FEBRUARY 15-19, 2021

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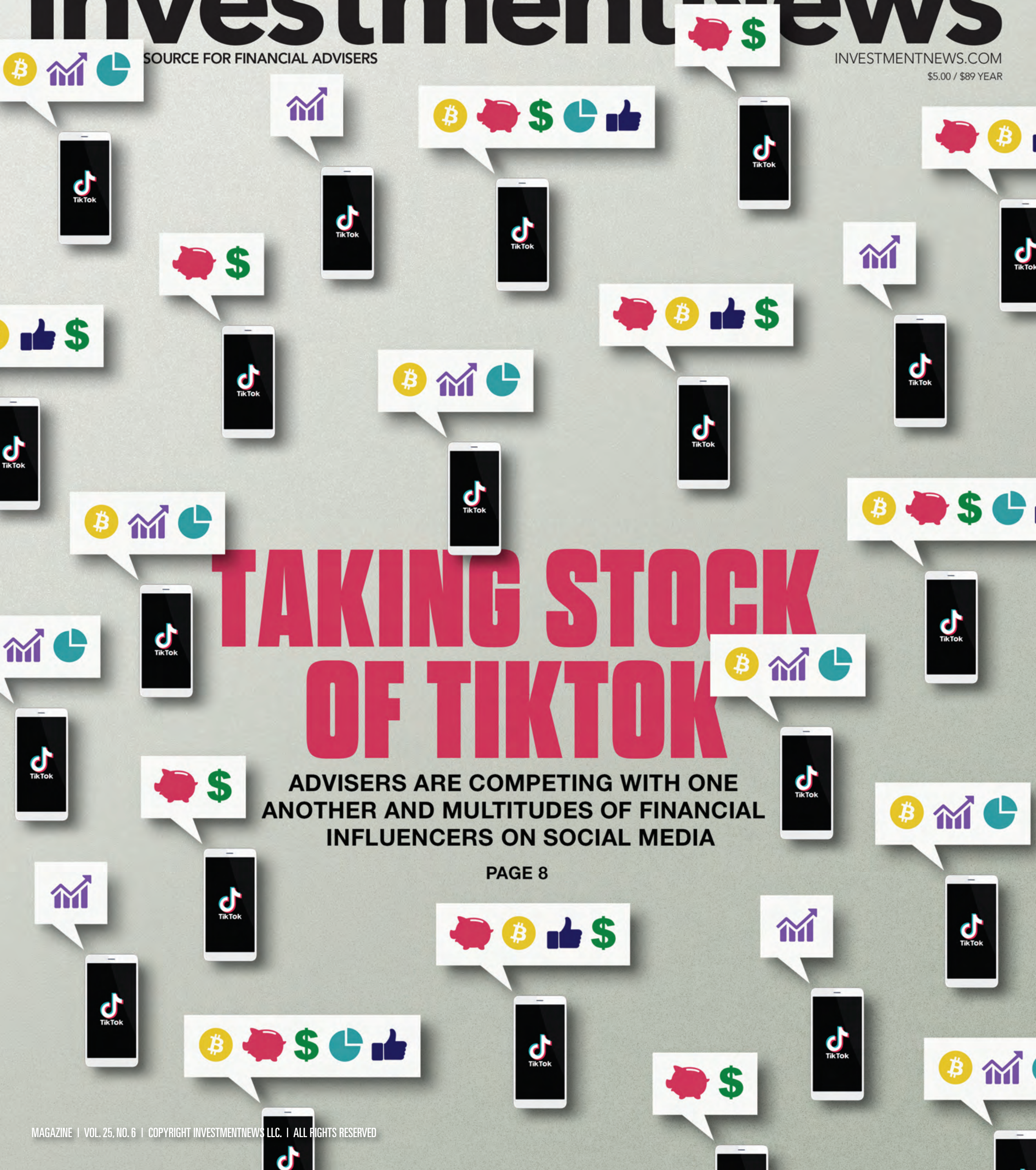

TAKING STOCK OF TIKTOK

ADVISERS ARE COMPETING WITH ONE ANOTHER AND MULTITUDES OF FINANCIAL INFLUENCERS ON SOCIAL MEDIA

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InvestmentNews Research crunches the numbers on independent broker-dealers.

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Biden DOL will let Trump era fiduciary rule stand

BY EMILE HALLEZ

THE BIDEN ADMINISTRATION Department of Labor will let the agency's fiduciary rule stand, though it will soon provide additional guidance on the topic, the regulator announced last Friday.

The rule, which was proposed last year and will go into effect Tuesday, essentially replaces the defunct Obama-era version that regulated investment advice for 401(k)s and rollover IRAs. It provides an exemption under the Employee Retirement Income Security Act for investment advice fiduciaries to receive third-party compensation.

That the Biden administration is allowing the Trump-era rule to go into effect, rather than halting it and potentially revising the rule, is likely a surprise to some in the industry.

KEY POINTS

- A fiduciary rule crafted during the Trump administration won't be halted by the Biden administration.
- The rule covers advice for 401(k)s and rollover IRAs.

However, the final version of the rule also had more regulatory teeth than many expected, given that the DOL also withdrew a 2005 advisory opinion known as the Deseret Letter, a development indicating that the department viewed a recommendation to roll assets out of a 401(k) as the beginning of an advice relationship.

The final version of the rule ended up containing some compromises for both the financial advice industry and consumer advocates, and it will serve as a foundation for what the Biden administration will craft. Almost certainly, the forthcoming guidance will be more consumer-friendly than the investment advice exemption finalized under former DOL Secretary Eugene Scalia, observers said.

Over the past few weeks, the department met with stakeholders, including consumer advocates and industry lobbyists, about the fate of the rule, Fred Reish, partner at Faegre Drinker Biddle & Reath, wrote in an email.

"My understanding is that, surprisingly, many of the participants in the meetings recommended that the rule be allowed to go into effect … It's not often that consumer groups and the financial services industry agree on policy," Reish wrote. "I believe that the financial sector associations agreed because they were concerned that a delay would result in a more difficult rule, while consumer groups believe that the rule was at least a step forward in providing protections to investors in plans and IRAs."

The DOL could also work on redefining "fiduciary advice" later this year, he noted.

NO NEED TO START OVER

"The exemption in our view improved on the current state for protection of plan participants. Rather than go back to square one, the strategy DOL is playing out makes sense," said Brian Graff, CEO of the American Retirement Association.

Although the new regulation goes into effect Tuesday, a temporary enforcement policy effectively pushes the compliance deadline to Dec. 20, the DOL noted. That temporary policy, issued in 2018, doesn't require advisers to provide written notification of fiduciary status to clients, but it does oblige them to show that they have taken good faith steps to comply with impartial conduct standards and work in clients' best interest.

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Cetera to offer Voya advisers bonuses

BY BRUCE KELLY

CETERA FINANCIAL GROUP announced last Monday that it had agreed to buy the brokerage and advisory assets of Voya Financial Advisors.

Many have been expecting a sale of Voya Financial Advisors, with about 900 advisers and $40 billion in client assets, for at least the past year.

At the end of 2019, the broker-dealer's parent, Voya Financial Inc., said it was selling its individual life insurance business, two years after it announced the sale of its annuities businesses. Such company-wide evaluations can lead to the sale of broker-dealer businesses. And large, private equity-backed networks like Cetera and Advisor Group have been eager to expand.

Terms of the deal were not disclosed. It is scheduled to close in the second or third quarter.

SWEETENING THE DEAL

As part of the transaction to acquire the 900 reps and advisers, Cetera Financial Group plans to sweeten the deal with a retention or so-called "stay" bonus to those advisers. Such bonus payments are common in broker-dealer transactions, with the acquiring firm aiming to keep as many advisers in their seats as possible.

Details of the bonus plan have yet to be revealed. But Adam Antoniades, CEO of Cetera, said such a plan would be forthcoming.

"We anticipate helping advisers through that process," he

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Kitces report reignites fee debate

BY JEFF BENJAMIN

THE PERENNIAL DEBATE over financial advisory fees has reared its ugly head again, thanks largely to new research by Michael Kitces and some strategic social media pot stirring.

Last Monday, Kitces, head of planning strategy at Buckingham Wealth Partners, published a comprehensive report on advisory fee trends and the "mirage of fee compression" on Kitces.com.

The research, which slices fees into myriad models, shows that "median fees in 2020 significantly increased, relative to 2018 fees."

RICH WITH DETAILS

The report is rich with details, but the part that struck Rick Ferri, a veteran adviser and dogged proponent of lower fees, was the breakdown of what advisers charge for a stand-alone financial plan.

To Ferri, the $2,500 median price is glaring proof that advisers charging an asset-based fee of 1% on average are gouging their clients.

While Ferri acknowledges the initial upfront work of creating a plan for a new client, he takes issue with the $10,000 worth of annual fees charged on a $1 million account when firms like Vanguard, Betterment and Wealthfront are managing portfolios for a third of that cost.

"These people call themselves financial planners, and they might have a certificate on the wall that says so, but they're charging 1% a year to do portfolio management," he said.

While Ferri's outspoken nature ruffles feathers across the financial planning landscape, he speaks from experience.

His current eponymous business charges $925 for a financial plan, and he no longer manages assets. But for 18 years, through 2017, he co-owned the advisory firm Portfolio Solutions, which charged asset-based fees of between 25 basis points and 37 bps.

CHALLENGING THE INDUSTRY

Over that time, Ferri said his profit margins were consistently between 30% and 50%, which is the industry average for firms charging three times as much.

"I'm trying to get a discussion going about the real cost of an adviser and what you should be paying to have your portfolio managed and to have a financial plan," he said.

While Ferri doesn't begrudge advisers making a good living, he challenges the common industry practice of charging clients 1% of their assets when the services they're getting rarely go beyond portfolio management.

"They are charging million-dollar clients $10,000 a year because that's what the market will bear, and yet they call themselves fiduciaries," he said. "Never having a discussion with the client about what they're paying you. Talk to clients about all fees, including

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Acting SEC chief ramps up investigative power

BY MARK SCHOEFF JR.

A DECISION BY the Securities and Exchange Commission to allow more of the agency's staff to launch investigations will put more demands on financial firms' compliance operations, experts said.

In a statement last Tuesday, SEC Acting Chair Allison Herren Lee said she had restored the ability of senior enforcement officers to approve a formal order of investigation and to authorize staff to subpoena documents and take testimony. She said the wider delegation of commission authority would enable SEC investigators to act more quickly to detect and stop fraud.

Lee put back in place a policy that existed under the chairmanships of Mary Schapiro and Mary Jo White during the Obama administration. The delegated authority was removed during the Trump administration. The five-person SEC has a political majority that reflects the party in power in the White House.

"This is a return to the Mary Jo White era of the SEC and signals a much more aggressive enforcement division," said Todd Cipperman, principal at Cipperman Compliance Services.

KEEPING TRACK

Compliance departments will have to ensure that they're keeping careful track of documents and other records

ALLISON HERREN LEE

and are ready to produce them quickly if the SEC knocks on the door.

"The chances of an enforcement action and subpoena go up dramatically because of this move," Cipperman said. "This puts more pressure on compliance professionals. Get your ducks in a row."

Giving about three dozen senior enforcement officers the ability to launch a probe instead of limiting the authority to the division's leaders will make enforcement more agile and effective, said Melissa R. Hodgman, the SEC's acting enforcement director.

"When the senior officer closest to the facts can issue a formal order, it improves our ability to have real-time enforcement actions, particularly with regard to preventing ongoing fraud and preserving resources." Hodgman said.

The recent trading explosion in GameStop and other stocks of faltering companies has raised potential investor protection issues that the SEC says it is reviewing. The GameStop frenzy blew up quickly and demonstrates why SEC enforcement needs to be nimble, said Laura Posner, a partner at Cohen Milstein Sellers & Toll.

"People trade in nanoseconds, and agencies that oversee these markets need to be able to move quickly," said Posner, a former New Jersey Securities Bureau chief.

A HARBINGER

Pushing key enforcement decisions down from the commission to the staff level helps achieve that goal.

"When everything has to be approved by someone at the top, it takes longer, it slows down the process and, quite frankly, makes it more political," Posner said.

Although Lee is temporarily the SEC chair, her decision to empower enforcement is a harbinger of what is likely to come under Gary Gensler, who has been nominated by the Biden administration to chair the commission.

"It reflects interest in going back to a more enforcement-centric commission that is focused on rectifying harm to investors as soon as possible," Posner said.

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Tesla doesn't match in 401(k), invests $1.5B in Bitcoin

BY EMILE HALLEZ

TESLA HAD A BANNER year in 2020, when it hit six consecutive quarters of profitability for the first time ever — but the company did not provide a 401(k) match to its employees.

Last year marked at least the third in a row in which the company has not contributed to its workers' retirement accounts, according to an article last Monday in Pensions & Investments reporting the lack of a match in 2020.

Data from the Department of Labor show that the electric car and battery manufacturer contributed $0 to the company's 401(k) plan in 2018 and 2019. A note in the 10-K annual report it filed last Monday with the Securities and Exchange Commission shows that no contributions were made last year.

That puts Tesla among a slim minority of defined-contribution plan sponsors. According to Vanguard's 2020 How America Saves report, only 4% of its record-keeping clients did not make contributions of any kind to the company retirement plans.

PANDEMIC PANACEA

Cutting the 401(k) match was something at least a third of employers considered last year in response to the economic fallout from the pandemic. A report earlier this month from Alight Solutions found that 91% of employers made no changes to their matching contributions last year, and all of those that did said they did so temporarily. The vast majority of plan sponsors, 99%, said they planned no changes to the match this year, according to Alight.

Tesla's 401(k) represented $633 million in assets among about 44,700 participants at the end of 2019, DOL data show. About 32,000 participants were actively participating in the plan last year, with an average balance of about $17,000, according to figures from BrightScope, which gave a rating of "poor" to both the company's generosity and its employee participation.

It is not clear what financial goals determine whether Tesla contributes to em-

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GameStop frenzy likely to bog down in regulatory slog

The trading frenzy that sent shares of GameStop Corp. soaring 400% a couple of weeks ago and then plummeting back to a reality level exploded in a flash. But the regulatory response is likely to be a long slog.

D.C. INSIDER
MARK SCHOEFF JR.

Those who oversee the markets are not built to react quickly to disruptions within them. Theirs is a world of study and deliberation. They have to listen to a wide range of public input. and they often leave much regulatory ambiguity in place.

Treasury Secretary Janet Yellen met with securities regulators on Feb. 4 to talk about the whirlwind of buying instigated on the online forum Reddit that propelled GameStop and other stocks that had been shorted by hedge funds and other Wall Street players.

VOW OF PROTECTION

The current four-member Securities and Exchange Commission earlier issued a statement vowing to protect investors from market manipulation and to review actions taken by brokerages, such as halting trading in volatile stocks.

Despite that vow, Peter Chepucavage, an independent regulatory consultant, doubts there will be a robust SEC response.

"I expect them to do an investigation, write a report, hold a roundtable, propose a rule and by that time, four years will have gone by and everybody will forget what the problem was," he said.

Tyler Gellasch, executive director of Healthy Markets, an investor trade group, also foresees a sluggish SEC pace of "a few enforcement cases, a lot of public hand-wringing and few significant rule changes."

NOMINEE WILD CARD

The wild card is the nominee for SEC chair, Gary Gensler, who has a reputation as being a tough regulator.

"He is uniquely proven to have the rarest of things in D.C., which is political courage," Gellasch said.

Still, a slow policy response is the best bet, and it has to do with politics. The House Financial Services Committee will hold a hearing on GameStop Thursday, and the Senate Banking Committee is planning one, too.

Those panels are led by Democrats, who hold narrow House and Senate majorities. But Republicans are pushing back. Sen. Patrick Toomey, R-Pa. and the highest-ranking Republican on the Senate panel, cautioned policymakers to "avoid needlessly inserting themselves into equity markets."

A go-slow message also is coming from the Financial Services Institute, which represents independent broker-dealers and financial advisers.

"We're going to urge regulators … to avoid overreacting," said FSI Chief Executive Dale Brown.

Dilatory regulating following past crises has left problems unaddressed. For instance, Gellasch said broker capital requirements were a weakness that contributed to the collapse of Lehman Brothers during the financial crisis. They continue to linger.

"What we don't know is how close we came to having a large broker failure" during the GameStop vortex, he said. "We're lucky we're not wrestling today with thousands of frozen accounts."

The holdup on broker capital reform can be attributed in part to "regulatory capture," said Gellasch, a former SEC counsel and Senate Democratic aide.

Such capture occurs when the finan-

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JANET YELLEN

COVID-19 is speeding up key financial planning trends

SHANNON SPOTSWOOD

BY MARY BETH FRANKLIN

EVEN BEFORE 2020, numerous changes were underway in the financial planning industry, ranging from fee compression and an increased emphasis on technology to changing client expectations and a looming succession crisis. Then the COVID-19 pandemic hit.

"We thought these changes would play out over the next three to five years," Shannon Spotswood, president of RFG Advisory, a platform for independent financial advisers, told the first virtual Women Adviser Summit of 2021.

"As a result of COVID, that pace of change has been put on steroids," Spotswood said. "What really happened is we compressed all of those changes into 2020."

The bottom line: Financial planning is now less about portfolio management and more about helping clients achieve their personal goals.

"People are no longer looking at their financial plan and saying, 'I want to die rich,'" Spotswood said. "They are saying, 'I want to live richly.'"

To help clients do that, advisers

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SEC pushes for independent monitor to run GPB Capital

BY BRUCE KELLY

LESS THAN A WEEK after charging GPB Capital executives with fraud, the Securities and Exchange Commission last Monday asked a federal judge to put an outsider in charge of the business to protect investors who own GPB private placements and avoid any further potential problems at the firm.

On Feb. 4, the SEC charged senior executives at GPB Capital with running a Ponzi-like scheme that raised over $1.8 billion from 17,000 investors. At the same time, the Justice Department unsealed a criminal indictment in the Eastern District of New York charging three GPB executives, David Gentile, Jeffrey Schneider and Jeffrey Lash, with securities fraud, wire fraud and conspiracy.

C-SUITE CHANGES

The following day, GPB said Gentile was stepping down as CEO "until current matters are resolved," with CFO Rob Chmiel tapped as interim CEO. Gentile is owner of GPB, which raised money from wealthy investors to invest in auto dealerships.

Gentile, Lash and Schneider all pleaded not guilty last week, according to a spokesperson for the Justice Department.

A spokesperson for GPB did not respond to requests seeking comment.

The management change isn't sitting well with the SEC, which wants an outsider in charge to protect investors' interests. GPB Capital owns three dozen auto dealerships, according to the SEC, and reportedly sold a dozen more in the past year.

> **"GENTILE … SHOULD NOT HAVE UNCHECKED AUTHORITY OVER INCOMING CASH."**
> SEC COURT FILING

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EDITOR'S NOTE

Tesla's Musk gets it wrong

"Tesla had a banner year in 2020 ... but the company did not provide a 401(k) match to its employees."
Source: *InvestmentNews,* Feb. 9

"Tesla announced in an SEC filing Monday that it has bought $1.5 billion worth of bitcoin."
Source: CNBC, Feb. 8

Elon Musk has skills that deserve esteem. In Tesla Inc., he has guided a brand that has created numerous jobs and become synonymous with launching a company that has filled a void in space. He has done well, and he's done so in the manner of an iconoclast, breaking norms and established precedents.

GEORGE B. MORIARTY

This quality has served him well to date. Agree with it or not, his unique style has worked for his shareholders and supporters.

However, the decisions represented in the two quotes above indicate he's picked the wrong idol to smash.

It's widely accepted, because it's true, that retirement planning lags significantly for most American workers. And it's just as widely accepted, because it's also true, that companies that commit to their employees engender long-term success. When a company has had the level of success Tesla has achieved, and it has the chance to commit $1.5 billion to an investment, the choice between an investment in bitcoin and in the staff ought to be easy.

Alas, in this case, whether through hubris or a simple lack of care, Musk and Tesla chose the wrong history to buck.

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Let's innovate by reaching clients via mobile apps

If the past year of remote work and interacting with colleagues through computer screens has taught us anything, it's that technology has become an indelible part of our everyday lives. The new digital work domain has also opened up novel avenues for innovation in the financial services industry.

In the Feb. 8 issue of *InvestmentNews*, our newsroom came together to honor a host of luminary figures in wealth management with the annual Icons & Innovators awards, highlighting the personal stories of the inspiring people who have made enduring contributions to the business. Recognizing the achievements that firms have made in the advice industry as well, *InvestmentNews* also spotlighted 13 innovative firms that are changing the way advice is created, delivered and used by clients.

Our 2021 icon, Sallie Krawcheck, has been the driving force behind the success of Ellevest, an innovative digital investment platform designed to help women reach their financial goals. Her tech-enabled platform has attracted nearly $1 billion in assets and helped thousands of women reach financial wellness.

GUIDING FINTECH COMPANIES

Or Mark Casady, who after a 15-year stint at the top of LPL Financial, has been busy funding and guiding fintech companies, many of which support advisers, through the venture capital firm he co-founded in 2015. He now mentors and coaches the entrepreneurs who run the 23 fintech companies in which his firm invests through its two early stage funds.

There are hundreds of worthy people working toward innovation in wealth management, an effort that has been bolstered by our new reliance on technology during the pandemic. And yet there are still areas where the advice industry could use improvement. Technology is often one of the most noticeable areas in need of support — especially when compared to other retail or consumer channels, and specifically in terms of mobile apps.

ONLY 2% OF INVESTORS SAID THEY COMMUNICATED WITH AN ADVISER VIA MOBILE APP.

In a study of 2,724 wealth management firms fielded last year by J.D. Power, 33% of do-it-yourself and advised clients said they used their wealth management firm's mobile app more frequently during pandemic-ravaged 2020. Ominously, wealth management customer satisfaction fell well behind that of other sectors based on a range of services. In fact, wealth apps scored lower in overall satisfaction than other financial services products like credit card apps and banking apps.

Why the disconnect? The study found wealth managers are less likely to engage with investors via a mobile app. Throughout the pandemic, only 2% of investors said they communicated with an adviser via mobile app or secure messaging, according to the data. Although clients frequently request features like chat functionality, the vast majority of advisers are still not reaching out to clients in the way they want to communicate.

Clients expect apps to provide as seamless a user experience as they are used to from some of the most recognizable tech names like Amazon, Google or Netflix. New buzzworthy technologies like blockchain and artificial intelligence could well upend the world of wealth management in coming years and provide the most noteworthy innovation.

But advisers could take small steps toward real innovation in the industry by reaching out to clients using the mobile apps where millions of Americans spend much of their time every day.

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IN Webcasts

THURSDAY, FEBRUARY 18, 2021 | 4:00PM-5:00PM ET

InvestmentNews' Senior reporter Mark Schoeff, Jr. will gather leading industry voices to discuss what the financial advice community should expect from the Biden administration.

The discussion will focus on:

- Likely SEC priorities under a new Democratic chair
- How a Biden Department of Labor could approach retirement-advice policy
- What Democrats can deliver legislatively with narrow control of the House and Senate

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VIRAL OR VICIOUS? FINANCIAL ADVICE BLOWS UP ON TIKTOK

In the past, advisers viewed social media as a marketing tool that targeted only millennial and Gen Z clients. That narrative has changed.

BY NICOLE CASPERSON

Imagine having less than a minute to dispense financial advice while standing in a room of thousands, or even millions, of potential clients. Now imagine doing that alone from the comfort of your home, with a smartphone and mobile app as the only tools needed.

That's what financial advice is on TikTok, the short-form, video-sharing app. Type the hashtag personal finance — #personalfinance — into the TikTok app's search bar and thousands of videos pop up that provide viewers with financial advice and explanations of financial terminology in the form of 60-second videos.

Financial influencers, some certified financial planners and some not, have leveraged society's social media obsession to answer finance questions online ranging from "What's a short squeeze?" to "How do I start saving for retirement?" in order to rack up followers and build a business.

These efforts are flourishing: TikTok videos tagged #personalfinance have garnered 3.5 billion views from the more than 1 billion monthly active users on TikTok, according to mobile data and analytics platform App Annie. By comparison, videos found under two other popular hashtags, #cookingtips or #healthtips, have 2.6 billion and 2.1 billion views, respectively.

While expanding financial advice to a wide range of young investors is a good thing, there is potential for bad results when mixing personal financial advice and TikTok, said Ritholtz Wealth Management CEO Josh Brown.

"Users should be aware that if you're listening to people on social networks and not even bothering to Google them to see whether they have credentials and blindly doing what those people are saying, that responsibility is on the viewer just as much as it's on the creator," Brown said.

For example, some TikTok influencers create videos showing users how they invest in certain stocks to make money. One user, who goes by the TikTok username @Biaheza, shared a video with his 64,000 followers illustrating how he used the free trading app Robinhood to invest in "speculative" and "degenerate" trade options to make money, he said in the video. The user claims his strategy pushed his account value to $124,000.

While the financial advice may be risky, social media influencers with large followings can earn money through these platforms because advertisers will pay content creators to tout brand promotions and sponsorships to their thousands, or millions, of followers.

In July, TikTok introduced a $200 million TikTok Creator Fund after the platform's popularity "propelled thousands of creators into brand partnerships, sponsorships, and representation deals," according to TikTok's announcement. Through the fund, TikTok users can apply to earn an income based on these criteria: Users must be 18 or older, have at least 10,000 followers, have at least 10,000 video views in 30 days, and consistently post original content in line with TikTok guidelines.

In the past, advisers largely viewed social media as a marketing tool that targeted only millennial and Gen Z clients. Clearly, that narrative has changed as the pandemic-fueled interest in finance has turned social media and financial advice into a full-blown business model.

INFLUENCER IMPACT

The focus on traditional ultra-high-net-worth clients typically steered advisory firms away from social media and younger investors. But millennials and Gen Z are expected to inherit $68 trillion, the greatest generational wealth transfer, over the coming years.

That wealth transfer represents an opportunity for advisory firms. What advisers should note is that these generations are going to keep getting their advice from online influencers, said Samantha Russell, chief evangelist at FMG Suites. Advisory firms should appoint a company spokesperson to serve as the face of their social media efforts to develop a brand that keeps up with financial influencers.

"If we look at why people choose to buy a pair of sweatpants or choose to decorate their home a certain way, it comes from social media influencers today," Russell said. "It's what we see on Instagram or TikTok that influences daily decisions."

Younger generations are going to keep making decisions based on what they learn about finance from TikTok videos, she said. The way TikTok's algorithm delivers content makes it easier to find random videos and introduces personal finance to a group of people who might not have been interested before.

One of the most popular providers of personal finance advice videos, with more than 1.5 million followers and 22.2 million likes on TikTok, is a former Merrill Lynch financial adviser turned social media influencer, Humphrey Yang, who's known as @humphreytalks.

At 33, the San Francisco-based content creator snowballed on TikTok after he posted finance-focused videos on the platform. One video that went viral shows Yang scaling former Amazon CEO Jeff Bezos' net worth with rice, with each grain representing $100,000.

Yang, who ended his career as a professional financial adviser in 2012 to start his own e-commerce business, initially posted finance videos on YouTube, but they didn't resonate with users, he said. Once he started posting shorter videos on TikTok last year that were more like comedy skits that explained financial terms, his following grew rapidly.

In 2019, "I noticed if I searched the personal finance hashtag on TikTok, nothing came up," Yang said. "TikTok started becoming more popular at the time, but the mainstream hadn't taken it on yet."

He saw an opportunity to enter the space and use what he had learned as a financial professional to share personal finance advice — not tell young investors what stocks to trade. That strategy, in turn, has created Yang's self-made business.

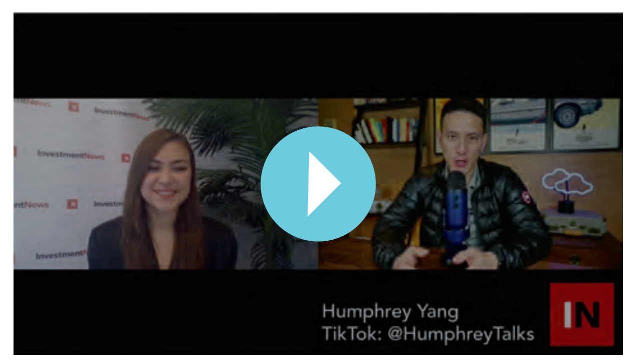
"I've always watched YouTube, I also like some of the personal finance YouTubers on there, and so that was more of the inspiration," Yang said. "Then I just decided at the end of 2019, to make a video a day in 2020. My first goal was 30 days. And after I hit 30 days, I had 100,000 followers."

Today, Yang makes personal finance videos almost full-time. The most popular videos usually feature Yang having a somewhat humorous conversation with himself acting as a personified version of the financial concept he's explaining.

The whole key to social media is to get people's attention and teach them something worthwhile, said Brown of Ritholtz Wealth Management. He has 8,342 followers on TikTok with more than 44,000 likes on his videos. Brown also has more than a million followers on Twitter but said he doesn't use that platform as much as he uses TikTok and YouTube.

"You have to package that into something that's either very cool, very sexy or very funny — that's all anybody wants," he said. "When [a user] stares into their nightmare rectangle iPhone, all they want is to see something that excites them or makes them laugh, anything else is a total waste of time."

What both Yang and Brown have done is take financial planning concepts and packaged them in a way that people will watch. "If you can figure that out, you can build an audience no matter what platform you're on," Brown said. "Just don't look thirsty, that's never a good look."



For Brown, whose handle is @downtownjbrown, TikTok is all about comedy since the platform doesn't exactly ring in the kind of clients his firm targets. "It's liberating because nobody cares who I am on TikTok," he said. "It's a totally new audience and I have no reason to give financial advice on a social network … I get paid for giving financial advice in real life."

Instead of telling people how to invest their money, what Brown does on TikTok is give people context about what's happening in the markets.

One U.K.-based financial planner, Amyr Rocha Lima, a partner at Holland Hahn & Wills, a financial planning and wealth management firm, is looking to become the certified financial planner on TikTok who posts professional content that resonates.

Lima started posting on TikTok Jan. 1 and has posted daily since. In just one month, he's brought in more than 2,000 followers to his TikTok account.

While Lima has yet to win any new clients from his TikTok efforts, he sees the platform as a way to build his trust and credibility as his career unfolds, he said.

"I'm in my mid-30s, so I think of it as a marathon, not a sprint," he wrote in an email. "It's clear that

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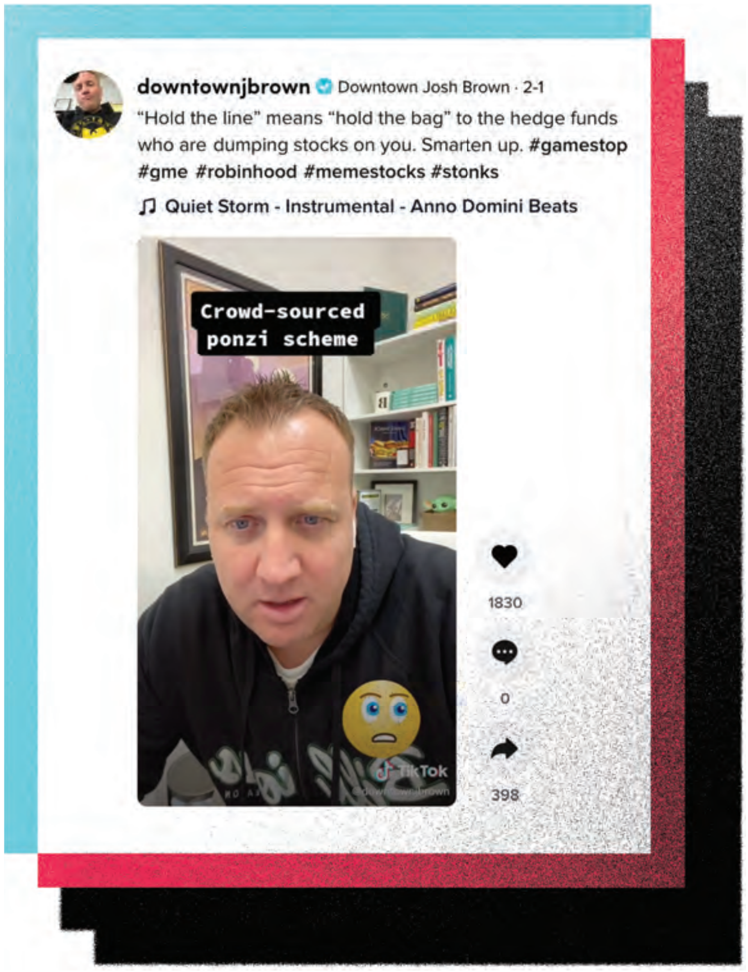

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personal finance is of interest to all ages, but it's about contextualising the message to different audiences. TikTok fills the gap for Gen Z, which in the long run is where my next generation of clients will come from."

LIKE THE WILD WEST

Social media is massive, and its dark side is the thousands of TikTok and Instagram accounts that are touting bad or even predatory financial advice.

Atlanta-based financial planner Jacqueline Schadeck (@jacquelineplans) has a following of more than 7,400 on Instagram. She had her Instagram account cloned, with the hacker stealing her photos and creating a fake account under her name to try to solicit money from her followers, also known as her client base.

Schadeck was able to report the clone to Instagram and have it shut down. But these types of predatory and sketchy accounts exist and need to be combatted, Russell said.

"If I had an adviser right now say to me, 'I'd be interested in a TikTok account doing nothing but dispelling all the terrible financial rumors and claims out there,' that'd be an amazing idea," Russell said. "I'm sure that would be an account people would start seeing, tagging and following because there's such an opportunity when social media is like the Wild West."

Lima said that was largely his intent in starting his TikTok account. "As a CFP professional, I feel a sense of duty to share with the world a message that will enable people to pursue a successful financial journey," he said. "In other words, in a world full of noise, we need to be the signal."

Orlando, Florida-based adviser Angela Moore — whose business Instagram, @modernmoneyadvisor, has 6,400 followers — believes the advisory industry needs to do more to get the message out there that young adults should be listening to professional advisers and not celebrity financial gurus.

Yang has a massive following and a CFP background, but he personally doesn't feel the need to put "former CFP or FA" on his TikTok profile since his license has expired.

"I do take that fiduciary responsibility with my content," he said. "I'm not trying to pump and dump stocks for GameStop. I might make a video on what is the short squeeze so my audience understands the situation better, but by no means do I give stock advice."

There's a lot at stake when virtually anyone on TikTok can share financial advice and go from having a handful of followers to 50,000 followers overnight, Yang said. "If a creator is telling their followers to buy call options at GameStop and that reaches the wrong person, and maybe that person takes a risk and overextended themselves where they lose money, that's where bad financial advice comes in."

If social media's influence over the political environment wasn't enough to convince the advisory industry of the power of social media, the surge in the stock of GameStop Corp. cemented how prominent these platforms can be in market moves, said Kelly Waltrich, chief marketing officer of Orion Advisor Solutions.

"What I'm OK with is people who want to drive others to think more thoughtfully about their finances," Waltrich said. "But there's a fine line between getting people aware and thoughtful, and actually giving advice. That's a line users have to look for because the two are very different."

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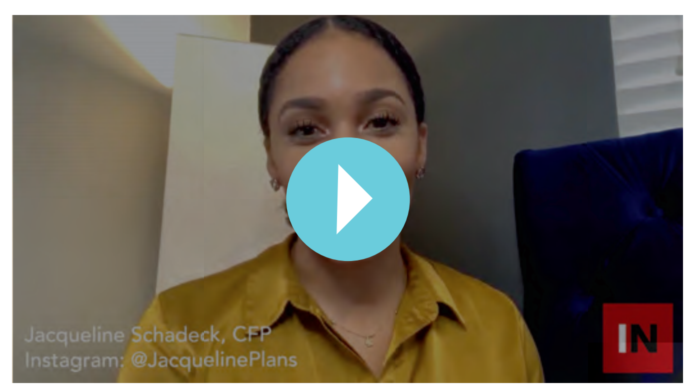
INSTAGRAM REIGNS—FOR NOW



Financial advice is booming on TikTok, and there's no question that the scale of that effort is outshining personal finance content on Instagram. Searching for #personalfinance on Instagram shows just 1.1 million posts using the hashtag since the platform launched in 2010. While the scale is smaller, financial advisers are still capturing clients through the platform.

"If you are able to be on Instagram, that is still the platform that matters more because there's so many people that are in the accumulation stage of wealth-building in their 30s and 40s that spend a lot of time on Instagram," FMG Suite's Russell said.

Advisers use Instagram to share both professional and personal content, showing off their financial advice chops alongside who they are as everyday human beings. What this strategy does is creates a profile for potential clients to vet and assess whether the adviser — via their Instagram — might be a good fit.

Instagram users spend an average of 30 minutes a day on the platform, according to Hootsuite. The median age of new clients that financial advisers get from social media is 40, up from 2018, when the median age was 35, according to data from Putnam Investments. And the average gain in a financial advisory firm's assets under management resulting from social media initiatives is $4.9 million, according to Putnam's Social Advisor Study, including $1.4 million in just the past 12 months.

Brittney Castro, a financial planner and CEO of Financially Wise, is 36 and has been using Instagram to grow her brand and company for approximately 10 years. To date, her Instagram account, @Brittneycastro, provides finance content to more than 15,300 followers.

SOCIAL LEVERAGING

Castro's social media manager posts on Instagram at least five times a week, as well as posting Instagram "stories" daily, which are 10-second video clips that disappear 24 hours after publishing.

"We map out our content like 30 days in advance," Castro said. "It's a co-creation process but daily I'll post just random content from my own life."

Castro has leveraged social media to build a business that has attracted brand partnerships, like money management app Mint, which pays her to post online as their in-house CFP. Mint's company Instagram account has more than 23,600 followers.

But do these followers actually turn into clients? "Absolutely ... followers turn into clients," Castro said. "They'll direct message me and I'll send them a link to schedule their call," she said. About 90% of Castro's clients come from Instagram.

While Instagram remains her bread and butter, Castro is working on building her TikTok platform as well.

"With TikTok, it's just about the next generation," she said. "I'm an older millennial, but when I first started, I just mimicked what other companies were doing, but just did it with money content."

Atlanta-based financial planner Jacqueline Schadeck (@jacquelineplans) has a following of more than 7,400 on the Instagram account that she started in 2017. At 27, Schadeck has managed to use her Instagram account to arrange an average of 12 new client consultations a month — for which she charges a small fee — with an 85% capture rate.

"I was able to go from offering free consultations to no longer being able to offer free consultations because of how many were coming in," she said. "That's because of social media."

Instagram's influence is powerful, Schadeck said, with reposts of her Instagram content by clients acting like testimonials or referrals and driving even more clients to her platform.

When she started her Instagram account, Schadeck was very professional and "buttoned up," she said. That strategy didn't work. Once she started to show more of her personal life and shared content she likes — for example, she's a motorcycle and luxury car enthusiast — her Instagram and, in turn, her business started to gain traction.

"I'm not on Instagram talking about which investments to make," she said. "The thing about being a financial planner and working with clients is that clients are working with you from a broader picture — it's not just a fact of dealing with your money. So if you draw that out and put it on a larger scale, such as social media, you're still going to be sending the same message, having the same conversations with clients."

—Nicole Casperson

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20% PORTION OF AMERICANS WHO HAVE DRAWN ON THEIR EMERGENCY SAVINGS AMID THE PANDEMIC

SOURCE: INVESTMENT COMPANY INSTITUTE

Women's retirement plans take a hit amid the pandemic

MARY BETH FRANKLIN

ONRETIREMENT

As the COVID-19 pandemic drags on, women investors are more concerned about their finances and increasingly turning to financial advisers for help, according to a recent survey from the Nationwide Retirement Institute.

Nearly three-quarters of women with investible assets of $100,000 or more said the pandemic has negatively impacted their ability to retire, according to Nationwide's sixth annual Advisor Authority study reflecting the responses of more than 2,500 investors, advisers and financial professionals.

KEY POINTS

- Nearly three-quarters of women say the pandemic hurt their ability to retire.
- 67% of women report working with an adviser in 2020, vs. 58% in 2019.

In 2020, women investors reported significantly higher levels of concern about a U.S. recession in the next 12 months than they did in 2019 (82% versus 60%). And more than two-thirds (69%) expected the pandemic would be the most likely cause of market volatility over the next 12 months.

"Women are concerned about the impact of the COVID-19 pandemic on their finances and resulting uncertainty can make planning for the future — and their retirement — more difficult," said Ann Bair, senior vice president of marketing for Nationwide Financial. "While women are acutely aware of the challenges they face, it's critical that they take steps now to address gaps in their retirement plan."

The news isn't all bad. For the first time since the study was launched six years ago, more than two-thirds of women reported working with an adviser or financial professional — a nearly 10-point increase in 2020 over 2019 (67% versus 58%).

"Advisers and financial professionals have an opportunity — and a responsibility — to understand women's retirement planning needs and help them establish a holistic plan to manage through the current uncertainly while remaining focused on long-term growth," said Lori Hall, director of strategic accounts at Nationwide Financial.

Over the next decade, women are expected to gain control of as much as $30 trillion in financial assets as they outlive or separate from their spouses and partners. That is in addition to the personal assets that many women have accumulated over their long careers.

DECIDEDLY FEMALE

But while the future is decidedly female, financial advisers could do more to accommodate them. Women-controlled wealth may offer vast opportunities, but managing it requires a nuanced approach. The topic of how to better serve female clients will be explored during the third season of the Retirement Repair Shop podcast, which debuts March 10.

While both men and women have experienced similar negative impacts to their employment as a result of COVID-19, ranging from pay cuts and furloughs to job loss, women are more likely than men to say their confidence in their ability to retire comfortably has declined, according to a separate survey by Transamerica Center for Retirement Studies.

In general, women are at greater risk of not achieving a financially secure retirement than men given the persistence of the gender pay gap, time out of the workforce for parenting and caregiving, and longer life expectancies.

GENDER SAVINGS GAP

While both men and women are currently saving for retirement amid the pandemic, men are significantly more likely (82%) to be doing so though their current or former employer retirement plan or outside the workplace compared with women (68%), according to Transamerica's report, Retirement Security: A Compendium of Findings about U.S. Workers, released in December. The study is based on a survey conducted in October of more than 1,100 workers who are currently employed, recently unemployed or furloughed amid the pandemic.

Total household savings as of late 2019 illustrate the gender retirement savings gap. Women have significantly less in total household retirement savings, at $28,000, compared with men, who have saved $69,000 (estimated medians), according to Transamerica.

Men (28%) are much more likely than women (18%) to say that they have saved $250,000 or more in total household retirement accounts. Women (38%) are significantly more likely to have been caregiver during their career than men (32%).

WORK PART-TIME

More than half of men and women say they expect to work at least part-time after age 65, but significantly more women (81%) plan to do so for financial reasons, versus 75% of men.

About half of both men (52%) and women (46%) expect their primary source of income in retirement to be self-funded through retirement savings, but more women (28%) expect to rely on Social Security than men (21%).

"The pandemic has disrupted nearly every aspect of our lives and laid bare weaknesses in our retirement system," said Catherine Collinson, CEO and president of Transamerica Institute. "As we navigate the pandemic with an eye toward the future, policymakers, industry, employers and individuals have a tremendous opportunity to work together and create a stronger, sustainable and inclusive system in which everyone has the ability to live, work and retire with dignity."

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

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INmail

BY MARY BETH FRANKLIN

When to claim survivor benefits

Stuart: I have a 61-year-old widow as a client. Her husband just passed away at age 62. His full retirement age benefit is $3,100 a month. The widow currently works, earning $40,000 per year. Her retirement benefit is worth $1,300 at her FRA but just $850 per month if she claimed at 62. What's the best way for her to maximize her Social Security benefits?

MBF: Although the widow is eligible to receive survivor benefits now at age 61, she would be entitled to about 75% of her late husband's full retirement age benefit, and that amount would be further reduced by her earnings. Or she could file for her own reduced retirement benefits at 62 and switch to her maximum survivor benefits at her full retirement age. However, the earnings restrictions could totally wipe out her meager retirement benefit.

If she waited until her full retirement age to claim her survivor benefits, when earnings restrictions disappear, they would be worth 100% of her late husband's full benefit of $3,100 per month, compared to about $2,325 per month if she claimed them now.

The fact that she is working and therefore subject to earnings restrictions further complicates her decision about when to claim benefits.

In 2021, she would lose $1 in benefits for every $2 earned over $18,960. That means her earnings exceed the limit by $21,040, which would reduce her survivor benefits by $10,520. She would have to forfeit five months of benefits to satisfy the earnings restrictions this year before her survivor benefits would begin. Similar earnings restrictions would apply each year until she reached her full retirement age.

At that point, any benefits lost due to excess earnings would be restored at full retirement age but the reduction for claiming early would be permanent.

If her goal is to collect the largest possible survivor benefit, she should wait until her full retirement age to claim it. If she stops working before then, she may want to collect a reduced retirement benefit first and switch to her maximum survivor benefit at full retirement age.

What clients won't see on this year's 1099-R form

As you read this in mid-February, your clients are receiving their annual 1099-R forms, which report distributions taken in 2020 from their IRAs and other retirement accounts.

IRAALERT
ED SLOTT

Once they look the forms over (or their tax preparer does), they'll be on the phone to you complaining about the horrible "errors" on the form. These are probably not mistakes or oversights, and don't need correcting. But your clients do need an explanation, so advisers should be prepared with answers.

What clients will be calling about won't be what's on their 1099-R form, but what's not on there.

While Form 1099-R provides valuable information, it does not paint a full picture. IRA owners need to recognize that some transactions will not appear on the 1099-R, and that the form can give an incomplete accounting of the full tax consequences of taking an IRA distribution.

Don't panic if the 1099-R doesn't match what the IRA owner expects. Just be sure to advise the client to take the necessary steps on their federal income tax return to report the transaction properly.

The CARES Act brought us two new instances where extra tax reporting will be necessary.

RETURNED RMDS

The CARES Act waived 2020 required minimum distributions, but some people took them before they knew that. In Notice 2020-51, the IRS allowed RIA owners who had already taken their RMD to repay those funds.

IRA owners who were thinking everything had been "zeroed out" after repayment might be surprised to discover that Form 1099-R still shows the RMD as a taxable distribution, since it only shows the distribution and not the rollback of those funds.

Clients will think something is wrong and be worried the IRS, which also receives a copy of the 1099-R, will think this is a taxable distribution. But the form doesn't tell the whole story. It's up to the client or their CPA to fill in the rest and show the repayment of the RMD that negated the taxable distribution.

Adding to the confusion, there is no special code for rollovers, so the distribution will likely be reported as a normal distribution. This might look erroneous to an IRA owner, but it makes sense. A rollover starts with a distribution to the IRA owner. What the IRA owner does with those funds is unknown. Upon distribution, the custodian has no idea if a rollover will even happen.

It's up to the IRA owner to include a rollover on their tax return, and that's relatively easy. The total distribution from the IRA must be shown on line 4a of Form 1040 when filing the federal income tax return. Then enter "rollover" next to line 4b. If the total distribution was rolled over, enter zero on line 4b. Otherwise, enter the portion not rolled over on line 4b.

Note that the receiving custodian will furnish the IRA owner and the IRS with Form 5498, which will officially confirm the rollover amount. It is not necessary to file Form 5498 with the tax return.

CORONAVIRUS-RELATED BREAK

Many took advantage of the special coronavirus-related distributions tax break that was only available for 2020. Penalty-free distributions were permitted from IRAs and plans, with the option to spread the taxation ratably over three years.

Those who took a CRD may be surprised when they receive a 2020 Form 1099-R with no special coding. This is also something that needs to be handled on the tax return.

An individual who took a CRD in 2020 will need to file the IRS' new Form 8915-E to report the distribution and get relief from the 10% penalty. Form 8915-E includes a box that can be checked to elect out of the three-year spread of income if the client wishes to include all the income in 2020. Some may want to do that if their 2020 income was low and they expect 2021 and 2022 to be higher-income years.

CRD income can also be reduced or eliminated by repaying those funds to the IRA or company plan. CRDs can be repaid within three years from the day after the CRD was taken. The repayments would also be reported on Form 8915-E.

Alert clients and tax advisers that the 1099-R forms they are receiving might not be telling the whole story. Provide them with the missing details so they can include them on their tax returns.

For more information on Ed Slott and Ed Slott's 2-Day IRA Workshop, please visit www.IRAhelp.com.

7% INCREASE IN THE PRO BONO WORK PROVIDED LAST YEAR BY CFPs WHO ARE MEMBERS OF THE FINANCIAL PLANNING ASSOCIATION

SOURCE: FPA

Firm owner living the dream with a 'lifestyle practice'

BY JEFF BENJAMIN

MORE THAN A decade of record-breaking merger and acquisition activity across the wealth management industry means nothing to Ken Van Leeuwen, because the 64-year-old owner of a $300 million advisory firm is happy right where he is.

In the parlance of industry analysts, Princeton, New Jersey-based Van Leeuwen & Co. is known as a lifestyle practice or legacy firm, meaning the owner isn't looking to grow through acquisitions and definitely isn't interested in selling to the highest bidder.

"Why would I sell now when I'm only 64 and it feels like time is working for me?" Van Leeuwen said. "We're just coming into that point where we've got a good nucleus of AUM, we have good financial planning fees, and it's really working to the positive."

In a wealth management industry where multibillion-dollar aggregators like Hightower, Creative Planning, Mercer, Focus Financial, and CI Financial are building national and international conglomerates, the lifestyle practice is often overlooked as an outdated mode of providing financial advice.

STATE LEVEL

According to Echelon Partners, of the roughly 30,000 registered investment advisers in the United States, nearly two-thirds are registered at the state level, meaning they manage less than $100 million in client assets.

While lifestyle practices tend to be on the smaller side, the amount of assets alone doesn't always suggest a lifestyle practice because many small firms are just getting started or may have recently broken away from a brokerage firm.

Van Leeuwen estimates his RIA could fetch about $5 million in today's white-hot market, but that doesn't even move the needle when he weighs it against some of the client relationships he has had for more than 30 years.

"Last week I got a text from a client telling me her husband broke his neck skiing in Aspen," he said. "The guy's going to be OK, but the fact that she texted me right after it happened tells me I'm important in their lives. You can't replace that, and it would be difficult to just transfer that relationship to some acquirer."

25% PROFIT MARGIN FOR A TYPICAL RIA

It isn't as if there hasn't been a steady stream of inquiries from potential buyers.

A HYBRID FIRM

Van Leeuwen's RIA is a hybrid firm through LPL. In addition to requests from headhunters, aggregators and other RIAs, he said he gets calls from competing independent broker-dealers, including Raymond James and Ameriprise, asking him to switch firms.

"We get calls a couple of times a week, but I'm proud of what I've built, and I don't want to give that away," he said. "The interest is very high, probably because of my age and our AUM, which is not super large but it's not small and inconsequential either."

Mark Bruno, managing principal at Echelon Partners, said with so much attention being paid to large, high-profile deals, the traditional lifestyle practice is often overlooked and sometimes looked down upon for being less focused on building scale.

"We talk with advisers who like what they're doing, have no interest in retiring, and plan to work into their 80s," he said. "The typical RIA has a 25% profit margin, which is a good business. They enjoy what they do, like working with clients and have good cash flow."

Van Leeuwen is the sole owner of his firm, but this year he will start gradually selling ownership stakes to some of his 12 employees as part of a succession plan.

In addition to a second home at the Jersey Shore, where he often spends long weekends, he is also thinking of buying a place in "Florida, or somewhere warmer than New Jersey."

Van Leeuwen has been working in the financial services industry since 1979, when he started in private banking at Morgan Guarantee Bank, the precursor to JP Morgan. After the bank gig, he joined Integrated Financial Services, an RIA where he worked for 10 years before launching his own firm in 1997.

"I left Integrated because I wanted to build a company," he said. "My plan is to work for as long as I can, as long as I want to and for as long as the team wants me around."

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To build trust and relationships, communicate with clients

GUESTBLOG
SCOTT HANSON

Clients don't always know if we advisers are doing a good job.

Sure, they know if they're reaching their financial goals, or if they're making or losing money. But even then, all too often, they aren't always sure if their adviser is really making a substantial difference in their financial life.

Several years ago, I heard a financial executive remark that if an adviser provides the absolute best service possible, they will have a 99% retention rate. If they totally ignore their clients? He believed they would still have a 95% retention rate.

I couldn't disagree more. Because most clients aren't highly educated about finance, they typically judge us less on the financial aspects and more on the level of service and care we provide. In fact, I'll take it a step further: I believe great client service leads to overall better outcomes, not just for your clients' net worth, but their quality of life, as well.

SHORT-LIVED BEAR MARKET

Think back to the short-lived bear market in the early days of COVID-19. You undoubtedly had clients who wanted to cut their exposure to equities. Most you were probably able to convince not to sell during the panic, but there may have been a few who ignored your advice and sold anyway.

Odds are, those whose emotions got the best of them, who turned a temporary decline into a permanent reduction of assets, didn't have as much confidence and trust in you as those who heeded your advice and stayed the course.

From my 30 years of experience as an adviser, the best way to build trust and confidence is through great service. That begins by emphasizing communication.

For starters, you really need to care about clients as human beings. Let's face it, you know when someone you're in a business relationship with cares about your interests, and when they don't.

Communicating isn't just for when you're in meetings or providing guidance, it extends to operations. For instance, all calls should be answered by a live person, voicemail is offered only as an option, all calls are returned within four hours, and all emails are returned within 24 hours.

The more you focus on communication, the easier it becomes.

A PERSONAL CONNECTION

Then there's communication outreach. Have systems in place so that clients experience a personal connection on a regular basis. This includes reminders to call or email them simply to touch base and let them know you're thinking of them. Also, look for any relevant opportunity to send a small gift or other token of appreciation when the client least expects it.

These simple things go a long way toward building a great relationship with your clients, which not only makes them more loyal to you, but will keep them from making life-altering financial mistakes during bear markets.

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

3 myths keeping advisers from breaking away from wirehouses

GUESTBLOG
ANDREW DANIELS

The financial services industry is changing rapidly as investor needs and regulations evolve — with advisers reevaluating how they run their businesses and service their clients. This includes a continued trend of wirehouse advisers exploring a move to independence as a path to serving clients in a way that meets the current moment. Below, I debunk common myths that prevent some advisers from making the move.

1."I can't afford to leave the wirehouse." Compensation and the cost of running your own business can be tricky to calculate when contemplating a transition from a wirehouse to the independent channel. The inherent opacity in calculating trailing revenue, bonuses and commissions, not to mention the granular costs of operating under your own name (how much does printer toner cost, anyway?), can be a deterrent.

But it doesn't have to be. It's a worthwhile exercise figure out exactly what your total compensation package is and what it could be if you went independent. Though it's tempting to focus only on tangible revenue, profit and the ins and outs of a P&L, consider the intangibles: What would freedom to serve your clients as you please bring you? What would controlling your own schedule and owning a book of business that you can build a legacy with be worth? The total package may very well work out in your favor.

2. "My clients and prospects want to work with a household brand." Your current clients and prospects initially may have been attracted by the familiarity and cachet of a major wirehouse name, but that's not why they kept working with you. If you didn't provide them with excellent service, thoughtful planning and caring guidance, they would take their business and assets elsewhere.

This adviser fear — that clients won't follow them to a smaller firm or as they hang out their own shingle — is mostly unfounded. Your clients primarily work with you as their adviser, not with your wirehouse. When you dig a little deeper, you'll learn clients associate a big name with the security of their assets. Help them understand the role of your custodian and how their funds are kept safe.

Worried about prospecting and winning over new clients without the wirehouse marketing machine? Don't be. Successful advisers get most of their clients through referrals, word of mouth and centers of influence. You can — and will — build your own brand and, best of all, it's a brand you own and control.

3."I won't have access to the resources I need to service my clients." It's true larger wirehouses are able to deliver robust tools and platforms, but as client needs become more sophisticated and financial planning takes on a holistic angle, advisers may feel boxed in by wirehouse tech offerings. The open architecture available in the independent channel lets advisers tailor their technology to clients' unique needs and the way they choose to run their business.

More than that, independent adviser networks can offer advisers the same access to research reports, advanced planning guidance and investment products — all while being free from the pressure to sell a specific company line. Today, smaller firm partners are able to offer technology at the same scale as a wirehouse while remaining nimble enough to use adviser feedback for constant improvement.

YOU CAN — AND WILL — BUILD YOUR OWN BRAND AND ... IT'S A BRAND YOU OWN.

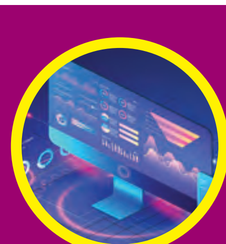
Leaving a wirehouse for the independent channel will be one of the biggest, most impactful decisions you make — for yourself and your clients. Although it may not be the right answer for everyone, advisers who want freedom and more control over their business are no longer hampered by some of the challenges that once came with taking the leap.

Andrew Daniels is managing principal for business development at Commonwealth Financial Network.

5 growth tactics firms will implement in 2021

BY BRITTNEY GRIMES AND DEVIN MCGINLEY

Advisory firms shared the growth tactics they plan to use in the year ahead as part of *InvestmentNews'* biennial Study of Pricing & Profitability. These are the five growth tactics firms most commonly said they would implement in the year ahead.



IMPLEMENT A NEW CRM
After a year of nonstop technology and virtual interaction brought clients' digital experience to the forefront like never before, more than one in 10 independent advisories plans to implement a new client relationship management system over the next year.

IMPROVE REFERRALS
The Pricing & Profitability Study found that outside of market gains, a majority of the growth in assets under management in the past year came from referrals. So it's only natural that improving referral processes would be a top priority for firms looking to expand their business in the year ahead.

HIRE NEW STAFF
About 64% of advisory firms made a hire in the past year, according to the *InvestmentNews* Compensation & Staffing Study, and 42% made at least one hire in their advisory department, though many of those hires were to replace staff who left. Over the year ahead, 18% of firms are planning to hire new staff as a growth strategy, dropping it from the No. 2 priority over the past two years.

SPEND MORE TIME ON BUSINESS DEVELOPMENT
About one in five firms planned to find ways to allocate more of advisers' and partners' time to business development. Freeing partners to focus on bringing in business is a perennial advisory concern, given that at all but the largest firms, founders still generate most new business.

IMPLEMENT A NEW MARKETING STRATEGY
About three out of 10 firms plan to implement a new marketing strategy over the next year, according to the study. New marketing strategies had not been a top priority for firms over the past two years. However, smaller independent advisers in particular have relied on marketing initiatives involving community-oriented events, which have faced the most disruption from the pandemic.

Whistleblowers' big bucks entail big risks for advisers

BY MARK SCHOEFF JR.

WHEN THE SECURITIES and Exchange Commission rewards a whistleblower for providing information that leads to an enforcement action, it keeps the identity of the person secret — making it difficult to know how many financial advisers have won whistleblower awards.

Late last year, however, the lawyer for a former Morgan Stanley broker revealed that his client received a $1.8 million payout for giving the SEC a lead on sales of complex Citigroup foreign exchange products whose risks and costs were allegedly not properly disclosed and ended up causing significant investor losses.

Morgan Stanley Smith Barney and Citigroup Global Markets agreed to pay $5.92 million to settle the charges in 2017.

$738M
WHISTLEBLOWER AWARDS PAID BY SEC SINCE 2012

James Sallah, a partner at Sallah Astarita & Cox, represented the whistleblower broker, who he said "was upset they weren't doing right by the clients." His client, whom he did not identify, acted on principle but also was pleased with the SEC award.

"I hope this would encourage more brokers to step forward if they believe there is an issue that puts clients in harm's way that is not being addressed or rectified by the firm," Sallah said.

But stepping forward incurs big risks for advisers. Even if they're kept anonymous by the SEC, their firms may ferret them out, which could lead to losing their jobs. Legal fees also can add up, if the whistleblower needs to retain counsel.

Johnny Burris, owner of Burris Wealth Management, is familiar with the sacrifices related to whistleblowing.

RETALIATION CLAIM

When Burris was a JPMorgan Chase broker, he refused to recommend the proprietary products the firm preferred to sell to clients. In 2015, the firm agreed to pay $307 million to settle charges from the SEC and the Commodity Futures Trading Commission that it did not properly disclose conflicts of interest. The firm said the disclosure problems cited in the settlement were not intentional.

Burris was not part of the SEC whistleblower program. He said JPMorgan wrongfully terminated and defamed him. He filed a whistleblower retaliation claim with the Occupational Safety and Health Administration, which awarded him $474,000. His case is now in federal court.

"It puts a target on your back," Burris said. "For me, it is the right thing to do, and I would do it again." But whistleblowing may not be good for all advisers.

"Ask yourself how much justice you can afford," he said. "It can be very expensive, even if you're right."

The SEC has awarded more than $738 million to 134 individuals since issuing its first award in 2012. That includes 28 awards for more than $176 million since the beginning of October. Whistleblowers can be awarded 10% to 30% of sanctions greater than $1 million if the SEC determines their information was crucial in making the case.

The SEC tries to prevent bad faith on the part of whistleblowers by incentivizing them to report problems internally first. If they do so, and their firm doesn't act, they could get a higher payout. About 81% of award recipients initially raised their concerns to their firms.

The 2015 SEC case against JPMorgan Chase did involve tips from whistleblowers, according to law firm Labaton Sucharow, which represented one of them.

ADVISERS WOULD KNOW

Matthew Stock, of counsel at Zuckerman Law, said financial advisers are well-positioned to be whistleblowers because the SEC targets harm to retail investors.

"If you could highlight an area that is a priority, you're more likely to get the SEC to act," Stock said.

Advisers are valuable tipsters because of their knowledge of securities laws. They know when something is wrong. "They're not guessing," said Stock, director of his firm's whistleblower rewards practice.

The bigger the penalties in an SEC case, the more likely it is that a whistleblower will be rewarded. That can work against advisers, said John Berry, a partner at Munger Tolles & Olson.

For instance, advisers might inform the SEC about violations involving disclosures of fees their firms receive for recommending certain investment products. But fines in that area don't add up as fast as they do for a large-scale investor rip-off.

"If you report a Ponzi scheme, you get a pretty big award," Berry said.

Whistleblowers can never be sure what the SEC does with the information they provide. The agency might decline to pay a whistleblower award if it is already investigating potential wrongdoing cited by the tipster. It also might not be able to prove malfeasance.

On the other hand, the whistleblower's information might lead to a successful enforcement action, and a nice award. But the hero is never revealed, so it's difficult to know how often it's an adviser.

"We don't know, and the program is set up that way," Stock said.

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FSI opposes bill to help unions organize

BY MARK SCHOEFF JR.

LEGISLATION BACKED BY congressional Democrats that would make it easier for workers to form a union is drawing opposition from the Financial Services Institute because of its potential effect on independent financial advisers.

House Speaker Nancy Pelosi, D-Calif., Senate Majority Leader Chuck Schumer, D-N.Y., and top House and Senate Democrats on labor policy introduced the Protecting the Right to Organize Act, or PRO Act. The measure would amend the National Labor Relations Act to facilitate union organizing and collective bargaining for wages and benefits.

One of its provisions "prevents employers from misclassifying their employees as supervisors or independent contractors," a summary of the measure states.

That part of the bill establishes a stringent worker classification test. FSI, which represents independent broker-dealers and financial advisers, worries that rubric could be extended to the Fair Labor Standards Act.

Under that scenario, independent financial advisers would have to be reclassified as employees of the broker-dealer with which they are affiliated for clearing and other services, FSI says.

"We're concerned it might have unintended consequences down the line," said Hanna Laver, FSI's director of legislative affairs and senior counsel.

Democrats generally have seen the move by companies toward the use of independent workers in the so-called gig economy as a harmful trend for workers.

One of the bill's authors, Sen. Patty Murray, D-Wash., said the PRO Act is needed to help ensure a "fair, inclusive economy."

"WE'RE CONCERNED IT MIGHT HAVE UNINTENDED CONSEQUENCES."
HANNA LAVER, DIRECTOR OF LEGISLATIVE AFFAIRS AND SENIOR COUNSEL, FSI

Although Democrats control the House and Senate by narrow margins, the outlook for the PRO Act is cloudy because it likely would have to obtain 60 votes in the Senate to overcome a filibuster.

Policies affecting who is defined as an independent contractor have long been at the top of FSI's lobbying agenda. Many of its members have left wirehouses, where they were employees, to set up their own practices. They don't want to become employees of their affiliated brokerages.

The FSI supports a DOL final rule that would clarify the tests used to determine independent contractor status under the FLSA.

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TOP INDEPENDENT **BROKER-DEALERS** 2021

The InvestmentNews Broker-Dealer Data Center provides all the information registered reps need to make informed choices as they move around the industry, from firm payouts and product offerings to financial data and affiliation fees. The Data Center is powered by information provided to InvestmentNews Research directly by the firms themselves. This year, 58 eligible independent broker-dealers submitted information covering their payouts on mutual funds, insurance, securities, variable annuities and limited partnerships.

Visit the online Broker-Dealer Data Center for more information and to explore our interactive features. We will publish updated staffing and financial data in an April issue of *InvestmentNews,* as well as firm rankings on a variety of topics throughout the spring. Firms of all sizes have a chance to get in front of the industry alongside the nation's top firms. To have your firm considered for future inclusion in our data center and directory features, please contact INResearch@investmentnews.com.

				Payout ratio by gross production				
Firm/parent company (if any)	**Phone/website/CEO[1]**	**Recruiting contact**	**Product**	**$0-$249,999**	**$250,000-$499,999**	**$500,000-$749,999**	**$750,000-$999,999**	**$1M and greater**
Alden Investment Group	(215) 572-8700	John Mulqueen	Mutual funds	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
	aldeninvestmentgroup.com	(215) 572-8700	Securities	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
	Lee Calfo	john@aldeninvestmentgroup.com	Insurance	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
			Variable annuities	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
			Limited partnerships	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
American Portfolios Financial Services Inc.	(631) 439-4600	Tim O'Grady	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
American Portfolios Holdings Inc.	americanportfolios.com	(800) 889-3914 ext. 285	Securities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
	Lon T. Dolber	tograd y@americanportfolios.com	Insurance	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
Ameriprise Financial Services	(612) 671-3131	Manish P. Dave	Mutual funds	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
Ameriprise Financial	ameriprise.com/why	(612) 671-0932	Securities	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
	Jim Cracchiolo (Chairman & CEO)	manish.p.dave@ampf.com	Insurance	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
			Variable annuities	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
			Limited partnerships	Up to 91%	Up to 91%	Up to 91%	Up to 91%	Up to 91%
Ameritas Investment Co.	(800) 335-9858	Brandon Mann	Mutual funds	60%-75%	75%-83%	83%-86%	86%-90%	91%-96%
Ameritas Life Insurance Co.	ameritas.com	(402) 325-4185	Securities	60%-75%	75%-83%	83%-86%	86%-90%	91%-96%
	Kurt Shallow (President)	brandon.mann@ameritas.com	Insurance	60%-75%	75%-83%	83%-86%	86%-90%	91%-96%
			Variable annuities	60%-75%	75%-83%	83%-86%	86%-90%	91%-96%
			Limited partnerships	60%-75%	75%-83%	83%-86%	86%-90%	91%-96%
Arkadios Capital	(404) 445-0035	Chris Mielnicki	Mutual funds	Other	Other	91%-95%	91%-95%	91%-95%
	www.arkadios.com	(404) 445-0035	Securities	Other	Other	91%-95%	91%-95%	91%-95%
	David Y Millican	cmielnicki@arkadios.com	Insurance	Other	Other	91%-95%	91%-95%	91%-95%
			Variable annuities	Other	Other	91%-95%	91%-95%	91%-95%
			Limited partnerships	Other	Other	91%-95%	91%-95%	91%-95%
Avantax Investment Services Inc.	(800) 821-8254	Tim Stewart	Mutual funds	45%-86%	86%-90%	86%-90%	86%-90%	90%-94%
	www.avantax.com	(972) 870-6142	Securities	45%-86%	86%-90%	86%-90%	86%-90%	90%-94%
	Todd Mackay (President, Wealth Mgmt)	timothy.stewart@avantax.com	Insurance	45%-86%	86%-90%	86%-90%	86%-90%	90%-94%
			Variable annuities	45%-86%	86%-90%	86%-90%	86%-90%	90%-94%
			Limited partnerships	45%-86%	86%-90%	86%-90%	86%-90%	90%-94%
Berthel Fisher & Co. Financial Services Inc.	(319) 447-5700	Randy Wilcox	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
Berthel Fisher & Co.	berthel.com	(800) 356-5234	Securities	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
	Thomas J. Berthel	rwilcox@berthel.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%

The 2020 InvestmentNews independent broker-dealer directory is based on information provided directly by eligible firms. To be considered for future listings, contact INResearch@investmentnews.com. Visit InvestmentNews.com/bddata for more-complete profiles.
[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. Source: InvestmentNews Research

				Payout ratio by gross production				
Firm/parent company (if any)	**Phone/website/CEO[1]**	**Recruiting contact**	**Product**	**$0-$249,999**	**$250,000-$499,999**	**$500,000-$749,999**	**$750,000-$999,999**	**$1M and greater**
Calton & Associates Inc.	(813) 264-0440	Randy Ciccati	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	calton.com	(800) 942-0262	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Randall Ciccati	rciccati@calton.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Cambridge Investment Research Inc.	(800) 777-6080	Tammy Robbins	Mutual funds	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	joincambridge.com	tammy.robbins@cir2.com	Securities	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
	Amy Webber (President & CEO)	(800) 777-6080	Insurance	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
			Variable annuities	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
			Limited partnerships	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
Cantella & Co. Inc.	(617) 521-8630	Matthew Rigatti	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	cantella.com	(800) 653-0391	Securities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Jay Lanstein	branchrecruiting@cantella.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Capital Investment Co.	(919) 831-2370	Richard K. Bryant	Mutual funds	N/D	N/D	N/D	N/D	N/D
	cico.us	(919) 831-2370	Securities	N/D	N/D	N/D	N/D	N/D
	Richard K. Bryant	rkbryant@capital-invest.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Centaurus Financial Inc.	(800) 880-4234	Tyler Shumaker	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
Federation of Financial Services	www.joincfi.com	(800) 880-4234	Securities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	J. Ronald King (Chairman & CEO)	tshumaker@cfiemail.com	Insurance	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
CFD Investments Inc.	(800) 745-7776	Brent A. Owens	Mutual funds	75% to 90%	90%	91%	91%	92%
	joincfd.com, cfdinvestments.com	(800) 745-7776 ext. 3006	Securities	75% to 90%	90%	91%	91%	92%
	Brent A. Owens (President)	brent.owens@cfdinvestments.com	Insurance	90%	90%	90%	90%	90%
			Variable annuities	75% to 90%	90%	91%	91%	92%
			Limited partnerships	75% to 90%	90%	91%	91%	92%
Commonwealth Financial Network	(866) 462-3638	Andrew Daniels	Mutual funds	50%-87%	87%	88%	89%	90%-95%
	commonwealth.com	(866) 462-3638	Securities	50%-87%	87%	88%	89%	90%-95%
	Wayne Bloom	adaniels@commonwealth.com	Insurance	100%	100%	100%	100%	100%
			Variable annuities	50%-87%	87%	88%	89%	90%-95%
			Limited partnerships	50%-87%	87%	88%	89%	90%-95%
Coordinated Capital Securities Inc.	(608) 221-4545	Daniellle Williams	Mutual funds	60%-90%	86%-90%	86%-90%	91%-95%	91%-95%
	ccsmadison.com	danielle@ccsmadison.com	Securities	60%-90%	86%-90%	86%-90%	91%-95%	91%-95%
	Mari Buechner (President & CEO)		Insurance	Not offered	Not offered	Not offered	Not offered	Not offered
			Variable annuities	60%-90%	86%-90%	86%-90%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Crown Capital Securities	(800) 803-8886	Darol K. Paulsen	Mutual funds	86%-90%	86%-90%	91%-92%	91%-92%	91%-92%
	crowncapitalsecurities.com	(800) 803-8886	Securities	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
	Darol K. Paulsen	dpaulsen@crowncapitalsecurities.com	Insurance	86%-90%	86%-90%	91%-92%	91%-92%	91%-92%
			Variable annuities	86%-90%	86%-90%	91%-92%	91%-92%	91%-92%
			Limited partnerships	86%-90%	86%-90%	91%-92%	91%-92%	91%-92%
Cutter & Co. Inc.	(636) 537-8770	William L. Meyer	Mutual funds	Varies	81%-85%	86%-90%	86%-90%	91%-95%
	cutterco.com	(636) 537-8770	Securities	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
	Deborah M. Castiglioni	wlmeyer@cutter-co.com	Insurance	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
			Variable annuities	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
			Limited partnerships	81%-85%	81%-85%	86%-90%	86%-90%	91%-95%
Equitable Advisors	(212) 554-1234	David Goettelmann	Mutual funds	40%-75%	40%-75%	81%-85%	86%-90%	91%-95%
Equitable Holdings Inc.	equitable.com	(212) 314-2057	Securities	40%-75%	40%-83%	81%-85%	86%-90%	91%-95%
	David Karr	david.goettelmann@equitable.com	Insurance	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Variable annuities	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Equity Services Inc.	(800) 344-7437	Jeff Wood	Mutual funds	55%-84%	85%	85%	85%	85%
National Life Group	equity-services.com	(802) 229-7489	Securities	55%-84%	85%	85%	85%	85%
	Ata Azarshahi (President)	jwood2@nationallife.com	Insurance	55%-84%	85%	85%	85%	85%
			Variable annuities	55%-84%	85%	85%	85%	85%
			Limited partnerships	55%-84%	85%	85%	85%	85%
Fortune Financial Services Inc.	(724) 846-2488	Gregory J. Bentley	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
	fortunefinancialservices.com	(724) 846-2488	Securities	Not offered	Not offered	Not offered	Not offered	Not offered
	Gregory J. Bentley (President & CEO)	gbentley@fortunefinancialservices.com	Insurance	Not offered	Not offered	Not offered	Not offered	Not offered
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. Source: InvestmentNews Research

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
Founders Financial Securities	(888) 523-1162	Tom Senseney, Jr.	Mutual funds	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Founders Financial Inc.	foundersfinancial.com	(888) 523-1162 ext. 1260	Securities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
	Bradley M. Shepherd (President & CEO)	tsenseney@foundersfinancial.com	Insurance	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Variable annuities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Limited partnerships	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Geneos Wealth Management Inc.	(888) 812-5043	Austin Gross	Mutual funds	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	geneoswealth.com	(303) 785-8470 ext. 151	Securities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	Ryan Diachok	agross@geneoswealth.com	Insurance	91%-95%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
H. Beck Inc.	(301) 944-5900	Robert Engle	Mutual funds	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
Kestra Holdings	hbeckinc.com	(301) 944-5900	Securities	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
	Michelle A. Barry (President)	rengle@hbeckinc.com	Insurance	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
			Variable annuities	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
			Limited partnerships	81%-85%	86%-90%	86%-90%	91%-95%	91%-95%
Harbour Investments Inc.	(608) 662-6100	Aaron M. Hager	Mutual funds	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
	harbourinv.com	(608) 662-6100	Securities	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
	Aaron M. Hager (President)	ahager@harbourinv.com	Insurance	Up to 100%	Up to 100%	Up to 100%	Up to 100%	Up to 100%
			Variable annuities	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
			Limited partnerships	Up to 90%	Up to 91%	Up to 92%	Up to 93%	Up to 94%
Hornor Townsend & Kent	(800) 873-7637	Dusten Long	Mutual funds	N/D	N/D	N/D	N/D	N/D
Penn Mutual Life Insurance Co.	www.htk.com	(215) 957-7285	Securities	N/D	N/D	N/D	N/D	N/D
	Timothy N. Donahue (President & CEO)	dlong@htk.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Independent Financial Group	(800) 269-1903	Julia Kohan	Mutual funds	86%-90%	90%-91%	91%-92%	91%-92%	92%-93%
	www.ifgsd.com	(800) 269-1903 ext. 212	Securities	86%-90%	90%-91%	91%-92%	91%-92%	92%-93%
	Joe H. Miller (Co-Founder & CEO)	jkohan@ifgsd.com	Insurance	86%-90%	90%-95%	91%-92%	91%-92%	92%-95%
			Variable annuities	86%-90%	90%-91%	91%-92%	91%-92%	92%-93%
			Limited partnerships	86%-90%	90%-91%	91%-92%	91%-92%	92%-93%
The Investment Center Inc.	(800) 345-8041	Nicole Johnson	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	investmentctr.com	(888) 868-4805	Securities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Ralph J. DeVito (CEO & President)	njohnson@investctr.com	Insurance	Other	Other	Other	Other	Other
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
J.W. Cole Financial Inc.	(866) 592-6531	John Carlson	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	jw-cole.com	(866) 592-6531	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Robert Wood (Principal & Owner)	john.carlson@jw-cole.com	Insurance	96%-100%	96%-100%	96%-100%	96%-100%	96%-100%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Kestra Financial Inc	(844) 553-7872	Daniel Schwamb	Mutual funds	65%-85%	88%-91%	92%	93%	93%
	kestrafinancial.com	(737) 443-2400	Securities	65%-88%	88%-91%	92%	93%	93%-95%
	James L. Poer	daniel.schwamb@kestrafinancial.com	Insurance	65%-100%	88%-100%	92%-100%	93%-100%	93%-100%
			Variable annuities	65%-88%	88%-91%	92%	93%	93%-95%
			Limited partnerships	65%-88%	88%-91%	92%	93%	93%-95%
Kovack Securities Inc.	(866) 564-6574	Carlo A. Bidone, Jr.	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Kovack Financial Cos.	joinksi.com	(954) 670-0616	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Brian J. Kovack	carlo@kovacksecurities.com	Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
LaSalle St. Securities	(800) 777-7865	Mark Contey	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	lasallest.com	(630) 600-0360	Securities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
	Jack McDermott	mark@lasallest.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
Lincoln Financial Network	(866) 533-3410	National Recruiting Team	Mutual funds	51%-75%	51%-75%	81%-85%	86%-90%	86%-90%
Lincoln Financial Group	joinlfn.com	(866) 533-3410	Securities	26%-50%	51%-75%	51%-75%	76%-80%	76%-80%
	David S. Berkowitz (President)	joinlfn@lfg.com	Insurance	51%-75%	51%-75%	81%-85%	86%-90%	86%-90%
			Variable annuities	51%-75%	51%-75%	81%-85%	86%-90%	86%-90%
			Limited partnerships	51%-75%	51%-75%	81%-85%	86%-90%	86%-90%
Lincoln Investment Planning	(215) 887-8111	Thomas Lakatos	Mutual funds	N/D	N/D	N/D	N/D	N/D
Lincoln Investment Group Holdings	lincolninvestment.com	(215) 881-4657	Securities	N/D	N/D	N/D	N/D	N/D
	Edward Forst (President & CEO)	tlakatos@lincolninvestment.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. Source: InvestmentNews Research

				Payout ratio by gross production				
Firm/parent company (if any)	**Phone/website/CEO[1]**	**Recruiting contact**	**Product**	**$0-$249,999**	**$250,000-$499,999**	**$500,000-$749,999**	**$750,000-$999,999**	**$1M and greater**
LPL Financial	(866) 794-0185	Rich Steinmeier	Mutual funds	90%-92%	90%-92%	90%-93%	90%-94%	90%-98%
LPL Financial Holdings Inc.	lpl.com	(866) 794-0185	Securities	77%-79%	82%-84%	83%-86%	83%-87%	83%-91%
	Dan Arnold (CEO & President)		Insurance	90%-92%	90%-92%	90%-93%	90%-94%	90%-98%
			Variable annuities	90%-92%	90%-92%	90%-93%	90%-94%	90%-98%
			Limited partnerships	90%-92%	90%-92%	90%-93%	90%-94%	90%-98%
M Holdings Securities Inc. (M Securities)	(503) 232-6960	Jeff Bear	Mutual funds	N/D	N/D	N/D	N/D	N/D
M Financial Group	mfin.com		Securities	N/D	N/D	N/D	N/D	N/D
	Bridget McNamara-Fenesy (President		Insurance	N/D	N/D	N/D	N/D	N/D
	& CEO)		Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
MML Investors Services	(800) 542-6767	Katie Martineau	Mutual funds	40% - 80%	80% - 82.5%	80% - 82.5%	82.5%	82.5%
Massachusetts Mutual Life Insurance Co.	massmutual.com/investment/mmlinvestors	(413) 744-5988	Securities	40% - 80%	80% - 82.5%	80% - 82.5%	82.5%	82.5%
	John Vaccaro	kmartineau@massmutual.com	Insurance	40% - 80%	80% - 82.5%	80% - 82.5%	82.5%	82.5%
			Variable annuities	40% - 80%	80% - 82.5%	80% - 82.5%	82.5%	82.5%
			Limited partnerships	40% - 80%	80% - 82.5%	80% - 82.5%	82.5%	82.5%
Nationwide Planning Associates Inc.	(201) 476-0029	Michael J. De Pol	Mutual funds	N/D	N/D	N/D	N/D	N/D
	nationwideplanning.com	(201) 819-6204	Securities	N/D	N/D	N/D	N/D	N/D
	Michael J. Karalewich	mdepol@nationwideplanning.com	Insurance	N/D	N/D	N/D	N/D	N/D
			Variable annuities	N/D	N/D	N/D	N/D	N/D
			Limited partnerships	N/D	N/D	N/D	N/D	N/D
Northwestern Mutual Investment Services	(866) 664-7737	Kathy Tague	Mutual funds	N/D	N/D	N/D	N/D	N/D
The Northwestern Mutual Life Insurance Co.	northwesternmutual.com	(414) 665-5559	Securities	N/D	N/D	N/D	N/D	N/D
	Evamarie Schoenborn (VP, IPS Products &	kathytague@northwesternmutual.com	Insurance	N/D	N/D	N/D	N/D	N/D
	President, Northwestern Mutual Wealth		Variable annuities	N/D	N/D	N/D	N/D	N/D
	Mgmt Co.)		Limited partnerships	N/D	N/D	N/D	N/D	N/D
The O.N. Equity Sales Co.	(877) 663-7267	Patrick H. McEvoy	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Ohio National Life Insurance Co.	joinonesco.com	(513) 797-3400	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Patrick H. McEvoy (President & CEO)	patrick_mcevoy@ohionational.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Packerland Brokerage Services Inc.	(920) 662-9500	Scott Zwierzynski	Mutual funds	70%-92%	91%-95%	94%	94%	94%
	packerlandbrokerage.com	(920) 662-9500	Securities	70%-92%	91%-95%	94%	94%	94%
	Zach Kelly (CEO & Chief Financial Officer)	scottz@pbshq.com	Insurance	70%-92%	91%-95%	94%	94%	94%
			Variable annuities	70%-92%	91%-95%	94%	94%	94%
			Limited partnerships	70%-92%	91%-95%	94%	94%	94%
Park Avenue Securities	(888) 600-4667	Joseph Fuschillo	Mutual funds	Set by Agency	Set by Agency	Set by Agency	Set by Agency	Set by Agency
Guardian Life Insurance Co. of America	www.parkavenuesecurities.com	(212) 919-5403	Securities	Set by Agency	Set by Agency	Set by Agency	Set by Agency	Set by Agency
	Marianne Caswell (President)	joseph_fuschillo@glic.com	Insurance	Set by Agency	Set by Agency	Set by Agency	Set by Agency	Set by Agency
			Variable annuities	Set by Agency	Set by Agency	Set by Agency	Set by Agency	Set by Agency
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Parkland Securities	(800) 373-1612	Jennifer Bacarella	Mutual funds	50%-90%	90%	91%-95%	91%-95%	91%-95%
	parklandsecurities.com	(888) 744-6264	Securities	50%-90%	81%-85%	81%-85%	81%-85%	81%-85%
	Jerome Rydell (President)	jbacarella@bdops.com	Insurance	50%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	50%-90%	90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
PlanMember Securities Corp.	(800) 874-6910	Kevin Twohy	Mutual funds	Up to 92%	Up to 92%	Up to 93%	Up to 93%	Up to 94%
	planmember.com/join	(800) 874-6910 ext. 2209	Securities	Up to 92%	Up to 92%	Up to 93%	Up to 93%	Up to 94%
	Jon Ziehl (Founder, CEO & President)	ktwohy@planmember.com	Insurance	100%	100%	100%	100%	100%
			Variable annuities	Up to 92%	Up to 92%	Up to 93%	Up to 93%	Up to 94%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Principal Securities Inc.	(888) 774-6267	Betsy Jepsen	Mutual funds	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
Principal Life Insurance Co.	principal.com	(515) 878-1704	Securities	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
	Michael F. Murray (President & CEO)	jepsen.betsy@principal.com	Insurance	Up to 85%	Up to 86%	Up to 87%	Up to 87%	Up to 87%
			Variable annuities	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
			Limited partnerships	Up to 77%	Up to 84%	Up to 89%	Up to 92%	Up to 95%
ProEquities Inc.	(800) 288-3035	Kim Davis	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Protective Life Corp.	joinproequities.com	(205) 268-1275	Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
	Libet Anderson (President)	kim.davis@proequities.com	Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Prospera Financial Services Inc.	(972) 581-3000	Tim Edwards	Mutual funds	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
	www.prosperafinancial.com	(972) 581-3007	Securities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
	David W. Stringer (Principal & President)	tim.edwards@prosperafinancial.com	Insurance	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Variable annuities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Limited partnerships	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%

[1]If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. Source: InvestmentNews Research

Firm/parent company (if any)	Phone/website/CEO[1]	Recruiting contact	Product	Payout ratio by gross production: $0-$249,999	$250,000-$499,999	$500,000-$749,999	$750,000-$999,999	$1M and greater
Quincy Cass Associates Inc.	(310) 473-4411	Mark C. Minichiello	Mutual funds	51%-75%	51%-75%	51%-75%	51%-75%	76%-80%
	quincycass.com	(310) 473-4411	Securities	51%-75%	51%-75%	51%-75%	51%-75%	76%-80%
	Joel H. Ravitz	markm@quincycass.com	Insurance	Not offered	Not offered	Not offered	Not offered	Not offered
			Variable annuities	Not offered	Not offered	Not offered	Not offered	Not offered
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Raymond James Financial Services Inc.	(727) 567-1000	Barry Papa	Mutual funds	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
Raymond James Financial	advisorchoice.com	(866) 877-1685	Securities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
	Paul Reilly	advisorchoicerecruiting@raymondjames.com	Insurance	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Variable annuities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Limited partnerships	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
Securian Financial Services Inc.	(651) 665-3500	Not available	Mutual funds	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
Securian Financial Group Inc.	securian.com		Securities	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
	George Connolly		Insurance	Up to 89%	Up to 91%	Up to 92%	Up to 92%	Up to 93%
			Variable annuities	Up to 84%	Up to 92%	Up to 93%	Up to 94%	Up to 95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Securities Management and Research	(800) 526-8346	Randy Wilcox	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
One Financial Inc.	smrinvestments.com	(800) 526-8346	Securities	81%-85%	81%-85%	86%-90%	86%-90%	86%-90%
	Thomas J. Berthel	rwilcox@berthel.com	Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	81%-85%	86%-90%	86%-90%	86%-90%	86%-90%
Sigma Financial Corp.	(888) 744-6264	Jennifer Bacarella	Mutual funds	50%-90%	90%	91%-95%	91%-95%	91%-95%
	sigmafinancial.com	(888) 744-6264	Securities	50%-90%	81%-85%	81%-85%	81%-85%	81%-85%
	Jerome Rydell (President)	jbacarella@bdops.com	Insurance	50%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	50%-90%	90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
St. Bernard Financial Services Inc.	(479) 967-1200	Robert Keenan	Mutual funds	81%-85%	81%-85%	91%-95%	91%-95%	91%-95%
	stbernardfinancial.com	(479) 967-1200	Securities	81%-85%	81%-85%	91%-95%	91%-95%	91%-95%
	Robert Keenan	rkeenan@stbernardfinancial.com	Insurance	81%-85%	81%-85%	91%-95%	91%-95%	91%-95%
			Variable annuities	81%-85%	81%-85%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
The Strategic Financial Alliance Inc.	(678) 954-4000	Jamie Mackay	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
SFA Holdings Inc.	thesfa.net	(678) 954-4058	Securities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
	Clive Slovin (President & CEO)	jmackay@thesfa.net	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
The Leaders Group	(303) 797-9080	Charles Arnold	Mutual funds	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	leadersgroup.net/about-us/	(303) 797-9080 ext. 1230	Securities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	Sean D. Wickersham	charles@leadersgroup.net	Insurance	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
	(President & Chief Marketing Officer)		Variable annuities	81%-85%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Trustmont Financial Group Inc.	(724) 468-5665	Lacey Dochinez	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	trustmontgroup.com	(724) 468-5665	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Anthony C. Hladek (President)	lmd@trustmontgroup.com	Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
United Planners Financial Services	(800) 966-8737	Sheila J. Cuffari-Agasi	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
United Planners Financial Services	unitedplanners.com	(800) 966-8737 ext. 240	Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
	Michael A. Baker (CEO & President)	sjagasi@upfsa.com	Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
Veritas Independent Partners	(501) 358-6131	Debra Shannon	Mutual funds	Varies	86%-90%	86%-90%	86%-90%	86%-90%
	veritasindependentpartners.com	(501) 358-6131	Securities	Not offered	Not offered	Not offered	Not offered	Not offered
	Gail Murdoch	debra@veritasmail.com	Insurance	Varies	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	Varies	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered
Waddell & Reed Financial Advisors	(913) 236-2000	David Call	Mutual funds	Up to 75%	80%	85%	90%	92%-94%
Waddell & Reed Financial Inc.	joinwaddell.com	(913) 236-3994	Securities	Up to 75%	80%	85%	90%	92%-94%
	Shawn Mihal (President)	dcall1@waddell.com	Insurance	Up to 75%	80%	85%	90%	92%-94%
			Variable annuities	Up to 75%	80%	85%	90%	92%-94%
			Limited partnerships	Not offered	Not offered	Not offered	Not offered	Not offered

[1] If the CEO post is vacant or does not exist, top executive is listed; executives may share or have additional titles. Source: InvestmentNews Research

Schwab cuts 200 more jobs amid TD Ameritrade merger

BY BRUCE KELLY

THE CHARLES SCHWAB Corp. confirmed last Tuesday a second round of layoffs connected to its purchase last year of TD Ameritrade, this time cutting close to 200 jobs.

In October, Schwab said it was laying off 1,000 employees, or about 3% of the combined workforces of Schwab and TD. It was not clear what jobs and roles are affected.

"These job reductions are part of our continuing efforts to reduce overlapping or redundant roles across the two firms," a spokesperson wrote in an email. "Employees whose roles are eliminated as part of the integration have early access to all newly opened positions and are treated as internal candidates for the more than 1,400 currently open positions at Schwab."

Like its competitors, Schwab's trading platform last month suffered outages under the surge of speculators trading in high-risk stocks like GameStop Corp. and AMC Entertainment Holdings Inc., which saw the value of their shares surge and fall in the frenzy.

COMBINED VALUE

Schwab completed its acquisition of TD Ameritrade in October.

The combined firm will oversee about $6 trillion in assets managed by registered investment advisers who used either Schwab or TD Ameritrade Institutional as a custodian.

Senior executives at TD Ameritrade Institutional, including president Tom Nally, left before the merger closed.

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CETERA

CONTINUED FROM PAGE 2

said in response to a question about whether retention bonuses for the Voya advisers were in the offing.

"We are focused on making sure we keep this group together, and we like its culture and the relationships there," Antoniades said. Cetera has five different broker-dealers under its umbrella, and the Voya enterprise will work under the registration of Cetera Advisor Networks, which is home to large regional groups of advisers.

Tom Halloran, the president of Voya Financial Advisors, will join Cetera and be in charge of the group, Antoniades said. Most of Halloran's team will join as well.

"We don't know the name of the new group yet," Antoniades added.

Cetera is not buying the entire brokerage operations of Voya Financial Advisors. About 800 reps and advisers will remain at Voya in two groups: one to work internally at phone and call centers and the other to work with certain retirement plans and clients, including 403(b)s.

In a press release, Cetera and Voya characterized the deal as an "agreement to acquire certain assets related to the independent financial planning channel of Voya Financial Advisors."

Genstar Capital is the private equity owner of Cetera Financial Group, which has 8,000 reps and advisers in its network of five broker-dealers.

Twenty years ago, insurance companies ago swarmed to control independent broker-dealers, seeing them as avenues to sell high-commission products like variable annuities. But since the credit crisis of 2008 and drastically lower interest rates, insurance companies have been selling off their retail brokerage assets.

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KITCES REPORT

CONTINUED FROM PAGE 3

your own."

Meanwhile, the pushback from the adviser community, especially on social media, has been along the lines of accusing Ferri of trying to kill a golden goose.

Douglas Garrison, senior wealth adviser at Investec Wealth Strategies, summed up the standard case for asset-based fees as putting clients and advisers on the same side of the table, not discouraging client questions the way an hourly fee might, and reinforcing a long-term retainer-like relationship.

CLIENTS NOT COMPLAINING

In terms of the level of fees, Kashif Ahmed, president of American Private Wealth, said clients are not complaining.

"We charge 1.5% up to $1 million, and no one has ever objected," he said. "In fact, a couple of clients have commented that 'you are worth way more.'"

Colin Overweg, founder of Advize Wealth Management, said the "most important thing is that the client is receiving value for the fees they pay."

"Given this, 1% as a fee structure is not inherently too much," Overweg said. "However, if an adviser is merely directing a client's assets into a cookie-cutter model and collecting 1%, they are doing the client a disservice."

Ferri pushes back against claims that the market determines a fair price for financial advice, arguing that most clients are not comparison shopping the way they do with other products and services.

"If it were true that the market will determine what's a fair price, Vanguard wouldn't have become so successful," he said. "What's fair is advisers making money and charging a reasonable fee."

DUE FOR AN OVERHAUL

Bob Veres, owner of Inside Information, agrees that asset-based fees are due for an overhaul.

"There are very different levels of service and very different levels of value, and we've gotten a little lazy on this 1% asset-based fee," he said. "The whole idea of asset-based fees is outmoded and somewhat illogical, but it served its purpose to move us away from commissions."

Veres is also not on board with the idea that the market sets financial planning fees. "What the market will bear is not indicative of anything because the market is too stupid to dictate fees," he said.

While Veres gives Ferri credit for raising awareness, he believes the push should not be just to lower fees, but to move the industry away from asset-based pricing.

"The real issue with asset-based fees is there isn't any clear relationship between the value you're providing and the amount you're charging," he said. "It's just multiplication."

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TESLA

CONTINUED FROM PAGE 3

ployees' 401(k)s. The company did not respond to a request for comment.

"While 2020 was a turning point for Tesla in terms of profitability, we believe this is just the beginning. We think 2021 is going to be even more exciting," CEO Elon Musk said Jan. 27 during an earnings presentation. The company should expect annual growth of at least 50% "for years to come," he said.

EARNINGS JUMP

Fueled in part by a bump in deliveries of new cars to customers, the company's earnings before interest, tax, depreciation and amortization increased by 95% from 2019, at $5.8 billion versus roughly $3 billion, according to Tesla's earnings report.

However, the company was not immune to the pandemic, having suspended operations at its plants during the first half of 2020, furloughed workers and reduced compensation.

Last month, Tesla changed its investment policy to allow it to place some of its assets in digital currency, gold bullion, gold ETFs and other vehicles. After that change, the company sank $1.5 billion into Bitcoin. The news of Tesla's purchase sent Bitcoin to a new all-time high of $48,000 last Tuesday. Tesla also expects to accept Bitcoin as payment for products soon, which it can liquidate after receipt, according to the recent 10-K.

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BIDEN DOL

CONTINUED FROM PAGE 2

"Practically speaking, you can continue to use this much less onerous temporary enforcement policy," said Jason Roberts, CEO of the Pension Resource Institute. "Firms will use the next 10 months, building their [compliance] programs, but they're probably not going to incorporate things that cause additional risk until they have to."

Part of the reason for going with the investment advice exemption, rather than halting it and starting over, is that the industry has been bracing for different forms of a fiduciary standard for decades. The Obama-era rule went into effect in 2017 after a long public outreach campaign and several revisions. The Trump administration opposed that version of the in-force rule, and it was vacated in court in 2018.

The current DOL will likely seek to put a new definition around investment advice, which would lead to a more concrete fiduciary rule, rather than the existing investment advice exemption and interpretation of a five-part test that dates to 1975, Roberts said. The rule going into effect this week serves as a good foundation for further regulation and guidance, he said.

"I'd be shocked if the Biden DOL didn't attempt to solve what the DOL has tried to solve since even going back to the [George W.] Bush administration, in a final rule defining investment advice," he said. That could be done while allowing the exemption rule to stand, Roberts noted.

In its announcement, the DOL pointed to forthcoming "related guidance for retirement investors, employee benefit plans and investment advice providers."

The Consumer Federation of America was among those opposed to the new investment advice rule when it was proposed, "in large part because it was intended to 'harmonize' with a weak and undefined standard under the SEC's Regulation Best Interest," Barbara Roper, director of investor protection at the group, wrote in an email. That the DOL will issue further guidance is a positive sign, she said.

"In particular, it is essential that the department engage in further rulemaking to close loopholes in the definition of fiduciary investment advice," Roper wrote. "It will now be up to the new leadership at the DOL and the SEC to ensure that these standards deliver the true best interest standard."

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GAMESTOP

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cial industry lobbies the SEC to go soft. But regulators do have to listen to both sides — and that can slow things down.

For instance, payment for order flow, which occurs when a platform like Robinhood directs trades to certain high-frequency traders and brokerages for execution, has come under criticism. In a recent SEC settlement, Robinhood agreed to pay $65 million for not giving customers the best prices for trades from 2015-18.

But the SEC will hear from defenders of such payments.

"It's easy to politically malign payment for order flow as an idea," said Tim Foley, counsel at Alston & Bird. "But in reality, payment for order flow is standing in the place of commissions that retail traders used to pay."

FINRA TO WEIGH IN

There's also the question of whether the GameStop situation can be addressed by current regulations. For instance, the Financial Industry Regulatory Authority Inc. has made it an examination priority to probe brokerage communications with customers, especially as they pertain to new forms of "game-like" trading.

Steve Marsh, founder and chairman of digital communications compliance firm Smarsh, said brokerages could use technology better to monitor what their representatives are doing on Reddit and in other outside business activities.

"The biggest challenge for the regulators is getting the industry to understand the rules that are already in place," Marsh said. "The technology is not adequately deployed by most of these firms at a level that is going to address the riskiest forms of communication."

"WE'RE GOING TO URGE REGULATORS ... TO AVOID OVERREACTING."

DALE BROWN, CHIEF EXECUTIVE, FSI

REGULATORY BREAKTHROUGH

But a regulatory breakthrough related to GameStop is possible. Valerie Dahiya, a former SEC and Finra official, anticipates the SEC will utilize Regulation Best Interest, the broker investment advice standard.

"This is the first real test for Reg BI and how the staff will apply and interpret it," said Dahiya, a partner at Perkins Coie. "That will send a very clear message."

Another market conflagration has given the SEC another chance to find political courage. Perhaps it will be provided by Gensler.

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GPB

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"The principal source for potential investor recovery is revenue generated by the several dozen automobile dealerships owned by GPB Capital," according to the SEC's court filing, which was made in U.S. District Court in Brooklyn. "GPB Capital, as it has recently done, can sell its dealerships to generate cash, and Gentile and his handpicked management team should not have unchecked authority over incoming cash that could be used to redeem investors."

"An independent monitor would provide much-needed assurances to the investors, GPB Capital's counterparties and the public that an unbiased and qualified person who is not beholden to Gentile is vetting any significant transactions and decisions and looking out for the interests of investors," according to the filing.

To fill that role, the SEC wants a veteran attorney with a background in the auto business to run GPB. Joseph T. Gardemal, a managing director with Alvarez & Marsal, has a background in forensic accounting and has been "a leading valuation and damages expert in the auto industry for over 20 years, and is therefore particularly well-suited to serve as the monitor for GPB Capital," according to the SEC.

GPB raised $1.8 billion from investors since 2013 through sales of private partnerships, but it has not paid investors distributions since 2018. More than 60 broker-dealers partnered with GPB to sell the private placements and charged clients commissions of up to 8%.

INCONSISTENT RETURNS

Gentile, owner and CEO of GPB Capital, and Schneider, owner of GPB Capital's placement agent Ascendant Capital, lied to investors about the source of money used to make an 8% annualized distribution payment to investors, according to the SEC's complaint. Lash was a former managing partner at GPB.

Those executives, using the marketing broker-dealer Ascendant Alternative Strategies, told investors that the distribution payments were paid exclusively with monies generated by GPB's portfolio companies, the SEC alleged.

As alleged, GPB actually used investor money to pay portions of the annualized 8% distribution payments, fitting the definition of a Ponzi scheme.

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TRENDS

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need to rethink how they spend their time.

"So many advisers pride themselves on the multiple roles they play in their firm, but about 40% of advisers' time is spent on non-revenue-generating activity, such as operations or portfolio management," Spotswood said. Advisers should be focusing instead on the client experience and prospecting.

"It's a bit like the Marie Kondo art of tidying up," she said, referring to the world-famous organizational guru who espouses decluttering as a way to spark joy. "You should ask yourself does this bring your client joy."

Spotswood said the key to a successful financial planning practice is to clearly articulate your value proposition. Ask yourself what makes you different and then take it a step further. Are you communicating that to your clients? What are you doing to build a culture within your firm that reflects that? Think of it as future-proofing your business, she said.

NEXT GENERATION

Speaking of the future, Spotswood said the recent headlines over GameStop Corp. provide important insights into the next generation of potential clients.

"NextGen wants to be engaged in the market and there is a hunger for financial advice," she said.

"Our business has been set up to service people who have assets, but that leaves out a large part of the population that is interested in financial planning and their future," Spotswood said. "We gave the impression, if you don't have assets, we're not interested."

Advisers should consider revamping their business models to serve a new generation of investors, using digital platforms to deliver financial education, perhaps on a monthly subscription model.

"There's a reason Netflix is so successful," she noted. "Millennials are more willing to pay for advice than baby boomers. It just needs to be delivered at the right life stage."

"A CFP DESIGNATION IS A FANTASTIC TOOL."

SHANNON SPOTSWOOD, PRESIDENT, RFG ADVISORY

Spotswood also stressed the importance of lifelong learning in this age of longevity. A key example is the certified financial planner designation.

"A CFP designation is a fantastic tool," she said. "It ... puts you in a prime position to be an expert in planning."

"It allows you have the important conversations about generational wealth, estate planning and trade-off decisions," Spotswood added. "The CFP designation is the differentiator and hugely important in our industry."

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