the fund's assets came from Mr. Gross himself.

FAMILY STAKE

Janus had an 18% increase in earnings last quarter as it attracted net new money for the first time in more than five years. The company reported $2 billion in net subscriptions for the fourth quarter, mostly into bond funds.

Mr. Gross and his family held a 51.2% stake in the fund as of Dec. 31, according to a Janus filing, with a market value of about $739 million at year-end.

Mr. Gross previously ran the world's biggest bond fund, the Pimco Total Return Fund, at Newport Beach, Calif.-based Pacific Investment Management Co., the company he co-founded in 1971, before abruptly departing for Janus on Sept. 26, 2014.



Help your clients maximize their retirement income with the American Custom 10 fixed-indexed annuity from Great American Life.

- Multiple indexed strategies, including S&P 500® point-to-point with participation rate for **uncapped earning potential**
- 3 optional riders - including Stacked Income Option℠ for **performance driven, increasing income**
- 4 commission options, including **1% trail** on account value
- From a company that's rated **"A" (Excellent)** by A.M. Best and **"A+"** by Standard & Poor's.

Visit www.GAannuity.com to learn more.

The S&P 500 Index is a product of S&P Dow Jones Indices LLC ("SPDJI"), and has been licensed for use by Great American Life. Standard & Poor's®, S&P®, S&P 500®, SPDR® and STANDARD & POOR'S DEPOSITORY RECEIPTS® are registered trademarks of Standard & Poor's Financial Services LLC ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by Great American Life Insurance Company. Great American Life's American Custom 10℠ is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, their respective affiliates, and none of such parties make any representation regarding the advisability of investing in such product nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

A.M. Best rating affirmed Feb. 21, 2014. S&P rating affirmed Dec. 4, 2013. In the S&P 500 point-to-point with participation rate indexed strategy, the participation rate limits the indexed interest rate to a percentage of the change in the S&P 500 index, but the indexed interest rate is not capped at a maximum percentage. In the Stacked Income Option, the benefit base amount, on which rider income payments are based, is increased by interest credited to the account value, which may include indexed interest determined in part by changes in a market index or a fund unit value. Optional riders are available for an annual charge. Products issued by Great American Life Insurance Company®, a member of Great American Insurance Group. (Cincinnati, Ohio) under contract form numbers P1104314NW and P11044NW, and rider form numbers R6046814NW, R6046914NW and R6047014NW. Form numbers and features may vary by state. Not available in all states. For producer use only. Not for use in sales solicitation. 3643-SP

Pimco Total Return reverses course set by Gross

Scott Mather and team boosting total mortgage allocation to 30%

By Bloomberg News

The new Pimco managers of the world's largest bond fund are embracing the mortgage securities that Bill Gross shunned.

Scott Mather, who replaced Mr. Gross as one of the portfolio managers of the Pimco Total Return Fund, has been buying government-backed bonds, helping boost its total mortgage allocation to 30% on Jan. 31 from 20% in September. Before he left Pacific Investment Management Co. that month, Mr. Gross had been reducing his holdings of MBS, even as agency securities had their best performance last year since 2011.

Pimco Total Return's managers — Mr. Mather, Mark Kiesel and Mihir Worah — are trying to improve performance after investors withdrew more than $100 billion from the fund last year. They're buying agency mortgage securities to bring the fund's allocation more in line with its index even as BlackRock Inc. and Western Asset Management Co. sell the bonds in anticipation of more volatility and prepayments in 2015.

> "IT CAN'T BE ignored that this is their opportunity to remake the portfolio in their image."
>
> **Jeff Tjornehoj**
> Analyst
> Lipper

"They're moving more neutral, which means they expect agencies to perform better than what the fund's prior thoughts were," said Todd Rosenbluth, director of mutual fund research for S&P Capital IQ.

The Pimco fund, a staple in the 401(k) plans of millions of Americans, has advanced 0.9% this year, beating 92% of peers, according to data compiled by Bloomberg. In 2014, the fund's returns trailed more than half of its peers as well as its benchmark index, the Barclays U.S. Aggregate.

LOWER PRICES

Mr. Mather, who early in his career worked as a trader specializing in mortgage bonds at Goldman Sachs Group Inc., said the fund had sold agency MBS in anticipation of lower prices following the Federal Reserve's slowing its asset purchases and the impending rate hike.

"It is relatively unusual for us to own as little agency MBS as we have had," Mr. Mather, 46, who joined Pimco in 1998, said in an email. "To some extent we have reduced our underweight by buying select agency mortgages."

While the Pimco fund's allocation to agency mortgage bonds has increased, it still holds fewer of them than the Barclays index. BlackRock and Western Asset Management had held more or about the same amount of the securities than the index last year and have been selling them since the fourth quarter. The Pimco fund has a bigger allocation to mortgage securities that aren't backed by the government than the index.

Agency bonds started to slow in the fourth quarter and underperformed Treasuries, according to Bank of America Merrill Lynch index data. This year, they've returned 0.22% compared with 0.11% for Treasuries, the data show.

The mortgage allocation of the Pimco fund may also have increased as managers maintained its nonagency bonds while selling securities in other sectors, said Sarah Bush, a senior analyst at research firm Morningstar Inc. Mr. Mather said the fund's nonagency position hasn't changed meaningfully since September.

Pimco Total Return had the highest client withdrawals in the history of fund management last year as investors pulled a record $105 billion. The company also lost its co-chief investment officer, Mohamed El-Erian. Withdrawals from the $125 billion fund slowed to $8.6 billion in February, the lowest in six months.

BOND KING

The Pimco fund trailed most of its peers for three of the last four years of Mr. Gross' management. Before then, the bond king had been largely untouchable while his fund topped peer rankings and assets more than quintupled over the past decade.

On Sept. 26, Mr. Gross, 70, said he was leaving Pimco and joining Janus Capital Group Inc. The executive committee had threatened to oust him following a power struggle with senior executives. Dan Ivascyn, an MBS expert, is now Pimco's group chief investment officer.

"It can't be ignored that this is their opportunity to remake the portfolio in their image," said Jeff Tjornehoj, an analyst at Lipper, a research firm.

Erin Freeman, a spokeswoman at Janus, didn't respond to an email requesting a comment from Mr. Gross.

DON'T GET STUCK WITH AN IMPRECISE INVESTMENT.

SPY At one time or another, you may have had an unfortunate situation with a vending machine. So you know the slightest imprecision can keep you from getting what you want.

Investments are no different. If not matched precisely to your strategy, you'll be left hanging.

To help prevent this, State Street Global Advisors offers over 140* SPDR ETFs. They cover a broad range of asset classes, so investors have the tools they need to build a precise and diversified portfolio.

If you have a craving for precision, then visit us at spdrs.com/highlights.

SPDR STATE STREET GLOBAL ADVISORS
Precise in a world that isn't.

STATE STREET GLOBAL ADVISORS

LISTED NYSE ARCA

Before investing, consider the funds' investment objectives, risks, charges and expenses. To obtain a prospectus or summary prospectus, which contains this and other information, call 1.866.787.2257 or visit www.spdrs.com. Read it carefully.
ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETFs net asset value. Brokerage commissions and ETF expenses will reduce returns.

The SPDR® S&P 500® ETF Trust is an exchange traded fund designed to generally correspond to the price and yield performance of the S&P 500 Index™
"SPDR," S&P and S&P 500 are registered trademarks of Standard & Poor's Financial Services, LLC ("S&P") and have been licensed for use by State Street Corporation. No financial product offered by State Street or its affiliates is sponsored, endorsed, sold or promoted by S&P.
ALPS Distributors, Inc. is distributor for SPDR S&P 500 ETF Trust, a unit investment trust.
*As of October 3, 2014
IBG-11599

Consumer study derides mandatory arbitration

By Mark Schoeff Jr.

A new study of arbitration in the financial services sector by the Consumer Financial Protection Bureau could spur the Securities and Exchange Commission to take a look at such clauses in brokerage contracts.

The CFPB released a report last Tuesday that asserts that consumers are hurt by mandatory arbitration provisions in contracts involving credit cards, checking accounts, prepaid cards, payday loans, private student loans and mobile wireless services.

The study shows that between 2010 and 2012, 1,847 arbitration disputes were filed across the six categories. In 1,060 cases filed in 2010 and 2011, consumers received a combined total of less than $175,000 in damages and less than $190,000 in debt forbearance.

Richard Cordray: Director of CFPB says few consumers know about arbitration clauses or understand their impact.

BLOOMBERG

"Tens of millions of consumers are covered by arbitration clauses, but few know about them or understand their impact," CFPB Director Richard Cordray said in a statement.

The study could lead to CFPB rulemaking. The agency does not have jurisdiction over investment advisers and brokers, but its report could influence the SEC, observers said.

The Dodd-Frank law empowered the SEC to end mandatory pre-dispute arbitration, a provision in nearly all brokerage contracts and an increasing number of investment adviser customer agreements. The Financial Industry Regulatory Authority Inc., the industry-funded broker-dealer regulator, runs the arbitration system used to settle investor and broker disputes with financial companies.

"The fact that the [CFPB] report has been issued and shines a spotlight on consumer financial arbitration will bleed over to the SEC and what it might do with its Dodd-Frank authority regarding arbitration," said George Friedman, a former director of Finra arbitration.

INTERAGENCY MOMENTUM

The Public Investors Arbitration Bar Association, an opponent of mandatory arbitration, hopes that the CFPB report will give interagency momentum to the SEC review. In the nearly five years since the enactment of Dodd-Frank, the SEC has said little about mandatory arbitration.

"It should be very influential over the SEC," said Joe Peiffer, PIABA president and managing partner at Peiffer Rosca Wolf Abdullah Carr & Kane. "Retail investors are consumers. It's just a different type of consumer."

> "WHEN YOU SIGN a brokerage contract, it's like closing on a house. You have a zillion different documents."
>
> **Joe Peiffer**
> PIABA president

Mr. Pfeiffer said the CFPB conclusion that consumers know little about arbitration could be applied to investors.

"They have no idea that they have an arbitration clause," he said. "When you sign a brokerage contract, it's like closing on a house. You sign a zillion different documents."

The Finra arbitration system has been criticized for favoring financial firms over investors. Proponents say arbitration allows investors to get relief faster and less expensively than through the court system.

"Finra's system has many, many safeguards that make it a fairer system," Mr. Friedman said.

For instance, Finra serves the claim on the financial firm for the investor, hearings are held near where investors lived when the events in dispute occurred and all-public arbitration panels have become the default for Finra cases. Investors also can pursue class action suits instead of arbitration — an option Finra reinforced in a case involving Charles Schwab Corp.

Finra has established an arbitration task force that is looking at how to improve the system. At the top of its agenda is a review of the "mandatory nature of arbitration."

Mr. Peiffer hopes the CFPB report also will give a boost to a bill recently introduced in Congress that would end mandatory arbitration in advisory contracts. The bill will be at the top of PIABA's agenda during its Capitol Hill day on March 27.

mschoeff@investmentnews.com
Twitter: @markschoeff

GLOBAL COMMUNITY IMPACT AWARD

Presented to an adviser who has made a lasting impact on a community in another country by actively serving as a volunteer for at least 3 years with a charity whose primary mission is to help those who live outside the United States

The Community Leadership Awards were established by the Invest in Others Charitable Foundation to recognize and celebrate financial advisers across the country for their exemplary leadership and contribution to philanthropic efforts.

Winners will receive a $20,000 donation to the charity they support.

Award categories include: Catalyst, Community Service, Volunteer of the Year, Global Community Impact and Lifetime Achievement.

NOMINATION DEADLINE: **APRIL 15, 2015**
VISIT: **INVESTINOTHERS.ORG**

Inspire hope. Impact a community. **Change the world.**

INVESTMENT STRATEGIES
David Sherman

Take advantage of bond volatility

How to distinguish between 'money-good' bonds and those that could suffer permanent damage

Long-term investors should not confuse credit risk with market volatility — the latter sometimes creates opportunity. This distinction is particularly important for bond investors who have watched the recent sell-off in the high-yield market.

There are good reasons to believe the bloodletting in the energy sector is not over and that further declines will again influence the broader high-yield market.

But there's a distinction between bonds that suffered price declines but no change in credit quality, and energy industry credits that most likely will be impaired permanently.

The former are "money-good" bonds: They pay 100% of principal at maturity — or earlier if redeemed by the issuer prior to maturity — and offer long-term opportunity. The latter presage a loss of capital.

The key for advisers is doing the research required to understand the difference.

In the second half of 2014, Federal Reserve Chairwoman Janet Yellen warned of speculative lending conditions causing the tide of the high-yield market to begin to rush out as capital outflows gained momentum.

FOR LONG-TERM investors, speculating on the Fed is a fruitless undertaking.

Just as market conditions began to settle, the oil bubble popped and high-yield investors began to worry about permanent damage to their portfolio.

SELLING BONDS

The sharp decline in high-yield energy credits, combined with an acceleration in fund redemptions, caused portfolio managers to sell whatever bonds they could — even if completely uncorrelated to the energy market — to avoid further losses and raise liquidity.

As might be expected, this caused option-adjusted spreads (OAS) to widen sharply. More importantly, the difference in the OAS of the H100 (an index of the most-liquid bonds in the high-yield market) and that of the H0A0 (an index reflecting the entire high-yield market) widened to 138 basis points at the end of 2014 from 40 to 45 basis points early in the year.

Thus, the sell-off created opportunities for buyers of money-good bonds as yields widened for non-energy issuers for reasons unrelated to credit quality.

The recent bout of high-yield weakness is not unlike the sharp decline in the high-yield market in 2002 following a rash of issuance in the cable, telecom and utility sectors. At the time, bonds issued in those industries accounted for more than 25% of the high-yield market, with many of the financings speculatively premised on projected growth.

As a result, the high-yield market suffered many defaults and a negative return in 2002. In 2003, money-good credits, depressed in the downdraft, rebounded, providing returns in excess of 20%.

Energy credits now account for 15% to 20% of the high-yield market, with a significant portion issued over the last two years under similarly dubious underwriting standards.

OIL IN THE GROUND

That said, while telecom metrics often proved of questionable real value, oil in the ground is worth something. Its value to bondholders will depend on the level of a company's debt, the cost of extraction and the going price for oil.

If oil prices remain low for an extended period, we will almost certainly see a higher incidence of distress among exploration and production companies, equipment suppliers and service providers. But even a challenged energy industry will present opportunities to achieve attractive returns in credits that prove to be money good.

For archived columns, go to InvestmentNews.com/investmentstrategies

By definition, a bond buyer has limited upside. In the best-case scenario, you get your money back along with coupon payments. Recovering from a loss of capital is difficult in the bond world, so credit mistakes cost dearly.

The Federal Reserve — and the potential for rate increases — represent another overhang for the market. For long-term investors, speculating on the Fed is generally a fruitless undertaking.

A more productive course would be to focus on shorter-maturity bonds to minimize the mark-to-market risk of the portfolio, while seeking to pick up the money-good bonds left on the beach after the tide goes out.

David Sherman is a principal at Cohanzick Management and portfolio manager for the RiverPark Strategic Income and RiverPark Short Term High Yield bond funds.

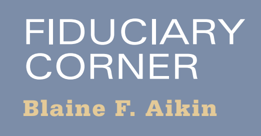
WE'RE ACTIVE ALL OVER THE WORLD.

We believe in the power of active management. Every day, our teams collaborate around the world to actively uncover, discuss and debate investment opportunities, which leads to better decisions for our clients. Put our global active management expertise to work for you. Find out how at **mfs.com/getactive**.

There Is No Expertise Without Collaboration℠

Boston | Hong Kong | London | Mexico City | São Paulo | Singapore | Sydney | Tokyo | Toronto

©2015 MFS Investment Management 32078.1



Redefining an accredited investor

The SEC's possible addition of a financial sophistication test might benefit advisers

For more than three decades, the Securities and Exchange Commission has measured the ability to bear the risk of investing in private placements by financial assets, not acumen. That may be about to change.

In 1982, the SEC adopted Regulation D to help small businesses raise capital by offering the sale of unregistered securities to accredited investors deemed able to fend for themselves in the private-placement market. Accredited investors include those with net worth in excess of $1 million or income greater than $200,000 in each of the past two years ($300,000 for couples).

'DEEP DIVE'

Dodd-Frank requires the SEC to review the definition every four years. The last review was in 2011, and Chairwoman Mary Jo White has said the SEC's staff is taking "a very deep dive" into the issue.

The financial stakes are significant. In 2013, Reg D issuers raised more than $1 trillion, versus $1.3 trillion raised in public offerings.

Two of the SEC's volunteer advisory panels have weighed in with recommendations for changes.

The most expansive set of comments come from the Investor Advisory Committee (IAC), which focused on investor protections.

In contrast, the Advisory Committee on Small and Emerging Companies' recommendations centered on capital raising. It advocated a "do no harm" approach, guided by the philosophy that "any modifications to the definition should have the effect of expanding ... the pool of accredited investors."

For archived columns, go to InvestmentNews.com/fiduciarycorner

Both committees endorse expanding the definition to include people who pass a sophistication test, regardless of their net worth or income. The IAC offered the possibility of basing sophistication on achieving a nationally recognized designation, such as Chartered Financial Analyst, or passing a standard examination, such as the Series 7 securities test.

Though choosing a designation from among the dozens in the industry would be tricky, there is precedent for such a quasi-official seal of approval. For example, state regulators for years have waived the Series 65 exam for investment adviser representatives who hold one of five nationally recognized designations.

It is worth noting that a financial sophistication requirement does show up under Reg D for certain securities sales that allow nonaccredited investors.

Specifically, Rule 506 allows for a limited number of nonaccredited investors who know enough to make an informed decision on their own or who are advised by a "purchaser representative" with the necessary level of sophistication.

If the definition is expanded through a sophistication test, these nonaccredited investors would apparently become accredited, and the limitation on their numbers would be removed.

PURCHASER REPS

Purchaser reps include investment advisers, brokers, lawyers, and others with appropriate knowledge and experience. The IAC has recommended changes to the requirements for purchaser reps that would sharply curtail conflicts of interest and require fiduciary accountability for these professionals.

Should the SEC decide to add a sophistication test to expand the accredited investor definition and strengthen the requirements for professional purchaser representatives, it is easy to envision a much larger role for advisers in the private offering marketplace. The doors could eventually open much wider to those willing and able to perform the necessary due diligence on nonregistered securities.

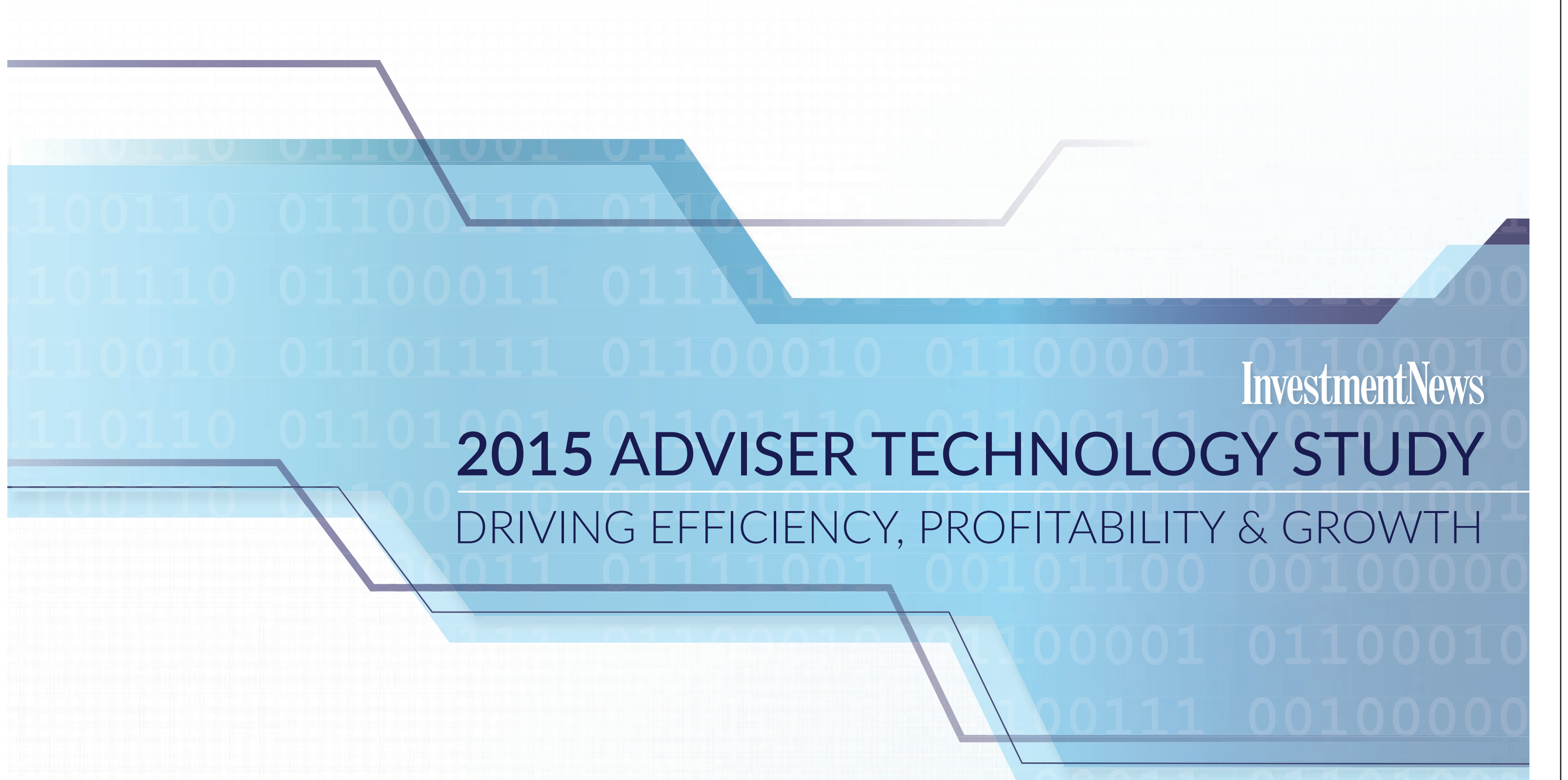
Experienced advisers know the importance of small-cap stocks in client portfolios, which is probably the best proxy for the risks of private placements. Small caps can reduce overall market risk for long-term investors through diversification. Research also suggests somewhat higher rates of return than those for mid- and large-cap stocks.

Early-stage companies amplify business-specific risks, however, and private placements generally lack liquidity and third-party research coverage.

Due diligence will demand an intense look into a company's financials and industry position. Because management typically will not have a proven record, interviews may be warranted.

New opportunities to work with accredited investors in private placement may seem like manna from heaven. But fiduciary advisers will have to appreciate the heightened responsibilities that come with the territory.

Blaine F. Aikin is president and chief executive of fi360 Inc.



We've compiled the latest technology trends from the industry's top innovators and performers.

Can your firm compete?

Get the info you need to better your business with the 2015 Adviser Technology Study.

ORDER YOUR COPY TODAY FOR $299
Visit InvestmentNews.com/2015techstudy

sponsored by Laserfiche

RETIREMENT WATCH
David Baxter

Help clients navigate new landscape

Continued work – sometimes in a new field – is becoming the norm and requires planning

Retirement used to mean the end of work, but not anymore. A recent national study by Merrill Lynch and Age Wave found that nearly half (47%) of today's retirees say they either have worked or plan to work during their retirement. And fully 72% of preretirees say they want to keep working after they retire.

Continuing to work can have important implications for retirement timing and lifestyle, including the amount of savings needed, income management, where to live, and payouts of Medicare and Social Security benefits.

And yet, just one-sixth of clients in the Merrill Lynch study say they have had an in-depth discussion with their financial adviser about whether they plan to work in retirement. Those plans are a missing — and an important — part of retirement preparation for many.

REINVENTING LATER LIFE

Retirement used to be simpler.

Traditionally, later life had two phases: preretirement and retirement, which usually meant a time for leisure and relaxation.

But as a growing number of people continue to work longer, they are redrawing the retirement map to include four distinct phases:

Phase 1: Preretirement. For many clients, preretirement is not about winding down but about exploring new directions.

In the two years before retirement, 54% of those who want to continue working will research and develop strategies for their next career move.

Phase 2: Career intermission. Fifty-two percent of working retirees took a break just after they retired, and the average career intermission is roughly two and a half years.

People use this time to recharge and retool, and many seek out resources and guidance for continuing to work.

But getting out of the game has downsides. Retirees say the biggest challenge of re-entering the workforce after time off is "skills slippage." In addition, it can take almost twice as long for older workers to find employment.

Phase 3: Re-engagement. In this phase — nine years on average — many retirees return to work.

But work at this point of life is often quite different from what it looked like before retirement. Most retirees say they work with unprecedented freedom and flexibility, and on their own terms.

Eighty-three percent of retirees are employed part-time, one-third own their own business or are self-employed, and three in five venture into a completely new field.

Though the extra income can come in handy, retirees are four times as likely to say they are continuing to work because they want to rather than because they must.

Phase 4: Leisure. Shifting from a mix of work and leisure, retirees in this phase have stopped working altogether. They view this period in their lives as an opportunity to concentrate on other priorities.

As an adviser, you can play an important role in helping your clients understand the benefits and pitfalls, and to develop strategies to achieve a fulfilling retirement career.

Talk with your clients — particularly in the few years before and after they retire — about whether they will keep working.

Help clients envision and prepare for continued work by expanding their business network, taking classes or volunteering, or working part-time in a field related to what they may want to do. Those activities can help them achieve the retirement career to which they aspire.

ESTIMATE INCOME

Estimate potential income from continued work as part of clients' overall retirement plan. Unlike income from some other sources, that from working can help retirees keep pace with inflation.

Also consider that health challenges could force clients to stop working earlier than they expect.

For archived columns, go to InvestmentNews.com/retirementwatch

And be sure to explain how working can affect Social Security, Medicare and other benefits.

For example, Social Security may be temporarily reduced or withheld for people who collect benefits and work before they reach full retirement age (66 or 67).

In addition, Medicare beneficiaries with higher income pay bigger premiums for Part B and prescription drug coverage.

Encourage your clients to consider both the financial and nonfinancial benefits of work. Regardless of their employment status, most retirees agree that working helps them stay healthier, happier and more youthful.

David Baxter is senior vice president at Age Wave, a provider of research on the aging U.S. population and its effect on businesses.

Build your brand – and your independent business – with the support of our full-service creative agency.

When a team of marketing professionals whose only focus is serving advisors helps you find your voice on your own terms, you might be surprised at how quickly it travels.

See what we can help you build – from a new logo to new relationships – at **advisorchoice.com/independence.**

866.753.5823 @RJAdvisorChoice

INDEPENDENT | HYBRID | RIA

RAYMOND JAMES®

©2015 Raymond James & Associates, Inc., member New York Stock Exchange/SIPC ©2015 Raymond James Financial Services, Inc., member FINRA/SIPC AdvisorChoice® is a registered trademark of Raymond James Financial, Inc. Raymond James® is a registered trademark of Raymond James Financial, Inc. 15-IDC-0310 TA 03/15

InvestmentNews

A financial adviser, an attorney & an accountant walk into a conference…

A member of the audience exclaims, “Is this a joke?”

The adviser says, “No, but tax planning surely is starting to become one!”

Thanks to The Affordable Care Act and the American Taxpayer Relief Act, a flood of new complexities related to income tax planning has begun to complicate the development of investment strategy.

Attend the **2015 Retirement Income Summit** and learn how an adviser, an attorney and an accountant are taking a three-pronged approach to addressing a clients’ investment and income tax planning concerns.

keynote sponsor

RCS Capital

silver sponsors

Invesco

NUVEEN Investments

AGENDA

MAY 4 // SESSION TOPICS

- Commonly Overlooked Tax Strategies
- When Deferred Income (Longevity) Annuities Make Sense
- Best Practices and Worst Pitfalls: Decumulating Assets in Retirement
- The Adviser as Quarterback: Why You Need a Tax Planning Team
- How Technology Can Help Streamline Your Retirement Income Planning
- Innovations in Retirement Income Products
- The Future of Retirement: How Huge Leaps in Technology Will Completely Upend Your Work With Retirees

MAY 5 // SESSION TOPICS

- Case Studies: Real Life, Real Answers
- Social Security: The Key to Building Your Retirement Income Practice
- How to Keep Medicare from Wrecking Your Clients' Retirement
- The Convergence of Health Care and Financial Planning
- Roth IRA Immersion

SAVE $75 & REGISTER TODAY FOR ONLY $450

INVESTMENTNEWS.COM/SUMMIT

Or call 212.210.0450. Accepted by the CFP Board for 13.5 CE credits and by IMCA for 14.5 CIMA®/CIMC®/CPWA® credits.

CAREER CENTER

EXPLORE YOUR NEXT MOVE...

INVESTMENTNEWS.COM/CAREER-CENTER

RECRUITMENT CONNECTION

"Sitting in my office filling out paperwork doesn't increase my sales. Taking potential clients on a golf outing does. That's why I use ONE technology to process my business. It's fast, simple and allows me to conduct business on the go."

ONE TECHNOLOGY EXCLUSIVELY AVAILABLE AT:
BERTHEL FISHER & COMPANY FINANCIAL SERVICES, INC.
SECURITIES MANAGEMENT & RESEARCH, INC.
800.356.5234
WWW.BERTHEL.COM
WWW.SMRINVESTMENTS.COM

RE-IMAGINE INDEPENDENCE.

Being a truly independent advisor means having real choices that matter to you. It means being able to find the ideal balance between autonomy and support. And it means being able to grow your business your way with our ***All Ways Open Architecture***SM.

Discover how you can be truly independent without ever being alone:
JoinFSC.com • recruiting@fscorp.com • 800-372-5646
2300 Windy Ridge Parkway, Suite 1100
Atlanta, Georgia 30339

Member FINRA/SIPC
Ad Log # 03859187

PROUDLY FUELED BY *all ways open* ARCHITECTURE

ALL INDEPENDENT BROKER/DEALERS ARE NOT CREATED EQUAL.

Re-declare your independence with a truly independent broker/dealer—one that's been helping advisors like you for more than 30 years.

Call Cadaret, Grant Recruiting at **800.288.8601** for a confidential conversation, or visit us online at **redeclareindependence.com.**

www.cadaretgrant.com
Cadaret, Grant & Co., Inc.
Member FINRA/SIPC

CADARETGRANT
Independent thinking.

Redefining the Independent Broker Dealer

Geneos Wealth Management, Inc. is an independent broker dealer catering to an elite group of advisors. Our commitment to grow to no more than 500 advisors ensures that we will never lose focus on relationships, service and flexibility. Geneos Wealth Management is the final destination for elite advisors.

Contact Ryan Diachok
888-812-5043 Ext 115
rwdiachok@geneoswealth.com
www.geneoswealth.com

Geneos
WEALTH MANAGEMENT, INC.

We are independent. We are Cambridge.

877-688-2369 | www.joincambridge.com

CAMBRIDGE

Accelerate Advisor Growth

· Presentation Materials
· Advisor Tools

Top 5 ranking by *InvestmentNews* for growth by rep count in each of the past three years.

Contact us for a free copy of our CEO's book, *Wise Money.*

Contact: Dan Meehan
dmeehan@kalosfinancial.com
www.JoinKalos.com • 888-356-1950

Truth is... you deserve the best.

We deliver it. Join an award-winning firm.

*2014 Advisory Solutions Sponsor Firm of the Year

*2014 Advisory Solutions Marketing Program of the Year

*2012 Advisory Solutions Product of the Year

Cetera

Cetera.com/Truth | 888.410.9444

We Are In This Together.

40 Plus Years Of Servicing The Independent Financial Advisor.

- Dedicated & Customized Transition/Onboarding Support
- Industry Leading Brokerage & Fee Based Platforms
- Practice Management & Growth Platforms
- Hybrid Adviser Friendly
- Seasoned & Engaged Home Office Team

LASALLE ST. SECURITIES, L.L.C.
www.lasallest.com *"We Work For You"*

Contact Us Today
Mark Contey
SVP, Business Development
630.600.0360
mark@lasallest.com

Member FINRA/SIPC

"Home of the Independent Financial Adviser"

Adviser Focused ~ Technology Leaders ~ Values Driven
Serving Advisers Since 1990

- Midwest Based
- Weekly Payouts
- NFS & RBC Dain Platforms
- RIA Services
- Personal Service You Deserve

Contact: Brent Owens
www.joinCFD.com
Call: 800.745.7776
Email: brent@joincfd.com

your clients, your practice, our passion

we're all about You.

800-881-7174 www.joinnpc.com

RIA-ONLY DOESN'T MEAN RIA ALONE.SM

We're right beside you with the distinct combination of infrastructure and people to help you serve your clients and drive your business, your way.

Call 866.462.3638 today and be exactly the advisor you want to be.

Member FINRA/SIPC | commonwealth.com

PACKERLAND
BROKERAGE SERVICES

PROMOTING INDEPENDENCE.
EMPOWERING INDEPENDENTS.

Meet Bill, Rep #~~045~~
Father. Volunteer. Professor. A Packerland partner for 20 years.
At Packerland you're a **name**, not a rep number.

Partner with Packerland Brokerage Services.
We're ready to help you transition.
Contact: Scott Zwierzynski | scottz@pbshq.com | 920-662-9500
www.packerlandbrokerage.com | Member FINRA/SIPC & Registered Investment Advisor

Froude to exit role as head of Ameriprise advisers group

Don Froude: Oversaw about 9,700 advisers in Ameriprise's employee brokerage and franchisee channel.

LANDOV

Will remain, focusing on company's 'field initiatives and projects'

By Mason Braswell

Don Froude will step down as president of Ameriprise Financial Inc.'s Personal Advisors Group at the end of the month, according to SEC filings.

The 59-year-old executive will remain at Ameriprise and will focus on "field initiatives and projects" — a New York-based job that will require less travel, according to company spokesman John Brine.

Over the past year, Mr. Froude has worked closely with Ameriprise chief executive James Cracchiolo on the transition, Mr. Brine said.

Mr. Froude, who oversees about 9,700 advisers across the employee brokerage and franchisee channel, has been in the position since 2008. Well known both at Ameriprise and in the industry, he reports directly to Mr. Cracchiolo.

FOURTH-HIGHEST PAID

Mr. Froude is the fourth-highest-paid executive at Ameriprise and received $4.6 million in compensation in 2013, according to its most recent report.

The company announced the move in a March 3 filing with the Securities and Exchange Commission and notified its advisers at the same time.

The change was first reported by Financial Adviser magazine.

Mr. Froude's current position will not be filled. His responsibilities will be divided between Bill Williams, the head of the franchise adviser channel of about 7,500 advisers, and Patrick O'Connell, a 20-year veteran of Ameriprise who leads the employee channel of about 2,200 advisers.

Mr. Froude has a long tenure in the industry. Before joining Ameriprise, he was in charge of U.S. distribution at Legg Mason Inc. He began his career as a broker and office manager at Prudential-Bache Securities Inc.

mbraswell@investmentnews.com
Twitter: @masonbraswell

EXPLORE YOUR NEXT MOVE...

INVESTMENTNEWS.COM/CAREER-CENTER

RECRUITMENT CONNECTION

Connect to excellence.

Through our VISION2020 Advisor Portal, Royal Alliance lets advisors maximize operational efficiency and provide the highest levels of service to their clients. *Information Week* agrees, naming us one of 2011's Top Technology Innovators. **Take the VISION2020 tour at RoyalAlliance.com/technology.**

Contact: **Kevin Beard**
866-849-7673
www.RoyalAlliance.com
One World Financial Center New York, NY 10281

Member FINRA/SIPC

RA Royal Alliance

High Five!

Five reasons to grow your practice with us...

- Award-Winning Customer Service
- Practice Management Programs
- Cutting Edge Technology
- Robust Wealth Management Solutions
- Flexibility, Independence & True Transition Support

800.345.8041
investmentctr.com
info@investmentctr.com

FROM SAME OLD > TO ALL NEW

It's time for a new point of view. It's time for **SagePoint Financial**, a new kind of broker-dealer – yet one with almost 40 years of solid history and success. Partner with a broker-dealer that's reinventing the business to ensure your ongoing success.

To get a new point of view, call:
866-462-4432 • joinus@spfi.com
SagePointFinancial.com

SagePoint FINANCIAL
2800 N. Central Ave., Ste. 2100 Phoenix, AZ 85004
800-552-3319

Achieve Success
with Transamerica Financial Advisors, Inc.

You have the talent. You have the drive. You have the knowledge. As a Registered Representative or Investment Advisor Representative, you know that it's important to have a support system that can help you build a strategy that assists your clients' in achieving their goals. Transamerica Financial Advisors provides you with that support through its services, programs and products specifically designed to help you and your clients — so you can both achieve success.

Transamerica Financial Advisors, Inc.
570 Carillon Parkway, St.
Petersburg, FL 33716
Member FINRA, SIPC and Registered Investment Advisor

Visit www.tfa.transamerica.com/jointfa for more information on how to achieve your success with TFA.

Contact our leading National Branch locations to learn more!

Edgewood Financial Network
800-627-6722
The Wiser Financial Group
800-292-1472
Grice Financial Group
888-370-8376
Vantage Financial Services
480-991-6711

TRANSAMERICA® FINANCIAL ADVISORS, INC.
TFA10891450-01/15

in control of your own future.

Providing advisors the unique combination of independence & support.

Call now 1.800.803.5194 or email SignatorInfo@jhancock.com

Signator Investors, Inc.®
powered by John Hancock Financial Network

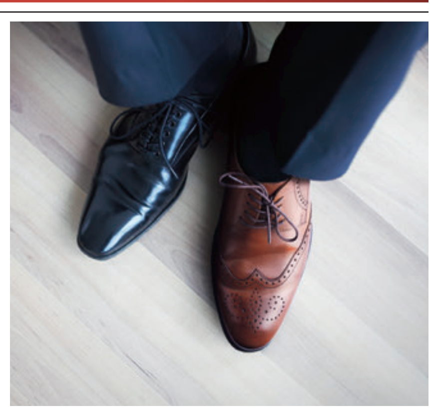
We are strongly committed to diversity and equal opportunity. Signator Investors, Inc., member FINRA, SIPC, 197 Clarendon Street, Boston, MA 02116.

Completely focused on Hybrid RIAs. Usually, that's a positive.

With over 80% of our advisors managing a Hybrid RIA model, Triad Advisors is the broker/dealer of choice for successful Hybrid advisory firms.

If you are generating at least $250,000 in GDC, please contact our Business Development Team at 800-720-4003.

www.GoHybridRIA.com
Member FINRA/SIPC



Ask me about my last BD.

I'm still with them.

Spencer Hall
Knoxville, TN

joinssn.com
Securities Service Network
Member FINRA/SIPC
(855) 382-8754

Expect more. Earn more.

Connect with your next hire

Listing Rates*	
Listing with b/w logo	$335 per issue
Listing with color logo	$455 per issue

*Rates are net. 12 week minimum contract required.

List your firm in our Career Center Recruitment Connection.
Reach financial advisers each week through the pages of InvestmentNews.

Contact Ayana Reid at 212-210-0774
or areid@investmentnews.com

Business Resources

To place an ad call 212-210-0774

BROKER/DEALER

We lead you to the "Best of the Best."
Our research mines the best new client platforms in the IBD marketplace.
They bring you the clients.
You close the business.

Call 888-820-8107 or 651-433-3501
or visit our website to learn more:
FindABrokerDealer.com/new-client-platform/

At no cost to you

Find a Broker Dealer
HENSCHEN & ASSOCIATES, LLC.
Your Fast Track to a Better Independent BD

NEWSLETTERS

1 Easy Way to Bring in More Clients

- Keep your name in front of your current and prospective clients
- Offer the educational information your clients want
- Ensure your position as an expert in financial services

Integrated Concepts Group, Inc.
Print and Internet newsletters to help you bring in new clients

FOR 10% OFF
YOUR 1st ORDER,
visit **www.ICGNews.com/IA**
or call **1-800-338-4329**

NEWSLETTERS

Income Securities

**FINDING INCOME IN ALL THE OLD PLACES
JUST DOESN'T CUT IT ANYMORE**

The Forbes/Lehmann Income Securities Investor provides an array of diverse income securities to satisfy any portfolio's income needs.
Whether your priority is income or safety, we provide choices for all account types from our selection of 250 recommended securities on our website. Achieving 6% to 7% yields with a mix of instruments can provide high returns without undue interest rate exposure. Investment advisors find our selections a valuable tool for any income need without extensive personal research. Since 2000 we have been the one stop income analyst.

**Visit our website
www.incomesecurities.com**

RIA REGISTRATION

RIA Registration $1487
Attorney & Former CCO
Fast, Efficient, Compliant!
(800) 785-5860

**To place your ad call
(212) 210-0774**

WORKSHOP

Power Up your Firm's Operations!

**Excellat
Operations Optimization™**

Live online workshop

www.excellat.edu/education

SEC/FINRA ATTORNEY

DAVID R. CHASE, ESQ.
FORMER SEC PROSECUTOR
P: 1-800-760-0912

LAW FIRM OF DAVID R. CHASE, P.A.
SEC, FINRA investigations; recovery of investor fraud losses

E: david@davidchaselaw.com A: 1700 East Las Olas Blvd. Suite 305
W: www.davidchaselaw.com Ft. Lauderdale, FL 33301

SOFTWARE

LaserApp.com

Take your forms
Anywhere

GAME CHANGERS/*Billion Dollar Babies*

Elite club is bigger, better

Continued from Page 1

advisers with bigger practices and think, 'What have I done?' "

For all his humility, the founding principal of Sacramento, Calif.-based Hanson McClain Group is part of a growing clique in the wealth management business.

Independent advisory has risen from being a cottage industry on the margins of finance to a force reframing the debate about how financial advice should be provided. Along the way, many firms have reached a place they never thought possible: the billion dollar club.

Twenty percent of the registered investment advisers participating in *InvestmentNews*' annual benchmarking study of financial advisory firms managed $1 billion or more in assets last year. That number was 2.5% a decade ago.

"Just 10 years ago, people thought it was a big deal to get to $100 million in assets," said Mark Tibergien, chief executive of Pershing Advisor Solutions. "[But] the rate of growth has been exponential. They crossed the mountains and swam the streams. They had no idea what was on the other side. Now there's more clarity about what success looks like in this business."

The billion dollar firms are a diverse group but appear to be doing some of the same things.

They have increased revenue by 23% annually since the financial crisis, versus 15% for all other firms in the study, and their clients have an average $2.74 million invested with them, nearly three times the average for smaller firms. Their overhead accounts for 33% of revenue, versus 39% for other firms. And their owners earn $841,580 a year, while those at other firms earn $414,816, according to the study.

'CRITICAL MASS'

Reaching $1 billion brings perks, including better pricing from tech companies and other providers.

That was the motivation that drove Robert Mayes, who expanded his BlueCreek Investment Partners to $500 million organically over a decade before merging in January with a $900 million firm, Keel Point.

"You have to be large enough that you're able to control those conversations and have more influence in terms of providing services that are economically viable," Mr. Mayes said. "You have to have critical mass."

The $1 billion number often helps RIAs qualify for practice management consulting services and premium pricing from custodians.

It also may give them access to their custodian's senior executives, according to John Furey, who owns Advisor Growth Strategies, a consulting firm.

"Size does matter when you think about firms that are supporting you," Mr. Furey said. "The simple analogy is that there are value volume discounts, and most custodians do have custom pricing schedules."

A billion dollars isn't a magic pill, though.

"It's important, but does it mean you've [built] a lasting business — I don't think so," said Joe Duran, CEO of United Capital. "The idea is that it's not a finish line, and if it is, you're not thinking about it the right way."

> *"I honestly thought I was king of the universe."*
>
> **Joe Duran**
> CEO
> United Capital

JAMES YANG

As firms get bigger, they often need to strike deals to lower fees for their largest clients. The amount they spend on professional compensation is nearly 2 percentage points higher than the 37.8% smaller firms pay. And the revenue of billion dollar firms is less than it was for such firms a decade ago. It averaged $9.7 million last year, versus $12 million in 2004, the *InvestmentNews* study showed.

According to Mr. Duran, if executives at billion dollar firms aren't looking ahead to the next threshold, they risk languishing at $1.5 billion or even losing their gains.

"If you're at a billion, the goal should be how to get to $5 billion in assets and $25 million in revenue," he said. "It's no different from the person who is sitting there today at $100 million to $200 million and thinking, 'How do I get to $1 billion?' "

Mr. Duran, 47, whose Newport Beach, Calif.-based firm has about $13 billion in AUM, knows the dangers of not planning. He first crossed the $1 billion line at a previous company in 1998, when he was 31.

"I honestly thought I was king of the universe," he said. "We had a massive party at the Beverly Hilton hotel, and over the next year we lost $600 million in assets."

Had it been 2008, the business would have failed, Mr. Duran said. He and his partners realized it couldn't survive when asset levels fell, partly because of large salaries.

Many billion dollar firms have made two or three trips to the mountaintop. They grew to $1 billion before the financial crisis, then watched their businesses struggle and incomes flatline. The bull market helped them find their way back. Others reached the milestone after their first merger or acquisition.

BlueCreek and Keel Point, which are keeping separate brands, aim to reach $5 billion in the next five years, adding at least one veteran practice every year, Mr. Mayes said.

Executives will have to shift their thinking to get to $5 billion, according to Mr. Duran. That means coming up with scalable processes, reorganizing the team and focusing personnel on business development.

FROM DOING TO THINKING

"The people who got you to $1 billion are doers, but the people who get you to $5 billion are thinkers," he said. "The shift is one most advisers are uncomfortable with because they've always equated their value with action, not thought."

It also involves tamping down your ego, said Mr. Duran, recalling his own humiliation in 1999. That translates into delegating more effectively and replacing high executive salaries with variable compensation.

"They think if they get a nicer car, if their office is bigger, if they have their own workout facility in the office or their own showers — that somehow they're more worthy," Mr. Duran said. "I would be talking about what can go wrong and how you can protect yourself against it."

Serving the wealthy is a difficult task that is not getting easier.

Mark P. Hurley, an investor in advisory firms and CEO of the Fiduciary Network, said the most successful firms will be specialized.

Among those he has invested in is an RIA with a niche serving the estranged spouses of tech executives.

It developed expertise in divorce and tax planning, as well as tech firm compensation. The know-how makes getting referrals easier, Mr. Hurley said.

More online
To view videos about RIAs that have reached $1 billion in assets, as well as to read tips and strategies at our resource center, go to InvestmentNews.com/billion.

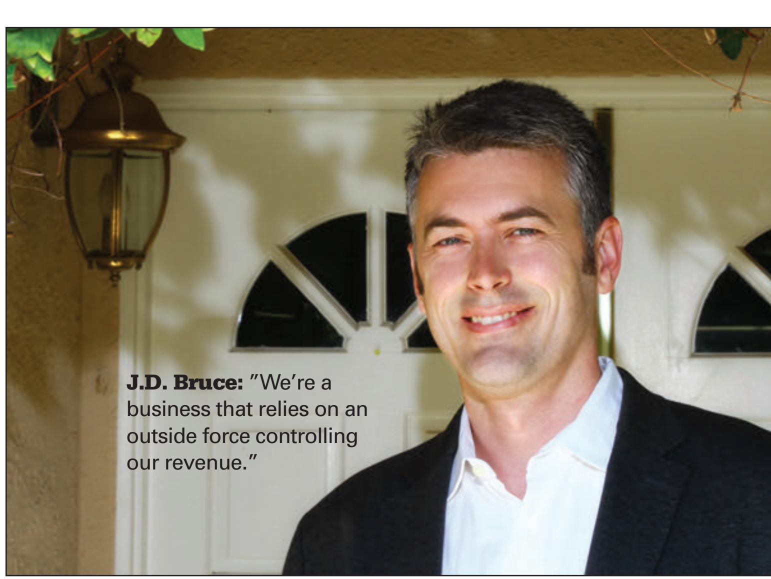
"Every wealth manager's biological imperative is to add clients," he said. "You've got many more guys out there trying to get more clients, and they've become very sophisticated about it."

Not all advisers are up to the challenge, and only a handful will join the club, according to Mr. Hurley.

"They liked when their marketing strategy was looking at their phone and waiting for it to ring, with their business throwing off a lot of cash flow," he said. "Most of them will fly into the ground."

*thunnicutt@investmentnews.com
Twitter: @trhunnicutt
mbraswell@investmentnews.com
Twitter: @masonbraswell*

GAME CHANGERS/Billion Dollar Babies



J.D. Bruce: "We're a business that relies on an outside force controlling our revenue."

JAMIE RECTOR

Smaller accounts prove to be big asset

By Trevor Hunnicutt

It's said you can't build a large financial advisory practice without focusing your efforts on the über-wealthy. Advisers with clients who are merely "mass affluent" are often told that they should trade up as soon as they can, firing or meeting less regularly with the plebeians.

Abacus Wealth Partners has become a $1 billion-plus firm without making those tradeoffs. For more than a decade it has worked to develop a small-accounts division, as well as retainer-based and one-time planning alongside more rarefied services — such as estate planning — for the "one percenters."

Eighty percent of its 1,025 clients keep less than $1 million with the firm. The wealth adviser eliminated asset minimums last year.

In 2009, Abacus found that smaller clients were easier to retain — a pleasant surprise during a financial crisis. And ancillary services generate fees, along with a consistent stream of referrals that turn into enduring client relationships.

AIMING FOR $2 BILLION

"It will really help us cross the $2 billion mark," said J.D. Bruce, Abacus' president.

Mr. Bruce sees the $1 billion threshold, which the firm crossed last spring, as symbolic. Nothing beats earnings as the most important business metric, he said, adding that he has learned that having healthy profit margins is essential for a business subject to the twists and turns of the stock market.

"We're a business that relies on an outside force controlling our revenue, as the market goes up and down. We have zero control," Mr. Bruce said.

At the same time, revenue and earnings can vary widely among firms with the same assets under management: Wealthier clients benefit from larger discounts, for instance, so they tend to pay a smaller percentage in fees. And employees, compensated in part on revenue growth, can't get the raises they seek if client assets fail to translate into revenue.

"All my young people would leave if we're not growing," Mr. Bruce said. "I'll train them, and then they'll leave."

But he concedes being in the billion dollar club does carry some appeal.

"There's a cool factor to it and a cachet that's helpful," he said. "There's something nice about that."

thunnicutt@investmentnews.com
Twitter: @trhunnicutt

Abacus Wealth Partners
Santa Monica, Calif.

AUM:	$1.3B
Clients:	1,025
Employees:	41
Advisers:	28
Year firm founded:	1987
Year firm became a billion dollar baby:	2014

High profile key to firm's growth

By Trevor Hunnicutt

If there were just one way to build a successful practice, Scott Hanson probably wouldn't be in the financial advice business.

The maverick financial adviser eschews traditional methods of marketing. You won't find him networking at the country club. And he's not a fan of expanding a business through mergers.

So how did he become a billion dollar baby?

"The cool thing about this industry is there's so many ways someone [can] go," Mr. Hanson said.

His approach was to make himself a fixture in the Sacramento, Calif., community where he is based. He advertises online. He and his business partner Pat McClain have their own radio show. He has co-written books for advisers and average investors. He's a regular speaker at conferences and seminars, and often quoted by journalists.

$1 BILLION BEFORE CRASH

Those factors helped Hanson McClain Investment Advisors amass $1 billion in assets under management — a threshold it passed before the 2008 stock market rout and now hopes to retain permanently.

"For advisers that are good at marketing, [financial advice] provides a real sustainable business," Mr. Hanson said. "I spend more time on marketing and business growth than I do with clients."

Relying on marketing — rather than on referrals or cold-calling, the old fallbacks for advisers — has been key to forming lasting relationships with clients, he said. He's happy to invest 18 months of the revenue he expects to earn from a new client to win that client's business in the first place.

GERRY MCINTYRE

Scott Hanson: Spends more time on marketing than with clients.

"The interesting thing about financial services is [that] a consumer can't go out and test drive us," Mr. Hanson said. "It's quite a challenge for someone to say, 'I'm going to trust this individual with my life savings,' so it's important for advisers to create the perception that this is a firm to work with."

thunnicutt@investmentnews.com
Twitter: @trhunnicutt

Hanson McClain Investment Advisors
Sacramento, Calif.

AUM:	$1.8B
Clients:	3,900
Employees:	70
Advisers:	17
Year firm founded:	1993
Year firm became a billion dollar baby:	2006

Karen C. Altfest: "We weren't following anyone else's road map."

ARNOLDADLER.COM

Fee-only pioneer blazes a new trail

By Trevor Hunnicutt

Some of the pioneers of the fee-only, independent financial advice movement have started to join the billion dollar club.

A prime example is Altfest Personal Wealth Management.

When Lewis J. Altfest founded the firm in 1983, fee-only financial advisers were rare.

"We weren't following anyone else's road map," said his wife, Karen C. Altfest, now a principal adviser at the firm. "Figuring out how you get from there to here [has been] fun."

'SOONER THAN WE THOUGHT'

Altfest crossed the $1 billion mark two years ago. Even though the firm has been in business for over three decades, that milestone "came sooner than we thought it would," Ms. Altfest said.

"We knew we were taking in a lot more clients," she said.

Revenue growth has been the key to upgrading the firm for both clients and employees.

For example, Altfest now can afford to send advisers to a conference on fund management or college saving plans.

The firm also has a planner on staff with expertise in employee stock options. And it has hired younger staff to help lighten the load of experienced employees.

"If we want our leaders to take on more tasks, we have to help them free up other time," Ms. Altfest said.

Growth has helped improve services across almost every aspect of client interaction, she said. For instance, the firm is better equipped to deliver specialized guidance on charitable giving and Social Security to enhance clients' experience.

In addition, the practice's client roster includes many single women, including widows, a niche Ms. Altfest developed.

ALWAYS MORE

There's always more the firm could be doing, she added.

Some clients may want additional or different service — at night, at a branch closer to home, maybe in a different city.

"You don't want to be stagnant, and I don't feel like there's an in-between," Ms. Altfest said. "If you're not gaining, you're losing."

thunnicutt@investmentnews.com
Twitter: @trhunnicutt

Altfest Personal Wealth Management
New York City

AUM:	$1.2B
Clients:	560
Employees:	28
Advisers:	15
Year firm founded:	1983
Year firm became a billion dollar baby:	2013

GAME CHANGERS/*Billion Dollar Babies*

Technology, teamwork jump-start growth

John Burns: "Somewhere along the way, it dawned on us, 'We have a real business here.'"

SHEVAUN WILLIAMS

By Mason Braswell

John Burns, a 21-year industry veteran, started out the way a lot of advisers do: working in the insurance business for a large brokerage — in his case, John Hancock Distributors Inc.

When he founded Burns Advisory Group 10 years into his career, Mr. Burns had no clients and no assets under management. He just hoped to use the knowledge he had gained from the insurance business to help clients with financial planning.

"I never thought I'd have $50 million, much less $100 million," he said. "Somewhere along the way, it dawned on us, 'We have a real business here. This isn't just a financial planning practice.' "

As the firm approached $200 million in assets under management, Mr. Burns said, he began believing in it enough to make some serious bets on new technology.

For example, Burns Advisory was still doing much of its portfolio management and reporting by hand. It took an hour to prepare for a client meeting. In 2006, Mr. Burns invested $70,000 (a lot of money at the time) in a new portfolio management and performance reporting tool, and had his employees work overtime to integrate everything.

"That's probably the first big one, where I got out over my skis a bit," he acknowledged. "But I believed in it, and the clients were going to have a better experience. You have to get out of your comfort zone."

TAKING ON A PARTNER

The next move was to start looking for a partner. Through a recruiting firm, he found Jerry Georgopoulos, an adviser based in Dallas. His firm, Executive Financial Group Corp., with assets of about $225 million, was similar to Burns Advisory.

"It was getting clear we needed each other to hit our goals," Mr. Burns said.

They merged in September 2011, split ownership 50-50 and rebranded as Exencial Wealth Advisors.

Exencial has grown organically to about $1.4 billion, partly because it operates in multiple locations. In addition to offices in Oklahoma City and Dallas, it has an office in Old Lyme, Conn.

mbraswell@investmentnews.com
Twitter: @masonbraswell

Exencial Wealth Advisors
Oklahoma City

AUM:	$1.4B
Clients:	700
Employees:	22
Advisers:	10
Year firm founded:	2002
Year firm became a billion dollar baby:	2013

Getting bigger means delegating more

By Mason Braswell

One would think you would take a break once your firm hit $1 billion in assets under management. But Gerry Klingman just keeps moving the bar higher.

KATHY TARANTOLA

Gerry Klingman: "You have to remove your ego from the place."

Mr. Klingman, who had been in the industry for 25 years by the time Klingman & Associates hit the milestone two years ago, realized he did not want to stop there: Why not $3 billion to $5 billion in the next five to 10 years?

To start, he needed some outside help. Mr. Klingman had a large business that was still managed like a small one. A consultant had described it as "the largest lifestyle practice in the country," referring to the boss' heavy involvement in all aspects of the operation.

"You can no longer be the typical entrepreneur adviser who's advising a client, handling investments, but also doing technology and compliance," Mr. Klingman said.

After being approached several times by Focus Financial Partners with offers to buy a stake in his firm, Mr. Klingman turned the tables: Last year, he asked Michael Paley, a former managing director at Focus Financial, to be chief operating officer.

Mr. Paley accepted, looking to take a more involved role in one business rather than advising 20 firms, as he had done at Focus.

CREATING WORK FLOWS

"The kernel that we have here is extraordinary," Mr. Paley said. "And it's about leveraging that and thinking through how we use technology more efficiently."

His job is to create work flows, repeatable client processes and other systems to make possible larger-scale operations. As it looks toward the $5 billion mark, the firm also may begin making outside hires, including tapping into Mr. Klingman's roster of contacts among wirehouse advisers.

"You have to remove your ego from the place," Mr. Klingman said. "I'm going to die some day or retire or become disabled, and this is a place that's going to exist after that."

mbraswell@investmentnews.com
Twitter: @masonbraswell

Klingman & Associates
New York City

AUM:	$1.5B
Clients:	300
Employees:	15
Advisers:	5
Year firm founded:	2001
Year firm became a billion dollar baby:	2013

Neil Simon, left, and Bill Schwartz: Looking to grow to $5 billion in AUM by making acquisitions.

MARTIN H. SIMON

A business, not just a practice

By Mason Braswell

A common refrain of founders of $1 billion firms is that they often must give up one of the attractions of the business: working with clients.

For Neal Simon, the move felt natural. By the time he founded Highline Wealth Management in 2002, he already was running three other businesses.

Then 34, he was the chief operating officer at an insurance firm, COO at a management consulting firm, and chairman and founder of USLaw Network Inc., a website and membership organization for lawyers that he helped establish during the Internet boom of the late 1990s.

"I'm wired in a way where I jump out of bed with more energy if I'm trying to grow the business instead of just trying to stay at steady," Mr. Simon said.

He started Highline from scratch. At the end of the first year, he had $70 million in assets but only 10 clients — including family and friends.

ORGANIC GROWTH

Highline Wealth grew organically over time, via referrals among wealthy clients. Just short of a decade after he started the firm, Mr. Simon reached the $1 billion mark.

He invested in the firm by bringing on advisers who could handle the growing client base. That allowed him to step back and focus on the business plan and big-picture growth strategy.

"I've tried to build a business that could provide great services without great involvement from me … and that would become an institution with recurring revenues and cash flows, regardless of whether I showed up," Mr. Simon said. "I've always tried to build a business as opposed to an advisory practice, and some people in our industry don't understand the difference."

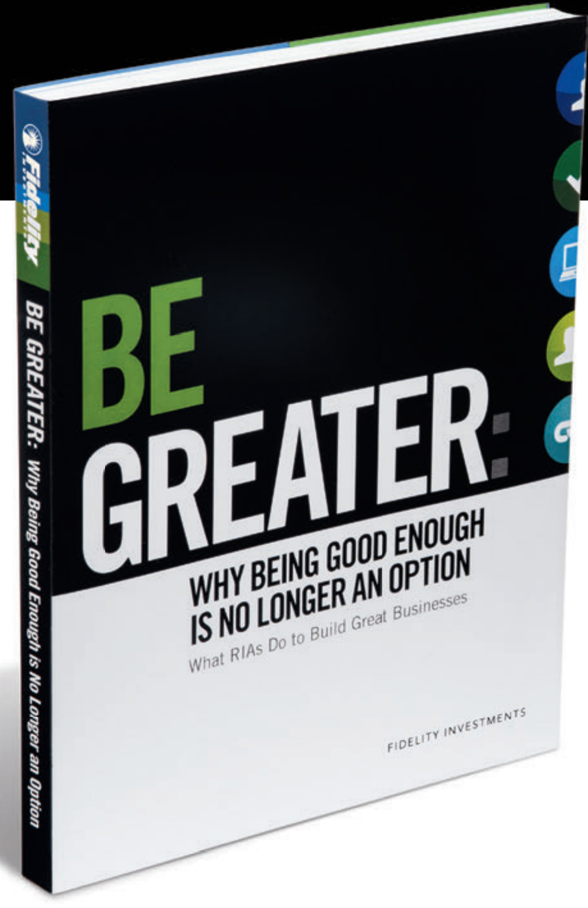
As they aim for $5 billion, he and co-owner Bill Schwartz, who joined in 2006 from Merrill Lynch & Co., are looking for veteran advisers whose firms would make good acquisitions.

mbraswell@investmentnews.com
Twitter: @masonbraswell

Highline Wealth Management
Bethesda, Md.

AUM:	$1.3B
Clients:	200
Employees;	26
Advisers:	6
Year firm founded:	2002
Year firm became a billion dollar baby:	2010

WHAT'S DRIVING SUCCESS AT TODAY'S RIAs?



HEAR DIRECTLY FROM ADVISORS.

begreater.com

Download the book.
Watch exclusive videos.
Access research and resources.

© 2015 FMR LLC. All rights reserved.
The registered trademarks and service marks appearing herein are the property of FMR LLC.
Clearing, custody, or other brokerage services may be provided by National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC. 697981.8.0

TECH CONNECT

A look at what's smart about smartwatches for advisers

What's seen as the promise of wearables is available now

By Alessandra Malito

With Apple taking the wraps off its much-anticipated smartwatch last week, financial advisers — and some of the companies that work with them — see a bigger role for wearable technology in the years ahead.

For most financial advisers, smartwatches and other wearable tech offer more promise than current practical applications.

But in fact, the promise of financial services apps within smartwatches has already arrived, and advisers will be able to use those tools to access client data, trade securities and transfer funds between accounts.

Last Monday, Fidelity Investments said it had developed an app that offers users real-time market updates and alerts on stocks and investments. It will be available for Apple Watch when the item goes on sale April 24.

"Wearables are another extension, another point in the digital ecosystem and in the whole continuity of digital experiences," said Velia Carboni, senior vice president of mobile at Fidelity.

Apple Watch: A number of financial services providers have developed apps for this much-anticipated item.

BLOOMBERG

The app may offer account-specific information in the future, and transactions such as trades and money transfers are also a possibility, according to Ms. Carboni.

SEAMLESS INFORMATION

An app that provides market updates on the wrist allows advisers to stay informed more seamlessly, as they won't have to interrupt a conversation or appear rude by checking their phone or tablet during a meeting, she added.

Salesforce, a popular customer relationship management software provider used by advisers, is also getting an app ready for Apple Watch.

It will allow users to perform a number of functions, from accessing data to receiving important notifications and launching customized applications.

"When it comes down to it, it's so important to be prepared when you're engaging with customers and giving advice," said Anna Rosenman, director of Salesforce Analytics Cloud.

The app, which will let advisers see client data in rich visualizations, is geared toward helping them engage in data-driven conversations with clients, Ms. Rosenman said.

Apple Watch will be priced at $350 to $10,000 (for the luxury version, in a solid 18-karat gold case). It is expected to supplement the iPhone and will allow users to send and receive text messages, phone calls and email.

It is the first new product from the company since founder Steve Jobs died in 2011.

Smartwatches from vendors including Samsung, LG, Microsoft and Pebble are already on the market.

TIME MANAGEMENT

Some advisers have dipped into the new technology pool with these watches as a way to stay on top of their time — literally and figuratively — and business.

Michael Anderson, a certified financial planner at True North Advisors, wasn't intending to use his smartwatch for business but rather as a fitness tool.

But now, even though there are no finance apps on his Microsoft Band, he finds it helpful for work.

"Whenever anyone gets an email or text, you check your phone and see if it's something to address," Mr. Anderson said. "You can get that information easier from your wrist if it's a notification."

All the smartwatches on the market can help with time management, but their features may benefit advisers even more as the technology evolves.

For Android Wear, the Google operating system for smartwatches such as those from Samsung and LG, there's a portfolio management app available, called Personal Capital Finance, that lets users see all their accounts in one place.

Companies also are looking into how advisers will respond to wearable technology.

Jon Patullo, managing director of technology product management at TD Ameritrade, said he doesn't see a movement toward wearable technology products within the adviser community at this point.

But the company will be ready to respond when demand picks up.

"It's definitely something we're keeping our eye on," Mr. Patullo said. "We're well-positioned with open access … to be able to jump on the trend if need be."

TD Ameritrade's Veo software, which can be integrated into various platforms, would be a way into a smartwatch application, he said.

amalito@investmentnews.com
Twitter: @malito_ali

IN techconnect

featured products

Envestnet, Inc. (NYSE: ENV) is a leading provider of integrated wealth management software and services to financial advisors.

866-924-8912
Envestnet.com

ORION ADVISOR SERVICES, LLC

Orion Advisor Services, LLC empowers advisors with a comprehensive portfolio accounting service bureau that liberates you from your back office allowing more time to build client relationships. Orion offers the customization, integration and scale you need to build a better business – and enjoy your business again.

402-496-3513
Orionadvisor.com

Learn more at InvestmentNews.com/techconnect

For more information or to place your techconnect listing contact Ayana Reid @ 212-210-0774 or areid@investmentnews.com

Small robos pile on to Schwab

Continued from Page 3

tion is happening."

In his post, Mr. Nash claimed Schwab's new platform, which allows consumers to manage, monitor and rebalance their portfolios online, isn't free as advertised. He said it will cost consumers thousands of dollars in opportunity costs related to high cash allocations and expensive, smart beta exchange-traded funds, many of which are proprietary or "from issuers that pay Schwab to use them."

Those costs, he said, are buried in mounds of disclosure documents.

He cited the company's SEC filing, which stated that each investment strategy will include a sweep allocation. In this sweep program, the filing says that 6% to 30% of an account's value will be held in cash, which cannot be eliminated or used by consumers for investments.

Last Tuesday morning, Schwab responded with a blog post of its own in which it defended its platform and called Mr. Nash's post "misleading." It countered that cash should be looked at as an investment and not as a source of revenue for the firm.

Cullen Roche, founder of advisory firm Orcam Financial Group, understands why Schwab wants investors in its new platform to hold cash. But, he said, it should not have made it a mandatory requirement.

"The trouble with Schwab Intelligent Portfolios is they don't give the client the ability to remove the cash position, so they created their own public relations problem," he said.

Mr. Roche also said if this was six years ago when the markets crashed, the cash would look a lot better.

"I FEEL GOOD this conversation is happening."

Adam Nash
Chief executive
Wealthfront

"There's more to this argument than the smaller robo-advisers have presented," he said.

According to Mr. Nash, Schwab's entrance into the online automated investing industry is a direct result of the growth of Wealthfront, which recently hit $2 billion in assets under management.

'CATFIGHT'

Meb Faber, co-founder and chief investment officer of Cambria Investment Management, wrote in his own post about the situation that Wealthfront and Schwab had gotten into a "catfight" and that the exchange between the two companies was "weird and somewhat embarrassing."

"They are really on the same side, and it should be a rising tide for both," Mr. Faber wrote. "In my mind, they should be cheering each other on against the high-fee crowd, but they're not, which is a shame."

Mr. Nash had said in his post that Schwab was straying from its original values.

"When I joined Wealthfront, I held up Charles Schwab as an example of a different type of company, a company with values to which we might aspire," he wrote. "You can understand why it's disheartening to see those values broken."

Schwab accused Mr. Nash of trying to shield Wealthfront from competitors: "Adam wishes he could build a moat around Wealthfront and protect it against competition."

Schwab expects to release an adviser version of its online platform in the second quarter.

amalito@investmentnews.com
Twitter: @malito_ali

Gundlach to Fed: Wait on rate hike

Gives nod to gold, India and shorting the dollar

By Jeff Benjamin

With the equity markets apparently running away from the surging U.S. dollar and global monetary policies pushing some bond yields into negative territory, DoubleLine Capital's Jeffrey Gundlach can't understand why the Federal Reserve Board is still considering raising interest rates this year.

"I'm afraid the Fed is intent on being a blockhead and raising rates, which would further strengthen the dollar," Mr. Gundlach said last Tuesday during a conference call with investors in his $44.6 billion DoubleLine Total Return Fund (DBLTX).

On the closely watched "parsing of words" in Fed statements, Mr. Gundlach suggested that the Fed is likely to make a mistake by raising short-term interest rates before the U.S. economy is strong enough to absorb the adjustment.

"I don't know why they don't admit they don't know what they're going to do, and that they're just going to react to data," he said.

The webcast presentation was a regular update on the DoubleLine flagship fund. The legendary portfolio manager gave his standard whirlwind tour through the global financial markets before he got around to touting his category-beating fund, which he described as "the best intermediate-term bond fund in the universe."

The fund is up 0.62% so far this year, compared with 0.35% for the Barclays Aggregate Bond Index, and 0.52% for the intermediate-term bond category as tracked by Morningstar Inc.

In his analysis of global markets, Mr. Gundlach said he expects the European Central Bank's quantitative easing program to send even more sovereign bonds into negative-yield territory.

NEGATIVE YIELD CURVE

"The front end of the yield curve is negative in many countries now, and with the European QE starting, it is quite likely more yields will go sharply negative," he said. "With interest rates below zero, you now have a wealth tax."

And low yields are not limited to government issues, Mr. Gundlach pointed out.

"Seventy percent of European companies have dividend yields higher than their corporate debt," he said. "You wonder why companies don't just borrow infinite amounts of money and retire their higher-yielding stock."

On a day when the Dow Jones Industrial Average dropped more than 300 points, Mr. Gundlach cited the surging U.S. dollar as something that the markets do not like.

"The dollar strengthened today, and it is still accelerating, and that is being interpreted as negative in certain risk markets," he said. "The dollar has been a world beater, and will continue to be a world beater until it becomes economically too painful, and maybe that's what the stock market doesn't like."

As bold moves go, Mr. Gundlach said it would be contrarian to short the U.S. dollar, "but I say don't do it, because sometimes the consensus is right. Everybody is bullish on the dollar, and it has been smoking hot since June, and it has been going almost straight up since the breakout," he added.

If Mr. Gundlach had anything good to say about commodities, it was that they have stopped falling, "but they sure are weak," he said. "And in nondollar terms, gold is doing really well."

In a somewhat surprising call, he predicted that gold would make it to $1,400 an ounce this year. The precious metal was trading at about $1,157 an ounce last Friday.

"Gold-buying by central banks is at its second-highest level in 50 years," Mr. Gundlach said.

In the category of set-it-and-forget-it, he gave a nod to India's soaring equity market, which has gone virtually straight up since the middle of 2013.

The small universe of India equity mutual funds tracked by Morningstar is up 8.2% from Jan. 1, on the heels of a 44.6% gain last year.

"For long-term investments, you should own the Indian stock market," Mr. Gundlach said. "Put it in a safe, forget about it and open it in 20 years."

jbenjamin@investmentnews.com
Twitter: @jeff_benjamin

"EVERYONE IS bullish on the dollar, and it has been smoking hot since June."
Jeffrey Gundlach
CEO
DoubleLine Capital

BLOOMBERG

Disparity in expense ratios of alts funds

Continued from Page 3

idend stocks are considered among the most overvalued in the current market, their appeal as short-selling targets is driving up the cost of managing long-short and market-neutral funds.

FEES CHANGE

"Our expense ratio will change over time, depending on whether we're shorting high- or low-dividend stocks," said Lee Norton, senior investment analyst at Vanguard. "I think of it as a trading cost that the SEC requires us to disclose. But that 1.6% expense ratio is prominently displayed on our website."

The Vanguard Market Neutral Fund is down 0.52% since the start of the year, a little steeper than the 0.3% decline in the S&P 500 Index, and the 0.4% decline in the Morningstar market neutral category.

.25%
Expense ratio Morningstar lists for VMNFX, which Vanguard has at 1.6%

Beyond the dividend expense, there is a borrowing cost related to short selling that will vary depending on the type of stock being shorted.

In the case of the TFS Capital fund, for example, the strategy's focus on shorting smaller companies represents more than 5 percentage points of annualized cost in managing the fund, while the dividend cost adds another percentage point or so, according to Sam Harris, the firm's director of client relations.

"We found that our models add the most alpha in the small-cap space and we have a bigger concentration in the small caps, which are more expensive to borrow because there's less supply," Mr. Harris said. "We tell investors we're choosing to incur that cost because that's where we see the opportunities, and we could reduce it by shorting large-cap names, but we're paying that expense because we think it is well worth it."

Indeed. So far this year, the TFS fund is up 1.3%.

NOT TO BE IGNORED

As with all mutual funds, the reported performance is net of all fees, but that doesn't mean the full picture of expense ratios should be ignored by financial advisers and investors, because much can be gleaned from how wide the fee variation is for a particular fund.

Even if performance is net of fees, the cost of shorting stocks should be factored in as an internal cost of running a strategy that could result in a potential drag on performance.

Most fund companies don't like having to break out the added costs, and some compare it to the brokerage costs inside traditional funds. The main problem with that argument is that alternative funds also have brokerage costs, which are not detailed for investors to see.

"Unfortunately, this is the problem with liquid alternatives, and you've got to roll up your sleeves and dig into it," Mr. Meyer said. "A lot of advisers don't have the time or the gumption to get that done."

But for any adviser allocating client assets to liquid-alts funds, the extra research into expense ratios is time well spent.

jbenjamin@investmentnews.com
Twitter: @jeff_benjamin

Social Security boot camp tips

Continued from Page 6

have grown by 32%, plus the cost-of-living adjustments, giving them an income of more than $63,000 a year.

If the wife is much older and not the sole earner, however, not much can be done in terms of creative claiming strategies, Ms. Franklin said.

Divorced people may be able to claim their ex's benefits.

Divorced couples also are entitled to Social Security benefits if the marriage lasted at least 10 years, each ex-spouse is at least 62 and the person collecting the spousal benefits is single.

Even if the former spouses are no longer in touch, the Social Security Administration can help determine if they are eligible for spousal benefits.

Public sector employees must follow special rules.

Public sector workers must consider two provisions when assessing their eligibility for Social Security benefits.

The Windfall Elimination Provision (WEP) applies to people who have worked in both the public and private sectors and therefore are entitled to both a pension and Social Security.

In that case, their Social Security benefit is reduced by up to one-half of the pension.

The Government Pension Offset (GPO) applies to public employees who apply for Social Security spousal or survivor benefits. That is reduced by two-thirds of their pension. Military pensions are not affected by the WEP or GPO rules.

Social Security is only one component of retirement planning, albeit a significant one, according to Ms. Franklin.

She recommended a number of software products for both financial advisers and clients who are investigating creative claiming strategies. They include Social Security Analyzer, Social Security Pro, Maximize My Social Security, Social Security Maximizer, Social Security Timing and Social Security Income Planner.

Cole Capital execs leave

Continued from Page 4

after ARCP released earnings for the third quarter of 2014 that had been delayed in the wake of an accounting scandal. At the end of October, ARCP revealed a $23 million accounting error from the first half of 2014. A number of large broker-dealers and clearing firms suspended sales of Cole products thereafter.

The audit committee for ARCP said on March 2 that it "found certain material weaknesses in the company's internal controls over financial reporting and its disclosure controls and procedures." The audit committee, however, did not identify any material changes relating to ARCP's real estate ownership, rental revenue or fundamental business operations. The investigation did not find any changes to the financial statements or operations of the Cole Capital-sponsored nontraded REITs.

"Will ARCP's disclosures last week convince broker-dealers to start selling Cole again?" Mr. Gannon asked. "You have to wait and see what happens."

BRAVE FACE

Executives at Cole continue to show a brave face, even though sales of Cole-branded nontraded REITs have fallen off a cliff. In January, Cole said it had hired as a senior adviser Terry Mullen, a veteran of insurance product sales with ties to independent broker-dealers.

But making matters worse, Cole Capital could very well be missing out on regaining the lion's share of client assets that became liquid after one Cole REIT, the Cole Corporate Income Trust Inc., merged with Select Income REIT at the end of January, Mr. Gannon said.

> "THEY CAN'T run a broker-dealer on $8 million of fundraising."
> **Kevin Gannon**
> President and managing director
> Robert A. Stanger & Co.

Cole Capital's policy is not to comment publicly on specific personnel matters, noted ARCP spokesman John Bacon. In an email to *InvestmentNews*, Mike Ezzell, CEO and president of Cole Capital, said Cole was "fully dedicated to normalizing relations with our broker-dealer and clearing partners. We are confident this will happen soon and optimistic about the future of Cole Capital."

A spokeswoman for Griffin Capital Corp., Jennifer Nahas, did not return calls to comment.

Mr. Ryan did not return a phone call last Tuesday for comment. According to his LinkedIn profile, he is executive vice president and head of relationship management at Griffin Capital.

The roles of the other two executives are not clear. Mr. Graham was senior vice president and national accounts manager at Cole, and Mr. Cosgrove was senior vice president of sales operations and strategy. Neither could be reached for comment.

bkelly@investmentnews.com
Twitter: @bdnewsguy

Upcoming Webcasts

Where ***industry experts*** discuss ***hot topics*** relevant to your business

Using Technology to Drive Productivity and Profitability

Tuesday, March 24, 2015
4:00pm - 5:00pm ET

InvestmentNews Research and our panel of industry experts will highlight the latest trends in technology spending and implementation – and ultimately how top firms are generating exceptional returns on their technology investments.

Specifically, this webcast will present the results from the new 2015 InvestmentNews Adviser Technology Study, and provide attendees with:

- Guidelines for aligning technology with firm goals
- Strategies for improving productivity, profitability – and also the client experience
- A benchmarking framework for advisers to evaluate their own levels of technology spend, as well as product and application usage

Accepted by IMCA for 1 CIMA®/CIMC®/CPWA® CE credit.

Attendees may submit questions before and during this live event.

Register today: www.investmentnews.com/techwebcast

Sponsored by:

#techwebcast

Selectivity: Uncovering Opportunities in Global Fixed Income

Tuesday, March 31, 2015
4:00pm - 5:00pm ET

Several years of strong performance have made it harder to find value in fixed income. And recently, a stronger dollar has weighed on international bond returns, raising doubts about the benefits of global diversification. With central bank policy diverging and volatility rising, now is not the time to abandon a globally diversified approach to fixed income. But greater selectivity will be required.

Join a conversation with Ted Wiese, Head of the Fixed Income Division at T. Rowe Price, and Jim Cronin, the firm's Head of USIS Financial Advisors – Broker/Dealer, as they answer questions on the minds of Financial Advisors and share their views on what lies ahead in this challenging fixed income environment.

Accepted by the CFP Board for 1 CE credit and by IMCA for 1 CIMA®/CIMC®/CPWA® CE credit.

Attendees may submit questions before and during this live event.

Register today: www.investmentnews.com/selectivity

Sponsored by:

#selectivity

T. Rowe Price Investment Services, Inc.

InvestmentNews

Fiduciary fight becomes partisan

Continued from Page 2
Ark., and Rep. Ander Crenshaw, R-Fla., two lawmakers leading financial services appropriations subcommittees, wrote to OMB saying the Securities and Exchange Commission should act first on the fiduciary duty rule for retail investment advice it is considering before DOL reproposes its rule.

KILL THE RULE

Such a delay could kill the DOL rule because the SEC is not close to acting on the authority — granted almost five years ago by the Dodd-Frank law — to promulgate a fiduciary duty regulation.

On March 4, Sen. Roy Blunt, R-Mo., and seven Republican colleagues sent OMB a letter saying the Labor Department had not demonstrated the need for its fiduciary duty rule and even if it had, the SEC should go first.

Also on March 4, House Education and Workforce Committee Chairman John Kline, R-Minn., and Rep. Phil Roe, R-La., sent a letter to DOL asking the agency to turn over all documents that show it has been coordinating with the SEC on its rule.

Another factor keeping Democrats off those missives is that Sen. Elizabeth Warren, D-Mass., has jumped into the fiduciary duty effort. She is one of several Democrats who participated in last month's event at AARP.

> "GIVEN THE POTENTIAL implications of this rule, there's going to be concern on both sides."
>
> **Alice Joe**
> Managing director
> U.S. Chamber of Commerce

Over the past several months, Ms. Warren has galvanized House and Senate Democrats on a variety of issues, especially those concerning Wall Street.

"She weighs heavily in all political decisions that Democrats have to make," Mr. Rosenstock said. "[Fiduciary duty] is no exception to that calculus."

Once the DOL rule is released publicly, Democrats will start coming out of the woodwork, said Alice Joe, managing director of the U.S. Chamber Center for Capital Markets Competitiveness.

"I sense this is still a bipartisan issue," Ms. Joe said. "Given the potential implications of this rule, there's going to be concern on both sides."

One indication of the unease may come up in Capitol Hill hearings this month on the DOL budget that will feature Secretary Thomas Perez.

"I'm sure members are going to be asking him pointed questions," Ms. Joe said.

mschoeff@investmentnews.com
Twitter: @markschoeff

Retirement plans warming up to alts

Continued from Page 2
That didn't stop Manning & Napier Advisors Inc., which uses managed futures, an alternative investment strategy, in its target date series.

"Managed futures have this characteristic of taking advantage of volatility," said Jeffrey S. Coons, president of Manning & Napier. He said trimming volatility keeps employees invested.

DO NO HARM

"You don't want to do any harm [to plan participants], and not doing any harm includes not scaring them," Mr. Coons said. "If they see it drop in half, they say, 'I'm done.'"

"It's starting to find its way in today — it's been a little bit slow in the uptake," said Andrew G. Arnott, president and chief executive at John Hancock Investments, which offers alternatives in its target date series. "When you look at target date funds, there are not many that are multimanager. Most of the larger ones are managed internally, and the assets tend to be with one shop. Not all shops that are big in target date are big in alternatives."

The largest target date series are run by the Vanguard Group Inc., Fidelity Investments and the T. Rowe Price Group Inc. T. Rowe Price declined to comment through a spokeswoman. A Vanguard spokesman did not respond to a request for comment.

> "MANAGED FUTURES have this characteristic of taking advantage of volatility."
>
> **Jeffrey S. Coons**
> President
> Manning & Napier

Fidelity Investments' Freedom Funds lineup invests in real estate and commodities but not hedge fund-style investment strategies.

"The exposure to the current asset classes in the funds allows us to best balance the risk and return preferences of shareholders, and liquid alternatives currently do not fit into this mix," said Fidelity spokeswoman Nicole Goodnow.

Ms. Goodnow said the company "regularly" reviews adding new asset classes and strategies.

Some advocates of alternatives say they can provide better diversification to long-term investors.

But Janet Yang, a Morningstar Inc. analyst, said the trend toward open architecture hasn't been a great benefit to plan participants.

"Morningstar's research suggests that, on average, the higher fees needed to access nonproprietary managers in an open architecture lineup haven't historically been rewarded with better returns," Ms. Yang said.

She said managers without alternative investment strategies feel they can provide diversification through commodities, real estate or other lower-correlating asset classes.

thunnicutt@investmentnews.com
Twitter: @trhunnicutt

Little-used Medicare adjustment

Continued from Page 6
form SSA-44 Medicare IRMAA Life-Changing Event and associated documentation.

Respond within 60 days of receiving the Medicare IRMMA notice.

In my experience, people who meet the criteria and who pursue the reduction in a timely manner are successful in achieving it.

Be sure to keep a copy and get a dated and stamped receipt for all materials filed at a Social Security office. The agency does not accept U.S. mail or other delivery service confirmations as verification of filing.

APPEAL POSSIBLE

If Social Security does not grant the request for the IRMAA reduction, clients can appeal the decision by filing form SSA-561 Request for Reconsideration.

In addition, under certain circumstances a beneficiary will need to repeat the process in the subsequent year because the tax return on file still does not reflect that person's current circumstances.

Your clients will be glad you guided them through it.

Otherwise, they could be leaving thousands of dollars on the table by not pursuing the reduction appropriately.

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

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

PIMCO.
Setting the Standard for Income

PIMCO Income Fund

PIMIX
Multisector Bond Strategy

Overall Morningstar Rating™
Among 206 multisector bond funds based on risk-adjusted returns as of 2/28/15.

PIMCO Dividend and Income Builder Fund

PQIIX
Global Dividend Strategy

Overall Morningstar Rating™
Among 448 world allocation funds based on risk-adjusted returns as of 2/28/15.

PIMCO® | Your Global Investment Authority™
ALTERNATIVES. BONDS. COMMODITIES. EQUITIES.

Investors should consider the investment objectives, risks, charges and expenses of the funds carefully before investing. This and other information are contained in the fund's prospectus and summary prospectus, if available, which may be obtained by contacting your investment professional or PIMCO representative, or by visiting www.pimco.com/investments. Please read them carefully before you invest or send money.

For funds with at least a 3-yr. history, Morningstar calculates a Morningstar Rating based on a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads and redemption fees), with an emphasis on downward variations and consistent performance. Morningstar Rating as of 28 February 2015 for the Institutional Class Shares; other classes may have different performance characteristics. Fund ratings for Income Fund are out of 5 stars: Overall 5 stars (206 funds rated); 3 yrs. 5 stars (206 funds rated); 5 yrs. 5 stars (166 funds rated). Fund ratings for Dividend and Income Builder Fund are out of 5 stars: Overall 5 stars (448 funds rated); 3 yrs. 5 stars (448 funds rated). 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. The Overall Morningstar Rating is a weighted average of the performance figures for its 3-, 5- and 10-yr. (if applicable) Morningstar Rating metrics. Morningstar, Inc.® 2015. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its affiliates; (2) may not be copied or distributed and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The minimum initial investment for the Institutional class shares is $1 million; however, it may be modified for certain financial intermediaries who submit trades on behalf of eligible investors. Past performance is not a guarantee or a reliable indicator of future results. A word about risk: All investments are subject to risk and may lose value. PIMCO Investments LLC, distributor, 1633 Broadway, New York, NY, 10019 is a company of PIMCO. © 2015, PIMCO

Advisor Services

My Independence Day

April 28, 2011

Mike Piershale
Piershale Financial Group

When people are entrusting you with their life savings, they have to know where your priorities lie. Your clients' trust can't go by the wayside. I became an independent advisor because I wanted to run my business in the way that I believe allows me to deliver the most value to our clients. One of the best decisions I made was choosing Schwab as our custodian. They understand what I need as an entrepreneur and have given me great guidance on everything from technology to business structure. I'm proud of our success. But I'm really proud that it's built on word of mouth. It's built on integrity. I am Mike Piershale and this is my Independence Day.

Learn more at **advisorservices.schwab.com**

charles SCHWAB

Own your tomorrow™

The named advisory firm is independent and not affiliated with Schwab. Schwab does not endorse or supervise advisors and does not prepare or verify information distributed by advisors.
Schwab Advisor Services serves independent investment advisors and includes the custody, trading and support services of Schwab. Independent investment advisors are not owned by, affiliated with or supervised by Schwab.
©2015 Charles Schwab & Co., Inc. ("Schwab") All rights reserved. Member SIPC. (1214-7991) ADP80879MP-00