SEPTEMBER 13-17, 2021

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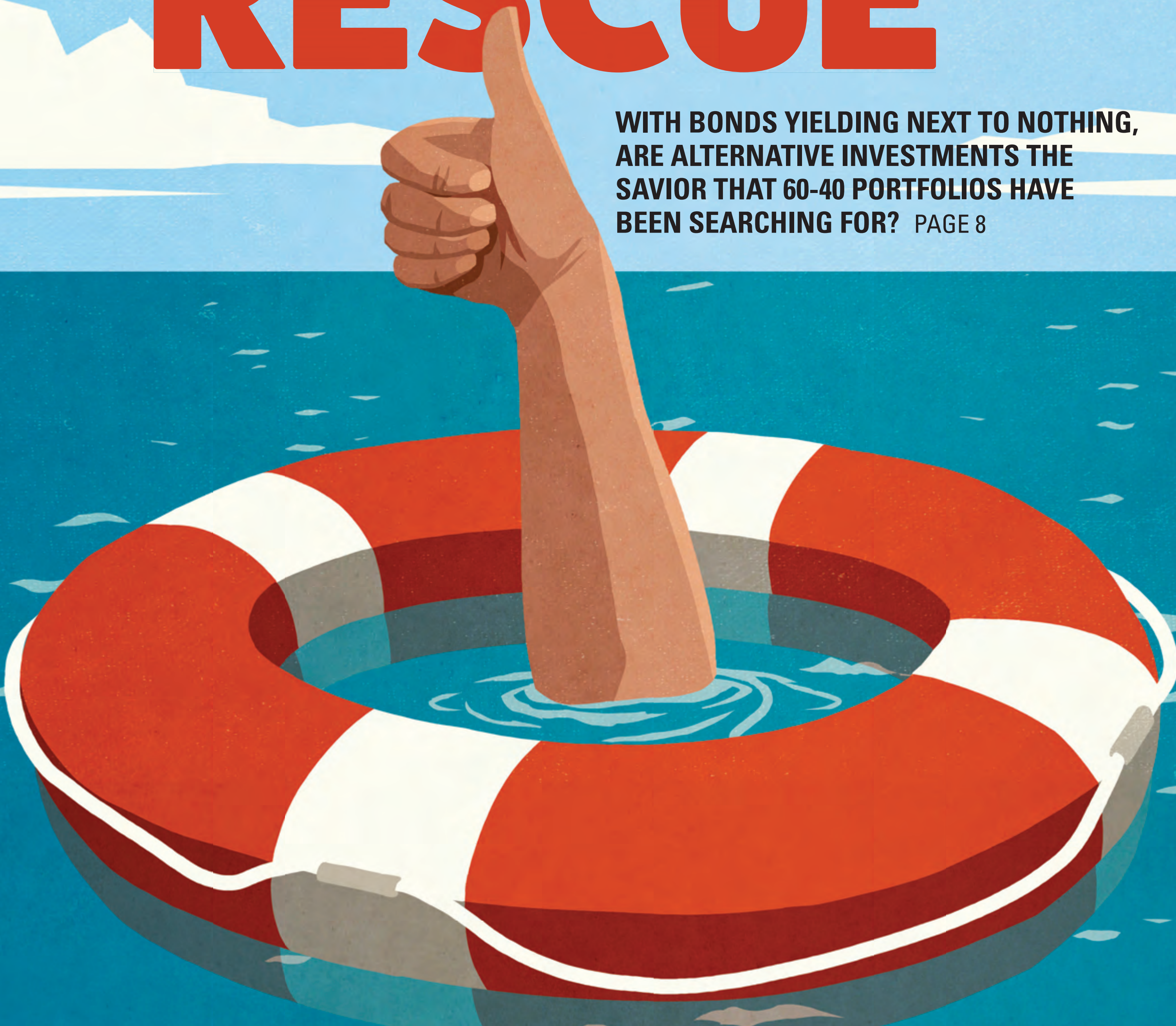
ALTS TO THE RESCUE

WITH BONDS YIELDING NEXT TO NOTHING, ARE ALTERNATIVE INVESTMENTS THE SAVIOR THAT 60-40 PORTFOLIOS HAVE BEEN SEARCHING FOR? PAGE 8



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TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

INSIDE

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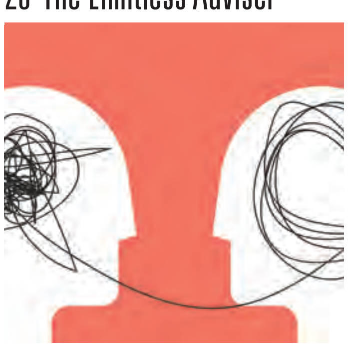
Michelle Waymire says her polyamorous niche grew out of a focus on the LGBTQ community.



Stephanie Bogan offers tips on how to get your arms around your head trash and get rid of it.

Vol. 25, No. 26, September 13, 2021. InvestmentNews (ISSN 1098-1837) is published Weekly except for the 1st week of January, the 1st & 3rd week of February, the 2nd, 4th & 5th week of March, the 1st & 4th week of April, the 5th week of May, the 4th week of June, the 1st, & 3rd week of July, the 1st, 3rd & 5th week of August, 1st week of September, the 1st & 3rd week of October, the 4th & 5th week of November and the 3rd & 4th week of December by InvestmentNews LLC., 685 Third Avenue, New York, NY 10017-4024.
U.S. subscription price: $89 a year.

Merrill Lynch's Project Thunder strikes again

BY BRUCE KELLY

AS PART OF ITS broad two-month welcome to financial advisers making their way back to the office, Merrill Lynch said last Thursday it was taking the significant step of adding clients' banking and mortgage information to advisers' Client Engagement Workstation.

The change in the broker workstation is part of a broader effort, dubbed Project Thunder internally, to make work life a little bit easier and more comfortable for Merrill's roughly 19,000 wealth management advisers, private bankers and call center brokers.

Until now, Merrill Lynch financial advisers would have had to pick up the phone to make an inquiry about clients' banking activity.

The announcement was just the latest in the eight-week Project Thunder program, in which Merrill is aiming to introduce improvements for its advisers. The firm also said last week that it was making it easier for advisers to customize greeting cards for clients.

Also last week, Merrill said it hired Danielle Papandrea to lead its practice management effort.

Papandrea's title is teaming and practice management consulting group executive, and she reports to Craig Young, the national business development executive. She worked at BlackRock for 10 years and before that was at Merrill Lynch.

All Merrill Lynch offices are open across the country, and employees who have taken a Covid-19 vaccine and have voluntarily shared their vaccination status can return to the workplace.

KEY POINTS

- Merrill Lynch is adding more client info to advisers' Client Engagement Workstation.
- The change is part of a broader effort to make work easier.

NEW AND IMPROVED

Merrill Lynch consistently adds technology improvements for its advisers; a year ago, it rolled out its tech-driven workstation, the aforementioned Client Engagement Workstation. The workstation uses artificial intelligence and machine learning and is presented in a browser-like platform personalized for financial advisers to manage and connect with their clientele.

CONTINUED ON PAGE 22

House committee clears the way for auto-IRAs

BY MARK SCHOEFF JR.

THE HOUSE WAYS and Means Committee approved legislation last Thursday that would require small businesses to provide retirement plans for their workers.

The Democratic majority on the House tax-writing panel advanced the measure on a mostly party-line vote, 22-20, that introduced partisan tension over retirement savings policy, an issue that had been one of the few to draw wide bipartisan support. Two Democrats joined all committee Republicans in opposing the retirement provisions.

The legislation would require employers that have been in business for at least two years and have five or more employees but don't offer retirement plans to enroll their workers automatically in individual retirement accounts or 401(k)-type plans. The measure offers a tax credit to offset costs but also imposes an excise tax on businesses that don't set up auto retirement savings programs.

SAVER'S CREDIT

Another provision would make the Saver's Credit refundable, helping people who owe no income taxes to build a retirement nest egg. The amount of the credit would be deposited directly into a tax-favored retirement account, such as a Roth IRA.

The bill specifies that the retire-

CONTINUED ON PAGE 22

Social Security trust funds to be depleted sooner than expected

BY MARY BETH FRANKLIN

THE SOCIAL SECURITY trust funds, created to help pay future retirement benefits when payroll tax revenue alone is no longer sufficient, will run dry in 2034, one year sooner than previously predicted, as a result of the economic fallout from the Covid-19 pandemic.

On Aug. 31, the Social Security Board of Trustees released its annual report on the long-term financial status of the Social Security trust funds, projecting that the combined asset reserves of the retirement, survivor and disability programs would be depleted within 13 years, one year sooner than had been forecast in last year's report. At that point, Social Security would be able to pay only 78% of projected benefits, down from the 79% projection in the 2020 report.

The Old Age and Survivor Insurance trust fund and the Disability Insurance trust fund are separate entities under law. But the report presents information that combines the reserves of these two trust funds to illustrate the actuarial status of the Social Security program as a whole.

The 2021 trustees report is the first snapshot of the impact of the Covid-19 pandemic on Social Security's financial status. Last year's report, issued in April 2020, didn't reflect the job losses and resulting reduction in payroll tax collections caused by the pandemic. In addition, involuntary retirements of older workers may have prompted them to claim Social Security benefits earlier than they had planned.

"The Trustees' projections in this year's report include the best estimates of the effects of the Covid-19 pandemic on the Social Security program," Kilolo Kijakazi, acting commissioner of Social Security, said in a statement. "The pandemic and its economic impact have had an effect on Social Security's Trust Funds, and the future course of the pandemic is still uncertain. Yet, Social Security will continue to play a critical role in the lives of 65 million beneficiaries and 176 million workers and their families during 2021."

"The Covid-19 pandemic and 2020 recession have had significant effects on the short-range finances of both" the Social Security and Medicare programs, the trustees report said.

"Employment, earnings, interest rates and GPD dropped substantially in the second quarter of 2020 and are assumed to rise gradually toward full recovery in 2023, with the level of worker productivity and thus GDP permanently lowered by 1%," according to the report. "In addition, the pandemic and recession are assumed to lead to elevated mortality rates during the 2020-2023 period and delays in births

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Wealth Enhancement Group strikes 11th deal this year

BY JEFF BENJAMIN

WEALTH ENHANCEMENT Group is establishing a footprint in the Carolinas with the acquisition of Carroll Financial Associates, a $4.7 billion registered investment adviser based in Charlotte, North Carolina.

This marks the 11th deal this year for Minneapolis-based Wealth Enhancement Group, which will oversee $45.5 billion in client assets at the close of the deal, expected Nov. 1.

Since June, Wealth Enhancement Group has added 83 advisers and about $12.5 billion in assets to its platform, after adding nearly $7 billion in assets in 2020 and approximately $4.5 billion in 2019.

Carroll Financial, founded in 1980 by chairman emeritus Larry Carroll and led by his son, CEO Kristopher Carroll, has locations in Raleigh, North Carolina, and Rock Hill, South Carolina, in addition to its headquarters. Its three offices will be Wealth Enhancement Group's first in the Carolinas.

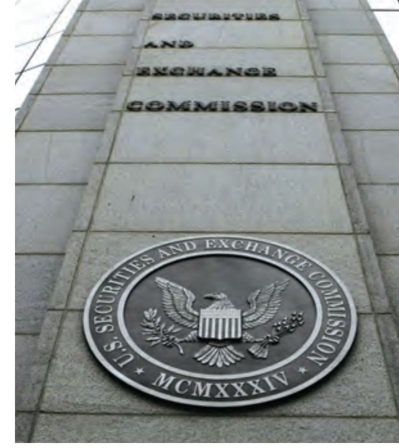
"The firm that Larry and Kristopher Carroll have built over the past several decades is truly a paragon of success and reflects the potential of financial planning-based business models in today's competitive wealth management marketplace," Wealth Enhancement Group CEO Jeff Dekko said in a statement.

BROKERAGE ASSETS TO LPL

When the deal closes, Larry Carroll will serve as senior vice president and Kristopher Carroll will serve as managing director at Wealth Enhancement Group. As part of the transaction, the practice will be moving its brokerage assets to LPL Financial.

"Since my father started the firm four decades ago, we have taken pride in serving generations of families here in the Carolinas and building close relationships with them," said Kristopher Carroll. "Looking forward, our top priority will continue to be serving our clients with integrity, and we firmly believe that joining Wealth Enhancement Group will enable our team to grow and develop in ways we could not have otherwise done."

jbenjamin@investmentnews.com



SEC fines 8 firms for cybersecurity deficiencies

BY MARK SCHOEFF JR.

THE SECURITIES AND Exchange Commission on Aug. 30 ordered eight financial firms to pay a total of $750,000 in fines for deficient cybersecurity protections that led to the exposure of client and customer information at various times over the last four years.

The enforcement action involved five Cetera Financial Group operations — Cetera Advisor Networks, Cetera Investment Services, Cetera Financial Specialists, Cetera Advisors and Cetera Investment Advisers — as well as Cambridge Investment Research Inc., Cambridge Investment Research Advisors Inc. and KMS Financial Services Inc., an affiliate of Ladenburg Thalmann.

The SEC charged the firms with violating the Safeguards Rule, which requires advisory firms and brokerages to adopt written policies and procedures designed to protect customer records and data against cybersecurity attacks or other unauthorized access.

"ADVISERS AND BROKER-DEALERS MUST FULFILL THEIR OBLIGATIONS."

KRISTINA LITTMAN, SEC

Cetera will pay a $300,000 fine, while Cambridge will pay $250,000 and KMS will pay $200,000. The firms agreed to cease and desist from future violations and pay the penalties without admitting or denying the SEC's findings.

"Investment advisers and broker-dealers must fulfill their obligations concerning the protection of customer information," Kristina Littman, chief of the SEC Enforcement Division's cyber unit, said in a statement. "It is not enough to write a policy requiring enhanced security measures if those requirements are not implemented or are only partially implemented, especially in the face of known attacks."

Cambridge did not comment specifically on the SEC enforcement action, but a spokesperson defended its cyber-

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Top investor advocate gets into the regulatory game

A significant loss to my source list is now the Securities and Exchange Commission's gain when it comes to oversight of investment advisers and brokers.

D.C.INSIDER
MARK SCHOEFF JR.

The agency announced that Barbara Roper, director of investor protection at the Consumer Federation of America, has been appointed a senior adviser to SEC Chairman Gary Gensler.

During her 35-year career at the federation, Roper distinguished herself as an effective investor advocate who influenced legislation and regulations governing investment advisers and brokers.

She tended to throw many Republicans — and likely some moderate Democrats — off balance. There were times when Capitol Hill Republicans would refer derisively to Roper in public statements. They likely talked about her even more often in private.

Roper also had a neuralgic effect on brokerage industry lobbyists. Whenever she would push to reform aspects of the broker business model that put investors at risk, they would wince.

She could inflict pain on her opponents without scowling or saying a mean word. She operates with a smile, upbeat attitude and humor. That was her disposition every time I talked to her in a truly countless number of interviews over the past 11 years.

My biggest adjustment now that Roper has gone to the SEC is that I won't be able to turn to her for insight — and zinger quotes — for my stories. She was my most accessible source. I could pick up the phone or send an email and know that Barb would be available immediately or very soon.

Unfortunately for me and many other reporters, she is now cloistered. When I reached out to Roper about her new SEC role, she said I should contact the SEC press office. An SEC spokesperson told me the agency wasn't making Roper available for interviews at this time.

BARBARA ROPER

That won't stop me from looking ahead to what might happen now that Roper has left the advocacy world and entered the regulatory game as an SEC insider. It will be like a TV or radio analyst for a professional sports team signing on as a coach for the squad. Let's see if her critiques from the sidelines translate into wins on the field.

APPROACH TO REG BI

Even before she draws her first SEC paycheck, Roper has influenced how the agency under Gensler is approaching Regulation Best Interest, the broker advice standard that went into force more than a year ago.

Roper has been a vocal opponent of Reg BI, arguing that it's too weak to curb brokers' conflicts of interest. She made that point in an April 19 letter to Gensler. She went on to criticize other parts of the Reg BI regulatory package — the interpretation of the Investment Advisers Act and the disclosure document known as Form CRS.

CONTINUED ON PAGE 24

Why Air Jordan invested in estate planning tech

BY NICOLE CASPERSON

BASKETBALL LEGEND Michael Jordan is one of a group of investors betting that fintech can improve estate planning by participating in an $11.6 million funding round for startup Vanilla.

While fintech firms have been working to disrupt the wealth management industry, most of their innovations have focused on investment and financial planning and little attention has been paid to digital estate planning. That's why financial adviser and wealth management entrepreneur Steve Lockshin founded Vanilla in 2019, to fully digitize the process for registered investment advisers with a platform that automates client estate planning and document processing.

"Your typical adviser gets paid on assets under management, and all they care about are assets and they ignore estate planning, so consumers are getting short shrift," Lockshin said. "Advisers aren't differentiating themselves and a lot of it is because they just don't understand it.

DEMOCRATIZING ESTATE PLANS

"So we want to simplify and automate, that which can be automated, and accelerate the high-quality advice that clients need and deserve," he said.

Lockshin, who has worked with Jordan on his estate planning for 25 years, said he approached Jordan and his business partner Curtis Polk with the idea of a fintech that automates and democratizes access to estate planning. Jordan and Polk were quickly interested in becoming investors, Lockshin said.

Leading the funding is Venrock, a venture capital firm that's been an early investor in companies like Apple and Personal Capital. William McNabb III, former CEO and chairman of Vanguard Group, is a participating investor and has joined Vanilla's board of directors.

It's not the first wealthtech McNabb is participating in. He joined the board of directors of Altruist, which is seeking to disrupt the RIA custody space, after its latest $50 million funding round. Jason Wenk, founder and CEO of Altruist, also participated in the funding round.

Fintechs Orion and Addepar have partnered with Vanilla to integrate and provide automated estate planning to users of their software, according to the announcement.

"It appears Vanilla is putting in the effort to develop deep integrations with other parts of the adviser ecosystem to avoid having yet another bolt-on wealth stack appendage that isn't connected and creates workflow and data issues," said Gavin Spitzner, president of Wealth Consulting Partners.

Mariner Wealth Advisors, Carson Group and AdvicePeriod have already deployed Vanilla across their organizations, along with 435 other registered investment advisers, according to the announcement.

"ESTATE PLANNING [SOFTWARE] IS ABSOLUTELY RIPE FOR DISRUPTION."

GAVIN SPITZNER, PRESIDENT, WEALTH CONSULTING PARTNERS

LAGGING INNOVATION

"We not only use Vanilla's estate planning capabilities today but are also planning to integrate the software into our firm's overall client service solution," said Marty Bicknell, CEO, and president of Mariner Wealth Advisors. "The technology will help ensure a uniformly high level of service with a modern experience."

Estate planning has fallen behind in terms of both technology innovation and talent, and advisers are go-

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Wells Fargo fined $250 million for missteps

BLOOMBERG NEWS

WELLS FARGO & CO. will pay a $250 million fine after the Office of the Comptroller of the Currency said the company has deficiencies in its home-lending business and violated a 2018 order tied to past consumer missteps.

The order, the first such sanction under Chief Executive Charlie Scharf, cited problems in home-lending loss mitigation practices — the steps firms take to avoid foreclosure — that have impaired the bank from being able to

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What can "more" inspire?
At Athene, we're driven to help people create retirements that reflect their dreams, their hopes... their "more." For Tal, it's sculpting one-of-a-kind robots from vintage salvage parts.
Make our unique sales development tools part of your practice and uncover what "more" means to your clients. Then, help turn those dreams into reality with Athene annuities.
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Opinion

EDITOR'S NOTE

A new brand day

Sept. 8, 2021, was an exciting day in the evolution of *InvestmentNews* with the launch of the newly branded and reorganized Bonhill Group, which acquired *IN* in 2018. The relaunch features a new visual identity for Bonhill as well as a streamlined group structure that amplifies what the combined companies can bring to the global financial services industry.

GEORGE B. MORIARTY

The power of this new organization has already borne fruit. We've adapted our technology to the virtual world and launched global brands in concert with teams in Europe and Asia. In 2019, *InvestmentNews* held its first ESG event and launched ESG Clarity in Europe. Since then, we've added ESG Clarity U.S. and Asia, executed a global ESG Summit, developed the Responsible Ratings Index, and have plans for two more events this year, plus digital magazines and ongoing coverage of the ESG universe.

What does this mean for *InvestmentNews* and its readers?

Rest easy, you'll continue to get the same excellent editorial, research and event content you've come to expect. Our editors and reporters will retain their laser focus on what matters to your business and your clients. What will change is increased visibility for our editorial partners across Bonhill Group in the pages (physical and virtual) of *InvestmentNews*.

I've been incredibly enthusiastic about *InvestmentNews* since joining in 2019, and I'm as excited today as I was on Day One. I see more great things ahead for *InvestmentNews* and Bonhill Group.

gmoriarty@investmentnews.com

20 YEARS OF RESILIENCE

Twenty years is a long time. This fall's class of first-year college students, for instance, weren't yet born when hijacked planes struck the World Trade Center in New York City, hit the Pentagon in Washington, D.C., and crashed into a field in Pennsylvania on Sept. 11, 2001.

But those of us who can recall that day remember it vividly: where we were, what we were doing, what we saw, heard and felt. And as was the case with previous days of infamy — Dec. 7, 1941, and Nov. 22, 1963 — our world view and behavior was indelibly changed by that event.

In this week's issue, *InvestmentNews* presents a series of articles that reflect on the changes to the financial services industry wrought by 9/11. In every case, the team found that the industry has been proactive about safeguarding itself and the assets of millions of investors and clients against another such attack.

Mark Schoeff Jr. outlines the steps taken to defend against the new and different forms a future attack might take (page 12), and he describes how financial firms have dispersed key operations geographically and built in redundancies for electric power and telecommunications. Even the Federal Reserve now practices crisis response to ensure that money flows where it's needed.

Nicole Casperson's sources reveal what the industry can learn from following the example of emergency responders like firefighters and the military — experts who train every day for what they call mass casualty events (page 13).

Bruce Kelly explains how 9/11 prompted a slow-moving, but ongoing, diaspora that has spread the industry geographically in the ensuing years as firms shifted away from Lower Manhattan and into regions that some readers may find surprising (page 14).

And Emile Hallez looks at how regulators and the retirement plan industry have worked together to shore up assets and strengthen the systems that run them (page 13), from the Department of Labor issuing cybersecurity tips for plan service providers, sponsors and participants to partnerships within the industry that established the Retirement Industry Council.

> **"THE FINANCIAL SECTOR IS IN A MUCH BETTER PLACE THAN IT WAS 20 YEARS AGO."**
> *— John Torres, Guidepost Solutions*

"The financial sector has had an amazing ability to be resilient and recover," John Torres of Guidepost Solutions told Mark Schoeff Jr. "For the most part, the financial sector is in a much better place than it was 20 years ago."

We know how the stock market has fared in the past 20 years, and to Torres' point, there's been a corresponding boom among registered investment advisers. According to data compiled by InvestmentNews Research analyst Devin McGinley (Aug. 9 issue), the number of billion-dollar-plus mega RIAs has exploded in just the past two years; hundreds of firms of that size exist today versus just a handful at the turn of the century.

Even the Covid-19 pandemic hasn't slowed the industry down — which is a testament to the diligence of the industry and the government, and the precautionary steps taken to safeguard trillions of dollars in assets from threats no one could have anticipated just a few years ago, let alone 20 years ago.

While reflecting on and honoring those who were lost that fateful day, it's also a good time to appreciate the ways in which we've grown as a society, as an industry and as a nation, and to give credit to the hard work and diligence that have kept us safe.

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ALTS MAY PROVIDE THE LIFT 60-40 PORTFOLIOS NEED

AS THE TRADITIONAL BLEND OF STOCKS AND BONDS IS UNDERMINED BY PERSISTENTLY LOW INTEREST RATES, ADVISERS ARE TURNING TO ALTERNATIVE INVESTMENTS TO ACHIEVE BOTH HIGHER RETURNS AND DIVERSIFICATION. BUT ALTS POSE THEIR OWN CHALLENGES.

BY JEFF BENJAMIN

DESPITE THE LONG and storied history of the traditional 60-40 balanced portfolio, it's quickly losing its importance as a reference point for the wealth management industry as modern markets and new realities pave the way for the latest evolution in diversification.

Equity markets are at record levels while bonds are paying next to nothing, and in some cases even providing negative yields. Cash and cash equivalents are finding it impossible to keep pace with the persistence of inflation.

Thus, the gates are swinging open once again to the mysterious and often perplexing world of alternative assets, where fees can be higher, strategies can be more complex and not all investors qualify for entry.

"I would bet a meaningful number of people allocated to a 60-40 portfolio should be in a higher risk profile to meet their long-term needs," said Jim McDonald, chief investment strategist at Northern Trust.

In the yin and yang of investing, risk is typically coupled with returns, which is the point that big thinkers like McDonald are leaning into these days.

"The last five years have been extraordinarily positive for the equity markets, and you will be hard-pressed to find a return forecast for the next five years that comes close to what we've experienced over the last five," he said. "The asset allocation has got to be driven by clients' needs and risk tolerances."

LOFTY LEVELS

The case for lofty levels in equity markets, which have been on an unprecedented and seemingly oblivious run since the financial crisis almost a dozen years ago, is more apparent with each passing day. It's the fixed-income side of the portfolio where most experts are having a hard time justifying anything that resembles a traditional portfolio.

"If you were just looking at a return-based portfolio, you wouldn't own fixed income right now," McDonald said. "With the bond bull market over the last 20-plus years, it's gotten harder to make a case for the return of fixed income, so that case for fixed has got to be based on liquidity or diversification."

While the concept of alternative investments is way too general to be referred to as a single investment strategy or even asset class, the message is getting louder that the old blend of stocks and bonds alone is no longer expected to be enough.

"We use alternatives as a bond replacement," said Ashton Lawrence, partner at Goldfinch Wealth Management.

"We look for those alternative investments that have a low volatility, similar to a bond, but they won't be as interest-rate sensitive," Lawrence

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said. "This allows us to still have an anchor to the portfolio with the potential for more upside than a traditional bond."

Jeffrey Nauta, principal at Henrickson Nauta Wealth Advisors, uses alternatives as a diversifier for both stocks and bonds.

"These asset classes might be illiquid, complex, or have some other hair on them," he said, citing everything from private real estate and farmland to reinsurance and cannabis lending.

"There are a growing number of interval funds that allow for easier implementation," Nauta said. "We've also structured commingled partnerships to meet minimums and access unique asset classes for clients."

Stuart Katz, chief investment officer at Robertson Stephens Wealth Management, describes the three primary purposes of alternatives as "the opportunity to dampen volatility, enhance returns and provide diversified forms of alpha."

"Alternative investments should be assembled by understanding how they work together with a traditional portfolio," Katz said. "The current environment of low yields, elevated valuations, excess liquidity in the marketplace and uncertainty regarding Covid creates a need for alts to complement a core traditional portfolio."

"THE 60-40 MODEL IS DEAD BECAUSE YOU CAN'T GET THE RISK MITIGATION OR YIELD YOU ARE LOOKING FOR."

CHRISTOPHER ZOOK, CHAIRMAN AND CIO, CAZ INVESTMENTS

BLEAK PICTURE

A recent report by J.P. Morgan Asset Management painted a particularly bleak picture of traditional stock-and-bond portfolios in the wake of the global pandemic, especially when it comes to fixed income.

"The impact on government bond yields of ultra-low interest rates is clear: over 85% of developed market government bonds are yielding below 1% and around 35% deliver negative yields," the report states.

To be fair, the old-school portfolio of 60% stocks and 40% bonds is not a complete waste of time and effort, and its flaws are clearly being oversimplified for the sake of a good punching bag.

Since 2008, for example, the 60-40 portfolio has delivered just two years of negative returns.

The old workhorse 60-40, which is likely closer to 70-30 these days for average investors, also holds up well when looked at from a historical perspective.

According to a basic illustration by Vanguard Group, looking at the risk-return profiles of various stock-bond allocations between 1926 and 2019, you generally get what you pay for by adjusting the stock-bond exposure.

At one extreme, an all-bond portfolio produced a 6% average annual return and suffered 19 negative years over the 94-year period. The best year for the all-bond strategy was a gain of 45.5% in 1982, and the worst year was a loss of 8.1% in 1969.

ALL-STOCK PORTFOLIO

At the other end of the spectrum, the all-stock portfolio had an average annual return of 10.2%, with 25 negative years over that period. The best year for all-stocks was a 54.2% gain in 1933, and the worst was a loss of 43.1% in 1931.

Even if past performance was indicative of future returns, dumping bonds and loading up on stocks wouldn't be a prudent strategy for investors in or near retirement, who need income and don't have the benefit of time on their side. And most investors would not be able to stomach the volatility of an all-stock portfolio.

As the J.P. Morgan report states: "Low government bond yields leave investors with significant challenges when creating a balanced portfolio … Shifting to a much higher equity allocation to boost returns, such as an 80-20 portfolio, would require the acceptance of considerably higher volatility, which may be particularly uncomfortable for investors with shorter-term savings objectives."

10%

AVERAGE ANNUAL RETURN ON AN ALL-STOCK PORTFOLIO BETWEEN 1926 AND 2019

A better strategy, according to the report, would be to "maintain a flexible fixed income exposure" supplemented with alternative investments such as real estate, infrastructure and certain macro strategies.

Creativity is key, said Steve Skancke, chief economic adviser at Keel Point. Even though he admits there has been "waning interest from investors to diversify into alternatives" during the decade-long bull market run, he said the appeal is growing.

Skancke said a typical 60-40 portfolio today should be adjusted to hold 20% traditional fixed income, 15% diversified alternatives and 5% cash on the fixed-income side. The equity side, he said, should be made up of 25% to 30% U.S. equities, 15% to 20% international equities, and 15% alternatives.

Christopher Zook, chairman and CIO of CAZ Investments, said demand for alternatives is "as robust as ever."

"Investors and advisers are clamoring for alts because the market is wildly overvalued by any metric and fixed income doesn't give you anything," he added. "The 60-40 model is dead because you can't get the risk mitigation or yield you are looking for, so the adviser can choose to be proactive or reactive."

Zook, who sits on the Texas Pension Review Board, which the monitors the state's 100 public pension funds, said all but two of those funds are "increasing allocations to alternatives and plan to do so for the next five years."

"And those two funds that aren't adding to alts are considering it," he added.

Of course, supporting the idea of alternative investments and getting a seat at the table are often two very different things.

'BIGGEST THEME'

Zook said his $2.4 billion multifamily office gets alternative exposure through 40 different direct ownership stakes in private equity firms as "our biggest theme."

"We want to own the businesses that will benefit from money flows coming to them," he said.

But not every financial adviser has the wherewithal or clout to gain access to the best alternative investment managers or strategies.

"It's fairly difficult to find anything right now because everything is expensive," Zook said. "We look

Tech platforms ease investing in alts

ONE OF THE platforms seizing on the increased appetite for alts is iCapital Network, a system that has been white-labeled by 115 different financial services companies to provide financial advisers with access to alternative investments for their clients.

The unique appeal of iCapital, which has grown to $83 billion worth of investments since launching in 2013, is that the minimum investment is sometimes as low as $25,000, well below typical hedge fund minimums, which can be in the $5 million range.

According to Lawrence Calcano, chairman and chief executive at iCapital, the platform provides access to nearly 250 general partnerships, and is currently connected to more than 3,000 financial advisers.

The iCapital platform gets around the higher direct investment minimums by combining smaller investments into funds that represent a single, larger investment.

Another example of technology creating a path to the alternatives space is YieldStreet, which launched in 2015 when founder and CEO Milind Mehere grew frustrated about not being able to gain access to strategies he felt he needed to build a diversified portfolio.

Mehere's inspiration was the experience of riding blissfully into the financial crisis with a balanced 60-40 portfolio only to suffer a 50% decline when all was said and done.

The YieldStreet platform has grown to more than $2 billion with about 3,000 individual investors using the platform.

"The last 12 months we've seen some of the biggest growth in our history," Mehere said. "People want to modernize their portfolios; we're seeing a lot of movement in fashion assets, collectibles and art."

At this point, YieldStreet is a platform for retail investors, but Mehere said the focus over the next 12 months will be creating access for financial advisers.

Equity Advisor Solutions, a custodian launched in 2010 that caters to advisers with client portfolios holding alternative investments, is another example of the industry embracing alternatives.

"We saw a void in the space," said Sean Gultig, the custodian's chief executive.

"We are very alternative-investments-friendly, and we have a lot of advisers who do alternatives," Gultig said. "The big box custodians charge extra per account for alternatives because it's labor-intensive, but we'll bundle it together and have asset-based pricing."

— Jeff Benjamin

at 1,500 investments a year. There are good ones and ones that are not investible."

McDonald of Northern Trust also acknowledged the challenges and the need for extreme caution when considering alternative investment opportunities.

"When you're dealing with alternatives, you have to ask yourself why you are gaining entry," McDonald said. "You might just be getting access to a fund that nobody else wanted, because the best ones are hard to get into." That's coming from an executive at a firm managing $1.1 trillion, including $10 billion in private equity and hedge fund investments.

"We spend years building relationships with the best private equity and hedge funds just to get access to one of their funds," McDonald added.

So what does that mean for the humble financial adviser with a few hundred million under management?

Well, the alternatives market in various forms continues to try and tap into the broader financial advisory space, and technology is providing a big assist. But even as technology is helping to solve some issues, access to most pure alternative investments is still limited to wealthy investors.

While the Securities and Exchange Commission last year expanded access to alternatives to individuals with certain credentials defined as knowledgeable, most access is still restricted to accredited investors with at least $1 million worth of investible assets, and qualified purchasers with at least $5 million worth of investible assets.

LIQUID ALTS BACK ON MAP

That leaves the majority of investors to get along with the universe of liquid alternatives, which are registered funds that employ alternative investment strategies.

While liquid alts have been around in various forms for decades, the big splash for the category came in the wake of the financial crisis: Alts gained steam around 2015 but never really impressed investors who wanted stronger performance and lower fees.

But according to Morningstar, the uncertainty created by the global pandemic somehow put liquid alts back on the map.

Through the first six months of 2021, liquid alt funds tracked by Morningstar had a record $14.1 billion worth of net flows. That compares to net inflows of $552 million for all of 2020, $1.8 billion worth of net outflows in 2019, and $5.1 billion worth of net outflows in 2018.

"Generally speaking, since about 2013 liquid alts have been a disappointment in terms of returns," said Erol Alitovski, senior manager research analyst at Morningstar.

"But since 2020, we've seen a bit of a revival," Alitovski said. "We've seen pretty decent recent performance, some good inflow traction, and for the first time in long time we've seen more funds launched than shuttered, globally."

While the liquid alt category is evolving and improving, it's also the only show in town for advisers who recognize the value of alternatives but can't access to big hedge funds and other private investments.

This should pave the way for liquid alts, Alitovski said. "The market environment is changing," he said. "Liquid alts could do well."

At Envestnet PMC, the strategy with alternatives is to hedge all bets. With liquid alts already on the platform and making up 2% of all flows over the past 12 months, Envestnet is turning up its alternatives game by partnering with iCapital to offer access to private investments like hedge funds.

"It speaks to the increased demand for hedge funds and private markets," said Dana D'Auria, co-chief investment officer at Envestnet.

"Clients have asked for access to alternatives," D'Auria added. "Over time, with the increase in interest, we knew we needed a solution in this area."

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How the advisory industry has been getting ready for the next 9/11

BY MARK SCHOEFF JR.

IN OBSERVANCE OF THE 20th anniversary of the Sept. 11 terrorist attacks, the Investment-News *team has written a series of reports looking at how the financial industry has changed in the aftermath and how it's been preparing for the next 9/11 event. Though the specter of something worse continues to be a frightening possibility, rather than pushing 9/11 out of mind or writing it off as an aberration,* InvestmentNews *contemplates the impact and potential consequences of being unprepared for the next attack from several industry perspectives.*

FOR THE PAST 20 YEARS, Americans have commemorated the Sept. 11, 2001, attacks in New York, Washington, D.C., and Pennsylvania on their anniversary, taking a moment to remember the 2,977 lives lost that day. It remains the worst terrorist incident on U.S. soil in the country's history.

In the two decades since, the financial industry has been practicing for the next 9/11-style attack. It's impossible to predict what form an incident might take — whether physical or digital — or its severity. But financial firms are, or at least should be, working to be ready as threats evolve.

"We're continually exercising as an industry all of these extreme scenarios," said Tom Wagner, managing director for financial services operations at the Securities Industry and Financial Markets Association. "We structure exercises around the current threat landscape."

Wagner runs SIFMA's Quantum Dawn, a tabletop exercise focused on cybersecurity that the organization conducts about every two years. The sixth Dawn session, which is scheduled for November, will center on ransomware and involve 150 firms, 19 countries and 1,000 participants.

The industry also conducts nonpublic exercises to test the resiliency of business continuity plans in the face of cyber, physical and weather-related threats.

Guided in part by a 2003 paper by federal securities regulators on best practices for financial system resiliency, financial firms have dispersed their key operations geographically and built in redundancies for electric power and telecommunications.

"They have backups to backups," Wagner said. "It's constantly tested. We're confident we can withstand any major issue."

ENSURING MONEY FLOW

The Federal Reserve also practices crisis response, said Thomas Hoenig, former president of the Federal Reserve Bank of Kansas City and former vice chair of the Federal Deposit Insurance Corp. The focus is on ensuring money flows to where it is needed.

"Liquidity is first and foremost," said Hoenig, a distinguished senior fellow at the Mercatus Center at George Mason University. "You don't worry about … collateral. You take these risks to make sure the system works. I'm very confident [the Fed and FDIC] work hard to be prepared for the unexpected."

A former Department of Homeland Security official praised the financial industry for bouncing back from extraordinary events over the last two decades — from 9/11 to the financial crisis in 2008-09 and the current coronavirus pandemic.

> "Liquidity is first and foremost."
> THOMAS HOENIG, FORMER KANSAS CITY FED PRESIDENT AND FORMER FDIC VICE CHAIR

"The financial sector has had an amazing ability to be resilient and recover," said John Torres, president for security and technology consulting at Guidepost Solutions. "For the most part, the financial sector is in a much better place than it was 20 years ago."

Each crisis teaches the industry something new, said Gennadiy Goldberg, senior U.S. rates strategist at TD Securities. For instance, the Fed wasn't necessarily positioning for an event like the coronavirus pandemic, but when it hit in March 2020, the Fed and foreign central banks established liquidity facilities that kept the markets on their feet.

Another catastrophic event will test regulators again. "Markets would fare OK, probably better than they did [following 9/11]," Goldberg said. But "there's still more work to be done to make the markets more liquid during times of stress or extreme uncertainty."

Individual portfolios also are likely to need some shoring up to defend against a potentially catastrophic terrorist attack. The key is to ensure that they're diversified globally and across industries and that they're set at the right risk level, said Jim Besaw, chief investment officer at GenTrust.

Advisers usually discuss portfolio growth with clients. They shouldn't be afraid to talk about circumstances where portfolios might decline 20%, Besaw said.

"We make a point to have conversations not only about good things but about bad things that can happen," he said. "That is central to success."

Kerri Debbs, a partner at Main Street Financial Solutions, experienced 9/11 at Ground Zero. She was living in Battery Park in Manhattan and working in the financial district. But 20 years later, imagining the repercussions of another attack is not a priority for most financial planning.

"I have had the conversation a small handful of times depending on the [client's] personality," Debbs said. "But I don't regularly bring it up."

One preparation element is common for the industry and individuals: liquidity. "To really protect the portfolio, the only thing I could think of is cash and the various ways of holding cash," Debbs said.

The most unsettling aspect of terrorism is not knowing when or how an attack will happen. It's likely the next 9/11 will be perpetrated by fewer people and occur online. Maybe it will cause a market failure that cash cannot fortify against.

"Terrorists know that even semi-coordinated, lone-wolf-inspired attacks can have a significant impact on financial markets," Torres said.

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Prepping fintech for the next cyberattack

BY NICOLE CASPERSON

TODAY'S TECH-FUELED WORLD has made every business dependent upon a vast and expanding digital infrastructure, making online security measures a national imperative.

The Biden administration has made it clear that cybersecurity threats that could result in the degradation, destruction or malfunction of systems that control infrastructure upon which firms depend could cause significant harm to the national and economic security of the United States.

For firms with prominent digital businesses, like online brokerages with millions of user accounts, it's critical to have action plans in place to defend against bad actors who would take advantage if another catastrophic event such as Sept. 11, 2001, were to happen again, said John O'Connell, president and founder of The Oasis Group, a fintech-focused consulting and coaching firm to wealth managers and technology providers.

It's not a far-fetched reality that a bad actor gets into the U.S. financial system and causes it to fail, especially in times of crises, O'Connell said. This could be done through misinformation, he said, in a similar way that political propaganda contains misinformation.

"Let's say for example a bad actor hacks sensitive information about bank executives, like salaries or contact information, and starts floating it around as misinformation," he said. "For example, misinformation where the bank president is stealing from the bank or maybe there's been a lawsuit associated with the bank, all of which can be propagated via social media rapidly."

That type of misinformation can cause clients to think their bank, brokerage, custodian or wealth manager is corrupt or financially shaky, causing them to remove their funds.

HAVE A PLAN OF ACTION

In order to manage a potentially catastrophic scenario, businesses should have action plans in place for a degraded environment, like a Plan B if communications and systems fail due to an uncertain event, said Gilles Hilary, a professor at Georgetown University who specializes in risk management.

Communications are likely to be cut first in a degraded environment, like a terrorist attack or a natural disaster, Hilary said. Larger institutions make easier targets, so it's critical for those institutions to have a plan — like who will make immediate decisions when the centralized command or control system is compromised.

That response plan should include contact information for local FBI field offices and a cybersecurity response team, as well as alternative methods of communication in case it's difficult to get in touch with these incident response experts.

PREPARE FOR A CATASTROPHE

With the rapid expansion of fintech, a lot of firms have adopted technologies that they have not clearly vetted from a security perspective. But there are actions tech-driven firms can take to prepare for something catastrophic down the road.

First, review the cloud security of vendors. Almost all information is in the cloud, and firms should be consistently reviewing what their cloud security looks like. An expert tip: Ask vendors if they have artificial intelligence to monitor potential threats, O'Connell said.

Look at what data encryption is in place within your firm's partners. Having strong encryption protects confidentiality by converting data to encoded information. Another practice is to limit the number of people with access to a firm's server.

When reflecting upon catastrophic events, it's worth thinking of other emergency responders, like firefighters or even the military. Those experts are training every day for what they call mass casualty events.

"They do that training so that when something happens, they know precisely what to do, and that training has uncovered for them, over time, holes, gaps, mistakes, process problems that they just continually improve upon and weed out," O'Connell said.

"You need that same level of professionalism and coordination in a financial services firm for incident response," he said.

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Are retirement plans ready for another 9/11?

BY EMILE HALLEZ

RETIREMENT PLANS WERE hardly the first thing on anyone's mind in the wake of the Sept. 11 attacks, but the events did raise an important issue for 401(k) record keepers.

"In the immediate aftermath of 9/11, a lot of companies realized that they always planned for their building to go out — not for the entire city, or the entire industry, to go out at any time. I think they started to plan for that a little differently," said Tim Rouse, executive director of the Spark Institute. Contingency plans were updated for more "dispersion of systems," either through the cloud or numerous data centers, he said.

And while companies had contingency plans for trading and account maintenance leading up to the attacks, what "very few could anticipate was that all companies across the country would go into crisis mode at the same time," Rouse wrote in an email. "There is always a point at which you need to improvise."

> "Most people were in shock."
> TIM ROUSE, EXECUTIVE DIRECTOR
> THE SPARK INSTITUTE

At the time, 401(k) account owners did not inundate plan providers with calls. Today, an event on that scale that would affect markets would likely lead to more calls and account activity.

"Most people were in shock," Rouse said. "By the time things began to settle and participants were calm enough to think about their 401(k)s, the market was already showing signs of coming back."

CYBERATTACKS LOOM

Physical attacks are always a potential threat that companies must plan for, but cyberattacks have become a more regular concern, he noted.

"If you heard today that there was a ransomware attack on a financial company and it was locking up 401(k) accounts, what's the first thing you're going to do?" Rouse said. "You're going call your 401(k) company."

Recently regulators have been paying attention to that subject. The Department of Labor issued cybersecurity tips for plan service providers, sponsors and participants. The DOL is also collecting data and auditing plans on their cybersecurity.

The issue has prompted cooperation within the industry. Spark has a data security oversight board and partnered in 2018 with the Financial Services Information Sharing and Analysis Center, establishing the Retirement Industry Council.

"The industry has been working closely with law enforcement and with each other," Rouse said. "When it comes to cybersecurity, our industry has banded together to help one another and better protect the overall market."

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Why Wall Street just ain't Wall Street anymore

BY BRUCE KELLY

SEPT. 11, 2001, was a horrific day; thousands of lives were lost, families suffered unbelievable grief and tragedy, and the entire country was thrown into shock, followed by decades of war.

But it was also a watershed moment for Wall Street and the way people worked in both the client-facing, retail-focused investment advice industry and larger institutions like hedge funds and investment banks.

Simply put, Wall Street isn't Wall Street anymore. Talent and technology are everywhere, so the proximity to the financial district or midtown Manhattan for a service-oriented business like the securities industry isn't essential.

"You moved here literally because you had to be here," said Larry Roth, managing partner of RLR Strategic Partners and former CEO of Advisor Group and Cetera Financial Group. "And now we don't want to leave."

The Covid-19 pandemic has prompted many people to question the need to work or continue their professional lives in Manhattan. Advances in technology, namely the revolution in broadband, laptops, mobile phones and other devices, have made working close to or near Manhattan far less important to advance a career in the securities industry.

A LIVING MUSEUM

Even the most iconic symbol of Wall Street, the once-bustling floor of the New York Stock Exchange, which teemed with traders and market specialists, has morphed into a living museum of sorts, now just a backdrop for CNBC broadcasts.

Over the past 20 years, securities industry jobs, which include brokers, underwriters, traders and money managers, have migrated from New York City to other parts of the country, according to data from the Bureau of Labor Statistics.

At the end of 2001, 23% of securities industry employees were in Manhattan, falling to 18% as of the end of 2020, according to the data. Over that time, Manhattan lost 14,162 securities workers, while the U. S. gained 112,149 overall.

The decline isn't wholly attributable to 9/11, obviously. After other major crises of the past two decades, the industry also lost employees — but Manhattan was hit harder. For example, industry employment declined 5.4% after 9/11, 6.3% after the financial crisis of 2008-09, and 0.4% during the pandemic in 2020, while employment in Manhattan declined 13.2%, 9.6% and 1.1%, respectively.

FOLLOW THE MONEY

So where did the jobs go? To places where taxes are lower, real estate is cheaper and labor less costly.

The South Atlantic region, which stretches from Virginia to Florida, gained the most jobs, at 44,000, while the West South Central region, dominated by Texas, gained the second most, at 34,400.

Meanwhile, Lower Manhattan, in the shadow of a new World Trade Center, has gotten a facelift. With securities industry jobs moving out, apartment dwellers have moved in. Of the 33,882 residential units that currently exist in Lower Manhattan, 16,709, or roughly half, were conversions after 1995, according to data from the Alliance for Downtown New York.

"Firms have been moving out of Wall Street for quite some time," said Jim Paulsen, chief investment strategist for the Leuthold Group. "Certainly some of that is business environment in New York. There are costs involved and taxes, but the biggest thing is technology."

"Look at the NYSE," Paulsen said. "Because of technology, you don't need anybody on the floor anymore."

Stock specialists, whose job was to facilitate stock trading and ensure liquidity, once crowded the exchange. Now called designated market makers, they have been replaced in large part by technology.

"The pandemic eliminated anyone being on the floor of the NYSE, and we didn't miss a beat," Paulsen said.

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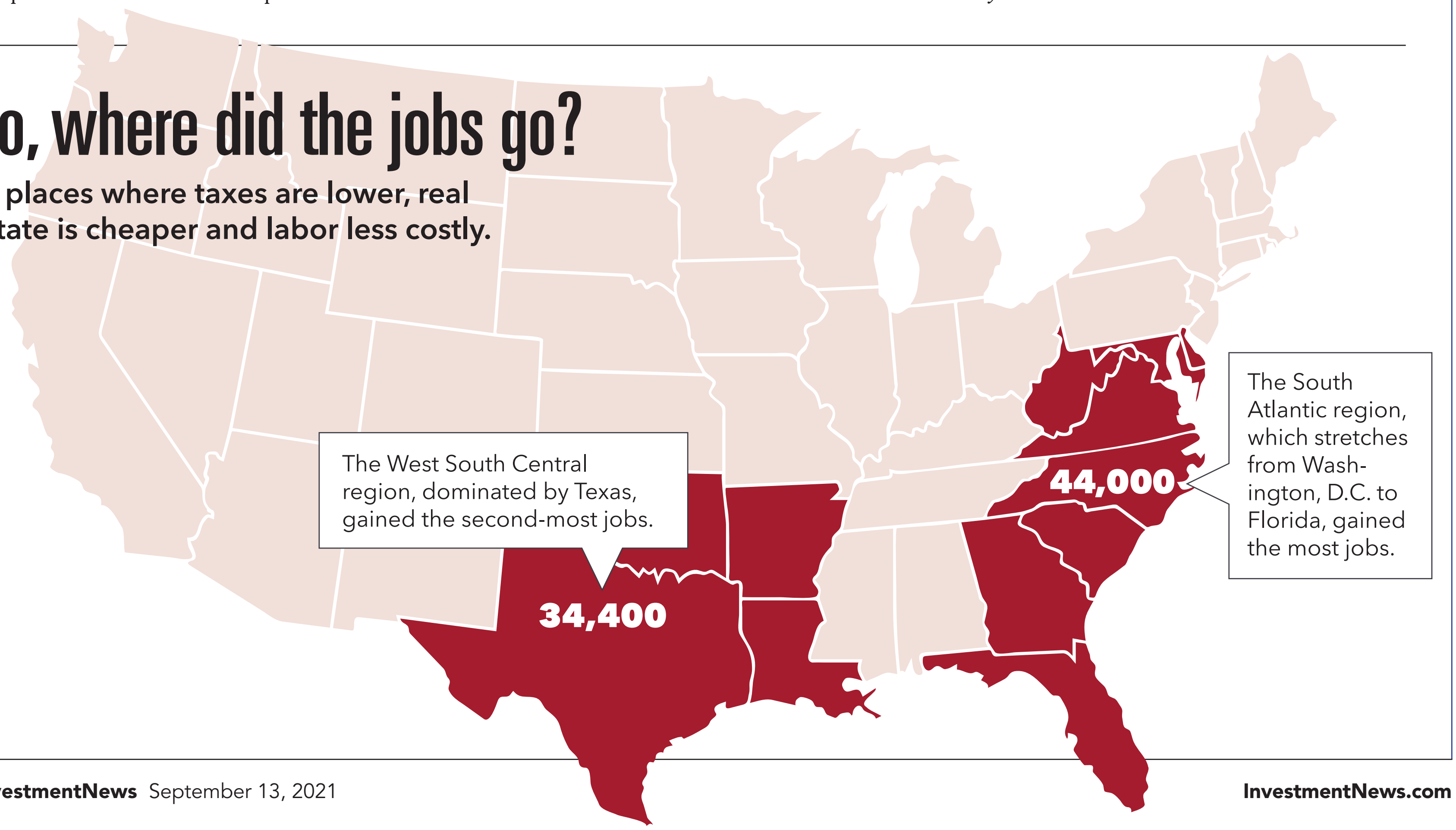
So, where did the jobs go?

To places where taxes are lower, real estate is cheaper and labor less costly.



Invest in Others
AWARDS WEEK

September 20th - 23rd

Join us for a week-long virtual celebration!

Tune in each day at **4:45pm EDT** on **investinothers.org/awards** as one winner gets unveiled.

Monday, 9/20
Catalyst Award

Amy Doherty
Wellstrong, Inc.
Centinel Financial Group, LLC
Royal Alliance - Advisor Group

Bob Swift
3rd Decade
TCI Wealth Advisors
Charles Schwab

Ralph Ujano Jr.
Helping Hands for Single Moms Dallas
The Ujano Advisory Group, LLC
TD Ameritrade Institutional

Tuesday, 9/21
Community Service Award

Roger S. Green
Auditory-Verbal Center, Inc.
Green Financial Resources, LLC
Cetera Advisors

Ruben Rozental
Commit & Act (US)
PGI Wealth Management
TD Ameritrade Institutional

Elizabeth M. Shabaker
Free Arts for Abused Children of Arizona
Versant Capital Management, Inc.
Charles Schwab

Wednesday, 9/22
Volunteer of the Year Award

Kenneth "Larry" Agee
Disaster Aid USA
Agee Financial Group
SagePoint - Advisor Group

Kevin S. Bode
Knead Community Café
Northwestern Mutual

Isaac Simon
Coalition for the Homeless
Morgan Stanley Wealth Management

Thursday, 9/23
Lifetime Achievement Award

Peter Chieco
Cooley's Anemia Foundation
Morgan Stanley Wealth Management

Ferdinand Garcia
San Francisco AIDS Foundation
Woodbury Financial - Advisor Group

Dan Jenkins
Big Brothers Big Sisters of Greater Pittsburgh
JKS Financial
Northwestern Mutual

2021 Top Sponsors: Advisor Group · Cetera Financial Group · Fidelity Investments · J Connelly · LPL Financial · Merrill, A Bank of America Company · Natixis Investment Managers

INmail

BY MARY BETH FRANKLIN

How working longer affects future benefits

Jaime: I have been in the financial services industry for over 40 years. I do not plan to totally retire since I have a great clientele, but I will trim my practice to lower earned income. I am 66 and plan to take Social Security benefits when I turn 70, 3 1/2 years from now.

Since I will continue to have earned income close to $200K per year, how will this affect my future benefits? My wife is eight years younger than I am.

MBF: Your Social Security benefits are based on your top 35 years of indexed earnings up to the taxable maximum each year. In 2021, the first $142,800 of earned income is taxed for FICA purposes. Earnings above that maximum don't count toward future Social Security benefits.

Each year you continue to work — even if you're already collecting benefits or are older than full retirement age — Social Security reviews your earnings and adjusts your future benefits if current earnings replace one of the lower earning years used in your 35-year benefit calculation.

Don't worry. If your current earnings are lower than previous years, it won't reduce your future benefits as benefits are based on your top 35 years, no matter when they're earned. In addition, you'll earn an additional 8% per year (0.66% per month) in delayed retirement credits for postponing claiming benefits beyond full retirement age up to age 70.

If you haven't done so already, you should set up a personal Social Security account (www.ssa.gov/myaccount) to get the latest estimate of your future benefits for yourself and family members.

By waiting until age 70 to collect your maximum retirement benefit, you're also ensuring that your younger wife will be entitled to the maximum survivor benefit if you die first. Survivor benefits are worth 100% of what the deceased worker was claiming or entitled to claim at the time of death, including any delayed retirement credits, assuming the surviving spouse is at least full retirement age at the time. Survivor benefits are available as early as age 60 but are reduced if claimed before the survivor's full retirement age.

Rush to munis could boost Medicare premiums

Wealthy investors are rushing to buy munis in an attempt to mitigate the impact of threatened tax hikes. They may be shocked to learn that municipal bonds' tax-exempt interest is included in the income calculation that triggers Social Security taxes and Medicare premium surcharges.

MARY BETH FRANKLIN

ONRETIREMENT

In the first six months of 2021, municipal bond funds attracted an estimated $56.9 billion in net new money — the most for any first half of the year dating back to 1992, according to data from Refinitiv Lipper.

Municipal bonds typically offer interest payments that are exempt from federal income taxes and sometimes from state taxes in the state where the bond was issued. The interest is also exempt from the 3.8% net investment income surtax that affects individuals with income over $200,000 and married couples with income over $250,000.

"Right out of the box, the Biden administration started talking about taxing the wealthy," said Marilyn Cohen, founder, and CEO of Envision Capital Management, which deals exclusively in individual bonds. "The unbelievable distaste for paying taxes has become really widespread, and people want to be ahead of the curve."

Cohen noted the demand for municipal bonds has outstripped supply, and she predicted the muni market would be particularly imbalanced this summer as maturities in June, July and August will far exceed new issues.

As tax rates increase, tax-free municipal bonds are generally more attractive since the tax-equivalent yield for taxpayers in higher brackets also increases. The tax-equivalent yield is the yield an investor would have to earn in a taxable bond investment to match the yield of a comparable tax-free municipal bond.

$56.9B
NET NEW MONEY FLOWING INTO MUNI FUNDS IN THE FIRST HALF OF 2021

But many people don't realize that tax-exempt interest is included in the "provisional income" calculation, which determines how much Social Security benefits are taxed, and the "modified adjusted gross income" formula that determines high-income surcharges for Medicare beneficiaries.

PART B PREMIUMS

Up to 85% of Social Security benefits can be taxed when provisional income — which includes adjusted gross income, plus half of Social Security benefits, plus tax-exempt interest — exceeds $34,000 for individuals and $44,000 for married couples.

Although the majority of Medicare beneficiaries pay the standard Part B premium of $148.50 per month in 2021, higher-income retirees pay more once MAGI exceeds $88,000 for single individuals and $176,000 for married couples filing jointly.

There are six income brackets that determine Medicare surcharges, officially knowns as the income-related monthly adjustment amount. In the top income bracket, monthly IRMAA surcharges can exceed $500 per month per person.

"When it comes to putting together an investment or tax strategy, advisers shouldn't let the tail wag the dog," said Peter Stahl, president of Bedrock Business Results, a firm that educates financial advisers about retiree health care costs and solutions.

"But if you have clients that are right near the exact amount of a threshold, you can really add value by reducing muni bond exposure or dividend and capital gain income, so folks don't get pushed into the next bracket," Stahl said.

TAX THRESHOLDS

For example, a married couple with $220,000 of modified adjusted gross income in 2019 would pay $297 per month per person for Medicare Part B in 2021, for a total cost of $7,128. But if their joint income was just $1 higher in 2019 — $220,001 — they would pay an extra $2,138.40 in Medicare Part B premiums in 2021.

"Retirement income planning is all about being aware of different tax thresholds and finding an efficient way of staying beneath them," Stahl said.

"Our research shows that careful planning around constructing a withdrawal strategy that incorporates looking at Social Security and Medicare is important," said William Meyer, founder and managing partner of Income Solver, a software program designed to optimize retirement income through tax-efficient withdrawal strategies.

"Since tax-exempt interest is part of the calculation, the key role for advisers is to be aware of income thresholds that can significantly increase a client's marginal tax on Social Security benefits or boost their Medicare premiums," Meyer said. "Our software does this automatically, helping advisers to be more efficient and ensure they don't make a mistake."

"Retirement planning decisions are really like a set of interconnected gears," observed David Freitag, a financial planning consultant at Mass Mutual. "It is important to see how a small movement of one gear or a one-off decision can dramatically change the movement of other gears, which then leads to major and different outcomes over time."

(Questions about Social Security rules? Find the answers in Mary Beth Franklin's 2021 ebook at MaximizingSocialSecurityBenefits.com.)

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10 best states for long-term care

BY BRITTNEY GRIMES

Here are the top states for long-term care according to MedicareGuide, which based its rankings on factors including cost, access and quality of life for adults over 65.

10 COLORADO
Ranking: 10
Total score: 57.26
Cost: 17.13
Access: 17.92
Quality: 22.21

9 HAWAII
Ranking: 9
Total score: 57.33
Cost: 10.85
Access: 16.52
Quality: 29.97

8 MARYLAND
Ranking: 8
Total score: 58.40
Cost: 22.11
Access: 18.85
Quality: 17.45

7 PENNSYLVANIA
Ranking: 7
Total score: 59.42
Cost: 21.70
Access: 22.31
Quality: 15.42

6 WISCONSIN
Ranking: 6
Total score: 59.60
Cost: 15.09
Access: 20.35
Quality: 24.16

5 NEW YORK
Ranking: 5
Total score: 61.38
Cost: 22.19
Access: 18.29
Quality: 20.90

4 TEXAS
Ranking: 4
Total score: 62.45
Cost: 27.57
Access: 19.13
Quality: 15.75

3 WASHINGTON
Ranking: 3
Total score: 63.41
Cost: 20.31
Access: 16.15
Quality: 26.95

2 MINNESOTA
Ranking: 2
Total score: 64.99
Cost: 13.95
Access: 27.35
Quality: 23.70

1 CALIFORNIA
Ranking: 1
Total score: 73.69
Cost: 26.51
Access: 21.84
Quality: 25.33

Court rules inherited 401(k)s protected in bankruptcy

ERISA is the creditor protection gold standard for company retirement plans. But what happens when those plans are inherited? Does the ERISA protection carry over to beneficiaries? One court says "yes."

IRAALERT
ED SLOTT

In the case of Dockins (In re: Dockins, No. 20-10119) the U.S. Bankruptcy Court for the Western District of North Carolina ruled that inherited 401(k)s indeed do receive creditor protection under the Employee Retirement Income Security Act, as long as those funds are still in the plan at the time of the bankruptcy filing.

The court specifically distinguished inherited ERISA accounts from inherited IRAs because IRAs are not covered by ERISA. IRAs are protected in bankruptcy under federal bankruptcy law, but not inherited IRAs.

THE DOCKINS CASE

Kirk Morishita, an employee of Wells Fargo Bank, designated his then-girlfriend, Holly Corbell, as the beneficiary of his Wells Fargo 401(k) account. The relationship didn't last; several years later, Holly married Chris Dockins. Morishita died while still employed at Wells Fargo and with Holly still as his 401(k) beneficiary. He was apparently unmarried when he died.

Wells Fargo contacted Holly and informed her that Morishita had died, and that she was entitled to his 401(k) benefit. (If Morishita had been married when he died, ERISA would require that his spouse become the beneficiary, unless that spouse waived her rights). Wells Fargo set up an inherited 401(k) account in Holly's name.

Soon after, the Dockinses filed for Chapter 7 bankruptcy and excluded the inherited 401(k) account from their bankruptcy estate. The inherited account funds were still with the 401(k). That turned out to be a key factor in this case, and one that advisers should take notice of.

The bankruptcy trustee representing the creditors went to court to challenge the exclusion of the inherited 401(k) funds, arguing that the inherited 401(k) was part of the bankruptcy estate and not exempt. The trustee cited Clark v. Rameker, in which the Supreme Court unanimously ruled that inherited IRA funds are not protected in bankruptcy because the funds are not considered "retirement funds" once inherited. But the Clark case involved inherited IRA funds and the Dockins case involved inherited company plan funds covered by ERISA.

The Dockinses argued that Holly's inherited 401(k) could be excluded based on the Supreme Court's decision (also unanimous) in Patterson v. Shumate. In that decision, the court ruled that ERISA-covered retirement plan benefits are excluded from the bankruptcy estate under §541(c)(2) of the Bankruptcy Code. The Dockinses also cited several prior bankruptcy cases that held ERISA plan benefits are protected as long as the benefits have not been paid out at the time the individual files his or her bankruptcy petition.

THE COURT'S DECISION

The Bankruptcy Court agreed with the Dockinses, stating that the Wells Fargo plan is an ERISA plan — not an IRA. As required under ERISA, the Wells Fargo plan provided that "your 401(k) Plan account cannot be reached by creditors either by garnishment or any other process. Also, you may not pledge or assign your 401(k) Plan account to anyone else."

So the Bankruptcy Court said it was bound to follow the Supreme Court's decision in Patterson — that ERISA-covered retirement plan benefits are excluded from the bankruptcy estate — rather than the court's decision in Clark — that inherited IRA assets are not protected in bankruptcy.

In Patterson, the Supreme Court ruled that 401(k) funds belonging to plan participants are not available to bankruptcy creditors. The Bankruptcy Court had no trouble extending that reasoning to plan beneficiaries.

The Bankruptcy Court cautioned, however, that the protection for inherited 401(k) accounts is lost if the debtor withdraws the account before filing for bankruptcy.

TIMING IS EVERYTHING

The Bankruptcy Court made it clear that bankruptcy protection for inherited 401(k) funds applies only if the bankruptcy filing occurs before the account is distributed. If the funds are paid out before the filing, they become part of the bankruptcy estate and will be exposed to creditors. Advisers with clients about to file for bankruptcy should counsel them to hold off on withdrawing their 401(k) funds, if possible, until after the filing.

LIMITED APPLICATION?

The Dockins case was apparently the first time a court had to decide whether inherited 401(k) funds are protected in bankruptcy. Since this decision came from a lower bankruptcy court, it technically only applies to bankruptcy cases in that court's district — western North Carolina. It is entirely possible that other bankruptcy courts, or appeals courts, could rule differently.

> **THE INHERITED ACCOUNT FUNDS WERE STILL WITH THE 401(K).**

In the meantime, clients with inherited retirement funds who are considering bankruptcy should be made aware of the distinction in creditor protection this court made between inherited ERISA plan benefits and inherited IRAs.

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

Atlanta adviser takes pride in catering to the polyamorous

To any financial adviser struggling to find the best planning software to address complex or nontraditional client needs, Michelle Waymire might say, "Hold my beer."

NICHEADVISER
JEFF BENJAMIN

Waymire, founder of Atlanta-based advisory firm Young & Scrappy, has built a niche working with the LGBTQ community that defies traditional financial planning programming and honed in even further by expanding that client base to include polyamorous families.

Characterized by the practice of engaging in multiple romantic relationships with the consent of everyone involved, polyamorous clients don't fit easily on most financial documents, let alone find a place in comprehensive planning programs.

"A lot of financial systems and structures are primarily geared toward one or two people, and the financial planning needs of polyamorous people are different," Waymire said.

"There's nothing I've found in the planning software to create a financial plan for three or more adults, so sometimes I've had to be more crafty with how things are structured," she added. "I consider who is involved and how can we make you an active participant in a real and loving way. It's challenging but also fulfilling and satisfying work when you get to help people who might not even feel safe to talk about their lifestyle."

JUST MADE SENSE

While Waymire, 32, has worked with the LGBTQ community for most of the four years she's been in the financial planning business, she developed the polyamorous sub-niche since launching her own firm a year and a half ago.

For Waymire, the polyamorous focus just made sense the same way many other advisers find a niche that blends their personal and professional lives.

"I have two partners, we've been together for seven years, we own a house together, we fight about what to watch on Netflix, and we order too much takeout," she said.

For the uninitiated, Waymire cuts right to the chase of the "poly lifestyle."

"It's defined as many loves," she said. "These are folks who have relationship structures that look a little outside just two partners, or spouses, and frequently it's more than two with the consent of everyone involved, but they aren't necessarily swingers or cheaters, they just have a relationship structure that's outside the mainstream."

Beyond the obvious financial planning challenges that come with multiple involved and committed partners, Waymire explained that there are no standard poly planning strategies because there are no standard poly relationships or families.

"It could be three or four people with a close relationship, or it could be two people in a primary relationship who see other people," she said. "To get really clear on the relationship structure you have to look for areas that do and don't overlap. You might have two people who are retirement planning together with three or four more people who are all budgeting together."

Waymire, who offers financial planning and coaching along with asset-based advice, has about 80 clients, half of which are "some flavor of LGBTQ" and about 20% "are or have been poly."

Citing data showing between 4% and 5% of Americans "have experimented with ethical non-monogamy, including casual encounters," Waymire estimates there are approximately two million people in the U.S. who are "committed to the poly label and are actively engaged in the lifestyle."

Acknowledging the small potential client base, Waymire is realizing a dearth of financial planning available to the polyamorous community.

"There are lots of folks living this way and are probably nervous or concerned about having the right fit for the support they need," she said.

Waymire is measuring demand for her services by the number of client referrals she receives from across the country.

"Poly seems particularly prevalent in the [San Francisco] Bay area," she said. "When I get a stream of people referring clients from California, it tells me that nobody else is doing this because why else would you refer someone to a financial adviser 3,000 miles away?"

'BADASS FINANCIAL GOALS'

Aside from referrals and a website that clearly caters to the LGBTQ and poly communities by promising to help clients meet their "badass financial goals," Waymire hasn't done much in the way of marketing her niche.

She started, then stopped, a podcast, and is planning to restart a regular blog. She also connects with other professionals and centers of influence serving the poly community.

In terms of weeding out clients who might not fit her specialty, Waymire said if they get past the website, they are probably a decent fit.

"If somebody comes on my website and sees a lot of rainbows and lots of LGBTQ and poly comments, and if they feel aligned with my style and approach I'll work with them," she said. "And if somebody doesn't want to work with me because I work with a lot of LGBTQ folks, great. It helps me avoid a bad relationship."

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NICHE ADVISER

MICHELLE WAYMIRE, founder, financial adviser

NICHE FIRM
Young & Scrappy
Atlanta

NICHE
Polyamorous families

PRO TIP
"Fundamentally as humans we like working with people who look like us and have the same interests and qualities as we do. Look at your client base and highlight the qualities that make them interesting and fun to meet with. What is it you have in common with them, and how can you find more of them?"

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All humans have head trash. Here's how to get rid of it

You have head trash. I can say this with confidence because you are human, and all humans have head trash.

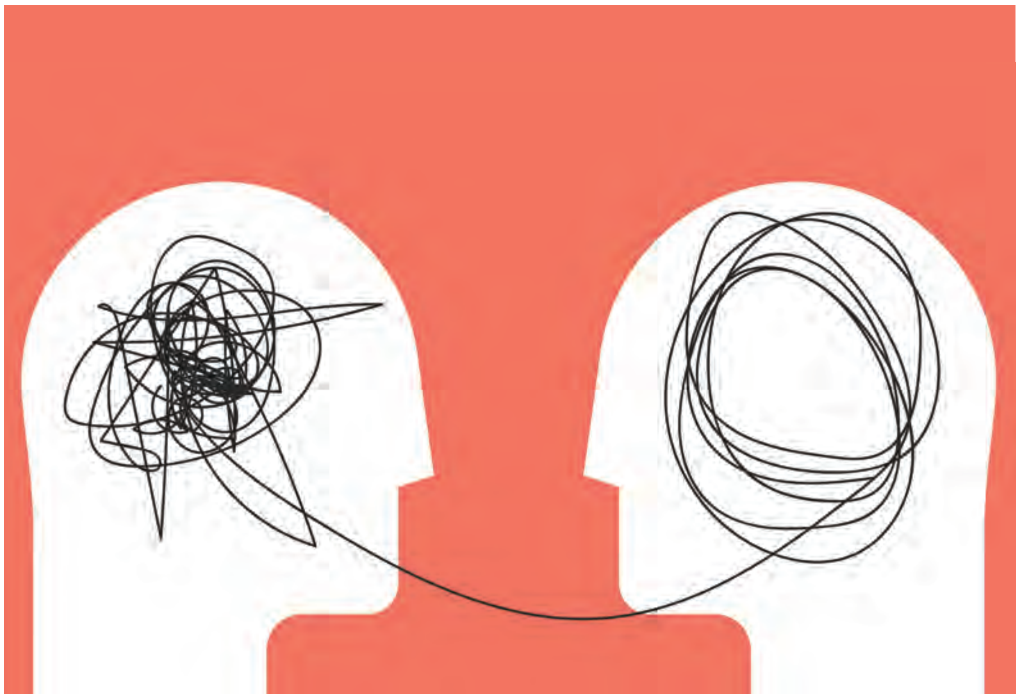
LIMITLESSADVISER
STEPHANIE BOGAN

Head trash is indiscriminate. Everyone from new advisers to CEOs suffers from it. Carl Richards has spoken openly about his imposter syndrome. Michael Kitces shared how our coaching tanked his head trash to drive 10-times growth, and I've talked about how my outward success has been plagued by inner insecurities.

Head trash is a negative belief you hold about yourself, your abilities or the world. Beliefs are nothing more than thoughts that we think over and over again until they become truth. These truths in turn define the thoughts we think, which drive our behavior, which produce the results we experience.

Our head trash shows up as the voices in our head, which operate from the shadows. We're not even aware these negative thoughts are in control; humans operate on conditioned thinking 95% of the time. We only consciously take agency over our thoughts, behaviors and — ultimately — decisions a scant 5% of the time.

Our head trash shows up with words like can't, shouldn't and don't know how. It reminds us that we're not smart enough, qualified enough, old or young enough. It implies people won't like us, that making money makes us greedy, that important conversations lead to conflict, that we must be perfect, that we never win, or that success has to be a never-ending struggle, to name a few.



Simply put, all negative emotions or experiences that happen persistently are an indication that something needs to be tended to. If you're interested in tending to your own head trash, here's a quick exercise to get you started:

Step 1: Take notice. Tune into what's taking place between your ears and what the voices in your head are saying.

Adam's voices said he wasn't worth higher fees and couldn't narrow his niche, and that making changes would end in ruin.

Step 2: Take inventory. Once you're aware of your inner dialogue, you can take inventory. Is what the voices say true? Are they serving you? At what cost?

Adam was profoundly impacted when he realized his imposter syndrome had kept him safe, but also from achieving his goal of adding $100,000 in revenue so his wife could quit her miserable job to stay home with their daughters.

Step 3: Take action. With insight, you can do the work of elevating your thought, behavior and business habits in ways that produce profound results.

Adam raised his fees, narrowed his niche, nailed his story, put growth plans into gear and scaled up by efficiently leveraging his technology and team.

Step 4: Take it up a notch. When you get a handle on your head trash, you remove much of the resistance standing between you and your goals.

Adam's wife quit her job one year after his decision to act. His revenue doubled within two years and tripled within three. His 50% growth rate is driven by a waiting list of high-net-worth prospects.

Be clear: Your head trash isn't defined by your size but your symptoms. Last week I got a call from the three founding partners of a nearly half-billion-dollar firm. They have a growing business and all the stress and complexity to go with it. In spite of their best efforts, they just can't tame the tiger. Surely, they said, there must be a way for them to drive success without sacrificing their ability to be present fathers to their children. There is, I assured them, and it starts with an act of defiance.

By its very nature, taking charge of your head trash is an act of defiance, but in the best of ways. It's consciously taking agency over your mind to challenge your conditioned thinking and expand your view of what's possible. From this vantage point, you stand a far better shot at making thoughtful decisions — ones driven by your goals, not your head trash.

Stephanie Bogan is CEO and chief possibility officer of Limitless Adviser Coaching. Learn more about building a happy, high-performing business at limitlessFA.life.

THE 5 BEST CITIES FOR YOUNG ADVISERS

BY BRITTNEY GRIMES

Here are five good locations for young advisers to start their careers. SmartAsset ranked cities based on factors such as average earnings, cost of rent and the portion of the population that's nearing retirement.

MINNEAPOLIS
RANKING: 5
Average adviser earnings: $161,020
Rent as % of average adviser earnings: 7.96%
% of households earning $200K or more: 8.9%
% of population nearing retirement: 19.6%

PORTLAND, OREGON
RANKING: 4
Average adviser earnings: $127,980
Rent as % of average adviser earnings: 12.3%
% of households earning $200K or more: 11%
% of population nearing retirement: 24.1%

NEW ORLEANS
RANKING: 3
Average adviser earnings: $141,630
Rent as % of average adviser earnings: 8.56%
% of households earning $200K or more: 7.7%
% of population nearing retirement: 24.8%

RICHMOND, VIRGINIA
RANKING: 2
Average adviser earnings: $160,670
Rent as % of average adviser earnings: 8.05%
% of households earning $200K or more: 7.1%
% of population nearing retirement: 22.6%

CHESAPEAKE, VIRGINIA
RANKING: 1
Average adviser earnings: $158,860
Rent as % of average adviser earnings: 9.25%
% of households earning $200K or more: 7.1%
% of population nearing retirement: 26.2%

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PROJECT THUNDER

CONTINUED FROM PAGE 2

Merrill Lynch, whose advisers have famously been dubbed the Thundering Herd, has faced criticism in the financial advice marketplace for pushing advisers to cross-sell banking products.

In July, Merrill reported a 6% decrease in its overall head count of registered reps and financial advisers, at the same time that the firm's self-directed investing platform experienced gains.

While the changes included in Project Thunder are steps in the right direction, some advisers are likely to remain unhappy with other recent developments at the firm, one industry observer said. Those include the change in compensation and pay unveiled in 2018 that rewarded advisers for bringing in a healthy number of net new accounts, while those who fell short of new company goals saw compensation cuts. That plan was called the "growth grid."

"It's a smart idea for Merrill to take advice and guidance from the adviser work force about what was frustrating them, and it's a step in the right direction to change," said Louis Diamond, president of Diamond Consultants, a recruiting firm. "But does it address the core issue of some Merrill advisers who feel they have less control over their practices and it's basically harder to serve clients?"

GAINING TRACTION

Within Merrill, the Project Thunder program is gaining traction, one executive said.

"Advisers like the momentum, accelerated time frame and visibility of the program," Carole Wentz, managing director and Merrill Lynch Wealth Management Division executive for Texas Mountain South, said in an interview this week. "And having 24 wins in 60 days is something they can grab onto and give them momentum. There's a buzz around it."

"Since earlier this year, Merrill's leadership has been in constant communication with many of the firm's senior financial advisers — coordinating efforts and garnering feedback from the field," Rich Pluta, a veteran Merrill adviser, wrote in an email provided by a company spokesperson. "Project Thunder is the culmination of all the feedback received with solutions and next steps to address issues and deliver on the things that matter most to advisers."

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SOCIAL SECURITY

CONTINUED FROM PAGE 3

and immigration in the near term."

In 2021, the total annual cost of the program is projected to exceed total annual income for the first time since 1982 and it's expected to remain higher throughout the 75-year projection period. As a result, asset reserves are expected to decline during 2021. Social Security's cost has exceeded its noninterest income since 2010.

'DEGREE OF UNCERTAINTY'

The report cautioned that "there is, however, an unusually large degree of uncertainty associated with the eventual effects of the Covid-19 and future projections could change significantly as more information becomes available."

Treasury Secretary Janet Yellen, leading the members of the Social Security and Medicare Trustees, said: "Having strong Social Security and Medicare programs is essential in order to ensure a secure retirement for all Americans, especially for our most vulnerable population."

Labor Secretary Marty Walsh, another member of the board, added: "The Biden-Harris administration's commitment to building back better isn't only about roads or bridges, it is also about rebuilding our promise of a secure retirement for America's workers, retirees and their families."

The trustees announced that the combined assets of the Old Age and Survivor Trust Fund and Disability Trust Fund increased by $11 billion in 2019, to a total of $2.9 trillion in 2020.

The OASI Trust Fund is projected to become depleted in 2033, one year sooner than last year's estimate, with 76% of benefits payable at that time. The DI trust fund is estimated to become depleted in 2057, eight years earlier than last year's estimate of 2065, with 91% of benefits still payable.

As a result of that trust funds crisis, Congress approved comprehensive Social Security reform in 1983.

The new trustees report projects that the combined trust fund reserves are projected to decrease in 2021 because total cost ($1.141 trillion) is expected to exceed total income ($1.074 trillion). The trustees project that OASDI total cost will exceed total income each year through the remainder of the 75-year projection period unless Congress steps in.

In 2020, Social Security paid retirement, survivor and disability benefits totaling $1.1 trillion to more than 64 million beneficiaries.

During 2020, an estimated 174.8 million people had earned income covered by Social Security and paid payroll taxes, down from 178 million in 2019. During the early months of the recession, more than 22 million Americans have filed for unemployment benefits — resulting in a sizable drop in payroll tax collections.

(Questions about Social Security rules? Find the answers in Mary Beth Franklin's 2021 ebook at MaximizingSocialSecurityBenefits.com.)

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SEC FINES

CONTINUED FROM PAGE 3

security practices. "Cambridge has and does maintain a robust information security group and procedures to ensure client's accounts are fully protected," said Cambridge spokesperson Jeff Wulf.

Spokespersons for Cetera and KMS did not immediately respond to a request for comment.

The SEC alleged that between November 2017 and June 2020, cloud-based email accounts of more than 60 Cetera personnel were taken over by unauthorized third parties, resulting in the exposure of more than 4,388 customers' personally identifiable information. None of the accounts had multifactor authentication, even though Cetera policies required that security step beginning in 2018. The account takeovers did not result in unauthorized trades or transfers from the customer accounts.

The SEC also charged Cetera Advisors and Cetera Investment Advisers with sending notifications to clients that misled them about how soon they were told of the breaches after they occurred.

In its order against Cambridge, the SEC alleged that from January 2018 through July 1, 2021, cloud-based email accounts of more than 121 Cambridge independent contractor representatives were taken over by outsiders, resulting in the exposure of at least 2,177 customers' personally identifiable information and potential exposure for another 3,800 customers.

In its order against KMS Financial Services, the SEC alleged that between September 2018 and December 2019, 15 cloud-based KMS adviser email accounts were breached, resulting in the exposure of records and information of approximately 4,900 customers. The firm discovered the first compromised email in November 2018 but didn't implement additional cybersecurity measures until August 2020.

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AUTO-IRA

CONTINUED FROM PAGE 2

ment accounts must deduct 6% of wages from paychecks, rising to 10% over several years, and sets target-date funds as the default investment. It also provides a safe harbor for existing state-level auto-IRA programs.

The retirement legislation is part of a larger package — including provisions on paid family and medical leave and Medicare coverage expansion, among others — that comprises the committee's contribution to a $3.5 trillion budget bill working its way through Congress.

It's not clear whether the Senate Finance Committee will include an auto-IRA provision in its budget reconciliation legislation.

Ways and Means Chairman Richard Neal, D-Mass., has long championed auto-IRAs.

"We know that having an employer-sponsored retirement plan is key to preparing for retirement, but nearly half of American private-sector employees work for an employer that doesn't offer a retirement plan," Neal said during committee deliberations.

The bill drew support from the American Retirement Association, which cited estimates showing the bill would add 62 million retirement savers and $7 trillion in retirement savings, and the Insured Retirement Institute, which noted that the bill requires automatic plans to offer accounts of a certain size the option of taking a distribution through an annuity.

REPUBLICANS PUSH BACK

Republicans criticized the measure for placing a regulatory burden on small businesses. It's an argument they've made for years as they resisted Neal's previous attempts to advance an auto-IRA bill.

Last Thursday, Rep. Kevin Brady, R-Texas and ranking member of the committee, contrasted the partisan rancor with the bipartisan support for SECURE 2.0 retirement savings legislation the panel approved earlier in the year.

"It was the intention of every member on this committee to get SECURE 2.0 across the finish line and signed into law by year-end," Brady said. "Instead, with this bill, we have decidedly taken a different approach, and a partisan approach. Main Street now faces an onerous new mandate from Washington, and a tax penalty if you don't comply."

The tension over the auto-IRA bill would not undermine other retirement policy efforts, Neal said.

"I want to assure the ranking member, based upon the good work that we've done in the atmosphere of retirement savings, that it is not my intention to allow what I am suggesting here to get in the way and or compromise what we are about to do on the House floor with Retirement 2.0," Neal said.

But the brittle politics surrounding the massive budget bill, which will fund Biden administration social spending priorities, were apparent during the Ways and Means Committee meeting.

Rep. Stephanie Murphy, D-Fla., said she would oppose the retirement provisions and all other subtitles because they're being rolled out quickly on a piecemeal basis to meet a mid-September deadline for the budget measure, the Build Back Better Act. Many of the subtitles — including the one that contains tax proposals to pay for the spending — have yet to be released.

"I don't know how much we're spending, how much we're raising, how we're spending some of the money, and how we're raising any of the money," Murphy said.

The other Democrat who voted against the auto-IRA legislation was Rep. Ron Kind of Wisconsin.

Bloomberg News contributed to this report.

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ROPER

CONTINUED FROM PAGE 4

But she said it wasn't necessary to rip up Reg BI and start over.

"Despite their many flaws, these regulations can provide a framework on which to build a more robust regulatory approach," Roper wrote. "The primary goal should be to ensure that all investors who choose to work with an investment professional — whether that professional is a broker-dealer or an investment adviser — are protected by strong regulatory standards that require those financial professionals to place the customer's interests first at all times."

> "THE PRIMARY GOAL SHOULD BE TO ENSURE THAT ALL INVESTORS ... ARE PROTECTED."
>
> BARBARA ROPER, SENIOR ADVISER, SEC

Roper had been making these points for months in comments to the media. They must have sunk in with Gensler.

BEEFING UP REG BI

In his first appearance before a congressional committee after being sworn in as chairman, he discussed Reg BI in a way that echoed Roper's game plan. Gensler said the agency would get the most out of Reg BI through examinations and enforcement and evaluate whether more improvements are needed. He didn't talk about scrapping it.

Roper's letter indicates the SEC "will define what constitutes acting in a client's best interest" and "will result in more enforcement as the SEC looks at how broker-dealers mitigate potential conflicts as well as how they interact with clients," Jaret Seiberg, managing director at Cowen Washington Research Group, wrote in a recent analysis.

It's almost a certainty Gensler will determine Reg BI needs to be strengthened. He'll turn to Roper on how to do it. In fact, he may rely to a great extent on his personal staff.

AN INFLUENTIAL POSITION

He's brought on board a number of advisers before hiring directors for some SEC divisions, such as Investment Management and Trading and Markets.

Perhaps Gensler will operate like a president who relies more on West Wing senior staff than on cabinet secretaries to develop and execute policies. That would put Roper in an influential position inside SEC headquarters after spending decades pressuring the regulator from the outside.

Brokerages that thought they could skate by Reg BI requirements are likely now worrying the rule actually will have teeth. Barbara Roper could provide the bite.

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ESTATE PLANNING

CONTINUED FROM PAGE 4

ing to lean more on technology to fill this gap, said Jamie Hopkins, managing partner of wealth solutions at Carson Group, which is an investor in Vanilla as well as a user.

"I started off as an attorney and in the estate planning arena, but it never felt like a growing field, instead it felt stagnant and stuck in the decades past," Hopkins said. "To a large extent, estate planning has diminished in perceived value as federal and state estate taxes have been curtailed."

Additionally, there are perceptions that estate planning is only for the rich and not for everyone, he said. Technology can help democratize advice, including advice on estate planning.

THE RIGHT LEGAL TEAM

The challenge for most advisers is that they're not specialized in estate planning and each state has different legislative quirks, said Simon Tryzna, chief investment officer at ClearPath Capital Partners.

Moreover, Tryzna said, advisers have trouble finding the appropriate estate attorney to work with a specific client, which can be costly.

"Collaborating with multiple parties and spending time researching and interviewing estate attorneys was extremely inefficient on our end," he said. "Client experience rarely gets talked about, but fintech solves many problems there."

TAX LAW CHANGES

Estate planning has recently come into the spotlight as high-profile cases, like Britney Spears and her battle over who controls her $60 million estate, point to material gaps in the practice, Spitzner said.

While Spears' case is unique given the conservatorship she's currently fighting, the wealthy also simply lose a great deal of money by not taking advantage of estate planning opportunities available to them and optimizing tax treatment, he said.

"Estate planning is absolutely ripe for disruption, especially given how estates are changing with digital assets, illiquid investments and tax law revisions," Spitzner said. "[Vanilla] is also a great example of a growing trend of practitioners like Steve Lockshin, who see a gap in the marketplace and what they wish they had, and decide to do something about it themselves."

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WELLS FARGO

CONTINUED FROM PAGE 4

"fully and timely" make harmed customers whole. The regulator had warned the company it might bring new sanctions tied to the company's pace in fulfilling its obligations.

"Wells Fargo has not met the requirements of the OCC's 2018 action against the bank," Michael Hsu, the regulator's acting chief, said in statement last Thursday. "This is unacceptable."

In addition to the penalty, Hsu said the OCC is putting limits on the bank's future activities until it fixes problems tied to mortgage servicing. The regulator ordered the bank not to acquire certain third-party residential mortgage servicing and to ensure borrowers aren't transferred out of its loan-servicing portfolio until remediation is provided.

Scandals have plagued Wells Fargo since 2016, beginning with the revelation that employees opened millions of fake accounts to meet sales goals. Problems multiplied across business lines, leading to additional sanctions from regulators, including a costly asset cap from the Federal Reserve.

The problems also led to leadership shake-ups, including the resignations of two CEOs, and a six-month search for an outsider to do the job. Scharf, who took over almost two years ago, has called satisfying U.S. authorities demands his highest priority.

"Our work to build the right foundation for a company of our size and complexity will not follow a straight line," Scharf said in a statement last Thursday. "We are managing multiple issues concurrently, and progress will come alongside setbacks. That said, we believe we're making significant progress, the work required is clear, and I remain confident in our ability to complete it."

Shares of Wells Fargo rose 1.2% to $44.90 at 6:25 p.m. in New York after-market trading last Thursday. The stock has gained about 47% this year.

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