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NOVEMBER 16-20, 2020

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DIGITAL BOOM OR DOOM?

HOW FREE FINANCIAL PLANNING APPS ARE DISRUPTING THE TRADITIONAL ROLE OF ADVISERS

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TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

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Vol. 24, No. 41, November 16, 2020. InvestmentNews (ISSN 1098-1837) is published weekly except for the 1st & 3rd week of July, the 1st & 3rd week of August, the 1st week of September and the last week of December by InvestmentNews LLC. The agent is Crain Communications Inc., 1155 Gratiot Avenue, Detroit, MI 48207-2912. Periodicals postage paid at Detroit, MI and additional mailing offices. POSTMASTER: Send address changes to InvestmentNews, Circulation Dept., 685 Third Avenue, New York, NY 10017. U.S. subscription price: $89 a year.

DOL issues key rule for pooled employer plans

BY EMILE HALLEZ

RETIREMENT PLAN advisers, record keepers and others seeking to operate pooled employer plans can begin registering on Nov. 25 and launch their plans as soon as Jan. 1, the DOL announced last Thursday.

The Department of Labor's final rule on registration requirements for pooled plan providers, or PPPs, takes effect this month. Notably, the final version of the rule extends a waiver for PPP applicants between Nov. 25 and Jan. 31, allowing them to forgo the normal 30-day period between filing and beginning a PEP.

Many advisers, record keepers, third-party administrators and others — potentially hundreds — are expected to file as PPPs in the coming weeks in order to launch the first PEPs on Jan. 1 and have a full calendar year of contributions for their participants.

"My expectation is that you'll see a lot of filings in the next six weeks or so," said Kelly Michel, principal at KME Retirement Consulting. Entities that are planning to launch PEPs "are all going to try to get the word out" as soon as possible, Michel noted.

"I don't think you're going to find a current stakeholder that is excluding interest in participating in this," she said.

In the 78-page rule, the DOL clarified requirements for PPP registration and the filings the entities will be required to make after their plans are in operation. Along with registering with the DOL, PPP applicants will also have to register with the Treasury and IRS.

"It is nice to see that the Department provided transition relief through Feb. 1, 2021, and additional clarity on the timing requirements for PPP registration going forward," David Levine, principal at Groom Law Group, said in an email. "In addition, the steps taken to further simplify the requested data and the more flexible timing rules for supplementing registration information are significant positives of the final rule."

PEPs are a result of the SECURE Act, a forthcoming kind of multiple-employer plan that does not require participating employers to have connections in a trade group or other type of association. The new plan type is viewed as a way to considerably expand access to workplace retirement savings, and it also presents an enormous business opportunity for plan providers. PEPs could open up a market for doing business with small employers that have never provided their workers with retirement plans.

A QUESTION OF DISCLOSURE

One issue that some commenters raised about the DOL's proposed version of the rule involved disclosures that PPPs must make about state and federal criminal or civil proceedings. Because the documents will be easily accessible by the public — and will almost certainly be scrutinized by employers seeking to participate in a plan — some commenters said they worried that some disclosures could unfairly taint their reputations.

The DOL had asked whether it should require disclosure of settlements in civil cases, but it opted not to

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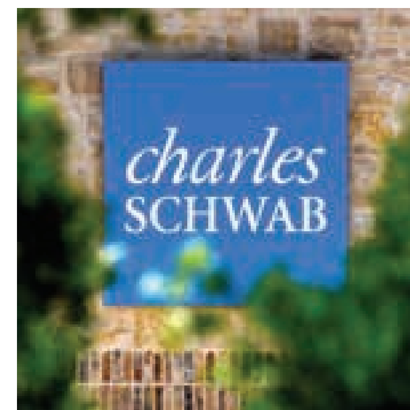
Market surge stressed trading platforms



BY NICOLE CASPERSON

A HANDFUL OF trading and wealth management websites went dark last Monday as a result of unprecedented volumes of activity after stocks hit all-time highs on optimism about the potential for a COVID-19 vaccine.

Charles Schwab, ETrade, TD Ameritrade, Robinhood, Fidelity, Merrill Lynch and Vanguard all experienced some sort of technical difficulty — from login issues to slower processing speeds — as trading volumes surged, according to outage monitoring website DownDetector.

While the online brokerages have since resolved the issues, free trading platform Robinhood was still experiencing complaints the next morning, according to DownDetector.

A company spokesperson confirmed Robinhood systems are now operational. "Our engineering teams have worked diligently to harden our infrastructure, improve reliability and increase capacity," a Robinhood spokesperson wrote in an email. "We're continuing to invest more than ever in making sure that our systems scale and support our customers on busy trading days."

MARKET VOLATILITY

Overall, the unprecedented periods of market volatility since March are exposing cracks in online brokerages, said Sophie Schmitt, senior analyst at Aite Group.

"Online brokers sell the perception of real-time trading but the systems can't deliver," she said. "We see this especially with the funding process — the ACH transfers from an external bank account can take a day or two, and when the funds arrive the trade idea may no longer be viable in a volatile

CONTINUED ON PAGE 26

Unregistered Philly broker sued for fraud by more than 50 clients

BY BRUCE KELLY

AFTER A SETTLEMENT with the Securities and Exchange Commission in July revealed he was selling millions in unregistered securities to clients who were not wealthy enough to buy them under industry rules, Dean Vagnozzi is now being sued by more than 50 customers for alleged fraud and conspiracy violations as well as breaching fiduciary obligations.

The complaint, filed in federal court in Philadelphia Nov. 5, seeks damages from Vagnozzi, his firm, A Better Financial Plan, and a series of related people and businesses. The clients invested more than $14 million with Vagnozzi, who was well known in Philadelphia for his radio ads, which blanketed the airwaves.

The clients were fraudulently induced by Vagnozzi and the other defendants "to use their hard-earned savings to purchase unsecured securities backed by risky merchant cash advance loans to small businesses," according to the complaint.

NOT A REGISTERED ADVISER

Vagnozzi is not a registered financial adviser or broker but is a licensed insurance salesman. The website for his firm, A Better Financial Plan, touts returns of 10% to 14% and $200 million invested for clients. Vagnozzi could not be reached to comment. The telephone number associated with the firm is no longer in use.

John Pauciulo, Vagnozzi's attorney, was also named in the investor complaint. He did not return a call to comment.

According to the complaint, Vagnozzi and the other defendants "conspired to advertise, market and sell [A Better Financial Plan] merchant cash advance investments, which are unregistered securities, as a purportedly safer and more profitable alternative to registered securities like stock and bonds."

'INVEST LIKE THE BIG BOYS'

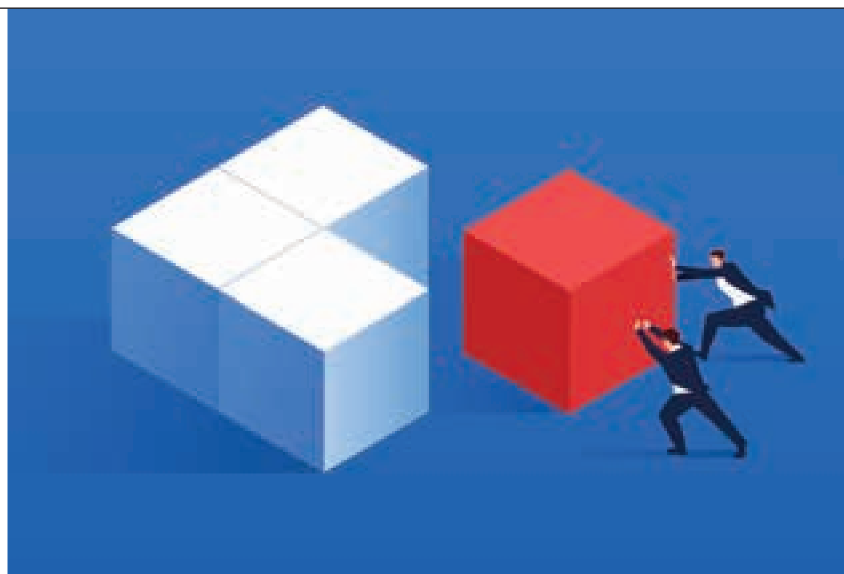
"Vagnozzi is well known in the Greater Philadelphia region for his ubiquitous AM radio advertisements promoting [his firm] and its four types of investments — merchant cash advance funds, life settlement funds, litigation funding and real estate funds," according to the complaint. "However, Vagnozzi's radio advertisements never mentioned that in May 2019, he agreed to pay a state-record $490,000 to settle charges by the Pennsylvania Department of Banking and Securities that he was selling securities without a license."

The SEC said that Vagnozzi encouraged the public to "invest like the big boys," and touted his firm as a place to buy life settlements, which he claimed were the "highest yielding, safe" investments on the market.

bkelly@investmentnews.com

CI Financial's US shopping spree adds Roosevelt Investment Group

BY JEFF BENJAMIN



TORONTO-BASED RIA consolidator CI Financial has taken another big bite out of the U.S. wealth management market with its announced acquisition of the Roosevelt Investment Group, a New York institution with $2.7 billion under management.

The Roosevelt purchase marks CI's 12th deal for a registered investment adviser since it entered the U.S. market in February, and it gives the Canadian mega-buyer its first entry into the all-important New York market.

Including Roosevelt, CI now has four deals in the pre-close stage.

Following the close of all the pending transactions, CI's North American wealth management business will have approximately $63 billion, including $16.3 billion through U.S.-based RIAs.

"We are excited to enter the New York market and thrilled to partner with Roosevelt, a firm whose deep roots in the region trace back to the family of President Theodore Roosevelt," CI Chief Executive Kurt MacAlpine said in a statement.

"Roosevelt has an extensive legacy of serving some of the most prominent families and individuals in New York and beyond, and we're excited to provide them with the resources need to continue to grow," he said.

The Roosevelt acquisition is CI's third deal in less than two weeks, a period in which it also filed to list the company on the New York Stock Exchange.

CI has been listed on the Toronto Stock Exchange since 1995, but MacAlpine said the NYSE listing will provide the company with another means of paying for RIAs. All of CI's transactions to date have been cash deals, but the pending transactions are likely to include a mix of cash and NYSE-listed stock, he said.

jbenjamin@investmentnews.com

SEC cracks down on compliance deficiencies in RIA branch offices

BY MARK SCHOEFF JR.

SECURITIES AND Exchange Commission examiners found widespread compliance deficiencies at branch offices of registered investment advisory firms, the agency said last Monday.

In a risk alert, the SEC said some firms had outdated policies and procedures or had not implemented them for advisory activities in operations outside the main office. The problems cropped up in compliance programs related to ethics, custody and supervision, and with fiduciary obligations involving fees, expenses and advertising.

$110B

COMBINED AUM OF BRANCH OFFICES CITED IN SEC ALERT

SEC staff observed that compliance risk may be heightened "when the main and branch offices have different practices," the alert states. "For example, advisers that do not monitor, review, and/or test their branch office activities may not be aware that the compliance controls they have adopted are not effectively implemented or do not appropriately address the intended risks and conflicts in these remote locations."

PORTFOLIO PROBLEMS

More than half of the examined advisers were cited for deficiencies related to portfolio management practices, according to the agency. Problems arose in overseeing investment recommenda-

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Why financial planning apps could be the next fintech target

SEAN ALLOCCA
ONTECH

The free planning apps launched by major financial players in recent months are useful tools for the investing public — but they are also familiar reminders of how technology has the potential to disrupt wealth management.

Advisers have long held an advantage over digital advice when it comes to creating long-term plans. By understanding their clients' wants and needs, planners provide real value that's hard to get by filling out a simple risk questionnaire at an online platform.

That's long been the mantra for wealth managers, who have watched fearlessly as robo-advisers gobbled up hundreds of billions of dollars in assets over the past decade armed with sleek digital designs.

But it might not be the case anymore.

Fidelity Investments Inc., Charles Schwab Corp. and Bank of America Corp. have all introduced free financial planning apps that aim to combine the know-how of advisers with the ease of a mobile app tucked right into a client's pocket. Sure, it's yet another move by the incumbents to cross-sell products and increase market share, but it begs the question: Will it also steer clients away from traditional advice?

BIG APPETITE

The "freemium" model has long been the modus operandi of some of the original robo-advice players, most notably Personal Capital, but more recently Wealthfront, which launched its free planning

software at the end of 2018. Contrary to all the doomsayers, assets on robo-advice platforms never came close to initial expectations, and the robos certainly didn't eat the advice industry for lunch as some have predicted.

The difference this time around is the big incumbents have a wider reach and a much bigger appetite. Bank of America, which launched its Life Plan app on Oct. 5, said it created customized plans for around 475,000 of its customers who used the tool as of mid-October. For comparison, that is well north of the 357,000 total number of clients Wealthfront listed on its most recent Form ADV. In two weeks BofA created more plans for cli-

CONTINUED ON PAGE 27

Medicare premiums, surcharges to rise slightly in 2021

BY MARY BETH FRANKLIN

MEDICARE PART B PREMIUMS will increase by about $4 per month next year and high-income surcharges will also rise modestly in 2021, the Centers for Medicare and Medicaid Services announced Nov. 6.

The standard Medicare Part B premium, which covers doctor's visits and other outpatient services, will increase from $59.40 per month to $356.40 per month on top of the standard Part B premium. Married couples where both spouses are enrolled in Medicare will pay twice as much.

High-income surcharges for 2021, officially known as income-related monthly adjustment amounts or IRMAA, are based on income reported on 2019 federal tax returns. Income brackets that trigger IRMAA sur-

2021 PREMIUM + IRMAA SURCHARGES FOR MEDICARE PART B

INCOME BRACKETS BASED ON 2019 FEDERAL INCOME TAX RETURNS

TAX FILING STATUS 2019 Individual	TAX FILING STATUS 2019 Married, Joint	TAX FILING STATUS 2019 Married, Separate	YOU PAY IN 2021 Premium + IRMAA
$88,000 or less	$176,000 or less	$88,000 or less	$148.50
$88,001 – $111,000	$176,001 – $222,000	Not applicable	$207.90
$111,001 – $138,000	$222,001 – $276,000	Not applicable	$297.00
$138,001 – $165,000	$276,001 – $330,000	Not applicable	$386.10
$165,001 – $500,000	$330,001 – $750,000	$88,001 – $412,000	$475.20
> $500,000	> $750,000	> $412,000	$504.90

to $148.50 per month in 2021, up $3.90 from this year's monthly premium of $144.60.

Higher-income Medicare beneficiaries will pay more. In 2021, individuals with modified adjusted gross income of $88,000 or more and married couples with MAGIs of $176,000 or more will pay additional surcharges ranging charges will increase slightly in 2021 as a result of inflation adjustments.

The $3.90 increase in the monthly Part B premium for 2021 is much less than had been expected earlier this year when Medicare spending soared due to the COVID-19 pandemic. But Congress stepped in with emergency

CONTINUED ON PAGE 27

Government gridlock? No problem for RIAs

BY JEFF BENJAMIN

WHILE SENATE races are still undecided, the likely outcome of a Joe Biden administration and a divided Congress has produced a collective sigh of relief from the financial services industry. It might say more about the workings of government than it does about the financial markets, but the general consensus among some financial professionals is that gridlock is good.

"We expect divided government to be good for stocks as there are unlikely to be big changes on taxes and no big green new deal as moderates push back on the more progressive wing as the Democratic House lost as many as 10 seats," said Bryan Beatty, partner and senior adviser at Egan Berger & Weiner.

"The markets like clarity and consistency, and a divided government will give us probably the least change that could have come from this election," Beatty said. "The markets like knowing that tax policies aren't going to change dramatically."

While it is basic economics that taxes create friction, it is worth noting that the stock market chugged along quite nicely for 30 years prior to President Donald Trump's sweeping cuts to corporate and individual taxes.

But with even a modest corporate tax hike virtually off the table as long as the Republicans control at least one house of Congress, the picture is clearer and the markets are content, said Chris Haverland, global asset allocation strategist at Wells Fargo.

BULLISH UNDER BIDEN

"It doesn't really matter which party's in power and the markets can learn to live with whoever is in office, because it's really the economy and corporate earnings that drive markets," he said. "At the end of the day, a divided government is a win for corporate earnings and most likely equity prices."

Research by the Wells Fargo Investment Institute shows a normal pattern of increased market volatility leading up to presidential elections, followed by decreased volatility once the election results are final.

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THE TECHNOLOGY SECTOR OF THE S&P 500 IN ONE ETF

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XLK

TECHNOLOGY SECTOR SPDR ETF TOP 10 HOLDINGS*

Company Name	Symbol	Weight
Apple	AAPL	23.73%
Microsoft	MSFT	20.29%
Visa A	V	4.30%
Nvidia	NVDA	4.26%
Mastercard A	MA	3.81%
Adobe	ADBE	3.00%
PayPal Holdings	PYPL	2.95%
Salesforce.com	CRM	2.92%
Intel	INTC	2.81%
Cisco Systems	CSCO	2.13%

*Components and weightings as of 9/30/20. Please see website for daily updates. Holdings subject to change.

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STATE STREET GLOBAL ADVISORS

Opinion

EDITOR'S NOTE

Reflections on a year of change

As my first anniversary with *InvestmentNews* approaches, I find myself unable to avoid a bit of retrospection. The past year has seen tremendous change at *InvestmentNews* and reflecting on it puts in perspective the shifting sands of the industry, as well as a great deal of accomplishment that should make the team here exceptionally proud.

When I joined the company, my conversations with CEO Christine Shaw focused on the need for the new role of Chief Content Officer to link all the content under the *InvestmentNews* umbrella. We both recognized the great depth and talent on hand and knew that there was an opportunity to surface more of our talented team's efforts to help the industry succeed.

GEORGE B. MORIARTY

So what have we done to achieve this goal? In wildly unanticipated times, we have executed lightning-fast changes in our practices across the board to better show the market the scope and reach of our unique product set.

Events are a key component of the *InvestmentNews* business model and as COVID-19 broke out in February and March, we quickly launched our Navigating 2020 series of webcasts. Intended to address the rapidly changing series of new realities, this webcast series grew to cover the issues facing the advice community.

At the same time, our events team had to quickly pivot a full slate of in-person events to virtual due to the shuttering of locations and massive change. The team — Dan Rubinetti, Tara Means, Sasha Burgansky, Natalie Taylor and Letitia Bow — adapted to this new framework, and they did it with exceptional aplomb. The skill set needed to run a virtual show is akin to television production, and these folks made the shift with grace. The innumerable hours spent benefited everyone who has attended or will attend these 22 events and created opportunities for unique cohesion across our platforms.

KEY COMPONENT

A key component of our events has been our video setups where we establish our "Gameday" format that attracts big names in the industry to sit down and talk shop. Absent those in-person events, we focused on the network we've built to develop three video series — Triple Play, starring Jeff Benjamin; By the Numbers, featuring yours truly; and 3 Questions, hosted by a subject matter expert. And we have launched two marquee podcasts: Her Success Matters, hosted by Christine Shaw, and The InvestmentNews Podcast, with Jeff Benjamin and Bruce Kelly. They've drawn the biggest names in the industry, and we have great plans for the year ahead.

In research we delivered our special studies — Elite RIA, Outsourcing, Beyond Finances, updated Comp & Staffing, Pricing & Profitability and the Adviser Tech — and launched several new surveys that provide the unique industry insights people have long relied on *IN* to deliver. Currently, we have a six-part series in progress; the Adviser Pulse, sponsored by Transamerica, assesses how the market has adapted to "the new normal." Look for more of this real-time research in the year ahead.

And what about InvestmentNews.com? Well, the website has seen a full revamp, which includes a significantly enhanced CMS that powers the site. Thanks to that enhanced functionality, visitors to the site find our content organized by primary topics, and whether you're looking for video, research, news or advisers on the move, it's all available from the top navigation or a simple scroll down the page.

WE WILL CONTINUE TO EXPAND INTO AREAS WHERE YOU TELL US YOU NEED MORE CONTENT.

We know that you're all looking for advisers on the move, every day. This flexible new design represents the culmination of extremely long hours and meetings with our new technology team. It's one of many investments the company has made this year for the long term.

EXPANDING OUR REACH

Our flagship magazine hasn't escaped this year of change either. At the start of the year, we redesigned the magazine, and then in March, we launched our digital edition. Done in response to the need to reach our readers at home, this has proved to be a great addition. Many users have told us that having access to the weekly magazine on a desktop has increased their time spent and the depth of engagement. And in response to the pandemic, Managing Editor Paul Curcio and team constructed two special editions — March 30 and Sept. 14 — that addressed the challenges and solutions advisers discovered as they sought to manage this unprecedented time.

Finally, we have added two exciting new sites dedicated to important sectors of the marketplace where our readers have indicated keen interest. ESG Clarity US provides an Americas-centric focus on the booming ESG market, and RPA Convergence represents a home where retirement plan specialists can find the research and analysis they need to succeed.

In the year ahead, we will continue to expand into areas where you tell us you need more content that ultimately helps you, the adviser, do your job better.

All told, a full and amazing year is now behind us and I want to thank you all for your support and loyalty. As always, let me know what you need and what we can do for you in 2021 and beyond.

gmoriarty@investmentnews.com

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Chief Executive Officer
Christine Shaw, cshaw@investmentnews.com

CONTENT
Chief Content Officer: George B. Moriarty
gmoriarty@investmentnews.com
Managing Editor: Paul Curcio
pcurcio@investmentnews.com
Deputy Managing Editor: Sean Allocca
sallocca@investmentnews.com
Assistant Managing Editor: Susan Kelly
skelly@investmentnews.com
Senior Editor, Special Projects: Liz Skinner
lskinner@investmentnews.com
Contributing Editor: Mary Beth Franklin
mbfranklin@investmentnews.com
Senior Columnist: Jeff Benjamin
jbenjamin@investmentnews.com
Senior Columnist: Bruce Kelly
bkelly@investmentnews.com
Senior Reporter: Mark Schoeff Jr.
mschoeff@investmentnews.com
Reporter: Emile Hallez
ehallez@investmentnews.com
Reporter: Nicole Casperson
ncasperson@investmentnews.com
Editorial Special Projects Manager: Brittney Grimes
bgrimes@investmentnews.com

Senior Multimedia Manager: Stephen Lamb

CREATIVE DEPARTMENT
Executive Art Director: Scott Valenzano
Associate Art Director: Pablo Turcios
Digital Designer: Ken Wilson

TECHNOLOGY
Chief Technology Officer: Simon Collin
simon.collin@bonhillplc.com
Digital Operations Manager: Christian Eddleston
ceddleston@investmentnews.com
Developer: Jeff Paitchell
jpaitchell@investmentnews.com

ADVERTISING SALES
Director of Revenue Operations: Shara Richter
srichter@investmentnews.com
Business Solutions Manager, New England:
Justine DeGaetano, jdegaetano@investmentnews.com
Business Solutions Manager, West Coast:
John Shaughnessy, jshaughnessy@investmentnews.com
Business Solutions Manager, Eastern U.S.:
Judith Kelly, jkelly@investmentnews.com
Business Solutions Manager, Eastern U.S.:
Michelle Richard , mrichard@investmentnews.com
Business Solutions Manager, Midwest:
Jason Anciulis, janciulis@investmentnews.com
Client Services Manager:
Caroline Murphy, cmurphy@investmentnews.com
Client Services Manager:
Mike Charest, mcharest@investmentnews.com
Head of Digital Advertising Operations:
Berta Franco, Berta.franco@bonhillplc.com
Digital Ad Operations Campaign Manager:
Kimberly Hall, khall@investmentnews.com
Digital Ad Operations:
Jason Tebaldi, jtebaldi@investmentnews.com
Director of Event Sales: Dan Rubinetti
drubinetti@investmentnews.com
Business Solutions Manager & U.S. Events:
Sabrina Straub, sstraub@investmentnews.com
Marketing Director: Sasha Burgansky
sburgansky@investmentnews.com
Director of Event Operations:
Tara Means, tmeans@investmentnews.com
Events and Operations Manager:
Natalie Taylor, ntaylor@investmentnews.com
Content Producer: Letitia Bow
lbow@investmentnews.com

AUDIENCE AND MARKETING
Director of Audience and Analytics:
Ellen Brady, ebrady@investmentnews.com
Research Analyst: Devin McGinley
dmcginley@investmentnews.com
Email Marketing Specialist: Nicole Chantharaj
nchantaraj@investmentnews.com
Digital Operations Manager: Thomas Markley
tmarkley@investmentnews.com
Audience Data Specialist: Julie Vanderperre
jvanderperre@investmentnews.com
Director of Marketing, Brand and Products:
Katie Downey, kdowney@investmentnews.com
Marketing Coordinator: Morgan Mallon
mmallon@investmentnews.com
Senior Operations Manager: Gillian Albert
galbert@investmentnews.com
Digital Operations Specialist: Carla Flores
cflores@investmentnews.com
Senior Graphic Designer: Kyung Yoo-Pursell
kpursell@investmentnews.com

INVESTMENTNEWS OFFICES
Headquarters: 685 Third Avenue
New York, NY 10017-4024
Bureau office: Washington: 601 13th Street,
N.W. Suite 900 South, Washington, DC 20005

BONHILL GROUP, PLC
Chief Executive Officer: Simon Stilwell
Chief Technology Officer: Simon Collin
Chief Financial Officer: Sarah Thompson
Head Office: Bonhill Group, Plc Fleet House,
59-61 Clerkenwell Road, London, EC1M 5LA

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FREE PLANNING APPS ENTER THE EQUATION

THE TOOLS PROVIDED BY BIG PLAYERS LIKE FIDELITY AND SCHWAB ARE A PLUS FOR INVESTORS JUST STARTING OUT, BUT WHAT DO THEY MEAN FOR SMALLER ADVISORY FIRMS?

BY NICOLE CASPERSON

The industry shift toward more comprehensive financial planning has encouraged big financial services firms to introduce free apps to cash in on the increased investor demand for better and more holistic financial advice. While the apps provide a no-cost avenue for retail investors to access plans, the digital tools could also diminish the need for traditional advisers and the key services they provide to their clients.

Fidelity, Charles Schwab and Bank of America have all launched free financial planning applications in recent months to take advantage of the need for better software. The move not only provides free advice to new investors, but gives the companies the possibility of cross-selling products to their customers and increasing their wallet share.

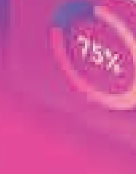
With a new wave of young investors seeking out financial advice, firms are looking to move into digital planning and extract value. Fidelity Investments, for one, is using its free mobile app to capture that potential clientele.

"Fidelity Spire is not meant to be a one-time interaction," Kelly Lannan, the company's vice president of young investors, said when the product was announced in July. "The app has an educational hub with content related to those longer-term goals … the app can be that first step to developing a lifetime relationship with these clients."

Bank of America's Life Plan app, which launched last month, may also funnel clients into additional products, particularly those consumers flirting with the idea of working with a human adviser, said Eve Varner, digital planning executive at Bank of America. The app is quickly gaining traction, with more than 475,000 customers creating digital financial plans using the tool as of mid-October.

The apps are also a clear sign that large firms are acknowledging that demand is shifting from a focus on investments to increased awareness of overall financial planning and wellness. While the tools provide obvious advantages to clients, some registered investment advisers expressed concern that financial planning — a value proposition for many traditional planners — could become digitized. Any further commoditization of financial planning could lead to fee compression.

CONTINUED ON PAGE 10



CONTINUED FROM PAGE 9

It could also disproportionately benefit the wirehouses and larger broker-dealers that have the means to offer free planning services. The new services being offered by some of the largest financial services companies could also make it more difficult for smaller firms to gain new clients.

"At some point, we need to ask ourselves: How much commoditizing is enough?" said Dan Herron, an adviser at Elemental Wealth Advisors. "There needs to be balance — we all need to make a living."

To be fair, any tool that helps spread financial literacy and knowledge is a good thing for consumers, but only if the value it provides is worthwhile, said Jake Morris, financial planner and founder of Fun Financial.

"If the apps are treating people and their portfolios like an algorithm, then I don't see that as being empowering for consumers," he said. "I see that as a repackaging of sales products by the brokerage industry."

Advisers have also compared the planning apps to digital health exams that patients have used during the pandemic.

"Even if we could all run affordable self-diagnostic medical exams at home, don't you think we would likely be better off having a trained doctor interpret the results and provide recommendations?" said Ryan Phillips, founder of GuidePoint Financial Planning.

To many advisers, the tools are more like a WebMD solution than real guidance from certified financial planners.

PROS AND CONS

The pros and cons of the commoditization of financial planning software and its impact on the industry have advisers in the cross hairs. On one side, offering free access to financial planning does remove the barrier of entry for young investors starting their financial journey who don't have significant assets.

Wealth managers can certainly bring in potential clients by giving away the free technology, then ramp up to full-service offerings as assets grow. Clients who were introduced to wealth management via a free service will likely transition to human advice once their needs become more sophisticated, said Dennis Nolte, vice president at Seacoast Investment Services.

If the free software is all the value that an end user needs, the financial professional wouldn't have been useful to the client anyway, he said.

"If a planner is depending on his future client base being uninterested or uninformed about planning and investing, that's a planner I'd never hire or transition my business to," Nolte said.

While it's impossible to ignore the success of other free financial service applications, advisers can also benefit from new technology.

"I don't think advisers will be harmed by the introduction of free, direct-to-consumer platforms," said William Trout, director of wealth management at Javelin Strategy & Research. "Advisers stand to benefit from the trend to commoditization in terms of their tech spend, as well as greater awareness of the value and centrality of planning to the investor."

VALUE PROPOSITION

Paul Sydlansky, founder of Lake Road Advisors, said the only advisers that need to worry about the trend are those who don't provide value outside of a basic planning offering.

"If you are providing value in other ways — such as a trusting relationship, coaching, monitoring — then you shouldn't be worried," he said. "Many predicted that the [robo-advisers] of the world would be bad for adviser business, but that never panned out. In fact, it has helped me build and scale my firms to levels I wouldn't have been able to without it."

Despite the benefits to the millions of young investors who could use free advice, not all advisers see planning software as the right tool to attract a younger clientele as the advisory community begins to debate the long-term impacts.

"An app is a collection of algorithms that is missing two key elements a planner provides: judgment and empathy," said Nicole Wirick, president of Prosper-

> **"IF THE APPS ARE TREATING PEOPLE AND THEIR PORTFOLIOS LIKE AN ALGORITHM, THEN I DON'T SEE THAT AS BEING EMPOWERING FOR CONSUMERS."**
>
> JAKE MORRIS, FOUNDER, FUN FINANCIAL

ADVISERS WEIGH IN ON FREE FINANCIAL ADVICE

While free finance tools are generally good for the investing public, registered investment advisers expressed concerns that clients may not be getting the quality of advice they need to get on the path to financial security.

"If people just start planning, it is a good thing," said Mark Struthers of Sona Wealth Advisors. "The harm comes from bad assumptions from calculators and clients not understanding what the output means."

There is also concern that there's too much truth in the phrase "nothing is free," he added. "[Firms] use free planning software to upsell very expensive robo investment management," Struthers said. "The free things come with the greatest cost. Is the firm selling your data? Will you be pressured to buy insurance products?"

Mark Kinsella, a financial planner with Family Financial Planning Services, sees the free offers as a marketing play by larger firms that are interested in expanding their target market base beyond high-net-worth clients.

"The current free offers seem like shotgun marketing," he said. "If the consumer doesn't accumulate the desired amount of assets, the company can end the service, or the service may be so inexpensive for the company that it allows the prospect to continue using it. A happy prospect may bring other people who have the assets and want to use the tool."

However, Kinsella also noted that free services offered by the larger companies makes it more difficult for smaller firms to gain clients. "Large firms with the [free] offers have the possibility of pulling in customers before the smaller companies can connect with them."

A POSITIVE SOLUTION

Conversely, some advisers see free financial planning tools as a positive way for the industry to address key trends like millennials and Gen Zers being more interested in their adviser acting as a financial wellness coach, said Lou Abrams, financial planner and founder of adviser tech startup Fisecal.

"Free planning tools are the most logical next step for the established players to move into since they deem taking small steps as being innovative and that is their way of trying to stay on trend," Abrams said.

Yet the legacy brokerages could be seen in a negative light by middle-income individuals, he said. "People view them as only looking out for their bottom line rather than their client's."

The potential commoditization of financial planning will unlock access to financial planning for a large segment of the population currently underserved by the industry, said Gage Paul, a financial planner with Western Reserve Capital Management.

"[Free planning] will also continue to raise the bar for advisers to provide more value to their potential clients since they can get 'basic' financial planning for free," he said. "Advisers may have to specialize to attract clients with specific needs that free software cannot meet."

The silver lining is that as more investors use free planning software, the adviser's value proposition should increase, Paul said.

"The software cannot replace a relationship with another person or the experiences an adviser can share," he said. "We will be paid for our thinking and the ongoing process of planning instead of being paid for delivering a plan as a product or sales tool."

— Nicole Casperson

ity Wealth Strategies. "Numbers don't lie, but there are other nonquantifiable elements of financial well-being that provide a non-calculable psychological benefit — like the peace of mind of sleeping well at night."

Another potential downside to digital plans is the likelihood of user error. Dallas-based adviser Thomas Murphy sent free financial planning website links to four clients who were interested in financial plans. Two clients logged in and entered data. However, they both made serious errors in data entry as a result of not understanding the language of finance, he said.

"I am not concerned about free tech replacing me," Murphy said. "I am very concerned about people thinking they have an accurate financial projection when they don't."

WHAT'S *APP*-ENING

FIRM	APP	PRICE	DATE LAUNCHED
Bank of America	Life Plan	Free via the Bank of America mobile app and online banking platform	Oct. 5, 2020
Charles Schwab	Schwab Plan	Free to all Schwab investors	Aug. 20, 2020
Fidelity	Fidelity Spire	Free for anyone on Apple iOS or Android	July 29, 2020
Wealthfront	Wealthfront Mobile App	Free for Wealthfront users via its mobile app	Dec. 4, 2018
Personal Capital	Retirement Planner	Free via Personal Capital account	June 15, 2015

LINKING ACCOUNTS

The introduction of these new tools also underscores the oncoming trend of linking financial planning with checking and savings accounts. For example, Bank of America's Life Plan and Fidelity's Spire allow the user to choose goals that may be achieved with either a banking product or investment product based on the time horizon of the goal.

By increasing access to financial planning, these companies are creating a natural funnel from a free service to other offerings like digital advice products, said David Goldstone, Backend Benchmarking's head of research.

"We see this relationship as a win-win as clients gain financial planning tools and [the firms] gain a pipeline of potential investors," Goldstone said. "We expect this trend of banking services sitting alongside investment services to continue across incumbents and independents alike."

In the end, clients should use caution with new apps because like most things in life, you usually get what you pay for, said Steve Zakelj, founder of Flatirons Wealth Management.

"If you're paying nothing, the product is either not that great or in some cases, the product may be you," Zakelj said.

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No escaping IRMAAs with Medicare Advantage

MARY BETH FRANKLIN

ONRETIREMENT

Financial advisers are painfully aware that many higher-income clients pay more for Medicare each month than most retirees. Premiums for both Part B, which covers outpatient services and doctors' fees, and Part D, which covers prescription drugs, are tied to income.

In 2020, most retirees pay the standard Part B premium of $144.60 per month, which is usually deducted from Social Security benefits or paid directly to Medicare by those not yet receiving Social Security.

But high-income retirees, defined as individuals with an annual modified adjusted gross income of more than $87,000 and married couples with a joint MAGI over $174,000, pay an additional surcharge, known as an income-related monthly adjustment amount, or IRMAA. This year's IRMAA surcharges are based on 2018 federal tax returns.

MORE
Rise in Medicare premium for 2021
PAGE 4

RESET EACH YEAR

Medicare premiums and surcharges are reset each year. On Nov. 6, the federal government announced the 2021 premium and surcharges, which will be based on 2019 tax returns.

Americans 65 and older, as well as eligible disabled individuals of any age, have two options for receiving Medicare services. They can select original Medicare, which includes premium-free Part A hospital insurance and Part B medical coverage, which has a monthly premium. In addition, most enrollees in original Medicare also carry supplemental Medigap insurance and optional Part D prescription drug coverage.

Or they can choose an all-inclusive Medicare Advantage plan, which usually provides additional benefits such as dental, vision and hearing aids not covered by original Medicare, often at no additional monthly premium.

ZERO PREMIUM

In 2020, IRMAA surcharges range from $57.80 per month to $347 per month per person on top of the standard Part B premium. That means clients in the top income tier — above $500,000 for individuals and above $750,000 per year for married couples — pay nearly $6,000 per year for Medicare Part B premiums alone, plus income-related surcharges for Part D prescription drug plans, plus monthly premiums for supplemental coverage known as Medigap. High-income couples where both spouses are 65 or older pay twice as much.

So it's only natural that many clients subject to IRMAA surcharges are looking for ways to cut their costs, particularly during Medicare open enrollment season, which runs through Dec. 7. Changes made during open enrollment take effect Jan. 1 of the following year.

One reader asked recently if he could switch from traditional Medicare to a Medicare Advantage plan to avoid monthly IRMAA surcharges.

"I've listened to the barrage of TV ads touting the added benefits of Advantage Plans, often with a zero premium," the reader wrote in an email. "My wife and I, ages 74 and 70, are subject to IRMAA and each pay more than $500 per month plus we carry Medicare supplemental plans. Obviously, it would be attractive to us to enroll in a Medicare Advantage plan if our IRMAA premiums could totally disappear."

MEDICARE ADVANTAGE

If only it were that easy. Unfortunately, even if you enroll in a Medicare Advantage plan, you are still subject to the Medicare Part B premium plus any IRMAA surcharges.

You might find an Advantage program in your area that does not charge an additional premium (known as zero-premium plans) above your Part B premium/IRMAA surcharge, I told the reader. But Advantage plans require you to use their network of health care providers, often require pre-approval for specialists and are usually restricted to care in a specific geographic region. While Medicare Advantage programs are becoming increasingly popular as a low-cost way to get health care in retirement, they do involve trade-offs that may not be appropriate for people who are wedded to their doctors or who travel extensively.

$347
MONTHLY SURCHARGE ON TOP INCOME TIER IN 2020

Although this year's Medicare open enrollment season may not hold the desired answer to this reader's question, it's still a good idea for advisers to remind older clients of the potential value of re-shopping their Medicare drug plans and Medicare Advantage plans each year.

Part D plans may change their costs and list of covered drugs, known as formularies, from year to year, so it's important that clients review their current plan and Annual Notice of Change to learn if their premium, deductible or cost-sharing will change and whether their specific drugs will still be covered next year.

The nonprofit Medicare Rights Center offers guidance on how to compare stand-alone Part D or Medicare Advantage plans by using the Plan Finder tool at www.medicare.gov.

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

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
mbfranklin@investmentnews.com

INmail

BY MARY BETH FRANKLIN

Unusual rules regarding survivors benefits

Scott: How does Social Security treat widows who are also entitled to their own retirement benefit?

MBF: Survivors benefits and retirement benefits are two different pots of money. If you are eligible for both, you may be able to collect one type of benefit first and switch to the other later in either order, regardless of when you were born. In addition, there are several unusual rules that apply to survivors benefits.

Full retirement age for survivor benefits may be different than for retirement benefits depending on the birth year. For example, if your client was born in 1956, her FRA for retirement is 66 and 2 months, but her FRA for survivors benefits is 66. See www.ssa.gov/benefits/survivors/survivorchartred.html for details.

If you already receive benefits as a spouse, your benefit will automatically convert to survivors benefits once the death is reported to the Social Security Administration. But if you are also eligible for retirement benefits and haven't applied for them yet, you can apply for retirement or survivors benefits now and switch to the other, higher benefit later.

If you're caring for a child under age 16 or a permanently disabled adult child who gets benefits on the record of your late spouse, you can collect survivors benefits regardless of your age.

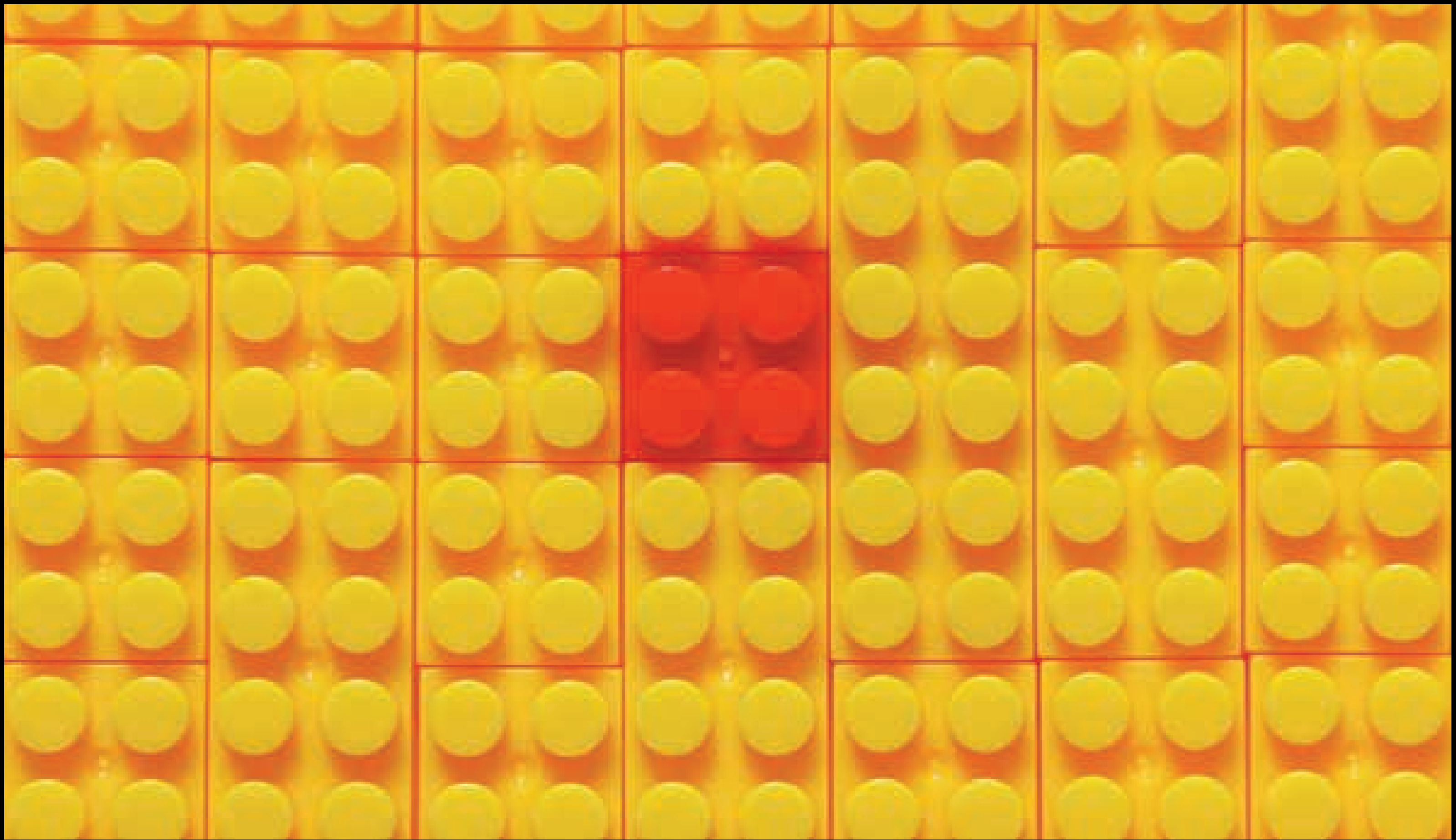
The monthly amount you receive is a based on a percentage of the deceased's basic Social Security benefit and your age when you begin receiving benefits.

Reduced survivor benefits are available as early as age 60 (50 if disabled) and are worth 71.5% of the worker's full benefit amount, increasing up to 100% if claimed at full retirement age or older.

If the person who died was receiving reduced benefits, SSA bases survivors benefits on that amount. However, it's possible to receive a larger amount that the deceased worker was collecting if you wait until your FRA to claim it.

The divorced spouse of a worker who dies can get benefits the same as a widow or widower, provided that the marriage lasted 10 years or more.

If you remarry after you reach age 60 (age 50 if disabled), the remarriage will not affect your eligibility for survivors benefits.



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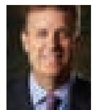
Planning

Deferred income annuities are more than a risk tool right now

Let's start with the obvious: We're in a low interest rate environment, and according to the Fed, we're going to be here for a number of years. With 10-year Treasuries yielding about 0.75%, building an efficient retirement income portfolio is harder than ever.



GUESTBLOG
SCOTT STOLZ

Typically, I would place income annuities into the risk management category rather than the investment category. No one ever asks what the internal rate of return, or IRR, is on a liability policy or a homeowner's policy. They buy those policies to protect against risk. Similarly, income annuities are designed to eliminate, or at least reduce, both longevity risk and sequence of returns risk. However, in this interest rate environment, income annuities find themselves in the unique position of also being a competitive investment tool.

WHY ARE ANNUITIES COMPETITIVE?

People typically believe that the lower interest rates go, the worse annuities are as investments. When you lock in a lifetime income rate based on interest rates, why would you invest when rates are low? In fact, for years now, I've read that even some of the biggest annuity supporters have suggested people were best served by waiting for rates to rise before locking in any lifetime income guarantees.

Setting aside the fact that it could be a very long wait, it's important to understand that interest rates aren't the only factor in determining the income amount. In fact, when rates are this low, it isn't even the main factor. The lower interest rates go, the more the return hinges on the mortality credits built into the pricing. Mortality credits are essentially the transfer of income payments at the insurance company level from policyholders who die early to those who live to or beyond their life expectancy.

BY THE NUMBERS

One of the key benefits of adding a lifetime living benefit to an annuity is that it provides a known amount of income in the future no matter what happens to the value of initial purchase. Therefore an indexed annuity with a living benefit is essentially a liquid deferred income annuity.

And as backwards as it may seem, it's this very liquidity that allows insurance companies to often guarantee more future income with an indexed annuity than a deferred income annuity. When an insurance company issues a deferred income annuity, it must assume the policyholder will eventually start getting the income (unless they die). However, with an

indexed annuity, the insurance company can assume that some of the policies will lapse before the income start date.

With this in mind, let's take a look at a 55-year-old man who expects to begin taking income at age 65 using an indexed annuity with a living benefit. A popular indexed annuity would currently guarantee $9,687 in income for life beginning at age 65 based on a $100,000 investment. Given the current cap rates on indexed annuities of about 3.5%, I've conservatively assumed that the account value will grow on average by 1% per year, net of the living benefit rider fees.

Clearly, a 1% annual return will not get anyone excited, but the picture starts to change dramatically once the income starts paying out. Remember, since we are buying an annuity with a living benefit rather than an immediate annuity, the remaining account value is always available to the policyholder (or paid to the beneficiary if the owner dies).

Until the income starts paying out, the IRR on the annuity would obviously be just the 1% that we are assuming is credited to the account each year. However, with each and every $9,687 income payment, the IRR grows.

A 55-year-old man is expected to live to 83. Therefore, the expected IRR at the time of purchase is roughly 3.5%. However, a 65-year-old man is expected to live until 87, so assuming the client lives long enough to start the income, the expected IRR climbs to roughly 4.25%. And keep in mind, these life expectancies are based on the total U.S. population. Individuals with significant investible assets typically live three to five years longer than the overall average.

Yes, we are talking about a very long-term investment. It doesn't get much longer than over one's lifetime. But what other investment can provide principal protection, an income for life and an expected annual return of 4% or more? And don't forget, by building a protected lifetime income stream into the retirement plan, you will have far more flexibility on how you invest the client's other assets.

THINGS TO KEEP IN MIND

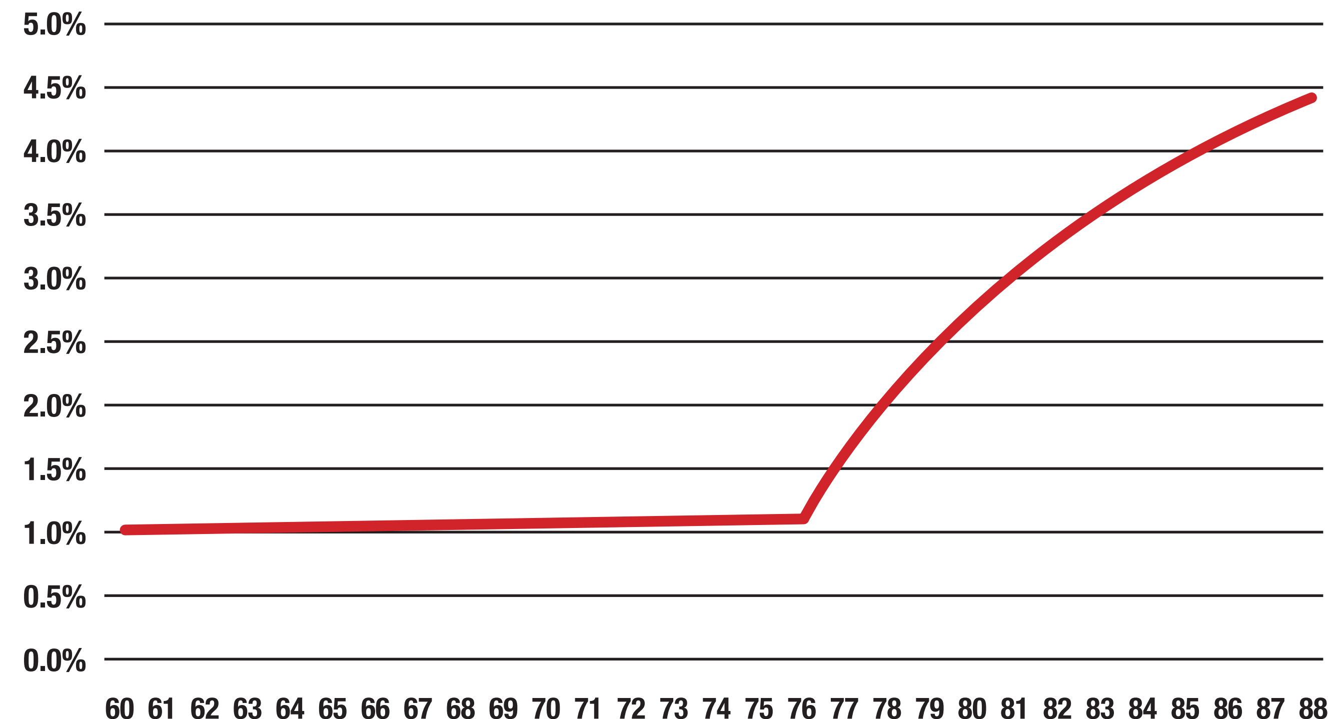
Annuities can serve as an attractive alternative to bonds or other fixed-income investments, especially in this rate environment. While we've made the comparison to other fixed-income solutions throughout this article, there are a few things to keep in mind before investing:

- **Creditworthiness of the insurance company:** All guarantees are subject to the claims-paying ability and creditworthiness of issuing insurance company.
- **Inflation risk:** While you're gaining longevity insurance with an annuity providing guaranteed lifetime income, you are taking on the risk that you lose spending power because of inflation.
- **Lack of diversification relative to bonds:** Since you are likely purchasing a single annuity, you will not have diversification as you may have in a bond portfolio.
- **Annuity contract terms:** Be sure to review all terms of the contract, including early withdrawal periods and limited liquidity provisions. Also, remember that the cap rate can change upon any renewal. However, if the real goal is lifetime income, the growth of the account value becomes a secondary consideration.

Scott Stolz is president of Raymond James Insurance Group and author of "Unlocking the Annuity Mystery: Practical Advice for Every Advisor."

INTERNAL RATE OF RETURN AT EACH YEAR-END

Based on a $100,000 investment by a 55-year-old man in an indexed annuity providing $9,687 in annual income for life beginning at age 65, given rates in effect on Oct. 1, 2020.



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Georgia's Senate races could slow down Joe Biden's agenda

Even 50-50 Democratic control of the upper chamber presents challenges for the president-elect and his incoming administration

BY MARK SCHOEFF JR.

Though President-elect Joe Biden has prevailed in a tight campaign for the White House, how much he can get done could depend on two unsettled Georgia Senate races, said analysts at the Schwab Impact virtual conference last Monday.

The political capital of the country will shift to Atlanta for the next several weeks as incumbent Georgia Republican Sens. David Perdue and Kelly Loeffler battle to keep their seats in early January runoffs against Democrats Jon Ossoff and Raphael Warnock, respectively.

For the moment, Republicans hold the lead for control of the Senate, 49-48. The Republican candidate is expected to prevail in an undecided race in Alaska, which would give the GOP a 50-48 lead going into the Georgia contests.

If both Georgia Democrats win, the Senate would be tied, 50-50, which would give control to the Democrats by virtue of the vote of Vice President-elect Kamala Harris.

As the country emerges from a tense presidential election whose outcome President Donald Trump is disputing, Georgia was on the minds of analysts who spoke at the virtual conference.

'ACHIEVABLE POLICY AGENDA'

The Georgia Senate races are "going to determine the achievable policy agenda for a Joe Biden presidency," said Michael Townsend, Schwab vice president of legislative and regulatory affairs.

Leading up to election day, with the presidential election outcome trending toward Biden, financial advisers breathed a sigh of relief that divided government appeared to lay ahead. Republicans are favored to win at least one of the Georgia races and maintain a slim majority, putting up a roadblock to Biden's proposals to raise corporate taxes and individual taxes on the wealthy.

> **"DEALS WILL BE CUT."**
>
> GREG VALLIERE, CHIEF U.S. POLICY STRATEGIST, AGF INVESTMENTS

But even if Democrats take both Georgia races, a 50-50 Senate could derail or reroute Biden's policy agenda because of potential resistance from Democrats in the middle of the political spectrum.

"There are enough moderate Democrats, it's not going to be a blank check to do whatever they want," Townsend said. "They're going to have to be careful in that scenario."

The early prediction that Republicans would hold onto the Senate has contributed to stock market gains because divided government will require Biden and Senate Majority Leader Mitch McConnell, R-Ky., to compromise, said Greg Valliere, chief U.S. policy strategist for AGF Investments.

"The Senate outcome was unambiguously positive for the market," Valliere said. "Deals will be cut."

STIMULUS STICKING POINT

It remains to be seen whether Democrats and Republicans will be able to reach an agreement on pandemic stimulus legislation. Democratic lawmakers have been advocating for a bill totaling $2 trillion or so, while Republicans have insisted on legislation totaling about $1 trillion or less.

Although the stock market soared Nov. 9 as a result of the election outcome and news of good results in the testing of a coronavirus vaccine, the economy and job market continue to struggle as the pandemic surges.

"I think it's important [stimulus] be done before the inauguration," said William Dudley, former president of the Federal Reserve Bank of New York.

Fed Chairman Jerome Powell has been urging Congress to approve more fiscal support for the economy.

"That's a striking thing for the Fed chair to say as frequently as he's saying it," Townsend said.

But so far, Powell's entreaties have not moved lawmakers to an agreement. The market upswing and good news about a vaccine may encourage Congress to wait a little longer before approving a stimulus package.

"It may come later rather than sooner," Valliere said.

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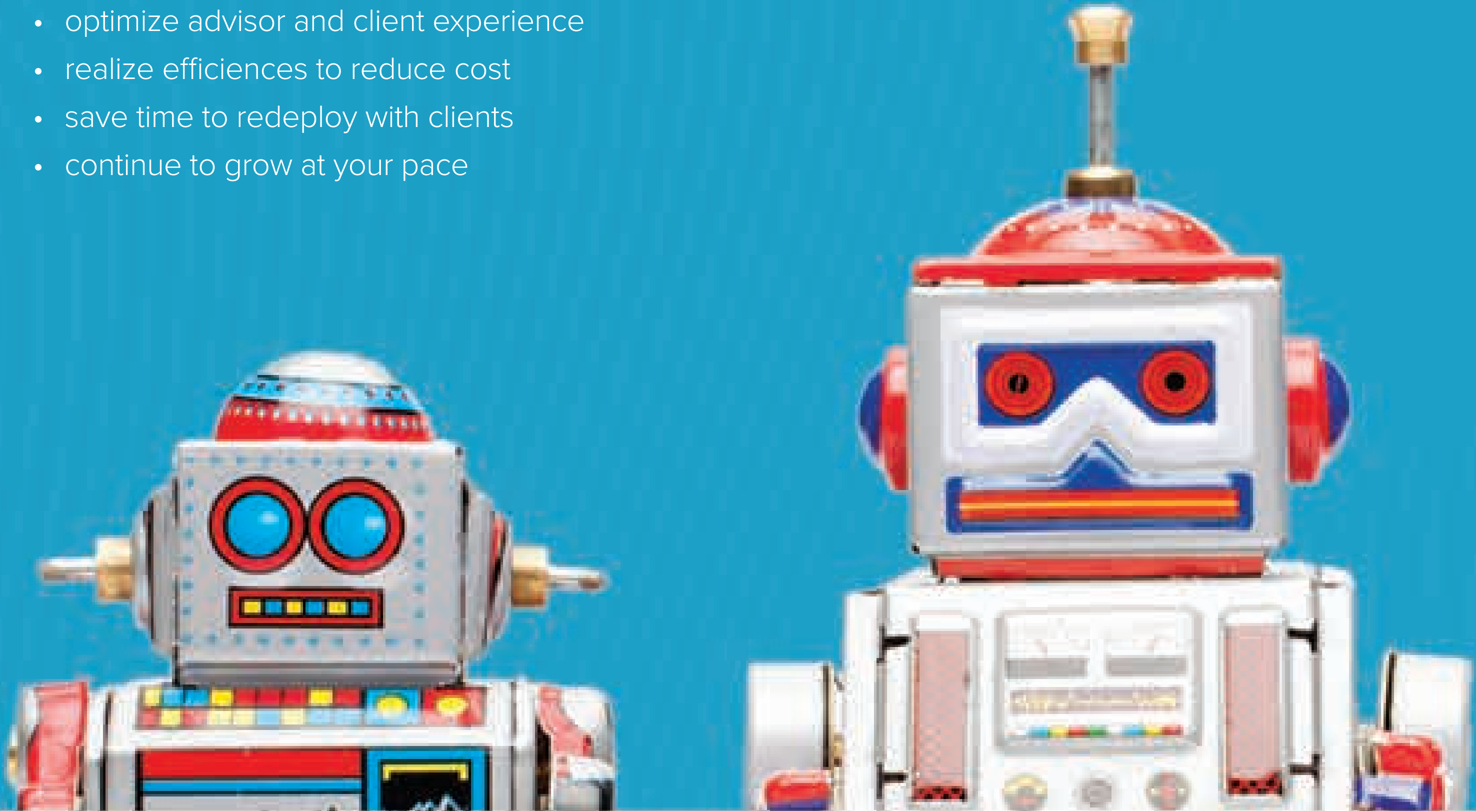

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Think beyond COVID to attract clients

For many advisers, their locale — where they live, where they work — has been their primary source of new clients. By and large, this strategy has been successful. (Technology and digital marketing have brought some changes, but there's still a belief that local is better.)

Advisers get referrals from clients for prospects who have probably heard about them before. This familiarity on both sides can help relationships flourish.

With COVID-19 limiting the effectiveness of the face-to-face model, advisers are trying to figure out how to generate business. They can't really see and be seen in their local community anymore. Most sporting events are canceled, casual drinks or dinners out are rare, and fundraising events have moved online. These days, clients aren't arriving for meetings in a painstakingly decorated office, and advisers don't have the chance to offer prospects a cappuccino from their in-house machine.

KEY POINTS

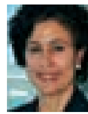
- The pandemic has made it harder for advisers to recruit new clients from their communities.
- But advisers are finding digital work-arounds.

In the practice of the future, all of these touch points will need to be reexamined. In the meantime, absent face-to-face meetings, how can advisers reach new prospects?

BUILD YOUR DIGITAL PRESENCE

Be thoughtful about advertising. In most communities, spectators aren't able to attend sporting events. Soccer, field hockey and football games are being played that families aren't able to watch.

One adviser I work with recognized that as an opportunity. He checked with his local school and learned its major athletic games would be livestreamed on cable television. He then moved his advertising budget to sponsor those games. Now, friends and family can tune in to watch, and when they do, they see the adviser's name and logo prominently displayed. He's establishing



GUESTBLOG
KRISTINE McMANUS

himself as still part of the community; even better, he's broadening his reach beyond his community. This idea would work for plays, concerts or anything else that might be livestreamed.

Consider offering webinars. Webinars offer advisers great messaging opportunities, in addition to being platforms for information. Advisers are finding it's much easier to focus on a specific client niche in a webinar because their messaging can be specific, it costs virtually nothing to deliver and it's easy to scale. One adviser has a number of pharmaceutical companies in her area, which have done quite well this year. By focusing a session on stock options and restricted stock units, she attracted executives from various pharmaceutical companies and scheduled several follow-up appointments.

Ramp up your digital communications. After the session described above, the adviser had amazing content to deliver via her newsletter, social media channels and website. She simply shared a series of questions participants asked, then gave brief answers to their concerns — and was surprised by all the attention she received.

Harness the power of video. Some advisers, realizing the power of video, have started posting educational series to Vimeo and YouTube to address specific concerns of their target market.

If you're struggling to find ways to connect with clients who can't come into the office, consider these ideas to help you bond in other ways.

Kristine McManus is vice president and chief business development officer for practice management at Commonwealth Financial Network.

How tech enables a focus on M&A

When Peter J. Raimondi founded Dakota Wealth Management in 2018, his goal was to establish a uniquely different company from the previous two he built.

As the practice quickly expanded, we knew it was important to implement cutting-edge systems and processes not only to keep our offices connected, but to provide the best client service and investment management experiences wherever our advisers are based.

When we launched, our strategy was to operate as though we were already managing $5 billion in assets. Even though we were a startup, we wanted to hit the ground running. To scale quickly, we began pursuing mergers and acquisitions of registered investment advisory firms with expertise that would both supplement and enhance the services our advisers were already offering.

When M&A is such a key part of a firm's strategy, it requires a flexible technology partner that can scale in parallel. A platform that allows for the transfer of data from different systems in a seamless, efficient and user-friendly way should be a top priority.

INSTILLING CONFIDENCE

It's crucial when acquiring new advisory partners to instill confidence that the portfolio management platform can deliver on the stated value proposition. Crafting personalized portfolios with investments suited to clients' lives is one of the most important aspects of helping someone reach their goals.

We looked for tech providers whose platforms would allow us to customize everything from portfolios, client-facing reports and the user experience to suit the preferences of each client. Because our firm includes several practices, customization was key to our ability to integrate and unify those various processes and brand identities more easily.

After deciding on a platform, we took a collaborative approach to implementation, working closely with our new provider to get up and running.

To make the rollout easier, we created committees responsible for developing our new onboarding processes.

A unified wealth management platform that combines portfolio management, billing, trading and rebalancing, and reporting with a client portal makes M&A combinations easier to facilitate.

GUESTBLOG
MICHAEL REED

Potential partners must feel confident that the practice they are joining forces with can accommodate and service their clients over the long term, that client data will be protected and that they'll be able to elevate the level of service they offer. Finally, prospective M&A partners need to feel confident that they'll be able to seamlessly transfer from their legacy systems to our cloud-based system relatively quickly.

JUST A FEW CLICKS

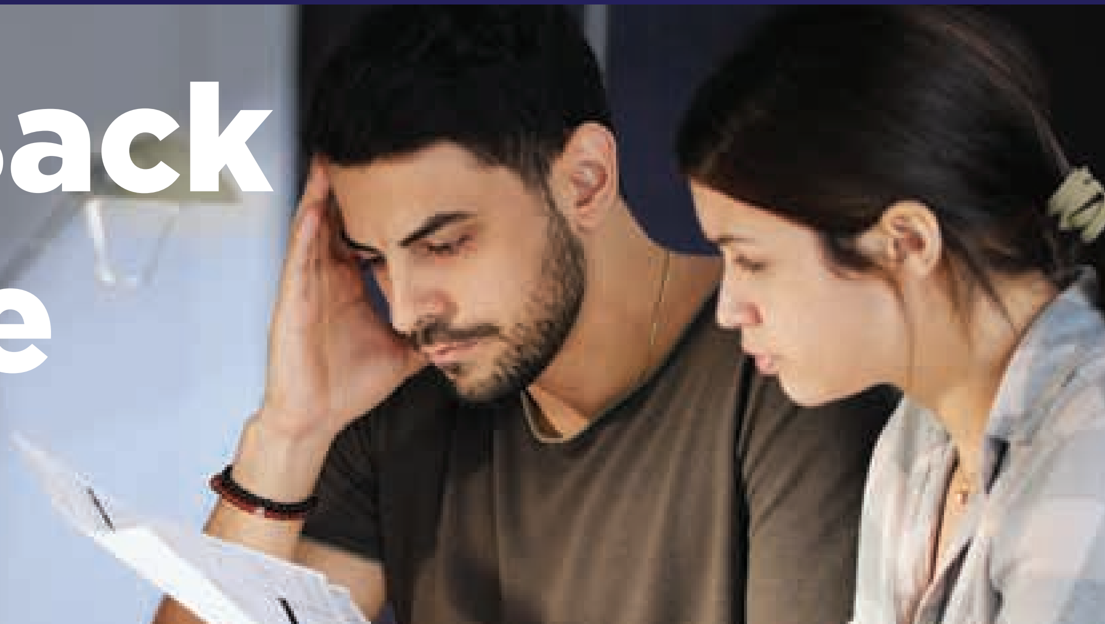
Today, whether we're analyzing a specific data point or surveying client demographic data, we are able to find the info we need in just a few clicks.

Our integrated platform also has been instrumental in helping us maintain normal operations while adapting to the changing work-from-home environment with minimal disruption.

While every firm's needs are different, for us — and RIAs with similar M&A strategies — a smart tech solution is needed to scale the business and serve clients well. A technology offering that helps RIAs reinforce and expand their value propositions is something prospective M&A partners find attractive. And if it is built for scale, such a tech solution can make the M&A process go smoothly from beginning to end.

Michael Reed is chief operating officer and managing partner at Dakota Wealth Management.

Giving Back in a Time of Crisis



As the coronavirus pandemic leaves millions of Americans facing financial hardship, the **Foundation for Financial Planning** (FFP)'s mission is more important than ever.

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What the DOL could look like under a Biden administration

BY EMILE HALLEZ

FORMER VICE PRESIDENT Joe Biden has won the presidential election, and that outcome will likely have a big impact on the Department of Labor — and the coming months will determine how quickly the agency moves forward with new rule proposals.

The process of making cabinet appointments and filling many subcabinet jobs could take months or even the better part of a year, said lawyers who spoke Nov. 5 at the online Spark Forum. The pace of appointments could also slow any reversals of Trump-era regulations the new administration would seek.

KEY POINTS

- Making cabinet appointments could take months.
- The new administration can freeze progress on any proposed rules that aren't finalized.

How smoothly a transition of power will go is a big question. President Donald Trump has claimed without any evidence that the election has been rigged against him and has indicated that he may not readily accept election results that are anything but in his favor.

In normal times, a president-elect spends the months after the election identifying candidates to lead agencies and help set priorities once the term begins.

"In a typical or traditional administration, it's not a lengthy process. A transition team will have already identified or will be in the process of identifying a secretary," said Jason Roberts, CEO of the Pension Resource Institute. "A [Labor] secretary would work with the administration to find the appointed deputy position, which would be the head of [the Employee Benefit Security Administration] … It can actually happen very quickly."

LABOR SECRETARY MISFIRES

That did not happen at the start of the Trump administration. Trump's first nominee to lead the DOL, fast-food industry CEO Andrew Puzder, withdrew his nomination amid questions about his personal life and background. Former Labor Secretary Alexander Acosta was confirmed in April 2017 but resigned last year amid ongoing criticism over a lenient plea deal he had made with disgraced financier and sex offender Jeffrey Epstein more than a decade earlier, when Acosta was a federal prosecutor in Florida.

"There were two or three misfires last time, and then Acosta ended up having to step down. This is the most chaotic DOL" in recent history, Roberts said. With an incoming Biden administration, "I don't think there will be much of any delay" in the appointment or regulatory process, he said.

Current Labor Secretary Eugene Scalia, whose nomination and confirmation quickly followed Acosta's departure, has made much of his short time leading the agency.

Over the past year, the DOL has finalized a rule on the use of environmental, social and governance criteria in retirement-plan investments, proposed an investment-advice rule in sync with the SEC's Regulation Best Interest, proposed a rule that would curb proxy voting by pension plan fiduciaries, and issued a letter supporting the use of private-equity investments in defined-contribution plans.

During the Trump administration, various high-level jobs within the DOL were left vacant, particularly at the beginning of Trump's term, when there was a focus on deregulation. For example, Preston Rutledge wasn't appointed as head of EBSA until 2017; he stepped down from that role at the end of May. Acting assistant secretary Jeanne Klinefelter Wilson is filling the role.

"A number of Trump priorities will be revised and reversed," Chris Gaston, senior policy director at Davis & Harmon, said at the Spark Forum. "It's going to be slower than some Democrats will want, but being in control of the administration has enormous power."

Given the time necessary to fill cabinet positions, "it's months before the new administration can get started on reversals or advancing its new agenda," he said.

For example, under former President Barack Obama, it took several months before former EBSA head Phyllis Borzi was confirmed, Gaston noted.

REVERSING RULES

Any rules that have not been published in their final version in the Federal Register within 60 days of the inauguration, which is scheduled for Jan. 20, can be reversed by Congress relatively easily through the Congressional Review Act. And a new administration can freeze progress on any proposed rules that have not been finalized.

The DOL's recently finalized "Financial Factors in Selecting Plan Investments" rule, which implicitly targets the use of ESG criteria in retirement plan investments, would require a lengthy, full rulemaking process to reverse, lawyers noted.

With the incoming Biden administration, the current DOL will be racing to finalize the proxy voting and investment advice rules. If those are not published by around Nov. 20, a new administration would have an easier time reversing them, Roberts said.

"One would expect the advice exemption [rule] is not too far behind, except that it hasn't been sent to [the Office of Management and Budget] yet," he said.

"A NUMBER OF TRUMP PRIORITIES WILL BE REVISED AND REVERSED."

CHRIS GASTON, SENIOR POLICY DIRECTOR, DAVIS & HARMAN

Reversing the investment advice rule "will be priority No. 1" for the Labor Department under a new administration, Roberts said.

"Get ready for a true fiduciary rule 3.0," he said. "That will take some time, because they will want to do it in a very transparent way, to make sure nobody is able to claim any defect [in the future] under the Administrative Procedure Act. That's something they will start working on in 2021."

A new administration is also likely to revisit the advisory opinion on the use of private equity in DC plans, Mike Hadley, partner at Davis & Harmon, said during the Spark Forum.

STATE PROGRAMS

A Biden administration will also be much more likely to support the automatic IRA programs that have been launched by several states, and it would likely clarify that stance in a lobbying group's lawsuit that has sought to halt California's CalSavers program, Hadley said.

The current administration has issued letters to the court voicing support for the plaintiffs, claiming that the state programs are preempted by ERISA.

"At a minimum, they might reach out to the courts and say, 'We now have a different view on that,'" Hadley said at the forum.

In the coming year, the DOL is also likely to issue a set of tips or best practices governing cybersecurity for retirement plans, he said. Congress is also looking into that subject — several members have asked the Government Accountability Office to study retirement plan cybersecurity, and a report from the group is due to come out next year, Gaston said.

ehallez@investmentnews.com

SEC's Lee says agency should consider rules for ESG investing

ALLISON HERREN LEE

BY MARK SCHOEFF JR.

THE SECURITIES and Exchange Commission should consider rules governing socially responsible investing, a member of the commission said earlier this month.

Democratic SEC Commissioner Allison Herren Lee said the regulator should contemplate standardized reporting by public companies and investment funds regarding climate risk. The agency also should think through policies and procedures for fiduciaries who guide clients on environmental, social and governance investment.

Financial institutions should "produce standardized, comparable, and reliable disclosure of their exposure to climate risks, including not just direct, but also indirect, greenhouse gas emissions associated with the financing they provide," Lee said in a speech Nov. 5 to the Practising Law Institute.

Investors need better information to build portfolios that increasingly incorporate ESG factors to maximize risk-adjusted returns, she said.

"Disclosure in this area is key, and funds and their advisers must be clear about what they mean when they use these or similar terms to describe a fund's principal strategies or risks," Lee said.

STEPPING UP OVERSIGHT

She is seeking public input on how the SEC might step up regulatory oversight of how investment advisers approach socially responsible investing.

"Should we consider policies and procedures related to climate or ESG investing?" Lee said. "Such policies and procedures might include how an adviser will assess and implement a client's ESG preferences, including with respect to asset selection and in the exercise of shareholder voting rights."

Lee's ESG focus could foreshadow a priority for the agency if Democratic presidential nominee Joe Biden is elected and the five-member commission gets a Democratic majority.

"We're going to see in the commission more appetite for ESG rulemaking and guidance," said Michael Littenberg, partner at Ropes & Gray.

Another Democratic commissioner, Caroline Crenshaw, addressed standardizing ESG disclosure during her Senate confirmation hearing earlier this year.

"We need to think through how best to provide the information investors are looking for, and that is information that is comparable and is accessible," she said in answering a question from Sen. Mark Warner, D-Va.

How much pressure Congress can put on the SEC regarding ESG policy is not clear given that Democrats will continue to have a majority in the House and Republicans could maintain control of the Senate following the election.

Most ESG legislation in the current Congress has garnered support only from Democratic lawmakers. That would make moving individual bills difficult.

"Legislation that might not pass on a stand-alone basis might be approved if it's part of a larger legislative package," Littenberg said.

Regulators have been active this year on ESG policy. The Department of Labor issued a final rule that could curb socially responsible investing in retirement accounts. Earlier this year, the SEC launched an examination of ESG disclosures by investment advisers.

mschoeff@investmentnews.com

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Top 50 equity funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Global Clean Equity Fund (CGCNX)	**48.1%**	N/A	N/A	N/A	$8.0	1.15%
2	Baron Partners Fund (BPTRX)	**47.1%**	104.8%	35.7%	28.3%	$4,796.3	2.22%
3	WP Smaller Companies Income Plus Fund (WPSMX)	**46.7%**	-12.1%	-2.1%	N/A	$7.1	3.56%
4	Baron Focused Growth Fund (BFGFX)	**43.6%**	93.9%	32.5%	25.1%	$477.7	1.35%
5	Firsthand Alternative Energy Fund (ALTEX)	**40.6%**	52.8%	19.9%	16.3%	$8.8	1.98%
6	GMO Special Opportunities Fund Class VI (GSOFX)	**35.4%**	155.9%	44.4%	31.6%	$248.4	1.22%
7	Shelton Green Alpha Fund (NEXTX)	**30.7%**	64.5%	21.0%	19.4%	$95.0	1.34%
8	Jacob Internet Fund (JAMFX)	**29.9%**	66.4%	27.1%	25.1%	$69.9	2.32%
9	Zevenbergen Genea Fund (ZVGIX)	**28.1%**	121.1%	42.1%	34.9%	$86.5	1.10%
10	American Beacon ARK Transformational Innovation Fund (ADNYX)	**27.9%**	116.3%	38.7%	N/A	$623.8	1.11%
11	Guinness Atkinson Alternative Energy Fund (GAAEX)	**26.1%**	50.8%	14.7%	9.8%	$13.1	1.98%
12	Baillie Gifford US Equity Growth Fund (BGGKX)	**26.0%**	107.0%	39.2%	N/A	$79.2	0.65%
13	Eventide Exponential Technologies Fund (ETAEX)	**25.4%**	N/A	N/A	N/A	$19.8	1.68%
14	Fidelity Select Automotive Portfolio (FSAVX)	**25.4%**	38.7%	12.9%	11.6%	$64.6	1.00%
15	US Global Investors World Precious Minerals Fund (UNWPX)	**25.0%**	60.8%	6.0%	16.8%	$106.5	1.56%
16	Morgan Stanley Institutional Discovery Portfolio (MPEGX)	**25.0%**	115.3%	49.3%	31.1%	$3,081.8	0.74%
17	Calvert Global Energy Solutions Fund (CGAEX)	**24.7%**	36.1%	11.1%	11.7%	$115.9	1.24%
18	Seven Canyons World Innovators Fund (WAGTX)	**24.2%**	53.1%	17.7%	16.8%	$186.3	1.79%
19	WP Large Cap Income Plus Fund (WPLCX)	**23.2%**	-28.2%	-4.5%	6.3%	$27.1	2.67%
20	Essex Environmental Opportunities Fund (GEOSX)	**22.7%**	23.8%	7.4%	N/A	$23.6	1.01%
21	Morgan Stanley Insight Fund (CPOAX)	**22.6%**	104.8%	45.3%	33.6%	$6,038.6	1.17%
22	Baillie Gifford International Concentrated Growth Equity (BTLKX)	**22.4%**	88.6%	N/A	N/A	$85.4	0.72%
23	Delaware Smid Cap Growth Fund (DFCIX)	**22.2%**	69.1%	35.7%	23.7%	$3,610.0	1.10%
24	Longleaf Partners Small-Cap Fund (LLSCX)	**22.2%**	-3.2%	0.3%	6.8%	$1,862.3	0.93%
25	Domini Sustainable Solutions Fund (LIFEX)	**22.1%**	N/A	N/A	N/A	$22.8	1.15%
26	Hennessy Cornerstone Mid Cap 30 Fund (HFMDX)	**22.1%**	11.7%	0.4%	2.6%	$319.4	1.36%
27	New Alternatives Fund (NALFX)	**22.1%**	37.4%	17.5%	18.9%	$313.1	1.08%
28	Berkshire Focus Fund (BFOCX)	**21.9%**	76.9%	38.0%	30.5%	$707.1	1.95%
29	Baillie Gifford Long Term Global Growth (BGLTX)	**21.8%**	103.4%	33.4%	30.6%	$560.7	0.76%
30	BNY Mellon Global Emerging Markets Fund (DGEYX)	**21.7%**	41.9%	9.0%	13.6%	$363.2	0.98%
31	Morgan Stanley Institutional Gl Endurance Port (MSJIX)	**21.7%**	73.3%	N/A	N/A	$6.5	1.00%
32	Fidelity Nordic Fund (FNORX)	**21.6%**	33.1%	8.8%	10.6%	$300.7	0.98%
33	Morgan Stanley Inst Portfolio (MSEQX)	**21.6%**	99.4%	38.1%	30.5%	$14,359.9	0.59%
34	Zevenbergen Growth Fund (ZVNIX)	**21.5%**	113.8%	41.0%	30.3%	$79.2	1.00%
35	Grandeur Peak Global Micro Cap Fund (GPMCX)	**21.2%**	40.5%	10.9%	N/A	$41.8	2.00%
36	Lord Abbett Focused Growth Fund (LFGAX)	**21.2%**	80.5%	N/A	N/A	$27.4	1.05%
37	Sparrow Growth Fund (SGFFX)	**21.1%**	82.3%	31.4%	22.6%	$46.0	2.21%
38	Baillie Gifford Positive Change Equities Fund (BPESX)	**21.1%**	83.5%	N/A	N/A	$66.2	0.65%
39	Transamerica Capital Growth (IALAX)	**20.9%**	97.1%	36.6%	29.4%	$4,208.6	1.14%
40	Morgan Stanley Inst Emerging Markets Leaders (MELSX)	**20.9%**	42.0%	13.4%	13.0%	$75.2	1.10%
41	Baillie Gifford International Smaller Co Fund (BICIX)	**20.9%**	42.1%	N/A	N/A	$1.6	0.90%
42	Alger Mid Cap Growth Institutional Fund (ALMRX)	**20.8%**	44.7%	20.2%	17.6%	$109.4	1.35%
43	Rydex Transportation Fund (RYPIX)	**20.7%**	20.6%	4.9%	9.1%	$26.9	1.48%
44	Quantified STF Fund (QSTFX)	**20.5%**	82.4%	23.3%	N/A	$120.5	1.70%
45	Virtus Zevenbergen Innovative Growth Stock Fund (SCATX)	**20.5%**	108.0%	41.5%	30.7%	$976.1	1.00%
46	One Rock Fund (ONERX)	**20.3%**	N/A	N/A	N/A	$4.7	1.78%
47	VanEck Global Hard Assets Fund (GHAAX)	**20.3%**	4.6%	-6.2%	-0.1%	$501.5	1.38%
48	Alger Mid Cap Growth Fund (AMCGX)	**20.1%**	44.4%	20.0%	16.9%	$237.9	2.04%
49	BlackRock US Impact Fund (BUAMX)	**20.1%**	N/A	N/A	N/A	$6.0	1.10%
50	Mercator International Opportunity Fund (MOPPX)	**20.0%**	39.1%	N/A	N/A	$20.7	1.41%

Source: Data from Refinitiv Lipper; ex-conventional mutual funds, ex-leveraged, and ex-dedicated short bias. Data through Sept. 30, 2020.

Top 25 equity funds ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	MFS International Large Cap Value Fund (MKVBX)	**$2,819.3**	1.8%	N/A	N/A	N/A	$2,797.0	0.96%
2	Fidelity 500 Index Fund (FXAIX)	**$2,757.5**	8.9%	15.1%	12.3%	14.1%	$252,105.0	0.02%
3	JPMorgan Hedged Equity Fund (JHEQX)	**$2,458.0**	4.8%	13.3%	8.0%	9.4%	$11,307.1	0.60%
4	Goldman Sachs GQG Partners Intl Oppt (GSIMX)	**$2,365.6**	8.8%	18.3%	11.4%	N/A	$12,632.1	0.85%
5	T. Rowe Price Value Fund (TRVLX)	**$1,970.5**	7.9%	-2.7%	4.1%	8.6%	$26,833.3	0.78%
6	Strategic Advisers Fidelity US Total Stock Fund (FCTDX)	**$1,770.2**	8.6%	16.4%	N/A	N/A	$39,954.3	0.34%
7	MFS Growth Fund (MEGBX)	**$1,700.1**	10.6%	31.0%	21.2%	18.9%	$36,699.5	1.66%
8	MFS International Diversification Fund (MDIJX)	**$1,594.2**	7.9%	11.0%	6.4%	9.5%	$26,291.8	0.85%
9	American Funds American Balanced Fund (ABALX)	**$1,546.7**	4.1%	9.1%	7.7%	9.5%	$169,031.3	0.59%
10	Franklin DynaTech Fund (FKDNX)	**$1,495.9**	12.4%	47.5%	26.4%	24.0%	$18,364.0	0.86%
11	Fidelity Strategic Advisers Fidelity Intl Fund (FUSIX)	**$1,311.6**	6.5%	7.8%	3.6%	6.7%	$12,354.0	0.66%
12	Columbia Dividend Income Fund (GSFTX)	**$1,267.9**	6.3%	3.5%	8.3%	11.8%	$23,802.2	0.71%
13	T. Rowe Price US Equity Research Fund (PRCOX)	**$1,169.8**	9.3%	15.5%	12.4%	14.4%	$4,553.1	0.50%
14	Fidelity Advisor Growth Opportunities Fund (FAGOX)	**$1,047.9**	17.0%	62.8%	34.0%	26.9%	$15,985.0	1.34%
15	Fidelity SAI US Low Volatility Index Fund (FSUVX)	**$1,005.4**	7.6%	7.3%	11.5%	13.0%	$5,275.2	0.12%
16	American Century NT Large Company Value Fund (ACLLX)	**$980.2**	6.4%	-2.8%	4.1%	8.1%	$2,395.8	0.01%
17	WCM Focused Intl Growth Fund (WCMIX)	**$973.0**	8.7%	24.6%	14.4%	14.8%	$17,534.3	1.04%
18	BlackRock Mid-Cap Growth Equity Portfolio (CMGIX)	**$887.3**	9.7%	28.0%	21.4%	19.8%	$10,348.0	0.80%
19	JPMorgan Large Cap Growth Fund (SEEGX)	**$883.5**	16.4%	53.6%	28.2%	23.2%	$27,995.8	0.69%
20	Fidelity Growth Company K6 Fund (FGKFX)	**$857.2**	18.3%	67.9%	N/A	N/A	$6,520.2	0.45%
21	Vanguard International Growth Fund (VWIGX)	**$824.3**	16.2%	49.1%	15.9%	18.4%	$55,386.8	0.43%
22	BlackRock Systematic Multi-Strategy Fund (BIMBX)	**$794.2**	0.1%	3.9%	5.7%	6.2%	$2,281.5	0.97%
23	MFS Mid Cap Growth Fund (OTCAX)	**$777.6**	11.3%	25.0%	19.6%	17.5%	$11,730.5	1.09%
24	Fidelity Adv Intl Capital Appreciation Fund (FCPIX)	**$691.5**	10.8%	18.4%	10.2%	11.9%	$5,612.6	0.99%
25	MFS Emerging Markets Equity Fund (MEMAX)	**$682.9**	8.8%	4.7%	0.6%	7.8%	$4,888.7	1.31%

Top 25 equity ETFs ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total Stock Market Index Fund (VTSMX)	**-$21,118.4**	9.2%	14.9%	11.5%	13.5%	$937,613.2	0.14%
2	Vanguard Total Intl Stock Index Fund (VGTSX)	**-$9,143.7**	6.5%	3.7%	1.2%	6.2%	$294,532.7	0.17%
3	Vanguard 500 Index Fund (VFINX)	**-$7,558.4**	8.9%	15.0%	12.1%	14.0%	$572,978.3	0.14%
4	Vanguard Institutional Index Fund (VINIX)	**-$5,250.6**	8.9%	15.1%	12.2%	14.1%	$239,513.3	0.04%
5	Fidelity Contrafund (FCNTX)	**-$4,898.7**	11.8%	35.1%	18.4%	17.7%	$130,709.0	0.85%
6	American Funds EuroPacific Growth Fund (AEPGX)	**-$3,771.8**	9.6%	14.5%	5.3%	8.7%	$164,183.8	0.84%
7	American Funds Growth Fund of America (AGTHX)	**-$3,376.2**	11.0%	32.1%	16.5%	16.8%	$225,348.7	0.65%
8	Vanguard PRIMECAP Fund (VPMCX)	**-$2,619.6**	9.7%	15.1%	11.3%	14.9%	$64,323.1	0.38%
9	T. Rowe Price Growth Stock Fund (PRGFX)	**-$2,446.1**	12.2%	34.6%	18.8%	18.4%	$64,142.1	0.65%
10	Vanguard Small-Cap Index Fund (NAESX)	**-$2,440.5**	5.8%	1.2%	4.3%	8.8%	$89,848.8	0.17%
11	Vanguard Wellington Fund (VWELX)	**-$2,352.9**	5.9%	7.5%	8.1%	9.9%	$107,299.1	0.25%
12	American Funds Investment Co of America (AIVSX)	**-$2,267.6**	6.7%	12.7%	8.3%	11.7%	$99,054.0	0.59%
13	Dodge & Cox International Stock Fund (DODFX)	**-$2,200.1**	0.4%	-9.4%	-5.8%	2.2%	$35,106.3	0.63%
14	Vanguard Mid-Cap Index Fund (VMCIX)	**-$2,136.8**	7.9%	7.1%	8.0%	10.3%	$113,314.6	0.04%
15	American Funds Fundamental Investors (ANCFX)	**-$2,084.0**	6.9%	11.9%	8.6%	12.5%	$103,257.9	0.62%
16	Fidelity Advisor New Insights Fund (FINSX)	**-$2,083.1**	11.4%	23.9%	14.6%	15.3%	$24,221.0	0.84%
17	Franklin Income Fund (FKINX)	**-$2,035.2**	2.4%	-4.4%	0.7%	5.3%	$63,685.3	0.62%
18	Fidelity Growth Company Fund (FDGRX)	**-$1,992.7**	17.7%	67.3%	27.2%	25.0%	$57,188.9	0.83%
19	T. Rowe Price New Horizons Fund (PRNHX)	**-$1,990.4**	12.6%	48.0%	26.7%	23.7%	$34,191.5	0.76%
20	American Funds Capital World Gro & Inc Fd (CWGIX)	**-$1,978.5**	7.0%	10.1%	6.0%	9.4%	$97,794.8	0.78%
21	American Funds Capital Income Builder (CAIBX)	**-$1,869.4**	2.0%	-0.6%	1.8%	5.2%	$96,276.0	0.61%
22	Dodge & Cox Stock Fund (DODGX)	**-$1,866.0**	4.3%	-2.4%	2.8%	9.1%	$60,597.4	0.52%
23	Principal Diversified International Fund (PINPX)	**-$1,717.3**	9.2%	8.9%	1.4%	6.1%	$11,774.1	0.99%
24	American Funds Income Fund of America (AMECX)	**-$1,596.7**	5.0%	1.8%	4.1%	7.4%	$108,079.5	0.58%
25	American Funds AMCAP Fund (AMCPX)	**-$1,548.7**	6.2%	20.2%	12.4%	13.5%	$72,268.7	0.69%

Source: Data from Refinitiv Lipper; ex-conventional mutual funds, ex-leveraged, and ex-dedicated short bias; Data through Sept. 30, 2020. *Portfolio estimated new flows.

Top 50 fixed-income funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	HCM Income Plus Fund (HCMEX)	**10.6%**	34.8%	12.0%	N/A	$267.0	1.70%
2	AlphaCentric Income Opportunities Fund (IOFIX)	**10.4%**	-13.1%	0.2%	4.9%	$3,315.4	1.50%
3	Preferred Plus (IPPPX)	**9.9%**	4.0%	N/A	N/A	$10.6	1.62%
4	Catalyst/SMH High Income Fund (HIIFX)	**7.3%**	5.1%	3.6%	9.2%	$17.3	1.48%
5	Ivy High Income Fund (WRHIX)	**7.0%**	-0.7%	1.5%	4.1%	$3,967.8	1.66%
6	Fidelity Advisor High Income Advantage Fund (FAHYX)	**6.8%**	3.3%	3.9%	6.6%	$1,494.0	1.00%
7	Victory High Yield Fund (GUHYX)	**6.7%**	3.3%	5.6%	7.4%	$213.9	1.00%
8	Miller Intermediate Bond Fund (MIFIX)	**6.5%**	9.0%	4.8%	5.4%	$77.5	0.95%
9	Mesirow Financial High Yield Fund (MFHIX)	**6.5%**	0.6%	N/A	N/A	$47.6	0.77%
10	Fidelity Capital & Income Fund (FAGIX)	**6.5%**	4.6%	4.7%	6.8%	$11,277.0	0.67%
11	Fidelity Real Estate High Income Fund	**6.4%**	-9.5%	0.8%	1.9%	$715.1	0.80%
12	Lord Abbett Inflation Focused Fund (LIFIX)	**6.3%**	3.4%	1.7%	2.4%	$627.9	0.49%
13	American Beacon SiM High Yield Opportunities (SHOYX)	**6.2%**	1.1%	3.7%	5.9%	$1,166.4	0.91%
14	Guggenheim Macro Opportunities Fund (GIOIX)	**6.1%**	5.8%	3.2%	4.4%	$4,851.0	1.02%
15	Pimco Lg-Tr Real Return Fund (PRAIX)	**6.0%**	23.0%	12.4%	9.6%	$737.8	1.07%
16	Loomis Sayles Inst High Income Fund (LSHIX)	**6.0%**	-1.0%	1.3%	5.0%	$516.8	0.68%
17	Ashmore Emerging Mkts Short Duration Fund (ESFIX)	**6.0%**	-11.5%	-3.5%	4.4%	$527.5	0.67%
18	Holbrook Income Fund (HOBIX)	**6.0%**	2.8%	3.7%	N/A	$146.3	1.31%
19	Manning & Napier High Yield Bond Series (MNHYX)	**5.9%**	3.1%	4.2%	6.3%	$141.2	0.91%
20	Diamond Hill High Yield Fund (DHHIX)	**5.9%**	9.8%	8.1%	N/A	$543.3	0.67%
21	PIA High Yield Fund (PHYSX)	**5.9%**	2.8%	3.2%	5.7%	$52.3	0.87%
22	SEI Inst Inv High Yield Bond Fund (SGYAX)	**5.9%**	0.7%	3.3%	6.1%	$2,522.5	0.56%
23	PIA High Yield MACS Fund (PIAMX)	**5.9%**	3.7%	N/A	N/A	$113.6	0.25%
24	Victory Floating Rate Fund (RSFYX)	**5.9%**	2.7%	3.8%	4.8%	$545.7	0.78%
25	First Eagle High Income (FEHIX)	**5.8%**	3.4%	3.7%	5.3%	$226.4	0.95%
26	Artisan High Income Fund (APDFX)	**5.7%**	5.3%	5.0%	7.3%	N/A	0.84%
27	Franklin Templeton SMACS (FQTIX)	**5.7%**	-5.3%	N/A	N/A	$3.5	0.00%
28	Pimco Intl Bond Fund (Unhedged) (PFUIX)	**5.7%**	6.8%	2.7%	4.3%	$1,265.0	0.63%
29	Lord Abbett High Yield Fund (LHYAX)	**5.7%**	0.3%	2.4%	5.6%	$7,929.3	0.91%
30	Matisse Discounted Bond CEF Strategy (MDFIX)	**5.6%**	N/A	N/A	N/A	$18.4	2.61%
31	Cohen & Steers Preferred Securities and In SMA Shares (PISHX)	**5.6%**	5.4%	N/A	N/A	$262.1	0.01%
32	American Century NT High Income Fund (AHGNX)	**5.6%**	2.7%	3.8%	N/A	$989.2	0.01%
33	SEI Inst Mgd High Yield Bond Fund (SHYAX)	**5.6%**	-0.5%	2.5%	5.5%	$1,424.6	0.98%
34	Buffalo High Yield Fund (BUFHX)	**5.6%**	4.5%	3.9%	4.8%	$243.9	1.03%
35	American Funds American High-Income Trust (AHITX)	**5.5%**	2.7%	3.2%	5.7%	$16,736.8	0.73%
36	DDJ Opportunistic High Yield Fund (DDJIX)	**5.5%**	0.0%	1.4%	5.0%	$139.1	0.79%
37	PGIM Floating Rate Income Fund (FRFZX)	**5.5%**	1.5%	2.9%	3.8%	$326.5	0.72%
38	Westwood High Income Fund (WHGHX)	**5.5%**	7.8%	5.3%	5.4%	$73.8	0.67%
39	American Century High Income Fund (NPHIX)	**5.5%**	3.2%	3.9%	6.4%	$829.3	0.59%
40	Nuveen Preferred Securities and Income Fund (NPSRX)	**5.5%**	2.6%	3.6%	5.7%	$3,934.9	0.78%
41	Destra Flaherty & Crumrine Preferred & Income Fund (DPIIX)	**5.4%**	2.2%	4.0%	6.1%	$281.5	1.22%
42	BNY Mellon International Bond Fund (DIBRX)	**5.4%**	2.5%	0.6%	2.6%	$419.6	0.66%
43	Pacific Funds High Income (PLHIX)	**5.4%**	1.7%	3.5%	5.9%	$139.7	0.71%
44	VanEck Emerging Markets Bond Fund (EMBUX)	**5.4%**	7.9%	3.0%	5.7%	$26.3	0.96%
45	Great-West High Yield Bond Fund (MXHYX)	**5.4%**	7.2%	4.8%	6.6%	$261.1	1.10%
46	Northern Multi-Manager High Yield Opportunity Fund (NMHYX)	**5.4%**	1.2%	2.4%	5.5%	$181.8	0.86%
47	Morgan Stanley Inst High Yield Portfolio (MSYIX)	**5.4%**	0.1%	3.3%	5.5%	$183.7	0.65%
48	T. Rowe Price Dynamic Credit Fund (RPIDX)	**5.3%**	0.6%	N/A	N/A	$46.3	0.64%
49	BMO Strategic Income Fund (MRGIX)	**5.2%**	7.3%	5.1%	4.5%	$70.8	0.80%
50	Penn Capital Multi-Credit High Income Fund (PHYNX)	**5.2%**	-1.7%	2.1%	N/A	$18.3	0.72%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged, and ex-dedicated short bias. Data through Sept. 30, 2020

Top 25 fixed-income funds ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total Bond Market II Index Fund (VTBIX)	**$9,700.4**	0.6%	6.6%	5.1%	4.0%	$202,434.8	0.09%
2	Vanguard Total Bond Market Index Fund (VBMFX)	**$6,677.8**	0.6%	6.9%	5.2%	4.1%	$291,497.8	0.15%
3	American Funds Bond Fund of America (ABNDX)	**$5,282.7**	1.0%	9.5%	5.5%	4.4%	$64,961.5	0.61%
4	Vanguard Total International Bond Index Fund (VTABX)	**$4,957.0**	1.1%	2.1%	5.1%	4.3%	$156,820.0	0.11%
5	Vanguard Short-Term Investment-Grade Fund (VFSTX)	**$3,752.9**	0.9%	4.8%	3.5%	3.0%	$66,841.8	0.20%
6	Fidelity SAI Low Duration Income Fund (FZOLX)	**$3,659.6**	N/A	N/A	N/A	N/A	$3,659.6	0.22%
7	Vanguard Ultra-Short-Term Bond Fund (VUSFX)	**$3,571.8**	0.5%	2.5%	2.5%	2.0%	$12,887.0	0.10%
8	Fidelity US Bond Index Fund (FXNAX)	**$3,323.9**	0.4%	7.1%	5.2%	4.1%	$55,267.9	0.03%
9	PGIM Total Return Bond Fund (PDBAX)	**$3,203.5**	1.7%	5.6%	5.3%	4.9%	$61,205.3	0.76%
10	MetWest Total Return Bond Fund (MWTRX)	**$3,048.1**	1.2%	7.8%	5.5%	4.2%	$89,353.9	0.68%
11	Baird Aggregate Bond Fund (BAGIX)	**$2,934.6**	1.1%	7.8%	5.6%	4.7%	$30,161.7	0.30%
12	Guggenheim Total Return Bond Fund (GIBIX)	**$2,837.7**	2.7%	11.2%	6.2%	5.9%	$21,329.6	0.52%
13	JPMorgan Managed Income Fund (JMGIX)	**$2,672.6**	0.2%	1.7%	2.2%	1.7%	$16,167.5	0.25%
14	Vanguard Intermediate-Term Tax-Exempt Fd (VWITX)	**$2,407.8**	1.3%	4.1%	3.9%	3.5%	$78,195.9	0.17%
15	Eaton Vance Short Duration Government Income Fd (EALDX)	**$2,318.8**	0.3%	2.5%	2.1%	1.8%	$8,147.1	0.85%
16	American Funds Intmdt Bond Fund of America (AIBAX)	**$2,232.4**	0.7%	7.1%	3.8%	2.7%	$27,521.3	0.64%
17	Vanguard Inflation-Protected Securities Fund (VIPSX)	**$2,107.8**	2.9%	9.6%	5.5%	4.3%	$33,011.8	0.20%
18	American Funds Strategic Bond Fund (ANBAX)	**$2,017.1**	1.5%	17.1%	7.8%	N/A	$4,647.5	0.82%
19	Western Asset Core Bond Fund (WATFX)	**$1,994.6**	1.5%	7.7%	5.7%	5.1%	$18,633.5	0.45%
20	JPMorgan Short Duration Bond Fund (HLLVX)	**$1,964.6**	0.6%	4.3%	3.0%	2.1%	$5,114.8	0.34%
21	Dodge & Cox Income Fund (DODIX)	**$1,962.3**	1.5%	7.7%	5.5%	5.2%	$67,010.2	0.42%
22	Vanguard Short-Term Bond Index Fund (VBISX)	**$1,909.3**	0.3%	4.7%	3.3%	2.4%	$58,811.8	0.15%
23	Fidelity Series Investment Grade Bond Fund (FSIGX)	**$1,882.1**	1.5%	8.5%	5.9%	5.1%	$35,640.4	0.00%
24	Western Asset Core Plus Bond Fund (WACPX)	**$1,843.9**	1.8%	7.5%	5.6%	5.7%	$36,494.2	0.45%
25	Fidelity Total Bond Fund (FTBFX)	**$1,781.2**	1.8%	7.9%	5.5%	5.1%	$31,308.1	0.45%

Top 25 fixed-income funds ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Fidelity Conservative Income Bond Fund (FCNVX)	**-$5,216.9**	0.28%	1.75%	2.09%	1.71%	$7,799.3	0.25%
2	Fidelity Strategic Advisers Short Duration Fund (FAUDX)	**-$2,939.5**	0.54%	2.68%	2.48%	2.14%	$5,114.5	0.38%
3	Fidelity Short-Term Bond Fund (FSHBX)	**-$2,272.1**	0.48%	3.89%	2.85%	2.21%	$3,261.3	0.45%
4	Templeton Global Bond Fund (TPINX)	**-$2,038.6**	-0.76%	-3.74%	-1.77%	1.45%	$17,547.3	0.92%
5	Fidelity Strategic Advisers Core Income Fund (FPCIX)	**-$1,638.2**	1.57%	7.68%	5.48%	4.93%	$39,793.9	0.44%
6	T. Rowe Price New Income Fund (PRCIX)	**-$900.4**	1.40%	4.53%	4.30%	3.70%	$21,749.2	0.50%
7	Pimco Lg-Tr Real Return Fund (PRAIX)	**-$837.6**	6.05%	23.04%	12.40%	9.59%	$737.8	1.07%
8	Pimco Extended Duration Fund (PEDIX)	**-$745.9**	0.02%	20.41%	15.35%	10.84%	$1,297.1	1.71%
9	BlackRock Strategic Municipal Opps Fund (MAMTX)	**-$680.2**	1.62%	-2.13%	1.99%	3.20%	$8,464.6	0.71%
10	Pimco Long-Term US Government Fund (PGOVX)	**-$645.2**	-0.08%	16.33%	11.42%	7.97%	$833.4	1.86%
11	Pimco Long-Term Cr Bd Fund (PTCIX)	**-$581.2**	2.28%	8.83%	8.94%	9.74%	$3,485.3	0.84%
12	Lord Abbett Floating Rate Fund (LFRFX)	**-$544.0**	3.82%	-4.47%	0.76%	2.66%	$5,835.9	0.71%
13	Vanguard Long-Term Bond Index Fund (VBLLX)	**-$529.5**	1.13%	12.86%	10.23%	8.77%	$11,714.8	0.05%
14	Fidelity Advisor Floating Rate High Income Fund (FFRIX)	**-$526.5**	3.64%	-0.80%	2.35%	3.46%	$6,649.7	0.74%
15	Invesco Senior Floating Rate Fund (OOSAX)	**-$474.8**	3.20%	-8.46%	-2.07%	1.05%	$3,961.2	1.11%
16	Fidelity New Markets Income Fund (FNMIX)	**-$451.7**	2.12%	1.28%	0.28%	5.12%	$7,096.1	0.82%
17	Wells Fargo Short-Term Muni Bond Fund (WSBIX)	**-$420.7**	0.68%	1.93%	1.96%	1.64%	$2,923.9	0.40%
18	Thompson Bond Fund (THOPX)	**-$409.2**	2.29%	-3.48%	0.91%	3.05%	$2,390.8	0.71%
19	Templeton Global Total Return Fund (TTRZX)	**-$408.9**	-0.58%	-4.69%	-1.46%	2.20%	$2,480.7	0.76%
20	Loomis Sayles Bond Fund (LSBDX)	**-$403.8**	2.92%	-0.73%	1.68%	3.99%	$9,051.3	0.67%
21	American Funds Tax-Exempt Bond Fund of America (AFTEX)	**-$387.6**	1.31%	3.18%	3.88%	3.57%	$24,227.5	0.54%
22	Nuveen High Yield Municipal Bond Fund (NHMRX)	**-$369.1**	0.95%	-1.19%	4.52%	5.40%	$18,839.5	0.99%
23	Hotchkis & Wiley High Yield Fund (HWHIX)	**-$360.1**	5.19%	-1.80%	0.87%	4.31%	$1,252.7	0.70%
24	American Funds Mortgage Fund (MFAAX)	**-$345.1**	0.40%	6.39%	3.57%	2.85%	$7,267.9	0.71%
25	Neuberger Berman High Income Bond Fund (NHINX)	**-$342.1**	4.88%	2.25%	3.40%	5.50%	$1,534.6	0.86%

Source: Data from Refinitiv Lipper; primary share only; ex-ETFs, ex-money market, ex-leveraged, and ex-dedicated short bias. Data through Sept. 30, 2020 *Portfolio estimated net flows.

What a Biden SEC means for Reg BI

BY MARK SCHOEFF JR.

THE ROSTER OF President-elect Joe Biden's transition team for financial regulation has investor advocates hopeful that a Biden administration Securities and Exchange Commission will revisit the new broker investment advice standard.

The group that is reviewing the policy and operations of the SEC and banking regulators includes several figures who have been at the forefront of financial reform in Democratic administrations or while working for Democratic lawmakers and regulators.

The team is headed by former Commodity Futures Trading Commission chair Gary Gensler, who garnered a reputation for being tough on Wall Street following the financial crisis.

Members include strong supporters of a fiduciary standard for investment advice, such as Dennis Kelleher, chief executive of Better Markets.

Other participants worked for lawmakers and regulators who fought for a fiduciary standard. For instance, Amanda Fischer is a former aide to Rep. Katie Porter, D-Calif., and House Financial Services Chairwoman Maxine Waters, D-Calif. Satyam Khanna was a counsel to former SEC Democratic member Robert Jackson Jr.

REFORMS PROMISED

The Democratic Party platform included a plank that promised reform of Trump administration investment advice rules, presumably referring to Regulation Best Interest, which now governs brokers, and the Department of Labor's revised fiduciary rule, which could be finalized soon.

Investor advocates criticize Reg BI and the DOL proposal as being too weak to curb broker conflicts of interest. They say the transition points to the Biden administration following through on taking another look at advice reform.

"The choice of a review team with so many strong, progressive voices on it reaffirms my confidence," said Barbara Roper, director of investor protection at the Consumer Federation of America.

Knut Rostad, president of the Institute for the Fiduciary Standard, is enthusiastic not only about Gensler but also about the appointment of former Sen. Ted Kaufman, D-Del., as overall head of the transition.

Kaufman, who was an aide to Biden when Biden was a senator and then replaced him on an interim basis when Biden became vice president in 2009, championed banking reforms on Capitol Hill.

NEW APPROACH

Rostad foresees a new approach to financial regulation. "There's good reason to be optimistic," he said. "History repeats. Think Roosevelt in 1933 and Biden in 2020. With Kaufman and Gensler, the blueprint is clear."

But Jaret Seiberg, managing director at Cowen Group, cautioned against reading too much into the transition team roster.

"There is not going to be a radical shift in policy just because there is someone who advocated radical policy developments on the transition team or within the broader Biden administration," Seiberg wrote in a recent analysis. "What matters most are those who are put in charge of the departments and agencies as well as those who have power within the White House."

The SEC will have a 3-2 Democratic majority during the Biden administration. Whoever is chosen as chair will dictate the agenda, select division heads and have the most influence on the agency's regulatory philosophy — including how it interprets and enforces Reg BI.

mschoeff@investmentnews.com

RIA CRACKDOWN

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tions, managing and disclosing conflicts of interest and allocating investments.

The alert highlighted shortcomings related to recommendations of high-fee mutual funds.

"Advisers purchased share classes of mutual funds that charged 12b-1 fees instead of lower cost share classes of the same mutual funds that were available to clients," the alert states. "The advisers stood to benefit from the clients paying for higher cost share classes, which created a conflict of interest that was not disclosed to clients."

There were also problems in the management of wrap-fee programs.

"Advisers failed to adequately assess whether programs were in the best interests of clients, erroneously charged commissions, misrepresented or failed to have appropriate disclosures regarding their wrap fee program (i.e., fees, trading away practices, and delegation of responsibility), or failed to implement appropriate oversight of trading away practices, including monitoring whether subadvisers traded away," the alert states. "These practices typically caused clients to incur additional costs, such as ticket charges and other fees."

The risk alert's observations were based on 40 examinations of advisers' main offices combined with one or more examinations of branch offices. Most of the advisers in the sweep had more than 10 branch offices and collectively managed approximately $110 billion in assets for about 185,000 clients.

mschoeff@investmentnews.com

PEP PLANS

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do so, based on public comments. The regulator will require PPPs to disclose ongoing criminal cases, though it will allow registrants to later remove that information from their files if they are acquitted, according to the final rule.

"Our position is always that more disclosure is better," said Terry Power, president of The Platinum 401k, who is planning to register as a PPP. Power is also considering building a website that would make the forthcoming PEPs provider database more accessible, he said.

"We're encouraging people to know who their PPPs are, because it's an important part of the [vetting] process," he said.

CONFLICTS OF INTEREST

The DOL is also mandating that PPPs disclose the names of any affiliates that will provide services to their plans, a requirement that could identify conflicts of interest. That is a slight change from the proposed rule, which would have asked PPPs to further explain the nature of their relationship with those entities.

"A chief concern of the Department is conflicts of interest," the DOL wrote in the rule. "Pooled plan providers are in a unique statutory position in that they are granted full discretion and authority to establish the plan and all of its features, administer the plan and to act as a fiduciary, hire service providers and select investments and investment managers."

As long as the registration process is not too onerous, there does not appear to be anything negative about the requirements, Michel said.

"This is something new. The intention is good. [With] the idea that folks who want to raise their hand, stand up and be a fiduciary for multiple organizations' retirement plans, registration is a way for the regulators to get an understanding of what's going on in the marketplace," she said. "It's good to have oversight for those organizations that are newly creating plans."

ehallez@investmentnews.com

MARKET SURGE

CONTINUED FROM PAGE 2

market environment."

Especially during milestone events like the presidential election that can translate into increased trading volumes, firms will need take a second look at their systems to avoid these type of issues in the future, said William Troiut, director of wealth management at Javelin Strategy & Research.

On top of that, hindsight should enable online brokerages to better prepare for more market surges given today's volatile economic, political and social environment, he said.

"Since the start of the pandemic, there has been a quantum leap in market participation among investors, both the self-directed kind and those using a digital or human adviser," Trout said. "Brokerages have responded by expanding operational capacity consistent with the demands of a remote environment and the need for secured connectivity — more action may be needed."

TWITTER RESPONSE

Schwab took to Twitter to address its technical issues, including clients having trouble logging in. "Some Schwab applications experienced technical issues … which were resolved later in the morning," a company spokesperson said in a statement. "We have since been working to address client questions as quickly as possible. We apologize for any inconvenience this may have caused our clients."

TD Ameritrade, too, attributed its login issues across multiple TD Ameritrade platforms to the day's "unprecedented volumes of activity," a company spokesperson wrote in an email.

"Due to unprecedented volumes of activity, we encountered login issues across multiple TD Ameritrade platforms that impacted some clients' ability to log in," the spokesperson said. "The issue has been resolved and clients are able to access all TD Ameritrade platforms as usual. We apologize for the inconvenience and take the performance and reliability of our trading platforms very seriously."

While Merrill Lynch did not have any outages last Monday, the firm said record trading volume resulted in slowness or login issues for some customers.

Similarly, Fidelity's "slower processing speeds for a short period at market open" were due to "extremely high volumes, but trades were processed," a spokesperson confirmed.

"ONLINE BROKERS SELL THE PERCEPTION OF REAL-TIME TRADING."

SOPHIE SCHMITT, AITE GROUP

While it was unclear how many customers of the brokers were unable to get timely access and make trades, clients voice their frustration at being locked out of accounts on social media.

Firms have experienced technical difficulties in the past when markets spiked or plunged. More than two years ago, a group of wealth management firms went dark after a market drop pushed Fidelity, TD Ameritrade, T. Rowe Price, Betterment and Wealthfront to be either temporarily inaccessible or perform slower than usual. In March, a similar outage occurred at Robinhood.

ETrade and Vanguard did not respond to requests for comment.

ncasperson@investmentnews.com

MEDICARE

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spending legislation to offset a rise in the premium that CMS actuaries projected could have been as much as $50 per month for some beneficiaries in 2021.

High-income retirees are also subject to monthly surcharges on their Medicare prescription drug plans, ranging from an extra $12.30 per month per person to an extra $77.10 per month per person on top of their monthly premium. Medicare drug plans are run by private insurers and costs vary widely.

Normally, Medicare Part B premiums and IRMAA surcharges are deducted directly from monthly Social Security benefits, resulting in a smaller net Social Security benefit. People who have not yet claimed Social Security or are not eligible for Social Security are billed directly by Medicare.

HIGH-INCOME RETIREES

The Medicare premium and surcharge announcement from CMS follows last month's announcement by the Social Security Administration's announcement of a 1.3% cost-of-living adjustment for 2021, one of the smallest COLAs on record. SSA said the average Social Security benefit for a retired worker will rise by $20 a month to $1,543 in 2021, while the average benefit for a retired couple will grow $33 a month to $2,596. The higher Medicare Part B premium will reduce retirees' net monthly Social Security payments.

CMS says 7% of recipients will have to pay income-related surcharges.

For example, an individual earning more than $88,000, but less than or equal to $111,000, will pay $207.90 in total a month for Part B premiums in 2021, including a $59.40 surcharge. That's up 2.7% from a total monthly payment of $202.40 per person 2020, including a $57.80 surcharge.

At the top end of the sliding income scale, the wealthiest retirees — singles with $500,000 of income or more and couples with $750,000 of income or more — will face total premiums of $504.90 a month per person, including a $356.40 surcharge, in 2021. That comes to $12,117.60 a year for a married couple.

The table shows the combined impact of monthly Medicare Part B premiums and surcharges for 2021 based on tax-filing status and modified adjusted gross income in 2019. MAGI includes adjusted gross income plus any tax-free interest from municipal bonds.

HOW TO APPEAL A SURCHARGE

In some cases, clients can appeal a Medicare premium surcharge if they have experienced a life-changing event that caused their income to decrease or if they can prove that the income information that Social Security used to determine the IRMAA premium is incorrect or outdated.

Social Security considers any of the following situations to be life-changing events: the death of a spouse; marriage, divorce or annulment; retirement or reduced work hours for one or both spouses; loss of income-producing property due to natural disaster; or loss of a pension.

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
mbfranklin@investmentnews.com

FINTECH

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ents than are currently served on the Wealthfront platform.

By increasing access to financial planning, these incumbents are creating an avenue to other offerings like digital advice products. Life Plan, which gives three million clients access to Bank of America advisers, creates a natural funnel for those clients to graduate to premium services like Merrill Edge.

NOT BETTING THE HOUSE

Wealth management has largely been insulated from massive fintech disruption that has hit other industries — like accounting firms with TurboTax, or car dealerships with Carvana — in large part because it's a relationship-based business that relies heavily on the empathy only other human beings provide.

After all, creating a plan isn't about portfolio management and inexpensive access to ETFs. It's increasingly tied to understanding clients' emotional relationship to money and how their financial plan helps achieve long-term goals.

I'm not betting the house that a financial services app takes over wealth management or that an obscure fintech sparks a race to zero on fees on assets under management, like Robinhood and its commission-free trades.

But we know fintech has the power to change the landscape, and for digital advice startups, financial planning software would make an ideal beachhead.

sallocca@investmentnews.com

GRIDLOCK

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Since 1988, the S&P 500 Index has gained an average of 13% in the 12-month periods following presidential elections, which compares to an 8% average gain for the same period in non-election years.

Based on that data, combined with the prospect for a divided government, Haverland said the outlook favors U.S. equities over international equities and large-cap stocks over small-cap stocks.

"Despite our preference for a Republican president, and despite our suspicion that the election was fraught with fraud at every turn, we believe the S&P will progress and the economy will move forward," said Tim Holsworth, president of AHP Financial Services.

Jon Ulin, managing principal of Ulin & Co., is also "bullish on stocks going into 2021 under a Biden presidency."

"A split Congress is positive news for the stock market as it will not be anytime soon that President-elect Biden will raise taxes along with increasing regulations on oil, energy, banks and investment companies, all of which may create uncertainty and headwinds for stocks," Ulin said. "Biden's goal to expand stimulus measures from individuals to businesses will again juice spending, the economy and stocks as we saw this happen in the second half of 2020."

jbenjamin@investmentnews.com

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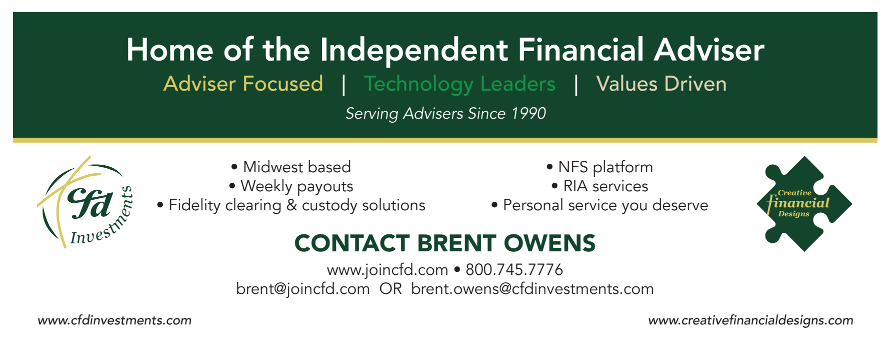

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22724 (11/20)