FULL COVERAGE: GAMESTOP BUGGY-WHIPS WALL STREET **PAGE 14**

FEBRUARY 1-5, 2021

InvestmentNews®

THE TRUSTED RESOURCE FOR FINANCIAL ADVISERS

INVESTMENTNEWS.COM

$5.00 / $89 YEAR

UNFILLED Rx

ADVISERS LOVE TO PRESCRIBE HEALTH SAVINGS ACCOUNTS, BUT CLIENTS AREN'T SWALLOWING THE PILL PAGE 8

MAGAZINE | VOL. 25, NO. 4 | COPYRIGHT INVESTMENTNEWS LLC. | ALL RIGHTS RESERVED

TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

INSIDE

FEBRUARY 1-5, 2021

4 On Technology
6 Editorial
12 On Retirement

4 Schwab's growing pains

The acquisition of TD Ameritrade was bound to produce a few hiccups, writes Jeff Benjamin.

16-19 Mutual fund rankings

InvestmentNews Research serves up performance data for mutual funds in Q4.

Contents © Copyright 2021 by InvestmentNews LLC. All rights reserved. Vol. 25, No. 4, February 1, 2021. InvestmentNews (ISSN 1098-1837) is published weekly except for 1st week of January, the 5th week of March, the 1st week of April, the 5th week of May, the 4th week of June, the 1st, & 3rd week of July, the 1st, 3rd and 5th week of August, 1st week of September, the 4th and 5th week of November and the 3rd and 4th week of December by InvestmentNews LLC., 685 Third Avenue, New York, NY 10017-4024. Periodicals postage paid at New York, NY and additional mailing offices. POSTMASTER: Send address changes to InvestmentNews, Circulation Dept., 685 Third Avenue, New York, NY 10017. U.S. subscription price: $89 a year.

RayJay boosts recruiting bonus as competition rises

BY BRUCE KELLY

AS THE SCRAMBLE to recruit registered brokers and advisers continues, Raymond James Financial Inc., a top destination for advisers over the past decade, is increasing a recruiting bonus this year for experienced financial advisers who work as employees of the firm.

Paul Reilly, CEO of Raymond James, said on a conference call last Thursday with analysts to discuss company earnings that the firm was beefing up its recruiting bonus to advisers who are employees, but he did not give details.

"On the employee side, there has been a modest slowdown in recruiting due to the challenges brought on by [COVID-19] and also increased competition for experienced advisers where even our regional competitors have significantly increased their recruiting packages," Reilly said on the call. "In response to what we are seeing, we have also enhanced our recruiting packages to be more competitive while also ensuring attractive returns to our shareholders."

So-called recruiting bonuses typically take the form of a percentage of an adviser's annual fees and commissions, known as production in the industry, and employee advisers can command from two times to three times that number. That means an adviser who generates $1 million in annual sales can command a bonus of $2 million to $3 million that in many cases is paid out over a period of seven to 10 years.

The gap between what Raymond James and its competitors were offering in terms of bonuses has grown "bigger and bigger," Reilly said. The higher offers were too big for some advisers to turn down, and while the firm would not match such high offers, it was "upping" its deal, he said.

Raymond James reported 8,233 financial advisers at the end of December, an increase of 2.1% from the end of 2019. It saw a net rise of 173 advisers compared to the end of 2019, but a net decrease of six advisers from the end of September.

For calendar year 2020, Raymond James recruited advisers with $40 billion in assets and $270 million in annual fees and commission, known as trailing 12 in the industry.

Reilly didn't provide details of the beefed-up bonus, but industry executives and recruiters noted that in the past, the firm has not dangled the largest offer in front of recruits but instead has pitched them on its focus on the wealth management business and its hands-off policy regarding who controls the clients.

MORE EXPENSIVE

Newer competitors like Rockefeller Capital Management and First Republic Investment Management are making it more expensive for Raymond James to recruit experienced advisers, they said.

"For a little while there, Raymond James had a much clearer path without a lot of obstacles," said Louis Diamond, an industry recruiter. "But now, most firms — with the exception of Merrill Lynch — are back in play for recruiting."

"Raymond James had to step up [its recruiting deal] to have the same kind of success the firm has had over the past few years," Diamond said, adding that his firm does work for Raymond James.

bkelly@investmentnews.com

UBS adviser count falls as its wealth unit roars

BY BRUCE KELLY

UBS' WEALTH MANAGEMENT franchise in the United States, Canada and Latin America saw a decline in adviser head count last year but booming financial results, with the broad region that the Swiss bank dubs the Americas the most profitable region globally in the last quarter, and for the first time, for the full year.

The Americas wealth management business reported $386 million in earnings over the last three months of the year, an increase of 54% from the same period in 2019, according to the giant bank, which released its earnings last Tuesday.

3.7%
DECREASE IN UBS ADVISERS IN THE AMERICAS IN 2020

The record profitability in wealth management in the Americas was driven by growth in loans, separately managed accounts and adviser productivity, the company said. The average adviser produced fees and commissions at an astonishing annual rate of $1.5 million in the Americas, compared to $1.4 million per adviser in the third quarter.

UBS made it clear that it sees no correlation between head count and profitability. The bank had 6,305 advisers in the Americas region at the end of December, for a year-over-year decline of 3.7%, or 244 fewer advisers.

In its global wealth manage-

CONTINUED ON PAGE 20

Advisers ponder risk as GameStop spins out of control

BY JEFF BENJAMIN

WHETHER IT IS A highly coordinated effort by a host of yet unknown players to take down some big Wall Street operators or a legitimate grassroots groundswell of retail trader momentum, the story of GameStop Corp. stock spiking 800% over the past few weeks has become more than just a fun distraction for financial advisers.

"It is definitely drawing client inquiries, but these kinds of things typically end in some kind of crash," said Brett Fry, wealth adviser at Forteris Wealth Management.

Details are still not clear, and the situation is dynamic, but the basic idea of a social media platform and ready access to mobile trading apps helping push an otherwise obscure, money-losing videogame retailer to a $24 billion market cap has taken on a life of its own.

SPOTTING SHORT POSITIONS

The strategy, promoted and popularized on the online Reddit forum r/WallStreetBets, among others, first identifies large short positions held by hedge funds that are betting on stocks to go down, then buys those shorted stocks at such levels that anyone shorting the stock is forced to also buy the shares just to offset potential losses.

The platform traders enjoyed so much success — including multiple trading stoppages in GameStop shares and forcing some hedge funds to liquidate positions at a loss — that last Wednesday the strategy started spreading to other stocks. By midday, when the S&P 500 Index was down 1.6%, AMC Entertainment Holdings Inc. was up 180%, BlackBerry Ltd. was up 16%, and Tootsie Roll Industries Inc. was up 14.5%.

MORE on GameStop frenzy PAGE 14

More than a dozen stocks had been identified as targets of the online traders.

START OF A RECKONING

Kashif Ahmed, president of American Private Wealth, believes most investors and anyone following a strict financial planning strategy will be insulated, but he also believes this is the start of a reckoning for some corners of finance.

"There will be blood; we've seen this movie before," he said, referencing the dot-com bubble of 1999, which occurred before anyone had access to lightning-fast online trading apps.

"You have a lot of people who really don't know what they're doing, and the hedge funds are not backing down," Ahmed added. "Eventually, the big firms will take it on the chin, but they will survive, while lots of Reddit users will get wiped out. This is one of those things that returns financial assets to their rightful owners."

> **"THERE WILL BE BLOOD; WE'VE SEEN THIS MOVIE BEFORE."**
> KASHIF AHMED, PRESIDENT AMERICAN PRIVATE WEALTH

Dennis Nolte, vice president at Seacoast Investment Services, describes the collective efforts of individual traders to

CONTINUED ON PAGE 20

CI Financial to acquire $23 billion RIA, Chicago-based Segall Bryant & Hamill

BY JEFF BENJAMIN

TORONTO-BASED CI Financial Corp. is acquiring Segall Bryant & Hamill, a Chicago-based registered investment adviser and asset manager with more than $23 billion in assets under management and advisement.

The deal is CI's first this year, after the Canadian wealth management conglomerate established itself as the most prolific acquirer of registered investment advisers in 2020, announcing 13 deals since entering the U.S. market last February.

The acquisition of Segall Bryant & Hamill will be CI's largest purchase so far, and once completed it will double CI's total U.S.-based assets to $46.1 billion.

"Acquiring Segall Bryant & Hamill is a major step forward as we continue our U.S. expansion," Kurt MacAlpine, CI chief executive, said in a prepared statement.

'INCREDIBLE BUSINESS'

"SBH has built an incredible business and formed a committed team that embodies the characteristics we look for in our acquisitions," he continued in the statement. "SBH has also displayed a proven ability to adapt to changing market dynamics to deliver a consistently superior level of client service and investment performance through deep fundamental research. I am pleased to announce that the SBH team will remain intact and be a key driver of CI's growth in the U.S."

> **"THE SBH TEAM WILL REMAIN INTACT AND BE A KEY DRIVER OF CI'S GROWTH."**
> KURT MACALPINE, CEO, CI FINANCIAL

Following the completion of the SBH transaction, CI's total North American wealth management assets are expected to be approximately $82 billion and total assets are expected to reach approximately $205 billion.

In addition to the Chicago headquarter, SBH has offices in Denver, Philadelphia, St. Louis and Naples, Florida.

"The interests of our clients have been at the center of every strategic decision we have made since the firm's founding over 25 years ago," Philip Hildebrandt, CEO of SBH, said in a prepared statement.

"Our clients will benefit from the synergies that result when like-minded organizations leverage their talents and resources to enhance the client experience," the statement continued. "CI is a strong strategic partner for SBH, providing the capital resources of a large, global investment firm while allowing us to retain our client-centric approach."

This is the fifth deal CI Financial has announced since it listed its shares on the New York Stock Exchange in November.

CI has been a public company listed on the Toronto Stock Exchange since 1995 under the ticker CIX, but MacAlpine said the NYSE listing under the ticker CIXX will provide the company with another means of paying for RIAs.

As MacAlpine said during his recent guest appearance on The InvestmentNews Podcast, the U.S. market is ripe with acquisition opportunities and CI has plans to become a dominant player in the space.

"The timing for this listing makes sense given the rapid growth in our U.S. wealth management business," he said.

jbenjamin@investmentnews.com

Not even a pandemic could derail record RIA mergers

BY JEFF BENJAMIN

DESPITE THE ECONOMIC drag of the global pandemic, 2020 was a banner year for consolidation in the wealth management space, and nobody seems to see an end to that pace anytime soon.

"Right now, it is both a buyers' and a sellers' market because the deals are favorable on both sides," said Mark Bruno, managing director at Echelon Partners.

While deals involving breakaway brokers fell off their 2019 record-level

CONTINUED ON PAGE 20

TopNews

It's time to give investors what they want — a Bitcoin ETF

Ever since Bitcoin rallied to all-time highs in January, the big question advisers are asking themselves is when will it be suitable to use the cryptocurrency in client portfolios.

Unfortunately, the likely answer is not anytime soon.

What cryptocurrencies desperately need is oversight, but new regulations are notoriously slow to arrive for financial services. Instead of only allowing Bitcoin to be bought and sold on unregulated exchanges, financial products should also be explored — and if deemed viable for investors — should be sanctioned by the Securities and Exchange Commission.

KEY POINTS

- As cryptocurrencies gain popularity, advisers are considering them for their clients.
- But lack of regulation has given some pause.

Give investors what they want: a regulated Bitcoin exchange-traded fund.

Yes, there are concerns about the insane volatility, and UBS analysts just warned the price of crypto potentially could plummet to zero. Bitcoin just rebounded from a steep sell-off that saw prices plunge more than 12% to below $30,000 to trade around $34,000 last Monday. Despite the extreme swings in price, analysts from top Wall Street firms like JPMorgan still project the cryptocurrency will skyrocket to upwards of $146,000.

SEAN ALLOCCA

ONTECH

"Bitcoin, and the underlying technology blockchain, is the most significant technological innovation since the invention of the internet itself," said Ric Edelman, co-founder of Edelman Financial Engines and also co-founder of the RIA Digital Assets Council, an organization dedicated to educating advisers on cryptocurrencies and blockchain.

WARMING UP TO DIGITAL

Advisers are generally warming up to the idea of digital assets as part of an allocation. Recent survey results show the percentage of advisers who report allocating to cryptocurrency in client accounts rose nearly 50% last year. More notably, client interest in crypto rose in the past year, with 81% of advisers surveyed reporting they had received a question from a client sometime in the past 12 months.

The problem is that a lack of regulation has given investors pause; they're right to be wary. There are serious questions about whether clients should be exposed to the extreme volatility associated with digital assets. There are also concerns about the lack of transparency around crypto wallets and the potential for criminal activity — like an illegal scheme the Justice Department unearthed in August to fund terrorist groups online.

One of the most daunting critics is the Treasury Secretary herself. Janet Yellen has been notoriously skeptical of crypto, and doubled down in a written response to the Senate Finance Committee: "We know they can be used

CONTINUED ON PAGE 21

Riskalyze, others to host in-person events in 2021

BY NICOLE CASPERSON

NEARLY A YEAR has gone by since the COVID-19 pandemic shuttered doors to in-person conferences, and the industry responded accordingly by converting most live events into virtual experiences.

Now the industry is hoping to meet face-to-face again as COVID-19 vaccines are being distributed across the country. In response, some technology firms are prepping for in-person events that are planned for the tail end of 2021.

"THE COVID-19 PANDEMIC IS FAR FROM OVER, BUT WE'RE BETTING ON AMERICA."

RISKALYZE ANNOUNCEMENT

Riskalyze, for one, announced last Monday that its 2021 Fearless Investing Summit is back as an in-person event in what "we all hope is a post-pandemic world — albeit one forever changed in so many ways," according to the fintech's announcement.

The event will be held at the Hyatt Regency in Palm Springs, California, from Sept. 29 through Oct. 1, but offers a full "no questions asked" refund policy — up to 90 days before the event — if for whatever reason attendees decide to change their plans, according to the announcement.

"Riskalyze understands that the COVID-19 pandemic is far from over, but we're betting on America, and believe that by the third quarter of 2021, there will be an effective

CONTINUED ON PAGE 21

Schwab's customer service tests advisers' patience and loyalty

BY JEFF BENJAMIN

THE $22 BILLION acquisition of TD Ameritrade Institutional by Charles Schwab Corp. was bound to introduce a few hiccups as two of the industry's largest custodial platforms are melded together over the next few years — but for some financial advisers, patience is running thin as service drops off.

"We're finding that service times for things like asset-backed loans and adding margin agreements, that used to take 24 hours, are now taking two weeks, and that's just unacceptable in this day and age," said James Gambaccini, managing partner at Acorn Financial Services.

Overseeing a firm with $1.2 billion in client assets, Gambaccini has custodial relationships with TD, Schwab, Fidelity and Pershing, and said Schwab's service declined as soon as it went remote due to the pandemic.

"Schwab did a terrible job going remote and they never recovered," he said. "And TD did a great job going remote until October, when Schwab laid off TD's service team."

Michael Baker, an adviser at Vertex Capital Advisors, took his complaints to social media by calling out TD-Schwab representatives for being unresponsive to inbound calls from advisers. "Serious question — has service from @TDA4advisors fallen off a cliff … or is it just me?" Baker tweeted last month .

In a follow-up conversation last Tuesday, Baker confirmed his suspicions. "My sense is that things are not being blown out of proportion," he said. "The consensus from many of my peers is that service has declined."

The challenges, however, are apparently not universal, according to Kevin Williams, who in the process of establishing a new state-registered firm, Full Life Financial Planning in Pembroke, Massachusetts.

"In launching my RIA, I feared the disruption from the TD-Schwab transaction might cause, but the support I have received has been exceptional, and I am

CONTINUED ON PAGE 21

InvestmentNews

women adviser summit

VIRTUAL EVENT

FEBRUARY 9

TOP STRATEGIES FOR THE YEAR AHEAD

The Future of Human Capital
Everything you want to know about recruiting, talent retention, compensation and training, and development.

Breaking Money Silence® on Negotiating
Coaching your female clients to effectively negotiate to achieve successful outcomes.

Women & Retirement
Maximizing Social Security and Minimizing Medicare Premiums.

And More

JOIN US TODAY

Visit
investmentnews.com/womenadvisersummit

SAVE THE DATE

March 18: Virtual
June 30: Chicago + Virtual
July 27: Boston + Virtual
September 28: Denver
November 11: New York

For sponsorship opportunities please contact:
Dan Rubinetti, Manager US Event Sales
drubinetti@investmentnews.com | (o) 212-210-0432 | (c) 917-294-9517

Sabrina Straub, Business Solutions Manager/U.S. Event Sales
sstraub@investmentnews.com | 646-437-7946

For speaking opportunities please contact:
Beth Ranney | branney@investmentnews.com

Opinion

EDITOR'S NOTE

The mystery of the market

Last Wednesday, *InvestmentNews* hosted its annual market outlook webcast, titled "Money, Markets and Mystery." The timing couldn't have been better, because that day's trading action brought money, markets and mystery to the fore, with GameStop Corp. shares embodying the "mystery."

GEORGE B. MORIARTY

The heavy shorting of GME stock underlies the coverage — and shorting remains a mystery to so many, including new investors and long-term market observers. Couple that with some of this activity reportedly coming from new online arenas for investors, Twitter and Reddit, where gamification of investing was brought to the fore.

The massive money moves led to breathless coverage of these names on financial and mass media, and gave me flashbacks to 1999-2000, as market pundits waved their arms over these small names. It was energizing — but it misses the point.

The long-term reality of the market was captured on the webcast by Commonwealth Financial vice president Peter Essele, who said there was a reason for the sell-off that was lost in the barrage of information about GameStop; the real factor behind the sell-off, he said, was the Fed's dovish tone in its statement after the Open Market Committee meeting.

Despite drama and gamification, the mystery of the market is no real secret: It always comes back to long-term fundamentals, and not passing drama around an off-the-run name.

gmoriarty@investmentnews.com

No excuse not to find missing plan participants

It's become evident in recent years that some employers are having a hard time keeping track of participants in their retirement plans who have exited the company, but still have money in the plan.

Workers change jobs frequently these days, and in many cases, those leaving have participated in a retirement plan. A 2014 Government Accountability Office report estimated that from 2004 to 2013, more than 25 million departing workers left behind at least one retirement account. Some, especially those with low balances, may not realize they have an account. And once workers have left a job, the company may be acquired or go out of business, making it hard for them to figure out who to get in touch with about their account.

In 2017, this problem hit the headlines when MetLife admitted that it had lost track of more than 13,000 plan participants whose former employers had transferred their retirement plan liabilities to the insurer.

Also that year, the Labor Department said it was stepping up its audits of plans with missing participants. That effort continues, with the department noting last month that in 2020 alone, investigators in its Employee Benefits Security Administration unit had helped reunite missing participants with plan benefits "with a present value in excess of $1.4 billion."

PLAN SPONSORS SHOULD HAVE A SENSE OF HOW MANY PARTICIPANTS THEY AREN'T ABLE TO LOCATE

LOOKING FOR GUIDANCE

As the Labor Department focused on this topic, employers have been asking for guidance on exactly what they should do regarding missing participants, and the department finally provided that last month.

For starters, it said, plan sponsors should have a sense of how many of their participants they aren't able to locate; the Labor Department cited such warning signs as people not responding to communications or not starting to draw retirement benefits when they hit the appropriate age.

The department also cited what it called best practices, such as having accurate information on the plan's participants, communicating with them effectively and searching for them if they fall out of touch. When it comes to looking for missing people, it noted that even if the retirement plan doesn't have up-to-date information, another of the company's plans, such as the health plan, might. Companies can also try to get in touch with the beneficiaries or emergency contacts that former employees listed in company plans. Plan sponsors can also search online, use social media or employ a commercial locator agency or credit reporting agency to track the missing participants, according to the department.

NOT ROCKET SCIENCE

None of this is rocket science. But then, after MetLife fessed up about the missing participants, Massachusetts Secretary of the Commonwealth William Galvin asked it for the names of the participants from his state, and later reported that he was able to locate the majority of them within a few weeks.

Former employees can probably use all the retirement savings they can get their hands on. Companies sponsoring retirement plans and the advisers who work with them have a responsibility to get the money in retirement accounts to its rightful owners.

Thank goodness for the internet, and the vast store of information it has accumulated, which should aid them in that effort.

InvestmentNews
The Trusted Resource for Financial Advisers
InvestmentNews.com

Chief Executive Officer
Christine Shaw, cshaw@investmentnews.com

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

Director of Multimedia: Stephen Lamb

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

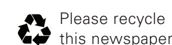
TECHNOLOGY
Chief Technology Officer: Simon Collin
simon.collin@bonhillplc.com
Digital Operations Manager: Christian Eddleston
ceddleston@investmentnews.com
Developer: Jeff Paitchell
jpaitchell@investmentnews.com

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

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

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

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



Subscription Questions: Please e-mail customerservice@investmentnews.com or call 978-671-0449 (in the U.S. and Canada) or 313-446-0450 (all other locations).

CALLING ALL FINTECH LEADERS

Fintech VIRTUAL SUMMIT

TECHNOLOGY + INNOVATION FOR ADVISERS

FEBRUARY 25, 2021

Showcase your company and technology in front of hundreds of financial advisers who are actively looking for new solutions.

Thought Leadership. Valuable Lead Generation.

Program your own session on one of the following topics:

1. Bitcoin and Digital Assets
2. Using AI in Wealth Management
3. Top-of-mind Tech Issues (Mobile Apps, Security, Regulation, Etc.)
4. Digital Marketing Tools

Or showcase your solution in an 8-minute Demo
(pre-recorded and live-streamed)

All sessions include promotion, distribution, and branding. Don't want to speak? Different types of activation are available. Just ask!

FOR SPONSORSHIP OPPORTUNITIES PLEASE CONTACT:

Dan Rubinetti | drubinetti@investmentnews.com | (o) 212-210-0432 | (c) 917-294-9517
Sabrina Straub | sstraub@investmentnews.com | 646-437-7956

More information at investmentnews.com/INfintechsummit

PRESENTED BY InvestmentNews

HSAs, AN ADV
GET MUCH LOV

ISER FAVORITE, DON'T

UE

OFTEN CONFUSED WITH FLEXIBLE SPENDING ACCOUNTS, HEALTH SAVINGS ACCOUNTS ARE PRIZED FOR THEIR TAX LENIENCY — BUT MANY OTHER ASPECTS DISCOURAGE USERS, INCLUDING THE HIGH-DEDUCTIBLE HEALTH PLANS TO WHICH THEY'RE TETHERED BY EMILE HALLEZ

HEALTH SAVINGS ACCOUNTS are one of the top recommendations advisers make to clients, but the savings vehicles are scarcely used — and when they are, they are almost always treated like checking accounts.

As every financial professional worth their salt knows, HSAs are a unicorn in the tax world. The accounts are funded with pretax income, grow tax-free and are not taxed when used for eligible expenses — the "triple tax" benefits for which they are so renowned. They represent one of the most efficient ways to squirrel away money for retirement.

But they are also kneecapped by their pairing with high-deductible health plans, which are not always optimal for people who regularly anticipate big medical bills.

And while more people have opened HSAs, largely as more employers have opted for high-deductible plans, they are used more like checking accounts than as the long-term saving and investing vehicles they were designed to be.

The pandemic also appears to be having some consequences for HSA use, with those affected by job loss depleting their accounts and those who have remained employed being able to save more than ever, financial advisers say.

"Health care now is extremely expensive, so to have the safety net in place is very good," Sydney Schnee, 27, a pharmacist living in Ohio, said of her HSA. Schnee began contributing to the account when she started her job about eight years ago, and the employer match has helped build the balance.

FROM EXPERIENCE

Once she built enough assets to cover the health plan's $2,500 deductible, she started investing contributions above that amount, she said. Schnee primarily uses the account to pay for prescriptions, though she plans to use it in the future for the cost of having a child, she said.

"I'm very healthy, and all my preventative appointments are covered," she said.

Some account holders are not aware that they can invest, however.

"While some of my clients have heard of them, very few are utilizing them to their full potential before working with me," Amy Hubble, principal investment adviser at Radix Financial, wrote in an email. Often that is because employers allow changes to HSAs only on an annual basis, and few are set up to allow automatic contributions and investments, Hubble said. There is also a lack of basic education about HSAs, and having to work with HSA-specific custodians, rather than online brokerages and major RIA custodians further complicates things, she said.

SOME BACKGROUND

HSAs were codified in the 2003 Medicare Prescription Drug, Improvement and Modernization Act. Unlike flexible spending accounts, with which HSAs are often confused, assets in HSAs do not have to be used within a calendar year, and they are portable. However, HSAs can only be funded while a worker is in a high-deductible health plan, though employers in some cases make matching contributions for their employees. HSA providers often require that customers fortify their accounts with several thousand dollars before assets can be invested so that people are prepared to cover high deductibles if need be.

In 2021, the federal government defines "high deductible" as a plan with a minimum deductible of $1,400 for an individual and $2,800 for a family. The maximum out-of-pocket costs for such plans are $7,000 for a person and $14,000 for a family.

This year, the annual contribution limits for HSAs are $3,600 for an individual and $7,200 at the family level. People 55 and older can increase contributions by $1,000.

Like 401(k)s, HSAs let people invest in mutual funds, though the range of investment choices for HSAs is often more limited.

If an account holder dies and has an HSA balance, the assets can be transferred to a surviving spouse. If the deceased's beneficiary isn't a spouse, the inheritor gets a taxable distribution.

DO AS I SAY, AND AS I DO

Financial advisers are eager to say they personally use the accounts, both as checking accounts and retirement savings vehicles.

"We used it [to pay] for our daughter's birth last year," said Michael Hakimi, owner of Black Dog Financial Planning. "The hospital that we went to allows you to pay off the pregnancy bills over a year or so." His wife, Katie, took contributions out of her account as soon as they were posted, periodically paying the bills down, he said. While that strategy didn't have the benefit of allowing assets to appreciate tax-free, the upfront tax benefits were worth it, he noted.

Another adviser, Nadine Burns, CEO of A New Path Financial, has a medical plan with a $13,000 family deductible.

"We wanted to be sure we had that amount in the HSA in cash, so it is invested in a money market account. Anything over the $13,000 we invest per our risk tolerance," Burns wrote in an email. "We never use the funds for small medical costs, and our goal is

CONTINUED ON PAGE 10

CONTINUED FROM PAGE 9
to take it out at age 65 to pay for Medicare copays and plans we might need."

WHO'S USING THEM

Schnee, the pharmacist, is among peers. Younger workers have the highest rates of HSA ownership, according to data from consumer research firm Hearts & Wallets. Among millennials, 17% of households report having HSAs, compared with 16% of Gen Xers and just 6% of baby boomers, the firm's data show. Millennials also contribute at the highest rate, with an average of 5% of their savings directed to HSAs, versus 4% among Xers and less than 2% among baby boomers.

Families are more likely to have HSAs than those without children. In households in which some children are 21 or younger, 18% of parents have between 1% and 10% of their savings held in HSAs, while another 18% have 11% or more of their savings in the vehicles, according to Hearts & Wallets survey data. Meanwhile, 11% and 4% of households without children reported similar HSA allocations.

As of the end of June, there were more than 29 million accounts in the country, only about 1.5 million of which included any invested assets, according to data from HSA research and consulting firm Devenir. However, those who use their accounts to invest had considerable balances, at more than $15,000 on average.

Total HSA assets were about $73.5 billion, less than a quarter of which was invested, at $17.6 billion, the Devenir data show. Those figures are up dramatically from 2014, when total assets surpassed $24 billion, the firm reported.

Among the top reasons for avoiding HSAs are the high-deductible plans with which they are paired.

In focus groups with consumers, people said they found the concept of HSAs — and their tax benefits — almost too good to be true, said Laura Varas, CEO of Hearts & Wallets.

The same did not hold for high-deductible plans.

"There was this point that an HSA is good for healthy people and the implication that it is not as good for unhealthy people," Varas said. "Everybody liked the triple tax benefit … Many wished that it was available outside of a high-deductible health plan."

Results of a survey of 1,000 high-deductible health plan policy holders that was published in January by Insure.com found that nearly half, 46%, thought their overall medical coverage costs increased as a result of being in such plans. Further, 40% of people reported having delayed seeking medical care because of the cost of deductibles.

A 2018 study by the Employee Benefit Research Institute similarly found that one in three people in high-deductible plans had put off medical care because of cost, compared with one in five traditional insurance policyholders who had done so.

COVID-19 EFFECTS

People who have faced unemployment or financial strain during the pandemic likely have been turning to their HSAs to fund medical costs, even if they were used to paying bills with cash.

"I have seen more people tapping these accounts," Marsha McClary, founder of ROI of Life, wrote in an email. "In doing this, you forgo the most powerful HSA benefit of tax-free investment growth. With HSA contributions capped at $3,600 per individual or $7,200 per family for 2021 it's difficult to make up the balance later."

But many of those fortunate enough to remain employed have found that it's easier to save than ever, advisers said.

"With my financial planning clients, eligibility for HSAs is one of the first things we determine," Dan Granucci, president of Iron Path Wealth Management, wrote in an email. Many have been able to save more, and for them, "removing HSA spending is the best thing they can do," he said.

Another adviser, Dominique Henderson, founder of DJH Capital Management, said he has also seen clients spend less than they usually do.

"I'm recommending that the surplus be used to take advantage of vehicles like this," Henderson wrote in an email. "If you think about a 30-year-old client consistently contributing the annual maximum in growth stocks or mutual funds … at age 65, they could pretty much fund medical care or long-term care."

SAVE THOSE RECEIPTS

Even if you pay in cash for a prescription, there's nothing stopping you from getting that reimbursed years, or even decades, later from HSA assets, advisers noted.

"As long as you archive receipts, you can use those benefits later for a qualified expense," said James Hnilo, principal at Sage Wealth Planning. "That's where it gets to the power of the [HSA] tool."

The accounts have another plus for retirees — withdrawals for ineligible expenses. After age 65, an HSA is comparable to a traditional IRA, Kaleb Paddock, founder of Ten Talents Financial Planning, wrote in an email.

"Once clients learn that HSAs are the purest form of income contribution … they work hard to maximize their annual contribution," Paddock said. "They can still withdraw for qualified health expenses tax-free, but if needed they can make a penalty-free withdrawal subject to income tax rates, similar to a withdrawal from their traditional IRA."

Even though younger workers are more likely to have HSAs, they are also more likely to use the accounts routinely to pay expenses, rather than footing their medical bills out of pocket and letting the assets in the accounts grow, advisers said.

"Almost every one of my clients that use [an HSA] use it like a checking account," said John Bovard, owner of Incline Wealth Advisors. Depending on one's income tax bracket, "you're basically paying your medical bills at a 25% discount."

Of course, building up an account balance is not a bad idea either, should a big-ticket medical procedure arise.

"They're almost essential for everyone who has the opportunity to use them," Bovard said. "At some point in our life, not matter how healthy you are, something might come up."

ehallez@investmentnews.com

> **"ALMOST EVERY ONE OF MY CLIENTS THAT USE [AN HSA] USE IT LIKE A CHECKING ACCOUNT."**
> JOHN BOVARD, INCLINE WEALTH ADVISORS

Beware: Enrolling in Medicare can nix contributing to an HSA

Special rules apply to health savings account owners when they turn 65. HSA contributions are no longer allowed once the account holder enrolls in Medicare, but distribution rules are relaxed.

HSAs offer a triple tax break: Contributions are tax-deductible, earnings grow tax-free and distributions are tax-free when used to pay for qualified medical expenses. To qualify for the tax break, an HSA must be paired with a high-deductible health plan.

HSAs have no annual use-it-or-lose-it requirements, and balances can be carried forward from year to year and withdrawn tax-free in retirement to pay for medical expenses, such as Medicare and long-term care premiums but not Medigap premiums. Think of it as a Roth IRA for your retiree medical costs.

Normally, HSA distributions used to pay for anything other than qualified medical expenses are subject to taxes and a 20% penalty. However, once an account holder turns 65 (or becomes disabled), HSA distributions can be used for anything penalty-free. But nonqualified distributions are taxable.

Most people sign up for Medicare Part A hospital insurance, which is free, and Medicare Part B health insurance, which has a monthly premium, when they are first eligible at age 65. Those who don't enroll when first eligible may have to pay a Part B late enrollment penalty for the rest of their lives.

There is an exception to the delayed-enrollment penalty for individuals who continue to work and are covered by their current employer's group health insurance plan or through their spouse's group health insurance. They do not have to enroll in Medicare at 65 and can enroll penalty-free within eight months of retiring or losing their group health insurance.

Once enrolled in Medicare, even if it is just the premium-free Part A hospital insurance, you will no longer be able to contribute to an HSA. For example, you turn 65 in July 2021 and enroll in Medicare. You have a high-deductible health plan with self-only coverage and an annual deductible of $3,600. You are also eligible for an additional catch-up contribution of $1,000 available to HSA owners age 55 and older. Your contribution limit for 2021 is $2,300 ($4,600 × 6 ÷ 12).

Beware: If you enroll in Part A at any time after you are first eligible for Medicare, your coverage will begin six months retroactively from the time you sign up (but no earlier than the first month you are eligible for Medicare). So if you delayed applying for Medicare, any funds you contributed to your HSA during the period of retroactive coverage are considered excess contributions. To avoid a tax penalty, you should stop contributing to your HSA at least six months before you apply for Medicare.

— Mary Beth Franklin

InvestmentNews

NEXTGEN summit

VIRTUAL FEBRUARY 18, 2021

MEET OUR SPEAKERS

Designed with your needs in mind, this event will discuss emerging trends and best practices to build, grow, or enhance your next generation advisory practice for a decade ahead.

Our expert speakers and your fellow Next Gen advisers will discuss:

- **Marketing and branding strategies that deliver results;**
- **Technology platforms and tools that are must-have for 2021;**
- **Growth models from the fastest-growing RIAs;**
- **And much more**

SUMMIT CHAIRWOMAN

Kate Healy
Formerly Managing Director,
Generation Next
TD Securities

40 UNDER 40 ALUMNI 2020

Sarah Baker
Director, Client Advisor
Sullivan Bruyette
Speros & Blayney

40 UNDER 40 ALUMNI 2021

Hannah Moore
Founder
Guiding Wealth

40 UNDER 40 ALUMNI 2017

Eric Roberge
Founder
Beyond Your Hammock

40 UNDER 40 ALUMNI 2017

Lauryn Williams
Founder
Worth Winning

REGISTER TODAY!
investmentnews.com/nextgensummit

For sponsorship opportunities please contact:

Dan Rubinetti | drubinetti@investmentnews.com | (o) 212-210-0432 | (c) 917-294-9517
Sabrina Straub | sstraub@investmentnews.com | 646-437-7956

Retirees doubled their debt last year amid pandemic

MARY BETH FRANKLIN

ONRETIREMENT

The COVID-19 pandemic has been rough on many older Americans, forcing some into early retirement as the result of personal health concerns, job losses triggered by the economic slowdown, or caregiving responsibilities for family members affected by the virus.

Unplanned early retirement can leave retirees in a tough spot financially as they simultaneously lose out on time when they had planned to save for retirement and face a longer retirement in which they have to cover expenses. Retirees who left the workforce due to illness may have additional medical expenses to cover as well.

To determine how retirees are faring during the pandemic, Clever Real Estate, an online education platform for home buyers, sellers and investors, surveyed 1,500 Americans in November about their retirement funds, debt and financial worries. The results of that survey, plus a compilation of retirement statistics from leading government agencies and nonprofit research organizations, form the basis of a new report, State of Retirement Finances 2021.

'TIGHTEN BUDGETS'

"Unfortunately, half of U.S. households can't maintain their pre-retirement standard of living throughout retirement," Francesca Ortegren, chief data scientist at Clever Real Estate, wrote in the new report. "Many Americans are forced to tighten budgets and give up luxuries during retirement."

Those results are supported by the National Retirement Risk Index created by the Center of Retirement Research at Boston College, which measures the share of American households that are at risk of being unable to maintain their pre-retirement standard of living in retirement even if the households continue to work until age 65 and annuitize all their financial assets, including tapping home equity through a reverse mortgage. In the wake of the pandemic, the share of households at risk increased modestly to 51%, according to a newly released index update from the Center for Retirement Research.

EARLY RETIREMENT

Only about three in 10 retirees retired when they had planned, according to the online survey that Clever Real Estate conducted in November.

Of those who did not retire when they had planned, 59% reported retiring earlier. The majority said they were forced into early retirement because of health issues (65%), job loss (22%) or because they had to care for a family member (10%).

"The COVID-19 pandemic has likely contributed to an increase in unexpectedly early retirements and worries about health, considering the virus disproportionately impacts older adults," Ortegren wrote.

As a result, many retirees said they are struggling to maintain their pre-retirement lifestyle, and some are going into debt to pay for necessities like medical expenses, groceries, housing costs and insurance. Of those who reported having trouble covering their expenses, 47% said they struggled to pay medical bills more than any other type of cost.

Retirees more than doubled their debt in 2020, to nearly $20,000, as the average retiree took on an additional $9,979 in non-mortgage debt. That is a 104% increase in total retiree debt from the prior year, according to the report. Although working-age adults carry more debt — an average of $44,000 — non-retirees increased their debt by a smaller percentage during the pandemic, just 13% or about $5,000.

65% PORTION OF EARLY RETIREES WHO CITED HEALTH ISSUES

Some of that increased debt load is the result of more people carrying credit card debt. In fact, the percentage of retirees carrying credit card debt has increased over the last decade, including a 48% jump between 2019 and 2020 alone, according to the National Council on Aging.

SPARSE RETIREMENT FUNDS

On average, retirees accumulated $177,787 in retirement savings, less than half of the recommended level. Survey respondents said they are aware they did not save enough — just 35% believe they prepared adequately for retirement.

Sparse retirement funds leave many retirees reliant on Social Security to cover most of their expenses. In fact, nearly 60% of older adults' household wealth comes from Social Security. In 2021, the average Social Security benefit is $1,543 per month, much less than the typical retiree's spending of $3,900 per month.

Struggling to make ends meet has forced some older Americans to go back to work during retirement, with 16% of respondents reporting that they earn income from part-time employment, contract work or self-employment, according to the Clever Real Estate survey. That includes 9% of retirees who said they were forced to find part-time work because of the pandemic.

The top reasons cited for working during retirement include retirement savings and Social Security are not enough to cover expenses (48%); social interaction (37%); additional discretionary income (35%); and employee discount or other perks (32%). But nearly a third of respondents who work (30%) said they do it because they want to — not because they need the money.

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

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

INmail

BY MARY BETH FRANKLIN

Social Security Rules for divorced spouses

Jill: Can a divorced person still collect Social Security benefits on an ex's earnings record? I thought there was a rule change that prevented this.

MBF: No, an eligible divorced spouse can still collect Social Security benefits on an ex's earnings record if those spousal benefits are larger than her own retirement benefit.

To collect Social Security benefits based on a former spouse's earnings record, a divorced spouse must have been married to that spouse for 10 years or more; must be at least 62 years old; and cannot currently be married.

What did change is the ability of a spouse or ex-spouse to claim only spousal benefits at full retirement age for up to four years, while allowing one's own retirement benefit to continue to grow up to age 70. That claiming strategy, known as filing "a restricted claim for spousal benefits", is available only to people who were born on or before Jan. 1, 1954.

People born after that date do not get to choose which benefit to claim. Whenever they file for Social Security, they are "deemed to file for all available benefits". That means they would be paid the higher of the two benefits — whether on their own earnings record or as a spouse or eligible ex-spouse — based on their age at the time they claim.

For example, if an eligible divorced spouse files for Social Security at full retirement age and is entitled to $1,000 per month on her own earnings record and $1,200 as a spouse on her ex-husband's record, she would receive the larger amount — $1,200 per month — which would be comprised of $1,000 of her own benefit and $200 in excess spousal benefits.

If, however, her own benefit was worth $1,200 per month compared to spousal benefit of $1,000 per month, she would receive only her own benefit.

An eligible ex-spouse who has been divorced for at least two years may be eligible for benefits on an ex's earnings record — if larger than her own — even if the ex has not yet claimed Social Security. In addition, a surviving ex-spouse can collect survivor benefits on a deceased ex-spouse even while married to someone else as long as she waited until age 60 or later to remarry.

IN Webcasts

PRESENTED BY InvestmentNews

TUESDAY, FEBRUARY 9, 2021 | 4:00PM-5:00PM ET

Tax time is just around the corner and many clients expect their financial professionals to do more than just pick investments. They want comprehensive guidance and a holistic approach to help them build wealth and plan for the unexpected. With vaccines, stimulus, and a new Presidential Administration, 2021 is already replete with change. Helping clients come to terms with change can be difficult, but with change comes opportunity. Join Ryan Bertrand and George Moriarty as they discuss how financial advisors can capitalize on potential planning opportunities in 2021.

They will discuss:

- Planning strategies for 2021 and beyond
- The changing political landscape's potential impact on financial advice
- How 2020 impacted the changing face of advice
- Ways to help clients adapt to changes in their personal circumstances
- Opportunities as clients complete their 2020 tax returns

Register today for this free webcast.
Go to investmentnews.com/taxtimewebcast

Accepted for 1 CE credit by the CFP Board and 1 credit by Investments & Wealth Institute® towards the CIMA®, CPWA®, CIMC®, and RMA® certifications.

SPONSORED BY

TRANSAMERICA®
Insurance / Investments / Retirement

SEC vows to protect investors from manipulation

BY MARK SCHOEFF JR.

THE SECURITIES AND EXCHANGE Commission said last Friday that the market had held up well amid a surge in the trading of GameStop Corp. and other shorted stocks but promised to act if it finds manipulation.

The volatility also drew the attention of lawmakers. But it's not yet clear whether there has been any malfeasance related to the wild market ride, experts said.

"Our core market infrastructure has proven resilient under the weight of this week's extraordinary trading volumes," Acting SEC Chair Allison Herren Lee said in a joint statement with SEC members Caroline Crenshaw, Hester Peirce and Elad Roisman.

"The Commission will closely review actions taken by regulated entities that may disadvantage investors or otherwise unduly inhibit their ability to trade certain securities," the SEC members said. "In addition, we will act to protect retail investors when the facts demonstrate abusive or manipulative trading

activity that is prohibited by the federal securities laws."

The statement elaborates on a similar message from SEC officials earlier last week in response to the bizarre runup in options and shares of GameStop, the video-game and electronics retailer, and other companies that have faltered in the economic slowdown, such as AMC Entertainment Holdings Inc. and Bed Bath & Beyond Inc.

The trading activity was spurred by investors on the online forum Reddit who were taking long positions on stocks that had been shorted by hedge funds.

The Senate Banking Committee and the House Financial Services Committee announced they would hold hearings on the volatile trading.

"These wild fluctuations are just the latest indication that many private equity firms, hedge funds, and other investors, big and small, are treating the stock market like a casino, giving little consideration to the companies, communities, workers, and consumers that may be af-

CONTINUED ON PAGE 22

How social media fueled the GameStop stock frenzy

BY NICOLE CASPERSON

LIKE IT OR NOT, the influence of social media over the stock market — and the historic GameStop rally — is likely here for the long haul.

The influence a single tweet from Tesla CEO Elon Musk or Social Capital CEO Chamath Palihapitiya — who together sport nearly 44 million followers on Twitter — has on the market was evident after GameStop Corp.'s stock surged 93% last Tuesday following tweets from both CEOs saying they were taking positions in GameStop stock.

Musk's tweet linked to a Reddit board showing the strategy of Reddit stock-trading discussion group r/WallStreetBets. The tweets and threads created internet mayhem and ultimately pushed the video-game retailer to a $24 billion market cap by Wednesday's close.

"Reddit's site-wide policies prohibit posting illegal content or soliciting or facilitating illegal transactions," a spokeswoman wrote in an email to *InvestmentNews*. "We will review and cooperate with valid law enforcement investigations or actions as needed."

The social media platform has not been contacted by authorities over stock surges driven by the message board on the platform, according to published reports. However, the online forum is ready to comply with any legal implications that may come up, the spokeswoman said.

Still, GameStop's stock surge only confirms the power of social media and the broader implications are that social media

CONTINUED ON PAGE 22

Chamath Palihapitiya @chamath

Lots of $GME talk soooooo....

We bought Feb $115 calls on $GME this morning.

Let's gooooooo!!!!!!!!

ACTIVITY | ALL ACTIVITY TYPES | ALL ASSET TYPES | 6 TRANSACTIONS

Activity Date	Settlement Date	Activity	Quantity	Description	SYMBOL
01/26/2021	01/27/2021	Bought	50.000	CALL GAMESTOP CORP SEC ID: AL22N	GME 210219C00115000

alihapitiya @chamath

buy tomorrow and if you convince me I'll throw a to start.

2021

7K people are Tweeting about this

Elon Musk @elonmusk

Gamestonk!!

wallstreetbets • r/wallstreetbets
Like 4chan found a Bloomberg Terminal
reddit.com

4:08 PM · Jan

Anthony Scaramucci @Scaramucci

We are witnessing the French Revolution of Finance

10:05 AM · Jan 27, 2021

5.3K 1K people are Tweeting about this

Brokerages spark outrage by halting GameStop trades

BY NICOLE CASPERSON

THE PANDEMONIUM last week over GameStop Corp.'s stock surge and the subsequent media frenzy have spurred a handful of online brokerages — including Robinhood, TD Ameritrade and Interactive Brokers Group — to place restrictions on trading particular stocks like GameStop, AMC and other shorted shares.

All three trading platforms issued statements last Thursday acknowledging the unprecedented trading volume that occurred last week after social media posts on Reddit and from prominent CEOs and internet influencers created a surge in GameStop stock and ultimately pushed the video-game retailer to a $24 billion market cap by end of day last Wednesday.

TD Ameritrade, for one, said it had not halted trading in any securities, but had put restrictions on some transactions, according to a company spokeswoman.

"It is not uncommon for us to make such decisions, which we consider on an individual basis, in the interest of mitigating risk," the spokeswoman wrote in an email.

TD Ameritrade adjusted its requirements for several days as the broker-dealer continued to see trends indicating unusual volume in an unprecedented market environment, which appear to be at odds with traditional market fundamentals, the spokeswoman said.

Interactive Brokers Group, a global brokerage firm, also announced that as of midday last Wednesday, it had put options trading into liquidation as a result of the extraordinary volatility in the markets for holdings in AMC Entertainment Holdings Inc., BlackBerry Ltd., Express Inc., GameStop and Koss Corp., according to a company announcement.

In addition, long stock positions will require 100% margin and short stock positions will require 300% margin until further notice. "We do not believe this situation will subside until the exchanges and regulators halt or put certain symbols into liquidation only," the Interactive announcement said.

Free trading app Robinhood said in a blog post that it has also restricted transactions for certain securities.

The announcement attracted attention from lawmakers who saw the move as "unacceptable," Rep. Alexandria Ocasio-Cortez, D-N.Y., said on Twitter last Thursday.

This is unacceptable.

We now need to know more about @RobinhoodApp's decision to block retail investors from purchasing stock while hedge funds are freely able to trade the stock as they see fit.

As a member of the Financial Services Cmte, I'd support a hearing if necessary.

Share this Tweet

Fully agree. 👇

Tesla CEO Elon Musk, who is largely credited with instigating the GameStop frenzy, responded directly to the tweet, replying with a single word: "Absolutely."

As lawmakers sort out their positions on the matter, the restrictions companies place on clients' ability to buy or sell specific stocks could be seen as a dangerous precedent to start determining which stocks are volatile or not, according to Bob Cortright, CEO at DriveWealth.

"The core issue is that [these platforms] never got around to enforcing suitability rules around options [trading] and letting people speculate on options," he said. "This has fueled the gambling mentality."

Seattle-based financial planner Michael Policar agreed, via Twitter, that the trading platform restrictions set a bad precedent for the overall trading culture.

CONTINUED ON PAGE 22

Industry veterans put short-squeeze bedlam in perspective

BY JEFF BENJAMIN

AS DAY TRADERS and various algorithms are forced to take profits on some of the most overvalued, irrelevant companies in recent memory, industry veterans are rocking back almost as if to say, "I told you so."

The theatrics spread to at least a dozen stocks last week, exemplified by the unprofitable retail gaming business GameStop Corp., which saw its stock price rally 8,000% over six months only to pull back sharply last Thursday after spiking in spectacular fashion the previous day, driven by an epic short squeeze fueled by social media.

"Long term, this will be a blip just like all the other countless examples of this kind of thing throughout history," said Ben Johnson, global director of ETF research at Morningstar Inc.

"It provides tremendous theater while we're living through it, but over longer periods the markets heal and securities anchor themselves on long-term earnings and fundamentals," he said.

The so-called short squeeze that drives up share prices by forcing investors betting a stock to go down to buy more of it to hedge potential losses is not new to the 2020s — but it is easier to execute.

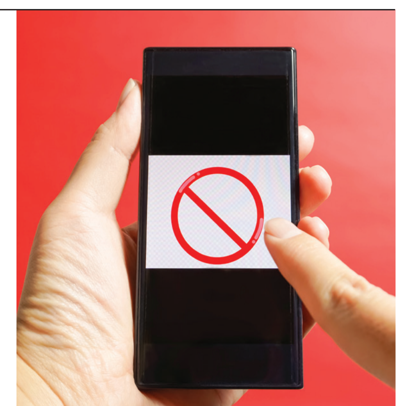
Marc Wyatt, head of global trading at T. Rowe Price, cited a "confluence of factors," including market liquidity, stimulus checks, working from home and zero trading commissions that "combine with social media platforms giving investors the right and ability to share their thoughts."

> **"THIS WILL BE A BLIP JUST LIKE ALL THE OTHER ... EXAMPLES OF THIS KIND OF THING."**
>
> BEN JOHNSON, MORNINGSTAR

Wyatt, like Johnson and most anyone else who has been through a few market cycles, is relatively nonplussed by the actions that have halted trading and stalled brokerage platforms during several days of

CONTINUED ON PAGE 22

Trading platforms go down amid stock furor



BY BRUCE KELLY

LEADING ONLINE and mobile brokerage platforms cracked and sputtered with outages last Wednesday amid a surge of speculators trading in high-risk stocks like GameStop Corp. and AMC Entertainment Holdings Inc., which saw the value of their shares soar last week in the frenzy.

The outages include the most prominent names in the discount and online brokerage industry, including Fidelity, Charles Schwab Corp., TD Ameritrade, which is owned by Schwab, ETrade Financial Corp., which is owned by Morgan Stanley, and Robinhood.

Their clients experienced a variety of problems, from trading to accessing accounts. While individual online brokers and platforms have problems with their trading technology from time to time, a wholesale breakdown across many platforms is rare.

Last Wednesday's technical issues for Fidelity clients were resolved, a spokesperson wrote in an email. "We apologize for the inconvenience."

Early Wednesday, some Schwab clients experienced issues with trading and other online functionality and

CONTINUED ON PAGE 22

Top 50 equity funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Upright Growth Fund (UPUPX)	60.8%	**108.7%**	4.1%	$0.0	$22.8	2.23%
2	Cannabis Growth Fund (CANNX)	57.6%	**19.8%**	N/A	N/A	$2.9	1.37%
3	Fidelity Select Energy Service Portfolio (FSESX)	57.4%	**-36.0%**	-28.9%	-$15.6	$193.9	0.90%
4	Hennessy Small Cap Financial Fund (HSFNX)	57.3%	**2.6%**	1.1%	$6.6	$83.8	1.59%
5	Rydex Energy Services Fund (RYVIX)	52.6%	**-36.9%**	-30.1%	-$19.3	$4.9	1.48%
6	Kinetics Internet Fund (WWWFX)	51.8%	**56.4%**	12.8%	$18.3	$173.6	2.09%
7	Fairholme Fund (FAIRX)	51.4%	**46.9%**	14.2%	$12.0	$1,437.1	1.00%
8	Perkins Discovery Fund (PDFDX)	48.7%	**62.1%**	31.5%	$22.1	$15.5	2.50%
9	Fuller & Thaler Behavioral Micro-Cap Eq Fund (FTMSX)	48.0%	**15.6%**	N/A	N/A	$9.2	1.75%
10	Morgan Stanley Inception Portfolio (MSSGX)	45.7%	**150.6%**	51.0%	$33.1	$857.1	1.00%
11	Emerald Banking & Finance Fund (HSSAX)	45.6%	**11.9%**	2.8%	$9.4	$160.8	1.48%
12	Global Clean Equity Fund (CGCNX)	44.8%	**N/A**	N/A	N/A	$12.9	1.15%
13	Shelton Green Alpha Fund (NEXTX)	44.6%	**113.9%**	35.6%	$25.3	$182.7	1.34%
14	RMB Mendon Financial Services Fund (RMBKX)	44.2%	**-5.7%**	-1.3%	$6.9	$199.4	1.28%
15	Hotchkis & Wiley Mid-Cap Value Fund (HWMIX)	43.4%	**0.5%**	-2.9%	$3.6	$351.0	1.04%
16	Undiscovered Managers Behavioral Value Fund (UBVLX)	43.2%	**3.5%**	2.6%	$8.2	$4,875.1	0.90%
17	John Hancock Regional Bank Fund (FRBAX)	43.2%	**-10.1%**	-1.8%	$7.6	$988.9	1.23%
18	Snow Capital Small Cap Value Fund (SNWAX)	43.0%	**21.8%**	4.9%	$8.2	$15.9	1.51%
19	Baron Partners Fund (BPTRX)	42.8%	**148.5%**	52.2%	$37.0	$6,869.8	2.22%
20	Jacob Small Cap Growth Fund (JSCGX)	42.0%	**61.7%**	28.1%	$21.9	$19.3	2.25%
21	Jacob Discovery Fund (JMIGX)	41.8%	**74.3%**	40.1%	$26.0	$29.2	2.01%
22	Firsthand Technology Opportunities Fund (TEFQX)	41.5%	**96.5%**	38.1%	$34.1	$368.6	1.86%
23	Victory Global Natural Resources Fund (RSNRX)	41.3%	**27.4%**	-19.5%	-$4.2	$159.0	1.48%
24	Invesco Small Cap Value Fund (VSCAX)	41.0%	**10.8%**	3.0%	$8.9	$1,188.5	1.13%
25	Cullen Small Cap Value Fund (CUSIX)	41.0%	**12.1%**	7.5%	$8.6	$7.9	1.02%
26	Paradigm Micro-Cap Fund (PVIVX)	40.2%	**46.9%**	16.9%	$18.7	$96.3	1.26%
27	Pzena Small Cap Value Fund (PZISX)	39.9%	**0.2%**	2.2%	N/A	$56.0	1.11%
28	Vulcan Value Partners Small Cap Fund (VVPSX)	39.7%	**-3.3%**	4.0%	$8.3	$691.0	1.26%
29	Victory Integrity Small-Cap Value Fund (VSCVX)	39.7%	**0.9%**	0.1%	$6.8	$1,844.5	1.48%
30	Driehaus Micro Cap Growth Fund (DMCRX)	39.6%	**85.6%**	37.1%	$30.4	$334.5	1.48%
31	Rydex Banking Fund;Investor (RYKIX)	39.5%	**-7.9%**	-1.4%	$6.5	$11.5	1.48%
32	Penn Capital Special Situations Small Cap Eq (PSCNX)	39.5%	**27.6%**	11.3%	$14.0	$11.5	1.09%
33	Invesco SteelPath MLP Alpha Plus Fund (MLPNX)	39.3%	**-43.1%**	-20.7%	-$9.8	$85.2	2.93%
34	Fidelity Select Banking Portfolio (FSRBX)	39.3%	**-12.2%**	-0.9%	$6.8	$420.8	0.77%
35	Guinness Atkinson Alternative Energy Fund (GAAEX)	39.1%	**86.4%**	27.0%	$15.4	$26.5	1.98%
36	Huber Capital Small Cap Value Fund (HUSIX)	39.0%	**-5.3%**	1.0%	$5.7	$28.9	1.75%
37	Royce Opportunity Fund (RYPNX)	38.9%	**26.5%**	9.1%	$15.5	$1,318.2	1.22%
38	Ivy Energy Fund (IEYAX)	38.8%	**-38.7%**	-25.2%	-$13.3	$175.4	1.35%
39	Neuberger Berman Intrinsic Value Fund (NINLX)	38.7%	**27.1%**	12.5%	$13.3	$794.4	1.01%
40	Lord Abbett Focused Small Cap Value Fund (LMVYX)	38.7%	**8.5%**	5.9%	$10.8	$165.2	1.03%
41	Kinetics Small Cap Opportunities Fund (KSCOX)	38.6%	**2.3%**	9.2%	$15.4	$178.6	1.65%
42	TANAKA Growth Fund (TGFRX)	38.4%	**50.9%**	10.3%	$6.6	$13.5	2.45%
43	Hotchkis & Wiley Small Cap Value Fund (HWSIX)	38.3%	**-0.3%**	0.7%	$5.7	$470.3	1.05%
44	Athena Behavioral Tactical Fund (ATVIX)	38.2%	**22.1%**	11.2%	$11.4	$23.7	1.35%
45	GMO Resources (GOFIX)	38.2%	**22.5%**	11.1%	$20.5	$883.6	0.73%
46	Victory Integrity Discovery Fund (MMEAX)	38.1%	**-1.5%**	0.1%	$7.5	$75.2	1.59%
47	Jacob Internet Fund (JAMFX)	38.0%	**123.2%**	40.3%	$30.9	$99.7	2.50%
48	Essex Environmental Opportunities Fund (GEOSX)	38.0%	**63.1%**	20.1%	N/A	$39.4	1.01%
49	GMO Resources Series Fund (GREPX)	37.8%	**22.4%**	N/A	N/A	$325.7	0.83%
50	Pzena Mid Cap Value Fund (PZIMX)	37.6%	**6.6%**	2.7%	$9.2	$103.4	0.90%

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

Top 25 equity funds ranked by largest Inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Fidelity Strategic Advisers Large Cap Fund (FALCX)	**$4,698.5**	N/A	N/A	N/A	N/A	$52,830.6	0.25%
2	Fidelity 500 Index Fund (FXAIX)	**$4,271.1**	12.1%	18.4%	$14.2	$15.2	$287,097.0	0.02%
3	Fidelity Series Total Market Index Fund (FCFMX)	**$3,511.9**	14.8%	20.8%	N/A	N/A	$32,991.7	0.00%
4	TIAA-CREF Large-Cap Growth Index Fund;Inst (TILIX)	**$2,783.8**	11.4%	38.4%	$22.9	$20.9	$12,807.2	0.05%
5	Nuveen Santa Barbara Dividend Growth Fund (NSBRX)	**$2,611.8**	10.0%	9.8%	$11.5	$13.2	$6,012.4	0.70%
6	JPMorgan Hedged Equity Fund (JHEQX)	**$2,421.6**	5.0%	14.1%	$8.7	$9.6	$14,399.8	0.60%
7	Harbor Capital Appreciation Fund (HACAX)	**$2,345.0**	12.6%	54.4%	$26.7	$22.4	$41,722.1	0.67%
8	Strategic Advisers Fidelity US Total Stock Fund (FCTDX)	**$2,084.6**	15.2%	22.2%	N/A	N/A	$48,244.2	0.34%
9	Fidelity Series Global ex US Index Fund (FSGEX)	**$1,916.9**	16.5%	10.8%	$5.0	$9.1	$22,188.5	0.01%
10	MFS International Diversification Fund (MDIJX)	**$1,909.9**	13.6%	15.2%	$8.9	$11.5	$31,906.3	0.85%
11	Goldman Sachs GQG Partners International Oppt (GSIMX)	**$1,862.7**	4.9%	15.8%	$11.6	N/A	$15,194.9	0.85%
12	JPMorgan Emerging Markets Equity Fund (JMIEX)	**$1,736.2**	21.8%	34.9%	$14.4	$19.3	$14,792.5	0.94%
13	Nuveen International Growth Fund (NBQIX)	**$1,640.0**	13.8%	19.6%	$7.6	$9.2	$2,189.5	0.88%
14	American Funds American Balanced Fund (ABALX)	**$1,639.6**	7.6%	10.9%	$8.7	$10.0	$183,174.5	0.59%
15	Columbia Dividend Income Fund (GSFTX)	**$1,541.4**	11.0%	7.8%	$9.7	$12.6	$28,045.5	0.69%
16	Fidelity Strategic Advisers Fidelity Intl Fund (FUSIX)	**$1,514.7**	14.2%	13.2%	$6.8	$8.5	$15,794.8	0.66%
17	American Funds American Mutual Fund (AMRMX)	**$1,329.8**	8.2%	4.7%	$7.7	$10.9	$69,136.3	0.61%
18	BlackRock Mid-Cap Growth Equity Portfolio (CMGIX)	**$1,270.2**	20.4%	46.1%	$26.9	$23.2	$13,870.7	0.80%
19	Franklin DynaTech Fund (FKDNX)	**$1,255.4**	15.3%	57.7%	$30.2	$25.5	$22,546.2	0.86%
20	MFS International Large Cap Value Fund (MKVBX)	**$1,254.9**	17.7%	N/A	N/A	N/A	$4,759.5	0.96%
21	Fidelity Freedom Index 2030 Fund (FXIFX)	**$1,243.7**	10.2%	14.3%	$9.7	$11.1	$11,923.4	0.12%
22	Nuveen Dividend Value Fund (FFEIX)	**$1,236.6**	15.5%	-4.5%	$3.0	$8.6	$3,978.6	1.11%
23	JPMorgan Equity Income Fund (HLIEX)	**$1,162.1**	12.9%	3.6%	$7.7	$11.0	$36,398.6	0.72%
24	Fidelity Freedom Index 2035 Fund (FIHFX)	**$1,162.1**	12.5%	15.5%	$10.4	$12.1	$9,342.8	0.12%
25	Fidelity Freedom Index 2025 Fund (FQIFX)	**$1,133.9**	9.0%	13.6%	$9.1	$9.9	$10,053.0	0.12%

Top 25 equity funds ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total International Stock Index Fund (VGTSX)	**-$52,057.7**	16.9%	11.2%	$4.9	$9.0	$416,900.2	0.17%
2	Vanguard Institutional Total Stk Mkt Index Fd (VITPX)	**-$11,541.5**	14.7%	21.0%	$14.5	$15.4	$32,769.3	0.02%
3	Vanguard Total Stock Market Index Fund (VTSMX)	**-$8,683.9**	14.7%	20.9%	$14.4	$15.3	$1,080,710.6	0.14%
4	Vanguard Institutional Index Fund (VINIX)	**-$6,795.8**	12.1%	18.4%	$14.1	$15.2	$261,185.8	0.04%
5	Fidelity Contrafund (FCNTX)	**-$4,231.9**	8.2%	32.5%	$19.0	$18.1	$136,386.4	0.85%
6	American Funds Growth Fund of America (AGTHX)	**-$4,143.9**	16.0%	37.8%	$19.7	$18.6	$256,381.7	0.64%
7	American Funds EuroPacific Growth Fund (AEPGX)	**-$3,721.1**	19.8%	24.8%	$10.3	$12.1	$192,570.1	0.84%
8	Vanguard Wellington Fund (VWELX)	**-$3,476.4**	8.2%	10.6%	$9.4	$10.7	$112,042.9	0.25%
9	Vanguard PRIMECAP Fund (VPMCX)	**-$3,278.7**	14.2%	17.2%	$13.6	$16.0	$69,450.2	0.38%
10	Vanguard 500 Index Fund (VFINX)	**-$3,149.4**	12.1%	18.2%	$14.0	$15.0	$636,917.2	0.14%
11	Dodge & Cox International Stock Fund (DODFX)	**-$2,568.5**	24.7%	2.1%	$0.9	$6.6	$40,788.7	0.63%
12	T Rowe Price Growth Stock Fund (PRGFX)	**-$2,488.1**	12.0%	36.9%	$21.0	$19.1	$68,967.9	0.65%
13	Franklin Income Fund (FKINX)	**-$2,361.8**	12.1%	3.6%	$4.3	$7.4	$68,621.0	0.62%
14	Dodge & Cox Stock Fund (DODGX)	**-$2,164.7**	20.9%	7.2%	$7.5	$12.3	$70,673.9	0.52%
15	Oakmark International Fund (OAKIX)	**-$1,817.1**	31.5%	4.9%	-$0.1	$6.9	$26,356.6	1.04%
16	Vanguard Health Care Fund (VGHCX)	**-$1,547.4**	4.6%	12.6%	$11.9	$8.8	$49,031.1	0.32%
17	Vanguard Mid-Cap Index Fund (VMCIX)	**-$1,505.3**	18.0%	18.3%	$12.0	$13.3	$132,950.8	0.04%
18	Fidelity Growth Company Fund (FDGRX)	**-$1,504.6**	14.8%	67.5%	$30.3	$26.2	$63,712.0	0.83%
19	American Funds Capital Income Builder (CAIBX)	**-$1,472.3**	9.5%	3.3%	$4.1	$6.6	$103,633.8	0.61%
20	TIAA-CREF Growth & Income Fund (TIGRX)	**-$1,397.0**	14.5%	20.5%	$13.4	$14.4	$5,869.1	0.41%
21	Vanguard Windsor II Fund (VWNFX)	**-$1,373.8**	17.9%	14.5%	$10.5	$12.3	$48,912.6	0.34%
22	American Funds Income Fund of America (AMECX)	**-$1,305.0**	8.8%	5.0%	$5.8	$8.2	$115,860.5	0.57%
23	First Eagle Global Fund (SGENX)	**-$1,237.6**	11.0%	8.3%	$6.0	$8.4	$45,932.2	1.11%
24	DFA US Core Equity 2 Portfolio (DFQTX)	**-$1,221.7**	17.8%	15.7%	$10.6	$13.4	$29,738.3	0.20%
25	Fidelity Advisor New Insights Fund (FINSX)	**-$1,209.6**	8.8%	24.0%	$15.4	$16.0	$24,922.4	0.84%

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 funds ranked by quarterly returns

	Name	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	WP Income Plus Fund;Institutional (WPINX)	**15.9%**	-45.8%	-15.8%	-$6.6	$5.4	3.54%
2	Leader Short Term High Yield Bond Fund (LCCMX)	**15.3%**	7.5%	3.5%	$2.2	$47.5	2.10%
3	Leader Total Return Fund (LCTIX)	**13.5%**	13.0%	6.9%	$6.1	$11.3	2.35%
4	HCM Income Plus Fund (HCMEX)	**12.9%**	40.5%	15.9%	N/A	$354.3	1.70%
5	PGIM Emerging Markets Debt Loc Currency Fd (EMDZX)	**12.0%**	5.0%	3.4%	$6.8	$69.2	0.72%
6	Ashmore Emerging Markets Loc Currency Bd Fund (ELBIX)	**12.0%**	2.6%	2.2%	$6.9	$9.1	0.97%
7	Goldman Sachs Local Emerging Markets Debt Fund (GIMDX)	**11.9%**	3.9%	1.8%	$6.0	$91.4	0.92%
8	Ivy Pictet Emerging Markets Local Currency Db Fd (IECIX)	**11.6%**	5.0%	1.3%	$4.3	$59.9	0.80%
9	Matisse Discounted Bond CEF Strategy (MDFIX)	**11.4%**	N/A	N/A	N/A	$22.5	2.61%
10	MFS Emerging Markets Debt Local Currency Fund (EMLIX)	**11.1%**	2.7%	3.8%	$7.1	$401.5	0.85%
11	T Rowe Price Emerging Markets Local Currency Bd (PRELX)	**11.1%**	4.1%	2.9%	$6.8	$516.1	0.95%
12	PIMCO Emerg Markets Local Currency and Bd Fd (PELBX)	**10.9%**	2.1%	3.4%	$7.1	$1,554.3	1.70%
13	Payden Emerging Markets Local Bond Fund (PYELX)	**10.8%**	1.8%	2.1%	$6.0	$141.5	0.91%
14	TCW Emerging Markets Local Currency Income Fund (TGWIX)	**10.7%**	1.8%	1.8%	$6.6	$240.2	0.85%
15	Ashmore Emerging Markets Total Return Fund (EMKIX)	**10.5%**	2.4%	2.1%	$7.2	$1,369.3	1.02%
16	Hartford Emerging Markets Local Debt Fund (HLDYX)	**10.5%**	3.0%	2.7%	$6.8	$67.3	0.89%
17	BrandywineGLOBAL - Global Opportunities Bond Fd (GOBSX)	**10.5%**	12.7%	5.4%	$6.7	$2,330.1	0.58%
18	Eaton Vance Emerging Markets Debt (EEIDX)	**10.3%**	6.1%	N/A	N/A	$9.0	0.85%
19	Stone Harbor Local Markets Fund (SHLMX)	**10.1%**	1.9%	1.3%	$5.5	$169.2	0.96%
20	PF Emerging Markets Debt Fund	**10.0%**	2.9%	2.5%	$7.4	$51.2	0.92%
21	Invesco Emerging Markets Local Debt Fund (OEMYX)	**9.7%**	4.0%	3.3%	$7.3	$150.2	0.95%
22	Fidelity Capital & Income Fund (FAGIX)	**9.7%**	10.2%	7.3%	$8.8	$12,574.3	0.67%
23	Fidelity Advisor High Income Advantage Fund (FAHYX)	**9.6%**	8.7%	6.5%	$8.8	$1,596.5	1.00%
24	Barings Em Mkts Debt Blended Total Return Fund (BXEAX)	**9.6%**	17.7%	9.2%	$10.1	$78.5	1.20%
25	Franklin Templeton SMACS (FQTIX)	**9.6%**	3.7%	N/A	N/A	$3.6	0.00%
26	Voya Emerging Markets Local Currency Debt Fund (ILCDX)	**9.5%**	0.9%	2.0%	$5.1	$86.3	0.16%
27	1290 Diversified Bond Fund (TNUIX)	**9.4%**	17.2%	9.7%	$7.5	$208.6	0.50%
28	Eaton Vance Emerging Markets Local Income Fund (EEIAX)	**9.3%**	4.7%	5.5%	$8.9	$1,476.9	1.20%
29	Northern Multi-Manager Emerging Mkts Debt Oppty (NMEDX)	**9.3%**	2.7%	2.3%	$5.3	$185.8	0.94%
30	BrandywineGLOBAL - Intl Opportunities Bond Fund (LMOTX)	**9.2%**	8.6%	3.1%	$5.2	$69.8	0.66%
31	SEI Inst Inv Emerging Markets Debt Fund (SEDAX)	**9.2%**	4.7%	3.6%	$7.2	$2,314.6	0.96%
32	Fairholme Focused Income Fund (FOCIX)	**9.2%**	1.0%	0.3%	$5.9	$118.1	1.02%
33	Hartford Schroders Emg Mkts Multi-Sector Bd Fd (SMSNX)	**9.1%**	2.6%	2.1%	$6.4	$64.5	0.90%
34	Franklin Emerg Market Debt Opptys Fund (FEMDX)	**9.1%**	3.9%	4.1%	$7.2	$104.2	1.02%
35	Nationwide Emerging Markets Debt Fund (NWXCX)	**9.1%**	3.4%	4.3%	N/A	$76.8	0.90%
36	Mesirow Financial High Yield Fund (MFHIX)	**9.1%**	7.2%	N/A	N/A	$54.6	0.77%
37	SEI Emerging Markets Debt Fund (SITEX)	**9.1%**	4.0%	2.8%	$6.3	$1,577.0	1.62%
38	Stone Harbor Emerging Markets Corporate Debt (SHCDX)	**8.9%**	7.8%	5.4%	$7.1	$6.1	1.01%
39	Lazard Emerging Markets Debt Portfolio (LEDIX)	**8.9%**	3.2%	3.2%	$6.1	$22.3	0.95%
40	Pioneer Global High Yield Fund (PGHYX)	**8.9%**	2.7%	3.3%	$6.5	$233.1	1.14%
41	Stone Harbor Emerging Mkts Debt Alloc Fund (SHADX)	**8.9%**	5.0%	2.8%	$6.5	$24.6	0.85%
42	American Funds Emerging Markets Bond Fund (EBNAX)	**8.9%**	7.6%	5.4%	N/A	$1,269.0	1.01%
43	Ashmore Emerging Markets Corporate Inc Fund (EMCIX)	**8.9%**	7.6%	4.8%	$9.6	$316.3	1.17%
44	Invesco International Bond Fund (OIBAX)	**8.8%**	8.2%	3.7%	$5.6	$2,851.1	1.01%
45	Transamerica Emerging Markets Debt (EMTIX)	**8.8%**	7.1%	4.3%	$7.7	$440.0	0.80%
46	DoubleLine Emerging Markets Local Currency Bond (DBELX)	**8.7%**	2.6%	N/A	N/A	$10.4	0.92%
47	John Hancock Emerging Markets Debt Fund (JMKIX)	**8.6%**	5.0%	4.3%	$8.0	$1,087.2	0.88%
48	Preferred Plus; Class I Shares (IPPPX)	**8.6%**	9.1%	N/A	N/A	$11.6	1.62%
49	Westwood High Income Fund (WHGHX)	**8.5%**	14.9%	8.1%	$7.2	$81.9	0.67%
50	Robinson Opportunistic Income Fd (RBNNX)	**8.5%**	-6.7%	0.9%	$5.2	$22.9	3.18%

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 funds ranked by largest Inflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Vanguard Total Bond Market II Index Fund (VTBIX)	**$20,544.6**	0.7%	7.3%	$5.2	$4.3	$221,765.0	0.09%
2	Vanguard Short-Term Investment-Grade Fund (VFSTX)	**$5,014.2**	1.0%	5.1%	$3.9	$3.3	$72,471.7	0.20%
3	Vanguard Total Bond Market Index Fund (VBMFX)	**$4,548.4**	0.6%	7.6%	$5.3	$4.4	$303,186.8	0.15%
4	American Funds Bond Fund of America (ABNDX)	**$4,330.8**	1.5%	10.7%	$6.1	$4.8	$70,234.0	0.61%
5	Fidelity SAI US Treasury Bond Index Fund (FUTBX)	**$3,863.5**	-0.9%	8.0%	$5.1	N/A	$7,278.4	0.03%
6	Bridge Builder Core Plus Bond Fund (BBCPX)	**$3,570.5**	4.2%	11.7%	$7.0	$5.2	$25,658.2	0.16%
7	Vanguard Ultra-Short-Term Bond Fund (VUSFX)	**$3,055.4**	0.3%	2.1%	$2.5	$2.1	$15,977.7	0.10%
8	Strategic Advisers Fidelity Core Income Fund (FIWGX)	**$2,878.4**	2.0%	10.2%	N/A	N/A	$29,959.9	0.21%
9	Vanguard Intermediate-Term Tax-Exempt Fund (VWITX)	**$2,449.1**	1.7%	5.1%	$4.4	$3.5	$81,841.6	0.17%
10	Baird Aggregate Bond Fund;Institutional (BAGIX)	**$2,442.3**	1.1%	8.6%	$5.8	$5.0	$32,894.4	0.30%
11	Vanguard Institutional Intermediate-Term (VIITX)	**$2,278.3**	0.5%	6.2%	$4.5	$3.5	$32,503.0	0.02%
12	Fidelity Series Bond Index Fund (FIFZX)	**$2,193.1**	0.6%	7.6%	N/A	N/A	$15,435.6	0.00%
13	Guggenheim Total Return Bond Fund (GIBIX)	**$2,100.9**	2.9%	15.2%	$6.8	$6.6	$23,978.3	0.52%
14	Principal Core Fixed Income Fund (CMPIX)	**$2,022.1**	1.2%	7.8%	$5.3	$5.0	$10,360.1	0.89%
15	Fidelity US Bond Index Fund (FXNAX)	**$1,824.1**	0.8%	7.8%	$5.4	$4.4	$57,443.1	0.03%
16	American Funds Intmdt Bond Fund of America (AIBAX)	**$1,691.8**	0.6%	7.4%	$4.2	$2.9	$29,392.7	0.63%
17	American Funds US Government Securities Fund (AMUSX)	**$1,662.2**	0.1%	9.4%	$5.0	$3.4	$21,220.2	0.66%
18	Fidelity Strategic Advisers Tax-Sensitive Sht Dur (FGNSX)	**$1,604.1**	0.2%	1.4%	$1.7	N/A	$4,829.1	0.11%
19	Fidelity Strategic Advisers Income Opptys Fudd (FPIOX)	**$1,572.2**	6.4%	5.6%	$5.3	$7.5	$6,832.0	0.73%
20	Goldman Sachs Short Duration Tax-Free Fund (GSDUX)	**$1,510.5**	0.7%	2.4%	$2.8	$2.1	$11,448.0	0.38%
21	PGIM High Yield Fund (PBHAX)	**$1,491.4**	6.0%	5.3%	$6.3	$8.2	$22,168.3	0.80%
22	JPMorgan Short Duration Bond Fund (HLLVX)	**$1,459.5**	0.7%	4.5%	$3.3	$2.3	$6,611.3	0.34%
23	PIMCO Short-Term Fund;Institutional (PTSHX)	**$1,457.1**	0.3%	2.7%	$2.3	$2.4	$15,336.5	0.55%
24	BlackRock Strategic Income Opps Port (BSIIX)	**$1,417.4**	4.1%	7.2%	$4.7	$4.5	$35,319.7	0.84%
25	Vanguard Short-Term Tax-Exempt Fund (VWSTX)	**$1,393.8**	0.3%	1.8%	$1.9	$1.4	$20,790.6	0.17%

Top 25 fixed-income funds ranked by largest outflows

	Name	Three-Month Estimated Net Flows ($M)*	Three-Month Return %	One-Year Return %	Three-Year Annualized Return %	Five-Year Annualized Return %	Portfolio Total Net Assets ($M)	Expense Ratio %
1	Templeton Global Bond Fund (TPINX)	**-$2,654.0**	0.8%	-4.4%	-$0.9	$1.2	$14,997.7	0.92%
2	Western Asset SMASh Series C Fund (LMLCX)	**-$2,137.8**	5.8%	2.9%	$4.7	$5.6	$0.0	0.00%
3	Principal Bond Market Index Fund (PNIIX)	**-$1,542.8**	0.6%	7.3%	$5.1	$4.2	$810.8	0.14%
4	DoubleLine Total Return Bond Fund (DBLTX)	**-$1,014.0**	0.4%	4.1%	$3.9	$3.5	$51,242.9	0.49%
5	Fidelity New Markets Income Fund (FNMIX)	**-$945.9**	6.6%	4.6%	$2.3	$6.2	$6,549.1	0.82%
6	BlackRock Strategic Municipal Opps Fund (MAMTX)	**-$883.4**	4.0%	0.6%	$2.8	$3.4	$7,883.1	0.71%
7	T Rowe Price New Income Fund (PRCIX)	**-$881.7**	1.6%	5.7%	$4.7	$4.1	$21,159.4	0.51%
8	JPMorgan Intermediate Tax Free Bond Fund (JITIX)	**-$728.3**	1.7%	4.8%	$4.1	$3.0	$5,148.4	0.40%
9	PIMCO Total Return Fund (PTTRX)	**-$686.4**	1.0%	8.9%	$5.5	$4.9	$69,802.8	0.70%
10	Vanguard Short-Term Treasury Fund (VFISX)	**-$629.2**	0.1%	4.0%	$3.0	$2.0	$8,585.9	0.20%
11	PIMCO Short Asset Investment Fund (PAIDX)	**-$581.0**	0.2%	1.2%	$1.9	$1.9	$4,437.2	0.36%
12	T Rowe Price High Yield Fund (PRHYX)	**-$571.4**	5.8%	4.9%	$5.2	$7.4	$8,581.4	0.72%
13	Invesco Senior Floating Rate Fund (OOSAX)	**-$511.4**	4.7%	-4.5%	-$1.0	$2.5	$3,596.3	1.14%
14	Lord Abbett Floating Rate Fund (LFRFX)	**-$497.7**	4.6%	-1.6%	$1.8	$3.8	$5,579.7	0.71%
15	Templeton Global Total Return Fund (TTRZX)	**-$489.2**	0.9%	-5.6%	-$0.6	$1.9	$2,005.9	0.76%
16	Loomis Sayles Bond Fund;Institutional (LSBDX)	**-$451.1**	5.3%	2.1%	$3.4	$5.3	$9,057.6	0.67%
17	Pioneer Multi-Asset Ultrashort Income Fund (MYFRX)	**-$373.1**	0.9%	-0.5%	$1.5	$1.7	$4,410.5	0.44%
18	DFA Short-Term Government Portfolio (DFFGX)	**-$357.9**	0.0%	0.4%	$1.4	$1.1	$2,237.6	0.19%
19	American Century Diversified Bond Fund (ACBPX)	**-$357.5**	1.3%	8.2%	$5.1	$4.3	$2,057.8	0.40%
20	JPMorgan Strategic Income Opportunities Fund (JSOSX)	**-$353.5**	0.7%	1.6%	$2.1	$3.7	$10,745.3	0.78%
21	Natixis Loomis Sayles Strategic Income Fund (NECZX)	**-$345.2**	5.2%	0.4%	$2.1	$4.0	$5,994.2	1.71%
22	Fidelity Conservative Income Bond Fund (FCNVX)	**-$327.1**	0.0%	1.1%	$2.0	$1.7	$7,471.6	0.25%
23	Wells Fargo Intmdt Tax/AMT-Free Fund (WITIX)	**-$324.3**	1.6%	4.2%	$3.8	$3.1	$2,218.7	0.45%
24	AB High Income Fund (AGDAX)	**-$324.3**	8.2%	2.9%	$3.3	$6.5	$5,439.2	0.87%
25	DFA One-Year Fixed Income Portfolio (DFIHX)	**-$316.4**	0.0%	0.6%	$1.6	$1.3	$6,573.3	0.17%

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

Fidelity just launched a PEP — here's why it matters

BY EMILE HALLEZ

FIDELITY'S RECENTLY announced venture into the pooled employer plan market gives the financial juggernaut a clear way to build relationships with small businesses, and it's a sign to naysayers that PEPs could be here to stay.

The company expects to start bringing clients onto its full-service PEP, Fidelity Advantage 401(k), in February, with the first money going into the plan in April.

The company was far from the first to register with the Department of Labor as a pooled plan provider. But its fully bundled service, which includes administration, fiduciary oversight and the plan's investments, indicates that Fidelity is confident that it will not run afoul of the regulator by providing both products and services to the plan.

That has been a hurdle for numerous companies that have registered as pooled plan providers but have no immediate plans to launch a PEP. Some, including Vestwell, have indicated that they're "waiting to see how the market unfolds," as the DOL has not given guidance on avoiding prohibited transactions for those seeking to provide multiple services.

"The Fidelity Advantage 401(k) is structured such that Fidelity, in its role as PPP and investment fiduciary, does not receive any conflicted compensation that would require us to use a [prohibited transaction exemption]," the company said in a statement.

Fidelity has also taken the stance that PEPs present an opportunity to expand the retirement plan market. Industrywide, there has been debate about whether PEPs will be a hit with smaller businesses that have never offered a plan or whether they will see more interest from larger employers that want to mitigate their fiduciary liability.

"PEPs have the ability to serve clients of a variety of different sizes, but we've made a choice in our initial phase to target micromarket, five-to-50 [employee] startup plans only," said Andy Schreiner, senior vice president of DC innovation at Fidelity.

INITIAL PHASE

In its initial phase, the Fidelity PEP will work with 10 to 15 employers, Schreiner said. The plan gives employers no choices — everything from the cost to the lineup of Fidelity investments and the 4% matching contributions are preset.

Fidelity's move hints that the PEP design "is actually going to make an impact where it was intended to — in that microplan space," said Kelly Michel, principal at KME Retirement Consulting. "It totally legitimizes the plan design."

That a company with Fidelity's resources is comfortable offering a PEP in which it provides multiple services will likely be welcome news to competitors sitting on the sidelines.

"It is a very bold move that they've made. The devil could be in the details in terms of how they structure their contracts to justify the myriad of roles they're taking on," Michel said. "The spirit of the SECURE Act, and certainly [Rep.] Richie Neal's direction, has been quite clear in that there is no prohibited transaction exemption for being one's own provider."

ehallez@investmentnews.com

UBS

CONTINUED FROM PAGE 2

ment business, which includes the Americas, UBS saw invested client assets hit $3 trillion at the end of last year, an increase of 14.5% compared to the end of 2019.

UBS said in 2016 that it was pulling back from recruiting financial advisers from its competitors, which is expensive, and focusing instead on the retention and productivity of its advisers. The bank eventually exited an industry agreement known as the protocol for broker recruiting, which has made it easier for brokers to change firms. At the time, UBS had about 7,000 advisers in the Americas region.

Global wealth co-heads Tom Naratil and Iqbal Khan have been in charge of the strategy at UBS wealth management, including the decision in 2019 to eliminate management fees on certain separately managed accounts. The firm said the new pricing of separately managed accounts resulted in $62 billion in net new client money since it was introduced at the end of 2019.

Other tweaks to the bank's wealth management business, including changes in the advisory billing methodology in the Americas to a client's daily average balance as of Oct. 1, had a positive impact on the results over the last three months of 2020, according to the bank.

UBS also said it intended to buy back $4.5 billion in stock over the next three years.

bkelly@investmentnews.com

GAMESTOP

CONTINUED FROM PAGE 3

force much larger traders into short squeeze positions as proof that "it's a bad idea to short things in an up market."

"It is interesting how one tweet by Elon Musk or somebody else can drive Robinhood traders into action," he said. "This is not just the market playing out, and the regulators need to get involved here."

While the expanding trading bedlam, which overloaded several major brokerage platforms last Wednesday, is still being viewed as an arm's-length concern by most advisers, the potential for a larger issue is there, said Forteris' Fry.

"Right now, it's very specific names and seems focused on getting back at hedge funds," he said. "But I would be concerned if it spreads to the broader market."

Brandon Garrett, president and chief executive of BentOak Capital, said his clients are still mostly at the point of watching the action the way one might gawk at a traffic accident.

"This kind of thing is exciting, and it grabs people's attention, but the problem is some long-term investors see things like this and start equating it to the overall market," he said. "We're in uncharted waters where you have a group or class of investors undertaking a grassroots effort in a sense of community popping up on social media."

jbenjamin@investmentnews.com

RIA MERGERS

CONTINUED FROM PAGE 3

pace in 2020, the appetite for registered investment advisers bounced back from a slowdown in March to finish the year with a record 205 deals, according to Echelon.

That's up slightly from 203 deals in 2019 and continues a steady upward trend from 60 acquisitions in 2012.

Barring another global catastrophe, Bruno sees no reason the pace of RIA deals won't continue to climb over the next several years.

"THERE ARE A LIMITED NUMBER OF HIGH-QUALITY LARGER FIRMS OUT THERE ."

MARK BRUNO, MANAGING DIRECTOR, ECHELON PARTNERS

"Markets are still strong, and there's still a growing appreciation for the global wealth management space," he said. "The RIA segment is not a secret anymore. The industry, made up of about 30,000 small businesses, is still relatively young but has matured a lot over the last five years."

Bruno cited Hightower, Focus Financial and Canada's CI Financial as examples of the leaders among what he calls "professional buyers."

"Their business models are now dependent on doing transactions in order to grow," he said. "Those kinds of firms are responsible for a growing portion of the M&A activity, and the larger they become, the more they will do deals that are significantly larger."

OUTSIDE CAPITAL

One thing the aggregators all seem to have in common is some form of outside capital, usually from private equity investors.

Bruno attributes the flood of PE money into the RIA space over the past several years to the evolution of the RIA space.

"Private equity firms have to make certain minimum investments, and 10 years ago you didn't have as many wealth management firms with $10 billion under management," he said. "Now there are more options, and PE firms are supporting the consolidation."

For sellers, it has never been so good, according to Echelon, which shows the average firm acquired in 2020 had $1.9 billion under management, which compares to $1.5 billion in 2019. And more deals are being structured with the owners sticking around, as opposed to just selling and exiting the business.

"We're still in an environment where the stock market could hit a new record every day, and RIA owners are generally benefiting from the acquisitions," Bruno said. "A lot of the buyers are competing with each other and there are a limited number of high-quality larger firms out there."

ODDS-DEFYING RESULTS

DeVoe & Co., which also tracks RIA M&A, but using different sets of metrics, showed similar odds-defying record-setting results for 2020.

DeVoe counted a record 159 deals last year, up from 132 in 2019, continuing a growth trend dating back to 2013, when there were just 36 deals.

The DeVoe report breaks down 2020 deal activity in phases, with a strong start to the year followed by a March lull as the pandemic was becoming a global reality, succeeded by a pickup that moved activity back to normal.

"The surge in activity has largely been driven by professionally managed firms with over $1 billion" in assets under management, the report states.

The surge is most evident when the DeVoe deal count is studied by quarter; there were a record 35 deals announced in the first three months of 2020, followed by 32 in the second quarter, a record 44 in the third quarter and a record 48 in the fourth quarter.

jbenjamin@investmentnews.com

SCHWAB SERVICE

CONTINUED FROM PAGE 4

very much looking forward to working with Schwab as I build my practice and confident in the service they will provide for both my firm and my clients," he said. "Maybe I got lucky, but now this is all concerning, because maybe I'll be less happy once I'm fully on board."

LAPSES ACKNOWLEDGED

For its part, Schwab acknowledges the service lapses. Spokesman Rob Farmer did not make anyone from Schwab available for comment for this story, but offered the following statement: "We are aware of instances over the past few months in which we have not met our usual high standards for client service. These issues are the result of a confluence of challenging factors, but importantly, they are not due to the ongoing integration of Schwab and TDAI.

"Among the contributing factors is the incredible growth of the independent advisor industry at large. As a result, we experienced an unprecedented spike in volume, which impacted service levels for some advisors — primarily occurring in December of last year and into January of this year."

The acquisition of TD officially closed Oct. 6 and is expected to take up to 36 months to complete.

"We are doing all we can to stay at pace with the sudden burst of growth, increasing our capacity through aggressive hiring and continuing to ramp-up our technology," according to the Schwab statement. "Our teams are working overtime, and we continue to make outsized investments in both people and technology development to meet and enhance the expectations of our clients."

But as Schwab navigates the cumbersome undertaking of bringing together thousands of financial advisers and more than $6 trillion in assets under one roof, the broader custody industry is not sitting idle waiting for the fallout.

"We're doing everything we can to campaign to those advisers to show that we're a good fit for them," said Robb Baldwin, CEO of TradePMR, a custodian servicing approximately 400 RIAs.

COMPETITOR OPPORTUNITY

Baldwin knows the current TD-Schwab service glitches are an opportunity for competitors to gain market share because he founded TradePMR after the experience of working for Jack White & Co. when it was acquired by TD Waterhouse in 1998.

"That was when technology was in its infancy and I lost about $10 million of my clients' assets through that merger and it took 60 to 90 days to get all my clients' assets into their new accounts, which gave me a black eye with my clients because they knew that I picked the custodian," he said. "You're going to have to be a very large adviser to get the attention you deserve at Schwab right now."

Ben Harrison, head of advisor solutions at BNY Mellon's Pershing, is also ramping up efforts to remind advisers that they have choices when it comes to custodial services. In addition to having already lowered adviser asset minimums to $100 million from $250 million, Harrison said Pershing is hiring to "build out our service team."

"A dedicated representative is not a call center because that's what works and that's what advisers want," he said.

A statement from Fidelity Institutional head of client experience Joe Kurtzer said 2020 new custody accounts were up 40% over 2019, suggesting the upside for the broader custody space.

As the custodian industry rolls out the welcome mat after service issues at TD-Schwab, advisers such as Gambaccini are starting to pay attention.

"The fact that we aren't having the same issues at other custodians tells me we're probably in for a lot more pain at TD and Schwab, and that kind of thing always opens the door for somebody to step up and build a better service," he said. "Switching custodians is a big endeavor but part of being independent is to always be looking for a better alternative for your clients."

jbenjamin@investmentnews.com

BITCOIN ETF

CONTINUED FROM PAGE 4

to finance terrorism, facilitate money laundering, and support malign activities that threaten U.S. national security interests and the integrity of the U.S. and international financial systems."

While regulators remain leery, big institutions are coming on board — usually an early indicator that a technology is maturing. BlackRock Inc. dipped its toe into the crypto pool for the first time last month, saying cash-settled Bitcoin futures are among the assets that two of its funds were permitted to buy. Grayscale Investments, which is behind a popular Bitcoin trust, reported total inflows of more than $3 billion across its products in the fourth quarter.

But keeping Bitcoin in regulatory limbo just exacerbates the problem.

"I think we need to look closely at how to encourage their use for legitimate activities while curtailing their use for malign and illegal activities," Yellen wrote. "If confirmed, I intend to work closely with the Federal Reserve Board and the other federal banking and securities regulators on how to implement an effective regulatory framework for these and other fintech innovations."

If cryptocurrency is here to stay, as many proponents argue, then allow investors to gain exposure and profit from the upside through indexed products like ETFs. Give investors the confidence that watchdogs are keeping an eye on it, so clients can participate in a historic rally that could be even more influential than the internet itself — if you believe the hype.

sallocca@investmentnews.com

RISKALYZE

CONTINUED FROM PAGE 4

national vaccine program in place, in addition to rigorous testing and safety protocols," the announcement said.

ORION ASCENT

Turnkey asset manager Orion, too, is hosting its annual user conference, Ascent 2021, in person at the Fairmont Scottsdale Princess Hotel in Scottsdale, Arizona, from Aug. 30 to Sept. 2. The TAMP made the announcement alongside a long list of initiatives it is pushing out to cater to breakaway advisers.

However, Orion is still offering an optional virtual experience for users who would rather keep their distance. The TAMP anticipates that its event will draw participation from more than 2,000 RIAs and 10,000 broker-dealer reps, according to the announcement, and plans to bring together users across each of its brands — Orion Advisor Tech, Orion Portfolio Solutions and Brinker Capital Investments.

The hybrid event is meant to cater to those who are vaccinated and ready to get face-to-face again, while still providing an option for those who want the experience from their home, said Kelly Waltrich, chief marketing officer at Orion Advisor Solutions.

"We're not in the business of predicting the comfortability level of all our advisers to be in person," she said. "Arizona is operating at 50% capacity so we won't be filling up ballrooms like we would have a year ago."

T3 RETURNS

Over in Denton, Texas, the T3 Advisor/Enterprise Conference is also gearing up to host an in-person event from Sept. 27 to Oct. 1 at the Embassy Suites by Hilton at the Denton Convention Center.

T3 President Joel Bruckenstein said he is optimistic everyone who wants a vaccine will be able to get one by that time, he wrote in an email.

"We are, however, creating a contingency plan to move the date back in the unlikely event that the situation changes," Bruckenstein said. "If that were to happen, my expectation is that we will have a liberal cancellation policy for those who cannot make it on the rescheduled dates."

Carson Group's financial adviser conference, Excell 2021, is also back as an in-person event in Las Vegas from Oct. 12 -14.

Tech giant Envestnet, however, is still planning to host the 2021 Envestnet Advisor Summit virtually and on demand just as last year's summit was formatted, according to a company spokesperson. As of now, there are no in-person events hosted by Envestnet.

InvestmentNews, too, is continuing to embrace the virtual model with its second FinTech Virtual Summit slated to hit screens in the first quarter of 2021.

ncasperson@investmentnews.com

EXPLORE YOUR NEXT MOVE...
THE ADVISER CENTER
careers.investmentnews.com/adviser-center/
Call: Shara Richter 212-210-0179
Email: srichter@investmentnews.com
FEATURED FIRMS

THE InvestmentNews ADVISER CENTER
MAKE THE SMARTER MOVE

SOCIAL MEDIA

CONTINUED FROM PAGE 14

outlets combined with the democratization and gamification of online trading will continue to fuel abnormal, concentrated trading volumes, said Sophie Schmitt, senior analyst with Aite Group.

"Online trading firms will need to scale up their operations to a new level in this environment," she said.

The market frenzy that was spurred by social media is also a trend that has slowly progressed since last year as the rise of internet influencers started to drive purchases of individual equities and cryptocurrencies, said Humphrey Yang, social media influencer and former financial adviser. Yang boasts a following of more than 1.6 million users across his social media platforms including TikTok, YouTube, Instagram and Twitter.

"What's interesting is that Twitter and social media have a huge impact on retail investor trading," Yang said. "[A year ago], I didn't think that retail investors through social media could make that much of an impact on equity prices, especially because institutions have so much skin in the game."

> **"THIS IS THE VELOCIRAPTORS LEARNING TO USE THE DOORKNOB."**
>
> JOSH BROWN, CEO, RITHOLTZ WEALTH MANAGEMENT

SOCIAL STRATEGY

Today, it's as if social media is a part of retail traders' strategy. "It's like now they are saying: 'How can we get 1,000 retail traders to actually make a big difference in stock price?' And when one of the richest people in the world is tweeting about it, it's almost like everyone's in on the joke," he said.

GameStop's stock surge coupled with social media discourse was like pouring kerosene on a fire in the battle between small investors and Wall Street. In fact, SkyBridge Capital's Anthony Scaramucci called the phenomenon the "French Revolution of Finance" on Twitter.

The frenzy even prompted Ritholtz Wealth Management CEO Josh Brown to jump on an "emergency market update" live stream via YouTube Wednesday morning to discuss the chaos.

"People are mocking TikTok and Robinhood traders about their finances, like what do you think we were doing when we were 21 years old?" Brown said. "Like we were all geniuses? It's not like we're doing asset allocation, we were trading whatever the most volatile stocks were of that day and making mistakes and blowing up options and learning."

In that light, Brown said he believes this group of retail investors is simply "done" being spoken down to or mocked by Wall Street investors.

"This is the Velociraptors learning to use the doorknob, we've had a year of people teaching themselves to trade, and they're not stupid," he said. "They see what's been going up in all these stocks that the experts told them would go down."

EASIER TO MOVE MARKETS

Easy-to-use free trading apps like Robinhood have invigorated retail investors to move markets as these apps took down the barriers of entry, said Ben Carlson, director of institutional asset management at Ritholtz Wealth Management.

"It's not only the social media stuff, Robinhood set this in motion when they started offering zero-percent commission-free trading," Carlson said. "That was like a domino a few years ago that got this thing rolling, and now every brokerage went to free trades."

While retail investors have been patronized by Wall Street saying that they don't understand the market, Ritholtz's Michael Batnick believes this only entices small investors to trade more.

"These [retail investors] have never been more galvanized by traditional Wall Street people saying that they're dumb," Batnick said. "But think about how many lattes they can now buy."

ncasperson@investmentnews.com

SEC VOWS

CONTINUED FROM PAGE 14

fected by these risky bets," Sen. Elizabeth Warren, D-Mass. and a member of Senate Banking Committee, wrote Friday in a letter to the SEC.

But it's not clear whether there's a role for regulators or lawmakers to play, said Ken Joseph, head of compliance and regulatory consulting for the Americas at Duff & Phelps.

"We don't know what, if anything, failed," said Joseph, a former supervisor in the SEC Division of Enforcement's asset management unit.

Individual investors seem to be sending a message to hedge funds, he said. That has combined with the low-cost trading now available on many brokerage platforms and a large pool of day traders during the coronavirus pandemic.

"That dynamic is not something that our securities regulations as currently written anticipated," Joseph said.

The SEC should proceed cautiously, said Nick Morgan, partner at the law firm Paul Hastings.

"Here, the WallStreetBets Reddit members appear motivated by profit and amusement — weak foundations for enforcement action," Morgan, former senior trial counsel in the SEC's Division of Enforcement, said in a statement. "Moving with too heavy a regulatory hand … may chill perfectly legitimate open market transactions."

mschoeff@investmentnews.com

HALTING TRADES

CONTINUED FROM PAGE 15

"I thought every transaction had to have a buyer and a seller? But now one side is being told they can't take the side of the trade that they want," he wrote.

The problem is largely self-made and results from e-brokers providing access to free trading, according to Tim Welsh, president of Nexus Strategy.

"In order to provide zero commissions, the e-brokers needed to rely on payment-for-order-flow arrangements from institutional traders and hedge funds," Welsh said. "The underlying assumption is that those institutions are willing to pay for retail order flow because those trades represent 'dumb' or 'uninformed' money and they can use that information to trade against to profit for themselves."

If there wasn't value in that order flow for them, they would never pay for it, according to Welsh. To that end, when that retail order flow contains toxic trades like GameStop, then the order flow is no longer predictable, nor safe to trade against.

As a result, the e-brokers have to listen to their payment-for-order-flow buyers and remove those toxic names from the flow, or the whole zero-commission model falls apart, Welsh said.

"The e-brokers are not being benevolent, or protecting investors from themselves — they are doing it for their own survival and to maintain the status quo of PFOF and free trading. This is a bad precedent they are setting. As we know, free is never free," he said.

ncasperson@investmentnews.com

SHORT-SQUEEZE

CONTINUED FROM PAGE 15

rambunctious trading activity.

"It will certainly have ripple effects because nothing in finance happens in a vacuum," Wyatt said. "We will see variations on this [short squeeze] theme, but it will all depend on how this chapter gets closed."

Jim McDonald, chief investment strategist at Northern Trust, said while the implications of the kind of short-squeeze efforts exercised over last week shouldn't have any significant impact on mutual funds or long-term investors, it might alter the way institutional investors, including hedge funds, apply short positions going forward.

"The shift toward zero-commission trading to some extent is a good thing, but it does facilitate the kind of speculation we're seeing and the short squeeze highlights the risk of speculation," he said. "I suspect people who have very large visible short positions are now looking at them differently after what happened over the past week."

McDonald added that short sellers could evolve with the times and find ways to avoid or limit the impact of short squeezes.

"They might decide to reduce short positions through unlisted vehicles, or they will end up with lower short exposure overall," he said.

HISTORY REPEATS

While the more traditional end of the industry looks at the noise as something that can be navigated, some see the recent market activity as a reminder that history repeats itself.

"From a sentiment standpoint and based on the indicators I look at, this is a carbon copy of the dot-com bubble, even including the number of times people are Googling 'stock market bubble,'" said Paul Schatz, president of Heritage Capital.

"Right now, it's more concentrated to a dozen companies, but you could argue that the bubble is just getting inflated," he said. "I guarantee you the longer this goes on, the more advisers will hear from clients that they want to own the stocks that the traders are driving to record levels."

jbenjamin@investmentnews.com

OUTAGES

CONTINUED FROM PAGE 15

those matters had also been resolved, a spokesperson said. "We will work with all clients to ensure their situations are made right and apologize for any inconvenience our clients experienced this morning."

Some TD Ameritrade clients experienced slowness or difficulty accessing their accounts on its mobile platform due to unprecedented volumes, a spokesperson wrote in an email. "This issue has been resolved," she wrote, adding clients could access their accounts and place trades through all other TD platforms.

Robinhood reported a service disruption on its crypto trading platform that had an impact on some customers but it was resolved, according to a spokesperson. Equities and options trades using Robinhood's iOS and Android applications remained operational, but clients may have had problems accessing its web app.

ETrade was also reportedly affected, according to Downdetector.com. A spokesperson did not comment.

bkelly@investmentnews.com

InvestmentNews

THE FUTURE OF OUR BUSINESS

WHO ARE THE NEXT GENERATION OF VISIONARIES IN FINANCIAL SERVICES?

IT’S UP TO YOU.

The InvestmentNews 40 Under 40 program recognizes and celebrates up-and-comers in the financial advice industry based on their accomplishments, contribution to the industry, and leadership.

NOMINATE TODAY!

Go to **investmentnews.com/40under40** to nominate or learn more.