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WHO'S WINNING THE RIA ACQUISITION GAME?

THE AGGREGATOR MARKET IS OVERRUN WITH PLAYERS — WE HAVE YOUR SCORECARD PAGE 8

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Nuveen's Bob Doll to retire at the end of the month

BY JEFF BENJAMIN

BOB DOLL, THE senior portfolio manager and chief equity analyst at Nuveen who is known for his popular annual predictions, announced his retirement last Tuesday.

Doll, 66, who has worked in investment management for 42 years, is expected to officially depart Nuveen at the end of March. A company spokesperson confirmed the departure and would not make him available for comment.

KEY POINTS

- Bob Doll has worked in investment management for 42 years.
- As chief equity analyst he managed $2.5 billion across several large-cap strategies.

The chief equity analyst managed $2.5 billion across several large-cap strategies, which the company said are being taken over by "several of his longest-tenured, most experienced colleagues."

Doll's portfolio management responsibilities are being assumed by Scott Tonneson, portfolio manager and senior research analyst, who has worked alongside Doll as co-portfolio manager on the strategies he manages since joining the firm in 2012.

In addition, David Chalupnik, head of U.S. active equities portfolio management, and portfolio manager David Park will serve as portfolio managers on the Nuveen Large Cap Core fund and Concentrated Core, Stable Growth and Stable Growth Balanced separately managed accounts. Chalupnik will also serve as portfolio manager, along with Tonneson, on Nuveen Equity Long/Short and Nuveen Equity Market Neutral funds, as well as associated separately managed accounts.

"We are fortunate to have a deep bench of talent to manage through inevitable change such as the departure of a veteran colleague and are excited about the future of Nuveen's equities platform, where we now manage more than $415B invested across styles, market caps and geography," the memo reads in part.

'THOUGHT LEADER'

"Bob has had an incredible 42 years as a leading equities investor and thought leader whose insights have helped thousands of investors navigate through multiple market cycles and construct portfolios to meet their long-term goals, and he brought expertise to our portfolio management and client engagements. He is equally passionate about his family, philanthropy and faith, and he feels the time is right to move to the next phase of his life. While we will miss Bob, we fully support him in this decision," the internal memo continues.

Todd Rosenbluth, director of mutual fund and ETF research at CFRA, credited Doll's experience and annual pre-

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BOB DOLL

More upheaval at Wells Fargo Advisors

BY BRUCE KELLY

THE 12,000 registered reps and financial advisers working at Wells Fargo Advisors were told last Thursday to brace for more change at the group, with the bank cutting the number of regions and managers from 12 to eight.

Such a move had been widely anticipated, as Wells Fargo Advisors and its parent bank, Wells Fargo & Co., execute the cost cutting and streamlining plan of its new CEO, Charlie Scharf.

Just last month, the bank said it was selling its asset management business, with $600 billion in assets, to two private equity managers for $2.1 billion. It is also cutting its international wealth management business and in October said it laid off a "sizable group" of salaried advisers.

INTENSE PRESSURE

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

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Commonwealth to recruiters: Hands off MassMutual reps

BY BRUCE KELLY

COMMONWEALTH FINANCIAL Network, a leading broker-dealer and registered investment adviser, took the unusual step last week of telling third-party recruiters to back away from referring reps from MML Investors Services, the broker-dealer arm of Massachusetts Mutual Life Insurance Co., or MassMutual, a leading insurance and retirement company.

The reason? Commonwealth and MassMutual struck a software deal two years ago in which Commonwealth's stand-alone technology company, Advisor360, entered into a licensing agreement that made Commonwealth's suite of software tools available to the insurer's advisers, who are registered with MassMutual.

Advisor360 was spun off shortly after the licensing deal with MassMutual was arranged and is no longer part of Commonwealth, but the broker-dealer is still treading carefully.

In an email last Tuesday, Commonwealth advised outside recruiters that it doesn't want to step on any toes at MassMutual due to the licensing agreement.

"The kicker here is, and the point of this email, that out of respect for MML, we are not actively recruiting from them," wrote Andrew Daniels, managing principal of business development at Commonwealth. "And by extension we cannot take MML referrals from you."

HARD-CHARGING PURSUIT

Recruiting reps and financial advisers is a highly competitive pursuit, with lots of money and ego involved, so it's rare for a firm to tell recruiters it doesn't want referrals from one firm.

Such conflicts, however, do occur from time to time, usually when large broker-dealers are recruiting from insurance companies that have broker-dealer networks and also sell products like variable annuities. In such instances, the insurer can flex its muscle and send the message to the broker-dealer to stay away from its personnel if it wants to keep selling popular products.

TIT FOR TAT

Vice versa, the broker-dealer can threaten to halt the sale of the insurance company's products if the insurer is grabbing the broker-dealer's reps.

"You can be certain that Commonwealth sliced and diced the pros and cons to selling their technology to MassMutual" two years ago, said Jon Henschen, an industry recruiter. "The profits obviously were anticipated to outstrip any downside to not being able to recruit MassMutual advisers going forward."

"When you sell anything to another broker-dealer and also recruit against them, conflicts are very real," Henschen said. "By putting up a wall on recruiting MassMutual advisers, Commonwealth has negated any potential conflict of interests."

Daniels said the memo was sent as a sign of respect. "Given MassMutual's relationship with our sister technology company, we have chosen to take a respectful path and not recruit their advisers," he said in an interview.

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Oklahoma is latest non-blue state to consider auto-IRAs

BY EMILE HALLEZ

OKLAHOMA'S LEGISLATURE is considering two bills that would establish an auto-IRA program for private-sector workers.

The state is the latest among many that have taken steps to institute such systems, which are intended to dramatically expand access to retirement savings at work for small business employees.

Earlier this year, legislators in the state's house and senate introduced bills, both dubbed the Oklahoma Prosperity Act, that would mandate auto-IRA participation for all employers in Oklahoma that have 10 or more workers, have been in business for at least two

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SEC to stress climate risk, ESG and Reg BI in exams

BY MARK SCHOEFF JR.

THE SECURITIES AND EXCHANGE Commission will emphasize climate risk and step up its reviews of compliance with Regulation Best Interest in examinations this year, the agency announced last Wednesday.

In its report on examination priorities, the SEC Division of Examinations said investors are increasingly demanding investment strategies focused on sustainable, socially responsible, impact, and environmental, social and governance factors.

"The Division will prioritize emerging risks, including those relating to climate and ESG," the report states.

The agency said it will assess disclosures by registered investment advisers and fund complexes regarding sustainable investment products as well as related advertising, policies, practices and proxy voting procedures.

"This year, the Division is enhancing its focus on climate and ESG-related risks by examining proxy voting policies and practices to ensure voting aligns with investors' best interests and expectations, as well as firms' business continuity plans in light of intensifying physical risks associated with climate change," SEC Acting Chair Allison Herren Lee

> **"THE DIVISION WILL PRIORITIZE EMERGING RISKS."**
>
> SEC DIVISION OF EXAMINATIONS REPORT

said in a statement. "Through these and other efforts, we are integrating climate and ESG considerations into the agency's broader regulatory framework."

Last week, the agency ramped up its review of corporate disclosures about climate risks. And in a Sen-

ate hearing last Tuesday, the Biden administration's nominee for SEC chair, Gary Gensler, indicated climate policy will be high on his agenda if he's confirmed.

A RECENT PRIORITY

The SEC first made reviewing RIA disclosures regarding ESG investing an examination priority last year.

Rana Wright, chief administrative officer and general counsel at Harris Associates, said some advisory firms have been receiving inquiries from the SEC about their ESG policies. She

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Fidelity reaches out to support local vaccinations

BY BRUCE KELLY

AS COVID-19 vaccinations ramp up across the country, Fidelity Investments, one of the world's largest money managers, said last Tuesday that it had been in contact with local agencies and governments as it figures out any potential role in distributing doses, including to its employees.

"Generally, some local governments have begun reaching out to Fidelity to explore if we might assist with the logistics of distributing the vaccines," spokesperson Michael Aalto wrote in an email. "We are working closely with public officials in several of our regions to help shape distribution plans and explore the role Fidelity could play in helping to accelerate the availability of the vaccines

CONTINUED ON PAGE 18

ESG industry should take a hard line on greenwashing

The ESG space is in major growth mode, which is on display in just about every direction across the financial services landscape.

INSIGHTS
JEFF BENJAMIN

Funds fitting Morningstar's definition of environmental, social and governance investing took in $51.1 billion in net asset flows last year, marking not only a fifth consecutive annual record but a total more than double the $21 billion worth of net flows in 2019.

This kind of growth and attention is understandably music to the ears of long-time proponents and purists in the world of ESG investing.

It is a validation of sorts that doing good, or at least doing less harm, also makes financial and economic sense. Many of those early arguments that sustainable and impact investing themes cause a drag on investment performance are gone or are at least quieter these days.

But there remain many and growing challenges facing the ever-expanding ESG space. Part of the challenge is that the space is expanding from a foundation that, like a lot of good intentions, was never properly defined or organized, which is perfectly understandable.

But even now, as smooth ESG prose rolls trippingly off just about every tongue in finance, the sprawling industry of asset managers, rating agencies, investors, financial advisers and all manner of proponents is nowhere near settling on a common vernacular for impact, sustainable, green, ESG, or whatnot.

In essence, it's confusing, and at some point, we will no longer be able to write it off as growing pains.

Hardcore enthusiasts, often the loudest in the space, will often invite you deep into the weeds to dissect the nuances of what it all means. And if you have the time, energy and brainpower, it might all start to make some kind of sense.

But most ordinary people aren't interested in, or even ready for, the varied distinctions of how a municipal bond can be qualified as ESG, they just want to know if it is or isn't, and what that means from an investing perspective.

KEY POINTS

- Net asset flows into ESG funds more than doubled last year.
- But the industry still hasn't settled on common definitions for ESG terms.

GREENWASHING

This is where I climb atop my soapbox and call out those folks who are increasingly taking issue with the term "greenwashing." For the uninitiated, greenwashing, a term officially added to the Oxford English Dictionary in 2010, refers to the practice of intentionally representing something as more ESG-focused than it is.

In the investing world, such misrepresentation would seem like a bad thing, but for some reason there is pushback on the use of the term, as if to suggest that tarnishing even a weak green effort therefore hurting the larger cause.

I disagree; it is an area in desperate need of more clarification.

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Advisers' views on the $15 minimum wage

BY JEFF BENJAMIN

AS THE IDEA of a $15 federal minimum wage gains momentum as part of the Biden administration's proposed $1.9 trillion stimulus package, the financial planning community is starting to wrestle with the broader economic implications of doubling the hourly wage for entry-level workers.

"Ultimately, all a $15 minimum wage does is drive down the gap between paying people and the cost of automation, and at the end of the day most jobs that pay less than $15 an hour can be done better by machines," said Leibel Sternbach, founder of the financial advisory firm Yields4U.

Contrary to proponents who claim a dramatically higher minimum wage will move people out of poverty, Sternbach believes low-wage earners will be hurt the most.

"I don't think increasing wages will decrease poverty, because it just concentrates the wealth among the poor, making some people poorer than others," he said. "A better way to address the wage gap is by increasing training and earning potential for lower-wage workers rather than giving a few of them a living wage at the expense of the rest."

ECONOMIC FALLOUT

From a payroll perspective, a profession like financial services is generally not expected to be impacted by a minimum wage hike like the one proposed, but the economic fallout on goods and services would be far-reaching and potentially irreversible.

Similar to the way the Covid-19 pandemic forced businesses to adopt new technologies to stay competitive, Sternbach believes a higher minimum wage will speed up other technological changes.

"We are already heading toward a lower cost of automation and a higher cost of labor, and the minimum wage hike just accelerates that," he said.

Thomas Balcom, founder of 1650 Wealth Management, agrees that doubling the minimum wage rolls out the welcome mat to more automation,

CONTINUED ON PAGE 19

Women administer 401(k) plans better than men

BY EMILE HALLEZ

401(K)S ARE BETTER off in the hands of women, according to a report last Tuesday from Morningstar.

The report, coinciding with Women's History Month, found that plans administered by women were more likely than those overseen by men to have designs that encourage participation and diversification. Such plans more often include target-date funds, automatically enroll workers and have better plan governance, according to Morningstar.

> **"FEMALE PLAN ADMINISTRATORS RUN BETTER PLANS."**
> MORNINGSTAR REPORT

"We find that the probability of a plan offering these services is higher if the plan administrator is female, and the differences are statistically significant," the authors wrote. "In other words, female plan administrators run better plans than their male counterparts."

Over the past 20 years, women have grown to be a larger presence on 401(k) committees. In 2000, only 30% of the members of plan sponsor committees were women, but that had increased to 50% by 2017, the report found.

BASED ON FORM 5500 FILINGS

The report is based on an analysis of Form 5500 filings made with the

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Direct Indexing: Thinking beyond the ETF to drive successful investor outcomes

Just as index investing has changed the way financial advisors serve their clients, direct indexing is propelling new analysis. As more investors are pressing their advisors for greater customization and resisting one-size-fits-all portfolio solutions, advisors need to think holistically about what's best for their clients.

In this virtual discussion we'll cover:

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- Looking ahead to 2021. New tax policy potential and new investor challenges.

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EDITOR'S NOTE

It's time to talk about Bitcoin

Bitcoin fell 5.3% last Thursday, plummeting to $48,357.31.

Bitcoin bulls and bears will respond to that statement of fact with disparate views. (Disclosure: I'm a bitcoin agnostic.) The bears might note that the current price and volatility stem from speculative froth across all financial markets. But the bulls would likely counter that the digital asset is grabbing more mainstream attention and the inherent value is coming to the fore, and that's why the price has climbed so high. But they will talk about it.

GEORGE B. MORIARTY

The battle of words reminded me of a recent conversation with a portfolio manager who discussed having to evaluate the Noise-to-AUM ratio of any potential investment.

For years, that N/AUM ratio for Bitcoin has skewed, dare I say, loudly toward noise. The mystery of its creation, and the debate of its value overwhelmed any real value, or AUM applied toward it. And that let people avoid the conversation.

That has changed. Between Tesla Inc.'s investment (putting Bitcoin above employees), Chamath Palihapitiya putting the power of his voice behind it, and the S-1 filing by Coinbase Global Inc., the ratio is shifting quickly toward even.

And as that ratio turns even, it's a conversation that advisers can no longer avoid. Advisers don't have to join the bulls, but they better join the discussion.

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Best Places to Work firms navigate the lockdown

Last week *InvestmentNews* unveiled its 2021 Best Places to Work for Financial Advisers list, featuring 75 firms that focus on creating workplaces that encourage individual development as well as a supportive team spirit.

Best Places firms were all faced with the same challenge as other U.S. companies when the pandemic shuttered offices about a year ago. Most said they adjusted quickly, moving employees home to work and learning how to remotely communicate with clients and one another from new offices headquartered at dining room tables.

Firms that had already implemented digital workflows within the company and with clients said it was surprisingly smooth. All firms took slightly different tacks in trying to make the switch palatable for employees, both from a technology standpoint and in their efforts to uphold firm culture and spirit.

Common adjustments included providing computers and other technology, offering new financial reimbursements for cellphones and high-speed internet, extending 2020 vacation allotments to this year, and creating remote onboarding procedures for clients and staff. Most firms quickly realized the need to hold remote companywide and team meetings — and to do so more often than they held these confabs in person, because it's that much more difficult to keep people feeling connected and energized.

One of the more interesting support efforts occurred at Cassaday & Co., which provided employees with up to $5,000 in assistance per employee to offset extra childcare costs, $100 spa gift cards and a Halloween bucket of goodies.

RETURNING TO THE OFFICE HAS MEANT DIFFERENT THINGS TO INDIVIDUAL FIRMS.

Some firms offered help with the cost of technology or other tools employees needed to make it easier to work from home, while others offered fitness distractions, like Skyeburst, which moved its weekly employee yoga classes online.

Gibson Capital created virtual game night competitions, provided Blue Apron cuisine and even sponsored a remote "Shower in a Box" to mark staff members' weddings.

MORE REMOTE WORK

Best Places firms said their businesses are succeeding, even though they aren't back in their offices full-time at this point, about 51 weeks after the pandemic shut down businesses that require in-person contact, like restaurants.

But returning to the office has meant different things to individual firms.

Those that have brought back some of their employees have new office features like plexiglass around reception areas, sanitation stations, improved air ventilation systems and fewer chairs in conference rooms. Advice businesses are also trying out various schedules to minimize the number of employees working together in the same space.

For instance, True North Advisors went back using a rotating schedule where employees work from home for two weeks and then are back in the office for one week.

Many advice firm CEOs tell *InvestmentNews* that even after Covid-19 concerns are behind us, they recognize they will need to accommodate a lot more remote work than in pre-pandemic days, as employees have grown accustomed to the flexibility and built it into their work habits and schedules.

But we'll bring you a lot more on that next week in *InvestmentNews'* one-year anniversary special report on The New Normal.

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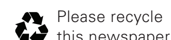

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Fiduciary redux: Let's not tinker with Regulation Best Interest

Here we go again.

A Senate confirmation vote for President Joe Biden's nominee for chairman of the Securities and Exchange Commission, Gary Gensler, has yet to be scheduled, but that hasn't kept Regulation Best Interest critics from coming out again, this time with a white paper published by the Institute for the Fiduciary Standard calling for the commission "to move quickly to correct the [Reg BI] rulemaking and interpretations."

GUESTBLOG
JOHN TAFT

Amending a painstakingly crafted regulation of the magnitude of Reg BI less than a year after it became effective might seem a bit premature — like re-renovating a house a year after it was taken down to the studs. But given that Gensler chaired a commission in the state of Maryland that advocated for the state to adopt a fiduciary standard, fiduciary purists see an opportunity to tinker with, if not fully redo, one of the signature achievements of previous SEC Chairman Jay Clayton.

That would be a big mistake.

The Institute for the Fiduciary Standard represents a segment of the industry that believes in a "one-size-fits-all" approach to wealth management and advocates an Investment Advisers Act of 1940 approach to all investor needs.

Reg BI, by contrast, recognizes that a one-size-fits-all approach to regulating broker-dealers and registered investment advisers doesn't work because B-Ds and RIAs have inherent differences. Reg BI strikes an appropriate balance: Raising the bar for investor protection while preserving access and choice for individual investors as to what kind of advisers they work with, what mix of services best serves their wealth management needs, and whether they pay via commissions, fees or a blend of the two.

The client choice approach reflected in Reg BI is in fact the best approach for individual investors — the one that provides the highest opportunity for successful outcomes — because every individual and family is unique when it comes to their wealth management needs and goals.

OPTIMAL MIX

The optimal mix of commission-based brokerage accounts, discretionary advisory accounts, retirement accounts, and fees and commissions depends on each individual's and family's circumstances and preferences.

The consensus is that a Gensler-led SEC (assuming he's confirmed) is unlikely to take on a full and direct overhaul of Reg BI, but will instead implement more aggressive enforcement and issue more restrictive guidance.

Even so, instead of pursuing the holy grail of a one-size-fits-all fiduciary standard, fiduciary advocates would be better served to look across financial markets to where there truly is a burning platform in need of heightened investor protections — namely, the Wild West world of online commission-free trading.

There, on advice-free or advice-agnostic online trading platforms, not in brokerage accounts covered by Reg BI and regulated by Finra and the SEC, is where real and lasting damage has and will be done to the wealth of individual investors. That's the first place the next SEC chairman should focus his attention, along with the full enforcement resources of the SEC.

John Taft is vice chairman of Baird and past chairman of the Securities Industry and Financial Markets Association.

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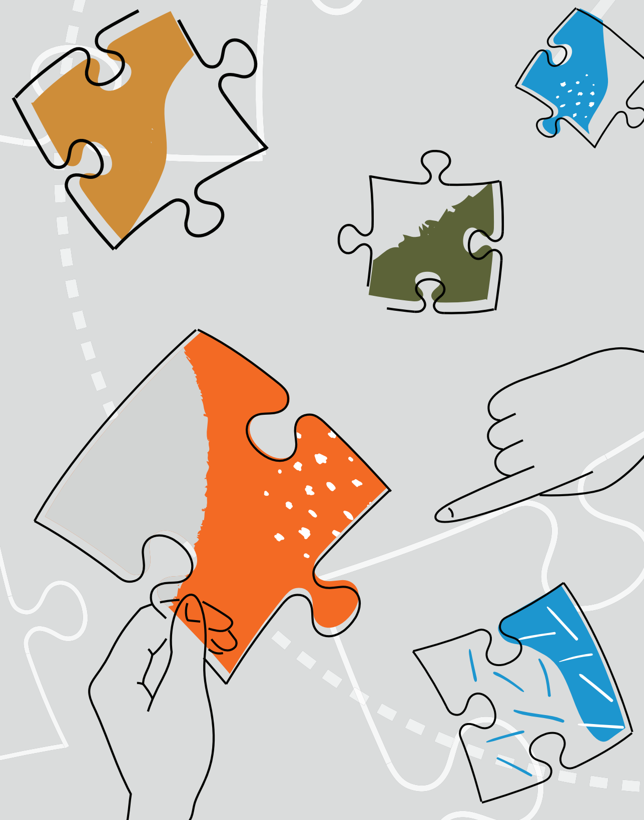

THE RIA ROLL-UP MARKET HAS SEEN A DECADE OF EXPLOSION

HOW DO ADVISERS MAKE SENSE OF IT ALL?

BY BRUCE KELLY

Ten to 15 years ago, when the very first group of aggregators, or roll-ups, of registered investment advisers were arranging and completing their first round of M&A deals, there were three pillars in the industry's mergers and acquisitions landscape, plus one outlier.

The first pillar was United Capital, a centralized platform that absorbed the RIA firms it purchased and renamed them, bringing them under one central brand and technology and investment platform.

Focus Financial Partners Inc. posed a clear contrast to United Capital: The firms it acquired kept their own brand and could even use the mothership as a bank for their own deals.

The third pillar was HighTower Advisors (now spelled with a lowercase "t"), a partnership that relied on stock to entice both wirehouse teams and advisers to leave Wall Street and establish RIAs.

Finally, there was the oddball, Dynasty Financial Partners, which made no acquisitions but provided a service and technology platform focusing, like Hightower, on so-called "breakaway brokers," those looking to flee Wall Street wirehouses and start their own RIA firms.

Those were original old guard of the RIA aggregator business model. There were other competitors at the time, but those four — United Capital, Focus Financial Partners, Hightower and Dynasty Financial — clearly showed the industry the way to build an RIA network, albeit with hiccups along the way.

They were all led by founders with strong personalities: United Capital's Joe Duran, Rudy Adolf at Focus Financial, Elliot Weissbluth at Hightower and Dynasty Financial's Shirl Penney. All were, and remain, passionate about the best way to build a large, nationally focused RIA network.

In some part due to the old guard's success, the marketplace for RIA M&A networks is currently overrun with players — from brand-new entrants from outside the U.S. to well-established RIAs that suddenly decided to get into the RIA acquisition game. Indeed, over the past 15 years, the RIA aggregator market has exploded, in large part the result of a flood of money from Wall Street, typically via private equity investors.

Large networks of RIAs with tens of billions of dollars worth of customer assets are now big enough to attract capital from private equity funds, which raise money from institutional investors, including state pension funds.

In a broad market hungry for yield, RIAs can kick off cash flows — earnings before interest, taxes, depreciation and amortization — in the range of 20% to 30%, which is like waving a blood red tablecloth in the face of Wall Street's charging bull.

Instead of the three pillars and an outlier of 2010, and the four leaders of those firms, who often could be sharp-elbowed when asserting that their approach made the most sense, the RIA aggregator marketplace now pitches itself as a somewhat bigger tent with room for more buyers and sellers to play.

"You give kudos to early movers, but at the same time their deals wouldn't survive today's competition, which is offering a more benevolent deal structure to the seller, particularly on valuations at the back end," said Dan Seivert, CEO of Echelon Partners, an investment banker for RIAs looking to sell to a larger network. "And today's buyer is still getting incredible returns."

"The trailblazers cut down the path and we laid the cement," said Dave Barton, vice chairman and head of M&A at Mercer Advisors, which

completed seven deals in 2020, not including bolt-on deals at RIAs in its network, called sub-acquisitions, according to Echelon. Referring to the founders of Focus Financial, Hightower and United Capital, Barton said: "Those three — Rudy, Elliot and Joe — had conflicts. It was only one view, and that was their view."

Like many other aggregators, Mercer Advisors is owned and backed by private equity investors, Oak Hill Capital and Genstar Capital. It started making acquisitions in 2016 and has completed 43 to date.

"Today, we respect each other's business model and it's much more collegial than you think," Barton added.

TOO PRICEY? TOO BIG A TENT?

The tent is only getting bigger. Last year, 11 different firms, ranging from a pure RIA, Creative Planning, to a bank, Emigrant Bank, and a variety of firms with a history of deal-making, or "strategic buyers or consolidators," completed 69 RIA acquisitions, according to the 2020 Echelon RIA M&A Deal Report.

That's to be expected, with private equity money flooding the space, spurring acquisitions of RIAs like never before.

"There were 75 private equity firms investing in the space in 2008 prior to the economic crash, and that amount has crept up to over 275 firms presently," according to the Echelon report.

Nearly $120.6 billion in RIA assets was acquired last year by strategic firms, which Echelon defines as those having four or more acquisitions under their belt. While 2020 saw a slight slowdown in the pace of such deals when compared to a year earlier, last year was still a stark contrast to 2013, when experienced buyers bought $12.7 billion of RIA assets.

Meanwhile, some take a swipe at the newer private equity investors in the marketplace for two reasons: They argue that they're bidding up valuations of RIA firms, making deals in general too pricey to make sense, and they warn of the short-term interests of PE firms, which often look to sell businesses after five or seven years.

Is that the best environment for financial advisers working at RIAs, who are fiduciaries, and their clients?

"We don't pay the advisers to show up," said Penney of Dynasty Financial Partners, which is a tech platform for RIAs and not a buyer. "Every one of these aggregator firms pays the adviser to join. We've had to earn it. The advisers own all the equity and make more money on our platform."

On a call in February to discuss earnings with analysts, Adolf from Focus Financial likened some RIA aggregators or roll-ups to "drunken sailors" for buying RIAs at two to three times traditional multiples. "We have seen some very unusual transactions last year," he said. "We would never do this to our shareholders."

When Focus Financial Partners opened its doors in 2006, RIAs controlled roughly $1 trillion in assets, which has since grown to $6 trillion, Adolf noted in a follow-up interview.

"It's a staggering success story, and it continues to be about the entrepreneur," he said. "We embraced a decentralized, entrepreneur-focused business model and invest in them. Some of our partner firms are larger than the aggregators out there."

But don't look for price tags of RIAs to slip anytime soon, one executive said.

"I suspect valuations of RIA firms will be where they are at, or even higher, in the future," said Kurt Miscinski, president and CEO of Cerity Partners, which has half its equity owned by private equity manager Lightyear Capital. Miscinski pointed to the continued growth in the assets of high-net-worth investors and the aging of the adviser workforce as factors buttressing valuations.

BOUNTY OF CHOICES

Today, there's a bounty of choices for RIAs looking to sell. But with so many more large RIA networks or aggregators out there, and valuations doubling, what is best for advisers

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considering a sale?

What's clear is the overwhelming variety of businesses that are competing for today's RIA seller. Advisers can sell their firm to a roll-up that centralizes functions like money management and branding or find a buyer who lets them keep their name on the door and run clients' portfolios. They can sell the entire firm today, or sell a chunk and hang onto the rest, potentially getting a higher valuation on the second leg of the transaction.

"When you aggregate, you buy the RIA and change the business model to fit the buyer," said Kurt MacAlpine, CEO of CI Financial, a Canadian asset management firm that recently has made a major push into the U.S. RIA marketplace. "CI buys great firms and empowers them to work on the broader CI platform. We focus on people who want to stay in the business."

As part of a public company, MacAlpine touts CI Financial's long-term commitment to the market because it, like Focus Financial Partners, is backed by public capital and not by private equity.

"They can sell a majority or all," MacAlpine said. "Most sell the majority. They keep equity in their own business or take equity in CI. We're providing flexibility. What's the percentage of the firm the advisers want to sell and what's the rationale?"

Peter Mallouk at Creative Planning takes a different approach.

"Creative Planning is one firm, so if the adviser wants to do his or her own planning, do their own planning and service model and keep the same name, that's not for us," said Mallouk, president of Creative Planning, which has one private equity investor, General Atlantic, which owns less than 20% of the company's stock. "The marketplace is full of abundance."

WHAT ABOUT WIREHOUSES?

If recent history is any indication, the marketplace will continue to reward RIAs abundantly for the foreseeable future, particularly as the size and capacity of the burgeoning networks draw the attention of Wall Street wirehouses, which are increasingly frustrated with losing top advisers to the fiduciary side of the business.

That would only work to increase valuations for RIAs and RIA networks.

The success of the three original networks cannot be disputed, although some of the more recent entrants would undoubtedly say in private that they could do it better.

United Capital sold to Goldman Sachs in 2019 for $750 million in cash. Focus Financial now has a market capitalization of close to $3.8 billion and its stock is trading in the neighborhood of $47 per share. And Hightower recently recapitalized, paid off its RIA partners and has refocused to concentrate on RIA acquisitions.

"Ten to 15 years ago, if you were a billion-dollar firm, you were a mega-firm," said Bob Oros, CEO of Hightower. "Having $300 million in AUM meant you were a really large RIA. But today, there's all kinds of very different shades and flavors."

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Flip 'em or trade 'em: Top RIA roll-up players

Focus Financial Partners Inc.
Inception: 2004
AUM: More than $200 billion
Number of RIA deals, including breakaways: More than 200, including some breakaways.
Does the firm have a centralized platform for branding, marketing and technology, or are those functions left up to each RIA? Focus does not require the 71 firms in its partnership to use centralized resources but does offer a variety of services.
Outcome: IPO, August 2018

RIA SCORECARDS: OLD GUARD

Rudy Adolf, Focus Financial

Hightower
Inception: 2007
AUM: $79.6 billion. Assets under administration: $102.5 billion.
Number of RIA deals, including breakaways: 2008-18: 65 breakaways, 9 RIA acquisitions. 2019-present: 16 RIA acquisitions
Does the firm have a centralized platform for branding, marketing and technology, or are those functions left up to each RIA? Firms joining Hightower can use their own brand, but also have access to the Hightower brand. Technology is also provided by Hightower.
Outcome: In late 2017, Hightower signed a recapitalization agreement with Thomas H. Lee.

RIA SCORECARDS: OLD GUARD

Bob Oros, Hightower

United Capital Financial Advisers
Inception: 2005
AUM: $25 billion in May 2019
Number of RIA deals, including breakaways: 95 offices in 2019
Does the firm have a centralized platform for branding, marketing and technology, or are those functions left up to each RIA? Yes.
Outcome: Sold to Goldman Sachs Group Inc. in 2019 for $750 million in cash.

RIA SCORECARDS: OLD GUARD

Joe Duran, United Capital

Dynasty Financial Partners
Inception: 2010
AUM: $82 billion
Number of breakaway brokers to join Dynasty since it launched: 150
Does the firm have a centralized platform for branding, marketing and technology, or are those functions left up to each RIA? Open-architecture, yet integrated platform providing RIAs access to marketing and technology tools.
Outcome: Remains privately held.

RIA SCORECARDS: OLD GUARD

Shirl Penney, Dynasty

Mercer Advisors Inc.
Inception: 1985
AUM: $27 billion
Number of RIA deals, including breakaways: 43 since 2016, plus a half-dozen breakaways.
Does the acquired firm give up branding? Yes.
Does Mercer centralize investment management? Yes, but with open architecture.
Is technology centralized? Yes.
Is marketing centralized? Yes.

RIA SCORECARDS: NEW KIDS

Dave Barton, Mercer Advisors

Creative Planning
Inception: 1983
AUM: $72 billion
Number of RIA deals, including breakaways: 14, all in last 20 months, no breakaways.
Does the acquired firm give up branding? Yes.
Does Creative Planning centralize investment management? Trading is centralized.
Is technology centralized? Yes.
Is marketing centralized? Yes.

RIA SCORECARDS: NEW KIDS

Peter Mallouk, Creative Planning

CI Financial
Inception: 1965 in Canada, entered U.S. market in 2020.
AUM: Wealth management assets: $76.3 billion.
Number of RIA acquisitions since, including breakaways: 13
Does the acquired firm give up branding? CI works with each firm to determine the most efficient and effective way to work together.
Does CI Financial centralize investment management? See above.
Are technology and marketing centralized? See above.

RIA SCORECARDS: NEW KIDS

Kurt MacAlpine, CI Financial

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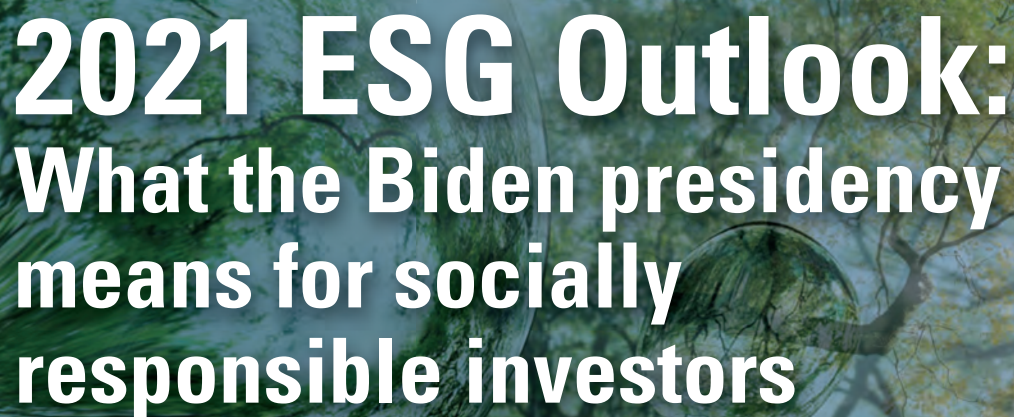

2021 ESG Outlook:
What the Biden presidency means for socially responsible investors

Bringing together experts from across the ESG investing community to discuss the trends and expectations for the initial years of the Joseph Biden presidency. Panelists include GIIN co-founder and CEO Amit Bouri, Boston Common CEO Allyson McDonald and Cornerstone Capital Group founder and CEO Erika Karp. InvestmentNews senior projects editor Liz Skinner will moderate the hour-long discussion.

Topics to be discussed include:

- What are ESG and impact investors expecting beyond returns?
- Which issues will motivate clients this year to align their values and their wealth?
- On the regulation front, which ESG-related rules are likely to undergo the biggest changes?

PANELISTS

AMIT BOURI
Co-founder and CEO
GIIN

ALLYSON MCDONALD
CEO
Boston Common

ERIKA KARP
Founder and CEO
Cornerstone Capital Group

MODERATOR

LIZ SKINNER
Special Projects Editor
InvestmentNews

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GLOBAL ESG SUMMIT
UK | EUROPE | USA | ASIA | MAY 26, 2021

Learn from the global community strategies to successfully integrate ESG and Impact investing into your practice.

48% PORTION OF RETIREES WITH RETIREMENT ACCOUNTS WHO SAY THEIR SAVINGS HAVE NOT RECOVERED TO PRE-PANDEMIC LEVELS.
SOURCE: THE SENIOR CITIZENS LEAGUE

Wealthier clients must heed this 401(k) tax trap

While many Americans worry that they won't be able to save enough for retirement, some financial advisers are concerned that their wealthier clients are saving too much in the wrong type of retirement account.

Over the past few weeks, several new studies and surveys have documented growing concerns over a looming retirement crisis, partially tied to the Covid-19 pandemic and subsequent economic slowdown.

More than two-thirds of working Americans say the nation is facing a retirement crisis and more than half of the respondents are concerned that they won't be able to achieve a financially secure retirement, according to a new report from the National Institute on Retirement Security.

MARY BETH FRANKLIN

ONRETIREMENT

Separately, the 2021 Retirement Risk Readiness Study from Allianz Life Insurance Co. showed that nearly 70% of Americans believe the Covid-19 pandemic will have a greater overall economic impact than the Great Recession of 2007-2009. More than half of survey respondents said the pandemic would also have a greater impact on their personal finances.

Meanwhile, Americans overwhelmingly continued saving for retirement in 2020 through defined-contribution plans such as 401(k)s amid the economic downturn brought about by the pandemic, according to the Investment Company Institute. Most defined-contribution plan participants stayed the course with their asset allocation despite high stock market volatility in the first quarter of 2020, the ICI report found, based on data covering more than 30 million accounts.

GUILTY OF OVERSTUFFING

But a growing number of financial advisers are concerned that many of their clients are overstuffing their tax-deferred retirement accounts, which could undermine their financial plans if taxes are increased in the future to pay for today's exploding government spending.

"With a bigger tax bite potentially cutting into future retirement income, the amount of savings needed for both the average and wealthier retiree will be far greater than currently estimated," co-authors Kerrie Debbs of Main Street Financial Solutions and Brian Doe of Livingston Wealth Advisers wrote in their new white paper, The 401(k) Trap.

"The types of retirement account vehicles used today and the tax strategy around them need to change drastically."

For workers who expect to be in a similar or higher tax bracket in retirement, the ideal savings vehicle is the Roth 401(k), Debbs and Doe argue. Roth 401(k) contributions are made on an after-tax basis, grow tax-free and can be withdrawn tax-free in the future with no required minimum distributions. Unlike Roth IRAs, Roth 401(k)s have no income limits on contributions.

"The Roth 401(k) is nearly the only way for a high-income earner or business owner to use the Roth provision of the tax code," they wrote. "An ideal solution over time is to create diverse and alternative tax structures for future retirement income."

> **KEY POINTS**
> - Advisers worry that clients are overstuffing tax-deferred retirement accounts.
> - That could undermine financial plans if taxes go up.

For those no longer working or without access to a Roth 401(k), existing traditional IRA and rollover IRA accounts can be converted to Roth IRA accounts. Funds converted to a Roth IRA are taxed at current interest rates, but future growth and distributions will be tax-free.

"This is an especially timely opportunity for an early retiree or person who has not started drawing Social Security yet," Debbs and Doe wrote. "In this case, there may still be a number of lower-tax years in which to make a series of partial Roth conversions, keeping the overall tax bite low."

However, a Roth conversion may not make sense for clients who don't have enough money outside their qualified plan to pay the income taxes on the converted amount.

Joe Elsasser, founder and president of Covisum, a technology company that helps advisers optimize retirement income strategies, discussed how recent changes to required minimum distribution rules may affect how advisers construct retirement income plans.

RMD DATE RISES

The beginning date for RMDs has risen from 70½ to 72, shortening the distribution period and adding a couple of extra years of deferral for most people. When RMDs kick in, it can force account owners to take out more money out of their IRAs than they want or need to avoid onerous tax penalties.

"Clients who have over-saved in IRAs will eventually have minimum distributions that get taxed at a higher rate than necessary," Elsasser said in a recent episode of his video blog series, FinPlan Fridays. "To solve this, most advisers should consider thinking about leveling out tax brackets earlier, either by taking IRA money to supplement the delay of a Social Security benefit or potentially by doing Roth conversions."

In 2025, many of the provisions of the 2017 Tax Cut and Jobs Act, including the current low tax rates, will sunset.

"There are a lot of changes on the horizon and continued vigilance on taxes will be needed," Bob Breshock, managing director of the Parametric family-office advisory group, said in an interview with *InvestmentNews* Content Strategy Studio. "For advisers who haven't emphasized tax management, this is a strong way to link to your clients, show your value and create a sticky relationship."

(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

Social Security wants its money back

Frank: My Dad died on Dec. 20, 2020, and Social Security is asking for his December check back. I am his son and the beneficiary payee on the account. He lived with me at my home for his last seven months and you can imagine the expenses that came with it. He has $68 left in his checking account. I paid out of my pocket for his funeral. What are my chances in winning a waiver appeal or am I just wasting my time?

MBF: Please accept my condolences on the loss of your father. Your question hits close to home as the same thing happened to my family 40 years ago when my mother died at age 62 and we had to send back the one and only Social Security check she ever received.

As cruel as it may seem, the Social Security Administration requires that you return your father's last check as detailed here in its publication, How Social Security Can Help You When a Family Member Dies (https://www.ssa.gov/pubs/EN-05-10008.pdf).

In part, it says: "If the deceased was receiving Social Security benefits, you must return the benefit received for the month of death or any later months. For example, if the person dies in July, you must return the benefit paid in August."

SSA says if you received benefits by direct deposit, contact the bank or other financial institution and ask them to return any funds received for the month of death or later. If paid by check, do not cash any checks received for the month the person dies or later. Return the checks to Social Security as soon as possible.

Sadly, as a surviving adult child, you are not even eligible for the measly one-time death payment of $255 — an amount that has not been changed since 1954. The death payment normally goes to the surviving spouse if they were living with the deceased. If living apart and eligible for certain Social Security benefits on the deceased's record, the surviving spouse may still be able to get this one-time payment.

If there is no surviving spouse, a child who is eligible for benefits on the deceased's record in the month of death — generally a minor dependent child or permanently disabled adult child — can get this payment.

‘Why would I retire?’ How Covid-19 changed the rules for retirees

BY EMILE HALLEZ

THE COVID-19 pandemic is prompting many to postpone retirement, and not necessarily for financial reasons.

Rather, the new world of working from the comfort of home has made employment a touch more tolerable, leading many to stay in their current jobs indefinitely or accept new offers for part-time or temporary work.

Perhaps the biggest motivator to stay employed is that there isn’t much else to do amid a global lockdown that has isolated friends and families for the better part of a year.

“I have had a number of clients postpone retirement due to the pandemic. From their perspective, these are lower-stress bonus years. The extra income and savings give them peace of mind, and the work keeps them busy,” said Catherine Gearig, partner at LifePlan Financial Advisory Group. “They tell me that working from home is significantly less stressful. And, if they did retire, they wouldn’t be able to do much — no travel, limited family get-togethers, etc.”

When the world begins to return to normal and the pandemic subsides, people will likely revisit the idea of retirement, Gearig said.

PRACTICE RUNS

It’s hardly unusual for someone recently retired to go back to work in some capacity. Being financially secure is an important step in retiring, but so too is having regular social connections and a meaningful way to spend one’s time.

Michigan resident Craig Childers, who works in automotive parts sales, came out of retirement for the second time during the pandemic.

“My first retirement was when I turned 65, in 2018,” said Childers, 67, who is Gearig’s client. “I retired, and the summer was great, the fall was great.” He spent much of his time doing what he loves: backpacking, cycling and kayaking.

Then winter came. Friends escaped the cold by going to Florida, but that wasn’t for him. Childers was back at work in April 2019, having been retired for 10 months.

“That social aspect [of work] is really underrated,” he said. “At some point [in retirement] you’re sick of the to-do list ... There’s a little bit of mental pressure to that.”

He planned to work for another year. And then the pandemic upended everything.

“Everybody got used to working from home,” he said. “Why would I retire? What am I going to do?”

He tried, again, to retire last September. But a few months later, he got an offer from a former colleague for flexible, part-time work, complete with a 401(k), and he couldn’t say no.

Some people who were on the fence about retiring have realized that much of what they wanted to be done with was their commute, not necessarily the work itself, said adviser Michael Meehan, vice president at TFC Financial.

One client, a medical doctor in her early 70s, has found an extended career in telemedicine, Meehan said. That has helped her maintain a good income and focus on “doing what she really loves — connecting with patients and helping people, without physically having to be there, risk Covid and deal with office structure,” he said.

In some cases, clients “are going stir-crazy,” said Chris Mellone, an adviser at VLP Financial Advisors. Plans to retire are being put on hold until at least the summer, when people are hopeful that travel will be possible and vaccines will be more widely available, he said.

Until then, clients are thinking about what they want retirement to look like. For example, does it mean phasing out work, or is it an abrupt cessation?

For those who want a lighter work schedule, the present is a good time to negotiate that, he said. Employers are much more willing to accommodate remote work and consulting arrangements, given the success they’ve seen during the pandemic.

“This has almost been a like a dry run for a lot of people,” Mellone said.

OPPOSITE EFFECT

Even with remote work capabilities and limited opportunities for travel and leisure, Covid-19 has led some clients to retire early, one adviser said.

“We have some clients who quite frankly, it’s made them think about their own mortality,” Meehan said. “Some younger people like that are starting to think about, ‘How do I get to my number and retire sooner than I had planned to?’”

“I THINK THEY WOULD DELAY RETIREMENT A LITTLE LONGER IF THEY HAVE THE CHOICE.”

SCOTT HAMMEL, FINANCIAL PLANNER, APEIRON PLANNING

Business owners are a prime example. In some industries, merger and acquisition activity has been on a tear, making it an opportune time to sell. And potential tax changes on the horizon are prompting deals to move quickly.

A client couple in their early 50s who own a media business are doing just that, Meehan said.

“They’ve decided that now is a good time to sell their business. Multiples are high, and valuation was extremely strong,” he said. “They’re using it as an opportunity to almost reboot, and do what they love, focus on something different.”

FINANCIAL CONSIDERATIONS

There is a financial benefit to delaying retirement, particularly during the pandemic, for those who are fortunate enough to work remotely.

“If they can make working from home enjoyable, I think they would delay retirement a little longer if they have the choice,” Scott Hammel, a financial planner at Apeiron Planning, wrote in an email. “Without the ability for these would-be retirees to travel, there’s a ‘wait and see’ approach to working. Certainly, most are saving more than they would have otherwise with traveling and going out less, combined with working longer.”

Of course, many people who work with advisers are more financially secure than those without their services. And the Covid-19 economy has been brutal, with workers of all ages suddenly out of jobs.

In January, the unemployment rate for people 55 and older fell to 5.3%, down from 6% in December and a high of 13.6% in April, according to data from the U.S. Bureau of Labor Statistics. But many of those who were near traditional retirement age and were laid off last year are struggling to find employment, especially if they worked in industries that were hardest hit by the effects of the pandemic. And for many of those workers, an early, unplanned retirement will necessitate lifestyle changes.

SETTING PRIORITIES

The newfound work flexibility some have found over the past year has led to an “introspective conversation many people have had with themselves ... and placing a priority on the things they value most,” said Matthew Gaffey, managing partner of Corbett Road Wealth Management.

Even in normal times, recently retired clients go back to work within two years, he said.

“Not always do people take this path because they are forced to, but many because it gives them a sense of purpose, interaction with others, or they are charitably inclined,” he said.

For Childers, the automotive parts seller, the new retirement date is tentatively in April. Having the extra income has provided a little extra breathing room, in addition to the social benefits of working, he said.

“I’m really glad we got a financial planner,” he said. “We’re in good shape. But a little extra money is nice.”

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Senate grills Gensler on everything but Reg BI

BY MARK SCHOEFF JR.

GARY GENSLER

GARY GENSLER, THE Biden administration's nominee to chair the Securities and Exchange Commission, indicated last Tuesday he supports greater corporate disclosure about climate risk and might be open to rethinking mandatory arbitration in brokerage contracts.

But during a remote three-hour confirmation hearing before the Senate Banking Committee, he did not receive a question about the SEC's broker investment advice standard, Regulation Best Interest. The hearing featured Gensler and the nominee to be director of the Consumer Financial Protection Bureau, Rohit Chopra.

Two weeks ago, acting SEC Chair Allison Herren Lee directed the agency's Division of Corporate Finance to ramp up its scrutiny of company disclosures about the risks that climate change poses to their business.

The committee chairman, Sen. Sherrod Brown, D-Ohio, asked Gensler if he plans to push the agency beyond that directive.

"Increasingly, investors really want to see — tens of trillion of dollars in assets behind it — climate risk disclosure," Gensler told Brown. "Issuers would benefit from such guidance. So I think through good economic analysis, working with the staff, putting out to the public to get public feedback, that is something the commission, if I'm confirmed, would work on."

KEY POINTS

- Gary Gensler is President Biden's pick to head the SEC.
- In his confirmation hearing, he fielded questions on ESG, GameStop and mandatory arbitration.

But Republicans pressed Gensler on the extent to which climate change and other issues, such as corporate political spending and racial diversity, are relevant to financial performance.

"The securities laws are not the appropriate vehicle to regulate climate change nor to correct racial injustice or intimidate companies regarding political spending," Sen. Patrick Toomey, R-Pa. and the ranking member of the committee, said in his opening statement. "That is why we have environmental, civil rights, and political spending laws."

Gensler responded to similar GOP assertions by emphasizing that investors are demanding such disclosures.

"It's the investor community that gets to decide what's material to them," said Gensler, a former chairman of the Commodity Futures Trading Commission and a former Goldman Sachs executive.

The focus on the climate and finance at the hearing likely was a harbinger of the priority the SEC will place on environmental, social and governance investing under Gensler.

Prior to the hearing, many anticipated Gensler would get questions from lawmakers about Reg BI. Investor advocates are pushing the agency to revise the measure to define what "best interest" means and to delineate how brokers should mitigate conflicts of interest.

Barbara Roper, director of investor protection at the Consumer Federation of America, said she isn't concerned that Reg BI was ignored, citing the five-minute limitation on lawmakers' questions.

"I don't read too much into the lack of questions on Reg BI," Roper wrote in an email. "Members obviously had other issues they wanted to emphasize, particularly with regard to ESG issues, and five minutes isn't a lot of time."

MANDATORY ARBITRATION

Although Reg BI was passed over, the topic of mandatory arbitration clauses in brokerage contracts was raised by Sen. Elizabeth Warren, D-Mass., who is a leading critic of the industrywide practice.

"Hypothetically, for example, if Robinhood cheated individual investors, hypothetically, should that company be able to use forced arbitration clauses to avoid getting sued and held accountable?" Warren asked Gensler.

The Dodd-Frank financial reform law gave the SEC the authority to end mandatory arbitration. Gensler didn't commit to doing so, but he did indicate an open mind about the issue.

"While arbitration has its place, it's also important that investors — or, in that case, customers — have an avenue to redress their claims in the courts," Gensler said.

GAMESTOP RESPONSE

Similarly, Gensler didn't make any promises about how the SEC would address the recent GameStop trading frenzy. But he did outline issues the agency needs to tackle.

"How to ensure that customers still get best execution in the face of payment for order flow," Gensler said. "How to protect investors using trading applications with behavioral prompts designed to incentivize customers to trade more. How to ensure customers' access to markets when those apps may, at times, fall short of needed margin funds. How to promote competition in markets ... and how to update back-office infrastructure to lower risks and costs."

There didn't appear to be any resistance to Gensler's or Chopra's nominations, which Brown said he wants to advance quickly. Both need approval by the full Senate.

"There was virtually no political theater baked into the questions directed to Mr. Gensler, though political differences on issues like the meaning of 'materiality' and certain market structure features were on full display," Kurt Wolfe, a securities attorney at Troutman Pepper, wrote in an email. "I think it was a good signal that the senators asked substantive questions — including some about how Mr. Gensler will work with GOP senators and his fellow commissioners."

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Advisers aren't buying Warren's wealth tax

BY MARK SCHOEFF JR.

INVESTMENT ADVISERS are wary of wealth tax legislation proposed by Sen. Elizabeth Warren, D-Mass., and other bicameral Democratic lawmakers, expressing skepticism that it would make the economy fairer and warning that it could be difficult to implement.

The Ultra-Millionaire Tax would impose a 2% annual tax on the net worth of households and trusts worth between $50 million and $1 billion, and a 3% tax on those of more than $1 billion.

Warren, a new member of the Senate Finance Committee, said the legislation would raise $3 trillion in revenue over 10 years to spend on childcare, education, infrastructure and other priorities while affecting the 100,000 wealthiest American households.

"I'M NOT SURE [THE BILL] IS THE RIGHT APPROACH. I WANT TO SEE MORE DETAILS."

DIAHANN LASSUS, PEAPACK PRIVATE WEALTH MANAGEMENT

"The ultra-rich and powerful have rigged the rules in their favor so much that the top 0.1% pay a lower effective tax rate than the bottom 99%, and billionaire wealth is 40% higher than before the COVID crisis began," Warren said in a statement. "A wealth tax is popular among voters on both sides for good reason: because they understand the system is rigged to benefit the wealthy and large corporations."

SUPPORT BY DEMOCRATS

Other authors of the bill include Rep. Pramila Jayapal, D-Wash. and a member of the House Budget Committee, and Rep. Brendan Doyle, D-Pa. and a member of the House Ways and Means Committee.

Warren's bill is co-sponsored by seven Senate Democrats: Bernie Sanders of Vermont, Sheldon Whitehouse of Rhode Island, Jeff Merkley of Oregon, Kirsten Gillibrand of New York, Brian Schatz of

Hawaii, Ed Markey of Massachusetts and Mazie Hirono, also of Hawaii.

The idea of wealth tax doesn't sit well with some investment advisers.

Herschel V. Clanton, president and owner of Chancellor Wealth Management, worries it will extend beyond the $50 million floor set in Warren's bill.

"Once you've established the premise that we can tax wealth over $50 million, you can tax wealth over $1 million," Clanton said. "It just takes another law. It would be devastating to savers and investors."

Kashif Ahmed, president of American Private Wealth, is a Warren constituent. He said that although he admires her pursuit of her principles, her legislation is misguided because the wealth gap today is "not as egregious" as it has been at other points in American history.

"That doesn't mean you demonize the people who have it," Ahmed said. "This is just a cop-out. The wealthy pay their fair share of taxes."

Even if a wealth tax became law, people with high net worths would figure out how to "shield their wealth," he added.

Warren said the bill contains anti-evasion and avoidance provisions.

Diahann Lassus, managing principal at Peapack Private Wealth Management, said wealth inequality has been exacerbated by the coronavirus pandemic.

But she said Warren's bill may not be the best mechanism to address the problem. There are difficulties in determining individuals' net worth given complexities surrounding ownership of businesses and real estate, as well as the details of liability.

"I have trouble calculating that for clients who aren't anywhere near these levels [in the bill]," Lassus said. "That seems like an awful big project. I'm not sure [the bill] is the right approach. I want to see more details. How could you capture that type of information effectively and efficiently?"

TOUGH LEGISLATIVE PATH

The bill's structure is sure to be an issue as it makes a difficult legislative journey. In an evenly divided Senate, the measure almost certainly would not get 60 votes to break a filibuster. It also might have a tough road in a narrowly divided House.

Alternatively, it could become a provision in a so-called reconciliation bill this fall that could include many Biden administration spending priorities. Under reconciliation, the measure would need only a majority vote in the Senate.

"There will be a big demand for revenue," said Marc Gerson, a member at the law firm Miller & Chevalier.

But even under reconciliation, Democrats would have to hold together all 50 members of their Senate caucus, including moderates who are leery of tax increases. To keep them on board, a wealth tax bill might have to transform from "aspirational to practical" as it goes through the legislative process, Gerson said.

"That means reconsideration of the scope and appropriateness of any tax increase," said Gerson, a former Republican counsel on the House Ways & Means Committee. "The question is how do you define wealth and how do you tax wealth."

During last fall's campaign, President Joe Biden proposed raising individual rates for people making more than $400,000 and capital gains taxes for those making more than $1 million. Those ideas might also come up in a reconciliation package.

Lassus said lawmakers are right to try to tackle wealth inequality.

"The richest have gotten significantly richer during this time when a lot of other people have lost their jobs or their income," she said.

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How do you define the value of your advice to clients?

Defining value is the most ambiguous problem in our profession. And the inability to define value can be debilitating for you and your business prosperity.

Industry research puts the alpha added by a financial adviser at 3% to 3.75% a year, and the value in terms of helping clients clarify their goals, create better habits and avoid big mistakes can be much greater. In light of this, there is no logical reason for advisers to hesitate to defend their fees when clients challenge them.

But of course, human beings aren't rational creatures. For many advisers, there is a voice that tells them that prospects won't pay that much for planning. So they go into prospect meetings assuming they need to defend their fees, instead of being ready to communicate their value and quote their fees without apology or hesitation.

THREE TYPES OF VALUE

What is the value of planning advice? For simplicity, I'll propose three simple categories as a potent way to frame your value message:

• **Portfolio value** includes designing and managing investment portfolios; optimal portfolio construction, tax efficiency and withdrawal sequencing.

• **Planning value** represents the improved financial outcomes realized through financial planning; consistent savings and investing, managing debt, tax savings and retirement planning fall in this category.

• **Personal value** reflects an adviser's ability to help clients navigate their financial lives with greater effectiveness by providing behavioral coaching that fosters trust, emotional well-being and peace of mind.

HOW THE CONVERSATION GOES

Here's how you might communicate this conversationally:

"John, Jane, I've listened to what's on your mind and what's important to you when it comes to your money and financial life …"

• Briefly recall their comments about "making sure you start saving more consistently for retirement, knowing Jane and the kids will be okay if something happens to you."

"Together we've framed the outcomes and experiences you want to create, things like …"

• Recount in their words, "retire at 55 with a $10,000-a-month paycheck, sleep at night knowing you have a sound plan in place."

"My role is to add value to your financial life in three main ways. First, your portfolio value …"

• Explain what and how: "We'll create tax efficiency that … reduce portfolio risk by … after all, the best way to make money is not to give up big chunks of it."

"Second, I'll add value by designing a personal financial plan that reflects your unique situation and seeks to pull all the levers we possibly can to help you achieve your goals …"

• Define the benefits: "Put you on a savings plan that helps you retire at 55 … reduce tax liability and reinvest those savings … to ensure your needs are covered should something happen to John … increase your monthly retirement paycheck by $1,000 a month."

FOR MANY ADVISERS, THERE IS A VOICE THAT TELLS THEM THAT PROSPECTS WON'T PAY THAT MUCH FOR PLANNING.

"Last and most important is my helping you navigate this process."

• "Too often, our financial decisions are driven by our feelings and fears rather than facts, and studies show investors fare far better with an adviser than without one."

"This integrated approach affords me the ability to have a very real and measurable impact on your financial life, while also recognizing the biggest impact I can have is giving you a personal path to follow and being a trusted guide to help you along the way. In doing so, I help reduce your risks, maximize your financial returns and achieve your goals by helping you navigate your life with greater clarity, confidence and peace of mind."

KEY POINTS

- Research puts the alpha added by a financial adviser at 3% to 3.75% a year.
- But many advisers assume they will need to defend their fees.

VALUE-DEFINING

This value-defining talk with a prospect should not be a difficult conversation to have. If the prospect is price-sensitive, or equates price to time, they will have one definition of value, one that I would encourage you not to share.

Building a thriving practice isn't about building a business case for your value and fees; it's about building your belief case. After helping one of my adviser clients see that her job is to give prospects the information they need to make informed and educated choices about their financial life, and not to convince or cajole someone to work with her, she radically shifted her value mantra. In the middle of a group coaching session, she stood up and shouted, "Some will, some won't, so what? Someone's waiting."

Since then, she's radically transformed her practice, narrowing her niche and doubling her income while cutting her hours by almost half, with a 25-to-30-hour workweek that includes Fridays off.

There will always be people who doubt your value, and others who are willing to pay for it. The voices in your head will continue to question your worth if you let them. And yet you know, in the rational part of your brain, that the voice of this article speaks the truth.

In the end, your ability to charge fully for the value you deliver depends entirely on which voices you choose to listen to.

Stephanie Bogan is founder and chief possibility officer for Limitless Advisor and a high-performance Strategy+Growth coach to founders and CEOs of finserv firms. You can join Stephanie's Monthly Mojo newsletter at www.limitlessfa.life.

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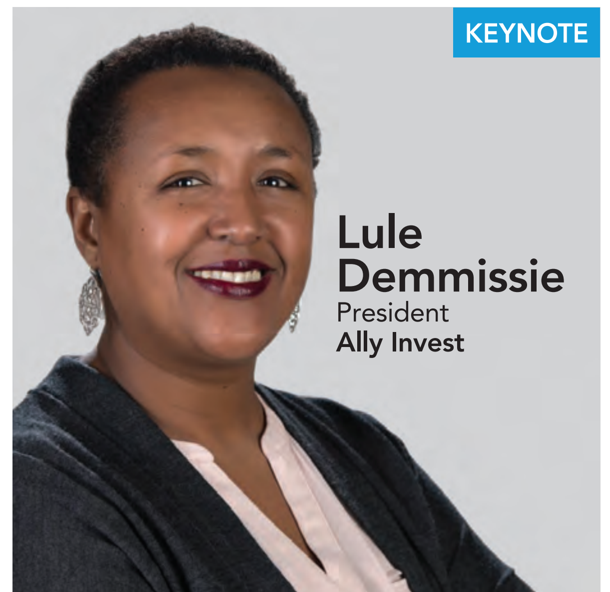

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OKLAHOMA

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years and do not already offer a retirement plan.

The law would go into effect Nov. 1, and the auto-IRA program would launch within two years after that, though it would likely use a staggered rollout process similar to programs in other states, according to the text of the measures. Larger employers would be required to sign up initially, and smaller businesses would face a later deadline to comply.

3% CONTRIBUTION

Employees would be enrolled automatically at a 3% contribution rate, though they could change that or opt out of the program altogether. Employers would not be considered fiduciaries.

The fact that Oklahoma is considering such a law says much about the progress of state-sponsored retirement programs for private workers. Other programs are already up and running in more Democratic-leaning states like Oregon, Illinois and California. But the fact that Oklahoma is moving toward an auto-IRA is a very positive sign for the programs overall, said Angela Antonelli, executive director of Georgetown University's Center for Retirement Initiatives.

Last month, Virginia also moved forward with auto-IRA legislation, sending bills to the governor.

"There has always generally been bipartisan support for these programs," Antonelli said. "Out of the trajectory of the Covid pandemic … there has been a greater appreciation for the value of saving."

Less than half of Oklahoma's 1.27 million private-sector workers have access to retirement savings plans through their employers, according to a recent report from Georgetown CRI. An auto-IRA program that would require all businesses to participate would cover an additional 438,000 people, though that total would be lower, at 327,000, if employers with fewer than 10 workers are exempt, the report found.

LEGAL CHALLENGES

States that have established auto-IRA systems have been confident that they are on strong legal ground and that the programs are not covered by the Employee Retirement Income Security Act, Antonelli said. That view has been challenged, however, and California is still fighting a lawsuit brought by a conservative tax group that has maintained that the state's CalSavers program is preempted by ERISA.

The Trump administration backed the Howard Jarvis Taxpayers Association in that case, writing an amicus brief supporting its claims to an appellate court. This year, the Biden administration withdrew its support for that court filing, though the Trump administration's brief could still be considered by the court.

"Clearly, with the CalSavers case and the incoming Biden administration moving quickly to take a neutral position and communicate that … [there] has been a signal to the states, of encouragement to go ahead and feel comfortable moving forward with these programs," Antonelli said.

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SEC EXAMS

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recommended firms do an internal assessment of how they define ESG and the terminology they use.

"Your disclosure should say what you do," Wright said last Wednesday during the online Investment Adviser Association Compliance Conference.

The Division of Examinations said that its probes this year "will again emphasize the protection of retail investors, particularly seniors and individuals saving for retirement."

Part of that emphasis will be probing brokerages' compliance with Regulation Best Interest. The measure went into force in June, and the SEC conducted exams focused on whether firms were making a "good faith" effort to adhere to the rule.

15%

PORTION OF RIAS EXAMINED BY THE SEC IN FISCAL 2020

This year, the SEC is saying it will get tougher on Reg BI reviews by expanding the scope of exams to assess whether brokers are making investment recommendations that are in their clients' best interests.

"The Division will also conduct enhanced transaction testing as part of these examinations … the recommendation of rollovers and alternatives considered, complex product recommendations, assessment of costs and reasonably available alternatives, how sales-based fees paid to broker-dealers and representatives impact recommendations, and policies and procedures regarding how broker-dealers identify and address conflicts of interest," the priorities document states.

In addition to Reg BI, the investment advice reform regulatory package included the SEC's interpretation of the fiduciary duty that applies to RIAs. Exams this year will assess whether RIAs have fulfilled their care and loyalty obligations to clients.

"This will include assessing, among other things, whether RIAs provide advice, including whether account or program types continue to be in the best interests of their clients, based on their clients' objectives, and eliminate or make full and fair disclosure of all conflicts of interest which might incline RIAs — consciously or unconsciously — to render advice which is not disinterested such that their clients can provide informed consent to the conflict," the priorities document states.

Examinations of RIAs also will zero in on their use of turnkey asset management platforms.

"Such platforms provide RIAs with technology, investment research, portfolio management and other outsourcing services, and the Division's examinations will seek to assess whether such fees and revenue sharing arrangements are adequately disclosed," the priorities document states.

HARD WORK PAYS OFF

In fiscal 2020, which ran from Oct. 1, 2019, through Sept. 30, the SEC said it completed 2,952 examinations, a 4.4% decrease from fiscal 2019, which the SEC said illustrated examiners' hard work given that the agency has been working remotely since the coronavirus pandemic hit a year ago.

The SEC examined 15% of RIAs in fiscal 2020. The number of RIAs overseen by the agency has grown from 12,000 five years ago to 13,900 currently, and their assets under management have increased from $67 trillion to $97 trillion.

In fiscal 2020, the Division of Examinations issued more than 2,000 deficiency letters and made 130 referrals to the Division of Enforcement.

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WELLS FARGO

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Advisors has seen a net decrease of about 2,000 advisers since then as many jumped ship to competitors or retired.

Advisers for the most part will not feel a direct impact as a result of the change in management structure and will continue to report to the same local manager. The realignment will take at least several weeks.

"We are evolving into a flatter, more nimble organization that brings all our services to clients and makes it easier for them to do business with us and for advisers to support clients in doing so," a company spokesperson wrote in an email.

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FIDELITY

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for our communities."

The Commonwealth of Massachusetts has paused distribution of vaccine doses to employers, and Fidelity is not providing vaccines to employees at this moment, Aalto said. It's not clear what attempts other financial services giants have made to get shots in the arms of employees or locals.

Based in Boston, Fidelity has 40,000 employees worldwide, with 12 regional offices and 190 investor center offices in the United States alone.

Details of any plan were vague. "We hope and expect to be able to assist with the logistics of distributing vaccines in the commonwealth, including inoculating our employees who would like to receive it to help increase the number of vaccinations in our state, in accordance with state guidelines," Aalto added.

Fidelity "believes in the safety and efficacy of the vaccines and strongly supports vaccination to help eliminate risk from Covid-19," he wrote, and it also "believes that having as many associates vaccinated as possible maximizes the safety of associates, customers, vendors, visitors to our facilities and the community."

"We support vaccination for all who are able to receive it, but we also understand that exceptions will exist for certain religious, medical or other reasons," he wrote.

Pensions & Investments originally reported the news.

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BOB DOLL

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dictions with "helping to shape the discussion."

"While Bob was named portfolio manager for a relatively small amount of assets, his impact to the investment community has been much broader," he said.

Prior to joining Nuveen, Doll held similar roles at other large asset management firms, including serving as chief equity strategist at BlackRock, president and chief investment officer at Merrill Lynch Investment Managers, and chief investment officer at Oppenheimer Funds.

Doll earned a B.S. in accounting and a B.A. in economics from Lehigh University and an M.B.A. from the Wharton School of the University of Pennsylvania. He is a certified public accountant and holds the CFA designation.

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MINIMUM WAGE

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which ultimately reduces the number of entry-level jobs.

"If you've been to a McDonald's recently, you've noticed the kiosks to place your order, and with the raising of the minimum wage, you'll see more and more of this in the future," he said. "The jobs will be replaced by kiosks and the costs will be passed along to the customers."

Jim Iuoria, director at TJM Investments, has a hard time seeing any upside to a policy that the Congressional Budget Office predicts will cost more than 1.5 million low-wage jobs.

"I looked at it from a macroeconomic perspective and as a restauranter, and I think it's idiotic," he said. "The only defense I can think of is that it sounds good by politicians who want to act like champions of the working man."

INFLATING COSTS

But longer-term concerns over increased unemployment and inflating the costs of products and services across the board are brushed aside by those who believe markets and businesses can adapt to such government-imposed policies.

"The private sector is already taking the lead on raising the minimum wage," said Larry Luxenberg, financial adviser at Lexington Avenue Capital Management.

He cites examples of mega employers like Amazon and Walmart "already paying the majority of their workers above minimum wage and continuing to raise wages," as examples of the market forcing wages higher.

"If an individual company has to do it on its own, it can be hard, but if everyone has to do it, it lessens the impact on any one employer," Luxenberg said.

David Jackson, a financial adviser at Modern Horizons Wealth Advisors, favors a higher minimum wage to reduce the "corporate welfare" of offering lower earners earned income tax credits that are ultimately funded by taxpayers.

"I think it's a good thing for society, but it's hard to say what it will do for the economy," he said. "I've never seen an increase in the minimum wage really affect the stock market."

Jackson acknowledges the collateral damage on some businesses that will close and some workers who will lose their jobs as a result but believes there will also be an economic boost.

"The economics of it helps because you give someone on minimum wage more money, they will spend it," he said.

GLOSSING OVER NEGATIVES

While some focus on the net positives, Dennis Nolte, vice president at Seacoast Investment Services, said it is dangerous to just gloss over the negative effects of doubling the federal minimum wage over a four-year period.

"I suppose it's a positive in the short run except when you look at what goes up with it, like the price of gas and food," he said. "It will cause more small businesspeople to cut back by laying off employees, and that's not a good thing, because I'm not sure where those unemployed folks go."

In terms of how something seemingly grounded in economics and math can produce such polarizing perspectives, Nolte said it all boils down to political theater.

"Of course, the politicians understand it and, realizing half the public doesn't pay taxes, they're playing to their base," he said. "It goes contrary to how economics works, but the politicians are playing to a certain base, and they never mention that 20% of you might lose your jobs."

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WOMEN-RUN 401(K)S

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Department of Labor between those years. Morningstar examined whether the named administrator of a plan appeared to be male or female, using Social Security application data for names, to help determine the probability of administrator's likely gender. For example, the name "Michael" had a more than 99% of indicating a male, while "Lisa" was equally indicative of being a female name. Names such as "Lee" and "Stacey," which are less clear in specifying gender, required different probability figures.

While the data show that gender diversity among named plan administrators has increased significantly, overall diversity in the financial services area could use a lot of work, the authors of the report noted. On that subject, they cited a prior Morningstar paper that found there are more mutual fund managers in the U.K. named "Dave" than there were female fund managers of any name.

But there's increasing recognition that businesses of all types benefit from the "diversity dividend," meaning that if their leaders and employee bases represent a range "across genders, races, ethnicities, religions, ages, sexual orientations and physical abilities," they are more likely to succeed, the authors noted.

"Companies have learned that the diversity of their salespeople, marketing professionals, executives and other employees should reflect the diversity of their clients and society in general in order to drive success and innovation," the authors wrote. "Similarly, benefits professionals should better reflect the diverse gender, racial, sexual and religious makeup of the employees they serve in order to ensure that their benefits offerings result in productive, healthy and competitive workforces."

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GREENWASHING

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As I've already laid out, there's way too much nuance in the ESG space. Even if this level of vague distinctions is acceptable at a time when everyone is scrambling to catch Europe in the global ESG race, we shouldn't be afraid to call someone or some company or municipality out when they stretch the limits of the ESG label.

The pushback I've gotten when it comes to the greenwashing term is often along the lines of what the French philosopher Voltaire described back in the 1700s as not allowing the perfect to be the enemy of good.

I get that. In an uphill climb, which ESG investing certainly is, albeit with some healthy momentum, folks don't want to draw attention to lesser or unsuccessful efforts.

SHADES OF GREEN

Admittedly, there are, and probably always will be, shades of green.

But when I think of greenwashing, I'm not talking about BlackRock Chief Executive Larry Fink running around telling everyone to be greener while the $7.8 trillion asset management conglomerate he oversees owns at least $85 billion worth of coal investments.

I'm not even talking about former Vice President Al Gore, who won an Academy Award for his global warming PowerPoint presentation, "An Inconvenient Truth," being found out for living on an estate that consumes 21 times more energy than the average U.S. house.

To me, those qualify more as embarrassments, hypocrisy and bad PR.

Greenwashing, on which ESG purists should be eager to put their foot down, implies the kind of deception that could lead ESG-conscious investors to buy something that only claims to be green.

I'm referring to funds adding generic ESG-themed statements to prospectuses or even renaming funds to suggest a green theme without altering the investment strategy.

The shades of green really start to get fuzzy when it comes to fixed income, where investors and portfolio managers must make decisions about green bonds being issued by otherwise non-green companies, and vice versa.

Consider, for example, electric-car maker Tesla Inc., which is generally regarded as an ESG-friendly company, but only two of whose three debt offerings qualified as green.

According to the Climate Bond Initiative, of the $140.5 billion worth of debt issuance it tracked in the first 11 months of 2020, it certified just $31.5 billion, while describing the remaining $109 billion as labeled green and aligned with CBI definitions.

CBI clearly recognizes there are shades of green, but also shows an additional $102.8 billion worth of debt issuance last year that was labeled green but was not aligned with CBI definitions.

In other words, greenwashed.

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