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HAS COVID-19 SHATTERED THE 4% RULE?

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NEWSPAPER | VOL. 24, NO. 19 |

EDITOR'S NOTE

I'm listening

When I wrote the first of these missives back in the Jan. 6 issue, I introduced our new magazine size and spoke of the many changes we had planned for the year.

Since then, we have redesigned the magazine, spun out a new website and revamped several of our newsletters, including the Daily Pulse, which is now sent out every afternoon with all the key news you need.

GEORGE B. MORIARTY

Then came COVID-19, and we introduced the digital edition of our magazine in March. So there's been some change.

Now I come to you, our readers, seeking your feedback. The email delivering the May 4 issue included a two-question survey, and some of you may have received a five-minute survey in the mail asking your thoughts on the website and digital edition. Thanks in advance for taking the time to complete those.

Have specific feedback not covered in the surveys? Email me (gmoriarty@investmentnews.com), or tweet at me (@geomoriarty), or find me on LinkedIn or send a carrier pigeon.

I'm listening.

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Invesco to pay investors $105M to correct botched index fund rebalancing

BY JEFF BENJAMIN

KEY POINTS
- Invesco disclosed a fund rebalancing error.
- The $5.6B fund tracks the S&P Equal Weight Index.
- The firm is paying $105M to investors.

INVESCO IS PONYING up approximately $105 million to make investors in an index fund whole following a botched quarterly rebalancing that caused the fund to lag the index by roughly 170 basis points during the last week of April.

The quarterly rebalancing, which normally takes place on the last Friday of the quarter, was delayed until April 24 due to the extreme stock market volatility at the end of March.

An Invesco spokesperson declined to comment for this story beyond what was included in an 8-K filing last Wednesday, which said the company "recently discovered and has corrected an error" related to the rebalancing.

The $5.6 billion Invesco Equally-Weighted S&P 500 Fund (VADDX) is designed to track the S&P 500 Equal Weight Index, but somehow fell out of sync by more than 30 basis points on Monday, April 27, following the Friday, April 24, rebalance.

On Tuesday, April 28, the fund's tracking error jumped to nearly 60 basis points, and after the market closed on Wednesday, April 29, the fund lagged the index by another 83 basis points.

Invesco's injection of capital into the fund last Wednesday, which coincided with the 8-K filing, sent the fund's May 6 performance to 179 basis points above that of the index, but brought the fund back on track.

A TRACKING ERROR

According to the regulatory filing, Invesco, which manages more than $1.2 trillion, acknowledged that the tracking error resulted from a misinter-

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Fidelity, Schwab DAF grants rise amid COVID-19

BY MARK SCHOEFF JR.

TWO DOMINANT SPONSORS of donor-advised funds said they have experienced a big increase in grants from the vehicles over the last couple of months to address the coronavirus pandemic.

Fidelity Charitable announced last Wednesday that donors recommended $236 million in grants from their DAFs to support 9,600 nonprofit organizations that are responding to the COVID-19 outbreak. That is part of the $2.5 billion in total grants from Fidelity DAFs so far this year, an 18% gain from the same time last year.

As of April 8, Fidelity Charitable donors had recommended more than $100 million in grants from their DAFs to about 4,500 nonprofits providing pandemic relief. The organization challenged them to double the amount by #GivingTuesday last week.

"We were thrilled and humbled with these results," said Amy Pirozzolo, head of donor engage-

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Advisor Group loses another giant team, this time to LPL Financial

BY BRUCE KELLY

FOR THE SECOND time in a month, Securities America Inc., a broker-dealer in the giant Advisor Group network, saw a significant team walk out the door, this time losing reps and advisers with a reported $3 billion in assets to rival LPL Financial.

Near the end of March, Securities America lost a giant branch office, Cooper McManus Wealth Management, with $1.5 billion in client assets, 50 advisers and at least two dozen offices across the country, to top competitor Cambridge Investment Research Inc.

OWNERSHIP CHANGE

Then on April 30, JFC Financial Services, with 100 advisers and a reported $3 billion in assets, completed its move to LPL when its chief executive, Jack Connealy, switched his registration to LPL.

Echoing the comments made by a senior executive at Cooper McManus, Connealy said in an interview that the change in ownership at Securities America was a significant part of the decision to move to LPL.

Ladenburg Thalmann Financial Services Inc., a network of broker-dealers that included Securities America, was recently acquired by Advisor Group, which is owned by private equity firm Reverence Capital Partners.

"After 18 years at Securities America and looking at the landscape of broker-dealers and different ownership structures and consolidation in the industry, we look at private equity ownership as a big negative," Connealy said. "The unknowns are the ultimate owner, who would that be, and the leverage those firms have on their balance sheets."

MAJORITY OF REVENUE

"We are pleased that a significant number of the financial advisers affiliated with JFC — making up a majority of its revenue — have chosen to remain with Securities America," Jim Nagengast, chief executive at Securities America, said in a statement to *InvestmentNews*. "We look forward to continuing to support our advisers by leveraging Advisor Group's industry-leading scale and proven ability to invest in the tools and platforms that advisers need to grow their practices."

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Finra makes virtual mediation a new arbitration option

BY MARK SCHOEFF JR.

FINRA IS OFFERING remote mediation and sharply reducing related fees through the end of August in response to the COVID-19 pandemic's impact on its arbitration system.

The Financial Industry Regulatory Authority Inc. said in a posting last Wednesday on its website that mediators will work for $100 per hour and that 85 of them have signed up so far. The mediator payment is split by the parties. Finra also is waiving mediation filing and administrative fees.

It's a great bargain for customers and firms involved in disputes, said Adam Gana, a partner at Gana Weinstein. Some mediators charge up to $5,000 per day, and most work for between $300 and $500 an hour. The $100-per-hour rate represents a substantial reduction.

VIRTUAL HEARINGS

Finra has postponed all in-person arbitration and mediation proceedings due to social distancing constraints caused by the coronavirus. It is making virtual hearing services available through Zoom and teleconference if the parties and mediators agree.

"Our clients need solutions," Gana said. "This is a great step by Finra. I'm glad to see they're thinking outside the box about how to facilitate the resolution of cases during the pendency of this crisis."

Finra runs the arbitration system that is used to settle disputes between brokerages and customers, as well as between registered representatives and firms. Mandatory arbitration agreements are included in just about every brokerage contract.

HUNDREDS OF MEDIATIONS

About 4,800 arbitration cases are filed annually, while mediations have averaged about 600 per year over the last several years, according to Finra statistics.

4,800
ARBITRATION CASES FILED WITH FINRA EACH YEAR

Arbitration is similar to a civil litigation process. The parties make arguments before a panel, usually consisting of three arbitrators who decide the case. A mediator works with both parties on a voluntary basis to help them resolve the dispute, said Manly Ray, head of Finra's mediation program.

The two approaches are not mutually exclusive. After an arbitration hearing is set but before it begins, the parties often try to mediate their differences, Gana said.

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FPA and TD partner to replace cancelled internship experiences

BY JEFF BENJAMIN

POTENTIALLY TO BE filed under the category of necessity being the mother of invention, the Financial Planning Association, in partnership with TD Ameritrade Institutional, is rolling out a "virtual externship" program to fill the void created by all the cancelled and postponed internships otherwise scheduled for this summer.

The externship program, which is scheduled to run for eight weeks beginning June 1, will tap into the expertise of "practitioner mentors" from across the industry to provide about 20 hours per week of training and education that will be applied toward the CFP certification requirements.

SUPPORTING NEXT GEN

"Even in challenging times like we've got now, our mission is to attract and develop the next generation of financial planners," said Kate Healy, managing director of generation next at TD, the program sponsor.

While some registered investment advisers are adapting to the COVID-19 shutdowns by creating their own virtual internships, Healy said nationwide, across all industries, an estimated 75% of internship programs have been postponed, shortened or converted to a virtual format.


KATE HEALY

Hannah Moore, owner of Guiding Wealth, has so far secured commitments from nearly a dozen advisers to participate during the virtual programming, which will

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Firms may substitute tech for staff amid shutdown

The transition to a digital work environment as COVID-19 locked down much of the country has certainly been a boon for digital-savvy advisers and the technology companies that provide tools to help them reach clients.

Charles Schwab Corp. has expanded third-party tech integrations companywide to 140 partnerships, in part to accommodate independent advisers working remotely with clients on its OpenView Gateway platform, according to the firm.

SEAN ALLOCCA

ONTECHNOLOGY

Over the past year, Schwab has seen a 100% increase in calls about API integrations from providers, and it currently has more than 40 projects in development with outside vendors.

The most-used tool for advisers is likely videoconferencing provider Zoom, which topped more than 200 million daily users in March — up from an average of just 10 million per day last year.

As advisory firms become more comfortable with digital tools, however, the uptick in adoption could have the unforeseen consequence of permanently replacing some wealth management jobs traditionally filled by in-house employees.

"Advisers have made quite a dramatic shift in the past six to eight weeks," Lauren Wilkinson, vice president of digital adviser solutions at Charles Schwab, said on a recent media call. "Certainly this crisis ... raised the urgency for many businesses to begin working in a fully digital environment."

WELLS SLASHES HEAD COUNT

Even before the pandemic hit, some of the biggest banks had plans in place to invest in technology and trim staff. Earlier this year, Wells Fargo chief financial officer John Shrewsberry said Wells spent $166 million on "the strategic reassessment of technology projects" during a three-year effort to slash head count by up to 10% through 2021.

As the economic fallout from COVID-19 continues, will firms employ adviser tech to help cut costs, pare back staff and prop up sagging bottom lines?

"The monotonous, boring and lame processes — like scanning paper, sorting things into different buckets, flowing data into storage systems and labeling it properly — all of that entry and retrieval stuff will be the first to go," said Daniel Faggella, head of research at Emerj Artificial Intelligence Research.

Large firms may have the most to gain. Since many wirehouses already adopted back-office technology, they are the most likely to slim down on staffers, he said.

Those companies may choose to hire only enough employees to scale up tech solutions already in place. Tools that use robotic process automation — which can easily be applied to back-end operations — are likely candidates for future investments, he said. "In this panicky, cost-cutting mode, RPA is going to find itself a home," Faggella said. "It's likely to be adopted urgently during this crisis."

For smaller firms, the outlook may not be quite as stark. Companies that have yet to fully adopt technology — like smaller independent advisory shops — will still rely heavily on in-office employees, said Joel Bruckenstein, president of Technology Tools for Today.

"I do think there are still inefficiencies that tend to get exposed when market volatility rises to extremes," Bruckenstein wrote in an email, adding that he expects tech spending to increase coming out of the coronavirus lockdown.

PLEDGING NOT TO CUT

Still, some wealth managers have pledged to not cut jobs during the pandemic. RBC Wealth Management, whose U.S. business has about 2,000 advisers, promised no layoffs in 2020, and Creative Planning CEO Peter Mallouk pledged no layoffs or pay cuts for its 700 employees.

"It depends on how bad things get," Faggella said. "If companies are looking to cut the fat, expect tech to come in and fill some of those positions."

Brad Armstrong, partner at private equity firm Lovell Minnick Partners — which has invested in wealth management giants like Mercer Advisors and HD Vest — said he has not heard much about potential workforce reductions.

"There will be some acute short-term pressure," Armstrong said.

Instead, he sees the downturn as rife with opportunity for advisory firms.

"Over cycles, these kinds of market gyrations consistently increase the demand for financial advice, and that has real staying power," Armstrong said.

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Muni market has stabilized, but checking issuers' credit remains key

BY MARK SCHOEFF JR.

AFTER A ROUGH COUPLE of weeks at the beginning of the shutdown caused by the COVID-19 pandemic, the municipal bond market has stabilized. But assessing credit quality is more important than ever now when deciding where to invest.

In a statement accompanying an April 30 report on the first quarter, the Municipal Securities Rulemaking Board said trading statistics "reflect significant disruption in the municipal securities market during late March and early April. Trading volume reached highs not seen since 2008, with par amount traded totaling about $1 trillion."

That compares to $756.2 billion traded in year-earlier quarter. Retail activity (trades of $100,000 or less) declined, while institutional trading increased.

"It's like nothing I've ever seen," Ron Bernardi, chief executive of Bernardi Securities, a municipal bond firm, said of the initial panic selling.

In early April, the Federal Reserve responded by establishing the Municipal Liquidity Facility, which offers $500 billion of loans to states and municipalities as part of a $2.3 trillion economic support package. The CARES Act, signed into law in March, provided $35 billion in credit protection for the facility. Later in April, the Fed expanded the facility to cover smaller counties and cities.

"In aggregate, the financial response has been larger than during the financial crisis," said Dave Hammer, head of municipal bond portfolio management at Pimco.

The Fed intervention seems to have stabilized the muni market. It's not that localities have necessarily taken advantage of the borrowing opportunity, but knowing it's there calms the waters.

"Over the last couple weeks, we've seen the market almost come back to normal," said Tom Kozlik, head of municipal strategy and credit at Hilltop Securities.

$1T
AMOUNT OF MUNIS TRADED DURING Q1

CREDIT ASSESSMENT A MUST

But normal is relative amid the pandemic. State and local governments are providing the lion's share of services during the outbreak, which strains revenue and budgets. It is now more important than ever for investors to carefully navigate muni offerings.

"Digging deep into the individual credit is required," Kozlik said.

Bernardi is still bullish on muni investments. "There are thousands of solid, quality issuers across the country," he said. "The muni market in our economy, at the national level, will do just fine."

The general market uncertainty will benefit state and local governments with strong reserves and good management.

"It's going to accentuate the good credits," Kozlik said. "This is the environment that pays off for them."

Given the Fed support, there's little worry about defaults in the investment-grade muni sector, Hammer said. The default risk now is greater for municipal bonds that aren't backed by sufficient financial resources.

"We remain cautious on lower-quality munis in the near term, but we expect it will become an opportunity as many of these securities reprice," he said.

PARTISAN TENSION RISES

While the municipal market finds its way, partisan tension surrounds federal efforts to provide more fiscal relief.

The CARES Act contained some funding for state and local governments. Democratic lawmakers want to make support for the sector a centerpiece of the next coronavirus stimulus package.

Capitol Hill Republicans, led by Senate Majority Leader Mitch McConnell, R-Ky., are resisting making big expenditures for states that are suffering from non-virus-related issues, such as significantly underfunded pension plans.

Many states, however, need support for their coronavirus spending, Bernardi said.

"Congress needs to act," he said. "The way to help municipal issuers is for Congress to grant money to help them recover from economic distress caused by the COVID-related shutdown."

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Opinion

EDITORIAL / LETTERS / OP-ED / GUEST BLOGS

Pandemic means changes for advisers' firms and their clients

If the COVID-19 pandemic has taught us anything, it's that the unimaginable can become reality practically overnight. Negative oil prices? Seemingly impossible, but it happened. So did the sudden idling of entire thriving industries, creating Depression-era joblessness just two months after record-low unemployment.

For the financial advice business, the pandemic could well lead to changes just as unlikely, unforeseen and perhaps unpleasant.

To be sure, for advisers serving those in the highest wealth tiers — a group numerically tiny, but one accounting for the largest, and growing, share of the nation's wealth pie — little may change. As has been the case for generations, estate and tax planning, along with services related to philanthropic giving and family legacies, will continue to be important for the truly wealthy, who rely on advisers for help preserving the fortunes they have.

WEALTH RANGE

Building a nest egg, however, is the chief priority for the bulk of advisers who serve clients considered mass affluent ($100,000 to $1 million in liquid financial assets), high-net-worth ($1 million to $5 million in assets) and very high-net-worth ($5 million to $30 million) clients. These clients, particularly the more sizable numbers at the lower end of the wealth range, are those who will be most affected by the changes COVID-19 will bring about, and whose needs most likely will shape the future of the financial advice business.

Since most advisory clients and prospects seek professional advice chiefly to help fund the education of their children and to ensure a comfortable retirement, the chief post-pandemic challenge for advisers will be meeting those goals amid economic and investment environments that are unlikely to be favorable.

Most economists expect that it will be several years before economic activity returns to pre-pandemic levels. That means higher unemployment, slimmer wage gains and lower corporate profits for some time, which translates into lower dividends and perhaps lower stock prices. Fixed-income investments may be equally disappointing. Aggressive monetary policy efforts to keep credit markets open are likely to result in razor-thin or even negative interest rates, especially if foreign markets fare worse than those in the U.S.

ADVISERS ARE LIKELY TO FACE MANY DISCOMFORTING DISCUSSIONS AS THE NEW ECONOMIC AND MARKET REALITY UNFOLDS.

SLIM RETURNS

If equity and fixed-income investments offer slim returns, where will advisers find solutions, and the income, to meet their clients' needs?

As some leading retirement experts told *InvestmentNews*' Mary Beth Franklin, answers may lie in encouraging more clients to annuitize at least a portion of retirement assets, to delay claiming Social Security benefits for as long as possible and to tap the equity in their homes through a reverse mortgage. None of these is a new solution, of course, but they currently are outside the bounds of many investment discussions and venture into areas that some advisers find uncomfortable.

But advisers are likely to face many discomforting discussions as the new economic and market reality unfolds.

They will have to discuss clients working longer than they had planned, drawing down less annually from retirement savings, downsizing homes, sending children to community college before a four-year school, and belt-tightening in other unexpected ways.

RETHINKING BUSINESS MODEL

Along with discussions of new and perhaps less satisfying income and spending options, advisers may be pressed to rethink their compensation and fee structure, the ways they interact with clients (will Zoom become the new norm?) and their business model itself as broker-dealers and custodians consolidate and reconfigure their service offerings.

As much as advisers and others would like the world to return to a 2018-19 version of normal, COVID-19 and the reactions to it have made such a return impossible. The challenge in the coming new normal will be devising solutions for an environment that has changed, often in ways that neither advisers nor their clients may like.

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

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Audit Bureau of Circulations

The world changed in March, as the stock market tanked and the U.S. economy screeched to a halt in response to the coronavirus pandemic. Amid continued lockdowns and a spike in unemployment to more than 30 million by late April, many Americans wondered if they would ever be able to retire.

Many younger and mid-career workers who were lucky enough to hold on to their jobs during the downturn may benefit from lower stock valuations as they dollar-cost-average their retirement savings over the coming years and decades.

It's new retirees and people nearing retirement who face the greatest threat. Sequence-of-return risk — being forced to sell depressed assets in a down market to finance their spending if they don't have enough cash to weather the storm — could be devastating to their long-term financial security.

"If you are trying to meet a spending goal and assets are losing value, you have to withdraw a higher percentage from your portfolio," said Wade Pfau, retirement income researcher and professor of retirement income at The American College for Financial Services.

"Unless investment returns earn at least as much as the withdrawal rate, the portfolio will spiral downward," Pfau said. "Those first five to 10 years of retirement really drive about 80% of the outcome."

That means new retirees who are relying solely on their investments for income may need to spend less now to make sure they don't run out of money later.

The traditional 4% rule, which says retirees can safely withdraw 4% of their nest egg during the first year of retirement and subsequently increase their annual withdrawals by the rate of inflation over a 30-year retirement without running out of money, no longer applies, Pfau said.

Given the record-low interest rates and the severe market volatility, returns from a diversified portfolio are lower now than when the 4% rule was established 25 years ago, he said. For a couple who both turn 65 today, the safe withdrawal rate from a

RETHINKING RETIREMENT

AMID THE COVID-19 CRISIS

AS EXPERTS REVISE THE 4% RULE — TO 3%, OR EVEN LOWER — ADVISERS SHOULD CONSIDER ALL HOUSEHOLD ASSETS IN RETIREMENT INCOME PLANS

BY MARY BETH FRANKLIN

diversified portfolio with at least a 50% stock allocation is closer to 2.29%, Pfau said. Consequently, his proprietary Retirement Affordability Index (see next page) reached its lowest level ever last month.

Lower overall returns also mean pre-retirees would need to save more money to support the same desired level of spending in retirement at the lower safe withdrawal rate. For example, using the 4% rule, retirees could withdraw $40,000 from a $1 million portfolio, but they would need a $1.75 million portfolio to support the same spending level at a 2.29% withdrawal rate.

David Blanchett, head of retirement research at Morningstar Inc., thinks Pfau's estimate is too low. Assuming a retiree has no other source of guaranteed income, Blanchett thinks today's safe withdrawal rate is about 3%. "But in reality, most Americans get at least half of their income from Social Security," he said.

"These models assume that you withdraw the same amount of money each year, increased for inflation," Blanchett added. "In reality, you might have to cut back your spending. But even a 3% withdrawal rate could be overly conservative for a retiree who has other sources of guaranteed lifetime income from Social Security, a pension and perhaps an annuity."

BEYOND TRADITIONAL INVESTMENTS

For many retiring clients, such a measly withdrawal rate won't be enough to live on. Consequently, financial advisers may need to look beyond traditional investments and consider all of a household's assets to generate sufficient income. The goal should be to create a safe, inflation-protected income floor (if there is no employer-provided pension) that in combination with Social Security will cover essential expenses throughout retirement. Once the essentials are covered, invested assets can be positioned for growth to fund discretionary expenses and other financial goals.

For near-retirees, the nationwide stay-at-home orders during the pandemic may provide an excellent opportunity to practice retirement. With nowhere to go and few opportunities to spend money on discretionary expenses like restaurants, travel and live entertainment, it becomes abundantly clear which expenses are essential and which costs fall into the wants-but-not-needs category.

TOTAL HOUSEHOLD ASSETS

"Consider all assets and liabilities on a household's balance sheet," Pfau said.

"The best strategies are not investment-only or insurance-only," he explained. "Together these approaches can fund different goals with different

CONTINUED ON PAGE 10

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risk levels and trade-offs."

Such comprehensive retirement income strategies might include buying annuities to transfer some of the client's market risk to an insurance company in exchange for guaranteed income; tapping home equity through a home equity line of credit or reverse mortgage to fund income needs without selling investments at a loss; or taking tax-free withdrawals from an existing cash-value life insurance policy or selling an insurance policy through a life settlement to serve as a temporary income bridge.

"By incorporating partial annuity use, having access to a buffer asset [such as a reverse mortgage or cash-value life insurance] and having some capacity to reduce spending, a reasonable withdrawal rate can still be possible and can provide some relief to those approaching retirement age at this unprecedented time," Pfau said.

WORK LONGER

For clients who are on the verge of retirement, working longer may be the best solution to surviving the current downturn, said Chip Munn, head of Signature Wealth Strategies and author of "The Retirement Remix."

"Still having earned income, even on a scaled-back basis, allows you to weather difficult times," Munn said. Having some earnings coming in enables clients to defer drawing down on their retirement assets in a volatile market and put off claiming Social Security to create a bigger guaranteed benefit in the future.

The value of the 8% per year delayed retirement credit for every year an individual postpones claiming Social Security beyond full retirement age up to age 70 is more compelling than ever in today's zero-interest-rate environment — for those who can afford to wait.

Blanchett agreed on the value of working longer and delaying Social Security. "The lower interest rates go, the more attractive Social Security is from a pure investment position," he said. "It's better to delay Social Security, which is linked to inflation and guaranteed for life."

But Munn does not subscribe to the work-until-you-die philosophy. Quite the opposite. "The imbalance of work and play makes Americans slaves to work, fear, declining health and decreased happiness," he said. Instead, most clients would be better off enjoying their vacation days and pursuing their passions during their working years and gradually reducing their workload, rather than retiring completely. Working just a few years longer can substantially improve retirement prospects.

One of the silver linings of the stay-at-home orders during the pandemic may be that both employers and employees reevaluate the future of work and retirement. "Employers could retain human capital and employees could have a longer career arc," Munn said. "A lot of people are rethinking their priorities and what they want their life to look like."

RETIREMENT AFFORDABILITY INDEX™ APRIL 2020

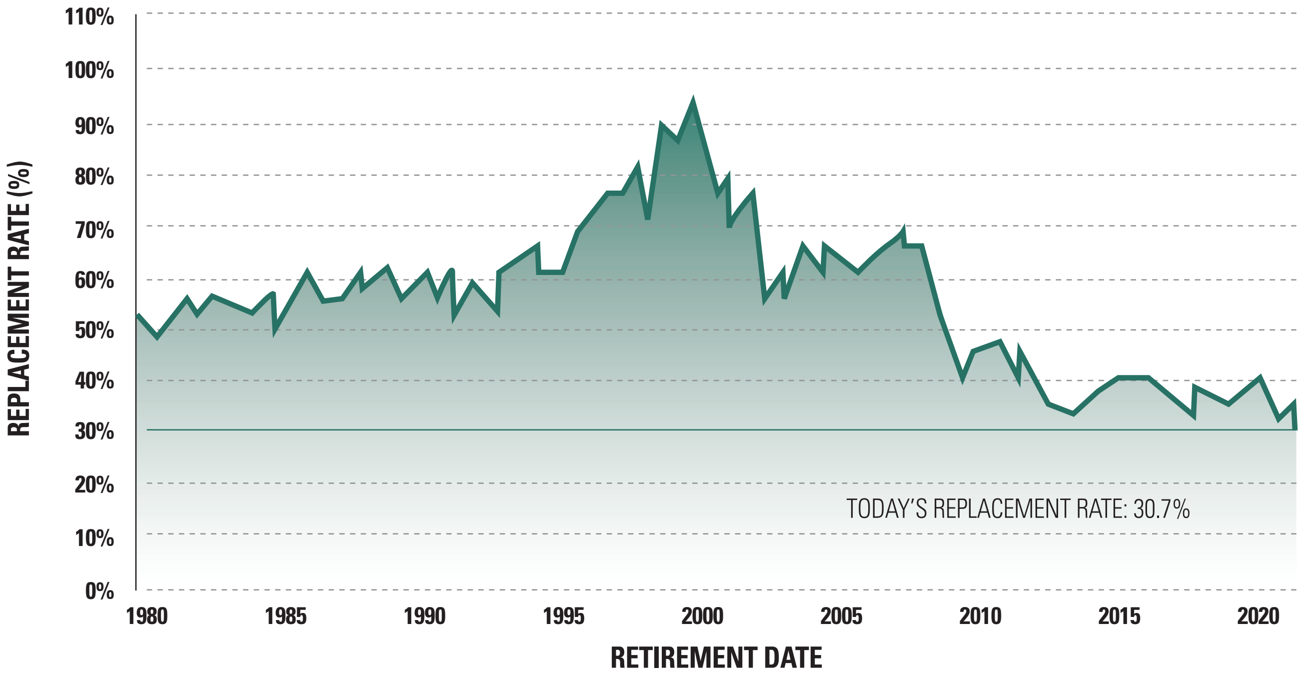

Chart explanation: The Retirement Affordability Index incorporates current market conditions to determine the gross replacement rate from pre-retirement salary that can be sustained with the accumulated retirement wealth. A retiree whose final salary was $100,000 would have accumulated $890,000, assuming he saved 15% of his salary each year from age 35 to 65. Given current interest rates and longevity, those savings could purchase about $30,700 of inflation-adjusted lifetime income. This represents a 30.7% replacement rate from pre-retirement salary — the lowest level recorded since the index began tracking data in 1982.

Source: Wade Pfau, retirementresearcher.com

"CONSIDER ALL ASSETS AND LIABILITIES ON A HOUSEHOLD'S BALANCE SHEET."

WADE PFAU, PROFESSOR OF RETIREMENT INCOME, THE AMERICAN COLLEGE FOR FINANCIAL SERVICES

FORCED RETIREMENT

Not everyone gets to decide when — or if — to retire. Some of the tens of millions of people who lost their jobs during the steepest economic downturns in history may never work again. For the newly unemployed who are at least 62 years old, filing for Social Security may be necessary even if claiming benefits before full retirement age can result in a permanent reduction in monthly payments.

An uptick in individuals claiming Social Security benefits at the earliest possible age of 62 as a result of the COVID pandemic would reverse a nearly 20-year trend of workers claiming benefits at older ages. The percentage of men who claimed benefits at 62 dropped from 40% in 2000 to 22% in 2018, and early claims for women dropped from 44% in 2000 to 25% in 2018, according to the Social Security Administration.

However, claiming reduced Social Security benefits may not be enough to support clients' income needs, particularly if they are unwilling to cash in retirement assets in a down market. Consequently, financial advisers may need to look beyond investible assets and explore other ways to generate income.

"Incorporating home equity through reverse mortgages can be an effective risk management tool during times of extreme market volatility," said Steve Resch, a financial adviser and vice president of retirement strategies at Finance of America Reverse, one of the nation's largest reverse mortgage lenders.

Senior housing wealth reached an all-time high of $7.23 trillion in April, according to the National Reverse Mortgage Lenders Association quarterly index.

A reverse mortgage lets homeowners who are 62 or older borrow against the equity in their homes as long as they live there. It can help clients stay invested during the current stock market lows while creating an alternative income stream to ensure there is cash available to pay bills and address other important financial needs, such as paying off an existing mortgage to lower monthly expenses.

There are some steep upfront costs — including a mandatory 2% insurance fee based on the value of the home up to Federal Housing Administration lending limits — but those can be wrapped into the cost of the loan, and no repayments are required as long as the borrower or his or her spouse live in the home.

Resch runs an educational program for financial advisers, which qualifies for continuing education credit, on how to incorporate home equity into a retirement income plan.

"People are losing their jobs and they have an asset they can draw on without having to drain their investments," he said. "It is a message we have been talking about for years, and it seems to be coming home to roost."

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

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
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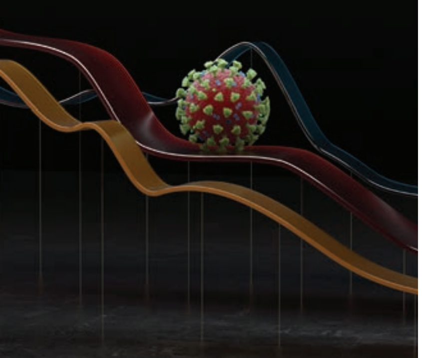
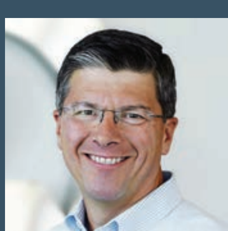


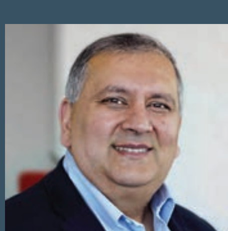
SPECIAL REPORT

COVID-19 Gives Advisor Technology Platforms 'Ultimate Stress Test'

ANNMARIE ROGERS
Executive Vice President/ Client Operations



MICHAEL BLUNDIN
Executive Vice President/ Client Delivery



HEEREN PATHAK
Chief Technology Officer

The COVID-19 pandemic hasn't just rewired advisory firms' business practices. It has stress-tested technology platforms and business continuity plans under a worst-case scenario few executives could have envisioned.

In a wide-ranging interview about the technology issues raised by the pandemic, Vestmark executives reflected on the challenges the advisory industry has experienced and what firms might do to future-proof their technology platforms for the next disaster.

***InvestmentNews* Content Strategy Studio (INCSS): From a technology standpoint, how would you grade the advisory industry's ability to work from home**.

ANNMARIE ROGERS: Most firms were successful in transitioning their own advisors from working in the office to working from home. However, pain points were in two broad areas: the ability to handle a large influx in trading volumes and the ability of larger firms to staff-up their back offices after offshore teams were ordered to stay at home.

INCSS: Talk about trading first. How extraordinary was the trading volume?

MICHAEL BLUNDIN: We've seen spikes that were 10 to 100 times normal. The increase wasn't just due to volatile markets. In the middle of all the volatility, on March 15 we also experienced the "quadruple witching hour" in which derivatives, stock futures, stock index options and single stock futures all expired simultaneously. Then, systems experienced additional trading volumes as we crossed a quarter-end boundary, which is when a lot of rebalancing takes place.

I think the volume surprised a lot of firms. There were news articles about trading platforms for wealth management divisions at some of the large banks crashing or freezing. At Vestmark, we can proudly say our systems held up well. We have long-touted scale as one of the biggest differentiators of our trading platform, and we were proud to see the platform execute the way it was planned to in such an extraordinary environment.

INCSS: What were some of the other implications of the large trading volumes?

HEEREN PATHAK: For one thing, I think the volume and speed at which trading took place was a challenge for tax-optimized trading. At the height of the volatility, markets were moving so much that advisors were waiting until the end of the day to get a general sense of the market's direction before entering trades. The short windows left little time to analyze the portfolio and harvest losses on sales. It's tough to analyze those types of things across a lot of accounts quickly. We've tried to facilitate that by providing "heat maps," which are graphic visualizations that help automate tax-loss harvesting within a client account.

MICHAEL BLUNDIN: We also saw more bulk strategy changes at the money manager or home office level. These are changes in which a home office might decide to move thousands of accounts from one strategy to another, or a manager's asset allocation strategy may change and need to be implemented across accounts. Not all home offices were equipped to make those changes efficiently and in a timely manner.

INCSS: You highlighted staffing outsourced back offices as a pain point in March. What were the challenges there?

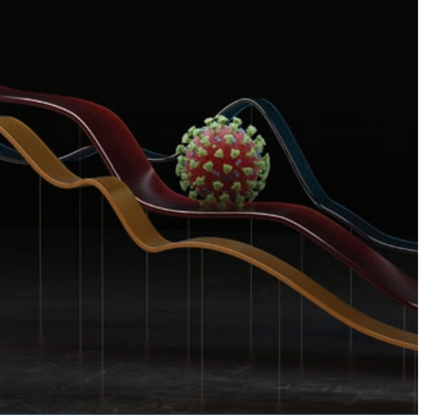
ANNMARIE ROGERS: Some firms rely on support from India for back-office operations. Custodians processing trades overnight also rely on offshore staff. When the Indian government locked down the country, these employees didn't have the infrastructure at home to carry out work.

But back-office staffing troubles weren't isolated to offshore solutions. Business continuity plans for some firms with a national footprint called for shifting back-office work to different offices if one office couldn't perform. Such plans didn't anticipate a pandemic affecting every office in the country. Separately, some firms had plans to use temporary staff to handle back-office functions, but had not given these workers the security access needed to work remotely. We tried to help clients by having our own staff remotely train clients' staff who could work and school them up on the back-office operations they would need to cover when offshore or temp staff could not work.

INCSS: What are some things advisory firms can do to future-proof their businesses in preparation for another event that is as disruptive as the COVID-19 pandemic?

HEEREN PATHAK: We haven't seen these trading volumes since 2008 and 2009 and I think the volume was a wake-up call. The role of advisors and home offices has been evolving over the decade and firms can use the data from this event to understand how trading demand and patterns have changed. Firms will need to review their core technology and evaluate whether it was designed to scale up in stressful times. They will need to look at core systems and understand how well they are architected to add capacity quickly and cheaply. Some systems lacked the flexibility to add capacity.

In light of recent trading, home offices will also need to evaluate how fast they were able to service clients. That ties into scale, but the home office should have a better sense of whether they are able to rebalance thousands, or even tens of thousands of accounts in a matter of minutes from a workflow perspective. ■



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SPECIAL REPORT

Market Volatility Puts Trading Platforms Under the Microscope

> "Do everything in one shot and let the platform handle all the customization logic for you."
>
> **MICHAEL BLUNDIN**
> **Executive Vice President/ Client Delivery**

Concerns about COVID-19 have sparked heightened volatility and trading activity unseen since the financial crisis in 2008. In turn, RIAs and broker-dealers are questioning how well their trading systems are prepared for it. The answer requires a deeper understanding of both the potential — and limitations — of different trading platforms.

Trading technology has evolved significantly in recent years, but platform capabilities vary. March's volatility highlighted how meaningful those differences are. In an interview, executives from Vestmark — creators of the VestmarkONE® advisory platform — reflect on the recent volatility and share several key questions firms should ask about trading platforms in its wake. Their questions and explanations follow:

Has your firm considered its collective trading demand in volatile markets?

Volatility can stimulate and concentrate excessive trading demand from multiple sources. Concerned clients may shift assets — forcing trades, while firms increase trading to maintain asset allocation integrity and remediate portfolio drift. Valuation changes can also spark large shifts to investment models. Some firms may not have considered the collective strain on trading systems from all these sources at once.

"There's a tendency for firms to think about their trading scale in terms of rebalancing 10-15% of their accounts on a given day with a few trades per account," explained Heeren Pathak, Chief Technology Officer at Vestmark. "They don't always think about scenarios where 50% or more of their accounts are being rebalanced with most of the positions in those accounts being traded."

When large model changes occur in response to volatility, it is essential that trading platforms facilitate portfolio changes quickly to capitalize on real-time valuations. This is where a slow trading platform can fail firms.

Implementing a model change across thousands of accounts can take advisors up to a week with some platforms, Pathak explained. He said the VestmarkONE platform's trading workflow has allowed advisors to implement these model changes in hours, enabling advisors to respond more rapidly to both market conditions and client service requests.

Can your trading platform handle all that demand simultaneously?

Another trading condition in March was that many advisors didn't release trades until the afternoon, when they were more confident in the market's direction. This concentrated a day's worth of activity into a flood of orders in the market's closing hours.

An influx of late-day trades changes the calculus of how much trading scale is necessary, Pathak explained. Some platforms may be able to handle large volumes over the course of an entire day but could struggle if advisors all wait until 1 or 2 p.m. to send orders. On some of the highest-level trading days in March, an advisory platform supporting thousands of affiliated advisors would need to process more than 100,000 trades in the last couple hours, he said.

How automated is the trading platform?

Another aspect of trading platforms firms should analyze is the degree of automation in their processing and workflows, explained Michael Blundin, Executive Vice President, Client Delivery, at Vestmark.

"Any place in the trading pipeline that includes a manual step is an opportunity for a negative surprise," he said. "There are plenty of trading pipelines that have manual approvals and manual steps in them for good reason. Firms should consider how these elements will perform in high-volume scenarios. Incorporating fail-safes or automated, volume-based triggers can potentially provide relief that allows the platform to automate more for them in times of stress."

How well is the platform designed for tax-efficient trading?

While no one welcomes a bear market, the recent sell-off presented ample tax-loss harvesting opportunities. But a trading platform's design can limit — or enable — advisors to harvest those losses quickly and accurately.

In many cases, advisors must manually identify the exact tax lots they have before they can conduct trades that harvest losses, and sometimes even manually process trades targeting specific lots. Platforms that maintain detailed lot-level accounting — ideally updated and synchronized to the custody system daily — can simplify and enable automation of the identification and execution process.

Ideally, an advisory platform should synchronize tax lots and cost basis with the custody system on a daily basis, but not all do. This is a key differentiator advisor firms should consider, as some platforms either don't support tax lot and cost basis synchronization or do so only on some periodic basis.

"If tax lots and cost basis aren't synchronized with the custody system daily, the decisions you're making at that point are based on somewhat inaccurate, stale data," Pathak said. "When it synchronizes daily, you're making very accurate decisions for your clients, based on data that has a high degree of fidelity and the best opportunity for automating key parts of that workflow."

Does the platform help advisors fulfill customized, client-specific requests?

As more clients request socially responsible investments or direct advisors to avoid select securities, the proportion of customized accounts continues to grow. Vestmark executives estimate that roughly 10% to 15% of all client accounts on the company's platform now require some degree of customization from standard models.

Platforms that can mass-customize, incorporating client rules such as sector limitations, security avoidance and security substitution rules into the systematic trading process can increase advisor efficiency and remove a lot of the time advisors spend managing customized accounts.

"The advisor doesn't have to worry about trading all the (non-customized) accounts then manually handling trading for the customized accounts," Blundin said. "Do everything in one shot and let the platform handle all the customization logic for you."

At the end of the day, each of these trading platforms issues ties directly to the client service experience.

"Ultimately, it all comes back to client service," Blundin said. "You want to be able to service immediate client requests and act in accordance with your fiduciary responsibilities. Are you able to service the account within the time expectations your client expects? That ability comes back to the strength of your trading platform." ■


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$589.5K COMMONWEALTH FINANCIAL NETWORK BOOKED THE HIGHEST AVERAGE PAYOUT AMONG INDEPENDENT BROKER-DEALERS IN 2019.
SOURCE: INVESTMENTNEWS RESEARCH

Time to rethink client engagement and seize the day

Facing a wildly uncertain future, solo advisers, national RIAs, fintech firms and the CEOs of familiar names are all working to navigate the uncertainty of the coronavirus pandemic and capitalize on its opportunity. Their refusal to take the situation sitting down is precisely what is most likely to help them succeed.

GUESTBLOG
STEPHANIE BOGAN

We've been here before. Whether you point to the Tulip Mania in 1637 or the Spanish Flu of 1918, it is clear that, while timing and conditions may vary, disruptions and downturns are predictable events.

In 2000, at 27, with clients in Silicon Valley, I learned the hard way what Israelmore Ayivor meant when he said: "Your downfall is in your lack of preparation for your uprise. If you don't know this secret, you will remain on the floor, blaming your legs instead of your head!"

If you want to outthink, out-strategize, and out-execute your competition, mindset is a great place to start.

OPEN TO OPPORTUNITY

Threatening situations tend to throw us into survival mode, flooding our bodies with stress hormones and redirecting blood flow from the prefrontal cortex (responsible for cognitive thought) to our heart and muscles. This helps us fight harder or flee faster, depending on what the situation calls for. Your brain processes more than 10 million bits of information per second, sorting through the full historical archive of your life for context, and then in a mere fifth of a second, it subconsciously processes the threat and dictates your response.

Anyone who has ever discounted a fee or kicked themselves for a business decision that should have been made differently knows all too well the side effects of stress. Simply put, stress makes you stupid.

We are no longer living in caveman times. It is highly unlikely that any of us will be eaten by a hungry saber-toothed tiger. But some of us will struggle to stay afloat in the post-pandemic markets, while others will step into new levels of success. Just ask Peter Mallouk of Creative Planning.

When 2008 put the wind at his back, it was his mental state that led Peter to put his sails in front of the wind and decide the direction in which to steer his strategy. He's grown the firm from $1 billion in 2008 to $28 billion today.

In stark contrast, many advisers are taking on any and all clients, discounting fees, overservicing, under-marketing and resisting the forces of change.

Neuroscience research by the Cambridge Institute of Technology tells us that success is primarily driven by three factors: environment, skills and psychology (or mindset). Get ready to have your mind blown. Of the three, they determined that success is 80% mindset. When you get paid to think, the quality of your thoughts matters — in times like these, immensely.

MASTER YOUR MINDSET

The next thinning of the herd in our profession is underway. Your job is not to resist the situation, but rather to master your mindset to get clear, get focused and get to work.

Be prepared to manage a sustained 30% downturn and have the margins to operate on a skinny 50% if demanded. Have a crisis communication plan that spells out the who, what, when and how of communicating with clients for as long as the downturn lasts. Shift your digital marketing to align with the pain points and preferences of the times. Engage with COIs and influencer groups as the voice of advice. Identify strategic investments that support your goals and can slingshot you forward. Get really comfortable being uncomfortable.

This is the third major crisis my clients and I have weathered in almost as many decades. I've never pretended to know what comes next, but I have learned how to be prepared for it. It's not the conditions, but rather your mindset that will determine whether you struggle to stay open for business or set a strategy that leaves you open for opportunity.

Get clear, get focused and get to work.

Stephanie Bogan, a business strategist and high-performance coach, can be reached at learnmore@educeinc.com.

Remote securities license testing could create a new normal

BY MARK SCHOEFF JR.

WHEN SECURITIES REGULATORS begin offering remote exams for securities licenses later this month, it could be a change that transcends the immediate need for social distancing due to the COVID-19 pandemic.

On May 24, the Financial Industry Regulatory Authority Inc. and the North American Securities Administrators Association will launch online testing for the following qualification exams: Securities Industry Essentials, Series 6, 7, 63, 65 and 66.

Candidates can begin scheduling tests Monday. They can be conducted on a personal or firm-issued computer with a camera. The tests are usually taken in-person at Prometric testing sites. Prometric will administer and proctor the online exams "through the camera and other online tools," the Finra website states.

Limited in-person testing will still be available in some locations.

The move to virtual testing could last beyond the coronavirus outbreak.

"IF A CANDIDATE CAN TAKE THE TEST AT HOME, IT'S A WIN-WIN FOR EVERYBODY."
BRIAN MARKS, PRESIDENT, KNOPMAN MARKS FINANCIAL TRAINING

"I don't know how they can go back" to only in-person testing, said Doug Vincens, vice president of financial services at Kaplan Professional. "The convenience of remote testing is very compelling. The genie is out of the bottle."

Most people preparing for the exams are already studying online, so taking a virtual test gives them certainty about their timeline that they may not have if they have to arrange an in-person exam, said Brian Marks, president of Knopman Marks Financial Training.

Most industry newcomers should be able to make the transition seamlessly.

"They're already familiar with remote testing if they're coming from college and are comfortable with that type of technology," Vincens said.

In addition, online test-taking can dovetail with virtual onboarding and remote working that many financial firms are already doing due to the pandemic.

"If a candidate can take the test at home, it's a win-win for everybody," Marks said.

Online qualifying exams once seemed like a far-off goal. Marks used to joke that when his 8-year-old daughter was ready to take one, she would be able to do it online. But that timeline has been accelerated by the pandemic. Finra and NASAA are conducting an online testing trial before the launch later this month.

"While still in the very early stages, from our point of view the remote testing pilot is going fairly well," NASAA spokesman Bob Webster wrote in an email. "We will continue to monitor developments in the remote testing process and engage with Finra as more candidates take exams on a remote basis."

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LPL's Arnold asks Congress to clarify pass-through deduction

LPL FINANCIAL CEO and President Dan Arnold wrote a letter to legislators that is currently being shared on Capitol Hill by LPL's government relations team. In it, Arnold advocates for clarifying legislation to enable independent financial advisers to be able to fully benefit from the 20% pass-through deduction afforded under Internal Revenue Code Section Section 199A. As it stands, there is a threshold on taxable income to qualify for these tax benefits. Arnold argues LPL independent financial advisers, and many other independent advisers, are small business owners affected by the current economic conditions. These entrepreneurs are helping to drive our economy, and now is the time to clarify this provision and level the playing field.

DAN ARNOLD

THE LETTER READS AS FOLLOWS:

As Congress continues to contemplate priorities for a fourth relief package in order to address the economic consequences of the novel coronavirus pandemic, I would like to urge you to provide relief to independent contractor financial advisers by designating them, via clarifying legislation, as "qualified trades or businesses" under Internal Revenue Code Section 199A. This would allow them to fully benefit from the 20% pass-through deduction. During this period of unprecedented economic disruption, independent contractor financial advisers are among the body of small business owners adversely impacted.

As you are aware, the COVID-19 pandemic has precipitated a pernicious public health and economic crisis affecting millions of Americans. Many are worried about how they will be able to afford retirement and keep their businesses afloat. During this uncertain time, financial advisers have served as an essential resource to their communities, providing much needed financial and emotional guidance. Additionally, independent contractor financial advisers are instrumental in helping their clients, many of whom are also small business owners, navigate the complexities of various stimulus programs currently available. Financial advisers enable small business owners to benefit from these programs by helping them select the most suitable program, showing them how to apply, and developing a holistic financial plan. This critical guidance will allow these businesses to maintain their employees amid federal and state lockdowns, and afford to reopen.

A key provision within the Tax Cuts and Jobs Act of 2017 created a 20% deduction on "qualified business income" for owners/shareholders of pass-through businesses, such as S corporations, partnerships and sole proprietorships. A significant number of our advisers are organized as pass-through entities, and we believe it is sound policy to allow these hard-working business owners to benefit from the deduction in whole. Under Section 199A, owners and shareholders of certain types of businesses — "specified service trades or businesses" — are limited in their ability to apply the 20% deduction if their overall taxable income exceeds certain thresholds. Unfortunately, financial advisers currently fall under this definition.

20%

FULL BENEFIT OF THE PASS-THROUGH DEDUCTION

Financial advisers associated with LPL adhere to an independent contractor business model. As small business owners, they are engines of value creation within their communities and employ tens of thousands of people. LPL advisers devise essential financial strategies to enable their clients to buy their first home, send their child to university and save for retirement. In the wake of the COVID-19 crisis, independent financial advisers are helping millions of families across the country cope with the anxieties of economic turbulence, while also contending with the strains of maintaining their workforce.

Excluding independent advisers from the full benefits of the pass-through deduction diminishes their ability to invest in and build their businesses. This disadvantage becomes even more heightened in the context of the COVID-19 crisis. Advisers are working diligently to ensure that their clients remain resilient through this crisis and into the future. Congress has a critical role to play in providing independent contractor financial advisers with much needed tax relief.

I urge you to provide clarifying legislation to designate financial advisers as "qualified trades or businesses" rather than "specified service trades or businesses" under Internal Revenue Code Section 199A. Taking this specific action will better position these small business owners to weather the economic fallout of the pandemic.

Thank you for your attention to this important issue.

Sincerely,
Dan Arnold
President and CEO
LPL Financial

INVESCO

CONTINUED FROM PAGE 2

pretation of the altered rebalancing schedule that had been announced by S&P Dow Jones Indices.

"In March 2020, due to volatility in the equity markets, S&P Dow Jones Indices communicated the decision to delay, and ultimately to separate, the rebalancing dates for its indices and noted some indices would be rebalanced in April and others in June.

> **"INVESCO DID THE RIGHT THING BY … MAKING THE FUND TRUE AGAIN."**
>
> MICHAEL WILLIS, LEAD PORTFOLIO MANAGER, INDEX

The company noted this delay but not the separation of rebalance dates and omitted rebalancing the funds on April 24, 2020 when S&P rebalanced the Index," according to the filing.

"The company discovered this omission and rebalanced the funds on April 29, 2020. The Company will make a contribution to the Funds of approximately $105 million to compensate them for the performance difference that arose from market movements between April 24 and April 29," the filing said. "This fund matter is not expected to have a material impact on the firm's financial strength or financial condition."

A RARE OCCURANCE

Rebalancing postponements are extremely rare, but they do happen. The S&P 500 market-capitalization index was suspended for the entire quarter — which has only happened one other time — right after the Sept. 11 terrorist attacks that shut down the financial markets for almost a week.

While it is not clear what caused the rebalancing snafu with Invesco's equal-weight index mutual fund, it is clear Invesco's exchange-traded fund tracking the same index, $10.6 billion RSP, did not suffer the same tracking error.

Nor did the $42 million Index Funds S&P 500 Equal Weight mutual fund (INDEX) have any difficulty adjusting to the rebalancing schedule change.

"Looks like Invesco did the right thing by stepping up and making the fund true again," said Michael Willis, lead portfolio manager of INDEX.

"They just erased the tracking error and made it go away," Willis said. "This is kind of an example of how when the big boys make mistakes, they can fix them, but it's good to see the right thing was done for investors."

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INTERNSHIPS

CONTINUED FROM PAGE 3

include a blend of online learning sessions and case study assignments, software training, office hours and even virtual happy hours.

"We've asked the planners to engage within the virtual community," she said. "We don't just want to have a series of webinars."

The eight-week schedule includes: investment planning, insurance and risk management planning, client communication and care, cash flow planning, student loan and college planning, retirement planning, tax planning and estate planning.

FREE FOR FPA MEMBERS

The program is free for FPA members. Students will be charged $39, which includes a one-year FPA membership.

The externship program was developed in response to the coronavirus, which cancelled internships and even postponed some recent grads' starting work at firms where they have been hired.

Healy and Moore are already seeing the upside of the fledgling virtual program as a way to teach veteran advisers ways to better embrace virtual communications by allowing the tech-savvy younger would-be planners to lead the way.

"The next generation grew up online, so the virtual part will be easy for them," Healy said. "I think this is a model we'll be able to replicate and be able to connect advisers with interns all over the country, and it could provide year-round opportunities."

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DAF GRANTS

CONTINUED FROM PAGE 2

ment at Fidelity Charitable. "It really shows the generosity of donors and the value of DAFs."

Schwab Charitable has seen similiar activity.

From about the middle of February through last Tuesday, $680 million has been granted from Schwab Charitable DAFs.

About $114 million was earmarked for COVID-19 relief, although the total going to pandemic-related charitable activities could be higher, said Kim Laughton, president of Schwab Charitable.

Like Fidelity Charitable and several financial planning organizations, Schwab Charitable had been encouraging donors to tap their DAFs and provided ideas on where to target the donations for pandemic relief.

"We're really pleased that our donors have stepped up the way they have," Laughton said. "It's a combination of them wanting to address these critical needs and Schwab Charitable encouraging them to do so with resources and ideas."

MAJOR SPONSORS

The two organizations sponsor many of the donor-advised funds in existence. As of last June, Fidelity Charitable had $31 billion in assets and housed about 138,000 accounts. Schwab Charitable has about $17 billion in assets and sponsors around 70,000 DAFs.

Smaller DAFs also are experiencing a surge in giving during the pandemic. American Endowment Foundation donors have increased their grants by 41% over the past six weeks compared to a year ago, said Ken Nopar, the organization's senior philanthropic advisor.

The popularity of donor-advised funds has soared over recent years. Investors can make big contributions to DAFs — often combining several years of charitable giving into one amount — that exceed the standard deduction, giving them a tax break. They can then distribute grants whenever they want.

That has led to criticism of DAFs. Skeptics say money can sit in the accounts for years. There is no requirement that a certain percentage of a DAF be distributed annually, the way there is with traditional foundations.

REGULAR PAYOUTS A MUST

Ray Madoff, a professor at Boston College Law School, agrees that DAFs can be put toward good causes. But she said regular payouts should be required.

"The question is whether the timing of these distributions should be left entirely in the discretion of DAF holders or whether we should have rules that either incentivize payouts (by deferring some benefits until the time of payout), or require that they occur within a reasonable period of time," Madoff, director of the Forum on Philanthropy and the Public Good, wrote in an email. "Since proponents cheer payouts from DAFs, shouldn't they also support regulation to encourage these payouts?"

> **$2.5B**
> TOTAL GRANTS MADE FROM FIDELITY DAFs SO FAR IN 2020

Both Fidelity and Schwab say the support going to charities from DAFs during the pandemic answers the criticism that they can be inert storage tanks for money that has already produced tax benefits.

Donors "are actively using their accounts," Pirozzolo said. "We're seeing that in the outpouring" for coronavirus relief.

"We're seeing that DAFs are a critical tool to help people give during difficult times," Laughton said.

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Top 50 equity ETFs ranked by quarterly returns

	Name	Three-month return %	One-year return %	Three-year annualized return %	Net assets ($M)	Expense ratio %
1	VelocityShares VIX Short-Term ETN (VIIX)	**208.80%**	57.82%	-9.85%	$71.5	0.89%
2	iPath Exchange Traded Notes S&P 500 VIX ST Ftrs B (VXX)	**208.57%**	57.51%	N/A	$798.3	0.89%
3	ProShares VIX Short-Term Futures ETF (VIXY)	**208.48%**	57.36%	-10.38%	$222.9	0.85%
4	iPath Exchange Traded Notes S&P 500 Dyn VIX A (XVZ)	**91.80%**	105.02%	12.29%	$4.7	0.95%
5	ProShares VIX Mid-Term Futures ETF (VIXM)	**82.10%**	78.66%	6.67%	$42.1	0.85%
6	iPath Exchange Traded Notes S&P 500 VIX MT Ftrs B (VXZ)	**82.06%**	78.85%	N/A	$41.4	0.89%
7	Cambria Tail Risk ETF (TAIL)	**23.49%**	18.39%	N/A	$114.1	0.59%
8	AGFiQ US Market Neutral Momentum Fund (MOM)	**22.97%**	18.08%	8.20%	$2.9	2.62%
9	Aberdeen Standard Physical Palladium Shares ETF (PALL)	**20.92%**	64.74%	41.56%	$303.7	0.60%
10	AGFiQ US Market Neutral Anti-Beta Fund (BTAL)	**15.59%**	20.05%	9.48%	$116.5	2.11%
11	ProShares Long Online/Short Stores ETF (CLIX)	**14.00%**	8.36%	N/A	$47.8	0.65%
12	Aberdeen Standard Physical Gold Shares ETF (SGOL)	**6.17%**	23.92%	8.60%	$1,467.9	0.17%
13	GraniteShares Gold Trust (BAR)	**5.60%**	23.92%	N/A	$772.7	0.18%
14	Perth Mint Physical Gold ETF (AAAU)	**5.60%**	23.91%	N/A	$222.2	0.18%
15	SPDR Gold MiniShares Trust (GLDM)	**5.60%**	23.91%	N/A	$1,615.1	0.18%
16	iShares Gold Trust (IAU)	**5.56%**	23.88%	8.65%	$20,223.2	0.25%
17	VanEck Merk Gold Trust (OUNZ)	**5.54%**	23.64%	8.49%	$219.6	0.40%
18	SPDR Gold Shares (GLD)	**5.54%**	23.64%	8.49%	$50,005.8	0.40%
19	Barclays iPath S&P VEQTOR ETN (VQT)	**4.34%**	6.31%	6.80%	$10.6	0.95%
20	UBS E-TRACS Bloomberg CMCI Gold Total Return (UBG)	**4.07%**	22.13%	7.62%	$5.0	0.30%
21	iPath Exchange Traded Gold ETN (GBUG)	**3.97%**	N/A	N/A	$31.4	N/A
22	iShares Gold Strategy ETF (IAUF)	**3.70%**	21.15%	N/A	$13.5	0.25%
23	Invesco DB Gold Fund (DGL)	**3.11%**	19.94%	6.52%	$130.9	0.75%
24	ProShares Managed Futures Strategy ETF (FUT)	**2.30%**	2.17%	0.71%	$3.8	0.75%
25	KraneShares MSCI All China Health Care Index ETF (KURE)	**2.10%**	6.93%	N/A	$32.1	0.65%
26	Core Alternative ETF (CCOR)	**1.93%**	6.18%	N/A	$120.2	1.23%
27	VanEck Vectors Video Gaming and eSports ETF (ESPO)	**1.68%**	22.30%	N/A	$123.5	0.55%
28	Credit Suisse Gold Shares Covered Call ETN (GLDI)	**1.56%**	13.61%	4.70%	$37.2	0.65%
29	First Trust Managed Futures Strat Fund (FMF)	**1.04%**	-2.36%	-0.67%	$6.6	0.95%
30	Global X Video Games & Esports ETF (HERO)	**0.80%**	N/A	N/A	$68.9	0.50%
31	Amplify BlackSwan Growth & Treasury Core ETF (SWAN)	**0.37%**	12.83%	N/A	$194.3	0.49%
32	iM DBi Managed Futures Strategy ETF (DBMF)	**0.06%**	N/A	N/A	$24.0	0.85%
33	Aberdeen Std Physical Precious Metals Bskt Shs ETF (GLTR)	**0.00%**	18.76%	6.26%	$523.7	0.60%
34	Teucrium Wheat Fund (WEAT)	**-0.08%**	8.96%	-5.90%	$49.1	1.16%
35	iPath ETN Bloomberg Pr Mtls Subindex Tot Ret B (JJP)	**-0.38%**	15.13%	N/A	$6.6	0.45%
36	iPath ETN Bloomberg Pr Mtls Subindex Tot Ret A	**-1.11%**	16.27%	3.25%	$1.2	0.75%
37	Pacer WealthShield ETF (PWS)	**-1.22%**	-1.13%	N/A	$49.7	0.60%
38	Reality Shares DIVCON Dividend Defender ETF (DFND)	**-1.41%**	9.09%	8.86%	$22.6	1.44%
39	Invesco DB Precious Metals Fund (DBP)	**-1.57%**	14.15%	3.26%	$139.1	0.75%
40	WisdomTree Managed Futures Strategy Fund (WTMF)	**-1.67%**	-5.05%	-1.36%	$116.2	0.65%
41	Nationwide Risk-Managed Income ETF (NUSI)	**-1.89%**	N/A	N/A	$27.6	0.68%
42	Global X MSCI China Consumer Staples ETF (CHIS)	**-2.16%**	15.00%	N/A	$4.2	0.67%
43	Global X MSCI China Health Care ETF (CHIH)	**-2.19%**	2.11%	N/A	$6.0	0.66%
44	ProShares Merger ETF (MRGR)	**-2.26%**	0.32%	2.53%	$6.5	0.75%
45	First Trust Alternative Absolute Return Strat ETF (FAAR)	**-2.89%**	-5.17%	-3.08%	$23.8	0.95%
46	MicroSectors FANG+ ETN (FNGS)	**-3.20%**	N/A	N/A	$31.6	0.58%
47	RYZZ Managed Futures Strategy Plus ETF (RYZZ)	**-3.27%**	-12.24%	N/A	$2.0	0.99%
48	ETFMG Video Game Tech ETF (GAMR)	**-3.95%**	-2.00%	9.26%	$72.8	0.75%
49	RPAR Risk Parity ETF (RPAR)	**-4.11%**	N/A	N/A	$266.9	0.50%
50	Innovator NASDAQ - 100 Power Buffer ETF - October (NOCT)	**-4.35%**	N/A	N/A	$49.1	0.79%

Source: Refinitiv Lipper; funds with assets as of March 31, 2020, ex-conventional mutual funds, ex-leveraged and ex-dedicated short bias; data through March 31, 2020.

Top 25 equity ETFs ranked by largest inflows

	Name	Three-month estimated net flows ($M)*	Three-month return %	One-year return %	Total net assets ($M)	Expense ratio %
1	Vanguard 500 Index Fund ETF (VOO)	**$18,123.9**	-19.63%	-7.01%	$120,190.0	0.03%
2	Vanguard Total Stock Market Index Fund ETF (VTI)	**$8,783.6**	-20.89%	-9.23%	$116,235.5	0.03%
3	Invesco QQQ Trust Series 1 (QQQ)	**$5,766.4**	-10.30%	6.81%	$83,478.3	0.20%
4	SPDR Gold Shares (GLD)	**$3,831.1**	5.54%	23.64%	$50,005.8	0.40%
5	iShares Core MSCI EAFE ETF (IEFA)	**$3,795.9**	-23.52%	-14.76%	$59,679.8	0.07%
6	United States Oil Fund LP (USO)	**$3,137.1**	-66.81%	-65.95%	$2,348.1	0.73%
7	iShares ESG MSCI USA ETF (ESGU)	**$2,780.5**	-18.89%	-5.88%	$3,500.7	0.15%
8	Vanguard Small-Cap Index Fund ETF (VB)	**$2,481.1**	-30.08%	-23.29%	$21,006.4	0.05%
9	iShares Core S&P 500 ETF (IVV)	**$2,430.3**	-19.60%	-6.99%	$162,303.3	0.04%
10	Vanguard Developed Markets Index Fund ETF (VEA)	**$2,377.8**	-24.01%	-15.76%	$61,329.9	0.05%
11	iShares Edge MSCI USA Quality Factor ETF (QUAL)	**$2,328.2**	-19.40%	-6.78%	$15,104.3	0.15%
12	Vanguard Total International Stock Index Fund ETF (VXUS)	**$2,196.1**	-24.30%	-16.48%	$15,963.5	0.08%
13	Vanguard Mid-Cap Index Fund ETF (VO)	**$2,193.8**	-25.74%	-16.62%	$23,208.4	0.04%
14	iShares Core S&P Total US Stock Market ETF (ITOT)	**$1,771.1**	-20.96%	-9.26%	$21,461.8	0.03%
15	Vanguard Dividend Appreciation Index Fund ETF (VIG)	**$1,742.2**	-16.79%	-4.07%	$36,504.7	0.06%
16	Vanguard Value Index Fund ETF (VTV)	**$1,728.3**	-25.03%	-14.79%	$43,068.8	0.04%
17	Schwab International Equity ETF (SCHF)	**$1,623.5**	-23.12%	-14.67%	$17,275.1	0.06%
18	Energy Select Sector SPDR Fund (XLE)	**$1,618.5**	-50.46%	-52.22%	$6,548.5	0.13%
19	iShares Gold Trust (IAU)	**$1,591.0**	5.56%	23.88%	$20,223.2	0.25%
20	iShares Core MSCI Total International Stock ETF (IXUS)	**$1,530.3**	-24.11%	-16.16%	$15,222.0	0.09%
21	Vanguard Growth Index Fund ETF (VUG)	**$1,529.7**	-13.74%	1.27%	$41,432.1	0.04%
22	iShares ESG MSCI EM ETF (ESGE)	**$1,515.3**	-23.44%	-16.98%	$1,893.8	0.25%
23	SPDR Portfolio S&P 500 ETF (SPLG)	**$1,209.0**	-19.46%	-6.93%	$3,819.7	0.03%
24	iShares MSCI ACWI ETF (ACWI)	**$1,167.4**	-21.37%	-11.22%	$10,070.9	0.32%
25	Health Care Select Sector SPDR Fund (XLV)	**$1,155.2**	-12.63%	-1.08%	$18,563.5	0.13%

Top 25 equity ETFs ranked by largest outflows

	Name	Three-month estimated net flows ($M)*	Three-month return %	One-year return %	Total net assets ($M)	Expense ratio %
1	SPDR S&P 500 ETF Trust (SPY)	**-$11,795.8**	-19.50%	-6.94%	$236,950.9	0.10%
2	iShares MSCI Emerging Markets ETF (EEM)	**-$4,005.3**	-23.69%	-18.10%	$19,334.6	0.68%
3	iShares MSCI Japan ETF (EWJ)	**-$3,141.5**	-16.85%	-6.99%	$8,892.3	0.49%
4	iShares Core S&P Mid-Cap ETF (IJH)	**-$2,076.2**	-29.70%	-22.48%	$35,722.3	0.06%
5	Invesco S&P 500 Eql Wght ETF (RSP)	**-$1,974.4**	-26.63%	-17.57%	$10,440.5	0.20%
6	Financial Select Sector SPDR Fund (XLF)	**-$1,920.7**	-31.82%	-17.09%	$14,908.5	0.13%
7	iShares MSCI EAFE ETF (EFA)	**-$1,765.7**	-22.86%	-14.43%	$48,142.8	0.32%
8	iShares Core MSCI Emerging Markets ETF (IEMG)	**-$1,555.4**	-24.40%	-18.85%	$45,325.9	0.13%
9	JPMorgan BetaBuilders Japan ETF (BBJP)	**-$1,382.7**	-16.66%	-7.82%	$2,397.4	0.19%
10	Vanguard Emerging Markets Stock Index Fund ETF (VWO)	**-$1,370.8**	-24.55%	-18.37%	$49,325.6	0.10%
11	Consumer Discretionary Select Sector SPDR Fund (XLY)	**-$1,341.5**	-21.43%	-12.52%	$9,964.9	0.13%
12	iShares MSCI India ETF (INDA)	**-$1,320.8**	-30.49%	-30.39%	$2,721.5	0.69%
13	SPDR S&P MidCap 400 ETF (MDY)	**-$1,254.6**	-29.69%	-22.60%	$12,292.7	0.23%
14	iPath Exchange Traded Notes S&P 500 VIX ST Ftrs B (VXX)	**-$1,106.0**	208.57%	57.51%	$798.3	0.89%
15	Vanguard Real Estate Index Fund ETF (VNQ)	**-$1,032.7**	-24.11%	-16.55%	$26,847.2	0.12%
16	JPMorgan BetaBuilders Europe ETF (BBEU)	**-$1,018.4**	-24.92%	-16.07%	$2,059.6	0.09%
17	FlexShs Morningstar Glbl Upsteam Ntrl Res Idx Fd (GUNR)	**-$907.7**	-31.00%	-27.41%	$2,965.6	0.46%
18	iShares Core S&P Small-Cap ETF (IJR)	**-$827.1**	-32.65%	-25.83%	$31,821.1	0.07%
19	iShares US Aerospace & Defense ETF (ITA)	**-$826.8**	-34.88%	-26.52%	$2,841.6	0.42%
20	iShares MSCI Eurozone ETF (EZU)	**-$821.9**	-26.84%	-17.97%	$3,763.2	0.49%
21	iShares Russell 2000 ETF (IWM)	**-$820.8**	-30.62%	-23.98%	$33,032.1	0.19%
22	First Trust Financials AlphaDEX Fund (FXO)	**-$796.8**	-36.24%	-28.22%	$563.1	0.63%
23	Vanguard European Stock Index Fund ETF (VGK)	**-$769.2**	-25.66%	-16.51%	$10,067.5	0.08%
24	Industrial Select Sector SPDR Fund (XLI)	**-$764.0**	-26.97%	-19.44%	$6,899.1	0.13%
25	SPDR S&P Dividend ETF (SDY)	**-$717.5**	-25.03%	-17.17%	$14,211.6	0.35%

Source: Refinitiv Lipper; funds with assets as of March 31, 2020, ex-conventional mutual funds, ex-leveraged and ex-dedicated short bias; data through March 31, 2020.

Top 50 fixed-income ETFs ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Net Assets ($M)	Expense Ratio %
1	PIMCO 25+ Year Zero Coupon US Treasury Index ETF (ZROZ)	**32.78%**	51.16%	19.94%	$348.6	0.15%
2	Vanguard Extended Duration Treasury Index Fd ETF (EDV)	**29.71%**	45.35%	18.45%	$1,434.8	0.07%
3	iShares 20+ Year Treasury Bond ETF (TLT)	**22.42%**	34.31%	13.94%	$18,190.1	0.15%
4	Schwab Long-Term US Treasury ETF (SCHQ)	**21.46%**	N/A	N/A	$48.7	0.05%
5	SPDR Portfolio Long Term Treasury ETF (SPTL)	**20.90%**	32.48%	13.34%	$1,960.9	0.06%
6	Vanguard Long-Term Treasury Index Fund ETF (VGLT)	**20.84%**	31.91%	13.26%	$2,000.9	0.05%
7	iPath ETN US Treasury 2Yr Bull A (DTUL)	**18.29%**	24.20%	5.47%	$6.3	0.75%
8	iPath ETN US Treasury 5Yr Bull ETN (DFVL)	**17.79%**	25.99%	8.66%	$6.5	0.75%
9	iShares 10-20 Year Treasury Bond ETF (TLH)	**16.72%**	24.56%	9.93%	$1,088.5	0.15%
10	iPath ETN US Treasury 10Yr Bull A (DTYL)	**15.01%**	22.26%	8.42%	$6.2	0.75%
11	Invesco 1-30 Laddered Treasury ETF (PLW)	**14.65%**	22.37%	9.24%	$134.1	0.25%
12	iPath ETN US Treasury Long Bond Bull A	**14.46%**	22.42%	9.31%	$0.8	0.75%
13	First Trust Long Duration Opportunities ETF (LGOV)	**10.65%**	17.81%	N/A	$11.9	0.70%
14	iShares 7-10 Year Treasury Bond ETF (IEF)	**10.27%**	16.16%	6.93%	$21,041.7	0.15%
15	PIMCO 15+ Year US TIPS Index Exchange-Traded Fund (LTPZ)	**9.43%**	20.07%	8.36%	$245.3	0.20%
16	iShares US Treasury Bond ETF (GOVT)	**8.49%**	13.40%	5.79%	$16,626.1	0.15%
17	Schwab Intermediate-Term US Treasury ETF (SCHR)	**7.14%**	11.69%	5.18%	$4,894.6	0.05%
18	Vanguard Intermediate-Term Treasury Index Fd ETF (VGIT)	**7.09%**	11.52%	5.15%	$5,518.1	0.05%
19	SPDR Portfolio Intermediate Term Treasury ETF (SPTI)	**7.05%**	11.59%	5.28%	$1,497.0	0.06%
20	Vanguard Long-Term Bond Index Fund ETF (BLV)	**6.31%**	18.99%	9.63%	$4,555.5	0.07%
21	iShares 3-7 Year Treasury Bond ETF (IEI)	**6.29%**	10.43%	4.64%	$11,145.6	0.15%
22	WisdomTree Bloomberg US Dollar Bullish Fund (USDU)	**5.46%**	6.37%	2.64%	$62.1	0.50%
23	iShares Agency Bond ETF (AGZ)	**4.44%**	8.37%	4.19%	$787.4	0.20%
24	Nuveen ESG US Aggregate Bond ETF (NUBD)	**4.02%**	9.42%	N/A	$105.8	0.20%
25	Quadratic Interest Rate Vltly and Infltn Hdg ETF (IVOL)	**3.70%**	N/A	N/A	$100.7	0.99%
26	iShares Core 10+ Year USD Bond ETF (ILTB)	**3.64%**	16.48%	8.70%	$354.4	0.06%
27	Invesco PureBeta US Aggregate Bond ETF (PBND)	**3.48%**	9.32%	N/A	$26.3	0.05%
28	Invesco DB US Dollar Index Bullish Fund (UUP)	**3.43%**	5.12%	2.22%	$955.2	0.75%
29	Vanguard Total Bond Market Index Fund ETF (BND)	**3.33%**	9.05%	4.86%	$50,116.0	0.04%
30	iShares Government/Credit Bond ETF (GBF)	**3.32%**	9.65%	5.00%	$296.7	0.20%
31	Schwab US Aggregate Bond ETF (SCHZ)	**3.31%**	9.00%	4.79%	$7,576.7	0.04%
32	Vanguard Mortgage-Backed Secs Idx Fund ETF (VMBS)	**3.20%**	7.31%	4.03%	$11,167.8	0.05%
33	iShares ESG US Aggregate Bond ETF (EAGG)	**3.20%**	8.92%	N/A	$236.8	0.10%
34	Vanguard Intermediate-Term Bond Index Fund ETF (BIV)	**3.07%**	9.45%	5.16%	$11,738.7	0.07%
35	JPMorgan US Aggregate Bond ETF (JAGG)	**3.07%**	8.46%	N/A	$514.6	0.07%
36	iShares Core US Aggregate Bond ETF (AGG)	**3.06%**	8.78%	4.75%	$68,339.7	0.04%
37	SPDR Portfolio Aggregate Bond ETF (SPAB)	**2.97%**	8.70%	4.71%	$5,063.6	0.04%
38	Aptus Defined Risk ETF (DRSK)	**2.94%**	10.33%	N/A	$230.8	0.76%
39	Schwab Short-Term US Treasury ETF (SCHO)	**2.81%**	5.41%	2.64%	$6,904.2	0.05%
40	iShares 1-3 Year Treasury Bond ETF (SHY)	**2.79%**	5.30%	2.56%	$23,263.5	0.15%
41	SPDR Portfolio Short Term Treasury ETF (SPTS)	**2.78%**	5.37%	2.53%	$2,701.6	0.06%
42	iShares GNMA Bond ETF (GNMA)	**2.76%**	6.46%	3.54%	$205.3	0.15%
43	Vanguard Short-Term Treasury Index Fund ETF (VGSH)	**2.70%**	5.26%	2.61%	$7,344.9	0.05%
44	SPDR Portfolio Mortgage Backed Bond ETF (SPMB)	**2.69%**	6.77%	3.86%	$1,983.0	0.06%
45	JPMorgan Core Plus Bond ETF (JCPB)	**2.62%**	7.92%	N/A	$64.2	0.40%
46	First Trust TCW Opportunistic Fixed Income ETF (FIXD)	**2.60%**	8.44%	4.80%	$1,612.5	0.55%
47	FlexShares Disciplined Duration MBS Index Fund (MBSD)	**2.56%**	6.40%	3.07%	$58.7	0.20%
48	iShares MBS ETF (MBB)	**2.56%**	6.64%	3.85%	$21,686.9	0.06%
49	iShares Intermediate Govt/Credit Bond ETF (GVI)	**2.37%**	6.71%	3.62%	$2,258.8	0.20%
50	FlexShares Core Select Bond Fund (BNDC)	**2.23%**	7.99%	4.40%	$31.8	0.35%

Source: Refinitiv Lipper; Ex-conventional mutual funds, ex-leveraged, and ex-dedicated short bias; Data through March 31, 2020.

Top 25 fixed-income ETFs ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF (BIL)	**$9,221.7**	0.42%	1.92%	$18,079.1	0.14%
2	iShares iBoxx $ Inv Grade Corporate Bond ETF (LQD)	**$6,241.4**	-3.24%	6.72%	$39,778.2	0.15%
3	iShares 1-3 Year Treasury Bond ETF (SHY)	**$5,107.2**	2.79%	5.30%	$23,263.5	0.15%
4	iShares Short Treasury Bond ETF (SHV)	**$2,571.4**	0.85%	2.56%	$23,452.8	0.15%
5	Vanguard Intermediate-Term Corp Bond Idx Fund ETF (VCIT)	**$1,817.5**	-3.97%	3.79%	$26,269.5	0.05%
6	Vanguard Total International Bond Index Fund ETF (BNDX)	**$1,582.5**	0.17%	4.82%	$25,946.8	0.08%
7	iShares 7-10 Year Treasury Bond ETF (IEF)	**$1,507.9**	10.27%	16.16%	$21,041.7	0.15%
8	iShares Broad USD High Yield Corporate Bond ETF (USHY)	**$1,489.6**	-13.02%	-7.17%	$3,731.0	0.15%
9	Schwab Short-Term US Treasury ETF (SCHO)	**$1,356.9**	2.81%	5.41%	$6,904.2	0.05%
10	SPDR Portfolio Mortgage Backed Bond ETF (SPMB)	**$1,200.2**	2.69%	6.77%	$1,983.0	0.06%
11	Vanguard Short-Term Treasury Index Fund ETF (VGSH)	**$1,191.8**	2.70%	5.26%	$7,344.9	0.05%
12	First Trust Low Duration Opportunities ETF (LMBS)	**$1,167.2**	-0.28%	2.59%	$5,071.1	0.67%
13	iShares 3-7 Year Treasury Bond ETF (IEI)	**$906.3**	6.29%	10.43%	$11,145.6	0.15%
14	SPDR Portfolio Short Term Treasury ETF (SPTS)	**$810.5**	2.78%	5.37%	$2,701.6	0.06%
15	Vanguard Intermediate-Term Treasury Index Fd ETF (VGIT)	**$740.9**	7.09%	11.52%	$5,518.1	0.05%
16	Invesco DB US Dollar Index Bullish Fund (UUP)	**$714.2**	3.43%	5.12%	$955.2	0.75%
17	iShares 0-5 Year High Yield Corporate Bond ETF (SHYG)	**$538.1**	-11.43%	-7.78%	$3,563.6	0.30%
18	SPDR Nuveen Bloomberg Barclays Municipal Bond ETF (TFI)	**$534.7**	0.18%	4.62%	$3,436.6	0.23%
19	VanEck Vectors Fallen Angel High Yield Bond ETF (ANGL)	**$368.2**	-13.52%	-6.50%	$1,483.6	0.35%
20	SPDR Portfolio Intermediate Term Treasury ETF (SPTI)	**$366.3**	7.05%	11.59%	$1,497.0	0.06%
21	Janus Henderson Short Duration Income ETF (VNLA)	**$338.9**	-0.46%	2.09%	$1,379.9	0.32%
22	First Trust TCW Opportunistic Fixed Income ETF (FIXD)	**$328.5**	2.60%	8.44%	$1,612.5	0.55%
23	First Trust Preferred Securities and Income ETF (FPE)	**$241.8**	-16.12%	-8.04%	$4,355.3	0.85%
24	iShares Core Total USD Bond Market ETF (IUSB)	**$232.9**	1.24%	7.00%	$4,531.7	0.06%
25	SPDR Portfolio Aggregate Bond ETF (SPAB)	**$215.6**	2.97%	8.70%	$5,063.6	0.04%

Top 25 fixed-income ETFs ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	iShares 20+ Year Treasury Bond ETF (TLT)	**-$3,001.6**	22.42%	34.31%	$18,190.1	0.15%
2	iShares Core US Aggregate Bond ETF (AGG)	**-$2,786.9**	3.06%	8.78%	$68,339.7	0.04%
3	Vanguard Short-Term Corporate Bond Idx Fd ETF (VCSH)	**-$2,400.3**	-2.38%	1.63%	$22,658.8	0.05%
4	Vanguard Intermediate-Term Bond Index Fund ETF (BIV)	**-$2,153.9**	3.07%	9.45%	$11,738.7	0.07%
5	SPDR Bloomberg Barclays High Yield Bond ETF (JNK)	**-$1,834.6**	-12.76%	-7.06%	$8,395.0	0.40%
6	iShares JPMorgan USD Emerging Markets Bond ETF (EMB)	**-$1,784.5**	-13.70%	-7.06%	$11,858.2	0.39%
7	iShares iBoxx $ High Yield Corporate Bond ETF (HYG)	**-$1,648.9**	-11.89%	-6.26%	$15,358.4	0.49%
8	PIMCO Enhanced Short Maturity Active Exch Tr (MINT)	**-$1,450.8**	-1.98%	0.16%	$11,948.4	0.36%
9	iShares Floating Rate Bond ETF (FLOT)	**-$1,326.8**	-3.06%	-0.75%	$8,123.1	0.20%
10	iShares TIPS Bond ETF (TIP)	**-$1,170.8**	1.67%	6.70%	$19,892.0	0.19%
11	iShares Intermediate-Term Corporate Bond ETF (IGIB)	**-$954.8**	-4.74%	3.36%	$8,134.1	0.06%
12	VanEck Vectors JP Morgan EM Local Currency Bd ETF (EMLC)	**-$913.0**	-14.84%	-8.80%	$3,231.6	0.30%
13	SPDR Blackstone/GSO Senior Loan ETF (SRLN)	**-$812.1**	-11.57%	-6.74%	$1,513.0	0.70%
14	JPMorgan Ultra-Short Income ETF (JPST)	**-$679.9**	-1.04%	1.23%	$9,392.7	0.18%
15	SPDR Portfolio Short Term Corporate Bond ETF (SPSB)	**-$561.8**	-1.38%	1.90%	$5,723.6	0.07%
16	Vanguard Sht-Term Inflation-Protected Sec Idx ETF (VTIP)	**-$524.8**	-0.71%	2.34%	$6,658.8	0.05%
17	Xtrackers USD High Yld Corporate Bd ETF (HYLB)	**-$468.0**	-11.50%	-6.04%	$3,384.4	0.15%
18	SPDR Bbg Barclays Invest Grade Floating Rate ETF (FLRN)	**-$459.3**	-2.94%	-0.63%	$2,824.6	0.15%
19	Invesco Ultra Short Duration ETF (GSY)	**-$452.3**	-1.40%	0.83%	$2,241.8	0.23%
20	SPDR Bbg Barclays Short Term High Yield Bond ETF (SJNK)	**-$444.6**	-11.82%	-8.56%	$2,575.7	0.40%
21	PIMCO 0-5 Year High Yield Corporate Bond Index ETF (HYS)	**-$419.7**	-13.17%	-9.77%	$1,026.9	0.56%
22	Vanguard Short-Term Bond Index Fund ETF (BSV)	**-$383.8**	2.18%	5.47%	$22,537.0	0.07%
23	iShares 0-5 Year TIPS Bond ETF (STIP)	**-$383.6**	-0.61%	2.54%	$2,040.3	0.06%
24	Schwab US TIPS ETF (SCHP)	**-$303.1**	1.68%	6.78%	$8,567.0	0.05%
25	SPDR DoubleLine Total Return Tactical ETF (TOTL)	**-$298.8**	-1.10%	3.09%	$2,990.6	0.55%

Source: Refinitiv Lipper; Ex-conventional mutual funds, ex-leveraged, and ex-dedicated short bias; Data through March 31, 2020.