JANUARY 25-29, 2021

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CAPITOL GAINS?

THE UNCERTAINTY THAT ADVISERS AND THE REST OF THE COUNTRY HAVE BEEN FEELING DOESN'T END AUTOMATICALLY AS THE BALANCE OF POWER SHIFTS IN WASHINGTON

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Morgan Stanley adds nearly 500 advisers

BY BRUCE KELLY

FOR YEARS, A STEADY stream of financial advisers has left Wall Street wirehouses and regional brokerage firms to open registered investment advisory firms, where they pocket a larger percentage of the revenue stream and build businesses they can later sell, adding to the incentive.

But in 2020, Morgan Stanley saw that movement tip in the opposite direction, with more advisers joining the firm or staying put than jumping to an independent RIA, according to CEO James Gorman.

Like some of its competitors, Morgan Stanley said a few years ago it was cutting back on recruiting advisers, which is expensive. But in 2020 it used recruiting from competitors and its purchase of ETrade Financial to increase its head count to 15,950 at the end of the year, a net addition of 482, or 3.1% above its prior year total.

NO ATTRITION

Gorman, who worked at Merrill Lynch before joining Morgan Stanley in 2006, said that 2020 was the first time in decades he had not seen a net loss of advisers.

"For the first time in the 20-plus years I've been doing this, we're not in net attrition, which is interesting due to the fact that the [independent financial adviser] channels are growing but they are not growing from us," he said during a conference call to discuss fourth-quarter earnings. "We're keeping assets from advisers, we're gaining assets of new advisers."

JAMES GORMAN

And those advisers were able to bring in a substantial amount of net new assets, said Gorman, pointing to the company's earnings. Morgan Stanley added $162 billion in net new assets in 2020, or 6% of its total assets. Compared to a year earlier, the company added net new assets, which was in line with recent years of 3% to 4% of its total.

ADDING ETRADE

Add in $44 billion of net new assets from ETrade, which appeals to younger and online investors, and Morgan Stanley's net new asset total in 2020 was $206 billion.

For comparison, some online and virtual platforms and competitors have $20 billion in total assets, Gorman noted. "I read about a lot of these online players that have got $20 billion in total," he said. "And we're bringing in $20 billion every five weeks, so we're effectively creating these companies every five weeks."

At the end of last year, Morgan Stanley reported $4 trillion in assets on its wealth management platform, including those of newly acquired ETrade.

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Merrill Lynch's quest for new clients was hampered by COVID-19 in 2020

BY BRUCE KELLY

MERRILL LYNCH'S RECENT effort to focus its 17,331 registered reps and financial advisers on bringing in new client households slowed last year, with the firm reporting 22,000 net new household clients in 2020. That's compared to 35,000 a year earlier, for a year-over-year decline of 37%.

COVID-19 clearly hampered Merrill advisers' efforts to reel in new clients, a push at the firm since 2016, when the Thundering Herd brought in a mere 1,600 net new households. New clients are coveted by advisers and brokerage firms because they accelerate revenue growth.

37%
YEAR-OVER-YEAR DECLINE IN NET NEW HOUSEHOLD CLIENTS

"While 2020 saw us down from 2019, it's still a very strong net household performance relative to the pace before the growth strategy kicked in in 2018," a senior Merrill Lynch executive said during a conference call last Tuesday.

In late 2017, Merrill Lynch unveiled a pay grid for the following year that rewarded advisers for bringing in a healthy number of net new accounts, while those who fell short on the new goals saw compensation cuts. The plan was called the "growth grid."

The changed compensation plan altered advisers' behavior, according to the company, with the number of new clients increasing each year before falling back in 2020. And there's no doubt the pandemic had an effect, with both advisers and clients adjusting to meeting online and virtually rather than face to face, the executive said.

"If you look at 2020 and in the fourth quarter, the gross household acquisition by advisers almost matched first quarter," said the Merrill Lynch executive, who asked not to be named. "So, it looks like a 'U' curve. And in my view, we have nice momentum here."

The average new client had $1.4 million in assets, the executive said, with Merrill advisers last year bringing in more clients with $10 million or more than in the past. "Advisers have made the pivot to how they manage their practice in new ways and how does client development, which used to be face to face, get done in the virtual world," the executive said.

With 17,331 advisers, Merrill Lynch saw a decline of less than 1% last year in its total head count, the executive said, with client assets in 2020 reaching $2.8 trillion.

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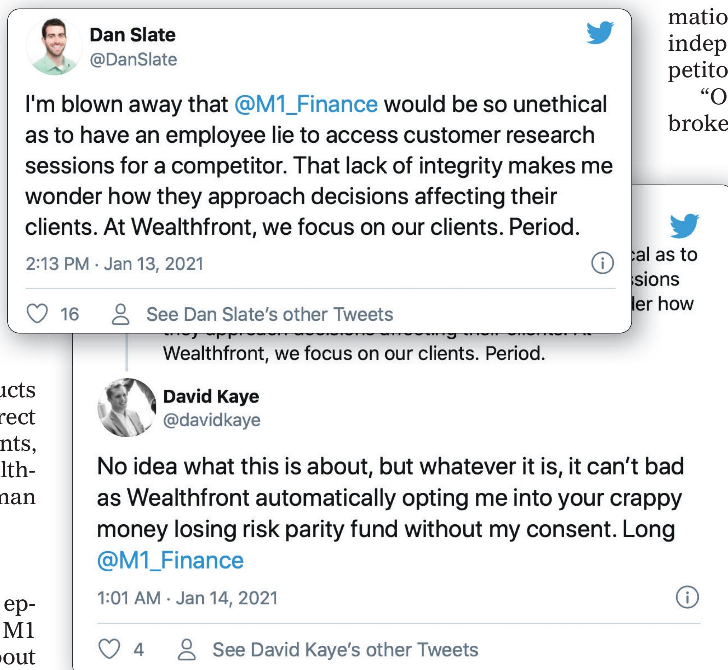
Wealthfront, M1 trade Twitter barbs

BY NICOLE CASPERSON

COMPETITION IS HEATING up in the robo-advice market as account openings surge and new players enter the space.

In turn, some robo-advisers are going beyond friendly competive banter and heading into full-fledged allegations of corporate espionage. In fact, Wealthfront's senior director of product Daniel Slate called out fellow robo-adviser M1 Finance publicly, via Twitter, alleging that one of its employees snooped on a customer research session where future products were being discussed with clients.



Wealthfront is claiming that M1 employees have twice lied about where they work to get information on Wealthfront products and listen in on direct feedback from clients, according to Wealthfront spokeswoman Kate Wauck.

'FRUSTRATED'

"The most recent episode involved an M1 employee lying about their employer to get into a customer research session where we discussed our future product roadmap to get feedback from clients," Wauck wrote in an email. "Our senior director of product was understandably frustrated."

In response, Slate aired his frustration to his 962 followers through his personal Twitter account, writing on Jan. 13: "I'm blown away that M1 Finance would be so unethical as to have an employee lie to access customer research sessions for a competitor."

In turn, some Twitter users and Wealthfront customers used the tweet to express their own frustrations with the Wealthfront platform.

In response to Slate's tweets, M1's chief marketing officer Bob Armour wrote in an email: "Wealthfront's assertion is a gross misrepresentation and lie."

"An M1 employee has an account with Wealthfront," Armour wrote. "Wealthfront proactively invited her to attend a product discussion. She accepted and attended. Due to SEC KYC regulations, Wealthfront knew she worked at M1 because she listed it as such on her Wealthfront brokerage account. During the call, they asked her what other platforms she uses. She said M1, and the conversation from that point on was primarily about M1 features. At no point did she lie. In fact, the only lie is Wealthfront's tweet."

NOT A COMPETITOR

Additionally, M1 said it does not look to Wealthfront for product information and does not consider the independent robo-adviser a competitor.

"Our focus is on fixing what's broken at market dominant legacy brokers, not robo-advisers," Armour wrote. "Regardless, we've built an investing experience that is far superior to Wealthfront's offering — in much less time with about one-tenth of the amount of venture capital."

The Twitter feud comes as Wealthfront, founded in 2011, continues to expand its product offerings as a financial hub that can serve all of its clients' cash management needs on a single platform. In June, the robo-adviser announced new cash accounts that come with routing numbers and debit cards.

Founded in 2015, M1 Finance has since grown its administered assets to $3 billion, according to company announcements.

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Goldman Sachs to take Marcus Invest global

BY NICOLE CASPERSON

GOLDMAN SACHS CHIEF Executive David Solomon isn't concerned that the launch of the firm's first digital advice platform, Marcus Invest, will be outshined by well-established fintech apps already dominating the market, and instead plans to launch the platform in the U.K. by year-end.

Despite the investment bank's tardy entrance into the robo-advice space — and the success of tech-savvy fintechs like SoFi, Wealthfront and Betterment — Solomon was undaunted when asked how the Marcus online platform will stack up against the competition during Goldman Sachs' fourth-quarter earnings last Tuesday.

"We're working to go from a product structure to a much more integrating offering for our customers," Solomon said during the earnings call. "So when you ask about comparison to some of the fintechs, I'll just say the fintechs are much more narrow in scope in terms of what they offer and don't have the broad capabilities that we have."

AHEAD OF THE CURVE

Referencing SoFi, which agreed to go public in a merger with a blank-check company that values the upstart at around $8.7 billion, Solomon said the broader product offerings and scale that Goldman Sachs has to offer will keep it ahead of the curve.

"If people like those [fintechs], I think at some point in time they should like and value our business more fulsomely," he said.

In addition, Goldman Sachs' corporate relationships, which sparked recent partnerships with Amazon, Walmart,

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Mutual fund assets continue to decline in 2020

BY JEFF BENJAMIN

WITH MORE THAN $18 trillion in total assets, it's way too soon to declare the death of actively managed mutual funds. But the pace of outflows in 2020 on top of a decade-long trend is starting to place the once-dominant mutual fund model alongside your father's Oldsmobile.

While mutual funds still hold more than three times the assets of exchange-traded funds, they registered a record $289 billion in outflows last year, according to Morningstar.

U.S. equity funds in particular saw $241 billion worth of outflows, which is more than four times the previous record of $58 billion in 2015. And large-cap growth equity funds had $66 billion of outflows, marking a 17-year streak of outflows. It has been seven years since U.S. equity mutual funds finished a year with positive asset flows.

Meanwhile, ETFs, as the hottest ticket among financial advisers and retail investors, posted record inflows of $502 billion last year, with taxable bond ETFs gathering more than any other category at nearly $195 billion.

"THE PENDULUM HAS SWUNG FURTHER AWAY FROM ... EQUITY FUNDS."

TODD ROSENBLUTH, CFRA

"The pendulum has swung further away from active U.S. equity funds, and it seems hard to picture an environment where the pendulum swings back," said Todd Rosenbluth, director of mutual fund and ETF research at CFRA.

"This was a year when investors should have been happy with the performance of equity mutual funds and they clearly weren't happy

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Now that Wells Fargo has a plan, what's in it for advisers?

A year after taking over as CEO of Wells Fargo & Co., Charlie Scharf's plan for Wells Fargo Advisors, which has been losing advisers to rivals and retirement for years, and for the bank's broader wealth management franchise is taking shape.

The strategy appears to be nothing new, but Scharf is executing it under the incredible duress of COVID-19, a Herculean task in itself.

Scharf looks to be doing what CEOs of beleaguered enterprises often do: they sell off nonessential business lines, shut down side businesses and merge large groups into one another to reduce management head count and costs.

KEY POINTS

- CEO Charlie Scharf is making changes to cut costs at Wells Fargo Advisors.
- The many changes will affect its 13,513 advisers directly.

It's tough work but Scharf's series of moves, discussed over the past year and outlined in Wells Fargo's earnings call this month, shows that he has a strategy to revive the Wells Fargo wealth management enterprise.

The bank and its assorted business lines, including wealth management, have been under intense pressure since revelations in 2016 that Wells Fargo bank employees had secretly created millions of unauthorized accounts in the names of customers without their consent.

BRUCE KELLY

ONADVICE

The series of changes, discussed below, are all well and good, from the corporate level. But what about its 13,513 financial advisers?

Has Scharf reached out to Wells Fargo Advisors' top financial advisers or the broader ranks and discussed his plans for the bank and how he intends to bolster morale? If so, what have those talks been like, and what initiatives will come from them?

Like many CEOs, Scharf holds conferences and town halls with all employees, and for the past year, those meetings have been carried out for the most part not face to face but virtually. And he knows the language of advisers, with his father having worked as a broker.

A spokesperson said she did not know if Scharf had any private discussions with financial advisers.

WELLS FARGO CEO CHARLIE SCHARF

Shareholders of Wells Fargo stock undoubtedly are concerned; they've seen the value of their shares drop precipitously in the past year during the COVID-19 pandemic, with the stock's one-year high 12 months ago at $49.88. Wells Fargo shares closed at $32.63 last Wednesday, the same day President Joe Biden was inaugurated, a decline of 34.6% over 12 months.

Over the same period, which saw stocks whipsawed due to the sell-off last February and March triggered by pandemic fears, the Vanguard Financials Index Funds ETF shares were basically flat. The S&P 500 Index, which hit a new 52-week high last Wednesday, is up roughly 17% in the past 12 months.

CHANGE IN THE AIR

Scharf is making classic changes to streamline and reduce costs at Wells Fargo's Wealth and Investment Management unit, known as WIM, which houses Wells Fargo Advisors.

In broad strokes, here are the most significant changes for financial advisers at Wells Fargo.

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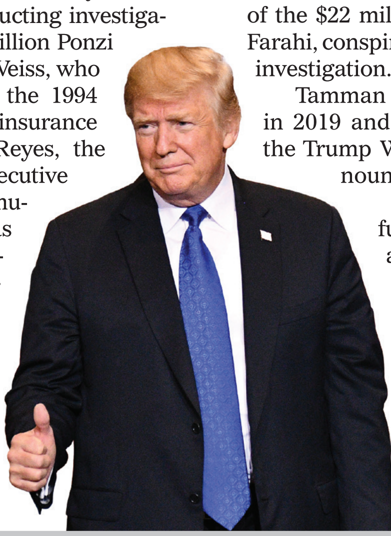
Several Trump pardons reward those who harmed investors

BY MARK SCHOEFF JR.

A FEW OF the people to whom President Donald Trump granted pardons and reduced prison sentences just before he left office last Wednesday committed crimes related to harming investors, a move that sends the wrong message, securities lawyers said.

Among those who received leniency were David Tamman, a lawyer who was convicted of obstructing investigations into a $22 million Ponzi scheme; Sholam Weiss, who was convicted in the 1994 collapse of a life insurance company; Greg Reyes, the former chief executive of Brocade Communications, who was convicted of securities fraud; Eliyahu Weinstein, who was convicted of real estate investment fraud; and William Walters, James Austin Hayes and Drew Brownstein, who were all convicted of insider trading.



Tamman was found guilty of 10 counts that included obstruction of justice, altering records in a federal investigation, and being an accessory after the fact in a fraud scheme, according to a September 2013 statement from the U.S. Attorney for the Central District of California announcing his seven-year sentence. Tamman and the operator of the $22 million Ponzi scheme, John Farahi, conspired to undermine an SEC investigation.

Tamman completed his jail term in 2019 and emerged a better man, the Trump White House said in announcing the pardon list.

"Mr. Tamman accepts full responsibility for his actions and numerous friends and colleagues have attested that he is a decent man who experienced a terrible lapse in judgment for which he has already paid a significant price," the announcement states.

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401(k)s grapple with issue of cognitive decline

BY EMILE HALLEZ

RETIREMENT PLAN fiduciaries often have limited resources and little information when it comes to plan participants with dementia or other cognitive decline — but that could change.

Last month, a Department of Labor advisory council compiled a wealth of testimony on the challenges that plan sponsors, advisers, record keepers and others face in identifying retirement savers' cognitive decline and what options they have when they suspect it.

The report to the DOL's Employee Benefits Security Administration included recommendations for the regulator. Notably, the board encouraged the DOL to issue guidance for plan fiduciaries to voluntarily establish their own policies and procedures on the topic, such as restricting account access when they suspect a participant is a victim of financial exploitation or has become incapable of making sound financial decisions. That guidance could also mean encouraging plan participants to grant a trusted person with power of attorney.

More broadly, the DOL could launch public outreach and education programs, both for the public and for plan sponsors.

LACK OF GUIDANCE

The Securities and Exchange Commission, the Financial Industry Regulatory

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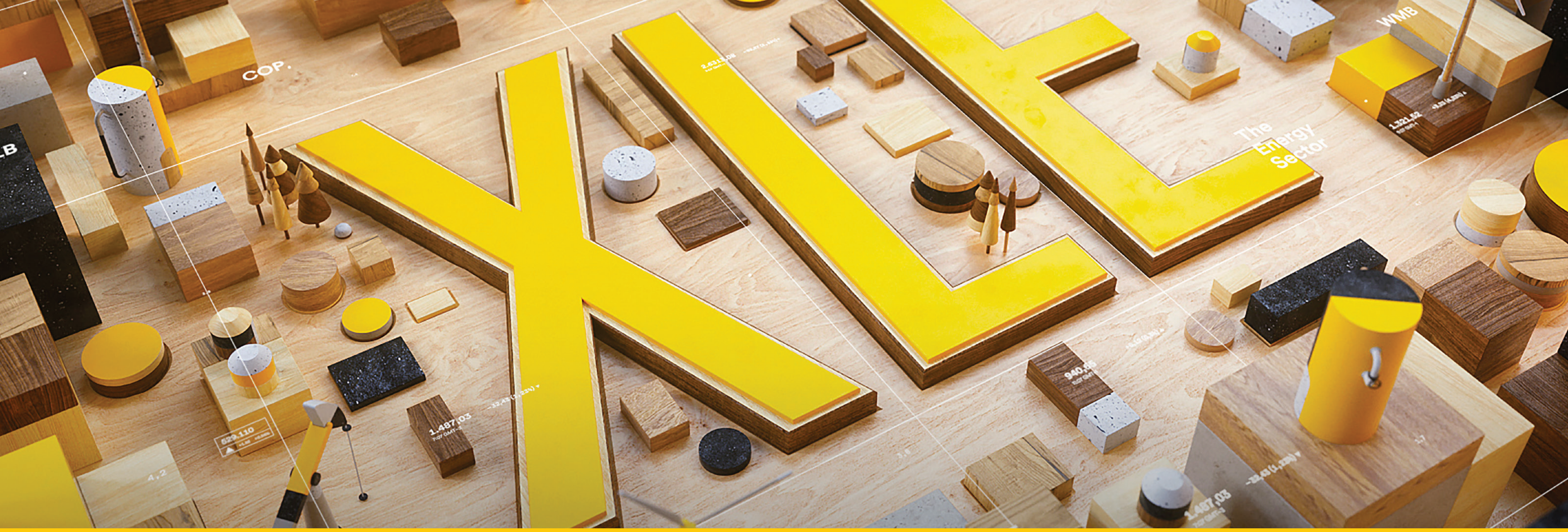
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EDITOR'S NOTE

Answering your questions

Each week, I receive questions from our readers about where to find certain bits and pieces of content on the *IN* site, so today I'm going to do a short mailbag of answers to the most common questions.

How do I sign up for IN *newsletters?* Once you've registered on the site, you can access your profile on the top right corner of the site. Then choose Communication Preferences, and you can sign up for the newsletters there.

GEORGE B. MORIARTY

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Have a question I didn't address? Give me a holler at gmoriarty@investmentnews.com and I'll get back to you directly.

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Regulators must address savers' cognitive decline

The aging of the American population raises issues that at one time received little attention. Over the past several years, for example, more and more financial institutions have come to be concerned about what they should do when they detect evidence of cognitive decline in their older clients. In the past, when there were fewer such incidents and perhaps less concern about personal privacy, a banker or adviser might informally check with family members or sometimes personally take steps to make sure the client did nothing untoward.

Today, unfortunately, cases of cognitive decline are much more prevalent, and the informal and below-the-radar approaches that addressed the issue in the past are inadequate to the current challenge.

The Securities and Exchange Commission, the Financial Industry Regulatory Authority Inc. and the Social Security Administration have addressed the issue and put into place policies and procedures. An article by Emile Hallez on page 4 describes the Department of Labor's efforts to grapple with concerns about cognitive decline among participants in qualified retirement plans by trying to figure out how the plans and those working with the plans should deal with participants who may be suffering from dementia, Alzheimer's and similar afflictions.

> **SHEER NUMBERS UNDERSCORE THE GROWING NEED TO ADDRESS THE ISSUE OF COGNITIVE DECLINE.**

In a report to the DOL's Employee Benefits Security Administration, a department advisory panel found that plan sponsors, advisers, record keepers and others in the ERISA community were generally unsure of their role in addressing the issue. The panel found no best practices, standards or easily found or widely disseminated guidance about what to do.

Based on input from industry participants, the advisory panel recommended that the DOL issue guidance for plan fiduciaries about how they could voluntarily establish their own policies and procedures on the topic. This might include restricting account access when they suspect a participant is a victim of financial exploitation or has become incapable of making sound financial decisions. It could also mean encouraging plan participants to grant power of attorney to someone they trust.

ISSUING GUIDANCE

We urge the DOL to proceed quickly with issuing guidance in this area. As the advisory panel noted, citing U.S. Census data, the percentage of the U.S. population over the age of 65 is on track to increase by 44% by 2040, to nearly 81 million people. What's more, and of particular interest to the retirement plan community, is that the panel found that 22% of individuals age 60 and older keep retirement assets in their former employer's plans when they retire or are terminated, creating questions about tracking and the ability of those people to manage their account. The sheer numbers underscore the growing need to address the issue of cognitive decline among the aging.

We also encourage the DOL to look at relevant SEC and Finra guidelines to arrive at recommendations or guidance to foster a uniform regulatory approach to the issue. Conflicting guidance only results in delays, needless and costly legal sparring, and absence of protection for the vulnerable.

Whether or not they ever envisioned themselves as front-line workers dealing with our aging population, financial advisers now find that they are. They deserve all the support policymakers can provide.

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DRAMATIC LEGISLATIVE CHANGES SEEM UNLIKELY DESPITE FULL DEMOCRATIC CONTROL

AN EVENLY DIVIDED SENATE MIGHT TWEAK, RATHER THAN OVERHAUL, INVESTMENT ADVICE POLICY

BY MARK SCHOEFF JR.

During the presidential campaign last year, Democrats released a platform that promised to scrap Trump administration investment advice regulations, and Democratic presidential nominee Joe Biden proposed a litany of tax increases on the wealthy.

Biden prevailed, and when two Democrats won runoff Senate elections earlier this month, it ensured Democratic control of the House of Representatives, Senate and White House. But that doesn't mean financial advisers should expect dramatic changes in investment advice or tax

policy because the narrow Democratic margins in the House and Senate could rein in President Biden's agenda.

The Democratic majority in the 50-50 Senate rests on the tie-breaking vote of Vice President Kamala Harris, and the party has only a 222-212 advantage in the House. Those numbers leave almost no margin for error if Democrats want to pass legislation by a simple majority through what is known as the budget reconciliation process.

The reconciliation option can only be used once — sometimes twice — a year, and all the items in the measure must be related to taxes and spending.

The biggest obstacle to legislation will be the Senate filibuster, which can only be overcome with 60 or more votes. There doesn't appear to be enough of an appetite among Democrats to end the parliamentary maneuver. With the filibuster remaining in place, at least a few, if not several, Republicans will have to join Democrats to approve bills.

A Democratic majority in the Senate gave Biden more latitude in choosing a Securities and Exchange Commission chairman because confirmation votes only require a simple majority. His nominee to head the SEC is Gary Gensler, a former Commodity Futures Trading Commission and Goldman Sachs executive. Gensler draws wide praise from investor advocates, but may not come into the role with guns blazing to undo Regulation Best Interest. It's also unclear how high on his priority list the nominee for Secretary of Labor, Marty Walsh, will put a revision of the fiduciary rule the Trump DOL finalized late last year.

CONTINUATION OF UNCERTAINTY

It all adds up to a continuation of the uncertainty that advisers — and the rest of the country — have been living with for many years when it comes to governance.

"There is an overestimation of how much can be done in this environment," said Michael Townsend, vice president of legislative and regulatory affairs at Charles Schwab & Co. "We just won't have Democratic unanimity on any number of issues. You have to have every Democratic senator on board, even if you're going to use the

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budget reconciliation process."

Don't look for any kind of major change in adviser oversight coming from Capitol Hill.

"There are not 60 votes to pass any new grand financial regulatory scheme," said Brian Gardner, chief Washington political strategist at Stifel Financial.

The Democratic majority in the Senate also gives the party control of committees. Sen. Sherrod Brown, D-Ohio and the new chairman of the Senate Banking Committee, is a vocal opponent of Reg BI. He told former SEC Chairman Jay Clayton in a December hearing that the regulation "doesn't put mom-and-pop customers first."

Now that he heads the banking panel, Brown can set the agenda. It's likely he'll continue to press the SEC to put more teeth into Reg BI.

MODERATE OPPOSITION

But legislation that would do so has a tough road ahead. Opposition could come not just from Republicans but also potentially from moderate Democrats such as Sens. Joe Manchin, D-W.Va., and Jon Tester, D-Mont., who resisted the Obama administration's DOL fiduciary rule.

"Moderates on both sides of the aisle are going to wield enormous influence," said Neil Simon, vice president of government relations at the Investment Adviser Association.

Barbara Roper, director of investor protection at the Consumer Federation of America, said there are "significant limits" on what can be accomplished legislatively to reform investment advice standards. That's why she is recommending a targeted approach. Moderate Democratic senators may not be inclined to overhaul Reg BI or prescribe significant changes to the Trump administration's DOL fiduciary rule.

What might happen is this: A Democratic-majority SEC revises Reg BI to define "best interest" and toughen conflict mitigation requirements. Then Democratic lawmakers might be persuaded to tweak the DOL fiduciary rule to harmonize it with the tougher Reg BI.

Under this scenario, Congress would clarify that recommendations to roll over assets from a company retirement plan to an individual retirement account should be held to a fiduciary standard.

"I don't think you should start from scratch," Roper said. "There's a possibility that if you adopt this approach that you could get legislation passed that would close loopholes in the definition of fiduciary advice."

For the most part, the insurance industry backs the Trump administration DOL fiduciary rule. But because it hasn't yet gone into effect, the new Biden DOL can delay the measure and then propose changes.

"We're certainly optimistic the posture of the new administration will be toward constructive engagement and a willingness to hear all sides of an issue," said Jason Berkowitz, chief legal and regulatory affairs officer at the Insured Retirement Institute.

FAST TRACK FOR TAXES

Although legislation on investment advice standards faces a long slog,

"WE'RE CERTAINLY OPTIMISTIC THE POSTURE OF THE NEW ADMINISTRATION WILL BE TOWARD CONSTRUCTIVE ENGAGEMENT AND A WILLINGNESS TO HEAR ALL SIDES OF AN ISSUE."

JASON BERKOWITZ, CHIEF LEGAL AND REGULATORY AFFAIRS OFFICER, INSURED RETIREMENT INSTITUTE

Gensler is expected to put teeth in Reg BI — not overturn it

Investor advocates and other experts expect Gary Gensler to strengthen the broker investment advice standard his predecessor put in place rather than redo it when he takes over the Securities and Exchange Commission.

President Joe Biden said he will nominate Gensler to be the next SEC chairman. If confirmed by the Senate, Gensler will give the five-person panel a 3-2 Democratic majority.

A former chairman of the Commodity Futures Trading Commission, former Treasury Department official and former Goldman Sachs executive, Gensler has developed a reputation as a tough regulator who also was successful on Wall Street.

"We couldn't have asked for a better selection," said Barbara Roper, director of investor protection at the Consumer Federation of America. "He brings the insider's level of expertise about the market combined with an unwavering commitment to investor protection."

Roper and other investor advocates criticized Regulation Best Interest, the broker advice standard that went into force last June, for being too weak to curb broker conflicts. It was the signature rulemaking of former SEC Chairman Jay Clayton, who said it is significantly stronger than the previous broker suitability standard.

Gensler likely will amend Reg BI rather than end it and start over, Roper said. Torching Reg BI would ignite a battle with the financial industry, which mostly supported the measure.

The regulation can be strengthened while avoiding such fireworks, Roper said. For instance, the SEC could adopt a principles-based definition of "best interest" and strengthen conflict mitigation requirements. "Gary's pragmatic," Roper said. "There's a lot you can accomplish within the framework of Reg BI to make it live up to its 'best interest' label."

Knut Rostad, president of the Institute for the Fiduciary Standard, also expects Gensler to bolster Reg BI without killing it. "His changes to Reg BI will make it a reality-based rule rather than a myth-base rule," Rostad said.

AGGRESSIVE ENFORCEMENT

Gensler will pursue aggressive enforcement of Reg BI rather than waste political capital scrapping it, said James Lundy, a partner at Faegre Drinker Biddle & Reath. "It makes more sense to utilize resources to enforce Reg BI as opposed to utilizing resources to overturn Reg BI," said Lundy, a former SEC senior trial counsel in enforcement.

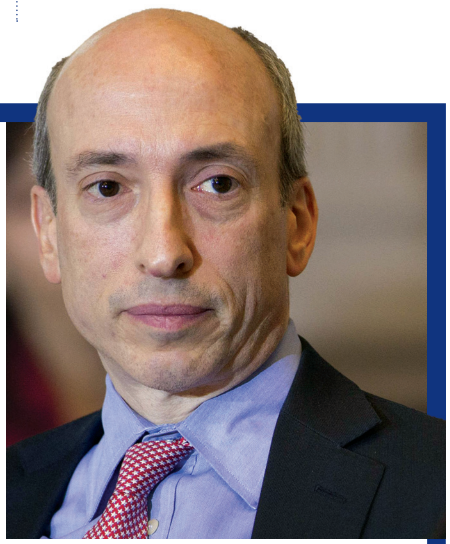
The Financial Services Institute, a proponent of Reg BI, also wants to see it remain in place.

"The SEC has achieved significant accomplishments in recent years, particularly with Reg BI, which enhances investor protection while preserving investors' access to their choice of financial products, advice and services," FSI Chief Executive Dale Brown said in a statement. "We are committed to working with all commissioners, including Gary Gensler if he is confirmed by the Senate, to build upon its achievements and ensure rulemaking that is effective and workable for all stakeholders."

Although Gensler has gone through the revolving door from Wall Street leader to Washington regulator, he maintains the confidence of investor advocates because of his work to reform swaps markets following the financial crisis while at the CFTC from 2009 to 2014, and his work as chairman of the Maryland Financial Consumer Protection Commission from 2017 to 2019.

"Gary Gensler worked in the jungle of Goldman and applied what he learned at the CFTC," Rostad said. "He is going to be able to get regulations through that are going to address the real issues regarding the markets because he has been there and can speak to the industry from his experience in the way other SEC chairs have not been able to do. He's not there to punch a ticket on his resume. That means independence, and that is huge."

When Gensler went to the CFTC, Wall Street may have anticipated a friend in a high place. But he quickly



changed that perception, said Ashley Ebersole, a partner at Bryan Cave Leighton Paisner.

"He was not afraid to go after large financial entities, such as banks and investment banks, and punish wrongdoing there," said Ebersole, a former senior SEC enforcement counsel.

Gensler is likely to bring that attitude to the SEC along with a focus on consumer protection that comes from his experience as head of the Maryland commission. "In the Maryland position, he focused on increasing consumer protections, including standards of conduct and care for regulated entities," Ebersole said. "So you'd expect the SEC to continue its laser focus on consumer protection, including through an aggressive enforcement posture."

Like other Democratic SEC chairmen, Gensler will emphasize enforcement, Lundy said. "We'll see an aggressive enforcement climate."

— Mark Schoeff Jr.

tax policy could be fast-tracked thanks to the budget reconciliation procedure. Even though Democrats could pass such a bill on their own, they would need to hold all 50 of their Senate colleagues together, which could be a herculean task.

That could make any potential provision in a reconciliation bill — from an increase in personal or capital gains rates to changes related to gift and estate taxes — a jump ball.

"It's too early to project tax policy," said Joe Growney, partner at the law firm Lathrop GPM. "There are still obstacles Biden and Democrats will have to overcome when dealing with such a narrow majority."

That again puts Democrats in the middle, such as Manchin, in the driver's seat. He could be lobbied for support from both parties.

"If I'm the GOP, I'm looking at Joe Manchin," Growney said. Manchin could be a deal-maker or deal-breaker along the lines of "a swing vote on the Supreme Court. We could see that in a 50-50 Senate."

FIERCE LOBBYING

Lobbying around a budget reconciliation bill will be fierce as various interest groups try to secure provisions. For instance, trade associations representing investment advisers are trying to restore and expand a tax break for advisory fees. "We will be a loud voice in that discussion, but we will be one of many voices," the Investment Adviser Association's Simon said.

Capital gains, estate, financial transactions and wealth taxes are among the least likely to land in a reconciliation bill.

"Those are longer shots in this narrow [political] divide," said Schwab's Townsend.

Another area that could be divisive is climate change. During his campaign, Biden stressed the need to address environmental degradation. In a Jan. 12 letter to his Senate colleagues, Majority Leader Charles Schumer, D-N.Y., promised the chamber would "consider bold legislation to defeat the climate crisis."

"Initiatives having an environmental focus are probably the most likely of all ESG initiatives to secure the approval of all 50 [Democratic] senators and Vice President Harris," said Gwen Williamson, a partner at the law firm Perkins Coie. But Republicans can tend to be climate-change skeptics and are likely to question ESG legislation.

HOPE FOR SAVERS

As the new Congress and administration get underway, the area that offers the most promise of bipartisan cooperation is retirement savings.

The SECURE Act passed with overwhelming majorities in late 2019. Successor legislation to continue to expand workplace savings plans and increase the amount of money people can put away for retirement are poised for reintroduction early this year.

Those measures include a House bill written by the leaders of the House Ways and Means Committee, Chairman Richard Neal, D-Mass., and ranking member Kevin Brady, R-Texas; as well as a Senate bill written by Sens. Rob Portman, R-Ohio, and Ben Cardin, D-Md. Another measure was written by Sens. Chuck Grassley, R-La., Maggie Hassan, D-N.H., and James Lankford, R-Okla.

"Retirement security has had and continues to have the bipartisan support to advance legislation in the Senate," said Paul Richman, IRI chief government and political affairs officer. "These three bills are going to be the foundation of the next retirement security legislation that's going to be passed by Congress and signed into law by President Biden."

But most issues will face uncertainty and a difficult political terrain in Washington.

Landmark legislation and fundamental policy changes may be few and far between — if they're achieved at all.

"I don't think it's going to be sweeping and dramatic," Townsend said. "It's going to be incremental outcomes."

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42% PORTION OF U.S. HOUSEHOLDS THAT SAY THEIR INCOME REMAINS BELOW WHAT THEY WERE EARNING PRIOR TO THE PANDEMIC
SOURCE: BANKRATE.COM

Women score lower than men on financial literacy quiz

When it comes to retirement literacy, most Americans get a failing grade. According to newly released research by The American College of Financial Services, women fare worse than men, with 89% of female participants flunking a 38-question quiz, compared to 72% of men.

MARY BETH FRANKLIN

ONRETIREMENT

The 2020 Retirement Income Literacy Survey tested consumers' knowledge of retirement income concepts and focused on the drawdown phase of retirement. The results are based on online interviews with 1,500 Americans ages 50 to 75 with at least $100,000 of household assets.

To be fair, parts of the quiz may be challenging to anyone outside of the financial planning profession, with questions ranging from typical investment returns and safe withdrawal rates to Medicare and Social Security rules.

It's not all bad news for women. Unlike men, who are notoriously reluctant to ask for directions when lost, many women know what they don't know, and the survey found that more women are willing to seek help creating a financial road map.

In addition, nine out of 10 older women with partners or spouses said they equally share or lead financial decision-making for their households, and female retirees and near-retirees indicated they are more willing to seek financial advice than men.

'A CLEAR OPPORTUNITY'

"The study shows this is a clear opportunity for financial professionals to expand their business by providing guidance to women to build financial strategies and close the planning gap," The American College said in a statement.

Women cited retirement income planning, guaranteed lifetime income, and health and long-term care among their greatest areas of concern. Only 20% of female respondents said they are highly knowledgeable about Social Security and just 10% said they understand annuities.

"Women are concerned about running out of money in retirement and more than half want their advisers to educate them on strategies to protect against investment risk and on how to prudently spend each year to ensure they don't outlive their assets," said Timi Jorgensen, director of financial literacy at the American College.

A separate study from the Center for Retirement Research at Boston College looked at the best way to annuitize defined-contribution assets as a way of ensuring a higher level of lifetime income while reducing the likelihood people outlive their resources and alleviating some of the anxiety of post-retirement investing.

Authors Alicia Munnell, Gal Wettstein and Wenliang Hou looked at three possible solutions: Workers could use a portion of their 401(k) and IRA assets to purchase an immediate annuity that pays a fixed amount through their lives, typically starting at age 65; they could purchase an advanced life deferred annuity that requires a smaller share of accumulated assets and begins at a later age like 85; or they could delay claiming Social Security, which is essentially like purchasing an inflation-indexed annuity.

But the researchers conceded that none of these three options is commonly used. Very few workers choose to purchase immediate or deferred annuities and few retirees appear to be deferring claiming in order to receive the maximum annuity income from Social Security. Most people simply retire earlier and claim benefits immediately.

The authors found that for most middle- and upper-income workers, delaying Social Security until it is worth more is more attractive than buying a commercial annuity, particularly because Social Security benefits are indexed for inflation and the 8% per year increase in benefits between full retirement age and age 70 is especially valuable in the current low-interest-rate environment.

KEY POINTS

- More women than men fail a retirement literacy quiz.
- A Center for Retirement Research study looks at the best way to annuitize 401(k) assets.

DEFAULT OPTION

They proposed that 401(k) plans could introduce a default option that would use plan assets to pay retiring individuals who are 60 to 69 an amount equal to their Social Security full retirement age amount. If account assets were exhausted, payments would stop. Providing a temporary stream of income to replace an individual's Social Security benefit would break the link between retiring and claiming benefits, they wrote. "Most households would gain from delaying claiming their Social Security benefit."

Using 2018 data from the Social Security Administration, the authors calculated that 35% of women and 40% of men claimed benefits as soon as possible at age 62; 23% of men and 16% of women waited until their full retirement age to claim; and only 5% of men and 7% of women waited until 70 to collect their maximum benefit.

For someone whose full retirement age is 66, the difference between claiming Social Security at 70 rather than 62 results in a 76% increase in monthly benefits for life.

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

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BY MARY BETH FRANKLIN

Nonworking spouse must wait for husband

Client: My clients are a retired married couple who have not yet claimed Social Security. Their CPA suggested that the wife, who has been a homemaker, should start collecting spousal benefits now on her husband's earnings record while he allows his own benefit to grow to the maximum amount until 70. What are your thoughts?

MBF: At one time, the CPA's advice would have been spot on, but not anymore. His suggested strategy, known as "file and suspend," is no longer available.

Only people who were at least 66 years old by April 29, 2016, were able to file and suspend their Social Security benefits to trigger a spousal benefit and then immediately suspend their own retirement benefit, allowing it to grow to the maximum amount. The last group of people who were eligible to use the "file and suspend" strategy turned 70 in 2020 when their suspended benefits would have begun automatically. That claiming strategy is now history.

Under current rules, which were authorized by the Bipartisan Budget Act of 2015, the nonworking wife with no Social Security benefits of her own cannot collect on her husband's earnings record until he files for his Social Security benefit.

I generally encourage one spouse in a married couple, preferably the one with the bigger benefit, to delay claiming Social Security until age 70 not only to maximize their retirement benefits but to create the largest possible survivor benefit for the remaining spouse. A survivor benefit is worth 100% of what the deceased spouse was collecting or entitled to collect at time of death — including any delayed retirement credits — of the survivor claims benefits at full retirement age or later.

But that strategy does not always make sense if postponing benefits for the main breadwinner means the nonworking spouse must wait to claim her spousal benefits, which are worth up to 50% of the working spouse's full retirement benefit amount.

From a cash-flow standpoint, the couple may want to claim benefits before age 70, but if they do, they should be aware that if the husband dies first, his widow's benefit would be smaller. As their adviser, you need to look at what other sources of income would be available to the surviving spouse.

Target-date fund sales in red last year

BY EMILE HALLEZ

SALES OF TARGET-DATE mutual funds went negative in 2020, potentially for the first time in the products' history.

Overall, the retirement savings products bled $6.7 billion, representing the first such instance of negative net sales since Morningstar Inc. began tracking them in 1994, according to a report from the ratings and research firm.

However, that figure doesn't give a complete picture of demand for target-date products. While investors' redemptions of target-date mutual funds were much higher last year than in recent history, for years target-date sales have been shifting to collective investment trusts, particularly among large retirement plans, at the expense of mutual funds.

And one big reason for the net negative mutual fund sales is that one series was liquidated in December — the $10 billion KP Retirement Path series, according to the Morningstar report. Taking that event out of the picture, target-date mutual fund sales were net positive, albeit at $3.5 billion, representing the lowest level since 2000, Jason Kephart, associate director of multi-asset and alternatives research at Morningstar, wrote in the report.

FLIGHT BY NEAR RETIREES

Much of the outflow occurred in funds with vintages close to their target retirement dates, potentially showing concerns among near retirees about their nest eggs in an extremely volatile year, for the stock market and life in general.

Redemptions from 401(k) plans as a result of provisions in the CARES Act almost certainly played a role, and pressure on workers at small businesses likely did as well, Kephart said.

Some evidence of the disproportionate impact on small businesses is seen in the different sales figures for fund providers. Vanguard, for example, saw net sales for its Target Retirement mutual funds fall by 92%, going from $31.9 billion in 2019 to $2.7 billion in 2020, according to the report. Meanwhile, Fidelity's Freedom Index Series became 2020's best seller, with net sales increasing by 25%, to $15.6 billion in 2020 from $12.5 billion in 2019.

Vanguard, Kephart noted, has a more heterogenous customer base than most other fund providers, meaning that some of its investors were hit harder by the 2020 economy than those employed predominantly at the large companies that are the typical customers for Fidelity and other asset managers.

"It definitely affected the small plans more," he said. Many plan participants, even if they didn't take CARES Act loans or early distributions from their accounts, likely stopped making contributions, he said.

For example, BlackRock's LifePath Index series, used mostly by large 401(k) plans, saw net sales decline by just 1%.

Most of Vanguard's target-date sales went into CITs, that company said.

Investment providers voluntarily disclose CIT data, and industrywide figures for 2020 were not yet available from Morningstar.

A WHIPSAW YEAR

One reason some near retirees likely fled from target-date funds was the market plunge in March. During the first quarter, target-date mutual funds on average saw negative returns of nearly 10%. Though many recovered during the second quarter 2020, the average return for the first six months of the year was still negative, at about -0.4%.

With the market recovery during the second, third and fourth quarters of 2020, target-date funds saw strong net returns, the Morningstar data show.

On average, vintages of 2045 and higher saw net returns of more than 15% for the full year, while those in near-retirement years saw net returns of 10% or higher.

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What the Biden administration means for the future of fintech

BY NICOLE CASPERSON

AS THE BIDEN administration is ushered into the White House, fintech companies should be bracing for a heightened regulatory atmosphere as the advisory industry continues to adopt and deploy innovations and new technologies, according to experts.

Within the first 100 days, President Joe Biden will likely replace the acting comptroller of the currency as well as the director of the Consumer Financial Protection Bureau, Aaron Cutler, a partner in the government relations and public affairs practice at global law firm Hogan Lovells, wrote in an email. Last week, Biden nominated Rohit Chopra, a member of the Federal Trade Commission, to lead the CFPB.

KEY POINTS

- Biden has plans to remodel the fintech regulatory landscape.
- Experts say consumer data security is a top priority.

Soon after Biden's nominees are in place, Cutler anticipates an uptick in enforcement, particularly at the CFPB.

Biden's appointees for these seats and their policies on innovation could shape the future for fintech. While conventional wisdom suggests a Democratic administration will move to strengthen regulations, there is potential for a focus on how fintech can serve as a partner to help accomplish the new administration's goal of expanding access to financial services, and particularly shrinking the racial wealth gap, said Dan Quan, managing partner at Banks Street Advisory.

"We shouldn't be under the illusion that fintech can fix all our problems, especially in terms of the wealth gap, which is a much bigger economic and social situation than financial services can address," Quan said during a webinar Dec. 7. "However, fintechs can play a very important role in terms of providing more convenient services, lower costs and delivery systems for consumers."

For Thomas Curry, partner at Nutter McClennen & Fish and former comptroller of the currency, a new administration begs a much broader question regarding federal standards over fintech. "What's the national strategy to regulate, or not regulate, fintech and financial technology in general?" Curry said.

Having a federal standard on fintech regulation is an area where a lot of progress could be made if regulatory policy is a part of the economic agenda of the Biden administration, said Paul Watkins, managing director of Patomak Global Partners and founder of the Office of Innovation for the CFPB.

"The key theme here is if we can free financial services from its silo, and we want to approach that organizationally and also through a policy perspective," Watkins said. "Financial services regulators are isolated from the rest of the executive branch and this creates real problems that I hope the Biden administration will address."

PREP FOR OVERSIGHT

In anticipation of more regulation, it's fair for fintechs and advisers to look back to the Obama administration initiatives as indicative of where the Biden administration would take regtech, said Spencer Hoffman, partner at Lovell Minnick Partners.

"For example, our view has long been that increased fee transparency, lower frictional costs and more demonstrated compliance with regulations are the future of wealth management because it's in everybody's best interest," Hoffman said. "There will probably be more federal oversight, too, whereas over the last four years there has been less."

In that light, fintechs should prepare for more spending on compliance, Hoffman said. "If for no other reason, increase spend to make sure that you're staying on top of what you need to be on top of."

Firms can also begin to prepare for requests for executives to participate in congressional oversight hearings, according to a Hogan Lovells report on the 2020 election. This is especially true for larger financial institutions and leading fintech companies. "Taking time to prepare a potential witness before receiving a hearing invitation is always a good idea," the law firm wrote.

"WHAT'S THE NATIONAL STRATEGY TO REGULATE, OR NOT REGULATE, FINTECH?"

THOMAS CURRY, PARTNER, NUTTER MCCLENNEN & FISH

TOP OF MIND

A lot of the initial attention will likely be on reversing Reg BI, which House Financial Services Committee Chairwoman Maxine Waters, D-Calif., has already pushed forward. What's up next on the docket is data security, especially as the nation's remote work environment has increased cybercrime, Hoffman said.

The debate over data privacy is far from over as major financial services firms have recently inked data-sharing deals that keep lawmakers skeptical.

Most recently Wells Fargo teamed with Envestnet to link consumer accounts and bring more than 1,400 financial apps to its banking customers. But even as the deal opens access to important tools for consumers, Envestnet's business has garnered attention from Congress, lawmakers and consumers expressing concerns about the potential for consumers' personal data to be compromised. Envestnet and its subsidiary, financial data aggregator Yodlee, were slapped with a data security lawsuit in August.

Envestnet, for one, is working directly with Capitol Hill in an effort to bring transparency to its data aggregator, which in turn could enable a federal standard for data privacy laws, company CEO Bill Crager said during the CB Insights Future of Fintech conference in November.

Crager is hopeful that once regulators understand how Envestnet and its subsidiaries use and store consumer data, they can work together to build a federal standard.

In fact, what could keep moving the needle on data security and privacy concerns is if the government zeroed in on playing more of a facilitator role working with fintechs on a federal rule to govern data usage, said Quan.

"When a fintech signs a data-sharing agreement with a bank, they have detailed, onerous requirements," Quan said. "The problem is once you have this agreement with one bank and try to partner with another bank, those requirements are not identical."

To that end, there needs to be more information from regulators on how these guidelines work, Quan said. "From the OCC, FDIC or the CFPB — there needs to be some real clarity on how these guidances work, and unfortunately regulators, for whatever reason, haven't really focused on this issue."

Reputational risk should also be a heightened concern for fintechs and advisory firms with regards to data security, Hoffman said.

"Wealth managers or asset managers do not want to be in the headlines for having a data breach, for being in violation of a regulation or for doing something that is unsightly with respect to fees they are charging because, maybe they weren't in compliance, but they weren't transparent, and they weren't really representing their clients' interests first," he said.

That kind of reputational risk is just as important as pure regulatory compliance, Hoffman said. "That's where having access to market-leading technology and expertise is critically important."

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How the new administration can protect retirement savings

On the long list of the Trump administration's Christmas gifts for big business that need to be taken back as soon as possible in 2021, perhaps none is as little understood — and yet as far-reaching — as the tag-team campaign by the Trump Securities and Exchange Commission and Department of Labor to undo the Obama administration's good work in requiring a fiduciary standard under which brokers would have to put the interests of their clients ahead of their own.

It sounds complicated, but it is not. Today, investors are largely at the mercy of brokers and other financial advisers who do not have to strive to make sure that their clients get the best deal, lowest fees and strongest returns. Last summer, the Trump SEC rolled out what it called Reg Best Interest, but it was largely a marketing ploy that made things worse for retirement savers and investors. The DOL, for its part, tried in December to rush through a drastically watered-down replacement for the Obama-era fiduciary rule, but it is unlikely that it will actually clear the last regulatory promulgation hurdle by Jan. 20.

GUESTBLOG
JOSEPH C. PEIFFER

STRIPPED OF PROTECTIONS

What? You didn't notice this regulatory action that took place after the onset of the pandemic in March 2020? You and millions of other Americans were stripped of regulatory protections while the nation's attention was riveted on COVID-19. Politicians like to say, "Never let a good crisis go to waste," and the Trump appointees at the SEC and DOL played that to the hilt during the coronavirus pandemic.

This isn't just a question of a theoretically bad regulatory package. The real tragedy here is that the "coronavirus crash" and whipsawing financial markets will make the real-world consequences of Reg BI and the new DOL rule (if it's allowed to move ahead) even worse. One of the problems with any major economic downturn is that panicking investors are easy pickings for those who tout soothing schemes promising to recover losses fast.

It is not too much to say that future regulators and lawmakers will look back and say that the one-two punch of the SEC's Reg BI and the DOL's "faux-duciary rule" is one of the ways that the government made the coronavirus pandemic much worse in the long run than it had to be. Think of this as a situation where the National Highway Transportation Safety Administration had a safety-enhancement choice between better air bags and more heavily padded sun visors … and they went for the souped-up sun visors.

Let's focus for a moment on Reg BI: How exactly is it going to make things worse in the wake of the coronavirus pandemic?

First, it provides false comfort to investors and the illusion that something has been done to protect them from the avarice of brokers. Not only is the name of the regulatory package itself misleading (a real problem for a federal agency that demands full and accurate reporting from publicly traded companies), but it does little more than codify existing rules put in place by the Financial Industry Regulatory Authority Inc., the self-regulatory organization for brokers. So it's not what it is billed to be … and it's not anything new.

FROM BAD TO WORSE

Second, the new SEC rule doesn't just rewrite Finra's flawed "suitability standard" (which requires in the broadest terms that brokers limit their investment advice to those things that are appropriate for investors based on their expertise, ability to handle risk and other factors), in some ways it makes things worse. As one expert observer, former assistant Labor secretary Phyllis Borzi, has pointed out: "The problem … is that 'best interest' is used as a marketing slogan. It doesn't necessarily mean it's a legally enforceable standard of care. It just says you have to work in your client's best interest. It doesn't define what that is. Worse, [Reg BI] creates a safe harbor that allows [brokers] to not work in their client's best interest as long as they disclose their conflict. That isn't even as strong as [the Finra] suitability [standard]."

Third, the SEC has falsely stated that Reg BI is just as good as the Obama DOL fiduciary rule. If you believe this, you probably also believe that drinking bleach will cleanse your system of the coronavirus. The fiduciary rule actually required brokers to act in the best interest of their clients, whereas the most generous reading of the misnamed SEC rule is that brokers can put their interests on an equal footing with investors. When it comes to making conflicted, self-interested decisions, a loophole like that can scramble the nest eggs of millions of retirees.

The good news is that the Biden administration can put an end to this very real threat to the retirement savings of investors. The DOL rule will not be finalized by the time the Trump administration lets go of the levers of power. The SEC rule can be reworked or even rejected by a new commission. The SEC and the DOL (in its role as overseer of federally regulated retirement funds) are charged with protecting investors, and what they have done is left retirement savers even more vulnerable to the virus of broker greed that can infect and lay waste to all too fragile nest eggs.

Joseph C. Peiffer is managing partner of Peiffer Wolf Carr Kane & Conway and a former president of the Public Investors Advocate Bar Association.

Biden signals DOL ESG rule will come under review

BY MARK SCHOEFF JR.

THE BIDEN administration will review a regulation approved last fall by the Trump Department of Labor that could curb the use of environmental, social and governance factors in retirement savings plans.

Hours before President Joseph Biden was inaugurated at the U.S. Capitol, the Biden transition team released a list of more than 100 Trump regulations affecting environmental policies that it intends to revisit.

That action is part of several executive orders and other moves Biden is taking to "reverse the gravest damages of the Trump administration … but also to start moving our country forward," a Biden transition fact sheet states.

The DOL rule, which amends the investment duties regulation of federal retirement law, requires plan fiduciaries to select investments and strategies based solely on how they will affect the plan's financial performance, or pecuniary goals.

Critics of the highly unpopular rule contend it could chill ESG investing related to retirement savings. The measure was published in the Federal Register on Nov. 13 and went into effect on Jan. 12.

With the so-called DOL ESG rule in effect, the Biden DOL would have to undertake a new rulemaking to overturn it through the regulatory process.

A separate DOL regulation that would reform investment advice requirements for retirement plan fiduciaries will not go into effect until Feb. 16. The Biden DOL could delay the effective date of this regulation, which has been criticized by investor advocates, while it decides on its next steps.

"Today, the White House Chief of Staff will also issue a regulatory freeze memo that will pause any new regulations from moving forward and give the incoming Administration an opportunity to review any regulations that the Trump Administration tried to finalize in its last days," the Biden transition fact sheet states.

Both the ESG and fiduciary rules were finalized late enough in the Trump administration that they're vulnerable to being overturned by Congress through the Congressional Review Act. A vote of disapproval through the CRA process only requires a simple majority, meaning it wouldn't be stymied by a filibuster in the Democratic-controlled Senate.

Sen. Sherrod Brown, D-Ohio and incoming chairman of the Senate Banking Committee, recently told reporters that he will target some late-breaking rules by the SEC and other agencies under the panel's jurisdiction.

"We're making a list," Brown said. "There will be a handful. They will come to a vote on the Senate floor and the House floor I assume sometime before April."

But eliminating a rule through the CRA process also prevents an agency from promulgating a substantially similar regulation, which could create obstacles for future ESG and investment advice.

"CRA is a blunt instrument," said Brian Gardner, chief Washington policy strategist at Stifel Financial. Congressional Democrats "have to be careful that it doesn't boomerang on them and limit the Biden administration's options."

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Top 50 equity ETFs ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Net Assets ($M)	Expense Ratio %
1	VanEck Vectors Rare Earth/Strategic Metals ETF (REMX)	**72.0%**	63.3%	0.8%	$322.1	0.60%
2	Invesco WilderHill Clean Energy ETF (PBW)	**70.4%**	205.5%	62.1%	$2,174.8	0.70%
3	AdvisorShares Pure US Cannabis ETF (MSOS)	**66.7%**	N/A	N/A	$223.3	0.74%
4	SPDR S&P Oil & Gas Equipment & Services ETF (XES)	**60.7%**	-43.4%	-35.1%	$130.7	0.35%
5	VanEck Vectors Oil Services ETF (OIH)	**59.4%**	-41.3%	-32.1%	$723.4	0.35%
6	Invesco Solar ETF (TAN)	**59.1%**	233.3%	60.4%	$3,631.5	0.69%
7	Invesco Global Clean Energy ETF (PBD)	**58.9%**	144.2%	40.3%	$300.9	0.75%
8	First Trust NASDAQ Clean Edge Green Energy Idx Fd (QCLN)	**58.7%**	183.5%	52.5%	$1,999.3	0.60%
9	AdvisorShares Pure Cannabis ETF (YOLO)	**58.6%**	47.1%	N/A	$158.8	0.75%
10	iShares US Oil Equipment & Services ETF (IEZ)	**56.2%**	-42.9%	-30.5%	$75.9	0.42%
11	Amplify Seymour Cannabis ETF (CNBS)	**55.7%**	31.6%	N/A	$26.1	0.75%
12	Global X Lithium & Battery Tech ETF (LIT)	**55.6%**	126.5%	18.7%	$1,984.5	0.75%
13	Amplify Lithium & Battery Technology ETF (BATT)	**54.2%**	44.3%	N/A	$41.7	0.59%
14	iShares Global Clean Energy ETF (ICLN)	**52.7%**	141.3%	46.9%	$4,688.3	0.46%
15	Cannabis ETF (THCX)	**52.2%**	3.9%	N/A	$48.4	0.70%
16	North Shore Global Uranium Mining ETF (URNM)	**51.2%**	67.1%	N/A	$47.7	0.85%
17	VanEck Vectors Low Carbon Energy ETF (SMOG)	**51.0%**	118.7%	39.8%	$270.2	0.62%
18	Invesco Dynamic Oil & Gas Services ETF (PXJ)	**49.0%**	-44.1%	-30.9%	$8.0	0.63%
19	SPDR S&P Kensho Clean Power ETF (CNRG)	**48.9%**	139.6%	N/A	$218.1	0.45%
20	Invesco KBW Regional Banking ETF (KBWR)	**48.7%**	-8.8%	-2.6%	$39.2	0.35%
21	Global X Copper Miners ETF (COPX)	**47.9%**	51.0%	5.3%	$219.2	0.65%
22	ARK Genomic Revolution ETF (ARKG)	**47.7%**	180.5%	60.4%	$7,653.4	0.75%
23	VanEck Vectors Steel ETF (SLX)	**47.1%**	20.3%	2.7%	$76.9	0.56%
24	First Trust Natural Gas ETF (FCG)	**47.0%**	-23.3%	-25.0%	$103.4	0.60%
25	SPDR S&P Regional Banking ETF (KRE)	**46.6%**	-7.3%	-1.4%	$1,948.2	0.35%
26	SPDR S&P Kensho Smart Mobility ETF (HAIL)	**46.5%**	83.9%	24.5%	$103.6	0.45%
27	Invesco S&P SmallCap Energy ETF (PSCE)	**46.4%**	-40.0%	-33.7%	$28.5	0.29%
28	Invesco S&P SmallCap Materials ETF (PSCM)	**45.9%**	22.4%	4.6%	$9.7	0.29%
29	Amplify Transformational Data Sharing ETF (BLOK)	**45.1%**	88.2%	N/A	$361.6	0.70%
30	InfraCap MLP ETF (AMZA)	**44.9%**	-49.8%	-26.6%	$146.5	2.41%
31	ALPS Clean Energy ETF (ACES)	**44.5%**	140.1%	N/A	$783.5	0.65%
32	SPDR S&P Metals & Mining ETF (XME)	**44.3%**	16.1%	-0.6%	$894.4	0.35%
33	Innovator Loup Frontier Tech ETF (LOUP)	**43.9%**	86.1%	N/A	$42.3	0.70%
34	SPDR S&P Bank ETF (KBE)	**42.8%**	-8.7%	-1.6%	$2,585.2	0.35%
35	First Trust Energy AlphaDEX Fund (FXN)	**42.6%**	-20.0%	-17.5%	$139.5	0.64%
36	KraneShares MSCI China Environment Index ETF (KGRN)	**42.3%**	136.1%	22.9%	$63.7	0.79%
37	Global X Autonomous & Electric Vehicles ETF (DRIV)	**42.1%**	62.2%	N/A	$236.8	0.68%
38	First Trust NASDAQ ABA Community Bank Index Fund (QABA)	**41.9%**	-11.0%	-2.9%	$85.0	0.60%
39	First Trust NASDAQ Bank ETF (FTXO)	**41.7%**	-12.8%	-3.8%	$102.1	0.60%
40	Invesco S&P SmallCap Information Tech ETF (PSCT)	**41.6%**	27.5%	17.2%	$386.5	0.29%
41	iShares Latin America 40 ETF (ILF)	**40.7%**	-11.6%	-2.2%	$1,563.0	0.48%
42	VanEck Vectors Unconventional Oil & Gas ETF (FRAK)	**40.1%**	-30.7%	-20.3%	$11.1	0.54%
43	SPDR S&P Oil & Gas Exploration & Production ETF (XOP)	**39.7%**	-36.4%	-25.5%	$2,283.5	0.35%
44	iShares US Regional Banks ETF (IAT)	**39.6%**	-7.7%	0.1%	$292.3	0.42%
45	iShares MSCI Global Metals & Mining Producers ETF (PICK)	**39.4%**	27.0%	6.4%	$538.9	0.39%
46	ETFMG Alternative Harvest ETF (MJ)	**39.1%**	-11.4%	-20.9%	$943.7	0.75%
47	Invesco S&P 500 Eql Wght Energy ETF (RYE)	**39.1%**	-32.4%	-16.6%	$61.8	0.40%
48	Global X MSCI Colombia ETF (GXG)	**38.9%**	-15.4%	-3.8%	$47.6	0.62%
49	Invesco Russell 2000 Dynamic Multifactor ETF (OMFS)	**38.8%**	14.7%	10.1%	$64.8	0.39%
50	iShares MSCI Colombia ETF (ICOL)	**38.2%**	-17.1%	-5.5%	$23.5	0.61%

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

Top 25 equity ETFs ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	Vanguard Total Stock Market Index Fund ETF (VTI)	**$14,375.3**	14.7%	20.9%	$202,074.2	0.03%
2	Vanguard Total International Stock Index Fund ETF (VXUS)	**$7,297.0**	16.9%	11.3%	$38,513.8	0.08%
3	iShares Russell 2000 ETF (IWM)	**$6,970.4**	31.4%	19.9%	$58,606.7	0.19%
4	iShares Core MSCI Emerging Markets ETF (IEMG)	**$5,158.7**	19.8%	18.2%	$68,716.6	0.11%
5	ARK Innovation ETF (ARKK)	**$5,004.8**	37.4%	152.5%	$17,750.9	0.75%
6	Financial Select Sector SPDR Fund (XLF)	**$3,839.8**	23.2%	-1.7%	$24,732.1	0.13%
7	ARK Genomic Revolution ETF (ARKG)	**$3,745.3**	47.7%	180.5%	$7,653.4	0.75%
8	iShares ESG Aware MSCI USA ETF (ESGU)	**$3,082.4**	13.2%	22.5%	$13,393.9	0.15%
9	Vanguard Value Index Fund ETF (VTV)	**$3,051.4**	14.5%	2.2%	$61,580.4	0.04%
10	Invesco S&P 500 Equal Weight ETF (RSP)	**$2,702.3**	18.4%	12.7%	$18,181.9	0.20%
11	Energy Select Sector SPDR Fund (XLE)	**$2,598.2**	28.2%	-32.6%	$13,581.2	0.13%
12	iShares MSCI Japan ETF (EWJ)	**$2,029.0**	15.2%	14.0%	$13,452.1	0.51%
13	Industrial Select Sector SPDR Fund (XLI)	**$1,999.0**	15.6%	11.0%	$16,177.2	0.13%
14	iShares Russell 1000 Value ETF (IWD)	**$1,944.9**	16.2%	2.7%	$43,923.9	0.19%
15	iShares Global Clean Energy ETF (ICLN)	**$1,898.9**	52.7%	141.3%	$4,688.3	0.46%
16	iShares Core MSCI EAFE ETF (IEFA)	**$1,889.7**	16.3%	8.5%	$84,073.4	0.07%
17	iShares Core S&P Small-Cap ETF (IJR)	**$1,841.8**	31.3%	11.2%	$56,114.1	0.06%
18	ARK Next Generation Internet ETF (ARKW)	**$1,741.3**	36.6%	157.1%	$5,303.1	0.79%
19	Schwab US Dividend Equity ETF (SCHD)	**$1,591.4**	17.1%	15.1%	$16,302.3	0.06%
20	iShares ESG Aware MSCI EM ETF (ESGE)	**$1,565.5**	20.0%	19.2%	$6,133.3	0.25%
21	iShares US Real Estate ETF (IYR)	**$1,522.1**	8.0%	-5.4%	$5,459.6	0.42%
22	Vanguard Small-Cap Index Fund ETF (VB)	**$1,411.9**	27.1%	19.1%	$37,492.1	0.05%
23	iShares Core Dividend Growth ETF (DGRO)	**$1,398.8**	13.3%	9.5%	$14,687.3	0.08%
24	Vanguard Emerging Markets Stock Index Fund ETF (VWO)	**$1,382.7**	16.9%	15.3%	$71,476.6	0.10%
25	Vanguard High Dividend Yield Index Fund ETF (VYM)	**$1,351.7**	14.1%	1.1%	$31,323.8	0.06%

Top 25 equity ETFs ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	SPDR Gold Shares (GLD)	**-$5,698.7**	0.1%	23.7%	$71,157.7	0.40%
2	iShares MSCI USA Min Vol Factor ETF (USMV)	**-$2,638.7**	6.9%	5.6%	$33,434.8	0.15%
3	JPMorgan BetaBuilders Europe ETF (BBEU)	**-$2,135.4**	15.8%	5.9%	$3,386.5	0.09%
4	Vanguard 500 Index Fund ETF (VOO)	**-$1,578.8**	12.1%	18.3%	$177,990.6	0.03%
5	iShares MSCI EAFE ETF (EFA)	**-$1,522.0**	16.3%	7.9%	$52,710.7	0.32%
6	iShares Core S&P 500 ETF (IVV)	**-$1,105.0**	12.1%	18.4%	$238,846.4	0.03%
7	SPDR Dow Jones Industrial Average ETF Trust (DIA)	**-$1,103.7**	10.7%	9.6%	$24,245.4	0.16%
8	Consumer Staples Select Sector SPDR Fund (XLP)	**-$1,079.5**	6.1%	10.2%	$13,309.1	0.13%
9	United States Oil Fund (USO)	**-$970.0**	16.1%	-67.7%	$3,625.2	0.79%
10	Invesco S&P 500 Low Volatility ETF (SPLV)	**-$930.0**	5.2%	-1.4%	$8,197.6	0.25%
11	iShares US Financial Services ETF (IYG)	**-$766.8**	23.7%	0.9%	$1,215.3	0.42%
12	iShares MSCI EAFE Min Vol Factor ETF (EFAV)	**-$724.5**	8.0%	0.2%	$10,648.1	0.20%
13	iShares S&P 500 Growth ETF (IVW)	**-$717.2**	10.6%	33.2%	$32,344.9	0.18%
14	iShares MSCI Germany ETF (EWG)	**-$622.2**	11.4%	11.3%	$2,584.6	0.51%
15	SPDR S&P 500 ETF Trust (SPY)	**-$546.3**	12.1%	18.4%	$329,024.8	0.10%
16	iShares S&P 100 ETF (OEF)	**-$387.0**	10.7%	21.2%	$7,245.5	0.20%
17	iShares Russell 1000 ETF (IWB)	**-$378.1**	13.6%	20.8%	$25,956.5	0.15%
18	iShares US Home Construction ETF (ITB)	**-$375.6**	-1.4%	26.4%	$1,994.3	0.42%
19	SPDR Portfolio S&P 500 Growth ETF (SPYG)	**-$369.3**	10.6%	33.4%	$9,639.3	0.04%
20	Vanguard Mega Cap Growth Index Fund ETF (MGK)	**-$364.0**	10.0%	41.0%	$9,944.5	0.07%
21	iShares MSCI Emerging Markets Min Vol Factor ETF (EEMV)	**-$339.1**	13.4%	7.4%	$4,171.5	0.25%
22	iShares Russell Mid-Cap Growth ETF (IWP)	**-$325.3**	18.9%	35.3%	$15,270.7	0.24%
23	iShares Global Infrastructure ETF (IGF)	**-$319.2**	14.9%	-6.3%	$3,140.5	0.46%
24	Invesco S&P MidCap Low Volatility ETF (XMLV)	**-$317.5**	15.5%	-8.4%	$1,751.9	0.25%
25	iShares Russell 1000 Growth ETF (IWF)	**-$295.9**	11.3%	38.2%	$64,476.4	0.19%

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

Top 50 fixed-income ETFs ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Net Assets ($M)	Expense Ratio %
1	Virtus InfraCap US Preferred Stock ETF (PFFA)	**17.2%**	-8.0%	N/A	$223.6	2.01%
2	First Trust CEF Income Opportunity ETF (FCEF)	**16.5%**	4.0%	6.4%	$34.0	3.21%
3	First Trust Emerging Mkts Local Currency Bond ETF (FEMB)	**12.6%**	3.0%	2.2%	$232.0	0.85%
4	iShares International Preferred Stock ETF (IPFF)	**11.8%**	4.7%	-2.1%	$44.1	0.55%
5	WisdomTree Emerging Markets Local Debt Fund (ELD)	**10.0%**	1.7%	1.9%	$128.6	0.55%
6	Saba Closed-End Funds ETF (CEFS)	**9.8%**	3.9%	6.0%	$58.9	4.48%
7	VanEck Vectors Preferred Secs ex Financials ETF (PFXF)	**9.7%**	7.9%	7.6%	$827.7	0.41%
8	VanEck Vectors JP Morgan EM Local Currency Bd ETF (EMLC)	**9.6%**	2.9%	1.5%	$3,600.3	0.30%
9	iShares International High Yield Bond ETF (HYXU)	**9.5%**	10.5%	3.4%	$50.6	0.40%
10	VanEck Vectors Fallen Angel High Yield Bond ETF (ANGL)	**9.5%**	13.3%	7.9%	$4,075.2	0.35%
11	iShares Fallen Angels USD Bond ETF (FALN)	**9.4%**	14.4%	8.5%	$410.2	0.25%
12	SPDR Dorsey Wright Fixed Income Allocation ETF (DWFI)	**9.4%**	15.5%	4.7%	$122.1	0.60%
13	SPDR FTSE Intl Govt Inflation-Protected Bond ETF (WIP)	**9.3%**	7.8%	3.3%	$380.7	0.50%
14	Global X SuperIncome Preferred ETF (SPFF)	**9.1%**	6.9%	5.5%	$199.3	0.58%
15	First Trust Strategic Income ETF (FDIV)	**9.0%**	-2.5%	2.3%	$76.8	0.87%
16	iShares JP Morgan EM High Yield Bond ETF (EMHY)	**8.8%**	4.0%	3.6%	$325.3	0.50%
17	JPMorgan USD Emerging Markets Sovereign Bond ETF (JPMB)	**8.3%**	5.3%	N/A	$87.4	0.39%
18	iShares JP Morgan EM Local Currency Bond ETF (LEMB)	**8.3%**	2.7%	0.4%	$531.7	0.30%
19	Xtrackers High Beta High Yield Bond ETF (HYUP)	**8.2%**	5.6%	N/A	$9.6	0.20%
20	SPDR Bbg Barclays Emerging Markets Local Bond ETF (EBND)	**8.0%**	4.6%	2.3%	$1,007.9	0.30%
21	FlexShares High Yield Value-Scored Bond Index Fund (HYGV)	**7.9%**	7.9%	N/A	$193.7	0.37%
22	VanEck Vectors International High Yield Bond ETF (IHY)	**7.8%**	8.6%	5.3%	$103.7	0.40%
23	Invesco International Corporate Bond ETF (PICB)	**7.7%**	12.6%	4.5%	$134.1	0.50%
24	Global X TargetIncome 5 ETF (TFIV)	**7.7%**	1.8%	N/A	$5.9	0.77%
25	iShares Interest Rate Hedged Long-Term Corp Bond (IGBH)	**7.6%**	0.7%	2.1%	$612.0	0.16%
26	Invesco CurrencyShares Australian Dollar Trust (FXA)	**7.5%**	9.4%	-0.1%	$157.6	0.40%
27	iShares Preferred and Income Securities ETF (PFF)	**7.5%**	7.9%	5.9%	$19,453.2	0.46%
28	WisdomTree Emerging Currency Strategy Fund (CEW)	**7.5%**	0.0%	-0.2%	$16.6	0.55%
29	Global X Emerging Markets Bond ETF (EMBD)	**7.4%**	N/A	N/A	$60.7	0.39%
30	High Yield ETF (HYLD)	**7.3%**	2.3%	3.0%	$98.4	1.29%
31	Invesco Emerging Markets Sovereign Debt ETF (PCY)	**7.3%**	2.3%	4.1%	$2,866.3	0.50%
32	iShares Interest Rate Hedged Emerging Mkts Bond ETF (EMBH)	**7.1%**	-2.7%	0.4%	$5.9	0.48%
33	VanEck Vectors CEF Municipal Income ETF (XMPT)	**7.0%**	7.4%	6.7%	$158.4	2.02%
34	iShares US & Intl High Yield Corp Bond ETF (GHYG)	**7.0%**	6.4%	5.1%	$186.6	0.40%
35	First Trust Preferred Securities and Income ETF (FPE)	**6.9%**	6.5%	6.1%	$5,907.0	0.85%
36	iShares High Yield Bond Factor ETF (HYDB)	**6.9%**	7.5%	6.6%	$45.9	0.35%
37	VanEck Vectors Emg Mkts High Yield Bond ETF (HYEM)	**6.8%**	6.8%	5.0%	$443.9	0.40%
38	Xtrackers JP Morgan ESG USD High Yield Corp Bond ETF (ESHY)	**6.8%**	1.1%	3.5%	$15.8	0.20%
39	SPDR Portfolio High Yield Bond ETF (SPHY)	**6.8%**	6.6%	5.4%	$182.0	0.15%
40	Cambria Sovereign Bond ETF (SOVB)	**6.7%**	5.3%	1.8%	$23.8	0.59%
41	First Trust Municipal CEF Income Opportunity ETF (MCEF)	**6.7%**	7.1%	6.1%	$9.1	2.59%
42	VanEck Vectors Emerging Markets Aggregate Bond ETF (EMAG)	**6.7%**	4.9%	4.7%	$16.4	0.35%
43	SPDR Bbg Barclays International Corporate Bond ETF (IBND)	**6.5%**	11.7%	3.0%	$260.5	0.50%
44	First Trust Inst Preferred Securities & Income ETF (FPEI)	**6.4%**	6.7%	5.8%	$300.4	0.85%
45	BNY Mellon High Yield Beta ETF (BKHY)	**6.4%**	N/A	N/A	$36.4	0.22%
46	Global X US Preferred ETF (PFFD)	**6.3%**	8.8%	7.2%	$1,058.0	0.23%
47	ProShares Investment Grade-Interest Rate Hdg ETF (IGHG)	**6.3%**	0.7%	2.8%	$462.0	0.30%
48	iShares Broad USD High Yield Corporate Bond ETF (USHY)	**6.3%**	6.0%	5.8%	$7,431.6	0.15%
49	Pacer Trendpilot US Bond ETF (PTBD)	**6.2%**	10.6%	N/A	$437.4	0.60%
50	iShares Inflation Hedged Corporate Bond ETF (LQDI)	**6.1%**	11.3%	N/A	$21.9	0.19%

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

Top 25 fixed-income ETFs ranked by largest inflows

	Name	Three-Month Estimated Net Flows ($M)	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	Vanguard Total Bond Market Index Fund ETF (BND)	**$5,786.7**	0.7%	7.7%	$68,244.8	0.04%
2	Vanguard Total International Bond Index Fund ETF (BNDX)	**$4,758.4**	1.0%	4.6%	$37,325.8	0.08%
3	iShares Core US Aggregate Bond ETF (AGG)	**$4,367.5**	0.7%	7.4%	$85,210.1	0.04%
4	Vanguard Short-Term Corporate Bond Index Fd ETF (VCSH)	**$3,361.7**	1.1%	5.1%	$36,264.4	0.05%
5	Vanguard Intermediate-Term Corp Bond Idx Fund ETF (VCIT)	**$3,218.3**	2.3%	9.5%	$42,591.8	0.05%
6	iShares MBS ETF (MBB)	**$2,977.5**	0.3%	4.0%	$25,295.4	0.06%
7	Vanguard Short-Term Bond Index Fund ETF (BSV)	**$2,414.5**	0.3%	4.7%	$29,618.5	0.05%
8	iShares National Muni Bond ETF (MUB)	**$2,367.4**	1.8%	4.9%	$20,431.3	0.07%
9	iShares JPMorgan USD Emerging Markets Bond ETF (EMB)	**$2,328.4**	6.0%	5.5%	$19,228.2	0.39%
10	iShares TIPS Bond ETF (TIP)	**$2,102.8**	1.6%	10.9%	$26,385.0	0.19%
11	iShares 1-5 Year Investment Grade Corporate Bd ETF (IGSB)	**$1,968.7**	1.1%	5.3%	$22,290.4	0.06%
12	iShares Preferred and Income Securities ETF (PFF)	**$1,480.5**	7.5%	7.9%	$19,453.2	0.46%
13	Vanguard Mortgage-Backed Secs Idx Fund ETF (VMBS)	**$1,433.3**	0.3%	3.8%	$13,110.7	0.05%
14	Schwab US TIPS ETF (SCHP)	**$1,405.2**	1.6%	10.9%	$14,077.6	0.05%
15	iShares Broad USD High Yield Corporate Bond ETF (USHY)	**$1,388.5**	6.3%	6.0%	$7,431.6	0.15%
16	Vanguard Tax-Exempt Bond Index Fund ETF (VTEB)	**$1,217.2**	1.9%	5.0%	$10,349.5	0.06%
17	iShares 20+ Year Treasury Bond ETF (TLT)	**$1,097.4**	-3.1%	17.9%	$18,962.5	0.15%
18	Xtrackers USD High Yld Corporate Bd ETF (HYLB)	**$1,094.8**	5.8%	4.9%	$7,469.5	0.15%
19	JPMorgan Ultra-Short Income ETF (JPST)	**$1,048.7**	0.3%	2.2%	$15,576.9	0.18%
20	Vanguard Sht-Term Inflation-Protected Sec Index ETF (VTIP)	**$823.2**	1.3%	5.0%	$10,051.5	0.05%
21	Invesco Senior Loan ETF (BKLN)	**$797.6**	2.9%	1.2%	$4,817.8	0.65%
22	First Trust TCW Opportunistic Fixed Income ETF (FIXD)	**$777.7**	1.1%	9.2%	$4,702.1	0.55%
23	Vanguard Emerging Markets Govt Bd Index ETF (VWOB)	**$775.7**	5.8%	5.8%	$2,648.2	0.25%
24	Vanguard Long-Term Bond Index Fund ETF (BLV)	**$710.7**	1.7%	16.2%	$5,807.6	0.05%
25	VanEck Vectors Fallen Angel High Yield Bond ETF (ANGL)	**$691.3**	9.5%	13.3%	$4,075.2	0.35%

Top 25 fixed-income ETFs ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)	Three-Month Return %	One-Year Return %	Net Assets ($M)	Expense Ratio %
1	iShares 7-10 Year Treasury Bond ETF (IEF)	**-$4,896.4**	-1.3%	9.8%	$14,850.2	0.15%
2	iShares Short Treasury Bond ETF (SHV)	**-$2,485.0**	0.0%	0.8%	$17,830.4	0.15%
3	iShares 1-3 Year Treasury Bond ETF (SHY)	**-$1,831.2**	0.0%	3.0%	$19,640.6	0.15%
4	iShares iBoxx $ Inv Grade Corporate Bond ETF (LQD)	**-$1,435.4**	3.4%	11.1%	$55,238.3	0.14%
5	SPDR Bloomberg Barclays 1-3 Month T-Bill ETF (BIL)	**-$1,231.0**	0.0%	0.4%	$12,766.1	0.14%
6	iShares iBoxx $ High Yield Corporate Bond ETF (HYG)	**-$964.5**	5.6%	4.1%	$25,717.9	0.49%
7	BlackRock Short Maturity Bond ETF (NEAR)	**-$840.0**	0.4%	1.4%	$4,558.1	0.25%
8	iShares 5-10 Yr Investment Grade Corporate Bd ETF (IGIB)	**-$554.0**	2.4%	9.6%	$11,114.4	0.06%
9	Invesco National AMT-Free Municipal Bond ETF (PZA)	**-$534.8**	2.4%	5.2%	$2,199.2	0.28%
10	Vanguard Extended Duration Treasury Index Fd ETF (EDV)	**-$462.1**	-3.5%	24.2%	$1,336.5	0.07%
11	Goldman Sachs Access Treasury 0-1 Year ETF (GBIL)	**-$440.7**	0.0%	0.8%	$2,587.3	0.12%
12	Invesco DB US Dollar Index Bullish Fund (UUP)	**-$357.4**	-4.4%	-6.5%	$366.2	0.75%
13	iShares Floating Rate Bond ETF (FLOT)	**-$319.7**	0.3%	0.9%	$5,376.6	0.20%
14	WisdomTree Floating Rate Treasury Fund (USFR)	**-$276.2**	0.0%	0.5%	$1,210.0	0.15%
15	SPDR Bbg Barclays Invest Grade Floating Rate ETF (FLRN)	**-$162.2**	0.3%	0.9%	$2,347.1	0.15%
16	SPDR Portfolio Short Term Treasury ETF (SPTS)	**-$159.6**	0.0%	3.2%	$2,994.9	0.06%
17	SPDR Bloomberg Barclays High Yield Bond ETF (JNK)	**-$156.3**	6.0%	4.7%	$12,494.2	0.40%
18	WisdomTree Yield Enhanced US Aggregate Bond Fund (AGGY)	**-$134.2**	1.4%	6.5%	$1,197.5	0.12%
19	Invesco Emerging Markets Sovereign Debt ETF (PCY)	**-$124.6**	7.3%	2.3%	$2,866.3	0.50%
20	Invesco Treasury Collateral ETF (CLTL)	**-$121.6**	0.0%	0.9%	$841.2	0.08%
21	FlexShares iBoxx 3-Year Target Duration TIPS Index (TDTT)	**-$114.8**	1.5%	7.0%	$1,328.1	0.18%
22	Franklin Liberty US Core Bond ETF (FLCB)	**-$92.0**	1.0%	7.7%	$1,559.1	0.15%
23	iShares Aaa-A Rated Corporate Bond ETF (QLTA)	**-$75.8**	2.1%	9.8%	$1,398.6	0.15%
24	Invesco 1-30 Laddered Treasury ETF (PLW)	**-$71.3**	-2.0%	12.5%	$119.6	0.25%
25	SPDR Portfolio Intermediate Term Corporate Bd ETF (SPIB)	**-$65.8**	1.7%	7.6%	$6,046.6	0.07%

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

MUTUAL FUNDS

CONTINUED FROM PAGE 3

enough," he said. "They were happier earning similar returns and paying less fees with ETFs."

What is seemingly good for the fast-evolving ETF space has been disruptive for companies that have been clinging for too long to the traditional mutual fund business. The list of asset managers with the most outflows last year is weighted toward firms that have been late to the ETF game.

$289B

OUTFLOWS RECORDED BY MUTUAL FUNDS IN 2020

DIPPING A TOE

Dimensional Fund Advisors, a $433 billion firm that only started dipping a toe in the ETF market last year, had $37 billion worth of outflows in 2020. T. Rowe Price, which manages $774 billion and moved into ETFs last year, finished 2020 with more than $33 billion in outflows.

American Funds, which manages more than $2 trillion and announced this month it plans to enter the ETF space in 2022, suffered more than $32 billion worth of outflows last year.

"It has clearly been better to be a diversified manager that offers passive and active mutual funds along with ETFs," said Tony Thomas, associate director of equity strategies at Morningstar. "As we talk to asset managers, we're hearing them talk about launching ETFs, and there's a lot of momentum for ETFs."

TRADITIONAL THINKING

The traditional thinking that active management, where mutual funds have an edge, benefits during down markets showed up briefly in March when the initial shock of the global pandemic set in and the financial markets pulled back.

"We saw a little return to mutual funds in March when we saw the sell-off, but it didn't last," Thomas said. "Insofar as people are talking about active ETFs, that could be another nail in the coffin for mutual funds."

On the flip side of all the doom and gloom overshadowing the mutual fund space, the biggest players in the ETF space continue to enjoy the ride. The Vanguard Group, which manages more than $6 trillion, had more than $140 billion worth of positive flows last year. BlackRock's iShares, with $2 trillion in assets, added more than $122 billion.

Likewise, State Street Global Advisors' SPDR ETFs, which manage $845 billion, took in more than $35 billion, while Fidelity Investments, which manages more than $2 trillion, took in nearly $10 billion in 2020.

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GOLDMAN SACHS

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JetBlue, AARP and General Motors, give the bank an advantage, Solomon said. "I think you'll continue to see us do more on this front."

While Goldman Sachs continues its push to transform from a bank solely for the ultra-wealthy to a digital platform with an eye toward Main Street investors, the bank's net revenues for wealth management clocked in at $1.31 billion, 11% higher than the fourth quarter of 2019.

"IT'S ... DIFFICULT TO COMPETE ... UNLESS YOU'RE GLOBAL AT SCALE."

DAVID SOLOMON, CEO, GOLDMAN SACHS

Overall, Goldman Sachs doubled its profits year-over-year, reaching $4.51 billion in the fourth quarter, or $12.08 per share.

The firm's quarterly revenue of $11.74 billion was 18% higher than in the fourth quarter of 2019 and 9% higher than in the third quarter of 2020.

Moreover, Marcus Invest — slated to launch sometime this quarter — will expand to the U.K. in the second half of the year, Solomon said. Goldman Sachs' more global reach is expected to push its robo-adviser to the head of the pack.

"It's increasingly difficult to compete in this business unless you're global at scale, unless you have the capacity to make very significant technology investments into platforms to better connect with your clients," Solomon said. "So there has been consolidation of wallet share into the leading players across these platforms."

GOAL REACHED

In addition, Goldman Sachs' Ayco Personal Financial Management platform for high-net-worth clients achieved its 2020 goal of bringing more than 30 new corporate clients onto the platform, Solomon said.

"As corporations of all types increasingly look to Ayco for financial planning and wellness solutions, we remain well positioned to meet this ongoing need given Ayco's broad spectrum of offerings, as well as connectivity with our investment banking franchise and our new personal financial management capabilities," he said. "We have already begun to see significant synergies as a result of these advantages, with over 4,000 referrals in 2020, representing over $7 billion of opportunity across these channels in the U.S."

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KATHLEEN MURPHY

Kathleen Murphy, head of Fidelity's Personal Investing group, to retire

BY JEFF BENJAMIN

KATHLEEN MURPHY, president of Fidelity Investments' $3.6 trillion Personal Investing division, is retiring at 57 and is expected to leave her post by midyear, the company confirmed last Friday.

Murphy, who has been leading the division for 12 years, was not available for comment, but is apparently departing on good terms.

"After some time off, Kathy has agreed to return to help [CEO] Abby Johnson and other leaders focus on key strategic priorities important to the long-term future of Fidelity," said company spokesman Jeff Cathie.

Murphy is not expected to return to Fidelity on a full-time basis, he said.

Murphy's impending departure, which was announced by Johnson late Thursday in an internal memo to Fidelity employees, introduces a potential leadership gap in a division that has been "impactful on the industry," said Morningstar analyst Robby Greengold.

"She played a key role in Fidelity's development and launch in 2018 of the firm's suite of index funds that have a zero expense ratio," Greengold said. "Each [fund in the suite] has consistently gathered net inflows since inception. Collectively, they now hold over $13 billion in assets. The business unit also improved its value proposition to retail investors by eliminating investment minimums, account minimums, account fees and domestic money movement fees."

MURPHY'S LEADERSHIP

Under Murphy's leadership, the division also played a significant part in helping to drive down the cost of trading commissions for stocks, options and exchange-traded funds.

During Murphy's tenure as president of the division, she helped produce successive years of record growth that led to client accounts more than doubling, to 26 million from 12 million, and client assets under advisement quadrupling, to more than $3.6 trillion from $916 billion.

That growth continued to accelerate in 2020 as Personal Investing added 5.1 million new accounts, representing a 60% increase year-over-year, and client assets grew by $600 billion, a 20% increase year-over-year.

Fidelity's Personal Investing division currently includes more than 18,000 associates.

"The Personal Investing division has built a strong financial ecosystem helping educate retail investors about stocks, ETFs and mutual funds, and continuing to use its scale and innovate with new tools and services," said Todd Rosenbluth, director of mutual fund and ETF research at CFRA.

"But competition remains high and customer loyalty is not guaranteed," Rosenbluth added, emphasizing the importance of finding the right successor for the job.

MANY CONTRIBUTIONS

Johnson's memo to Fidelity employees recognized Murphy for her many contributions, especially since the start of the global pandemic.

"This past year has reminded us of the importance of the values and principles that have guided our way for decades — doing right by the customer, meeting their full range of needs, creating new ways to deliver value, and fostering a workplace culture that inspires our associates' best work. For the past 12 years, Kathy Murphy has embodied these principles," the memo reads in part.

"Kathy played a key leadership role in several important cross-company initiatives, including our firmwide advisory solutions growth strategy, our lifetime engagement efforts across our Personal Investing and Workplace Investing divisions, and our broad-based digital transformation efforts. This past year, Kathy helped to steer Fidelity through a global pandemic while remaining steadfast in our commitment to our clients and associates. For me personally, I will miss Kathy's leadership, passion, energy and relentless will to innovate and improve," the memo continues.

Cathie said Johnson will work closely with Fidelity's senior leadership to name a successor.

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COGNITIVE DECLINE

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Authority Inc. and the Social Security Administration have policies and procedures on the subject, which the DOL will likely evaluate in drafting any guidance it would issue.

With an aging demographic that is increasingly reliant on retirement assets from defined-contribution plans, instances of elder abuse and fraud could become more common.

As of mid-2019, about 16.5% of the U.S. population, or more than 54 million people, was 65 or older — but that is on track to increase by 44%, to nearly 81 million people, by 2040, according to U.S. Census data cited in the report.

Further, advanced planning is still not the norm, with nearly 60% of adult children reportedly becoming caregivers for their parents without a plan and about 10% of older Americans annually becoming victims of some type of abuse or neglect, according to the report.

ON THE RISE

Data provided to the advisory council by Fidelity Investments showed a 23% increase in cases of "diminished [mental] capacity and financial exploitation" in 2019 among about 22,000 retirement plans in the company's book of business. Fidelity projects a 27% increase took place in 2020.

Which party bears responsibility for noticing and addressing such issues among participants is a question.

"There is significant outsourcing within the defined-contribution space, and 40% to 50% of plan sponsors do not have direct contact with separated or retired participants," according to the report, which cited data from the Defined Contribution Institutional Investment Association. "This is a task that is commonly delegated to the record keeper, and there can be a lack of clarity regarding who has the fiduciary duty to separated and retired participants."

A small survey DCIIA conducted of large employers found that 70% of plan sponsors have no idea how common cognitive decline is among their retired workers, and 11% said they were unaware of any such cases.

Most employers said the issue is a low priority and have had no discussions about addressing it, even as 53% indicated they were unsure about their fiduciary responsibility around the subject, the DCIIA data shows.

A quarter of plan sponsors said they have no fiduciary responsibility related to helping participants who are experiencing cognitive decline, though 22% said they do have such an obligation.

ON THE LOOKOUT

Like many, if not most financial services firms, Fidelity trains its staff to identify cases in which participants are showing diminished mental capacity. In its comments to the advisory council, Fidelity noted that staff look for participants who show confusion with simple tasks, ask to repeat questions or instructions, and show a dramatic change in investment strategy, memory loss, health issues, notable changes in trading, confusion about their account balances, requests to add people to their accounts and other issues.

The Consumer Financial Protection Bureau cited instances that can point to potential problems, including accounts in which money is missing, sudden spending changes, requests for large wire transfers, heavy ATM use, new difficulty paying bills, new names on accounts and changes to beneficiaries.

One consultant testifying for the council, Anna Rappaport, suggested that employers integrate cognitive-decline planning, including company retirement plans and financial wellness. For example, companies could provide education to employees about the issue, including information about long-term care, and offer access to prepaid legal programs, Rappaport said. Further, the report said employers should consider supporting caregivers through flexible work arrangements, stress management and employee assistance.

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TRUMP PARDONS

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Weiss had already repaid his debt to society, the Trump White House said.

"Mr. Weiss was convicted of racketeering, wire fraud, money laundering, and obstruction of justice, for which he has already served over 18 years and paid substantial restitution. He is 66 years old and suffers from chronic health conditions," the pardon statement says.

But pardons don't sit well with a former SEC attorney who says they contradict the mission of financial regulators and the Department of Justice.

"The goals of justice and deterrence are effectively denied by a pardon," said David Chase, who was a senior counsel in the SEC Division of Enforcement and now owns an eponymous law firm in Ft. Lauderdale, Florida.

Andrew Stoltmann, a Chicago securities attorney who represents investors in arbitration cases against brokerages, said a pardon can be a legitimate use of discretionary power by a president. But the practice of issuing pardons from the White House has gone off the rails in the last few administrations.

"Trump has followed in a long line of Democrats and Republicans who have abused pardon power," Stoltmann said.

Pardons perpetuate the problem of white-collar crime being treated more gently than other kinds of crime, he said. Leniency involving schemes that harm investors looks particularly bad at a time when surging markets may be camouflaging future fraud cases.

"It sends precisely the wrong message at precisely the wrong time," Stoltmann said.

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WELLS FARGO

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Jim Hays, the head of Well Fargo Advisors, is gaining more responsibility as the bank's 800 or so private wealth advisers, private bankers and portfolio managers move under his purview.

Wells Fargo is also cutting its international wealth management business and is looking into selling its asset management group.

As part of its cost-cutting effort, Wells Fargo said in October that it had laid off a "sizable group" of salaried advisers. Such advisers are less lucrative for the bank than higher-producing wealth managers, who earn a percentage of total revenues and not a wage.

Last year, another big chunk of Wells Fargo advisers either jumped to a new firm or retired. The firm is combatting that exodus by actively recruiting from competitors and beefing up bonuses to advisers who commit to retiring with the firm.

A CLEAR FLUB

A clear flub in Scharf's cost-cutting was the announcement in October that the bank was cutting its 401(k) match, hitting many of its advisers in the pocketbook. Apparently realizing the impact of the move, just two days later the bank reversed its decision and said it was abandoning the cut to employees' retirement plans.

Financial advisers at any firm, from a small registered investment adviser to a giant wirehouse, want to feel as if senior management is listening to their concerns. And management should listen. Advisers know the clients better than almost anyone at giant businesses like Wells Fargo.

At Wells Fargo's direct competitors, Merrill Lynch and Morgan Stanley, the strategies for advisers could not be clearer. Merrill Lynch wants its Thundering Herd to bring in more new customers and Morgan Stanley wants its advisers to grab a bigger share of clients' assets. Both have provided advisers with technology and compensation plans to drive that behavior.

SCHARF LOOKS TO BE DOING WHAT CEOs OF BELEAGUERED ENTERPRISES OFTEN DO.

Almost a year ago, just as the country was hunkering down due to the pandemic, this column asked what the strategy was for Wells Fargo and its advisers. The plan has been revealed. What's not clear is how Wells Fargo's financial advisers are smack dab in the middle of it.

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