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2 TWITTER BRAWL SPLITS INDUSTRY / 3 PHONY ADVISER SNAGGED BY SEC / 12 2020 RETIREMENT INCOME SUMMIT / 18 TOP MUTUAL FUNDS Q2

AUGUST 24-28, 2020

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CHAIN OF CUSTODY

AS ACQUISITION LOOMS, MORGAN STANLEY'S JAMES GORMAN HOLDS THE FATE OF ETRADE'S RIAs IN HIS HANDS

PAGE 8

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TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

INSIDE

AUGUST 24-28, 2020

3 On Advice
6 Editorial
14 On Retirement

4 Advisers on the Move Q2

Bruce Kelly and the InvestmentNews Research team crunch the latest numbers.

16 She's listening

Behavioral finance maven Sarah Newcomb extols the power of understanding clients' stories.

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Financial advisers tangle over politics on Twitter

BY JEFF BENJAMIN

POLITICS HAS LONG been considered one of the few topics that should never be discussed in polite company, but some financial advisers just can't help themselves.

Witness the Twitter dustup during last Monday's virtual Democratic National Convention when Susan Moore of Moore Wealth Management tweeted to Carolyn McClanahan, director of financial planning at Life Planning Partners: "I am sick of your posts. I am pushing back about you serving as a speaker for organizations that I am a part of. If you want to be a paid speaker, you need to stop pushing an agenda that offends so many."

Moore's post, in response to McClanahan's praise of Michelle Obama's virtual DNC speech, triggered 18 additional comments that included varying degrees of snark.

In other words, just another night on Twitter, except for the fact we're talking about people who, when not arguing on social media, position themselves as providers of sound financial advice.

For that reason alone, some say politics should always be off the table in the financial planning business.

"Talking politics is alienating and it doesn't benefit you in any way," said April Rudin, chief executive of The Rudin Group.

"If you want to have a private conversation with someone, that's one thing, because you already know their political disposition, but your political opinion has nothing to do with your ability to provide financial advice," Rudin said. "Digital and social media has no borders, and you have to remember that everyone is listening and watching."

Carolyn McClanahan @CarolynMcC

What makes me mad is how much the @GOP eviscerates government and purposefully makes it run poorly. Then people "hate government" - we need a leader to run government well instead of tearing it down. Like FDR or Johnson did.

10:10 AM · Aug 11, 2020

Susan Moore @Moorewealthal · Aug 17

I am sick of your posts. I am pushing back about you serving as a speaker for organizations that I am a part of. If you want to be a paid speaker, you need to stop pushing an agenda that offends so many.

While logic might dictate that expressing political views could turn off some clients and potential clients, many of the most vocal advisers seem to believe the risk is worth the reward of speaking one's mind.

"Advisers should be who they are," said McClanahan, who's openly progressive and has spent the past several weeks promoting a book on mod-

CONTINUED ON PAGE 22

Merrill releases its diversity data

BY LIZ SKINNER

MERRILL LYNCH WEALTH Management has increased the number of women and ethnically diverse advisers and trainees compared to five years ago, seeking to more accurately reflect the nation's changing population and appeal to potential clients, the firm said.

"Our growth strategy includes being in touch with diverse markets that are growing," said Andy Sieg, president of Merrill Lynch Wealth Management. "We've put the programs and processes in place and we're seeing success adding diverse talent."

Merrill has boosted its female adviser count to 3,650 of its 17,500 advisers, or 21%, and the number of advisers who are ethnically diverse to 3,960, or 23%, the firm said. In 2015, those levels were at 18% and 15.5%, respectively. The unit of Bank of America has about 4.5% African American advisers and 9% Hispanic or Latino advisers, it said.

INDUSTRY SLOW TO SHARE

The nation's wirehouses have been reluctant to release statistics about the diversity of their adviser forces, which have a long history of being nearly all white and male. According to a lawsuit filed by a former head of global diversity at Morgan Stanley, less than 1% of that firm's 16,000 advisers are black.

Merrill's 17,500 total advisers include its salaried Financial Solutions Advisors, who work under the Merrill Edge brand, and the firm's adviser trainees. The thundering herd said its approximately 3,000 trainees are the most diverse group, including about 30% women and more than one-third people of color.

Of Sieg's 10-person leadership team, four are women and one is African American.

Among the steps Sieg took since becoming head of wealth management in 2017 was to build diversity into the goals of the leadership team.

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SEC drops the hammer on another one-time broker

BRUCE KELLY

ONADVICE

A former registered broker in Philadelphia is the latest in a long line of one-time brokers who ditched the securities business to sell high-priced, high-risk investments to retirees desperate for steady returns.

The phony adviser in question is Dean Vagnozzi, whose firm is called A Better Financial Plan. After a settlement with the Securities and Exchange Commission in July revealed he was selling millions in unregistered securities to clients who were not wealthy enough to buy them under industry rules, his customers are probably calling Vagnozzi and his firm something else.

Vagnozzi is not a registered financial adviser but he sure acted like one, according to the SEC. He is, however, a licensed insurance salesman.

In total, Vagnozzi raised $32 million from 339 clients to invest in life settlements, or unwanted insurance policies that consumers sell that can come with risks. The group of funds Vagnozzi used and managed to buy the life settlements were not registered with the SEC, a big-time no-no, and nearly half the investors were not accredited, according to the commission's cease and desist order, meaning they did not meet high-net-worth requirements to invest in those types of securities. He sold them as limited partnerships, and to buy an LP or invest in one, you have to be accredited, meaning wealthy or financially sophisticated.

FUNNEL FOR FRAUD

Things have spiraled out of control for Vagnozzi, his firm and his clients since the settlement in July, in which he agreed to pay back $490,000 to customers.

CONTINUED ON PAGE 23

Advisers may be struggling to adopt model portfolios

BY NICOLE CASPERSON

THE POPULARITY OF model portfolios has been evident as large industry players — from Envestnet to Oranj — have ramped up offerings to keep up with advisers looking to outsource investment management and focus on other parts of the advice business.

Yet new research published last week shows advisers are still struggling with adoption.

Just one in 10 advisers currently use a model marketplace to access third-party portfolio strategies, based on a survey from the data analytics firm YCharts that queried 319 advisers in June and July. Of those not using a model marketplace, only 39% would be interested in using one in the future.

A study from Cerulli in June also found that a vast minority of advisers, just 16%, are using asset allocation models as their primary portfolio construction process — although the portion of advisers who use them in any capacity is likely to be much higher.

That hasn't stopped advisory firms from rolling out new products in recent months. Envestnet recently announced partnerships to provide two new models to its users, and Franklin Templeton announced in June the availability of its suite of a dozen outcome model portfolios also through the Envestnet platform.

CONTINUED ON PAGE 23

Rethinking the value of having an allocation to bonds

BY JEFF BENJAMIN

WITH BOND YIELDS hovering near historic lows and the Federal Reserve promising more of the same, financial advisers are increasingly making the case for trimming or even eliminating bond allocations in client portfolios.

The anti-bond movement is most prevalent among younger advisers and those who work with a lot of clients under the age of 40.

"I'm personally 100% in equities and I do occasionally have tactical cash allocations," said Graham Miller, 32, owner of Wiegand Financial Group.

While Miller does position bonds inside many of his clients' portfolios when appropriate, he believes there are certain client profiles that just don't benefit from fixed income. For some of those clients, the bond allocation is replaced by alternatives such as futures, real estate and precious metals.

"Everything depends on what the market is giving you, and now is certainly a time when I would be more averse to bonds," Miller said. "Generally speaking, if someone has an infinite timeline and a high-risk appetite, 100% equities would be appropriate."

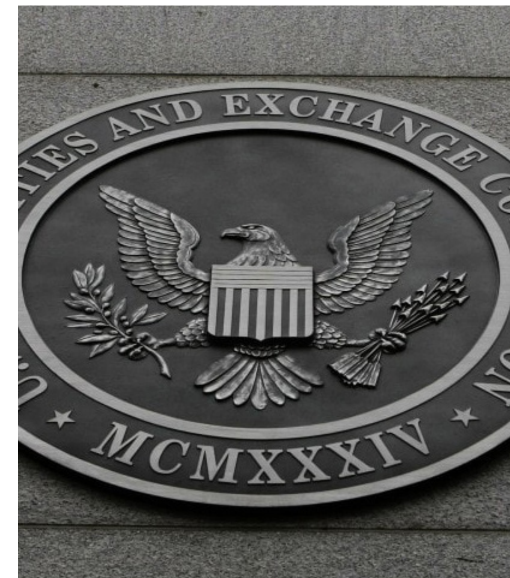
MISSING THE POINT

While the strategy might seem logical for younger clients who say they can stomach the volatility of the equity markets, some critics say shunning fixed income misses the point of portfolio diversification.

"Removing bonds from a portfolio is short-sighted and will cause additional

CONTINUED ON PAGE 22

SEC's share-class crackdown could spell trouble for 12b-1 fees



BY MARK SCHOEFF JR.

THE SECURITIES AND Exchange Commission's aggressive crackdown on disclosures surrounding payments by funds to financial advisers has some wondering if the agency is really trying to eliminate the practice.

The latest SEC salvo came when it ordered SCF Investment Advisors of Fresno, California, to pay $767,192 for allegedly selecting high-fee share classes of mutual fund and money market funds for clients without disclosing that less expensive classes of the same funds were available.

The firm took 12b-1 fees on mutual funds and revenue sharing on the money market funds. SCF did not admit nor deny the charges.

As was the situation with SCF and in the SEC's recently concluded share-class selection initiative, the violations involve investment advisers also registered as brokers who select funds with 12b-1 fees for clients in advisory accounts and then send the 12b-1 revenue to a brokerage affiliate.

SETTING A HIGH BAR

The SEC enforcement cases have not said it's inappropriate for investment advisers to pay 12b-1 fees to brokers. The problem is that the advisers are violating their fiduciary duty by not telling their clients about the conflict of interest created by the 12b-1 fee revenue.

But Kit Addleman, a partner at Haynes and Boone, said the SEC is setting the disclosure bar so high on 12b-1 fees, there are limited instances in which receiving such payments would be OK.

"The SEC is essentially saying 12b-1

CONTINUED ON PAGE 23

Broker recruiting moves plunge amid the pandemic

BY BRUCE KELLY

FINANCIAL ADVISERS AND registered reps jumped to new firms at a much slower rate during the first half of the year, but some broker-dealers still made notable hires of established, veteran advisers.

According to data from InvestmentNews Research, 3,568 reps and advisers moved to a new firm in the first half of 2020, a decline of 23.1% when compared to the first half of last year.

The drop is even sharper when compared to 2017, a recent high-water mark for adviser recruiting across the financial advice industry. Over the first six months of that year, 5,394 reps and advisers jumped to a new firm, and the first half of 2020 represents a 33.9% slump compared to three years ago.

The InvestmentNews data include advisers who move directly between firms, joining the new firm within 60 days of leaving the old firm, and exclude moves between affiliated firms and moves that result from a merger or acquisition. It is collected from a variety of sources, including press releases, regulatory filings and direct submissions.

NEWS ON MOVES
FOR ALL ADVISER MOVES AND RECRUITING ACTIVITY, GO TO DATA.INVESTMENTNEWS.COM/AOTM.

There is no doubt that the COVID-19 pandemic has slowed brokers and advisers' moves from one firm to another, even as broker-dealers ramp up efforts to replace face-to-face meetings and meals with recruits with virtual and online conferences.

Meanwhile, as the pandemic rolls on, Wells Fargo Advisors Financial Network, the independent contractor adviser arm of Wells Fargo Advisors, recently has added high-producing advisers from wirehouse competitors such as UBS and Merrill Lynch.

That's something of a turnaround for Wells Fargo, which has seen a number of advisers walk out the door in the wake of its 2016 banking scandals.

Advisers who recently moved to Wells Fargo's FiNet group include Thomas Freeman, who left UBS in June and leads a team with $1.6 billion in client assets, and three advisers, Troy Elser and Ryan Gutowski from UBS and Andrew Hahn from Merrill Lynch, who joined Seventy2 Capital Wealth Management with $277 million in assets. Elser and Gutowski moved in June while Gutowski joined FiNet in July.

Firms like Seventy2 Capital Management use FiNet as a back office for brokerage services. Wells Fargo Advisors is the only major wirehouse that has a variety of platforms for advisers, from bank broker to wealth management to independent contractor.

"We asked ourselves, can we do a better job in the independent model, and came to the conclusion that we could," said Freeman, managing director of FCS Private Wealth Management. "At our size, we can have a little more control of our destiny and have the vision of what the practice should be.

"There is nothing wrong with UBS and we enjoyed it there," Freeman said. "But for our service model and sophistication of clients this made more sense. I've been thinking about this for a long time."

FiNet is also well known on the Street for its attractive recruiting bonus to advisers,. It is currently offering in the neighborhood of 100% of an adviser's annual fees and commissions, known as "trailing 12" in the industry, to select recruits. That is clearly on the high end of industry deals for independent contractor advisers.

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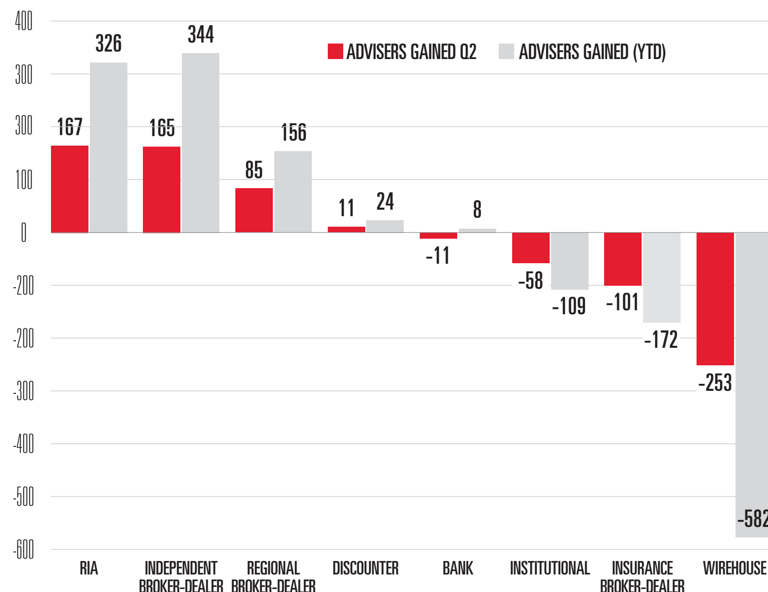
RECRUITING NET GAINS

	Q2 2019	YTD THROUGH JUNE 30
LPL FINANCIAL	120	172
STIFEL NICOLAUS & CO. INC.	37	66
RAYMOND JAMES & ASSOCIATES INC.	33	59
PRUCO SECURITIES	31	64
CHARLES SCHWAB & CO.	23	40
RBC CAPITAL MARKETS	20	31
AMERIPRISE FINANCIAL SERVICES	18	55

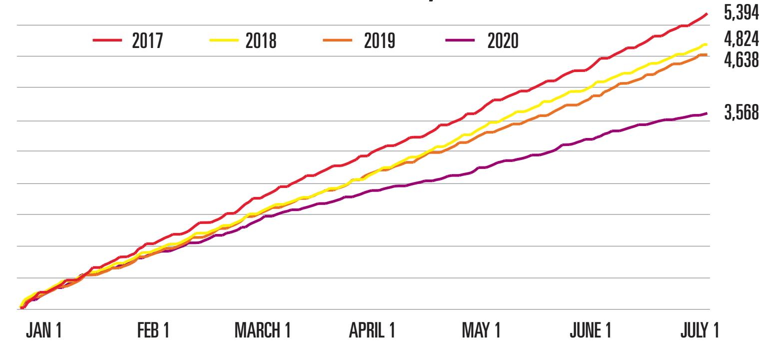
RECRUITING NET LOSSES

	Q2 2019	YTD THROUGH JUNE 30
MERRILL LYNCH PIERCE FENNER & SMITH INC.	98	207
WELLS FARGO CLEARING SERVICES	63	157
MORGAN STANLEY	58	154
EQUITABLE ADVISORS	45	79
EDWARD JONES	35	66
UBS FINANCIAL SERVICES INC.	34	64
CAPITAL FINANCIAL SERVICES INC.	21	22

CHANNEL RECRUITMENT



CUMULATIVE MOVES BY YEAR, JAN. 1-JUNE 30



DISCLAIMER AND METHODOLOGY: The *InvestmentNews* Advisers on the Move database is designed to capture all recruiting activity of retail financial advisers/teams of advisers as they move from one firm to another. The activity recorded within the database comes from a number of sources, including *InvestmentNews* and other media reports, press releases, direct submissions that have been reviewed by *InvestmentNews* and regulatory filings.To qualify as a move, no more than 60 days can have elapsed between the date an adviser/team leaves one firm and the date they join another. Any adviser registration changes that came as a result of merger and acquisition activity are not recorded as moves in the database.

Source: InvestmentNews Research

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Opinion

EDITOR'S NOTE

Don't let COVID distract you from retirement

Over the past two weeks, *InvestmentNews* hosted its 14th annual (and first virtual) Retirement Income Summit. Having had the opportunity to moderate and host this collection of leading investment minds, I wanted to share my takeaways for advisers and their clients as we look at retirement planning now.

GEORGE B. MORIARTY

First, and foremost, communication must change. The consistent message over the four days, from a variety of voices, was that the key to success for clients planning for retirement and those living in retirement is a regular cadence that allows questions to be asked and new information to be shared.

Second, while I hate clichés and catchphrases, the current environment does provide the opportunity for a "retirement reset." That phrase serves as an umbrella for a host of factors affecting retirement, including ultra-low interest rates hitting income planning. And the job market has moved up the decision on when to retire for those losing their jobs and retiring earlier than anticipated. Meanwhile, others with jobs but unanticipated financial insecurity are now looking at working longer.

Everyone — clients and advisers alike — needs to look at retirement with a fresh eye.

Finally, RIS reminded us all that the SECURE Act is still out there — that was a massive change that dominated the first months of 2020. Michael Kitces spent nearly 90 minutes breaking it down in his presentation and Q&A. Check out our coverage on pages 12 and 13. Enjoy!

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Advisers can shine a light on the darkness of 2020

The pandemic has upended the retirement plans of many Americans who have had to deal with the loss of a job, a decline in their income, their own illness or the illness of a family member.

Recent reports indicate the extent of the damage that's occurred over the last six months. An Alliance for Lifetime Income survey found that 56% of those not yet retired were rethinking their retirement plans, and only 33% of respondents were confident they had enough money saved for retirement.

Financial advisers have a big role to play in assisting their clients who are approaching retirement with everything from bolstering their savings to managing their income in retirement and making the mental adjustment to the world post-work.

Panelists at the *InvestmentNews* Retirement Income Summit, held virtually over the last couple of weeks, had a number of pointers for advisers. Ed Slott of Ed Slott & Co. reminded everyone of the Aug. 31 deadline for unwinding required minimum distributions taken from retirement accounts earlier this year that were rendered unnecessary as a result of the CARES Act.

When it comes to retirement finances, Wade Pfau, a professor at the American College of Financial Services, noted that reverse mortgages can be a valuable source of funds that could allow clients, for example, to delay claiming Social Security, but warned advisers to start considering such arrangements well in advance of when they will be needed.

Saving for retirement is one thing, but turning those savings into retirement income is another. Wealth management consultant Steve Gresham emphasized the value of "bucketing" strategies that split an individual's savings into buckets tied to different types of expenses.

FINANCES AREN'T THE ONLY THING THAT CLIENTS NEED HELP WITH.

And a number of panelists discussed the role that annuities can play in providing retirees with guaranteed income. Lifetime income products could become an even bigger topic of conversation with clients now that they're going to be showing up in more 401(k)s as a result of a provision in the SECURE Act.

Another survey, by Nationwide Retirement Institute, underscores the fact that many people aren't well informed about how Social Security benefits work, with just 37% of baby boomers saying they're confident in their knowledge of Social Security. Advisers should work with clients to ensure that they're making the right choices about signing up for Social Security, including coordinating claiming strategies when they're working with a couple.

Finances aren't the only thing that clients need help with. A number of panelists at the Retirement Income Summit emphasized the mental shift that people face as they leave the workforce and enter the unstructured world of retirement.

In the current environment, their concerns about that transition may be magnified by the uncertainties created by COVID-19 and its impact on the economy. Financial advisers are ideally situated to help clients talk through their concerns on all these issues.

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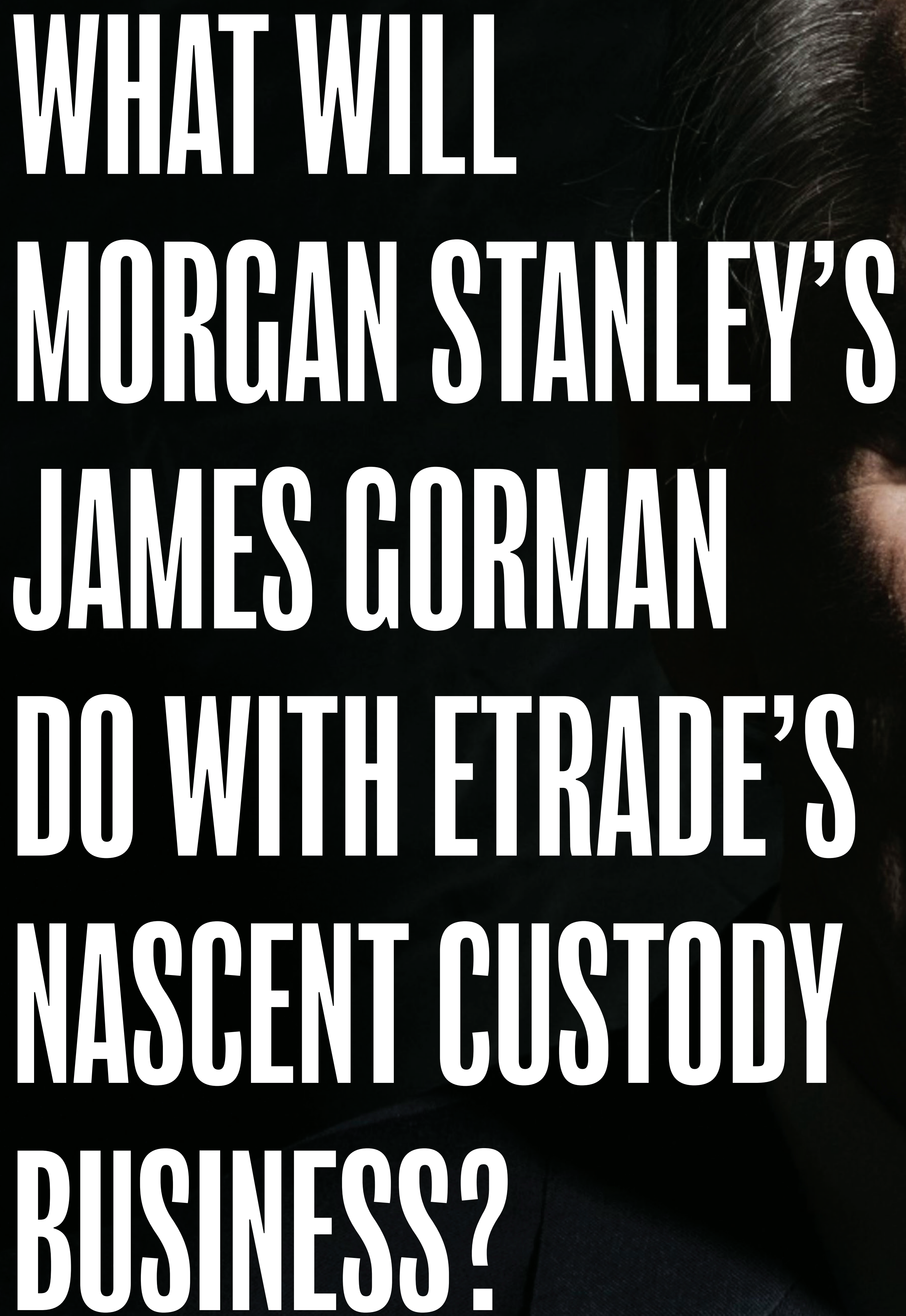
WHAT WILL MORGAN STANLEY'S JAMES GORMAN DO WITH ETRADE'S NASCENT CUSTODY BUSINESS?



HE CAN KEEP IT, SELL IT OR LET IT DIE ON THE VINE, BUT ETRADE ADVISOR SERVICES WON'T BE AN OPEN DOORWAY FOR MORGAN STANLEY'S 16,000 ADVISERS TO BECOME INDEPENDENT RIAS — AT LEAST NOT YET

BY BRUCE KELLY

After Morgan Stanley said in February that it was buying ETrade Financial Corp. for $13 billion in stock, its CEO, James Gorman, unabashedly sang the praises of certain parts of the discount broker that would augment the bank's wealth management business.

ETrade's corporate stock plan conversion business, which has a higher success rate than Morgan Stanley's, was an opportunity for growth and the online brokerage platform, which gives the Wall Street bank access to a hotbed of younger and more engaged online clients, was a chance to gobble up clients' assets held at competitors, a long-standing goal of Gorman's.

But when it came to ETrade's fledgling custody business for registered investment advisers, which is relatively tiny, with $18.2 billion in assets compared to ETrade's total of $360 billion in assets at the end of 2019, the CEO's enthusiasm was far from full-throated.

On the one hand, Gorman acknowledged that independent registered investment advisers — direct competitors of the advisers who work at wirehouses such as Morgan Stanley — are here to stay after more than a decade of incredible growth. On the other hand, he failed to muster much enthusiasm for the business, which directly competes with wirehouses like Morgan Stanley for advisers and adheres to a strict fiduciary standard, unlike the brokerage business.

In a call with analysts in July to discuss second-quarter earnings, Gorman said ETrade's RIA custody platform, which reported 219 RIA custody clients and relationships at the end of June to *InvestmentNews*, was "a decent business model," "a tiny business" for ETrade and "interesting."

"It just isn't a [platform] that we've had," he told analysts and investors. "Now we've got an opportunity with it through ETrade. That's an opportunity for us to pursue, but it's very early days."

Indeed, "leveraging RIA capabilities" was listed ninth when it came to potential positives for the bank's valuation after it completes the purchase of ETrade, according to a research note by Steven Chubak, senior analyst for diversified brokers and banks at Wolfe Research. Reducing expenses, better funding prospects and the

CONTINUED ON PAGE 10

ETrade's 'better mousetrap' is its stock plan business, analyst says

IT'S LITTLE WONDER MORGAN STANLEY CEO James Gorman is singing the praises of ETrade Financial's corporate stock plan business, which focuses on moving restricted equity shares that vest for senior company executives onto the home firm's platform.

Unlike ETrade's custody group for registered investment advisers, its stock plan conversion business is an industry leader, profitable and ready to plug into Morgan Stanley's technology and platform.

"We're seeing opportunities to grow through the stock plan business and conversion with ETrade," Gorman told a group of investors during an online conference in June.

In the last year, Morgan Stanley pushed its way into the corporate stock plan conversion business when it bought the Canadian company Solium Capital Inc. for a price tag of about $900 million. The investment bank and wirehouse clearly has an opportunity to build that business once it closes its acquisition of ETrade, which is scheduled to occur before the end of the year, one analyst says.

Morgan Stanley's transfer of stock plan clients to its wealth management platform "should improve by replicating [ETrade's} better mousetrap," according to a note this month by Steven Chubak, senior analyst for diversified brokers and banks at Wolfe Research.

Chubak wrote that in a recent meeting with the CEO, Gorman noted there was "a lot of low hanging fruit to capture from consolidating the [Morgan Stanley] and [ETrade] platforms and acknowledged that [the wirehouse] historically has not been particularly proficient at keeping client assets in house.

"Most importantly, Gorman is very optimistic on the opportunities in the corporate channel given [ETrade's] strong competitive position and higher conversion rate," Chubak wrote.

ETrade's corporate services business is the leading player in the industry, with 2 million stock plan participants and $365 billion in total assets, he added.

— Bruce Kelly

CONTINUED FROM PAGE 9

previously mentioned corporate stock plan conversion business topped Chubak's list as the three biggest potential additives for Morgan Stanley.

"The full integration of ETrade's custody business into Morgan Stanley?" said a senior wirehouse executive who isn't authorized to speak on the record about a competitor and requested anonymity. "I don't see how it could happen. Culturally, the question for Morgan Stanley is, do we want to have RIAs around here?

"The deal kind of creates a clock if you're Morgan Stanley to decide what to do," the executive said. "If you are an ETrade adviser and client, you ask, 'Is Morgan Stanley going to invest in the business or not?'"

Advisers have been fleeing Wall Street, taking billions of dollars in client assets with them, for the past 10 to 15 years to become independent RIAs and custody those assets with the likes of Schwab Advisor Services, Fidelity Clearing & Custody and Pershing Advisors Solutions.

Will Morgan Stanley jump into a business in which it would compete against its own wealth management franchise?

With the deal scheduled to close by the end of the year, a Morgan Stanley spokesperson said the company had no immediate plans to make changes to its own wealth management business or the RIA custody platform at ETrade. That means that a clear path for a Morgan Stanley adviser to become an RIA is not about to open.

"ETrade's custody business is a small, relatively new business that, post close, we would plan to have remain on their platform and be separate and distinct from the Morgan Stanley wealth management platform," the spokesperson said. "It's already a profitable business which we would plan to continue and hopefully grow over time."

A spokesperson for ETrade declined to comment.

Taking a page from the playbook of discount brokers like the Charles Schwab Corp. and Fidelity Investments, ETrade entered the RIA custody business in 2018 when it bought Trust Company of America for $275 million. The hope for that group, under the brand of ETrade Advisor Services, was to gain traction in the market from the new owner's resources and technology.

What was supposed to be a boon for ETrade's burgeoning group of advisers will instead be a benefit for Morgan Stanley's, noted one industry executive.

"An issue for the ETrade advisers is the retail client referrals that ETrade was to send their way will now likely go to Morgan Stanley reps," said Sean Gultig, CEO of Equity Advisor Solutions, a small RIA custodian with 130 RIAs and advisers and $29 billion in client assets. "First, Trust Company of America sold to ETrade, and then there's the double whammy of selling to Morgan Stanley. I don't know where ETrade's advisers fit in the picture."

"I DON'T KNOW WHERE ETRADE'S ADVISERS FIT IN THE PICTURE."

SEAN GULTIC, CEO, EQUITY ADVISOR SOLUTIONS

DIRECT COMPETITION

Morgan Stanley has been built, in large part, through mega deals like the one for ETrade. Back in 1997, Morgan Stanley merged with Dean Witter Discover & Co. In 2009, in the middle of the Great Recession, it bought Smith Barney from Citigroup, adding thousands of financial advisers. But such deals are complicated and often take years to merge adequately together.

The problem for Morgan Stanley, as well as the other wirehouses, is that RIA platforms like ETrade Advisor Services are in direct competition for tens of thousands of financial advisers who are employees. Broker-dealers like Morgan Stanley also make huge profits from trading and sales commissions, types of businesses that RIA custodians do not play in.

Wirehouses like Morgan Stanley, Merrill Lynch and UBS focus on high-net-worth clients, while RIAs troll the less rich, dubbed the mass affluent by the wealth management industry. But wirehouses have been spawning their own competition.

Advisers leave a big bank like Morgan Stanley to start their own RIAs for both business and philosophical reasons.

First, it's more profitable for them to control the clients, and they also can build a practice that they later can sell. Second, by working as an independent adviser, they eliminate some of the conflicts in the financial advice industry that come with offering products and services such as bank loans, mortgages and asset management that are created and managed in-house.

Only one of the four wirehouse networks, Wells Fargo Advisors, has opened the door for its advisers to become independent RIAs. If Morgan Stanley made a similar move, it would have huge implications for Morgan Stanley's 16,000 advisers.

It's not clear whether Morgan Stanley executives have been discussing such a move internally.

According to a Fox Business report from May, just a few months after Morgan Stanley announced its acquisition of ETrade, it was exploring the idea of opening its own independent RIA business. When asked at the time whether this report was accurate by *InvestmentNews*, a Morgan Stanley spokesperson denied the story.

GROWING PAINS

One question hanging over ETrade's custody business is its growth, executives and advisers said. Is Morgan Stanley willing to spend money on marketing and attracting new advisers to the custody platform — money and resources that could be spent elsewhere?

A small number of ETrade advisers have recently moved their clients to other custodians. According to InvestmentNews Research, ETrade had 219 custody clients at the end of June, a drop of 2.7% from a year earlier.

Meanwhile, other smaller custodians are looking to pick off ETrade's advisers, executives and advisers said. With Schwab working to close its acquisition of TD Ameritrade Holding Corp., smaller advisers, those with less than $100 million in client assets, are feeling the squeeze of fewer custodians to potentially work with, those executives and advisers said.

"It's a huge opportunity," said Gultig, the Equity Advisor Solutions CEO. "The ETrade and old Trust Company of America advisers are calling us. They are not happy with the changes and purchase by Morgan Stanley, especially so soon after the [Trust Company of America] deal."

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Clients need life guides — not just advice

BY EMILE HALLEZ

BEING ABLE TO RETIRE isn't just about money. Rather, that success is a balance of four factors: health, family, purpose and finances, Age Wave co-founder Maddy Dychtwald said at the *InvestmentNews* Retirement Income Summit on Aug. 11.

"Purpose [is] a very important part of retirement. Older adults want to feel useful," Dychtwald said. "They want to feel like they have a reason to get up every single morning. Retirees derive the greatest sense of purpose from time they spend with loved ones."

Those four aspects are connected in other ways. For example, the greatest financial worry retirees say they have is the cost of health care and long-term care, she said, citing an Age Wave survey.

People are also viewing retirement differently than they did a few decades ago, she said, seeing it as an opportunity for reinvention and to explore passions.

"You need to be a guide. You need to help your clients better understand retirement and how it is morphing and changing, and how it is interconnected," Dychtwald said.

"YOU NEED TO HELP YOUR CLIENTS BETTER UNDERSTAND RETIREMENT."

MADDY DYCHTWALD
CO-FOUNDER, AGE WAVE

10 FRAGILE YEARS

The five years before and after retirement day are the highest risk for people, financially and emotionally, said Jeannie Underwood-Kotner, adviser practice consultant at Global Atlantic Financial Group.

It is also a risky time for their advisers, she said. During that time, clients often pare down financial advice relationships, usually ending up with one.

"They are looking for a financial adviser to be a guide," Underwood-Kotner said. "We have to guide them not only with their money, but with their life."

That means having a "retirement blueprint." What can make retirement such an uncomfortable time is that there aren't any rules.

"We step into this world of retirement, and there's no more structure," she said. "That's really hard for the human mind."

People place an average of 90% of their assets with financial professionals who create retirement income plans for them, she said, citing data from Limra.

STARTING OVER

The reality of working past retirement age leads many people to start businesses — and they can be quite successful in doing so, said Kerry Hannon, a personal finance and retirement author.

"They're ready to be their own boss," Hannon said. "People founding a business at age 50 are twice as likely to succeed as those who are 30."

In normal times, people are often driven to become their own bosses because of the ageism in the workplace, she said. But the COVID-19 crisis is anything but normal. Older workers are losing their jobs and are facing unexpected early retirements.

For some, though, the crisis will drive them to start businesses — that has been the trend after major disruptions and catastrophes, including 9/11 and the Great Recession, she said.

"This is the time that your clients are going to be seeking out some solutions," she said. "There are new businesses springing up all the time that are going to be coming out of this."

GOING IN REVERSE

Using home equity for retirement income, particularly through reverse mortgages is often considered a last resort, and that is a mistake, said Wade Pfau, professor of retirement income at The American College of Financial Services.

Advisers should consider that strategy for clients well ahead of time, Pfau said. Because people don't need to take payments from it immediately, they treat a reverse mortgage as a line of credit, he said.

Payments can be taken strategically, such as when investment assets are down, as a bridge to help delay claiming Social Security or to pay taxes on a Roth conversion, he said. With proper planning, that kind of strategy can leave clients with higher legacy assets than if investment assets were used to cover such costs.

"It's the one tool that benefits from low interest rates," Pfau said. "The lower the interest rate, the higher the borrowing capacity."

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Tackling the 'great retirement reset' as uncertainty grows

BY EMILE HALLEZ

GUARANTEES AND UNCERTAIN times were the big themes on the first day of the *InvestmentNews* Retirement Income Summit on Aug. 10.

Many people have seen their ability to retire change rapidly this year, amid economic and health threats that will almost certainly have long-term consequences.

"This is a great reset," Will Fuller, president of Lincoln Financial's annuities business, said during the opening fireside chat. "I like the notion of the great reset, because … it is forward-looking and future-oriented."

Near-retirees have become uncertain about their retirement prospects this year, with 70% saying in a recent Alliance for Lifetime Income survey that they are more pessimistic now than they were before the pandemic, Fuller noted. About half of near-retirees have changed their retirement strategy, he said, citing the survey.

"They're nearing the starting age of retirement," he said. "This is the most impacted generation."

Helping those clients adjust to the new reality and regain confidence about their retirement starts with empathy, Fuller said.

"It's really about asking personal questions first. 'How are you and your family holding up? What are you doing to stay safe and healthy? What is keeping you up at night?'" he said. "Consumers want to feel heard. They want to feel understood and protected."

The latter element — feeling protected — has long been a selling point for annuities, though insurance companies are realizing opportunities in the COVID-19 world to develop and sell products that address people's fears about the market, interest rates and the possibility of running out of money.

"CONSUMERS WANT TO FEEL HEARD … UNDERSTOOD AND PROTECTED."

WILL FULLER, PRESIDENT, LINCOLN FINANCIAL'S ANNUITIES BUSINESS

In conversations with clients, words like "in control," "peace of mind" and "comfort" are "really resonating right now," Fuller said.

4% RULE THREATENED

The fact that old concepts like the 4% rule have been threatened by "a generation of falling interest rates" can mean that customers see more value in guaranteed lifetime withdrawal benefits, especially since they are available at 5%, he said.

But annuity sales have struggled this year, with few products doing better than they did last year. One type of product that has seen sales improve is the structured annuity, or registered index-linked annuity, and insurers have been quick to issue new products in that category.

That has been a focus at Nationwide, said Eric Henderson, presi-

Getting the most out of PEPs — and annuities, too

BY EMILE HALLEZ

ONE OF THE BIGGEST opportunities advisers have yet to realize from the SECURE Act is the ability to use pooled employer plans, or PEPs, Michael Kitces said last Tuesday, on day four of the *InvestmentNews* Retirement Income Summit.

The advent of PEPs, which answers longtime requests for "open" multiple employer plans, will let financial advisers design a single plan that can cover all their small-business clients, said Kitces, head of planning strategy at Buckingham Wealth Partners. Unlike traditional MEPs, PEPs do not require employers participating in the same plan to have any commonalities, such as membership in the same trade association.

A plan menu could include all the investments used by an adviser's range of clients, with the result being increased bargaining power and potentially lower costs than the clients might get in individual plans, he said.

"We as advisers may actually create our own MEPs," Kitces said. "Be aware, this is … an opportunity to really streamline and expedite the work you are doing with your small-business 401(k) clients."

Those plans, which are allowed beginning in the 2021 plan year, could be particularly beneficial to advisers who serve niche small business plans, like optometry practices, he noted.

RETIREMENT PAYCHECKS

Another important provision of the SECURE Act that is taking shape is the availability of lifetime income products in 401(k)s. Last Tuesday, the Labor Department published an interim final rule requiring retirement plans to include monthly income estimates based on account values. That rule, mandated by the SECURE Act, could help drive in-plan annuity sales.

The new law requires annuity options to be portable between plans, and outlines safe harbors for plan fiduciaries in selecting products and providers. The latter aspect has been all but necessary in helping plan sponsors feel comfortable with adding the insurance products to their plans.

"As long as the insurer is meeting its obligations to the state insurance department, that is good enough for an ERISA fiduciary," Kitces said.

But whether the products will be a good deal for retirement savers is still in question. Employer-sponsored plans might be able to get slight pricing discounts, but that doesn't mean that people couldn't find better deals by rolling their account assets to an IRA and finding an annuity on their own, Kitces said.

"Putting it inside of the employer retirement plan doesn't give people an option they didn't have before. It just kind of puts it right in front of their face," he said. "The annuity industry does expect they will get some uptick in annuitized lifetime income [sales] because of this."

Advisers should continue to help clients shop around and consider out-of-plan annuities that could be a better fit, Kitces said. "Annuitization comes down to, 'Who's going to give me the biggest check?' I would approach this as, 'I'm going to shop for the best deal for my client.'"

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dent of Nationwide Annuity, speaking during a summit panel on tax-efficient retirement income. Such products, with either a "buffered" or "floor" design, can make sense in a financial plan, he said.

TAX DIVERSIFICATION

Other speakers on the panel, all Nationwide executives, said advisers should have their clients consider tax diversification in addition to asset-class diversification. That can mean allocating assets across products that are tax-deferred, tax-free and traditionally taxed, they said.

"It builds flexibility later on, if tax law changes," Henderson said.

The Secure Act will soon help incorporate annuities into defined-contribution plans, said Eric Stevenson, president of Nationwide Retirement Plans.

In-plan guaranteed-income products are a popular concept, even if they are not widely available in DC plans, Stevenson said. "Over and over again, we hear overwhelmingly that over 50% of participants are really attracted to them."

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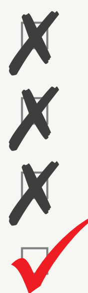

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How to handle a hike in your long-term care premium

When I decided to purchase long-term care insurance in my early 50s, I thought I was being so responsible. But 14 years later, facing my second premium increase, I began to wonder whether it was the right decision.

The COVID-19 pandemic and its lopsided impact on the elderly, particularly those living in communal settings such as assisted living facilities and nursing homes, has focused renewed attention on long-term care. But finding

MARY BETH FRANKLIN

ONRETIREMENT

insurance to cover the potentially devastating costs of an extended stay in a care facility — or the ability to receive care at home as an alternative — has become increasing difficult and costly.

Many financial advisers and consumers have moved away from traditional LTC insurance over the past two decades in favor of hybrid products as the result of large premium hikes on in-force LTC policies that insurers had originally underpriced. A combination of low interest rates, increasing longevity, lower-than-expected lapse rates and a spike in health care costs contributed to insurance companies' need to repeatedly increase LTC premiums.

HARD TO SWALLOW

Understanding the reasons behind the price hike doesn't make it any easier to swallow. My husband and I were notified recently that the monthly premium for our John Hancock long-term care insurance will increase by 35% in October if we want to keep our existing policies. Or we could scale back some of our current benefits to maintain our premiums at today's prices. This increase follows a 23% premium hike in 2012.

Our long-term care policies cover each of us for up to four years after a 90-day elimination period. Our shared benefit option would allow one of us to borrow from the other spouse's benefit pool if necessary. With 5% compound inflation, our initial $200-per-day benefit has nearly doubled, to $397 — about the cost of care for a private room in a nursing home today.

Together, we have paid more than $60,000 in long-term care insurance premiums over the past 14 years, giving us each more than $500,000 in potential long-term care coverage. Given our current ages of 65 and 68, we could be paying those premiums for another decade or two before we might need to access those benefits. But without insurance, that same $60,000 would pay for just six months of nursing home costs today.

I was curious about what might have happened if we had waited to buy long-term care insurance — assuming we could qualify for coverage. And that's a big if. Insurers have been getting pickier about who qualifies for a stand-alone long-term care policy in recent years. In 2019, one-third of applicants in our current 65- to 69-year-old range were denied coverage, according to the American Association for Long-Term Care Insurance.

I asked AALTCI executive director Jesse Slome to estimate how much a similar policy would cost us today — if we were healthy enough to qualify.

Together, my husband and I pay less than $400 a month for our current coverage; those premiums are scheduled to rise to about $530 a month combined if we stick with our current benefits. John Hancock stopped selling stand-alone LTC policies in 2017 in favor of life insurance policies with LTC riders, but it continues to service existing policies.

To buy similar policies from another insurer would cost us more than $2,300 per month — nearly six times as much. That cost comparison made me feel a bit better about buying long-term care insurance when we were younger.

But I still wondered whether we should accept the premium hike or pare back some coverage to trim expenses.

"Periodically, it is smart to reevaluate and rebalance your present financial status and your expectations from your long-term care insurance," Slome told me. "A rate increase often prompts that circumstance, just like a stock market correction."

"It seldom makes sense to walk away from a long-term care policy after years of paying premiums," he said. "Don't drop it. Edit it."

REVIEWING OUR OPTIONS

John Hancock did a good job of laying out our options to prevent a premium increase, including scaling back on inflation protection, reducing the daily benefit or agreeing to share 16% of the costs with the insurer. Although our current 5% compound inflation option has done a great job of keeping up with current costs, I'm leaning toward reducing our inflation protection to 3.2% to maintain our current premium because we have already been warned that another hike is coming.

"We are currently expecting to request an average increase of approximately 30% across all of our policy series," John Hancock said in a letter accompanying the notice of the increase. "No additional rate increase will be effective earlier than 12 months from the effective date of the current rate increase." That gives me a year to contemplate my next move.

KEY POINTS

- COVID-19 has refocused attention on long-term care.
- Multiple factors have contributed to insurers repeatedly raising LTC premiums.

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

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BY MARY BETH FRANKLIN

Bad information on survivor benefits

JOE: I had a prospect with a strange response from the Social Security office. She was married to a doctor for 22 years before they were divorced. Four years later, she married her second husband for 12 years before divorcing. Her first ex-husband has since died. Social Security told her that since she remarried so quickly, she would no longer be eligible for divorced widow benefits. Is this true? Her Social Security benefit is only $1,100 a month and her first husband's benefit would be over $3,000.

MBF: No, that answer is completely false! Your prospective client is currently single following her second divorce and as such, she is eligible to collect survivor benefits on her late ex-husband's earnings record (even if he is married to someone else at the time). That means she could switch from her own retirement benefit of $1,100 per month to her ex-husband's larger survivor benefit.

To be eligible for survivor benefits as an ex-spouse, the couple must have been married at least 10 years before divorcing. In general, the surviving ex-spouse must be single to collect survivor benefits or must have waited until age 60 or later to remarry. In the latter case, a remarried ex-spouse can collect survivor benefits on a deceased ex-spouse even if married to someone else. Benefits paid to a surviving divorced spouse won't affect the benefit amount for other survivors getting benefits on the worker's record

Survivor benefits are worth 100% of what the deceased worker was collecting or was entitled to collect if he died before claiming Social Security. That assumes the surviving spouse or surviving ex-spouse is at least full retirement age.

Survivor benefits are available as early as age 60 (or age 50 in the case of disabled spouse/ex-spouse) but benefits are permanently reduced if claimed before full retirement age.

For more information, see www.ssa.gov/benefits/survivors/ifyou.html#h3

IN Webcasts

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TUESDAY SEPTEMBER 1, 2020 | 4:00PM-5:00PM ET

Exploring Diversity & Inclusion: Why Systemic Racism Lingers in Financial Services

As Black Lives Matter protests and marches grow in cities around the nation pressuring law enforcement to make changes, it's appropriate for the financial advice industry to look at its own culture and assess how well its businesses are promoting and supporting diversity and inclusion. In this hour session, InvestmentNews' Matt Ackermann and Liz Skinner will team up to probe the experts about the systemic racism that's plagued the financial services industry and explore how unconscious bias manifests itself within the business.

Join InvestmentNews and diverse financial advice industry professionals who have experienced prejudice first-hand and hear how they're charting paths at their firms to create more inclusive experiences for the next generation. Also learn from professionals in the advice industry which strategies have been successful at recruiting and hiring diverse individuals at their firms.

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Listening for the stories that drive client behavior

GUESTBLOG SARAH NEWCOMB

Behind every financial decision, there's a story we're telling ourselves. People who overspend on shoes may be telling themselves that their footwear helps them have the confidence they need in stressful situations. People who can't bear to spend a dime may believe an economic collapse is imminent.

STORIES DRIVE BEHAVIOR

A story may be true, or not. It may be healthy, or not. Regardless, the specific stories we internalize and adopt become the bedrock of our decision-making, and this is as true in the domain of finance as any other.

In fact, even when we look at large, macro trends in economics, we can see that underneath the waves of action there were simple, memorable stories that rang through the public discourse, influencing the tides of human behavior along the way.

Whether it's the story of a market crash or a Bitcoin billionaire, popular narratives hold sway in our decision-making. Rather than tell you another story about what the market might do in the future, I want to focus on the research that shows what kind of storytelling is good for the human mind, and what kind of storytelling is harmful.

By learning to distinguish between helpful and harmful personal narrative styles, you will be able to recognize when your clients (or you) fall prey to destructive financial thinking, and then revise the narrative to one that will support well-being and resilience, regardless of the specific events in play.

STORIES CAN HELP OR HURT

Dan McAdams, an expert on the relationship between narrative style and well-being, says personal stories can be grouped into one of two categories: contamination stories and redemption stories.

Contamination stories have the following narrative arc: "I was going along just fine. Then Big Ugly Thing happened and it contaminated my life. Now things are not what they could have been as a result."

Redemption stories have the same beginning and middle, but the end is different: "I was going along just fine. Then Big Ugly Thing happened, and it forced me to grow and evolve. Now I'm a better person and my experience adds to my uniquely valuable perspective."

Franklin D. Roosevelt used the power of redemptive storytelling in his inaugural address in 1933, in which he acknowledged the despair and devastation caused by the Great Depression and called on the public to use the experience as one of transformation.

First, he pays respect to the Big Ugly Thing that has happened: "More important, a host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return. Only a foolish optimist can deny the dark realities of the moment."

Then Roosevelt lays out the opportunity for a restorative ending: "These dark days will be worth all they cost us if they teach us that our true destiny is not to be ministered unto but to minister to ourselves and to our fellow men."

From this simple narrative came a vision for a national restoration by investing in one another in the form of public infrastructure. The New Deal was pitched as laying the foundation for growth and prosperity after the dark times. Whether you agree with Roosevelt's politics or not, the effects of the story on public morale and consumer confidence were sizable.

THE STORIES YOUR CLIENTS BELIEVE ABOUT MONEY CAN BE A REAL CHALLENGE.

In our personal lives, this narrative style can have long-lasting positive effects. Several studies of people who have faced traumatic events have found a positive link between the redemptive storytelling style and greater well-being later in life (measured in terms of positive emotions, life satisfaction and personal resilience after setbacks). Researchers have even found positive health effects. Clearly, the stories we tell ourselves hold power.

LISTENING FOR CLIENTS' STORIES

It sounds simple but getting clarity about the stories your clients believe about money can be a real challenge. To begin with, many people are simply unaware that there are storylines running through their reasoning. We tend to take our own views as fact rather than perspective, so asking a client to just tell you what stories they're using to define their financial reality isn't realistic.

One way to get clarity can be to ask them about the rules of thumb or basic financial principles they like to keep in mind when it comes to money or the economy. The following questions can help you get clients talking in a way that reveals some of their internalized stories and whether they are prone to a redemptive or contamination style of personal narration.

- Can you give me an idea of your financial life up to this point? Beginning in childhood, what were the major financial events that you think shaped your life the most?
- When you think about difficult financial times in the past, how well have you 'bounced back,' financially and/or emotionally?

These kinds of questions are easier to answer, and they can help you tease out the stories knocking about in the client's mind. They also make for great conversations that can help you identify goals, hopes or fears that might otherwise not have been apparent, even to clients.

Listen carefully for themes of contamination versus redemption. Are they the hero at the end, or the victim? This makes a big difference in how they will approach similar situations in the future.

EDITING CLIENT STORIES

Once we are conscious of the stories we're working with, we're in a better position to question, challenge, and if necessary, rewrite them. This also gives stories less power to lead us down destructive pathways without our knowledge.

When you recognize a contamination storytelling style, there are some ways that you can help clients revise the story to a redemptive style. Here are a few tricks I use myself that have helped me turn some very Big Ugly Things into cherished memories of positive turning points.

1. Imagine an angel (or an alien, or a person from the future) came and told you that this experience is one you talk about fondly as one of the most meaningful turning points in your life. How do you imagine things would play out from here if you knew for sure that they were telling the truth?
2. What's one good thing that has come from this that would not have happened if Big Ugly Thing didn't occur?
3. If you knew this moment was the opportunity to make one major change to your financial life, what change would you make?

STORIES WILL ALWAYS BE WITH US

Whether it's COVID-19, Bitcoin, an economic boom or collapse, there will always be stories surrounding us, vying for our attention. No matter what we experience, we will translate it into a meaningful story arc. We can't avoid these stories; they are everywhere.

What we can control is the stories we choose to adopt and internalize, and the narrative style we use to tell them.

Choosing to rely on stories of redemption, positive transformation and making meaning from chaos is a way to protect yourself from the physical, psychological and financial effects of stress and uncertainty.

Just as Roosevelt did during the Great Depression, we can create a redemptive vision in the time of COVID. Listen critically to the stories you are telling yourself. Listen critically to the stories you hear from others. Then, challenge those contamination stories and become the hero of a redemption tale instead.

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Top 50 equity funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	GMO Special Opportunities Fund (GSOFX)	**148.4%**	87.2%	32.4%	22.9%	$275.2	1.22%
2	US Global Investors World Precious Minerals Fund (UNWPX)	**78.6%**	39.4%	-0.4%	8.4%	$86.6	1.56%
3	Morgan Stanley Institutional Gl Endurance Port (MSJIX)	**75.3%**	36.4%	N/A	N/A	$3.7	1.00%
4	Victory Global Natural Resources Fund (RSNRX)	**74.5%**	-30.0%	-28.5%	-20.3%	$107.3	1.48%
5	VanEck International Investors Gold Fund (INIVX)	**73.8%**	52.7%	17.1%	16.4%	$1,007.0	1.45%
6	Morgan Stanley Inception Portfolio (MSSGX)	**72.8%**	42.2%	27.8%	15.1%	$260.3	1.00%
7	OCM Gold Fund (OCMGX)	**72.5%**	67.1%	22.9%	18.9%	$61.7	2.46%
8	Midas Fund (MIDSX)	**69.9%**	20.6%	9.9%	11.2%	$19.2	4.32%
9	Morgan Stanley Inst Discovery Portfolio (MPEGX)	**69.8%**	56.2%	39.8%	22.6%	$1,941.2	0.74%
10	Franklin Gold and Precious Metals Fund (FKRCX)	**69.5%**	49.9%	12.8%	12.6%	$1,169.1	0.98%
11	US Global Investors Gold & Precious Metals Fund (USERX)	**66.0%**	43.4%	17.4%	16.6%	$132.9	1.62%
12	Invesco Oppenheimer SteelPath MLP Alpha Plus (MLPLX)	**65.6%**	-54.5%	-24.7%	-20.4%	$83.5	3.15%
13	Rydex Precious Metals Fund (RYPMX)	**63.5%**	52.7%	18.9%	16.7%	$114.7	1.39%
14	Invesco Oppenheimer Gold & Special Minerals Fund (OPGSX)	**62.8%**	45.8%	18.1%	17.8%	$2,058.0	1.17%
15	EuroPac Gold Fund (EPGFX)	**62.2%**	40.0%	14.1%	17.0%	$209.7	1.50%
16	Zevenbergen Genea Fund (ZVGIX)	**62.1%**	44.5%	33.2%	N/A	$57.8	1.10%
17	Invesco Oppenheimer SteelPath MLP Income Fund (MLPDX)	**61.3%**	-40.5%	-15.9%	-12.5%	$1,671.5	1.39%
18	Aperture Discover Equity Fund (ADISX)	**59.9%**	N/A	N/A	N/A	$248.0	2.30%
19	Morgan Stanley Insight Fund (CPOAX)	**59.3%**	48.6%	37.9%	26.6%	$4,355.7	1.17%
20	Sprott Gold Equity Fund (SGDLX)	**59.1%**	40.3%	11.9%	11.1%	$1,203.5	1.47%
21	USAA Precious Metals & Minerals Fund (USAGX)	**58.4%**	45.5%	17.7%	14.0%	$758.4	1.27%
22	Gabelli Gold Fund (GOLDX)	**58.4%**	49.2%	15.3%	16.2%	$412.6	1.55%
23	Morgan Stanley Inst Portfolio (MSEQX)	**58.3%**	46.3%	31.5%	24.0%	$11,572.3	0.59%
24	Jacob Internet Fund (JAMFX)	**57.9%**	21.7%	19.7%	16.1%	$54.1	2.32%
25	Transamerica Capital Growth (IALAX)	**57.8%**	44.8%	30.2%	23.1%	$3,429.4	1.14%
26	Morgan Stanley Institutional Global Advtg Port (MIGIX)	**57.8%**	41.1%	25.3%	19.1%	$221.4	1.10%
27	Wells Fargo Precious Metals Fund (EKWYX)	**57.0%**	43.7%	16.9%	15.0%	$434.1	0.79%
28	American Beacon ARK Transformatnl Innovatn Fd (ADNYX)	**56.1%**	52.2%	34.2%	N/A	$334.9	1.11%
29	Taylor Frigon Core Growth Fund (TFCGX)	**56.0%**	26.7%	21.3%	N/A	$29.8	1.45%
30	Baillie Gifford US Equity Growth Fund (BGGKX)	**55.9%**	48.7%	31.0%	N/A	$34.8	0.65%
31	Fidelity Select Gold Portfolio (FSAGX)	**55.5%**	42.2%	15.0%	14.7%	$2,286.1	0.79%
32	Driehaus Micro Cap Growth Fund (DMCRX)	**54.8%**	22.8%	23.0%	15.0%	$253.6	1.44%
33	Dividend Performers (IPDPX)	**54.7%**	-1.5%	N/A	N/A	$8.2	1.56%
34	Zevenbergen Growth Fund (ZVNIX)	**54.3%**	53.3%	33.6%	N/A	$55.7	1.00%
35	Hodges Fund (HDPMX)	**54.3%**	-14.8%	-6.4%	-0.3%	$112.1	1.18%
36	American Century Global Gold Fund (BGEIX)	**53.7%**	41.1%	18.6%	16.2%	$750.9	0.68%
37	Virtus Zevenbergen Innovative Growth Stock Fund (SCATX)	**52.5%**	49.2%	34.5%	23.7%	$634.6	1.00%
38	Sparrow Growth Fund (SGFFX)	**52.2%**	28.6%	27.7%	15.2%	$34.8	2.21%
39	Invesco Oppenheimer SteelPath MLP Select 40 Fd (MLPTX)	**52.0%**	-40.6%	-15.9%	-11.2%	$1,870.8	0.89%
40	Wasatch Ultra Growth Fund (WAMCX)	**51.3%**	38.4%	28.9%	20.7%	$1,552.9	1.25%
41	Delaware Small Cap Growth Fund (DSGGX)	**51.2%**	31.0%	29.1%	N/A	$99.2	1.05%
42	Hennessy BP Energy Fund (HNRIX)	**49.8%**	-43.1%	-20.2%	-14.0%	$7.9	1.67%
43	Baron Partners Fund (BPTRX)	**49.4%**	36.8%	19.9%	16.1%	$3,303.5	2.22%
44	Oberweis International Opportunities Fund (OBIOX)	**48.7%**	15.0%	6.5%	7.1%	$249.0	1.60%
45	Wasatch Micro Cap Fund (WMICX)	**48.7%**	24.8%	23.8%	17.3%	$688.1	1.66%
46	Oberweis International Opportunities Inst Fd (OBIIX)	**48.7%**	15.9%	7.3%	7.6%	$872.0	1.11%
47	Brookfield Center Coast Brookfield Energy Infra (BEIYX)	**48.5%**	-38.3%	N/A	N/A	$3.0	1.25%
48	Seven Canyons World Innovators Fund (WAGTX)	**48.0%**	19.4%	11.6%	10.5%	$130.2	1.79%
49	Columbia Small Cap Growth Fund I (CMSCX)	**47.7%**	26.6%	23.2%	17.2%	$1,303.8	1.06%
50	Lord Abbett Micro Cap Growth Fund (LMIYX)	**47.7%**	14.2%	22.0%	12.8%	$122.4	1.06%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged and ex-dedicated short bias. Data through June 30. N/A = not available.

Top 25 equity funds ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Bridge Builder Large Cap Growth Fund (BBGLX)	**$5,009.5**	26.5%	19.3%	16.9%	13.8%	$13,464.6	0.22%
2	Fidelity Series Emerging Markets Opportunities Fnd (FEMSX)	**$3,517.4**	23.1%	3.0%	5.5%	5.8%	$24,695.8	0.01%
3	Goldman Sachs GQG Partners International Oppt (GSIMX)	**$3,266.0**	17.5%	8.6%	10.9%	N/A	$9,417.6	0.85%
4	Bridge Builder Large Cap Value Fund (BBVLX)	**$2,707.8**	17.8%	-5.5%	3.7%	6.0%	$12,441.4	0.25%
5	Strategic Advisers Fidelity US Total Stock Fund (FCTDX)	**$2,550.8**	23.0%	7.8%	N/A	N/A	$35,144.2	0.34%
6	Fidelity 500 Index Fund (FXAIX)	**$2,464.7**	20.5%	7.5%	10.7%	10.7%	$229,012.0	0.02%
7	American Funds American Balanced Fund (ABALX)	**$2,429.2**	11.9%	6.3%	7.5%	7.8%	$160,825.6	0.59%
8	Columbia Dividend Income Fund (GSFTX)	**$2,334.6**	13.3%	0.4%	7.7%	9.3%	$21,217.1	0.71%
9	MFS Growth Fund (MEGBX)	**$1,877.8**	24.3%	19.5%	19.0%	15.4%	$31,553.2	1.66%
10	T Rowe Price Blue Chip Growth Fund (TRBCX)	**$1,828.8**	27.8%	19.4%	18.9%	16.2%	$78,924.2	0.69%
11	Franklin DynaTech Fund (FKDNX)	**$1,773.8**	35.0%	27.7%	24.6%	19.4%	$14,968.0	0.86%
12	American Funds New Economy Fund (ANEFX)	**$1,570.7**	25.3%	13.3%	13.1%	10.7%	$24,466.2	0.80%
13	WCM Focused International Growth Fund (WCMIX)	**$1,496.7**	25.7%	13.9%	12.8%	11.5%	$15,222.4	1.03%
14	Fidelity Series Global ex US Index Fund (FSGEX)	**$1,395.7**	16.7%	-4.4%	1.2%	2.3%	$15,719.9	0.01%
15	American Funds New Perspective Fund (ANWPX)	**$1,329.0**	23.8%	10.8%	10.9%	10.2%	$100,136.6	0.76%
16	Fidelity Advisor Growth Opportunities Fund (FAGOX)	**$1,317.9**	42.0%	35.2%	29.3%	21.0%	$12,707.8	1.34%
17	Edgewood Growth Fund;Institutional (EGFIX)	**$1,291.2**	29.8%	25.7%	20.0%	18.4%	$21,820.4	1.00%
18	JPMorgan Large Cap Growth Fund (SEEGX)	**$1,281.5**	36.2%	30.4%	24.1%	18.0%	$23,260.5	0.69%
19	JPMorgan Hedged Equity Fund (JHEQX)	**$1,248.2**	9.1%	9.3%	7.4%	7.1%	$8,407.9	0.60%
20	BlackRock Mid-Cap Growth Equity Portfolio (CMGIX)	**$1,228.9**	29.7%	12.7%	19.9%	15.1%	$8,611.5	0.80%
21	Fidelity Strategic Advisers Emerging Markets Fund (FSAMX)	**$1,188.9**	19.0%	-1.2%	2.3%	3.6%	$6,242.3	0.67%
22	Fidelity Strategic Advisers Core Fund (FCSAX)	**$1,186.2**	20.8%	7.2%	10.1%	9.8%	$28,333.8	0.35%
23	Cohen & Steers Realty Shares (CSRSX)	**$1,139.7**	12.7%	-4.6%	4.5%	6.7%	$4,971.1	0.89%
24	Polen Growth Fund (POLIX)	**$1,085.4**	27.0%	22.5%	21.1%	17.6%	$7,526.6	1.00%
25	BlackRock Technology Opportunities Fund (BGSIX)	**$1,051.3**	44.2%	45.9%	32.6%	26.4%	$4,525.0	0.93%

Top 25 equity ETFs ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total Stock Market Index Fund (VTSMX)	**-$26,351.0**	22.1%	6.4%	9.9%	9.9%	$872,247.1	0.14%
2	Vanguard Total International Stock Index Fund (VGTSX)	**-$8,984.7**	18.1%	-4.2%	1.0%	2.3%	$399,147.8	0.17%
3	American Funds EuroPacific Growth Fund (AEPGX)	**-$6,224.2**	22.7%	2.8%	4.4%	4.5%	$153,311.9	0.84%
4	Vanguard Institutional Index Fund (VINIX)	**-$4,904.3**	20.5%	7.5%	10.7%	10.7%	$224,867.0	0.04%
5	Vanguard 500 Index Fund (VFINX)	**-$3,631.3**	20.5%	7.4%	10.6%	10.6%	$533,624.0	0.14%
6	Fidelity Contrafund (FCNTX)	**-$3,167.5**	26.9%	17.9%	16.4%	14.0%	$121,366.6	0.85%
7	Dodge & Cox International Stock Fund (DODFX)	**-$3,009.2**	17.4%	-11.3%	-3.8%	-1.2%	$37,106.2	0.63%
8	T Rowe Price Equity Index 500 Fund (PREIX)	**-$2,772.7**	20.5%	7.3%	10.5%	10.5%	$29,784.7	0.19%
9	American Funds Investment Co of America (AIVSX)	**-$2,714.0**	19.2%	5.6%	7.5%	8.5%	$95,002.5	0.59%
10	First Eagle Global Fund (SGENX)	**-$2,471.3**	14.7%	-2.5%	2.5%	4.4%	$41,869.0	1.11%
11	American Funds Capital Income Builder (CAIBX)	**-$2,410.5**	9.4%	-1.6%	2.1%	3.6%	$96,217.5	0.61%
12	American Funds Growth Fund of America (AGTHX)	**-$2,326.5**	26.0%	16.4%	14.3%	12.8%	$206,054.7	0.65%
13	Invesco Oppenheimer International Growth Fund (OIGAX)	**-$2,063.4**	20.5%	5.2%	3.0%	3.6%	$12,018.0	1.10%
14	Fidelity Series International Growth Fund (FIGSX)	**-$2,056.3**	18.4%	9.2%	8.9%	7.6%	$12,251.0	0.01%
15	T Rowe Price Equity Income Fund (PRFDX)	**-$2,034.0**	13.4%	-11.2%	0.9%	4.1%	$14,786.1	0.64%
16	American Funds Capital World Gro & Inc Fd (CWGIX)	**-$1,962.5**	18.2%	2.2%	5.3%	6.0%	$93,236.3	0.78%
17	American Funds Fundamental Investors (ANCFX)	**-$1,934.7**	19.2%	4.5%	8.0%	9.4%	$98,509.7	0.62%
18	Fidelity SAI US Quality Index Fund (FUQIX)	**-$1,902.6**	21.4%	15.7%	15.1%	N/A	$8,166.7	0.11%
19	Oakmark International Fund (OAKIX)	**-$1,902.0**	24.4%	-15.1%	-6.5%	-1.3%	$21,848.9	0.98%
20	FPA Crescent Fund (FPACX)	**-$1,591.7**	15.0%	-4.2%	2.1%	3.9%	$10,007.3	1.21%
21	Franklin Income Fund (FKINX)	**-$1,573.9**	7.8%	-6.2%	1.0%	2.9%	$64,098.1	0.62%
22	Vanguard Mid-Cap Index Fund (VMCIX)	**-$1,552.8**	25.0%	-0.2%	6.5%	7.0%	$106,874.6	0.04%
23	Fidelity Advisor New Insights Fund (FINSX)	**-$1,542.0**	24.4%	8.7%	12.6%	11.3%	$23,625.4	0.84%
24	Old Westbury Multi-Asset Opportunities Fund (OWMAX)	**-$1,539.7**	13.7%	-11.6%	-1.4%	0.6%	$2,222.8	1.21%
25	PRIMECAP Odyssey Stock Fund (POSKX)	**-$1,510.1**	16.7%	-3.9%	4.9%	7.7%	$6,743.8	0.66%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged and ex-dedicated short bias. Data through June 30. *Portfolio estimated net flows. N/A = not available.

Top 50 fixed-income funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Braddock Multi-Strategy Income Fd (BDKNX)	**33.8%**	-32.1%	-9.1%	N/A	$967.2	1.52%
2	Barings Em Mkts Debt Blended Total Return Fund (BXEAX)	**23.1%**	10.1%	6.6%	N/A	$54.4	1.20%
3	VanEck Emerging Markets Bond Fund (EMBUX)	**22.3%**	0.6%	2.7%	2.2%	$23.9	0.96%
4	CNR Short Term Emerging Markets Debt Fund (CNRGX)	**21.2%**	-3.5%	N/A	N/A	$263.5	1.00%
5	AlphaCentric Income Opportunities Fund (IOFIX)	**21.0%**	-18.2%	-1.3%	3.4%	$2,847.3	1.50%
6	Stone Harbor Emerging Markets Corporate Debt (SHCDX)	**20.0%**	-0.9%	2.5%	3.8%	$5.9	1.01%
7	HCM Income Plus Fund (HCMEX)	**19.4%**	21.0%	9.2%	N/A	$204.0	1.70%
8	Ashmore Emerging Markets Short Duration Fund (ESFIX)	**19.2%**	-21.5%	-4.1%	2.9%	$585.0	0.67%
9	Stone Harbor Emerging Markets Debt Fund (SHMDX)	**18.9%**	-1.4%	2.1%	4.5%	$1,102.0	0.72%
10	DWS Emerging Markets Fixed Inc (SCEMX)	**17.5%**	0.4%	2.2%	3.0%	$77.3	0.88%
11	TIAA-CREF Emerging Markets Debt Fund (TEDNX)	**16.4%**	-0.6%	3.5%	5.6%	$550.3	0.63%
12	Ashmore Emerging Markets Corporate Inc Fund (EMCIX)	**16.4%**	-2.9%	2.4%	4.8%	$295.7	1.17%
13	Nationwide Amundi Strategic Income Fund (NWXGX)	**16.3%**	-1.0%	3.1%	N/A	$154.1	0.49%
14	TCW Emerging Markets Income Fund (TGEIX)	**16.1%**	-3.1%	2.2%	4.9%	$6,115.7	0.85%
15	Vanguard Emerging Markets Bond Fund (VEMBX)	**16.1%**	8.1%	8.6%	N/A	$669.3	0.60%
16	PGIM Emerging Markets Debt Hrd Currency Fd (PDHQX)	**15.9%**	-2.5%	N/A	N/A	$38.2	0.65%
17	Invesco Oppenheimer International Bond Fund (OIBAX)	**15.6%**	-2.5%	0.9%	2.6%	$2,932.6	1.01%
18	American Beacon SiM High Yield Opportunities (SHOYX)	**15.5%**	-3.9%	2.3%	3.8%	$1,203.0	0.91%
19	RiverPark Floating Rate CMBS Fund (RCRIX)	**15.4%**	-8.2%	-0.5%	N/A	$304.7	0.85%
20	Stone Harbor Emerging Mkts Debt Alloc Fund (SHADX)	**15.3%**	-4.8%	-0.1%	2.1%	$31.8	0.85%
21	MainStay Candriam Emerging Markets Debt Fund (MGHAX)	**15.2%**	-4.3%	1.3%	4.6%	$113.7	1.18%
22	Invesco Oppenheimer Global Strategic Income Fd (OPSIX)	**15.0%**	-2.9%	0.9%	1.8%	$2,882.3	1.00%
23	Ashmore Emerging Markets Total Return Fund (EMKIX)	**14.9%**	-10.4%	-0.7%	2.9%	$1,313.3	1.02%
24	Transamerica Emerging Markets Debt (EMTIX)	**14.9%**	-0.6%	2.2%	4.3%	$367.6	0.80%
25	PF Emerging Markets Debt Fund	**14.9%**	-9.3%	-0.1%	3.5%	$83.6	0.93%
26	Ivy Crossover Credit Fund (ICKIX)	**14.9%**	10.7%	6.6%	N/A	$52.4	0.65%
27	RBC BlueBay Emerging Market Debt Fund (RBESX)	**14.9%**	-0.7%	3.3%	3.8%	$20.8	0.87%
28	Pioneer Global High Yield Fund (PGHYX)	**14.9%**	-6.3%	0.2%	1.9%	$219.7	1.14%
29	JPMorgan Emerging Markets Debt Fund (JEMDX)	**14.9%**	-2.5%	2.0%	3.9%	$629.3	0.85%
30	DoubleLine Emerging Markets Fixed Income Fund (DBLEX)	**14.8%**	-1.3%	2.3%	3.9%	$860.7	0.89%
31	PGIM Global Dynamic Bond Fund (PAJQX)	**14.7%**	-1.5%	4.4%	N/A	$63.9	0.80%
32	Goldman Sachs Emerging Markets Debt Fund (GSDIX)	**14.7%**	-1.5%	1.5%	4.2%	$1,246.0	0.85%
33	CNR Fixed Income Opportunities Fund (RIMOX)	**14.6%**	-3.9%	1.1%	2.8%	$3,638.8	1.15%
34	PGIM Emerging Markets Debt Loc Currency Fd (EMDZX)	**14.5%**	-2.1%	0.8%	2.1%	$50.0	0.72%
35	Voya Emerging Markets Hard Currency Debt Fund (IHCSX)	**14.4%**	0.8%	3.8%	5.5%	$160.9	0.11%
36	Fidelity Capital & Income Fund (FAGIX)	**14.4%**	-0.6%	3.6%	4.5%	$10,647.1	0.67%
37	Hartford Schroders Emg Mkts Multi-Sector Bd Fd (SMSNX)	**14.3%**	-7.3%	0.0%	2.7%	$60.4	0.90%
38	Barings Global Credit Income Opportunities Fund (BXIYX)	**14.2%**	-3.5%	0.9%	3.2%	$163.7	0.95%
39	Eaton Vance Emerging Markets Local Income Fund (EEIAX)	**14.1%**	4.6%	3.9%	4.9%	$1,169.9	1.20%
40	T Rowe Price Global High Income Bond Fund (RPIHX)	**14.1%**	-0.4%	3.4%	4.9%	$164.2	0.79%
41	Preferred Plus; Class I Shares (IPPPX)	**14.1%**	-1.4%	N/A	N/A	$9.9	1.62%
42	Lord Abbett Emerging Markets Bond Fund (LDMAX)	**14.0%**	-0.2%	2.7%	2.7%	$197.1	0.96%
43	Dunham International Opportunity Bond Fund (DAIOX)	**14.0%**	-4.6%	-0.7%	0.5%	$46.1	1.81%
44	BlackRock Emerging Markets Bond Fund (BEHKX)	**13.9%**	-1.2%	N/A	N/A	$22.6	0.60%
45	Eaton Vance Emerging Markets Debt Opportunities (EELDX)	**13.9%**	6.3%	5.4%	5.7%	$313.7	0.85%
46	Aegon Emerging Markets Debt Fund (AMMIX)	**13.8%**	-0.3%	N/A	N/A	$45.3	0.75%
47	Invesco Income Fund (AGOVX)	**13.6%**	-11.9%	-2.9%	-1.2%	$431.6	1.01%
48	Permanent Portfolio Versatile Bond Portfolio (PRVBX)	**13.6%**	3.7%	4.6%	3.9%	$7.6	0.66%
49	Timothy Plan High Yield Bond Fund (TPHAX)	**13.6%**	0.7%	2.9%	3.6%	$76.1	1.35%
50	Ryan Labs Long Credit Fund (RLLCX)	**13.6%**	16.5%	9.5%	N/A	$92.9	0.50%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged and ex-dedicated short bias. Data through June 30. N/A = not available.

Top 25 fixed-income funds ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total Bond Market II Index Fund (VTBIX)	**$13,574.3**	2.9%	8.6%	5.2%	4.1%	$192,532.1	0.09%
2	BlackRock High Yield Bond Portfolio (BHYIX)	**$6,358.0**	9.7%	-0.6%	3.2%	4.2%	$22,834.0	0.62%
3	Vanguard Total International Bond Index Fund (VTABX)	**$5,995.0**	2.2%	4.0%	5.0%	4.4%	$146,087.4	0.11%
4	Vanguard Total Bond Market Index Fund (VBMFX)	**$5,615.6**	3.0%	8.9%	5.2%	4.2%	$277,054.3	0.15%
5	PGIM High Yield Fund (PBHAX)	**$5,466.0**	10.4%	-1.1%	3.4%	4.8%	$17,317.9	0.80%
6	American Funds Bond Fund of America (ABNDX)	**$4,206.1**	4.1%	10.1%	5.5%	4.4%	$59,091.5	0.61%
7	Morgan Stanley Inst Ultra-Short Income Ptf (MUAIX)	**$4,105.8**	0.5%	1.3%	1.7%	N/A	$16,273.0	0.55%
8	Vanguard Ultra-Short-Term Bond Fund (VUSFX)	**$3,225.5**	1.8%	2.7%	2.5%	1.9%	$9,271.3	0.10%
9	JPMorgan Managed Income Fund (JMGIX)	**$3,146.6**	1.8%	2.1%	2.2%	1.7%	$13,462.7	0.25%
10	PIMCO Investment Grade Credit Bond Fund (PIGIX)	**$2,813.5**	8.6%	6.5%	5.6%	5.7%	$18,653.2	0.77%
11	Guggenheim Total Return Bond Fund (GIBIX)	**$2,658.9**	5.7%	10.0%	5.7%	5.5%	$18,006.3	0.52%
12	PIMCO High Yield Fund (PHIYX)	**$2,462.4**	8.0%	0.0%	3.2%	4.5%	$10,342.1	0.59%
13	American Funds Intmdt Bond Fund of America (AIBAX)	**$2,302.8**	2.5%	6.7%	3.7%	2.7%	$25,078.0	0.64%
14	JPMorgan Corporate Bond (CBFVX)	**$2,247.2**	8.7%	9.5%	6.8%	6.2%	$2,730.1	0.40%
15	JPMorgan High Yield Fund (OHYFX)	**$2,028.1**	7.9%	-3.4%	1.8%	3.1%	$7,793.9	0.75%
16	Federated Hermes Inst High Yield Bond Fd (FIHBX)	**$2,000.9**	9.5%	0.3%	3.1%	4.7%	$8,459.1	0.50%
17	Baird Aggregate Bond Fund (BAGIX)	**$1,821.5**	4.8%	9.2%	5.6%	4.7%	$26,959.6	0.30%
18	Fidelity US Bond Index Fund (FXNAX)	**$1,804.4**	2.8%	9.0%	5.4%	4.3%	$51,803.1	0.03%
19	Vanguard High-Yield Corporate Fund (VWEHX)	**$1,691.1**	8.0%	0.8%	3.5%	4.6%	$25,554.4	0.23%
20	Vanguard Short-Term Investment-Grade Fund (VFSTX)	**$1,654.7**	4.8%	4.8%	3.4%	2.9%	$62,559.3	0.20%
21	Vanguard Short-Term Tax-Exempt Fund (VWSTX)	**$1,639.6**	1.3%	2.1%	1.7%	1.4%	$17,535.9	0.17%
22	MainStay MacKay High Yield Corporate Bond Fund (MKHCX)	**$1,591.0**	9.0%	-1.7%	2.0%	3.5%	$11,068.9	1.80%
23	Lord Abbett High Yield Fund (LHYAX)	**$1,566.2**	10.7%	-4.8%	1.4%	3.5%	$7,605.0	0.91%
24	MetWest Total Return Bond Fund (MWTRX)	**$1,479.8**	4.0%	8.8%	5.3%	4.1%	$85,269.6	0.67%
25	Vanguard GNMA Fun (VFIIX)	**$1,451.8**	0.5%	5.4%	3.6%	3.0%	$26,499.3	0.21%

Top 25 fixed-income funds ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Fidelity Strategic Advisers Core Income Fund (FPCIX)	**-$3,563.9**	5.21%	8.29%	5.33%	4.64%	$40,798.3	0.44%
2	Templeton Global Bond Fund (TPINX)	**-$2,824.3**	0.13%	-6.29%	-1.16%	0.32%	$19,731.9	0.92%
3	DoubleLine Total Return Bond Fund (DBLTX)	**-$2,327.0**	3.41%	4.05%	3.83%	3.46%	$50,435.5	0.48%
4	PIMCO EM Currency and Sh-Tr Inv Fund (PLMIX)	**-$1,492.2**	6.95%	-5.32%	-0.37%	0.86%	$853.8	0.88%
5	BlackRock Strategic Municipal Opps Fund (MAMTX)	**-$1,324.5**	2.80%	-2.81%	1.99%	3.11%	$9,011.1	0.78%
6	Vanguard Long-Term Bond Index Fund (VBLLX)	**-$1,231.3**	6.36%	19.15%	10.32%	9.03%	$12,056.2	0.05%
7	American Funds Capital World Bond Fund (CWBFX)	**-$1,133.9**	5.10%	3.48%	3.42%	3.23%	$13,048.2	0.95%
8	Nuveen High Yield Municipal Bond Fund (NHMRX)	**-$1,112.6**	5.73%	0.31%	5.18%	5.59%	$19,093.7	0.92%
9	Lord Abbett Floating Rate Fund (LFRFX)	**-$825.3**	7.58%	-7.40%	-0.11%	1.67%	$6,164.6	0.71%
10	Fidelity SAI US Treasury Bond Index Fund (FUTBX)	**-$728.9**	0.26%	10.42%	5.54%	N/A	$3,201.3	0.03%
11	Invesco Oppenheimer Senior Floating Rate Fund (OOSAX)	**-$696.7**	5.09%	-13.12%	-2.82%	0.18%	$4,302.9	1.11%
12	Nuveen Short Duration High Yield Municipal Bond (NVHIX)	**-$689.3**	2.34%	-1.79%	3.54%	3.50%	$4,503.7	0.62%
13	Fidelity Advisor Floating Rate High Income Fd (FFRIX)	**-$663.1**	8.50%	-3.18%	1.43%	2.38%	$6,937.3	0.74%
14	PIMCO Short-Term Fund (PTSHX)	**-$590.5**	3.88%	2.87%	2.35%	2.22%	$13,613.2	0.50%
15	Franklin Total Return Fund (FKBAX)	**-$589.7**	7.30%	4.78%	3.70%	3.05%	$4,780.8	0.88%
16	BrandywineGLOBAL - Global Opportunities Bond Fd (GOBSX)	**-$576.5**	10.63%	0.55%	1.53%	2.82%	$2,159.9	0.58%
17	TIAA-CREF Bond Index Fund (TBIIX)	**-$551.8**	2.78%	8.67%	5.16%	4.16%	$16,542.8	0.11%
18	Hartford World Bond Fund (HWDIX)	**-$548.7**	2.09%	0.43%	3.07%	2.50%	$4,490.2	0.75%
19	PIMCO Low Duration Fund;Institutional (PTLDX)	**-$490.0**	2.36%	3.63%	2.71%	2.17%	$7,718.9	0.71%
20	Pioneer Multi-Asset Ultrashort Income Fund (MYFRX)	**-$486.5**	3.46%	-1.30%	1.07%	1.32%	$4,883.7	0.45%
21	Templeton Global Total Return Fund (TTRZX)	**-$484.3**	0.33%	-7.11%	-0.83%	0.89%	$2,911.0	0.76%
22	DoubleLine Core Fixed Income Fund (DBLFX)	**-$437.5**	5.41%	3.78%	3.78%	3.60%	$11,669.1	0.48%
23	Russell Investments Strategic Bond Fund (RFCYX)	**-$435.7**	6.62%	8.21%	5.04%	4.33%	$3,270.1	0.44%
24	DFA Five-Year Global Fixed Income Portfolio (DFGBX)	**-$434.0**	0.93%	2.02%	2.41%	2.21%	$13,553.0	0.26%
25	Franklin Low Duration Total Return Fund (FLDAX)	**-$415.5**	6.09%	0.34%	1.47%	1.41%	$2,881.6	0.71%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged and ex-dedicated short bias. Data through June 30. *Portfolio estimated net flows. N/A = not available.

TWITTER TANGLE

CONTINUED FROM PAGE 2

ern monetary theory, which essentially seeks to replace the Federal Reserve's monetary system with taxes administered by Congress.

"When you are genuine and stand up for your beliefs, it attracts people who want to work with you," McClanahan said. "I don't talk politics at work unless someone wants to talk politics with me, but many people research me in advance, so they know what I'm about. It is important to be respectful and I learn from others who have views different from my own so we can learn where we can come together. My clients with other political leanings who discuss their politics with me respect that about me."

Moore did not respond to a request for comment for this story.

Paul Schatz, president of Heritage Capital, is nearly as openly conservative as McClanahan is openly liberal, and he doesn't think his views have any impact on his business.

"Having surveyed my clients many times, I know they are about 80% right-leaning, but I don't market any of my political views and I respect their views," he said. "I'm very upfront when I do social media posts and I tell my clients that I'm a lifelong Republican, but I call out the wrongs on both sides."

Schatz, who describes himself "fiscally very conservative and socially very liberal," acknowledges the tightrope he walks on social media.

"In a perfect world, the best course is probably keeping political and religious views to yourself, but that's not my personality," he said.

STOPPING SHORT OF THE LINE

Ed Butowsky, managing partner at Chapwood Investments, is also not shy about expressing his political views on social media, but he believes he stops short of "crossing the line."

"I purposely don't go over the top, because I don't feel over the top," Butowsky said. "But I don't shy away from who I am, which is a Republican and a fiscal conservative."

He said he only brings up politics with clients when discussing financial planning related to current events or tax policies. "I try to feel people out before giving my two cents, but it doesn't make sense for an adviser to be a bleeding-heart liberal if they understand our industry."

CONNECTING THROUGH POLITICS

Kashif Ahmed, president of American Private Wealth, describes himself as a libertarian and believes talking politics can help advisers connect with clients.

"We all talk about having a deeper bond with clients and one way to do that is to talk about things that are already on people's minds," he said. "I don't shy away from having political conversations; I thrive and look forward to debating with people who ideally have nothing in common with me."

Ahmed said he deliberately uses social media to show clients and potential clients who he is, which includes posts that are sometimes political and "sometimes I'm recommending a restaurant, offering my take on Fed policy or just drinking a smoothie."

Ashley Foster, founder of Nxt:Gen Financial Planning, tweeted in support of McClanahan by saying that Moore "practices cancel culture" by suggesting McClanahan should not be allowed to speak at industry events because of her political views.

"Carolyn does wonderful work for the industry, and I don't care if she's a supporter of Bernie Sanders and modern monetary theory, which I don't agree with," Foster said. "But saying you will actively work to disinvite someone from meetings, that's not what we should be doing."

Foster describes himself as liberal and active on Twitter, "even though my wife wants me to stop."

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BOND ALLOCATIONS

CONTINUED FROM PAGE 3

problems down the road," said Kent Fisher, founder of Southern Investment Management Collective.

Fisher admits the unusually low yields on most fixed-income investments have driven him to reduce bond allocations to around 30% of a balanced portfolio, but he does not believe in removing bonds entirely.

"You buy bonds to attain strategic goals like a deflationary hedge, a source of liquidity and as a stabilizer — not for the yield," he said. "If bonds are the only thing you're investing in, the yield is a problem, otherwise the growth comes from the equity portion, not the bond portion. Very few people could stomach a 100% stock portfolio, that's why you bring in some bonds."

But Devin Pope, senior wealth adviser at Albion Financial Group, also supports removing bond allocations for younger clients.

"For someone with a 20-year time horizon such as a 40-year-old, we would not recommend owning bonds," he said. "If you have time, why do you need the safety and diversification that bonds provide?"

SPRINKLING EXPOSURE

Even for those client portfolios where Pope does include bonds, he keeps the allocation to around 30% and sprinkles in exposure to dividend-paying stocks and preferred stocks for income.

But industry veterans who have been through their share of market cycles bristle at the idea of stripping away the one asset class that has most reliably provided ballast in times of volatility.

"It's naïveté to focus on poor bond returns and not their place in a balanced portfolio," said Harold Evensky, chairman and co-founder of Evensky & Katz/Foldes Financial Wealth Management.

Evensky added that the anti-bond trend is likely temporary, "until the next major market correction when they realize that stock returns don't always go up, and in those cases, it's nice to have some [ability] to buy stock at bargain prices."

Robert Hernandez, lead adviser at Financial Planner NY, believes the growing aversion to fixed income could be related to the seemingly unstoppable stock market and a general inability among younger investors to grasp the concept of getting older.

"This generation of young people is far more plugged into the stock market, with kind of a chase-the-news factor," he said.

REALITY OF BOND MATH

Beyond the dismal bond yields, the reality of bond math can also look like an unnecessary risk to some advisers.

"Right now, there is a perfect storm of risk in an asset class that should otherwise be protecting the portfolio, and that has prompted us to reconsider how we allocate the fixed-income portion of our portfolio," said D. Scott McLeod, president and chief executive at Brown Financial Advisory.

The Vanguard Total Bond ETF (BND), for example, now has an average duration of 6.6 years, which means that if interest rates rise by 1%, the ETF is poised to lose about 6.6% in principal value.

"We haven't abandoned bonds, but we are exploring alternatives to the simple way of investing in fixed income," McLeod said. "I'm not a younger adviser, but certainly for those clients in a higher-risk category, we've taken out of fixed and are holding more in cash, because we think the rate risk is too high."

The current balanced portfolio for McLeod's clients holds about 10% in cash.

"We haven't sold it out of bonds completely but are definitely migrating toward alternatives to bonds," he said. "Clients love the cash because it takes credit risk off the table and the money market yield is not that much lower than the bond index."

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SEC DROPS HAMMER

CONTINUED FROM PAGE 3

Later in July, the SEC filed a complaint against a company, Par Funding, that lent to small businesses in order to generate healthy returns to investors, and alleged that Vagnozzi, along with several other individuals and companies, acted as a funnel for investor money into a fraud. It is not clear how much money Par Funding raised from investors through Vagnozzi.

According to reports in the Philadelphia Inquirer, A Better Financial Plan is now in receivership and Vagnozzi is fighting for control of the firm in order to maintain its insurance business.

Calls to A Better Financial Plan were not returned by press time. The firm's website touts returns of 10% to 14% and $200 million invested for clients.

"Vagnozzi knew what it was like to be registered in the securities business," said Joe DiStefano, a business reporter for the Philadelphia Inquirer who has covered the Par Funding matter. "The thinking by these types of salesmen is, if you're not registered you can't be hauled in ... for violating your license because you don't have a license."

But Vagnozzi kept his license to sell insurance in Pennsylvania, DiStefano noted. "And there is no federal regulation for insurance."

Vagnozzi was registered with a couple of broker-dealers about a dozen years ago and then ditched his securities license but hung onto his registration to sell high-priced insurance products.

My belief is that wannabe advisers like Vagnozzi drop their securities licenses because the industry is closely regulated. I've been writing about the financial advice business for two decades, and such oversight makes it more difficult for advisers to push high-priced, high-risk products such as life settlements and loans to small businesses.

LURKING ON THE FRINGES

As *InvestmentNews* noted in 2019, investment funds promising above-market returns that employ networks of brokers, former brokers, insurance agents or others lurking on the fringes of the industry to sell their investments are taking advantage of unsuspecting investors.

Making matters worse, Vagnozzi was well known throughout the Philadelphia area, spending lavishly on dinners for prospects and advertising heavily on a popular local all-news radio channel.

According to the SEC, as head of A Better Financial Plan, Vagnozzi encouraged the public to "invest like the big boys," and touted his firm as a place to buy life settlements. He claimed they were the "highest yielding safe" investments in the market, according to the complaint.

One of his chief marketing techniques was to run frequent radio ads on Philadelphia stations. From April 2013 to August 2017, he recorded variations of these ads using his own voice in which he, as head of A Better Financial Plan, promoted "double-digit returns without the volatility of Wall Street," according to the SEC.

Vagnozzi invited listeners to call a toll-free number to learn about "an extremely secure investment that guys like Warren Buffett and other institutional investors have been using for decades," according to the complaint.

"I've been getting calls from seniors for three to four years, asking why can't they get that, that 13% return," said Bob Costello, a financial adviser in the Philadelphia area. "You could not turn the radio on to hear the traffic report and not hear that ad."

"THE THINKING ... IS, IF YOU'RE NOT REGISTERED YOU CAN'T BE HAULED IN."

JOE DISTEFANO, BUSINESS REPORTER, PHILADELPHIA INQUIRER

The question is, why did it take the SEC so long to pay attention to the same ads before dropping the hammer on Vagnozzi? Apparently the SEC is only concerned with phony financial advisers like Vagnozzi after they've raised hundreds of millions of dollars from retirees.

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12B-1 FEES

CONTINUED FROM PAGE 3

fees are a thing of the past," said Addleman, former director of the SEC's Atlanta office. "There is no amount of disclosure that allows you to keep the fees."

That sentiment was echoed by James Lundy, a partner at Faegre Drinker Biddle & Reath. "The SEC Enforcement Division has effectively outlawed [12b-1 fees]," Lundy said.

An SEC spokesperson declined to comment.

For more than two years, the SEC has been targeting firms that make inadequate disclosures relating to 12b-1 fee payments. Its share-class selection initiative returned about $139 million to harmed investors.

Since the conclusion of the program, the SEC has filed several more share-class cases, and there are likely more in the pipeline.

The Financial Services Institute, which represents independent broker-dealers and financial advisers, accuses the SEC of regulation by enforcement. It says the agency is penalizing firms for practices that had been routine and acceptable without giving them warning about the policy change.

"We want investors to be protected," said Robin Traxler, FSI senior vice president of policy and deputy general counsel. But "we want an opportunity to understand what the SEC's expectations are and have an opportunity to comment through a formal rulemaking process."

BEST EXECUTION VIOLATIONS

It's too early to tell how much pressure the SEC is putting on the receipt of 12b-1 fees as opposed to ensuring that they're adequately disclosed.

A clue about the agency's direction could be found in one aspect of the case against SCF Investment Advisors, said Barbara Roper, director of investor protection at the Consumer Federation of America.

In the share-class initiative cases, the SEC encouraged firms to self-report. By doing so they avoided civil penalties. SCF did not self-report. It was hit with a $200,000 fine but also was the subject of a wider case.

The SEC charged that by recommending funds with 12b-1 fees and revenue share, SCF violated best execution rules because those funds presented a less favorable value to investors than funds without the fees at the time of purchase.

"That gives [the SCF case] more substance," Roper said. The SEC essentially told the firm "you recommended these [funds] when they weren't the best available options for the investor."

Roper will be watching whether best execution is part of future share-class cases.

"What I can't tell is whether in a situation where there was robust disclosure that a best-execution violation would be enough to bring an enforcement action," Roper said.

The SCF case involved the receipt of revenue sharing as well as 12b-1 fees, an expansion of the areas the SEC reviewed in the share-class initiative.

In a November speech, SEC Enforcement Director Stephanie Avakian mentioned revenue sharing as a concern. The agency also is pursuing litigation against Commonwealth Financial Network and Cetera Advisor Networks over alleged failure to disclose revenue sharing.

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MODEL PORTFOLIOS

CONTINUED FROM PAGE 3

Not to be outdone, Orion Advisor Solutions and Oranj also announced partnerships with asset managers to provide model portfolios ranging from conservative to maximum growth.

The increased market volatility due to COVID-19 could accelerate model adoption as some advisers reconsider their role in the investment management of their clients' assets, said Cerulli lead analyst Brendan Powers.

"Due to the sheer size, scale and speed of the decline and corresponding volatility, many advisers will need to reinforce their client-facing time to retain assets," Powers said. "This could result in broader interest in and adoption of asset allocation models."

The problem for advisers might be an overabundance of choice. Notably, the survey found a large number of advisers at smaller firms — with AUM under $500 million — were more likely to say that there's an overwhelming number of options out there when it comes to evaluating third-party models.

Trying to determine which to use takes time and resources for a boutique firm, said Caleb Eplett, vice president of product management at YCharts.

Advisers still want to be able to customize building their own portfolio, said Greg O'Gara, Aite Group's head wealth management analyst. They are still figuring out how to best adopt the models. "They are looking for quick ways to implement portfolio management, but clearly still want to be able to incorporate their own investment philosophies to it," he said.

The majority of advisers understand the trade-offs. The choice between building portfolios in-house or through a third-party service often boils down to what their firm sees as its primary value-add to clients, Eplett said.

"Advisers need to determine if their time is more valuable spent face-to-face talking to clients or is it more valuable really crafting the right investment strategy for those clients and then finding a way to deliver that value even if you don't have as much face time," he said.

PROS AND CONS

Advisers are clearly grappling with the pros and cons. When asked about the biggest advantage, 72% of advisers say using third-party model portfolios frees them up to focus on client engagement and strategic areas of business growth. By contrast, 76% say that third-party model portfolios may be a disadvantage if portfolio management is a big part of the firm's value proposition.

However, advisers are prioritizing control over their clients' portfolios — particularly in a volatile market. When asked about plans to switch to third-party model portfolios in light of COVID-19, 83% of advisers said they are not making any changes to their strategy, while only 16% said they'll continue to build portfolios, but will evaluate third-party model portfolios,.

"Look at the last decade, it seemed like everybody had been talking about the trend away from [portfolio construction], which is a more passive approach to portfolio management and outsourcing those services when possible to save time for other tasks or to get in touch with clients," Eplett said. "The pandemic has clearly pushed financial advisers to become more involved with portfolio management."

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