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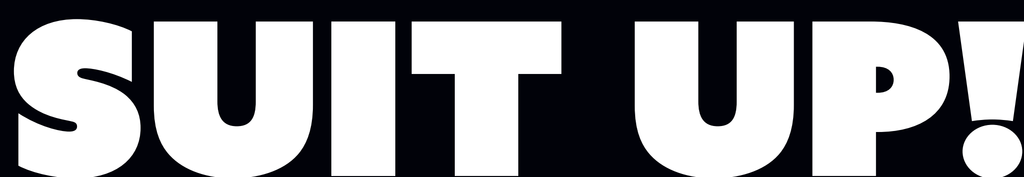

SUIT UP!

HOW COVID-19 HAS RESHAPED THE WAY ADVISERS DO BUSINESS IN JUST SIX MONTHS, AND FOR YEARS TO COME

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How MassMutual 401(k) deal wins Empower clients

BY EMILE HALLEZ

EMPOWER RETIREMENT'S deal to buy MassMutual's defined-contribution business represents the latest iteration of the company's growth-by-acquisition strategy. But it also hints at a larger goal of winning over the workers who could be tomorrow's wealth management clients.

The agreement also gains Empower a valuable potential relationship with Edward Jones.

Last Tuesday, Empower ended months of speculation about who would buy MassMutual's DC record-keeping business with an announcement that it would do so via a reinsurance transaction with a ceding commission of $2.35 billion. Empower also said that it would inject $1 billion in capital in the transferred business.

MassMutual's 26,000 employer-sponsored retirement plans represent 2.5 million participants and $167 billion in assets, the companies said. That infusion will pump up Empower's business to about 67,000 plans and 12.2 million participants, representing $834 billion in assets.

The sale is expected to close during the fourth quarter, pending regulatory approval.

Empower has been a giant in the DC record-keeping business since it formed in 2014, when Great-West renamed its retirement unit following its fusion with Putnam's plan business and the acquisition of J.P. Morgan's large-plan business.

The company has made no secret of its plans to keep getting bigger — its news releases have long pointed to its position as the second-largest plan provider by participant head count. Its Canadian parent, Power Corp.'s Great-West Lifeco, has given Empower leeway to pursue acquisitions.

KEY POINTS

- Empower to buy MassMutual's DC record-keeping unit and inject $1B of capital.
- Empower gains a valuable relationship with Edward Jones.

BOOST ROLLOVER BUSINESS

Last month, for example, Empower snapped up hybrid adviser and wealth manager Personal Capital. That development was seen as part of a strategy to boost its rollover business.

"Empower is taking the next step toward addressing the complex and evolving needs of millions of workers and retirees through the combination of expertise, talent and business scale being created," Empower CEO Edmund Murphy said a statement. "Together, Empower and MassMutual connect a broad spectrum of strength and experience with a shared focus on the customer."

The deal is also the latest evidence of a consolidating retirement plan provider market that favors big players. Surviving in the thin-margin business has been a challenge for many, particularly if they don't have scale or an

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Wells Fargo Advisors limits meals and gifts

BY BRUCE KELLY

WELLS FARGO ADVISORS is joining Merrill Lynch in creating restrictions on how registered brokers and financial advisers at large financial institutions pay for or receive perks like meals with clients or outside money managers.

Taking clients out for a steak dinner or holding large meals at restaurants for prospects are time-honored traditions in the brokerage business, which has its foundation in a culture of sales but for the past 20 years has embraced financial advice.

> **"WE UPDATED OUR POLICY TO BE IN ALIGNMENT WITH FINRA'S GUIDANCE."**
>
> SHEA LEORDEANU, SPOKESPERSON WELLS FARGO ADVISORS

Now, as several states and the Securities and Exchange Commission busily enforce or create new sales practice standards, big firms appear to be rethinking that brokerage tradition. They're making the changes to meal and gift policies during the COVID-19 pandemic, a time when advisers and clients are staying home and avoiding face-to-face meetings.

Wells Fargo Advisors recently provided "clarification" to its advisers

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Advisers address clients' market jitters heading into the elections

BY MARK SCHOEFF JR.

INVESTMENT ADVISERS ARE trying to soothe their clients' fears about the potential impact of the upcoming vote on their portfolios.

In a normal year, a presidential election might cause anxiety. In 2020, the national vote is coming in the midst of a pandemic, unrest over racial injustice and a volatile financial market — all of which is making the atmosphere unusually tense and weighing on the minds of investors.

But advisers are reminding clients that markets usually go up no matter who wins.

"We're definitely seeing heightened emotions," Julia Carlson, founder and chief executive of Financial Freedom Wealth Management Group, said last Thursday on a Zoom conference of investment advisers hosted by JConnelly, a financial communications firm. "We're trying to disconnect emotions and investment decisions. Whatever way this election goes … [clients] are going to be OK."

DOUBLE THEIR MONEY

Stephanie Link, chief investment strategist and portfolio manager at Hightower, said following 18 of the last 19 elections, the market has grown over the next 10 years. In 15 of those instances, someone who invested $10,000 the day after the election would have doubled their money in the following decade.

Worries about the long-term implications of an election tend to "get overdone," Link said.

She projected how the market might

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Bill would discourage mutual fund fee litigation

BY EMILE HALLEZ

A HOUSE BILL submitted last Tuesday by Rep. Tom Emmer, R-Minn., would make it harder for mutual fund investors to sue asset managers for charging excessive fees.

Emmer's bill would require plaintiffs who file so-called 36(b) excessive-fee lawsuits to "spell out the factual basis for their claims with 'clear and convincing evidence,'" an announcement from the congressman's office stated.

"THERE ARE ALL TOO MANY MUTUAL FUNDS WITH UNREASONABLY HIGH COSTS."

BARBARA ROPER, DIRECTOR OF INVESTOR PROTECTION
CONSUMER FEDERATION OF AMERICA

Investors have brought numerous excessive-fee lawsuits against mutual fund companies for years under Section 36(b) of the Investment Company Act of 1940. Many recent cases have centered on fees collected by fund sponsors that use subadvisers. In such cases, plaintiffs call out the advisory fees that fund managers receive, as subadvisers do nearly all the work of managing assets.

Emmer's office said a change to the law is necessary "to reduce frivolous lawsuits against firms who are already heavily regulated to ensure investor protection."

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TOM EMMER

Avoiding investments that are green in name only

BY JEFF BENJAMIN

ONE DOWNSIDE OF the growing interest in sustainable investing is that companies and asset managers are sometimes taking shortcuts to becoming "green enough" to appeal to investors.

The process, generally described as greenwashing, can be as subtle as adding an ESG label to a fund or as overt as making false claims about how much a company is committed to environmental, social and governance causes.

MORE COVERAGE PAGE 22

For financial advisers trying to find the most appropriate ESG investment products and strategies for clients, this means another level of due diligence.

"It's important to assess how serious companies are when it comes to their ESG efforts," said Lori Keith, portfolio manager at Parnassus Investments.

Greenwashing is becoming more common, Keith explained, "because companies are seeing the benefits of being viewed in a positive light" regarding popular sustainable causes.

LACK OF STANDARDS

In a discussion last week at the Women in Asset Management virtual conference, Keith said the problem is at least partially attributable to the lack of standards around ESG and sustainable investing.

The greenwashing problem is found at both the individual company and asset manager level. But while advisers are responsible for vetting the funds for greenwashing offenses, those same advisers are expecting the portfolio managers to conduct that due diligence on their underlying portfolio holdings.

GOOD PLACE TO START

"Fund ratings are a good place to start, but that shouldn't be the be-all and end-all of your research," said Anita Baldwin, head of research and sustainable investing at Hartford Funds.

In addition to ESG ratings that provide a snapshot of how funds are managed, Baldwin said advisers should look at how a fund company prioritizes ESG investing at the firm level.

"If they have a team of analysts dedicated to ESG issues, it's important to know where that team sits in the organization, because you want to determine how important they are," she said.

Keith said screening for greenwashing also includes looking carefully at the prospectus.

"Look at their top 10 holdings and see if those companies are really reflective of what they're advocating," she said.

At the portfolio manager level, Keith said the quality of the research is "absolutely paramount" when it comes to determining whether an individual company is trying to greenwash.

"We don't just talk to investor relations, we talk to management and we visit plants," she said.

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The digital shift is occurring — and it's uncomfortable

SEAN ALLOCCA
ONTECH

Advisers have tackled dramatic shifts since the onset of the pandemic, from guiding client portfolios through a Black Swan market event to quelling client fears over Zoom calls. Like much of America's workforce, the wealth management industry should be applauded for its adaptability and tenacity.

The massive technology transformation is a told-you-so moment for all the evangelists who have long preached the ease of adoption and the cost savings of adviser tech. For a vast swathe of the country's workforce, some version of this tech-enabled, remote work life will likely become a lasting reality.

Firms are already beginning to send employees back to the office; 32% of 159 financial advisers surveyed in July expected employees to return after October, according to data from InvestmentNews Research. However, 10% expected to permanently expand remote working arrangements.

UNFORESEEN CHALLENGES

While tech has eased its way into our daily work routine, it also comes with unforeseen challenges — especially for late adopters.

The reliance on technology has already led to a certain level of disruption and creates a certain level of anxiety for clients, said Dan Egan, managing director of behavioral finance at robo-adviser Betterment.

"Let's face it, it's uncomfortable for a lot of people," Egan said, adding that some clients seek out financial advice for the human relationship.

FACE-TO-FACE MEETINGS

For advisers, relying on face-to-face meetings with clients to bring in new clients will have to become a thing of the past. While some firms have flourished, other advisory firms will likely suffer.

Ominously, advisers have traditionally been less than enthusiastic about adopting new technology. Only about 24% of RIAs said the majority of their clients used digital portfolio reporting statements prior to the pandemic, according to a survey by Aite Group. Ranking a distant second, only 12% of the 400 RIAs surveyed said the majority of their clients are checking investments or financial planning goals online.

"There's certainly a potential pitfall for advisers that have emphasized the face-to-face," Egan said. Advisers who have relied on a certain rapport with clients as a "trust mechanism" may find their clients are deciding it's better to go the investing route alone.

An example is typing. It's a simple skill that could have an outsized impact in a post-COVID-19 world when advisers are interacting with clients via chat or instant messaging channels. Advisers who are more comfortable with touch typing will be more comfortable communicating with clients in real time.

DIFFERENT SKILLS

Company cultures will also play a vast new role in advisory practices. Those that traditionally have valued human interaction may experience a real grinding of the gears, Egan said. "The skills financial advisers will need to communicate with clients are going to be very different," he said.

There will be new technology winners, too, of course. Financial TikTok has flourished in recent months by helping inform investors about financial topics, although the app has faced criticism from advisers when self-proclaimed financial gurus spout dangerous investing advice to the masses.

CONCENTRATE SUCCESS

New channels will concentrate success because that's what technology does, Egan said. If you're able to adapt and become proficient, the shift to digital has leveled the playing field. That can be scary and uncomfortable for the more traditional adviser — but that change is already here.

If the pandemic teaches any lasting lessons, it's that financial advisers are more flexible than previously thought — and they're certainly up for a challenge.

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Getting a handle on Reg BI's effectiveness

WASHINGTONINSIDER
MARK SCHOEFF JR.

On the journey toward stronger investor protection around investment advice, one major milestone has passed. Regulation Best Interest, the Securities and Exchange Commission's new broker standard, was implemented on June 30.

The next indication of whether any progress has been made will come when we start to see how the SEC enforces Reg BI. For now, the agency is looking for "good faith" efforts to comply.

In the meantime, we'll have to take the word of brokerage firms and their representatives that we're headed in the right direction. That amorphous situation raised tension at a hearing Sept. 3 about the Department of Labor's investment advice proposal for retirement accounts.

STARKLY DIFFERENT

One of the highlights of the session was the starkly different points of view about whether Reg BI is making a difference. The efficacy of the measure is crucial because the DOL's proposal would work hand-in-hand with Reg BI.

If brokers comply with Reg BI, they are assumed to be in compliance with the DOL rule, which allows financial advisers to receive compensation, such as 12b-1 fees and commissions, that would otherwise be prohibited, as long as they act in the best interests of their clients in retirement accounts.

The Securities Industry and Financial Markets Association praised the DOL for aligning its advice rule with Reg BI, which it said is already proving its mettle in protecting investors.

Kevin Carroll, SIFMA associate general counsel, testified that the organization has surveyed 50 member firms and found that more than half plan to eliminate certain conflicts of interest.

"The collective requirements of Reg BI have compelled our members to implement such fundamental changes to their systems, policies and procedures such that it is fair to say that Reg BI and the requirements of the department's proposed exemption are 'functionally equivalent,'" Carroll said.

He acknowledged that some of the operational changes he outlined were spurred by the now-defunct Obama administration DOL fiduciary rule.

That's what I reported in a cover story about a month before Reg BI implementation. What I found was that the earth wasn't shaking in terms of major broker operational reforms the way it had trembled in advance of the Obama-era rule going final.

REQUEST FOR A HOLD

In contrast to SIFMA's enthusiasm for the DOL proposal, state regulators are asking the agency to put it on hold until there is a better understanding of whether Reg BI is curbing broker conflicts of interest.

Ohio Securities Commissioner Andrea Seidt testified that the North American Securities Administrators Association conducted a survey of 2,000 brokerage and advisory firms that showed they "have a lot of work to do to effectively manage their conflict."

The organization plans to go out in the field again next year to see how financial firms are adapting to Reg BI. Seidt urged the DOL not to advance its advice proposal until the results are in. "The department should defer final rulemaking until it has received a factual record validating the effectiveness of the SEC's approach."

Of course, the effectiveness of the SEC's approach will depend on the SEC itself.

"The door has been left open on how [Reg BI] is going to be interpreted and applied," said Knut Rostad, president of the Institute for the Fiduciary Standard.

"THE DOOR HAS BEEN LEFT OPEN ON HOW [REG BI] IS GOING TO BE INTERPRETED."

KNUT ROSTAD, INSTITUTE FOR THE FIDUCIARY STANDARD

Until the SEC decides what Reg BI really means for investment advice reform, we're on our own in determining where we are on the journey. You can turn to either the brokerage industry or state regulators for your investor protection GPS.

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Opinion

EDITOR'S NOTE

Recognizing financial advice innovators

It's that time again, when *InvestmentNews* seeks to celebrate the leaders who have transformed the financial advice profession through our Icons and Innovators Award program.

Our 2020 winners appeared in the Feb. 3 issue and included a posthumous honor to Jud Bergman as Icon and 10 Innovator awards, as well as 18 Innovative Firm finalists. It stood out as a great read for the developments every one of the honorees brought to our industry.

GEORGE B. MORIARTY

As we gear up for 2021's awards, we welcome submissions for each of these segments at InvestmentNews.com/awards. The individual awards are Icon and Innovator. Nominees for Icon should have made a lasting impact on the industry. An Innovator has created change for the financial advice community via conception of a new tool or idea that the industry didn't know it needed.

At the firm level, we accept nominees for five awards: Investing Solutions, Retirement Solutions, Education Materials, Practice Management and Adviser Fintech. Each of these awards will go to a group that has demonstrated innovative products, services and platforms within these spheres.

We kicked off this program in 2016, and the lineup of financial advice luminaries that have walked away with these awards represent a true who's who in the industry.

We look forward to the nominations for 2021 and honoring the invaluable contributions they have made.

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From new normal to new paradigm

Six months ago, *InvestmentNews* did what so many other businesses across the U.S. had to do to ensure the health and safety of its staff: We closed the office and went home to help slow the spread of COVID-19.

While the virus has finally relented here in New York, the demands of covering this industry never stopped, nor did our commitment to this publication. Like so many other firms, we adapted to what we identified in the March 30 issue as "The New Normal" and adopted new ways to get the job done and publish this magazine without interruption.

It wasn't easy, and we recognize that it hasn't been an easy adjustment for many of you reading this. For some industries, such as restaurants and hotels, it proved nearly impossible. For those firms that have been fortunate enough to pivot, the reward was more than just being able to stay in business; it also gave the staff a sense of purpose, and of hope.

So what has a half a year of quarantine meant to the financial services industry? The *InvestmentNews* team set out to get an update, and we're happy to report many positive and surprising developments.

Jeff Benjamin reveals what the future of financial services might look like as working from home is integrated into more firms' business models.

Bruce Kelly explores how advisers will communicate with one another and with clients in this new paradigm – and how that will be properly supervised and regulated.

Nicole Casperson showcases the tech that advisers will need to plot new growth strategies from their living rooms.

THE FINANCIAL SERVICES SECTOR ... WILL BE FEELING THE EFFECTS OF COVID-19 FOR YEARS TO COME.

Sean Allocca tells some uncomfortable truths about the wholesale shift to a fully digital workplace.

Mark Schoeff Jr. continues his coverage of how client disputes will be resolved by regulators and the industry's governing bodies in the absence of in-person hearings.

CHANGING RETIREMENT PLANS

Emile Hallez lends a voice to those who've had to suddenly change their retirement plans as a result of the uncertainty and health risks brought on by coronavirus.

Mary Beth Franklin lays out the tax implications and logistical adjustments for those who've had to set up a home office on the fly.

And Brittney Grimes counts down 10 unintended consequences that the pandemic has had on wealth management.

In March, the go-to phrase was, "We're all in this together." And that's still true. The question now is: How much longer will it be until we're all allowed to be together in any one place again, and what will it look like once we do?

Whatever the outcome, one thing is clear: Everyone involved in the financial services sector, including clients, will be feeling the effects of COVID-19 for years to come.

As the new normal becomes old hat, advisers are faced with an opportunity to reassess priorities and refocus goals to create a new paradigm that will outlast this terrible virus. Stay safe and be well.

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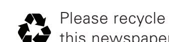

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POST-PANDEMIC REALITY

The *InvestmentNews* team revisits 'The New Normal' six months after the global pandemic shut down the U.S. economy and changed life as we know it indefinitely. Here's how different players in the financial services industry continue to cope with the changes wrought by COVID-19 heading into the autumn and beyond.

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Is working from home the new normal?

Six months into the forced work-from-home experiment, traditional office space is becoming less relevant

By Jeff Benjamin

The COVID-19 pandemic forced the financial services industry to shift in an instant from an environment where workers commuted to offices to one where the traditional office workspace has become almost irrelevant. Yet an industry some might argue is not as essential as grocery stores, hospitals and law enforcement has gone on without a hitch.

It's one thing for a financial advisory firm with a half-dozen staffers to send everyone home with a laptop. But when companies with tens of thousands of employees, like Fidelity and Schwab, continue operating virtually uninterrupted with more than 90% of their employees working from home, it raises the question of what the future of work in financial services could look like.

"For big financial services firms, this has been a stress test that shows them all their planning has proven to be successful," said April Rudin, chief executive of The Rudin Group.

Looking past the current coronavirus lockdown that still has most businesses restricting visits to offices, Rudin believes the forced work-from-home experiment has been such a success that "everything will be reimagined."

REDUCED FOOTPRINT

"There will be a very reduced footprint because companies will realize they don't need all that office space, and a lot of time the office space was for show, as a measure of a company's success, which will be traded in for new measures of success," she said. "Going forward, having more employees working from home and reducing expenses will be a measure of success, and it won't be about location anymore because people will be able to work from anywhere."

Most large financial services companies are not yet talking about reducing office space and rewriting remote-work policies. But the experience of having to field-test contingency plans in real time and adjust to situations most people couldn't have imagined less than a year ago says a lot about the adaptability of even the largest companies in this space.

Charles Schwab Corp., where at least 95% of the 21,800 employees are now working from home, is having one of its best years, said spokesman Peter Greenley. "Our client metrics have been strong and we're managing well through the tremendous volume of work driven by the market volatility; breaking records for net new assets, new brokerage accounts and new-to-retail households."

At Eaton Vance, where approximately 98% of the 2,000 employees are working from home, the experience has introduced "a new perspective on working from home," which is now viewed as "a real option on a broader scale across our employee base," said Dan Cataldo, the company's chief administrative officer.

Beyond adapting to what is essentially a universally mandated remote-work policy, companies are pushing to make the most of working from home.

At Fidelity Investments, where more than 90% of the 43,000 employees are working from home, there's a big emphasis on addressing the needs of employees who are juggling work and childcare during the pandemic.

In additional to flexible schedules for parents, Fidelity offers to help employees find and screen childcare and has "back-to-school concierge services." It also launched a five-week virtual summer camp that attracted more than 7,000 registrants.

Fidelity human resources representative Kirsten Kuykendoll envisions a world with fewer handshakes and more virtual meetings.

> **"It won't be about location anymore."**
>
> April Rudin, CEO
> The Rudin Group

"COVID-19 has shown us that many jobs can be done from anywhere and that productivity is not bound between traditional 8 a.m. and 5 p.m. working hours," she wrote in a blog post. "We'll see an increase in innovation around how we're working, too. People may totally redefine and reinvent what it means to execute their role, rather than the current phase we're in, which is making tweaks to the previous construct."

With the future looking more accommodative to remote work, companies are also seeing the opportunity to expand the search for new employees.

David Mehlhorn, director of sales at Redtail Technology, said there are no immediate plans to reduce the office space footprint, but he does anticipate more flexible policies related to where employees live.

"The company is so much about culture and so much of that is about being in the office," he said. "But I definitely could see us opening up new opportunities for remote hires or opportunities for existing workers who didn't have the flexibility to work from home in the past."

DESIGN TWEAKS

While some companies are expected to eventually reduce their office square footage as remote work becomes increasingly accepted, the focus is slightly different for at least two companies with new corporate headquarters under construction.

Aaron Schaben, who leads business growth and development at Carson Group, said the new headquarters is expected to be move-in ready early next year, but the COVID-19 shutdown has meant some design tweaks.

"It has forced us to look at how many offices we need, or if we might need more collaboration spaces, and we've made those changes," he said. "We've gone through the setup and the types of office furniture we have in there to make sure things can be easily moved around to accommodate social distancing."

While about 20% of Carson's 230 employees are back in the office at least part-time, the remote work experience has expanded perspectives on virtual interactions, Schaben said. "We were always about having everyone in the office, but over the last five years it's been about being efficient, get your work done and be accountable, and COVID has extended that."

RIA software provider Laserfiche, which has 500 employees, is also slated to open a new headquarters next year and is factoring in pandemic realities.

"We're looking at modular options for employees to safely work," said Thomas Phelps, chief investment officer. He credits the company's tech savvy focus for smoothing the transition to remote work, which currently includes all but about a dozen employees who are in the office to manage tech support.

"Given that we are a tech company, our workforce is agile, tech centric and adaptable to working from home, so it's been pretty seamless so far," he said. "Our biggest obstruction is to our culture because our people like to be together to collaborate."

While only about a dozen employees worked remotely prior to the pandemic, the HR department had been running a pilot program on remote work when LaserFiche closed its offices in March.

"HR was leading workshops to get feedback and improve the pilot program to make a broader rollout, then the pandemic hit," Phelps said. "Going forward, as a company we will look to provide more work-life flexibility. In many cases people will be working out of the office, and maybe have more options to work from home."

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How advisers can use tech to attract assets

With no end in sight to remote work, advisers turn to technology to plot new growth strategies

By Nicole Casperson

Half a year into a pandemic-induced remote work environment, advisers are figuring out how to jumpstart two traditional growth drivers, marketing and referrals, with digital touchpoints that are producing results.

An adviser's digital presence has evolved into the new strategy for attracting and retaining clients. Gone are the days of in-person wine tastings and steak dinners. Instead, advisers are turning digital marketing campaigns and virtual events into prospecting opportunities.

"Even when things go back to normal, advisers think they will continue to do video conferencing for client meetings," said Lisa Salvi, vice president of business consulting and education at Schwab Advisor Services. "The pandemic and remote work has shifted the long-term view of what a client review meeting looks like and how clients want to interact with firms."

At a time when advisers can't sit across the desk from clients, using technology to engage with them is critical for firms ready to get back to growth mode.

Planning a successful virtual event, for example, starts with answering the same initial questions a firm should ask itself when planning in-person events, said Kristen Johnson, vice president of practice management and consulting at Fidelity Institutional.

"What's the [adviser's] primary goal, who are you targeting and what kind of environment do you want to create? In today's virtual environment, it's more important than ever to think creatively about the event content," she said.

Advisers should connect their content to their clients' passions, interests and challenges while leveraging video conference tools like polls and chat to encourage dialogue and make the experience livelier, Johnson said. "We've also seen clients be successful with bringing together the virtual and online worlds by sending packages with refreshments or collateral to use during the event."

TAKING AN EXTRA STEP

Advisers who want to take an extra step to ensure virtual events resonate with clients should digitally document their ideal client persona, Silva said. "A firm that documents a crystal-clear client value proposition attracts 45% more new client assets than firms that do not document."

Registered investment adviser A New Path Financial embarked on an entire social media campaign targeting its ideal client — women, said the firm's president and CEO, Nadine Burns. "We are doing targeted Zoom meetings for women using venues like the SheHive," she said. "We are also starting an education program which we will begin on Zoom, using YouTube to send out timely videos to clients and telling our clients who we are helping so they can send referrals."

Evan Beach, an adviser with Campbell Wealth Management, said his firm has run more than 70 virtual events this year to engage clients and prospects, from healthy cooking classes with a champion from the television show Chopped, to client yoga via Zoom and even a health and wealth event with a physician.

While virtual events are a great way to increase engagement, taking an investor from attending a cooking class to becoming a loyal client is a much larger leap.

Advisers are often tempted to showcase their analytical skills during turbulent times. However, data show that clients and prospects respond more to stories, emotions and the human side of advice, said Robert Sofia, CEO at marketing fintech Snappy Kraken.

"Advisers should follow what we call the HELP framework: humanize, empathize, localize and positive vibes," Sofia said.

Snappy Kraken analyzed 12,000 actual financial adviser digital marketing campaigns running during the first half of 2020 and discovered the top performing campaigns incorporated all four elements.

'BE A HUMAN'

"With all the disconnect happening due to social distancing, advisers cannot be on a video and maintain a strictly professional and stoic demeanor — be a human, that's what's going to help you connect," Sofia said. "Send a short two-minute video to your prospects and clients telling them what you're dealing with in your life, that's how you humanize."

In fact, advisers who sent a short video message with their digital marketing campaigns and focused on human elements had an average 37% email open rate, while those with email campaigns analyzing the pandemic and stock markets saw open rates at 27%.

"Advisers have to create an offer that people will have to opt into to make them give a name or phone number," Sofia said. "I've seen advisers give a free risk analysis or a free 15-minute consultation by video."

An adviser's website should now be treated like a powerful relationship-building hub, said Schwab's Silva. "Share blogs, social media posts or videos to really maximize the experience for clients," she said. "You want your website to be speaking to someone and telling a story that's going to resonate and inspire action."

Notably, 95% of prospects are going to do research online before they reach out to a firm, so advisers' websites should look really inviting and be very clear about the ideal client type. And the top two pages prospects are going to visit on a website are the page giving information about the firm and one with biographies of its advisers. "Make sure you're really spending time on those two things," Silva said.

A website is not useful unless advisers implement basic search engine optimization strategies, she added. Advisers should use title tags, create effective meta disruptions and sign up for Google Search Console. "Also, start a Facebook business page even if you're not using it a lot," Silva said. "Having that Facebook business page helps your search engine optimization a great amount."

37%

Average open rate for email campaigns that included a video message and focused on human elements

Content should showcase a firm's perspectives and team, but it should also focus on issues that are top of mind for investors, like articles for small business owners on managing challenges during the pandemic or toolkits for clients juggling homeschooling and working from home, said Fidelity's Johnson.

"Beyond that, make sure your site loads quickly, is optimized for mobile, has clear calls to action encouraging prospects to reach out, and highlights all of your firm's capabilities," she said. "That way you don't miss out on opportunities to help investors with specific needs."

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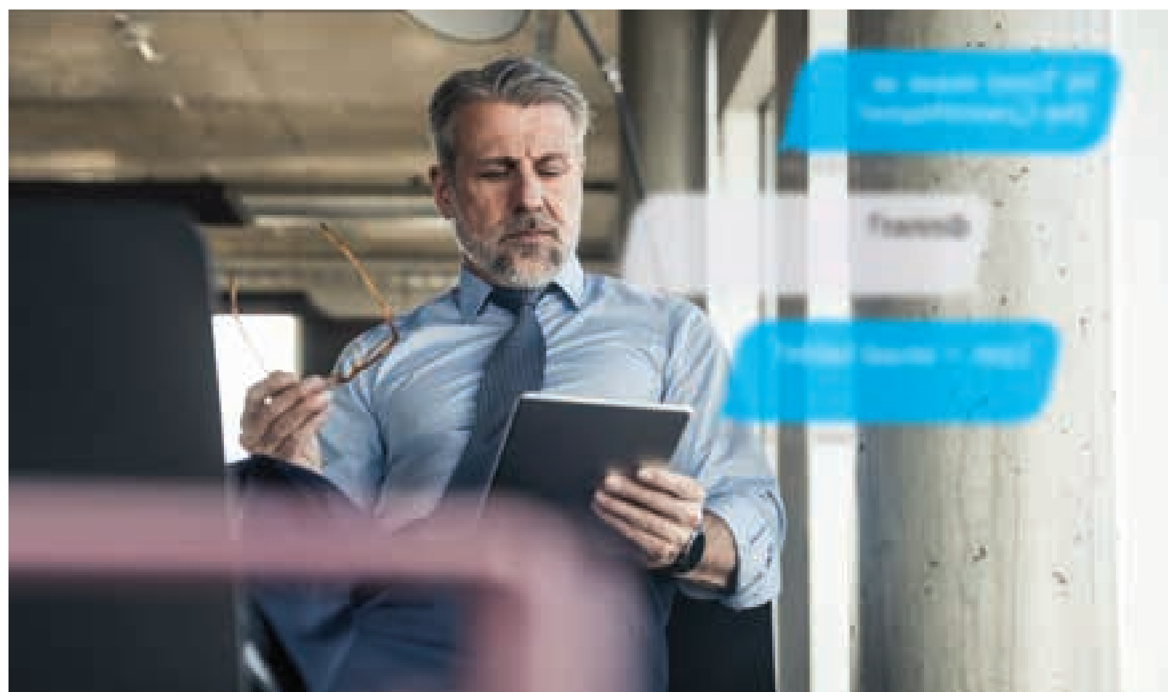
Keeping an eye on chats

The pandemic creates cracks in how firms oversee advisers' communications with clients

By Bruce Kelly



The new normal work environment created by COVID-19, with tens of thousands of advisers now at home instead of in the office, means that broker-dealers should be tightening up their supervision of how advisers communicate with their clients, particularly with emerging technology like videoconferencing.

While advisers' face-to-face meetings are out, speaking to clients via tech platforms like Zoom or texting using personal mobile phones is in. The Financial Industry Regulatory Authority Inc., the industry's self-regulatory organization, has myriad rules firms must follow to track how advisers communicate with clients, but the pandemic potentially creates new cracks in that supervision.

"Every change in technology that gives you another way to communicate is a challenge for the regulators and the brokerage industry, but it's 20 times harder when everyone is not at a central location and working in the office," said Brad Bennett, a former director of Finra enforcement and now an industry consultant. "In the old days the branch manager would simply walk around the office and listen to the reps' phone calls and monitor the mail."

"If the adviser is having Zoom meeting with clients, the firm has to do surveillance," Bennett said. "That platform is like the phone but it's really difficult to surveil advisers on the phone."

Firms are mulling changes and looking for new tools to tighten their supervision of communications.

'LOOKING TO FILL GAPS'

"As new needs emerge, we seek out fintech providers who can or are looking to fill gaps – especially regarding compliance tools," wrote Cindy Schaus, a spokesperson for Cambridge Investment Research Inc., a large independent broker-dealer. "We continue to explore options for compliant use of virtual meetings that include chat features but before release need to ensure we will be able to maintain proper books and records."

Finra is certainly paying attention, particularly to the notion that reps and advisers are using online platforms to chat with clients. In a May notice, Finra underscored the point that advisers or traders must use "only firm-provided and approved communication systems and tools, such as firm email, messaging platforms and softphones with recording capabilities." When it came to restrictions on communicating with clients, Finra said that during the work-from-home lockdown, certain broker-dealers had made "extra efforts" in supervising reps and advisers.

Regarding videoconferencing with clients, some broker-dealers "disabled certain features and functionalities of video conferencing platforms, such as chat, that would be subject to recordkeeping obligations that the firms could not fulfill in the remote work environment," according to the Finra notice. That refers to chat functionality within Zoom or other videoconferencing platforms, which presumably firms would not be able to capture for record-keeping purposes.

Broker-dealers can take several steps to avoid those cracks in supervising rep and adviser communication.

"Don't get lazy and relax because we're in this new normal," said Emily Gordy, a former Finra enforcement official who's now a partner at McGuireWoods. "Branch managers should have more frequent calls with financial advisers, perhaps should also have more frequent check-ins with reps and advisers to discuss day-to-day operations."

"Most firms have surveillance systems on email, and they should ramp that up and make sure it's complying with regulatory procedures and requirements," she added. "Are advisers complying when it comes to phone calls and video chats? People need to be creative and alert in this period."

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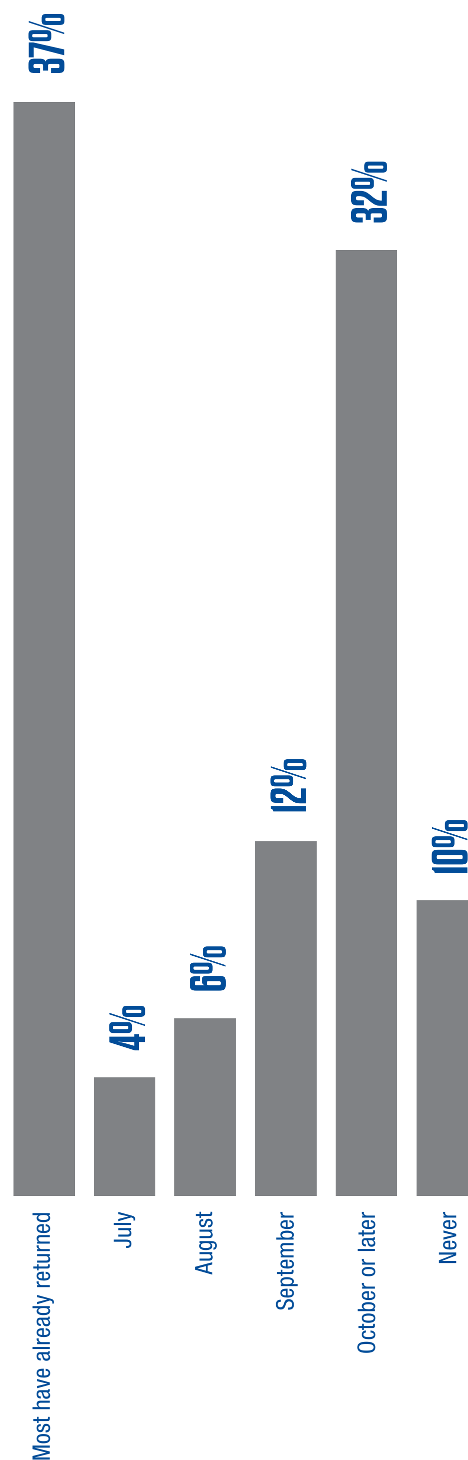
When do you expect a majority of your firm's employees to again be working on site?



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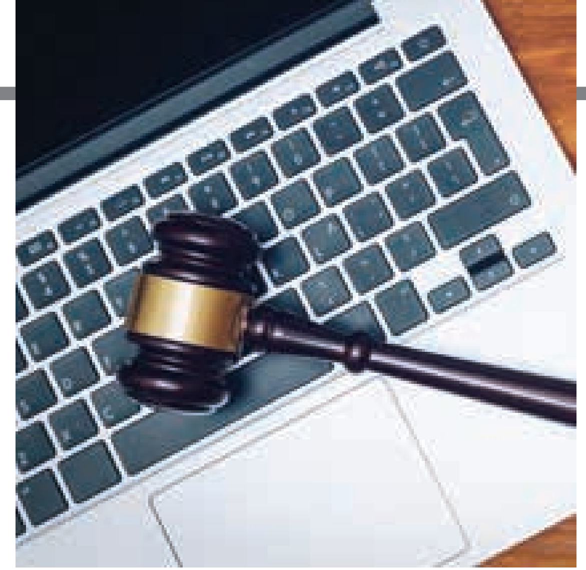

Enforcement, arbitration proceedings move online

Taking testimony, conducting depositions and hearings remotely gains acceptance

By Mark Schoeff Jr.

Prior to the pandemic, witnesses and Securities and Exchange Commission enforcement staff were in the same room for testimony and depositions. For the last six months, the two sides have been looking at each other via videoconferencing. That's just one of the ways COVID-19 has changed SEC operations.

So far, SEC enforcement efforts haven't skipped a beat, said David Gottesman, the agency's deputy chief litigation counsel. "We're able to carry out our mission of investor protection even in this environment."

But there are serious drawbacks to virtual enforcement proceedings, said Kit Addleman, a partner at Haynes and Boone. One is the page-by-page presentation of sometimes voluminous documents.

"It's painfully slow and it's unfair to make witnesses testify on documents they only see one page at a time," said Addleman, former director of the SEC's Atlanta office. "That is simply unworkable."

But Gottesman said the SEC has found videoconferencing to be an efficient way to take depositions. Respondents are getting the hang of it, too. "Once they try it and see how it works, they're pleasantly surprised," he said.

Lawyers representing brokerage customers in arbitration cases are warming up to remote hearings via Zoom. Statistics from the Financial Industry Regulatory Authority Inc. show that in contested motions for virtual hearings through July, arbitrators granted 24 and denied eight, with 10 requests remaining open.

Sam Edwards, president of the Public Investors Advocate Bar Association, argued a case via Zoom — a straightforward one that involved few documents.

"I personally liked it," said Edwards, a partner at Shepherd Smith Edwards & Kantas. "I purposely picked a case to test it out. That doesn't suggest it's right for every case."

Some parts of the arbitration process occurred online before the pandemic, such as uploading documents, choosing arbitrators and scheduling hearings. The outbreak has been "a massive accelerant" to the next logical step of virtual hearings, said George Friedman, editor-in-chief of the Securities Arbitration Alert.

For years, the SEC has gathered and analyzed documents online for its exams of advisory firms. But since the pandemic, the SEC has performed exams "off-site through correspondence," it said on its website. .

'LESS INTRUSIVE'

That means SEC staff aren't spending a couple of days in advisory offices while they conduct probes.

"It's less intrusive," said David Tang, counsel at Seward & Kissel. "That's a good thing for the firm."

But it might be a disadvantage for the SEC, said Steven Thomas, chief operations officer at SGL Financial. As a South Dakota securities regulator, he found in-person interviews invaluable during exams.

"At least 60% of the violations I uncovered were uncovered with interviews and personal interactions … [not] just a paperwork review," he said. "There's a lot more squirming that goes on when you ask an uncomfortable question in person. You're not going to see that in Zoom meetings, where you [look at] half the body."

Despite the challenges posed by digital regulation, some aspects are likely to become permanent.

"As we learn what things can be done remotely, some of that may carry over to the post-COVID-19 world," Gottesman said.

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Retiring earlier amid COVID

Statistics suggest more workers are leaving their jobs early, and not always by choice

By Emile Hallez

English professor Mary Ellen Carr was set to retire at the end of the spring semester — then COVID-19 sent stocks on a wild ride. When her portfolio took a hit, she put her retirement plans on hold.

Now the market — or at least the prices of the biggest public stocks — have rallied once again close to a high point. Carr, like an untold number of advisers' clients, is rethinking her decision to delay retirement.

"There were no clear margins to follow, because the unknown is what drove the market down. It was really frightening," she said.

The new remote work reality provides some incentive to retire sooner, Carr said. "I'm being forced into this remote teaching. It's just not for me, and nor is it for the students. They are very frustrated."

Her financial adviser, Bill Van Winkle, called in March to warn against selling equities for fixed income.

"We spend March, April calling our clients," said Van Winkle, founder and president of Van Winkle Associates. "We gave them the alternatives about market timing, the consequences of going into bonds or money markets and missing the upside."

'HOW CAN I RETIRE NOW?'

That helped discourage clients from selling stock-based investments, but they were nonetheless worried, he said. Few, if any, have lost jobs — but they are wondering how well prepared they are to retire now, given that employment and earnings are uncertain, he said.

"Three referrals have come in the last two weeks from clients," Van Winkle said. "And each one of these referrals … is thinking about, 'How can I retire now?'"

Since March, about 5 million people ages 55 to 70 became unemployed, according to a report from The New School's Retirement Equity Lab. About 3 million said they don't plan to return to work, suggesting many are retiring sooner than expected, often not by choice.

Kathleen Kenealy, a senior wealth adviser at Boston Private Bank & Trust Co., has seen some clients retiring sooner than expected.

"For most people adapting to the working from home environment, the last few months have been incredibly stressful — despite not having a commute, many people find themselves working longer, more exhausting days," Kenealy said in an email. "For the pre-retirees I work with, this is definitely not what they expected their last few years on the job to look like and has been the jolt they needed to finally retire."

That will affect some clients more than others, she said. Kenealy helps people facing an early retirement assess how much in cash or cash equivalents they will have on hand and how much more they likely need to raise to cover their living expenses.

Changing risk assumptions and tightening budgets could also be in order, she said.

If early retirement isn't planned for properly, it can take a financial and emotional toll, Avani Ramnani, an adviser at Francis Financial, wrote in an email.

For clients who receive an early retirement offer from their employer, Ramnani said it's crucial to understand the details of such packages, including whether health insurance is provided and for how long.

"It is critical to do a detailed analysis of whether any cash inflows associated with the early retirement package will be enough to make sure that you are able to have longer-term financial security," Ramnani said. "This is not just for the next few months, but for the entirety of your retirement."

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10 unexpected ways COVID-19 is changing wealth management

By Brittney Grimes

COVID-19 has altered many aspects of how people do business in the financial advice industry. Many advisers have changed the way they communicate with their clients as video calls replaced in-person meetings, and record numbers of people are working from home. Technology has helped many advisers navigate everyday life at work, but it also has a dark side, generating online scams geared toward gullible clients. Ultimately, the pandemic shows us how people have learned to pivot during these unprecedented times. Here are 10 ways the coronavirus pandemic has reshaped the finance industry with unintended consequences.

1. Increase in 401(k) suits

As plan participants have had more time to focus on their retirement savings, there have been more inquiries regarding retirement plan litigation and lawsuits related to plans.

2. Industry conferences go virtual

Major financial industry conferences have gone virtual during the pandemic to avoid large in-person gatherings. The Financial Planning Association, LPL Financial, Schwab and Morningstar are among those that opted to go digital this year.

3. Virus spurs retirement reset

The pandemic has forced some people to retire early because of lost jobs or health concerns. According to Mary Beth Franklin, an expert on Social Security claiming strategies and contributing editor for *InvestmentNews,* "2020 marks the beginning of a new era in Social Security planning, and that's been complicated by the COVID-19 pandemic."

4. Renewed interest in annuities

Annuities have been having a bad year, with sales off 24% in the second quarter. But this year's market volatility worries many investors and may make advisers more appreciative of insurance products that can protect client assets. "This is the type of environment that I truly believe reminds advisers of the value of annuities," said Donnie Ethier, director of wealth management at Cerulli.

5. New technology adoption

With advisers unable to reach many investors in traditional ways, some have opted to use digital platforms. This includes tech tools like portfolio management systems to monitor performance, video teleconferencing apps and e-signature services.

6. House prices soar

With government stimulus and a COVID-fueled rush to low-density-area housing, there's been a rise in home sales. Historically low mortgage rates are enticing more people to buy now.

7. More clients are using HSAs

To pay for COVID-19-related health care expenses, more people are using their health savings accounts.

8. Pandemic-related scams

With an increase in people seeking help during the pandemic, there has also been a rise in fraud related to COVID-19. The North American Securities Administrators Association's COVID-19 Task Force was formed to investigate these schemes — many of them taking place online — and protect investors.

9. Personalized communication

Amid the pandemic, more clients preferred talking to their adviser on the phone rather than receiving emails. Advisers have been contacting customers more frequently, but customers were much more satisfied with personalized phone calls and emails than general email blasts.

10. Remote learning

With autumn here and schools reopening, students have learned to accept the new digital realities of higher education amid COVID-19, which has led to greater reliance on remote learning.

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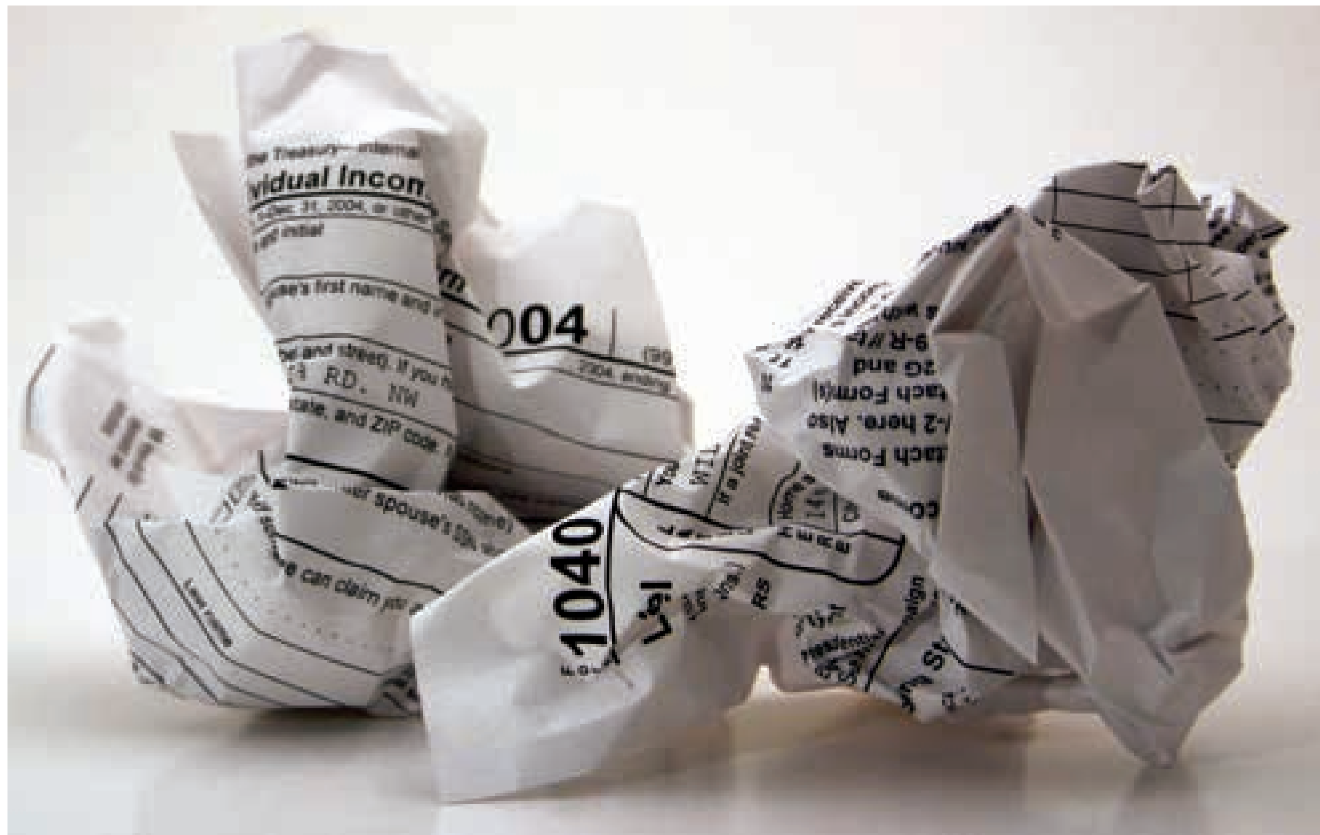

Home office deduction limited to self-employed

Millions of Americans have been forced to work from home during the COVID-19 pandemic — including many financial advisers. But that doesn't mean that they're eligible to claim a tax deduction for their home office.

MARY BETH FRANKLIN

ONRETIREMENT

If you're an employee, meaning a worker who receives a W-2 form from an employer, you cannot claim a home office deduction. Only self-employed workers and independent contractors can still claim a home office deduction as a Schedule C business expense.

To qualify as a deductible business expense, the home office must be the principal place of business or a place to meet clients. Most importantly, the taxpayer must use the home office exclusively for business.

2017 TAX REFORM

In the past, it was possible for employees to claim a home office deduction if their employer required them to work from home. But the Tax Cut and Jobs Act of 2017 changed those rules.

"Before 2017, there was an itemized deduction available for unreimbursed employee expenses if you itemized, but the TCJA eliminated that," said Mark Luscumbe, principal federal tax analyst at Wolters Kluwer Tax & Accounting. "As an employee, it is no longer possible to deduct unreimbursed expenses." The 2017 tax law eliminated miscellaneous itemized deductions for 2018 through 2025.

The key is "unreimbursed" expenses. "Employees can still try to get their employers to reimburse their expenses," Luscumbe said.

In fact, a few states require employers to reimburse their employees' necessary out-of-pocket expenses as a result of their job duties. Those states include California, Illinois, Iowa, Massachusetts, Montana, New Hampshire, New York, Pennsylvania, South Dakota and the District of Columbia.

There is also a state income tax issue that may catch some newly minted telecommuters by surprise if their employer is located in one state and they work from home in another state.

In normal times, employees who telecommute from a home office on a regular basis create a business connection, known as a "nexus," for their employer. As a result, the states where the employees perform the work can tax that income even if the business is based elsewhere.

"Several states have announced that their normal nexus rules for taxation will not change the taxation of an employee temporarily working remotely due to the COVID-19 pandemic," Luscombe said.

NEW YORK AN EXCEPTION

Those states include Alabama, Georgia, Indiana, Iowa, Maryland, Massachusetts, Minnesota, Mississippi, New Jersey, North Dakota, Pennsylvania, Rhode Island, South Carolina, Vermont and the District of Columbia.

New York is a notable exception. New York-based businesses must withhold state income taxes on the wages of out-of-state workers. In those cases, employees will have to file two state income tax returns next year: one to document taxes paid in New York, where their employer is based, and the other to claim a tax credit in the state where they live.

KEY POINTS

- Employees can no longer claim a tax deduction for home office expenses.
- Some states require companies to reimburse workers.

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

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INmail

BY MARY BETH FRANKLIN

Claiming early nixes switching to spousal benefit

Judy: I am 64 and took my Social Security benefit last year so my husband could claim a spousal benefit on my earnings record while allowing his own retirement benefit to continue to grow until 70. When he turns 70, I will be 67. At that point, can I switch to a spousal benefit and let my own benefit grow until 70?

MBF: No, you can't switch to a spousal benefit and allow your own retirement benefit to continue to grow until 70 for a few reasons. Primarily, you were born after the Jan. 1, 1954, cutoff date. People like you (and me) will never have the option of filing "a restricted claim for spousal benefits" because we were born after that date.

Secondly, even if you were born before the Jan. 1, 1954, cutoff date, you have already claimed your Social Security benefit. If you chose to suspend your benefit at full retirement age to earn delayed retirement credits worth 8% per year for every year you postpone claiming Social Security beyond your full retirement age up to age 70, you cannot claim benefits on anyone else's earnings record during the suspension.

Once your husband claims his Social Security at 70, you might be able to step up to a bigger spousal benefit if it is larger than what you are already collecting. To calculate your potential new benefit, you would add any "excess spousal amount," which is the difference between your full retirement age benefit and half of your husband's full retirement age benefit amount, to your reduced benefit.

Although your retirement benefit is permanently reduced because you claimed Social Security before your full retirement age, you will still eligible for a full survivor benefit if your husband dies first. A survivor benefit is worth 100% of what your husband was collecting or entitled to collect at the time of his death — including any delayed retirement credits — assuming you are at least full retirement age at the time. At that point, your smaller retirement benefit would go away.

Rules for rollovers now that IRS relief has ended

While the CARES Act waived required minimum distributions for 2020, the IRS allowed those who had taken RMDs before the law was enacted to put them back by letting the funds be rolled over — but only until Aug. 31. So which rules apply after Aug. 31 if individual retirement account or retirement plan funds are withdrawn?

Answer: The same rules as before the IRS relief, as if that relief never happened.

60-DAY ROLLOVER RULE

Withdrawn funds must be rolled over within 60 days of receipt, but even within the 60 days, the funds still must be eligible to be rolled over. Funds are ineligible if they violate the once-per-year rule and non-spouse beneficiaries cannot roll over distributions from inherited IRAs.

ONCE-PER-YEAR ROLLOVER RULE

This rule only applies to IRAs, not distributions from employer plans. Only one indirect rollover from one IRA to another IRA (or Roth IRA to Roth IRA) can be done within 365 days, not a calendar year. This rule also does not apply to Roth conversions.

If a client was not able to return an RMD taken in 2020 by Aug. 31 and now cannot because he or she has already done another IRA rollover in the last 365 days, they can still do a Roth conversion if they are within 60 days since the distribution was received. That's because the once-a-year rule does not apply to Roth conversions. Since the funds withdrawn will be taxable anyway (because they are no longer eligible for rollover), you may as well convert them to a Roth. Normally, RMDs cannot be converted to a Roth, but since there are no RMDs for 2020, these funds are eligible to be converted for this year only. But the Roth conversion still must be done within 60 days of the distribution since the IRS relief has expired.

3 YEARS FOR CRDS

If the unwanted RMD was taken longer than 60 days ago, the funds cannot be rolled over. But there is one exception that could apply here — coronavirus-related distributions, or CRDs.

If your client took an RMD that is now unwanted but didn't return the funds by rolling them over to an IRA or retirement plan before Aug. 31, they might still be eligible for a rollover. If they qualify for a CRD, they have three years from the day after the CRD was taken to return the funds. They must qualify for a CRD, though, by being affected by illness or lost income due to the pandemic. The CARES Act and IRS Notice 2020-50 spell out the CRD qualifications.

If they qualify, they can return the unwanted funds in one shot this year or over three years, or not at all if they wish. They can spread the income over three years or elect to include the income in one year. If they wish to eliminate the tax bill on the unwanted 2020 RMD and they qualify for a CRD, they have until the time they file their 2020 tax return (including extensions) to return those funds and erase the tax bill. The CRD provision is limited to $100,000, though.

NON-SPOUSE BENEFICIARIES

Non-spouse IRA beneficiaries can no longer return unwanted RMDs after Aug. 31. That was a one-time special deal from the IRS under Notice 2020-51.

NO UNDOING ROTH CONVERSIONS

Some people didn't expect any relief on unwanted 2020 RMDs and converted the funds to Roth IRAs. It turns out they pulled the trigger too soon, because these conversions cannot be undone. The Tax Cuts and Jobs Act eliminated the ability to recharacterize (undo) Roth conversions. That's not the worst thing in the world, though, since these conversions reduced the IRA balance and are now growing tax-free in the Roth IRA. Plus, there are no lifetime RMDs and beneficiaries can inherit these funds tax-free.

Ed Slott, a certified public accountant, created the IRA Leadership Program and Ed Slott's Elite IRA Advisor Group. He can be reached at www.IRAhelp.

Join us for a week-long virtual celebration!

Tune in each day at **4:45pm EDT** on **investinothers.org/awards** as one winner gets unveiled.

Day / Award			
Monday, 9/21 Catalyst Award	**Lynette Atchley** *Rebirth Homes* *CPA Financial Advisors, Inc.*	**Seth Coren** *Peter Stuyvesant Little League, Inc.* *Morgan Stanley Private Wealth Management*	**Matt Pisani** *Clean Slate Living* *Lincoln Investment*
Tuesday, 9/22 Community Service Award	**Duane Chaney** *Lee Health Foundation* *Arch Capital Advisory Group of Raymond James*	**Lisa Policare** *Lenape Valley Foundation* *Penn Wealth Planning*	**David Tornetto** *Ronald McDonald House Charities of St. Louis* *Nextstep Financial Group, LLC*
Wednesday, 9/23 Global Impact Award	**Frederick P. Baerenz** *David's Hope International* *AOG Wealth Management*	**Gerard Duphiney** *Mission Madera* *Duphiney Financial Network*	**Michael J. Martin** *Be Like Brit* *ELM Wealth Management at Raymond James*
Thursday, 9/24 Volunteer of the Year Award	**Scott Cohen** *Camp Ronald McDonald for Good Times* *Northwestern Mutual*	**Maureen Kerrigan** *Star Kids Scholarship Program* *RBC Wealth Management - US*	**Brian Robinson** *The Florida Dream Center, Inc.* *UBS Financial Services, Inc.*
Friday, 9/25 Lifetime Achievement Award	**Tracye Caughell** *Children's Musical Theatre of Bartlesville, Inc.* *Caughell Rodgers Investments*	**Lynn L. Chen-Zhang** *Western Michigan University Foundation* *Zhang Financial*	**Hal Lynde** *Houston Furniture Bank* *Raymond James Financial*

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How our firm used the pandemic to create a better normal

While navigating through the restrictions of the coronavirus hasn't been easy, it has produced a lot of learning and some good business outcomes.

GUESTBLOG
SCOTT HANSON

I run a top 50 RIA headquartered in California. We have 80 advisers spread across 14 offices in seven states.

Except for April, we've added new clients every month this year and, even after accounting for the market rally, we've increased our AUM. Further, we've had very few clients leave our firm. (In fact, we are experiencing the lowest client attrition we've ever had.)

And all of this occurred with our physical offices closed and our advisers working remotely.

The primary reason we've had such success is the robust communication plan we've employed. This includes:

Client calls. This seems like such an obvious thing to do, but amazingly there are advisers who never took the time to reach out to their clients. Our goal was to retain every single client. We had to take a few steps back in order to move forward, though; to give our advisers the time to call every client, we stopped taking new clients for a three-week period, provided some talking points for our advisers to use, and audited each adviser to ensure they made the calls.

Personalized emails. Sending out mass emails while giving them a personal touch is tough, even aided by our marketing team. To be efficient, we provided a template for each communication and had our advisers write something personal at the start of the email.

As an example, an email from me would have begun with, "Hi Susie: I'm writing this to you as I'm working from home right now. It's a strange time for everyone, with my college-age kids back home attending classes remotely. I think Valerie is kind of enjoying having the kids back around, but I'm not sure they are as excited about it as we are. Anyway, I wanted to reach out to you because ..."

Videos, podcasts and webinars. We reached out to our clients almost every week with a new communication piece examining a key topic. For example, we put together a video of historical fluctuations in the stock market. We produced virtual webinars on topics such as creating "furloughed financial plans" and "forced retirement plans." And we delivered a podcast each week that examined what was transpiring in the financial markets.

LEVEL OF COMMUNICATION

It was this level of communication that encouraged our clients to continue with their investment strategies and not pull out of the market or switch to another firm.

Given that most of us are still working from home, and many clients are not yet comfortable visiting in person, we worked diligently to create a great remote client experience. This goes beyond merely being proficient on Zoom and incorporates things such as sending a personalized email or text both prior to and after a remote "visit."

VIRTUAL SUCCESS

For context, we've conducted more than 4,000 virtual appointments with clients and prospective clients since the pandemic started. We've become good at it. The result is that we now have lots of clients who prefer remote appointments to having to drive across town and meet in a physical office. Among other previously unrealized advantages, this enables us to match clients with advisers who have more capacity and who might even live in a different part of the country.

Part of the reason we've continued to thrive is due to the nature of our business model. We aren't like a restaurant or a corner mom-and-pop store. We sell ourselves and provide education and financial guidance. So while our storefronts (offices) were closed, we were able to quickly upgrade the virtual experience, increase our relevant communications and then emphasize the advantages of remote meetings. Simply, business changed and continued moving forward.

While everyone wishes this terrible illness had never happened, out of necessity, COVID-19 has made us a leaner and more versatile organization. And much of our response, rather than merely being temporary until things return to normal, has, I believe, for us created a better business normal that's here to stay.

Scott Hanson is co-founder of Allworth Financial, formerly Hanson McClain Advisors, a fee-based RIA with $8 billion in AUM.

FPA launches philanthropic solutions certificate program

BY MARY BETH FRANKLIN

THE FINANCIAL PLANNING Association has teamed up with the American Heart Association to launch a new online certificate program to support financial professionals in advising clients on philanthropic opportunities.

The free, six-part series begins Sept. 30. Registration is open to both FPA members and nonmembers at fpalearning.onefpa.org/live-courses and qualifies for six continuing education credits.

Upon completion of the series, participants will receive membership in the AHA Professional Advisor Network, as well as a digital badge and certificate. Additionally, participants who meet the criteria may be eligible for join the AHA's professional adviser referral program.

The Philanthropic Solutions in Financial Planning curriculum has been customized for financial professionals and looks at how to engage in meaningful philanthropic conversations with clients. It will explain how to effectively probe clients' interests, attitudes, motivations and preferences related to philanthropy and how to identify potential issues and obstacles to your clients' giving.

CHARITABLE LEGACIES

The course will discuss how to create charitable legacies through bequests and beneficiary designations, including the benefits of using retirement plans to meet clients' charitable objectives. Experts will explain the differences between revocable and irrevocable planned gifts and will describe the types and benefits of gift annuities and which clients may be most suited to use them.

Additional sessions include an in-depth look at the financial and tax advantages of charitable remainder trusts, private foundations, donor-advised funds, endowments and charitable lead trusts.

This series will address discussions around the tangible and intangible benefits of various charitable giving vehicles and the role of family philanthropy in effective wealth transfer and business succession planning.

Taken together, the six-part course will help financial advisers develop a plan using the best strategies to achieve the client's philanthropic goals and other objectives.

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
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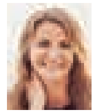
Time to trade in your to-do list for a to-be list



LIMITLESS ADVISER
STEPHANIE BOGAN

Somewhere along the way, with the best of intentions to serve better and grow faster, we have become human "doings" swimming in a sea of to-do lists, pursuing the next productivity hack, desperately grasping at the idea that our task lists have a bottom.

We've built our identities and our businesses on what we do, not who we want to be. We become human doings instead of human beings. In this doing state, there is always a task list taunting you, a plan to be perfected, a project to be completed, a call to be returned. And so we become unwitting accomplices in the demise of our own happiness and well-being.

Today, the competing demands of working from home and managing client expectations and markets, plus the additional demands of parenting and teaching, are leading to a state of being overwhelmed by the complexity of these unexpected and uncertain times. This sends our brain into stress state, releasing stress chemicals. From this fight-or-flight state, we respond instinctively to survive.

THE STRESS STATE

No solutions can be found in this stress state. Your prefrontal cortex, the problem-solving part of your brain, shuts down because the blood flow is more needed by the heart and muscles to fight harder and flee faster. In stress state, you are forced to deal with near-term threats, shutting down your strategic perspective.

If you recognize this in your own life, your next objective isn't to complete the to-do list. It's to learn how to co-exist with it in a way that leaves you feeling empowered, rather than endangered.

I was coaching an adviser who had taken two weeks off to care for her ill mother. Upon her return, she was overwhelmed by her workload and severely stressed. I asked her to take three deep breaths and tell me the feeling behind her mental chatter. "Disappointment," she said. "I can't get it all done without killing myself, and I'm exhausted. But I can't let anyone down."

We took a two-pronged approach: right now and rearview. Right now is an immediate strategy that can be used to improve the situation, while rearview is finding the big picture issue we need to solve to make sure being overwhelmed stays in the rearview mirror.

The near-term solution was for the adviser to segment her open client service needs into three buckets: those that needed attention in the next week or two, those that could be addressed in the weeks and months following, and those that could be added to the next client review agenda.

Next, she drafted an email to clients in each of the three time frames. It explained her personal situation and how she would be addressing their service issue, with the messaging personalized by the bucketed time frame. Communicating honestly with clients and bringing expectations into the realm of reality brought her instant relief.

Then I helped the adviser create a structured service model to systematize the factory work so that she and her team could focus on work that delivers real value to clients. She committed to implementing client meeting surges — grouping client meetings into set times of the year, typically once in the spring and once in the fall, for six- to- eight-week periods.

SERVE, NOT SUFFER

The result? After the adviser shifted out of stress state into a success state, she was able to move her focus from what she had to do to who she wanted to be. She wanted to run a practice that delivered massive value to clients with integrity and authenticity, while feeling good about her work and the role it played in her life. She wanted to serve, not suffer.

Shifting from stress state to success state is a behavior habit you build, bringing greater awareness and control with practice. It starts with something as simple as a few deep breaths to clear mental chatter, a five-minute walk, your favorite sporting activity or anything that brings the headspace to separate yourself from the stress you feel.

Stephanie Bogan is a business strategist and success coach, CEO of Educe and chief possibility officer for Limitless Adviser Coaching. Follow Stephanie on Twitter @steph_bogan or reach her at learnmore@educeinc.com.

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An open letter to Corporate America: I can't feel my pain

Kenosha, Wisconsin, has become a new epicenter of both peaceful and violent protests sparked by the recent shooting of Jacob Blake, a 29-year-old Black man. A viral video captures the crucial moments when Mr. Blake is shot in the back seven times by police officers, after appearing to ignore their orders. The incident eerily echoes a number of police shootings in cities around the country. It strikes a raw nerve in a country wrestling with ongoing systemic racism affecting communities of color — especially Black Americans.

Inequitable treatment within the criminal justice system has enlivened a more vigorous racial justice movement over the past several years. The movement, and associated crucial conversations regarding race, have made their way into the genteel halls of Corporate America. Race has been the dominant social construct in the Western world for nearly half a millennium. It impacts every practical aspect of society and is one of our deepest areas of divide.

However, like politics and religion, race is a "third rail" in corporate cultures. It is commonly accepted that race should not be discussed in polite company. As a result, conversations about race within American companies are generally limited and prescribed.

As an African American executive, I can offer this assessment: The challenges that Black Americans face inside and outside of Corporate America are, frankly, unremarkable. Race, racism and racist ideas have impacted me in tangible ways throughout my life and career. What is remarkable, however, is the current shift in the dialogue about race and the increased acknowledgment of the unique experience and circumstances of Black people in America. Kenosha is about an hour's drive from where I live in Chicago, so the coverage of the current unrest is practically local news.

Against this backdrop, a fellow executive reached out to me.

"How are you dealing with the Jacob Blake shooting?" he asked.

I was struggling to process this most recent development in light of my active engagement in the racial dialogue over the past three months. "I can't fully articulate how I feel except to say it is disheartening," I remarked. That was all I could muster, though I appreciated his earnest inquiry. After we concluded our conversation, I came to a stark realization.

I can't feel my pain.

Pain hurts because it should. It is the body's way of telling us that something in our internal or external environment presents a danger to our physical or mental health. When the body is injured or something is wrong, our nerves send messages to our brains about what's going on. Our brains then make us feel pain with the express purpose of saving us from further or critical injury. This is true as it pertains to our physical and mental health.

In the same way that our nerves send constant messages to our brains to inform our physiological condition, our emotions send consistent messages to our hearts to inform our psychological condition. And herein lies the crux of the challenge for Black Americans navigating the social construct of race within Corporate America: As Black faces navigating predominantly white spaces, we cannot comfortably address what we experience and feel.

These cultural norms constrain all members of the corporate community. However, they are an acute burden for Black Americans who have long been the targets of systemic racism. Naturally, the image of a Black person being harmed, or any person for that matter, evokes real pain.

Or so it should. A principal function of the heart is to internalize and process these emotions.

But sometimes, I can't feel my pain.

People often reflexively prefer to avoid pain. However, in an imperfect world, the ability to feel pain is essential for our maturity and personal well-being. This allows us to empathize with others and maintain healthy relationships. Yet as a Black executive, I have been conditioned to restrain my emotions and suppress my pain. Practically speaking, this has been necessary for me to survive and thrive in Corporate America. And while pragmatism is generally considered a desirable quality in corporate cultures, it is a fallacy to assume that our emotions don't matter. How should I feel and what emotions can I express when I encounter racial discrimination?

SHUNDRAWN THOMAS

I can't be sad because it might signal that I am weak and unable to deal with the normal stresses of the job. Or, it might suggest that I somehow am not mentally tough enough. I can't be surprised because the occurrences are far too frequent, too proximate, too real to actually be surprising. Bad things happen right? I can't be fearful even when there are genuine concerns. Fear and its close cousins, anxiety and skepticism, are debilitating when navigating corporate culture. Most of all, I can't be angry. Any demonstrative expression of anger evokes long-held biases associated with the stereotypical angry Black person.

CONVERSATIONS ABOUT RACE WITHIN AMERICAN COMPANIES ARE GENERALLY LIMITED.

And this is why it is hard, at times, to feel my pain.

There is, however, an inflection in my story. An empathetic question from a fellow executive — a white executive — has triggered further introspection. In part due to the gentle reminder that people from all walks of life are sharing this pain.

So, without reservation, I affirm that all lives matter.

Asian lives matter, Latino lives matter, white lives matter — and yes, Black lives matter. And this is an important statement and an important moment because, as a nation, we must process the pain caused by racism and address the impact on those most deeply affected. And to avoid any doubt: "All" means blue lives matter and red lives matter. Gay lives matter and straight lives matter. Jewish, Muslim, Hindu and Christian lives matter. I could go on, but the point is simple: All means all!

However, "all" is both inclusive and specific. It extends to every group and every individual that is part of the human community. And if my explicit acknowledgment affirms the personhood and well-being of another, I will not hesitate to say it privately, publicly or personally.

Therefore, I say again that Black lives matter because this is an affirmation that must be made in both words and deeds to ensure all lives truly matter. To affirm that my life matters.

As I allowed my emotions to run their course and my heart to do its work over the course of the past week, I realize that I can now fully feel my pain. While it is difficult to continually witness and experience racial discrimination, it is also an instance of grace that I can still feel my pain.

And it is a measure of grace that I can process it and speak candidly about it. The greatest measure of grace is that I can feel empathy for others. I can forgive and be forgiven. I can share in the hopes and hurts of all others.

I can feel their pain.

As we find ourselves at an all too familiar crossroads, I am frequently asked about what actions we should take to address the systemic racism that persists within our society. Many of us want a quick address. We want the pain to go away. And we want it to do so quickly. Remember the axiom that pain hurts because it should. The action required most urgently will evoke more discomfort and pain. We need to keep listening, as we have only begun to hear. And while we certainly must act, our actions will only be effective and sustained if we continually listen intellectually and emotionally. We should always hope that we are afforded the grace to truly feel one another's pain.

To this end, I do not offer answers but rather necessary questions. Three to be exact. I recognize that we are a nation of differing ideals and beliefs, but I seek to appeal to the ties — the values — that bind us. My questions speak to matters of the heart, which supersede racial classification, political affiliation and religious denomination.

1. What has contributed to our current state of affairs?

2. Why are others acting or reacting in a particular manner?

3. How can I make a difference?

My mother has an inspiring personal narrative that involved resuming her education later in life, acquiring both her bachelor's and master's degrees. She pursued her calling in the field of social service. In my recent book, I recounted a conversation we had three decades ago. She was a caseworker serving disadvantaged children at an agency located in a troubled inner-city neighborhood.

"Mom why did you choose social work and why do you work in such a rough neighborhood?"

Her response was profound and echoes the challenges of the day.

"Son," she replied, "most of the young people I serve are abused or neglected. They often feel as if their lives don't matter and no one cares about them. Their lives do matter. They matter to God and they matter to me."

In that moment, I fully understood her sense of calling and care for the human community. I knew that their lives deeply mattered to her. She could feel their pain. The answers to my three questions that speak to matters of the heart are very clear to my mother. And, in her seemingly small act by one — her ability to listen with her head and heart — she has touched the lives of many. I hope that her living testimony encourages us all to do likewise.

We must never lose the capacity to feel one another's pain.

Sincerely,
Shundrawn A. Thomas
President, Northern Trust
Asset Management

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Building a better asset management industry

BY JEFF BENJAMIN

DESPITE THE TREND toward industry consolidation in pursuit of scale, the age of COVID has become the great neutralizer across the financial services industry.

"Not being able to walk factory floors and count fish in the tanks is definitely a big challenge," said Barbara Ann Bernard, founder and chief investment officer of Wincrest Capital.

Speaking last Wednesday at the Women in Asset Management virtual conference, Bernard talked about the challenges facing the financial services industry, as well as the opportunities that arise in a more socially distant world.

From a portfolio manager's perspective, Bernard admitted that "not being able to go see the company is an adjustment." But she added, "If you're not going to the mine, then a Zoom call is the same as meeting in a hotel."

Bernard was joined on the panel discussion by Shundrawn Thomas, president of Northern Trust Asset Management, to analyze an industry that has generally fallen behind when it comes to diversity and inclusion.

"I love the business we're in, but we simply have not been an industry that excels in diversity," Thomas said. "We have to be intentional."

'GREAT CAREER FOR WOMEN'

Last week Thomas wrote an open letter to corporate America reflecting on the state of race relations in the workplace, in which he encouraged people to try to "hear with the head and the heart."

"We can't be just self-interested," he wrote. "There has to be a collective push for the health and diversity of the industry." (See the full letter on Page 20.)

From a logistics perspective, Bernard said asset management is a "great career for women."

"I really think it's the best career in the world because you get paid to learn for a living," she said. "It's an incredible career for women with children. There's an element of predictability to it. You know when earnings season will be. Markets close at a set time."

Bernard's advice for women in asset management: Avoid being steered down a path toward sales, rather than analytics.

"When women advance, everyone tends to push them into sales," she said. "The more senior you get, the more of a salesperson you have to become. The right order is analytics, then sales, not sales and then a dead end."

GLIMMERS OF HOPE

As an avenue toward progress, both panelists saw glimmers of hope in the increasingly popular world of sustainable investing strategies.

"I'm hugely encouraged" by the growth of ESG investing, Bernard said, but she qualified that there needs to be a greater focus on how companies are allocating their resources and actually supporting sustainable causes.

"Nobody is talking about aligning the values of a firm with the way they invest their pension plan," she said. "From my perspective, there isn't a supply problem, there's a demand problem."

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THE InvestmentNews ADVISER CENTER

MAKE THE SMARTER MOVE

Efforts to achieve diversity and inclusion should start with inclusion

BY JEFF BENJAMIN

WITH THE FINANCIAL services industry behind many other industries when it comes to diversity and inclusion, the first step toward progress might be separating diversity from inclusion.

"There's a difference between diversity and inclusion, because diversity is a representation of the organization and inclusion is agreeing to ensure an individual's authentic self is welcome," said Tali Shlomo, former global people engagement director at the Chartered Insurance Institute. Shlomo was part of a panel at last week's Women in Asset Management virtual conference.

Discussing ways to bring more diversity into an industry that historically was represented mostly by white men, the panelists advised moving past stale efforts that have barely moved the needle.

"It has to be a business initiative, not an HR mandate, and you have to recognize that it's an ongoing effort," said Heidi Ridley, co-founder and chief executive of Radiant ESG.

"Diversity and inclusion are lumped together as one thing, but inclusion is the important part, and you get there first by understanding why diversity matters and what the benefits are," Ridley said.

Kathryn McDonald, co-founder and head of investments and sustainability at Radiant ESG, said too often even the best intentions fail to move beyond a "box-ticking exercise" that is largely focused on diversity on corporate boards.

If there's a silver lining to the new world of social distancing, it might be that company cultures have been forced to become more flexible, opening doors for some employees, said Justin Onuekwusi, head of retail multi-asset funds at Legal & General Investment Management.

"Before, companies would say, 'If you can't adapt to our culture you won't be part of the culture.' Now companies are more willing to adapt to different cultures," he said.

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ESGCLARITY

LIVE TWITTER Q&A | SEPTEMBER 18TH | 9AM EST

Professor Tensie Whelan, director of the New York University Stern School of Business Center for Sustainable Business, will be joining ESG Clarity on Twitter on Sept. 18 to answer questions about sustainability issues and engaging businesses.

ESG Clarity invites you to submit your questions to Professor Whelan by Tweeting a post including your question, to our handle @ESGClarity and the hashtag #AskProfessorWhelan. This can done either before Sept. 18, or during the online event.

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UBS suggests wealth clients opt for sustainable investing

BLOOMBERG NEWS

UBS GROUP WILL offer sustainable investments as its preferred solution for wealth management clients worldwide as the COVID-19 crisis underscores the need for more socially and environmentally responsible financing.

"The pandemic has brought the vulnerability and interconnected nature of our societies and industries to the forefront of investors' minds and shown that sustainability considerations cannot be ignored," Tom Naratil, co-chief of the bank's $2.6 trillion global wealth business, said in a statement last Thursday.

While traditional investments will remain the best option in some circumstances, a 100% sustainable portfolio can deliver similar or better returns, UBS said.

This year, major sustainable indexes have outperformed their peers in traditional investing, said the bank, which currently manages $488 billion in core sustainable assets.

"The shift in preferences toward sustainable products and services is only just beginning," said Iqbal Khan, the other co-head of the wealth business. "Sustainable investments will prove to be one of the most exciting and durable opportunities for private clients in the years and decades ahead."

Not all such investments are equal and a successful sustainable portfolio should be diversified and flexible to respond to new opportunities and new risks, said Mark Haefele, the wealth unit's chief investment officer.

LEGISLATION

CONTINUED FROM PAGE 3

Tamping down on claims brought "without evidence" would save fund providers millions of dollars in costs "that would otherwise be spent on asset growth and improved returns for investors," according to the announcement.

Fund investors have not been very successful with such lawsuits, as courts have generally ruled in favor of fund advisers. Few, if any, new 36(b) cases have been filed since 2018, according to a report earlier this year from Dechert. However, some plaintiffs' attorneys have been making public outreaches for potential new clients, and the COVID-19 crisis could influence new litigation, according to that report.

"I haven't seen any evidence that this legislation is needed. On the contrary, there are all too many mutual funds with unreasonably high costs," Barbara Roper, director of investor protection at the Consumer Federation of America, wrote in an email. "We should be looking to reduce those costs, not immunize fund managers from liability when they charge excessive fees to fund shareholders."

The legislation would put a greater burden for proof of breach of fiduciary duty on plaintiffs, requiring them to file claims with evidence that they have in the past relied on discovery to obtain.

The Investment Company Institute, a lobbying group, supports the legislation, which it called necessary "to improve the ability of federal courts to curb abusive lawsuits."

"None of the lawsuits brought since Congress added Section 36(b) in 1970 has resulted in a final judgment against the defendant adviser, evidence that these suits waste adviser resources without any benefit for the shareholders that plaintiff lawyers say they're helping," ICI CEO Paul Schott Stevens said in a statement.

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WELLS

CONTINUED FROM PAGE 2

regarding sending meals to clients during a virtual meeting, according to one Wells Fargo adviser. Clients and adviser must be together via Zoom or other platforms eating together during their meeting.

"Clients must be in the virtual meeting while eating food," the adviser said.

A spokesperson for Wells Fargo Advisors, Shea Leordeanu, confirmed the guidance to advisers. "We updated our policy to be in alignment with Finra's guidance," she said, referring to the Financial Industry Regulatory Authority Inc.

Wells Fargo Advisors last month updated its policy to allow virtual meals.

It appears that the brokerage industry is focused on the issue. In a widely reported memo last Tuesday, Merrill Lynch said that "third party product and service providers"— think outside money managers and annuities underwriters — "cannot pay for gifts, meals and entertainment for employees."

"That said, employees can attend business entertainment events and meals hosted by [outside managers] as long as they cover their own portion of the expense," according to the memo.

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CLIENTS' JITTERS

CONTINUED FROM PAGE 3

react in the short term to different election scenarios. In a "blue wave," in which Democratic presidential candidate Joe Biden defeats President Donald Trump and Democrats take over the Senate and hold the House, there could be a 2% to 4% sell-off over concerns about Biden's plan to increase corporate and personal taxes on wealthy Americans.

If Biden wins and Congress remains divided between a Democratic House and a Republican Senate, the prospect of legislative gridlock might be welcomed by Wall Street.

"The market likes that the best because not much gets done," Link said.

There are some moves that investors might want to consider, depending on who wins in November. Biden, for instance, supports raising capital gains taxes by setting the levy at ordinary income rates.

"If it is a blue wave, maybe it makes sense to take capital gains before year's end," Carlson said.

Even though Biden is leading in the polls, Trump proved in 2016 that he can defy deficits in most polls and prevail on election day. Biden has not locked down a win, said Brian Weiner, co-founder and managing partner of Audent Family Wealth Advisors.

"This should be a layup election for Biden, but he's finding ways to make it difficult for himself," Weiner said.

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EMPOWER

CONTINUED FROM PAGE 2

affiliated asset management business with strong distribution in their own plans.

One strategy at Empower has been to charge mutual fund providers for access to certain retirement plans.

"Empower is really quite active in aggregating the market," said Alois Pirker, research director at Aite Group. "You're probably going to hear more from them going forward."

Even some large plan providers have sold their DC businesses in recent years, including Wells Fargo's sale of its business last year to Principal.

A WAY IN

Some broker-dealers limit the DC plan record keepers in their systems, including Edward Jones, said George Revoir, former long-time leader of John Hancock Retirement Plan Services distribution, who retired from the company in 2018. He noted MassMutual's existing relationship with Edward Jones.

"In a way, this gives Empower a way into Edward Jones," Revoir said. "They've just gotten in there with a big block of business, in theory."

The combination of participants in MassMutual's book of business and clients at the recently acquired Personal Capital adds a lot of people Empower can now market to, he noted.

The decision to sell a record-keeping business includes considerations about focusing on what a business does best, Pirker said.

"MassMutual is a classic insurance broker-dealer, so this is clearly betting on the distribution side of things," he said. "It's a very good example of what is going on. Scale is just about everything in the DC world — and focus."

Instead of owning a record keeper, for example, some insurers are better off having strategic relationships with one, Pirker said.

For Empower, having a focus on financial wellness now can pay off later, through expanded relationships with plan participants, he noted. "That wellness workplace combo is quite attractive to broaden your client base."

There are also opportunities for more product sales, Revoir said. Empower, for example, has a focus on health savings accounts.

The SECURE Act's provisions for lifetime income products will also give insurers an opportunity to sell annuities through retirement plans, Revoir said.

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