JANUARY 10-14, 2022

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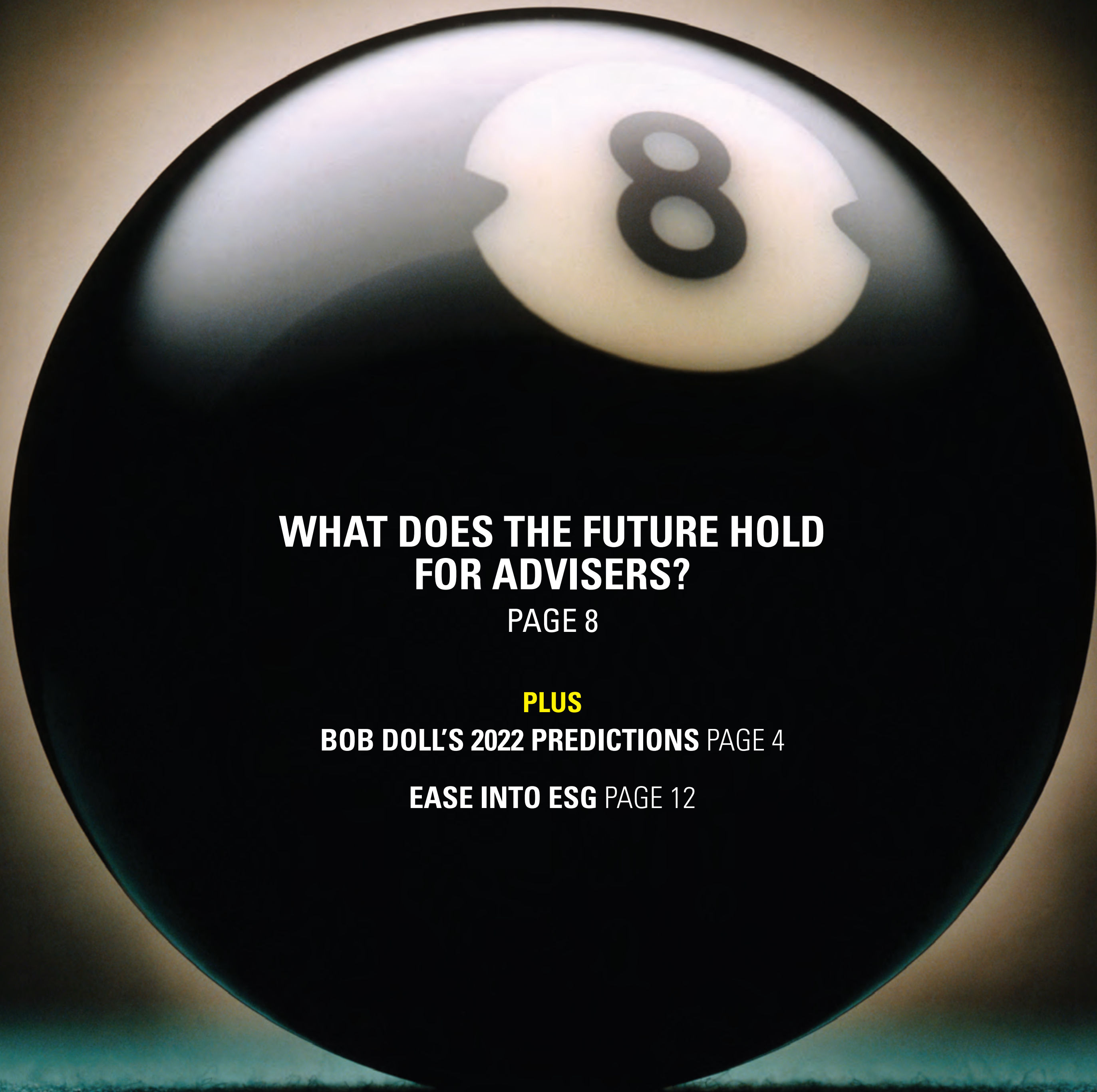

WHAT DOES THE FUTURE HOLD FOR ADVISERS?

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RIAs see M&A action gaining momentum in '22

BY JEFF BENJAMIN

EIGHT STRAIGHT YEARS of record-breaking consolidation in the wealth management space are seen as just an onramp to more of the same this year, according to the latest research from DeVoe & Co.

The new report, which includes findings from a survey of registered investment advisers, in some respects contradicts the outlook of the firm's managing director, David DeVoe.

In late November, in a discussion of 2021's record-level M&A activity, DeVoe tamped down expectations for another record year in 2022.

"The next five or six-plus years, we're going to see upward trajectory in the number of deals, but we may not see another record year in 2022," he said about five weeks ago.

The prospect that this year's merger and acquisition activity could break the decade-long streak of record deal volume goes back to the main drivers of activity, DeVoe said. "We saw a surge at midyear from firms looking to get deals done in 2021," he said, referencing a rush to close deals given the Biden administration's broad push for increased taxes.

> **KEY POINTS**
> - Eight years of consolidation in wealth management are seen as an onramp to more.
> - RIA sellers are riding record-level valuations.

MORE M&A TO COME

The sweeping tax hikes failed to come to fruition in 2021, but Democrats are continuing their effort to enact tax legislation before the midterm elections this year.

According to DeVoe's survey of financial advisers who are on the ground experiencing the growing M&A momentum, the expectations are for much more of the same.

"The recent 30%-plus year-over-year increases in M&A volume are seemingly driving expectations of a new normal trajectory, as opposed to

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Finra's new rule to rein in rogue brokers kicks in with new year

BY MARK SCHOEFF JR.

FINRA IS STARTING the New Year with more latitude to rein in rogue brokerages.

A new Financial Industry Regulatory Authority Inc. rule went into effect Jan. 1 that enables the broker-dealer self-regulator to impose

> **"IT'S ABOUT SMART INVESTOR PROTECTION."**
> MARLON PAZ, PARTNER, LATHAM & WATKINS

additional capital obligations and other conditions on brokerages that employ a high number of registered reps with significant disciplinary histories.

Under the rule, Finra can require a "restricted firm" to deposit cash or qualified securities in segregated, restricted accounts that are controlled by Finra. The money could be used to fund arbitration awards and for other purposes.

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Vanguard website outage plays up dangers of online investing

BY SEAN ALLOCCA

THE VANGUARD GROUP Inc. website was malfunctioning for approximately six days in late December, potentially blocking thousands of customers from accessing year-end investment reports online and highlighting the need for companies to invest in robust customer service teams capable of dealing with high demand when technology fails.

Customers of the $8 trillion mutual fund giant weren't able to download PDFs of certain statements, confirmations and tax forms needed for end-of-year accounting, and the company couldn't print and deliver some checks by mail, Vanguard representative Charles Kurtz said in an emailed statement.

The snafu allegedly was caused by a service interruption at a third-party technology vendor, which was not named in the email.

While teams worked to restore service, the company notified clients, waived wire fees and expedited delivery fees to help clients avoid potential mail delays, according to the statement. The issues had no impact on the management of funds or the holdings in client accounts.

Still, disgruntled customers took to social media sites, like Twitter and the website Bogleheads.org, to complain about the company's website functionality and a significant dearth of customer service representatives available to handle inquiries that spilled over to help hotlines.

SCRAMBLING FOR ACCESS

Investors scrambled to access their accounts online, while long wait times stymied their chances of talking to representatives over the phone, according to the social media posts. Multiple users claimed to have waited on hold for more than two hours.

"I've been a Vanguard client for 25+ years. On hold for an hour and 40+ minutes. Worst customer service experience EVER. Why would anyone trust their money to this infrastructure?" investor Rob Kaufmann tweeted.

The issue was so widespread even Vanguard President and CEO Tim Buckley reportedly took action by

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Kamila Elliott becomes first Black chair of CFP Board

BY MARK SCHOEFF JR.

KAMILA ELLIOTT

THE CERTIFIED FINANCIAL Planner Board of Standards Inc. has been promoting diversity in the profession for years. It's now an example of what it's been advocating as Kamila Elliott becomes the first African American chair of the CFP Board.

"It's fantastic for the profession," Elliott said in an interview. "I think it's inspiring for aspiring CFP professionals to see that there's a Black woman — someone who looks like them, from Philadelphia, single-parent household, mom never had a financial adviser — if she can do it, I can do it. I think it's a good testament of where this profession is going and how inclusive it is."

The CFP Board sets and enforces the competency and ethical standards related to the CFP credential for more than 92,000 certificants in the United States. The board chair typically serves for a year. Elliott, a board member for three years, was elected by her board colleagues in 2021 as chair-elect. On Jan. 1, she began serving as chair.

"Kamila is a champion for a more diverse and sustainable financial planning profession," CFP Board Chief Executive Kevin Keller said in a statement. "She also believes strongly in showcasing how competent and ethical financial planning by CFP professionals benefits clients' well-being. Her continued leadership and counsel will provide great value to CFP Board as we work toward a day when every American has access to financial planning."

The number of Black and Hispanic CFPs grew to a total of 3,688 in 2020, a 12.6% increase over 2019, according to CFP Board statistics. But each group represented a fraction of the overall CFP population, with Blacks comprising 1.68% and Hispanics accounting for 2.46%.

DEVELOPING TALENT

During her year as chair, Elliott intends to promote diversity in the profession by increasing awareness of financial planning as a career path in which people can help others and do well for themselves. The focus on developing the talent pipeline will include outreach to historically Black colleges and universities.

The CFP Board's Center for Financial Planning holds an annual diversity summit. The emphasis on diversity

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Morgan Stanley agrees to pay $60 million over data breach

BY SEAN ALLOCCA

MORGAN STANLEY & Co. agreed to pay $60 million to settle a class-action lawsuit claiming a data security breach exposed the personal data of 15 million current and former customers, including credit card and Social Security numbers.

The sensitive information was stored in data centers that had been decommissioned or replaced, and then allegedly were resold without being properly wiped clean.

Because the firm failed to properly dispose of the data, the personal information of Morgan Stanley customers was easily accessible, according to the agreement filed in federal court in Manhattan on Dec. 31. A software flaw allegedly left the data on the old servers in an unencrypted form.

DENIES ALLEGATIONS

Morgan Stanley agreed to the settlement while continuing to deny the allegations.

"We have previously notified all potentially impacted clients regarding these matters, which occurred several years ago, and are pleased to be resolving this related litigation," a representative said in a statement.

Morgan Stanley allegedly learned of the breach after it was contacted by a man who said he bought used IT equipment from an internet vendor and it came with access to the sensitive customer data, which also included birth dates and investment account information.

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401(k) tax law an 'ingenious deceit': Prof

BY EMILE HALLEZ

A PROFESSOR AT THE University of Virginia School of Law has launched an offensive on the tax treatment of traditional 401(k)s and individual retirement accounts, calling out retirement savings reforms that he says have largely benefited the industry and affluent savers.

In a paper published Dec. 31, Michael Doran skewered numerous policy changes related to retirement saving, including several Portman-Cardin bills and the Pension Protection Act, calling the reforms "an ingenious deceit" and "a stalking horse for lavishing tax subsidies on higher income earners and directing higher asset-based fees to financial-services companies."

The paper is all but certain to attract widespread criticism from the industry, with one group categorizing it as an opinion piece masquerading as research.

Doran, who himself worked with the American Benefits Council while in private practice as far back as the '90s, didn't lobby for the retirement policy changes he targets in his paper, according to a disclosure in the piece.

Although legislation has dramatically increased the amount of U.S. retirement assets over 25 years, it has disproportionally benefited the wealthy, with average inflation-adjusted savings for low-income people declining slightly, Doran wrote.

DIVERTING FEDERAL RESOURCES

"The enormous retirement-savings subsidies that Congress has directed to higher-income earners have diverted federal resources from other policies that would increase retirement security for lower-income and middle-income earners, whether through private savings or through improvements to Social Security," he wrote. "These lost opportunities have left middle-income earners scarcely better off than they were in the early 1990s. And remarkably, the retirement-account balances of lower-income earners have decreased over the past 25 years."

Between 1995 and 2019, the median retirement

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Advisers find shelter from vax mandate at Christian RIA

BY JEFF BENJAMIN

VACCINE MANDATES WERE the driving force in the decision by two Columbus, Ohio, financial advisers to switch firms last month.

Drew Lehman and Matt Bonito, who combined manage $250 million in client assets, moved from Financial Engines Advisors to Inspire Advisors to better serve clients "without any push from corporate bureaucracy that they might be uneasy with," said Robert Netzly, CEO at Inspire.

"As the mandates roll out, it has caused a lot of concern and risk for advisers at these firms," Netzly said. "Medical freedom is important to these people; they have aversions to vaccines."

Founded in 2015, Inspire is a $2 billion registered investment adviser marketed as offering Biblically responsible investing from Christian advisers.

Netzly said President Biden's persistent push for vaccine mandates has driven

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Bob Doll's 2022 predictions: Fed policy poses challenges

BY BRITTNEY GRIMES

Bob Doll, chief investment officer at Crossmark Global Investments, has released his 2022 predictions for the finance industry, ranging from good earnings to rising inflation and interest rates.

"Covid variants entered the mix at a few points, creating some volatility and style rotation," Doll writes of last year. "Although it was a tug of war, growth beat value, large beat small and the U.S. beat non-U.S. equities."

Doll says 2022 will likely be "more challenging for investors, as the Fed and other central banks progressively unwind accommodative policy in response to the ongoing economic recovery/expansion and elevated inflation readings." Here are his prognostications for this year.

U.S. REAL GDP GROWTH
Both U.S. real growth and inflation remain above trend but decline from the levels since in 2021.

INFLATION
Inflation falls, but core inflation remains around 3%.

NEGATIVE RETURNS
For the first time since 1958-59, 10-year Treasuries provide a second consecutive year of negative returns.

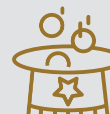
STOCKS FAIL TO MAKE EXPECTED GAINS
Stocks experience their first 10% correction since the pandemic started and fail to make the gains widely expected.

STOCK PERFORMANCE
Cyclical, value, and small-cap stocks outperform defensive, growth and large-cap stocks.

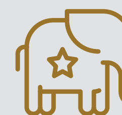
SECTOR PERFORMANCE
Financials and energy outperform utilities and communication services.

INTERNATIONAL STOCKS
International stocks outperform U.S. equities for only the second year in the last decade.

VALUES-BASED INVESTMENTS
Values-based investing continues to gain share.



FEDERAL INTEREST EXPENSE
After hitting its lowest level in more than 60 years in 2021, the federal government's interest expense as a percentage of its revenue begins a long-term move higher.



REPUBLICANS GAIN MORE HOUSE SEATS
Republicans gain at least 20 to 25 seats in the House and barely win the Senate in the midterm elections.

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Company Name	Symbol	Weight
Berkshire Hathaway B	BRK.b	12.69%
JP Morgan Chase	JPM	10.85%
Bank of America	BAC	7.43%
Wells Fargo	WFC	4.44%
Morgan Stanley	MS	3.27%
BlackRock	BLK	3.03%
Goldman Sachs	GS	3.01%
Charles Schwab	SCHW	2.93%
Citigroup	C	2.78%
S&P Global	SPGI	2.64%

*Components and weightings as of 12/31/21. Please see website for daily updates. Holdings subject to change.

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STATE STREET GLOBAL ADVISORS.

Opinion

EDITOR'S NOTE

A new page for *IN*

The new year represents a new beginning — a chance to start fresh and turn the page. For *Investment-News,* we mean that quite literally.

With this first issue of 2022, we're introducing a new format that we believe will enhance your reading experience. The changes are subtle, but substantive.

This new format offers more opportunities to include the widest range of stories and reinforce *IN*'s greatest strength: A veteran news team that can provide nuance and insight into how the latest news impacts our readers.

PAUL CURCIO

So, what's new? We're introducing several sections that we're quite excited about.

First is IN Depth, which offers a deeper dive into a story or trend. Think of it as a bonus cover story.

That's followed by Analysis & Commentary, where we gather our expansive group of columnists and contributors for a focused review of what the latest news means.

We've dispensed with subject-driven sections and replaced them with IN the News, an extension of Top News, which offers a broader selection of stories on a wide range of topics.

Finally, with the production challenges of the pandemic in the rear view, we've adopted a twice-monthly publication schedule for both the print and digital editions of the magazine.

We hope you enjoy this refresh, and we welcome your feedback.

Happy New Year!

pcurcio@investmentnews.com

There's much to look forward to in 2022

In forecasting what lies ahead in 2022, one lesson from the year just passed is that long-term trends tend to persist, even if they sometimes take unexpected turns.

For example, two long-term trends that are shaping the economy — the aging of the population and advancing technology — continued. These trends tend to be deflationary, but Covid-induced supply-chain problems and the vigorous monetary and fiscal stimulus that came in the pandemic's wake resulted in a burst of inflation that is turning out to be more than merely transitory.

Long-term trends in the financial advice business also continued, with surprises coming mostly in the form of positives. Outstanding producers continued to be in demand, only more so. Profitable and growing registered investment advisory firms became even more attractive acquisition targets. And much to the delight of independent broker-dealers and RIA firms, more employee-advisers decided to go independent.

In this issue, the *InvestmentNews* reporting team looks ahead to 2022 and sees many of these long-term trends continuing.

Bruce Kelly's piece on brokerage firms anticipates that the market for successful advisers will be running hot for at least another year. Since the economics of training militate against firms devoting time or resources to develop advisory talent, advisers who have run the gauntlet and developed a successful business are likely to find themselves in demand no matter what conditions prevail. With established producers in the catbird seat, look for wirehouses to do everything possible to make them happy. At the same time, after weighing the economics, more employee advisers are likely to go out on their own to capture at least some of the revenue that now goes to their employer.

LONG-TERM TRENDS IN THE FINANCIAL ADVICE BUSINESS CONTINUED, WITH SURPRISES COMING MOSTLY IN THE FORM OF POSITIVES.

On the tech front, Sean Allocca notes how the increasing availability of financial planning software may lead to its commoditification. Nevertheless, even ultra-simplistic, app-based planning is likely to be seen as helpful — to a public increasingly aware of financial planning's value as well as to advisers, who will use the tools to attract those migrating toward a managed relationship. Technology's power to personalize will keep growing.

Reflecting national trends, political tensions at the Securities and Exchange Commission also are likely to keep growing this year, predicts Mark Schoeff Jr. He notes that Democratic appointees will outnumber Republicans, at least for a while. Does that translate into better protection for investors or more heavy-handed Washington interference? The answer probably depends on whether you view the world through blue- or red-tinted glasses.

Finally, in his look at markets, Jeff Benjamin's sources see a continuation of the long-run bull market, albeit at a less torrid pace given the lower valuations that come with anticipated higher interest rates. But if there's one area where unexpected twists often occur, it's in market performance. A natural disaster, political shakeup or unforeseen economic shift — virtually anywhere in the world — could completely upend the consensus. And who knows, interest rates may even end the year lower than where they started.

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A LOOK AHEAD AT 2022

FROM THE ECONOMY AND FINANCIAL MARKETS TO REGULATIONS AND RETIREMENT PLANS, THE INVESTMENTNEWS TEAM PREVIEWS THE TOPICS TO WATCH

PROSPECT OF RATE HIKES PUTS ECONOMY IN FOCUS

BY JEFF BENJAMIN

The Federal Reserve, in its quest to be as transparent as possible, has tamped down some of the numerous economic and market outlooks for 2022 by showcasing plans to hike interest rates as many as three times this year.

While some prognosticators, like Mike Reynolds, vice president of investment strategy at Glenmede Trust Co., say the Fed's mid-December announcement "wasn't inconsistent with our expectations," others are adjusting on the fly.

"We see an economy that has grown strong enough that it can withstand removing the punch bowl," said Reynolds in a reference to the Fed's extended low-interest-rate policy that has helped prop up the economy and forced investors into risk assets like stocks over the negative real yields of most bonds.

With inflation hovering around 6% heading into the new year, Reynolds thinks the Fed could get even more aggressive if a few rate hikes don't do the trick of bringing inflation down at least a few percentage points "as we get into the meaty part of the year."

"INFLATION WILL MODERATE AS ... BOTTLENECKS GO AWAY."

MIKE LANIER, MANAGING DIRECTOR, DIAL CAPITAL MANAGEMENT

Carl Ludwigson, director of manager research at Bel Air Investment Advisors, said as the Fed moves from being accommodative to tightening, "the degree of impact on asset prices will depend on the pace of that tightening."

"The sensitivity of equities to interest rates is because the justification for relatively high valuations is low rates, and if that changes that would imply a repricing of multiples," he said. "The only thing that makes equities look reasonably priced is that bonds are more expensive."

Ludwigson points to the under-performance in 2021 of small-cap growth stocks as evidence that the market has already been pricing in higher interest rates on the horizon.

"Small-growth has been punished this year because that's the area where you find high valuation companies with low or no earnings," he said. "Those story stocks are most sensitive to the change in interest rates."

Ludwigson is in line with most market watchers in supporting equities over bonds, but with lower expectations for equities than in recent years.

Mike Lanier, managing director at Dial Capital Management, described the December comments by Fed Chair Jerome Powell as "dovish" enough to underscore the significance of inflation.

"He gave us assurances that he will be reactive and will always be reassessing, that's dovish," said Lanier, who added that the Fed comments "reaffirmed our existing outlook."

"Inflation will moderate as [supply chain] bottlenecks go away," he said. "The pandemic will also moderate. People need to recognize that globally, the pandemic is kind of a plus for the U.S. because we're doing the least amount of lockdowns. It's bad for the globe but we're being better capitalists about it. We will open sooner and faster than the rest of the world when it's finally gone, and that will be fuel for 2022."

jbenjamin@investmentnews.com

ADVISERS ZOOM IN ON WORKING FROM HOME

BY BRUCE KELLY

The fight for — and over — financial advisers in 2022 will be vicious and costly.

Financial advisers are going to want to continue to work from home, while many large firms will want them and their assistants back in the office. That friction will embolden many advisers to look for a new place to work.

And advisers are experiencing huge market forces related to their labor and the billions of dollars of revenue they collectively generate each year in their favor.

Valuations have skyrocketed at registered investment adviser firms, recently hitting never-before-seen levels, with bankers and executives whispering that a limited number of transactions have reached valuations of 18 times to — gasp! — 20 times a firm's annual EBITDA, a cash-flow metric that stands for earnings before interest, taxes, depreciation and amortization.

Meanwhile, broker-dealers like LPL Financial are putting their money to work when it comes to efforts to hire employee financial advisers.

The frothy market to hire the best financial advisers comes as the ongoing Covid-19 pandemic changes the nature of work, with many financial advisers having worked from home for almost two years and not wanting to return to the office.

And even though those advisers are working from home, they are getting paid like they're still employees working in an office and earning in the neighborhood of 45 cents per dollar of revenue they generate.

Advisers who are registered with an independent broker-dealer typically pocket 80 cents per dollar of revenue. That means some employee advisers from big firms, like Merrill Lynch or Morgan Stanley, are now assessing their pay and thinking to themselves, "I'm already working from home. I can make one-third to one-half times more if I jump to an independent firm."

That means an adviser who generates $1 million in annual fees and commissions, brings over a hefty chunk of assets and keeps expenses low could see a 75% payout. And maybe the adviser's assistant can work from home, too.

Advisers like the autonomy of working from home and don't want to go back to the office and wear a suit again. It's all about quality of life for these advisers, many of whom are in their 50s and 60s.

Because of the pandemic, those advisers have had their mindsets shifted and are considering working as an independent broker or RIA because they are already working that way.

Big firms with employee advisers will have to adjust, making it easier for advisers to be out of the office or even boost payouts and bonuses to keep up with independent broker-dealers and RIAs.

Meanwhile, there are always winners and losers in the brokerage industry.

Some large firms are likely to struggle with getting service back up to snuff for advisers in 2022 as the fight for quality employees accelerates. That will only work to get under the skin of many financial advisers, adding another factor encouraging some to move to another firm.

Buckle up for 2022.

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POLITICAL TENSIONS COULD HOVER OVER SEC'S AGENDA

BY MARK SCHOEFF JR.

Political tension on the Securities and Exchange Commission could permeate the agency's work in 2022, and the first tangible evidence will come early in the new year.

SEC Commissioner Elad Roisman announced on Dec. 20 he would resign from the commission by the end of January. He gave no reason for his departure, but it's likely he felt marginalized as one of two Republican members on the five-person, Democratic-majority panel.

Roisman, who did not respond to an interview request, and fellow Republican Commissioner Hester Peirce have resisted SEC Chairman Gary Gensler's push to draft proposals on mandatory environmental, social and governance disclosures for public companies.

They released recently a statement criticizing the agency's expansive regulatory agenda. They took umbrage that the SEC intends to redo some rulemakings — including easing private-market rules for ordinary investors — promulgated in 2020 when the commission had a GOP majority.

LACK OF BIPARTISANSHIP

Scott Kimpel served as counsel for former SEC Republican Commissioner Troy Paredes during a Democratic administration. He understands the frustration of arguing against rulemakings in the minority rather than shaping them in the majority.

"That gets tiresome," said Kimpel, a partner at Hunton Andrews Kurth. "There doesn't seem to be a lot of bipartisan consensus around issues on the SEC's 2022 agenda."

The SEC approved recently several rulemakings, including one on money market reform, by 3-2 votes. Until the Senate confirms Roisman's successor, the breakdown could often be 3-1.

"That's the nature of the SEC today," said Kurt Wolfe, counsel at Quinn Emanuel Urquhart & Sullivan. "They build consensus when they can. When they can't, the chair has to have the fortitude to proceed with a 3-2 vote. There's no reason to believe that Chair Gensler will shy away from 3-2 votes."

The leftward tilt of the agency has been enhanced by appointments Gensler has made to his senior staff. They include a longtime progressive advocate Barbara Roper, former director of investor protection at the Consumer Federation of America.

> **"THE CHAIR HAS TO HAVE THE FORTITUDE TO PROCEED WITH A 3-2 VOTE."**
>
> KURT WOLFE, COUNSEL, QUINN EMANUEL URQUHART & SULLIVAN

"The current composition of the SEC is the most investor-protection friendly that I've seen in 20 years," said Michael Edmiston, president of the Public Investors Advocate Bar Association.

Edmiston credits the whole commission with that focus. He pointed to Roisman's strong advocacy on senior investor safeguards. Although PIABA and Peirce don't often agree on the approach to investor protection, "I know she also cares," he said.

The SEC under Gensler has emphasized several issues that also are being targeted by state securities regulators, such as private-market reform, online practices of financial firms and payment for order flow.

North American Securities Administrators Association President Melanie Senter Lubin said the agreement is not necessarily because of the commission's Democratic majority but because the regulators have a common cause.

"It's an alignment of interests," said Lubin, Maryland Securities Commissioner. "We're always hopeful regardless of the makeup of the commission that everyone's moving forward on our mutual objective of investor protection."

The SEC likely will be productive on investor protection and other issues in 2022 despite political friction.

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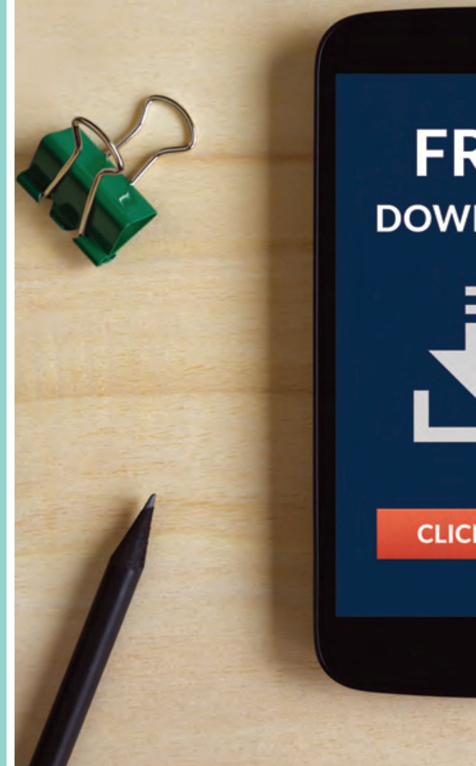
FREE PLANNING APPS DRIVE DOWN

BY SEAN ALLOCCA



As Americans opt for easier ways to build their financial futures, fintechs are proving cheaper and more efficient alternatives, and could drive down the cost of wealth management in the process.

Millions of consumers are already creating financial plans right from their mobile phones. After a short questionnaire, the apps generate retirement plans in under 15 minutes — less than it takes for most people to drive to their local Edward Jones & Co. There's help with mortgages, college loans, investments and budgeting, and even comparisons between current asset allocations and recommended ones.

If you're thinking it's just the robos, it's not. Some of the most recognizable names in financial services — like Fidelity Investments Inc., Charles Schwab & Co. and Bank of America Corp. — are already on board. BofA's Life Plan, for example, helped almost half a million customers with plans in its first month and is now available to nearly 40 million active banking customers at no additional cost.

With all this free planning technology available, the news of 2022 won't be about the launch of the next mobile platform. Instead, we could be asking whether anyone is still willing to pay for financial plans when they come on their favorite investing app gratis.

Make no mistake, these online plans being given away by digital-first firms are limited in scope and literally take minutes to complete. The information gathered goes little deeper than age, net worth, current income and risk tolerance. And that's a far cry from

THERE'S GOOD AND BAD NEWS FOR SOCIAL SECURITY IN 2022

BY MARY BETH FRANKLIN

There's good and bad news on the horizon for Social Security in 2022.

First, the good news: This year, benefits will increase by 5.9%, the biggest annual cost-of-living increase in 40 years.

And people who turn 62 in 2022 — meaning they are newly eligible for Social Security — have two things to cheer about. The 5.9% COLA will be factored into their future benefits even if they don't claim benefits until later. And those newly eligible beneficiaries, who were born in 1960, can expect an increase in their future benefits based on an increase in the latest average wage index rather than the previously forecast decline.

Social Security benefits are based on a complicated formula that adjusts a worker's top 35 years of career earnings to changes in the average wage index up through age 60. Such indexing ensures that a worker's future benefits reflect the general rise in the standard of living that occurred during his or her working life.

For people who turn 62 in 2022, the Social Security Administration uses 2020 — the year they turned 60 — as the indexing year. The national average wage index increased 2.83% in 2020 over the previous year.

But back in the early days of the Covid pandemic, when millions of people were suddenly unemployed, it looked as if the average wage index for 2020 would decline for only the second time since 1951.

CRISIS AVERTED

A percentage change in the average wage index in the year a worker turns 60 has a nearly one-on-one impact on the Social Security benefit formula. At one point, it looked as though the future benefits for those born in 1960 could have dropped between 10% and 15% from those of people born one year earlier. But the drop never materialized. Crisis averted.

Now for the bad news.

Much of the 5.9% annual increase in Social Security benefits will be offset by higher Medicare premiums,

COST FOR ADVICE IN THE NEW YEAR

the comprehensive plans traditional advisers create alongside their clients in hour-long meetings.

To what extent planning does become commodified — and if advisers will still be able to charge for planning when everyone from fintechs to global banking corporations is offering it on the house — is hard to say. It's certainly difficult to imagine advisers having any trouble continuing to charge the traditional one percent on assets.

However, fintechs certainly have a way of driving down costs in wealth management and undercutting fees, and we have to look no further than the race to zero on commission-free stock trades initiated by Robinhood Markets Inc. as Exhibit No. 1.

MANAGED RELATIONSHIPS

While 2021 was about attracting new customers and cross-selling investments, more recently launched planning apps may actually help the industry by steering non-advised clients toward managed relationships. Last month, fintech Lasso announced a gamified platform to help users create plans and find suitable advisers, and Toronto's Planswell Inc. advertises customized financial plans in under three minutes and sells those leads to advisers for $450 a month.

While mobile apps could ultimately bring down the price of financial advice, they will also funnel a significant portion of new clients into managed relationships.

For sure, these new planning apps are opening the door to allow a larger swath of American consumers to gain access to wealth management. And by selling those leads, they're also giving advisers the ability to stand at the screen door and welcome them in.

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which are usually deducted directly from monthly benefits. Monthly premiums for Medicare Part B, which covers doctors' fees and outpatient services, will increase to $170.10 in 2022, up 14.5% from the 2021 premium of $148.50 per month.

Higher-income retirees subject to income-related monthly adjustment amounts or IRMAAs will pay even more, ranging from an extra $68 to an extra $408.20 per month per person. Medicare Part D prescription drug premiums are also subject to separate monthly high-income surcharges.

Finally, the long-term financial outlook for the Social Security reserves continues to deteriorate, according to the latest trustees' report, with the combined Social Security Old Age, Disability and Survivors trust funds expected to be depleted by 2034 — one year earlier than previously forecast.

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

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
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LITIGATION, STUDENT LOANS AND RETIREMENT IN 2022

BY EMILE HALLEZ

Fiduciary liability, and the resulting litigation, has been a big problem for the 401(k) and 403(b) worlds — but that could change in 2022.

A pending decision by the Supreme Court will likely determine how easy it is for plaintiffs' law firms to bring class-action lawsuits against employers over their retirement plans. Central to the case, which was filed against Northwestern University, is whether it is enough for a suing party to explain that cheaper or better options were available to a plan in order to state a claim. Without that ability, many excessive-fee cases would fall flat, failing to survive motions to dismiss.

If the justices affirm the district and appellate court orders to toss the case, that precedent could make it tougher for litigators to pursue claims. But if the high court reverses the dismissal, that decision could embolden litigators.

The lawsuit trend, which has been 15 years in the making, has left plan sponsors leery of the fiduciary liabilities of offering a 401(k) to their employees. Some will consider switching to pooled employer plans, or PEPs.

That plan type, which first became available in 2021, includes fiduciary services for plan administration and investment selection that employers don't have to shoulder. Though some PEPs providers have focused their efforts on startup plans and small businesses, others are positioning their products as a way to take the headache out of providing a retirement plan for midsize or larger employers.

Both strategies for selling PEPs will likely become more common. Some financial services firms have been on the sidelines, waiting to see whether the "group of plans" model is viable. Groups of plans are a different multiple-employer structure that, like PEPs, resulted from the SECURE Act.

It has been an attractive proposition for plan providers, as groups of plans will not require them to assume the same level of fiduciary responsibility as PEPs do, thus putting more liability on the employers.

However, a proposed rule several months ago from the Department of Labor shot a big hole in groups of plans. Revised requirements for its Form 5500 will preclude groups of plans from having a consolidated audit, meaning that every participating employer could be required to file its own. That is, unless the DOL changes its stance on that requirement when it publishes a final rule later in 2022.

Of course, employers also increasingly have another option for retirement plan coverage, depending on where they are located. State-run automatic IRA programs are proliferating, and people who otherwise would not have any access to workplace retirement plans can benefit from that. By June 30, California's CalSavers program will require all employers with at least five workers to either provide their own retirement plans or sign up for the state option — a deadline that will funnel many new savers into that system.

BENEFITS ON THE HORIZON

It's worth noting that May 1 marks the end of a two-year hiatus on federal student loan payments, which had been put on hold starting with the CARES Act. Many young borrowers will find themselves making payments, some for the first time — and recent surveys have indicated that workers do not feel financially prepared for this.

Employers are aware of the problem, and some have been adding student loan payment benefits as way to help attract and retain workers, particularly at a time when jobs are difficult to fill.

Nonetheless, it's likely that some workers will be financially struggling — and rising inflation certainly won't help. As they look for places to cut costs, their 401(k) contributions will almost certainly be on the table.

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ESG investing is about to get a lot easier

BY MARK SCHOEFF JR.

Federal regulators are poised to facilitate sustainable investing in 2022 despite political opposition. They're also likely to step up scrutiny of how financial advisers market and execute environmental, social and governance investment strategies.

Both the Department of Labor and the Securities and Exchange Commission are working on proposals whose thrust is to encourage the use of ESG factors, an abrupt reversal of Trump administration policy.

"Regulation goes from being a headwind to being a tailwind" for ESG, said Aron Szapiro, head of retirement studies at Morningstar Inc. "It's a complete shifting of the winds."

The DOL measure, which was introduced in October, says ESG factors can be material when retirement plan fiduciaries select investments and make proxy voting decisions. It also clarified that default investment options in 401(k) plans, such as target date funds, can utilize ESG factors.

Earlier last year, President Biden issued an executive order instructing DOL to promulgate new rules that would rescind Trump administration regulations that critics said would have chilled ESG investing in retirement plans. The DOL rulemaking is part of a government-wide effort by the Biden administration to address climate change.

"[ESG] REGULATION GOES FROM BEING A HEADWIND TO BEING A TAILWIND."

ARON SZAPIRO, MORNINGSTAR INC.

Although the SEC is an independent agency, it also is making its contribution to climate policy, according to its latest regulatory agenda. It will propose a rule on mandatory climate-risk disclosure for public companies. In other ESG areas, the agency also is expected to propose disclosure rules on human capital management and board diversity.

REPUBLICAN PUSHBACK

As the regulatory agencies forge ahead, they are getting pushback from Republicans — both on Capitol Hill and at the regulators.

The top-ranking Republicans on the Senate committees with jurisdiction over DOL told the agency to withdraw its ESG rule in a Dec. 10 letter to Secretary Marty Walsh. They argued the regulation would allow plan fiduciaries to "pursue 'woke' ESG causes … rather than being solely focused on maximizing investment returns."

On the SEC, Republican Commissioners Hester Peirce and Elad Roisman have questioned Chairman Gary Gensler and the other Democratic commissioner's push to promulgate ESG disclosure rules. Peirce and Roisman said current disclosure can highlight ESG issues if they're material to investment returns.

In a sign of growing tension over ESG and other issues, Roisman announced in late December that he would resign from the SEC by the end of January. That would leave the agency with four members — three Democrats and one Republican — until the Senate confirms his replacement.

GENERAL INDUSTRY, INVESTOR SUPPORT

Despite the political resistance, both agencies likely will advance their respective proposals in the first half of 2022.

The comment period for the DOL ESG rule closed in the middle of December with anywhere from supportive input to strong backing from financial industry groups and ESG advocates. That in part reflects a market reality — the rapid growth of ESG investing.

"It's clear that the current [DOL ESG] proposal is more in line with what the expectation of the investor is than were the rules adopted at the end of the Trump administration," said Jennifer Klass, a partner at BakerMcKenzie. "Investors are looking for asset managers and fiduciaries to consider ESG factors in deploying assets and making investments."

Julie Stapel, a partner at Morgan Lewis, made a similar assessment.

"We're at a real turning point in how many different kinds of people want investment advice that incorporates ESG," Stapel said.

Gensler has repeatedly said the SEC's push on ESG disclosures is in part a response to investor demand for more information about sustainability.

"We'll see the regulations proposed on a 3-1 vote, and then the comment period begins," said Lance Dial, a partner at Morgan Lewis. "[Gensler] wants to get these out there. It's part of his mandate."

But before a final DOL ESG rule can be completed, the DOL will have to review hundreds of comment letters. Some industry participants worry that the proposal says a retirement plan fiduciary's decision on an investment strategy "may often require an evaluation of the economic effects of climate change and other ESG factors."

That language caught the attention of Lance Schoening, director of policy at Principal.

"The 'may often' wording has caused some uncertainty in terms of how much that changes the fiduciary's obligation in terms of any investment analysis," Schoening said.

Although there may be pushback on some details, the DOL is on a path to promulgating a final rule — likely by the summer, Stapel said.

"There's ESG all along the spectrum of employee benefit plans," she said. "The general consensus is the

rule was helpful no matter where the fiduciary is on that continuum."

ADVISERS' USE OF ESG

In addition to expanding required ESG disclosures for public companies, the SEC plans to draft rules that govern how investment companies and financial advisers use and promote ESG investing. Another rule would set parameters on fund names.

The items — and a related risk alert the SEC issued earlier this year — appears to target so-called greenwashing. The agency wants to make sure that investors get what advisers promise when it comes to ESG.

"It seems the SEC thinks there's a need for specific rulemaking in this area," Klass said.

Advisers should not sit back and wait for the SEC and DOL to complete their rulemaking work before they begin to assess their own ESG practices.

"They should be aware of the new regulations so that they don't oversell what their own processes are," Dial said.

It's likely all the ESG policy action will occur at the regulators because of political gridlock on Capitol Hill.

"There may be legislation, but none of it will pass," Szapiro said. "The polarization on this [issue] is pretty extreme."

That means that there likely won't be legislative codification of any ESG regulations that may go final at the SEC and DOL. But that doesn't mean they won't be long-lasting.

For instance, Szapiro said the required ESG disclosures the SEC is working on will make it easier for investors to compare stock issuers on climate and other risks.

"Once you've got the investment community using this information, it's fairly difficult to undo," Szapiro said.

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Expect a flurry of new ESG rules

The Department of Labor and the Securities and Exchange Commission are poised to advance this spring several rulemakings related to environmental, social and governance and investing.

The agencies are expected to move over the next few months — fairly quick by regulatory standards — to contribute to the Biden administration's focus on addressing climate change. Here's what's coming:

- **DOL ESG proposal:** The DOL last year released a proposal that would encourage the use of ESG factors in selecting investments for retirement accounts. The public comment period ended in December. The agency isn't expected to make any substantial changes to the proposal before releasing a final rule.

- **SEC climate risk disclosure proposal:** The SEC is expected to release a proposal that would mandate that stock issuers disclose climate-related risks to their businesses.

- **SEC human capital management disclosure proposal:** The SEC is expected to release a proposal that would mandate that stock issuers disclose workforce information. This could include diversity, benefits, training and other topics.

- **SEC amendments to fund name rules:** The SEC is expected to release a proposal that would crack down on so-called greenwashing. This regulation would target mutual funds and ETFs that use clever names promising ESG strategies and then fail to deliver them.

- **SEC rules related to investment companies and investment advisers related to ESG factors:** The SEC is expected to release a proposal that would address how investment companies and investment advisers market and execute ESG investing strategies. This is another anti-greenwashing proposal to ensure that advisers who tout ESG strategies are giving their clients what they're paying for.

— Mark Schoeff Jr.

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Brother and sister target owners of green businesses

The brother and sister team of Christopher and Michelle Mackin attribute the development of their advisory niche to the onset of the Covid-19 pandemic.

NICHEADVISER
JEFF BENJAMIN

It was August 2020 when Christopher, 37, and Michelle, 31, had transitioned to Bleakley Financial Group and realized the growing uncertainty around the pandemic was shutting down their traditional means of client prospecting.

"Up until last year, one of the primary ways we had grown our business was through networking and traveling," said Christopher, a partner at Bleakley, based in Boca Raton, Florida.

Michelle, who is based in Fairfield, New Jersey, said the duo had built a successful business through "conversations within our network," but that they "didn't really have a focus, so it was almost overwhelming at times."

Aware of the trend toward niche practices, Christopher and Michelle put their heads together to consider all possible options, including determining whether they should continue working as a team.

"We want to enjoy speaking with our clients and we want to align with them," Michelle said. "It's not just us helping them with their finances, it's a relationship."

CHANGING FOCUS

What rose to the surface from those brainstorming and whiteboard sessions was a focus on owners of environmentally conscious companies.

"We talked about focusing on doctors or lawyers, but that wasn't exciting to us," she said. "We thought about what drives us both, and it came to us that we're both passionate about the environment. We spent so much time on the water throughout our lives, fishing and boating, and we want people to enjoy that in the future. We're passionate about sustaining it."

As niches go, this one is certainly unique.

While the focus taps into the popular trend of investments focused on environmental, social and governance causes, Christopher explained that ESG isn't necessarily the primary investment objective of their niche clients, even if it does describe the general category of their clients' respective businesses.

"While some of our clients do want an ESG investment tilt, we don't view it as a one-size-fits-all," he said. "Most of the owners of environmentally conscious companies don't have an investment strategy that's in line with their values. Some of them have an interest in doing so, but others not as much."

> **"WE TALKED ABOUT FOCUSING ON DOCTORS OR LAWYERS, BUT THAT WASN'T EXCITING."**
>
> MICHELLE MACKIN, WEALTH ADVISER, BLEAKLEY FINANCIAL GROUP

While the niche might seem narrow in some ways, it can also be quite broad, which is why they are trying to concentrate on small- to middle-market size companies in areas such as solar power, wind power, waste management and recycling.

As with all advisers developing a niche, they face the issue of dealing with non-niche clients, both current and prospective.

"We've made the commitment to keep any client we had prior to our niche," Christopher said. "And any referrals we get [that don't fit the niche] we've aligned with another team at Bleakly to refer over to them."

MORE FOCUSED REFERRALS

In terms of building out the niche client base, Michelle said it will still rely heavily on referrals, but in a more focused manner.

"So much of our existing book is from referrals, and it was hard for us to explain for future referrals who to introduce us to," she said. "We really don't want to bring in 100 more clients. Twenty or 30 ideal clients would let us continue our service model of keeping them happy."

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NICHE
Owners of environmentally conscious companies

PRO TIP
Michelle: "Instead of chasing money, do what you care about. If you're not passionate, you may not succeed in this business."

Christopher: "Focus on your passion. We've reached this point in our career and we only have so much capacity left."

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RETIREMENT

Some Social Security checks to decline this year

Many individuals who are subject to Medicare high-income surcharges are in for a nasty surprise this year: Their monthly Social Security benefits will decline from 2021 levels.

MARY BETH FRANKLIN

ONRETIREMENT

Although all Social Security beneficiaries will receive a whopping 5.9% cost-of-living adjustment in 2022, the biggest COLA in 40 years, Medicare premiums will offset much of the increase. And for higher-income retirees who are subject to income-related monthly adjustment amounts, or IRMAAs, the combination of higher Medicare premiums and higher IRMAA surcharges will more than wipe out the COLA, resulting in a net decline in Social Security benefits next year.

Most Social Security beneficiaries are protected by the Hold Harmless Act, which prevents a net decline in Social Security benefits from one year to the next. If the increase in the Medicare Part B premium is higher than the dollar amount of an individual's Social Security COLA for that year, that person is only responsible for paying Medicare premiums up to the amount of the COLA. Unfortunately, anyone who's subject to IRMAA surcharges isn't protected by the Hold Harmless Act.

Medicare Part B premiums, which pay for doctors' fees and outpatient services, are deducted directly from monthly Social Security benefits. The standard Part B premium will increase 14.5% in 2022, to $170.10 per month, up from $148.50 per month this year. Higher-income beneficiaries will pay even more.

IRMAA SURCHARGES

Individuals whose income is above $91,000 and married couples with joint income above $182,000 will be subject to IRMAA surcharges ranging from an extra $68 per month to an extra $408.20 per month on top of the standard Part B premiums next year. Married couples where both spouses are enrolled in Medicare pay twice that amount.

Assume an individual received $3,000 per month in gross Social Security benefits in 2021. With a 5.9% COLA, that monthly benefit would increase to $3,177 in 2022. But if the individual is subject to the first IRMAA surcharge bracket, the $177 COLA increase would be more than offset by the combined Medicare Part B premium and IRMAA surcharge, which would total $238.10 per month next year. Higher-income retirees, whose combined Medicare B premium and IRMAA surcharge could total as much as $578.30 per month next year, would see an even bigger decline in their gross Social Security benefits in 2022.

In late November, the Social Security Administration mailed IRMAA notification letters explaining how much an individual would pay in IRMAA surcharges in 2022 based on income reported on their 2020 federal tax returns. The minimum income that triggers those IRMAA surcharges also increased from this year's $86,000 for individuals and $172,000 for married couples.

The notification letter explains how to appeal a surcharge if your income has declined since 2020 as a result of a life-changing event such as marriage, divorce, widowhood, retirement or reduced work hours.

"We cannot make a new decision if your income has changed for a reason other than those listed above, such as receiving one-time income from capital gains," the notification letter says.

Medicare beneficiaries can choose to have their Part D prescription drug premiums, which are also subject to high-income IRMAA surcharges, deducted from their Social Security benefits. Part D premium surcharges range from an extra $12.40 per month to an extra $77.90 per month per person. The national average for Part D prescription drug plans is $41.69 per month in 2022.

KEY POINTS

- For some higher-income beneficiaries, the 5.9% cost-of-living adjustment in 2022 will be offset by higher Medicare premiums and IRMAA surcharges.

'TRAIN WRECK COMING'

"Medical costs are one of the greatest concerns of retirees, but few financial advisers discuss it with their clients," said Craig Cheney, co-founder of IRMAA Solutions, a software tool that helps financial advisers calculate clients' future health care costs based on their current age, income and financial assets.

"Up until now, the industry has been able to look the other way, but there is a train wreck coming for most American retirees under age 65," Cheney said, noting that increasing Medicare premiums and surcharges will take an ever-bigger chunk out of retirees' budgets in the future.

Cheney said the IRMAA Solutions tool can help advisers work with mid-career clients, who can take steps now to shift a portion of their assets into tax-free accounts by funding health savings accounts, converting traditional retirement accounts to Roth IRAs, and buying cash value life insurance to reduce future IRMAA liability. "It's a great marketing opportunity to bring clients back to the table year after year," he said.

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

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RISK MANAGEMENT

Monte Carlo forecasts prove anything's possible — or not

Rick Ferri, the tenacious burr under the saddle of asset-based financial planning business models, is at it again.

Concurrent with his ongoing battle to push the financial advice industry toward lower and less-conflicted fee models, the feisty owner of Ferri Investment Solutions is calling out the industry for its generally haphazard use of Monte Carlo simulations to forecast potential portfolio outcomes for clients.

JEFF BENJAMIN

INSIGHTS

His biggest gripe is with the reliance on simulation projections, which are typically presented at such extremes they become useless for anything but making financial advisers look technologically savvy.

"I prefer to come up with reasonable expectations of what stock and bond markets will deliver, and whether that gets you to where you need to be down the road," Ferri said.

DOGGED CRITICS

But, while Ferri might be among the more dogged critics of the popular portfolio analysis tool that's embedded in many of the most popular financial technology platforms, he isn't alone in at least acknowledging the downside of a modeling technique that factors chance and random outcomes through formulas often loaded with assumptions.

"I just don't see the point of pointing out to a client there is a 5% probability they could be living under a bridge eating dog food someday," Ferri said in a swipe at the severe ranges of potential outcomes that Monte Carlo forecasts produce.

"I'm not sure it's the role of the adviser to give clients the whole spread of what could happen," he added. "What's the point in telling a client they have a 5% chance of running out of money and a 5% chance their children will inherit $10 million?"

Marcio Silveira, a financial advis-

er at Toler Financial Group, said the range of potential outcomes is typically so wide that he avoids doing Monte Carlo forecasts for younger clients because the longer-term projections can appear comically unrealistic.

"If I have a 30-year-old client saving 30% of their $200,000 income year after year, the simulation shows they may end up with $40 million at age 90, and that happens on the downside as well, but it's not as embarrassing to show because it's less money on the downside," he said. "The numbers are so disconnected from reality they make me look silly and I risk losing credibility."

Silveira said a fundamental problem with the simulation methodology, named after a gambling destination in Monaco, is that it assumes independence of annual returns as if the performance of one year doesn't affect future years.

He compares the Monte Carlo formula to flipping a coin.

"It could come up heads 10 consecutive times, even though that's not likely, because each toss is independent," Silveira said. "But that's not how it works in the financial markets because returns are related."

EXTREME OUTCOMES

Silveira does use Monte Carlo simulations for clients closer to retirement when the shorter time horizon doesn't allow the projected compounding to produce such extreme outcomes.

"The numbers are out of whack with all clients, but with someone in their 60s there's not enough of an opportunity for the compounding to take place," he said.

Alec Quaid, a financial planner at American Portfolios Denver, recognizes the "output issues" of Monte Carlo forecasts that are "only as good as the assumptions made in the financial plan."

But he also appreciates the way the simulations show clients "where the plan breaks."

"The Monte Carlo simulation will produce those sequences of returns in a thousand different ways," Quaid said. "You show the client the best and worst possible scenarios; that they could run out of money five years into retirement or they could retire with $20 million."

Ferri compares presenting clients with such extreme potential outcomes to a doctor telling a patient they have a 2% chance of dying.

"You're just scaring the shit out of the patient," he said. "I don't think all those what-ifs and squiggly lines do anything, so why add all that in there?"

"YOU'RE JUST SCARING THE SHIT OUT OF THE PATIENT."

RICK FERRI, OWNER, FERRI INVESTMENT SOLUTIONS

The 'why,' as Ferri sees it, comes down to some financial advisers marketing themselves as brilliant conductors of a formula that he believes the majority of advisers don't even understand.

Beyond the ability to "bedazzle clients" with the range of potential outcomes, Ferri questions the real value of Monte Carlo simulations in client portfolio construction.

"Monte Carlo was originally designed for science, where you have known facts, but what you don't know is one particular variable, so you run the simulation to find the probability of what you don't know," he said. "But in finance, everything is an assumption, and a lot of it never happened before. And I don't think anyone has ever gone back and checked the accuracy of all those simulated projections."

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INDUSTRY

The advice industry is enjoying a trip to Fat City

Despite all the political and social turmoil, 2021 turned out to be one of the fatter years for the broad financial advice industry, from large broker-dealers to burgeoning registered investment adviser networks.

ONADVICE

And recent indications reveal just how chunky the advice industry became last year and how it's going to continue to put on the pounds in 2022. (I'll dispense with the weight analogy at this point, but there's probably a lot of us out there looking to shed a few post-Jan. 1.)

Despite last year's riot at the Capitol and a variety of lethal Covid-19 variants, the broad stock market roared, which is always good news for financial advisers and their firms, who charge an annual fee on client assets in the neighborhood of 1%.

The S&P 500 repeatedly hit record highs throughout the year and ultimately posted a total annual return, including dividends, of 28.7% — almost twice its annual median return of 15.4%.

28.7%
THE S&P 500'S TOTAL ANNUAL RETURN IN 2021

The stock market ending last year with such a flourish means 2022 is already starting with a bang. Many independent broker-dealers and RIAs, for example, bill their clients before the start of the quarter; that means they are currently charging customers fees based on levels of assets at the end of December, when the market was routinely hitting records.

So, it's Fat City for the investment advice industry, its executives and roughly 300,000 retail client-facing financial advisers. ("Fat City," by the way, is the title of a 1969 boxing novel that the peerless John Houston would turn into a terrific movie. So, again, not a weight joke. Really.)

As *InvestmentNews* noted last month, financial advisers and their firms would be hard-pressed to have a better year than 2021. The past 12 months saw a number of publicly reporting brokerage firms, including industry bellwethers Merrill Lynch and LPL Financial, post record revenue or profits, all-time highs in assets or staggering peaks in assets per adviser.

But one key indication, industry bonuses, reveals that 2022 is likely to be another extremely prosperous year for the financial advice industry. That the financial advice industry and its executives and advisers are prospering during the country's grim times may make some ill at ease, but that won't stop the bounty.

COMPENSATION CLIMBS

Paul Reilly, chairman and CEO of Raymond James Financial Inc., received a cash bonus of $7.1 million in its fiscal 2021 year ending in September, according to a proxy statement filed last month with the Securities and Exchange Commission. That's a 51% increase compared to the prior year, when Reilly's cash bonus was cut by 20%. His total compensation in fiscal 2021 was $16 million, or 44% more than fiscal 2020.

And Raymond James is far from alone. According to Bloomberg, Morgan Stanley averaged about $3 billion of profit annually during chair and CEO James Gorman's first half-decade running the firm. It made more than $4 billion in last year's first quarter.

Raymond James is a bit of an outlier because its fiscal year ends in September, and most other publicly traded brokerage and advisory firms will report executive bonuses in proxy statements this spring.

What's clear is that it's a period of abundance right now for the financial advice business, despite the pandemic and political divides.

Enjoy it. But how long until the Fat Lady sings?

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Analysis & Commentary

COLLEGE LOANS

That student loan crisis is about to get real — again

It wasn't so long ago that I struggled with money.

In my 20s — OK, maybe it was some time ago — I accepted my first full-time job in journalism, which paid scantly more than minimum wage. Financially, it was a questionable decision, as I'd left a steady job with good enough pay and benefits for the promise of a more exciting career.

Inevitably, the bills began piling up. I took a second job peddling vegan shoes.

I still struggled to cover the basics: a mortgage, groceries, insurance and utilities. An emergency vet bill put me over the edge, and I got my first credit card, maxing it out to cover the procedure my dog needed.

EMILE HALLEZ

ONPLANNING

I prioritized which bills I would pay. At the bottom of the list were my student loans. After all, the mortgage provider could take away my house, but the student loan servicers couldn't take away my diplomas. Right?

But the loan companies called often, wanting to know where their money was. It's not a time I look back on fondly.

Amid the pandemic, most borrowers have benefited from the federal student loan payment freeze that was implemented and extended several times. For those who were struggling, getting a break from those payments might have been all but a lifesaver. And for people in good financial health, the payment holiday helped some chip away at debt faster or build up savings.

That changes after May 1, when payment requirements resume. The Biden administration recently granted a 90-day extension — previously, the payment holiday ended Jan. 31.

Of the nearly 43 million people who have federal student loan debt, 35 million qualified for relief under the 2020 CARES Act, according to data from the Education Data Initiative. Outstanding federal loans total $1.59 trillion, with the average balance at just over $37,000.

Following three rounds of stimulus payments and child tax credits, people have slightly more money than they did before. Data from JPMorgan Chase show median checking account balances up across income levels, though the amounts are down considerably from March, when the third round of stimulus payments occurred.

BARELY NOTICEABLE INCREASE

But for people in the first and second quintiles by income, the increase in cash might be barely noticeable, with median account balances at $1,000 and $1,300 as of September, respectively, up from roughly $600 and $1,000 in January 2020. While those are big increases as percentages, they aren't much in dollars.

Nor does that take inflation into account, with the rising cost of everything a very real concern for people just getting by. And of course, accounts have been less strained over more than a year and a half without student loan payments coming out of them.

Borrowers have been clear that they're in no shape to start making payments again.

Three-quarters of people with federal student loans said they'll be at least somewhat negatively affected by the end of the Covid-19 forbearance period, according to a survey by Bankrate and BestColleges. More than 40% said they'll put less money into emergency savings or contribute less to their retirement accounts, and just about as many said they would see their discretionary income decline. More concerningly, over a third said it will be tougher to pay for groceries and other necessities.

Nearly 90% of borrowers said the payment suspension helped allow them to pay other bills, although 44% indicated they won't be able to make payments when they resume, a separate recent survey from Savi and the Student Debt Crisis Center found.

To adjust, about a third of people are planning to cut back on discretionary spending, according to Bankrate. A quarter said they would seek jobs with higher pay, and about as many said they're planning to get a second job.

Employers are quite aware of this, and some have been adding student-loan payment perks in hopes of getting younger workers to apply. Presumably, those arrangements will help indebted workers come May.

Congress has encouraged this, allowing companies to pay as much as $5,250 annually toward a worker's student loans until 2025.

We haven't decided that higher education is a right — one we could collectively pay for, investing in our own people and well-being. Our next-best option seems to be relying on employers to come to the rescue, much in the way we depend on them for health insurance and retirement benefits.

While that's better than nothing, it's anything but ideal.

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PRACTICE MANAGEMENT

Correcting the blind spots in practices

GUESTBLOG
KRISTINE McMANUS

We all have blind spots — unseen areas that may be unconscious biases or set ways of doing things.

When I chose a new hybrid electric car, I thought I'd enjoy the great gas mileage, a reduced carbon footprint and the stereo system. And I did.

But what I loved was the blind spot monitor. This simple yellow light glows just on the edge of the driver and passenger side mirrors when there's a car I can't see, letting me know it's not safe to change lanes. This is the device I value most, because it gives me the information I need to remain safe.

If you think you don't have any blind spots, you've just uncovered one. Let's begin the new year by diving deep into our practices to uncover any possible barriers. Here are the most common blind spots I notice in my practice.

RETAINING WOMEN CLIENTS

Most advisers say they work well with women, involve both spouses in meetings, and have great relationships with their clients. But a 2021 Fidelity research report shows only 46% of advisers are successful in retaining women clients through a wealth transition.

Go back and look carefully at your previous retention rates and start tracking how many of your meetings or gatherings both spouses attended. An adviser recently told me about his successful summer appreciation events, two client golf outings with more than 100 attendees. When I asked how many women clients attended, he didn't know — but eventually, he recalled "a few." With no plans for an event that may help him engage better with women clients, this adviser could be a blind spot statistic down the road.

NEXT-GEN TEAM MEMBERS

Have you caught yourself thinking the younger advisers in your office don't work as hard as you did when you were starting out? Or do you get secretly irritated when a team member wants you to post on LinkedIn or Instagram? They're working hard, but because it's different than what you did or expect, you might not appreciate their contributions.

Keep an open mind about all of the activities in your office and try to understand that there are many ways to have a meaningful impact. Start asking "why?" or "how?" to initiate a productive dialogue, or consider the ways social media can help attract prospects.

SEASONED ADVISERS

Bias can go both ways. Some next-gen advisers think their way of prospecting or servicing clients is so innovative that they have little to learn from their older colleagues. If you fall into this mindset, you may be missing out on a breadth of experience that could help you better position your practice for success. Listening to your fellow advisers could inspire new ideas, and you might be shocked at how much strategy you have in common.

KEEPING UP WITH TECH

Some advisers are naturally skilled at putting technology to good use. But many fail to keep up with new tools and devices that can make their practices more efficient. For instance, when did you last invest in new equipment, have a tech upgrade or talk to your home office about enhancements?

It's probably impossible to completely eliminate blind spots. But if we can identify and mediate them, we can limit our risk and increase our chance of success. And that's the type of advice financial advisers need to start the new year strong.

Kristine McManus is vice president and chief business development officer at Commonwealth Financial Network.

InvestmentNews
2022 Events

women adviser summit

Women Adviser Summit
March 23 | Virtual Event
May 4 | Chicago, IL
July 11 | Denver, CO
November 16 | New York City, NY

RETIREMENT INCOME SUMMIT

Retirement Income Summit
May 2-3 | Chicago, IL

RIA LABS

RIA Labs
February 23 | Virtual Event
May | Virtual Event
September | Virtual Event

RIA SUMMIT

RIA Summit
November 2-3 | Boston, MA

ESG SUMMIT
ESG FILM FESTIVAL

ESG Summit & Film Festival
December | New York City, NY

AWARDS

EXCELLENCE IN diversity & INCLUSION AWARDS

Excellence in Diversity, Equity, & Inclusion
May | Location TBD

40 UNDER 40
THE FUTURE OF OUR BUSINESS

40 Under 40
June | Location TBD

ICONS & INNOVATORS

Icons & Innovators
October
Location TBD

WOMEN to WATCH

Women to Watch
November 15
New York City, NY

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INtheNews

"THE FLOOD OF ETF LAUNCHES IS JUST PEOPLE GOING TO WHERE THE FISH ARE BITING."
-ERIC BALCHUNAS, SENIOR ETF ANALYST, BLOOMBERG INTELLIGENCE

REGULATION

Credit Suisse ordered to pay former brokers about $10 million

BY MARK SCHOEFF JR.

FORMER CREDIT SUISSE Securities brokers recently added to their arbitration winning streak against the firm over deferred compensation.

In a Dec. 23 award, three Financial Industry Regulatory Authority Inc. arbitrators ordered Credit Suisse to pay seven of its former brokers about $6.4 million in damages, costs and attorneys' fees in a dispute stemming from the Swiss firm's October 2015 decision to shutter its U.S. private banking business.

The Finra arbitrators also made the firm pay 10% annual interest from the brokers' dates of departure, in November or December of 2015 for each of them. The interest payments boosted the overall award to about $10 million, said the brokers' lawyer, Barry Lax, a partner at Lax & Neville.

FAILED TO PAY

The brokers are the latest claimants who allege Credit Suisse failed to pay them money they were owed when they lost their jobs. Credit Suisse had a recruiting agreement to send its brokers to Wells Fargo. But the brokers involved in the arbitration cases went to other firms, including UBS and Morgan Stanley.

The December victory follows an arbitration win in November for former Credit Suisse brokers represented by Lax. In the Nov. 5 award, Finra arbitrators ordered the brokerage to pay its former advisers about $9 million, although Credit Suisse recovered some money in a counterclaim alleging improper solicitation and overpayments to some of the brokers.

Lax has represented 25 former Credit Suisse advisers who have won more than $30 million since October 2018. Overall, there have been nine arbitration awards for former Credit Suisse brokers in cases that have been heard in Atlanta, Chicago, New York, Boston and now Los Angeles, Lax said.

"In every city from across the country, [former] Credit Suisse advisers have been successful in recovering their deferred compensation that Credit Suisse unlawfully canceled," Lax said. "The facts and the law are very clearly in favor of the advisers."

Credit Suisse spokesperson Jonathan Schwarzberg said Lax's victory declaration was misleading and inaccurate. He pointed to a September 2019 arbitration decision in which UBS was ordered to pay Credit Suisse $9 million for inducing Credit Suisse brokers to resign as part of a raid.

Schwarzberg also said the arbitrators' ruling in the Dec. 23 case contradicts a finding by appellate courts that contingent incentive compensation is not a wage.

"Credit Suisse continues to believe that no one is entitled to windfall double recoveries of amounts that they have already been paid by the firms they joined," Schwarzberg said in a statement.

AdvisorHub first reported the Dec. 23 award.

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REGULATION

Finra tags two firms with penalties over fund sales

BY BRUCE KELLY

THE FINANCIAL Industry Regulatory Authority Inc. wrapped up 2021 with settlements and penalties against two sizable broker-dealers that work with independent-contractor financial advisers.

On Dec. 22, Finra penalized Emerson Equity $1.7 million for years of poor supervision of short-term mutual fund trades. A week later, it hit an Advisor Group broker-dealer, Triad Advisors, with $705,000 in penalties, also for poor supervision of sales of the LJM Preservation & Growth Fund, an alternative mutual fund that closed in 2018.

$1.7M
AMOUNT OF PENALTY ISSUED TO EMERSON EQUITY BY FINRA

With more than 200 registered reps and financial advisers in 50 offices, Emerson Equity primarily sells private placements, according to Finra.

But Emerson ran into problems from 2015 to 2020 when the firm and its CEO and founder, Dominic Baldini, failed to put into place a variety of systems to monitor short-terms trades of mutual fund Class A and Class B shares. Such systems would have enabled the firm to comply with Finra's suitability rule.

Mutual fund share classes charge different prices to clients. Mutual fund A shares charge an upfront commission and are typically better for long-term investors, while B shares charge higher exit fees.

The firm failed to reasonably supervise the trades of one unnamed registered rep, according to Finra, and over five years clients incurred more than $1.6 million in unnecessary charges.

FINES LEVIED

Emerson Equity and Baldini agreed to Finra's findings without admitting or denying them. The firm was fined $60,000 and will pay more than $1.6 million in restitution to clients. Baldini was fined $5,000 and was suspended for 20 days from the industry as a principal.

Calls last Monday to Emerson Equity's home office in San Mateo, California, were not returned.

Meanwhile, on Dec. 29, Triad Advisors agreed to a fine of $195,000 and restitution of $510,000, plus interest, in its settlement with Finra, in which it neither admitted nor denied Finra's findings.

According to Finra, from 2016 to 2018, Triad didn't reasonably supervise registered reps' sales of the LJM Preservation & Growth Fund. According to Finra, the firm allowed the sale of the fund without conducting reasonable due diligence on LJM and without a sufficient understanding of its risks and features, including the fund's strategy of buying uncovered options. The fund collapsed during a bout of market volatility in February 2018.

A spokesperson for Advisor Group last Monday did not return calls to comment.

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M&A

Hightower adds TC Wealth Partners

BY JEFF BENJAMIN

HIGHTOWER ANNOUNCED the acquisition of TC Wealth Partners, a wealth management, trust and retirement plan services firm overseeing $1.65 billion in assets.

As part of the transaction, Hightower has also acquired Trust Company of Illinois, a TC Wealth subsidiary, which delivers trust and estate planning, administration, guardianship, executor and co-executor services and retirement plan services.

The announcement described the deal as a "continued step toward Hightower's mission to deliver sophisticated trust and estate services across the broader Hightower community."

TC Wealth was founded in 1993, serves more than 800 clients throughout the country, and has 30 employees, including a five-person management team, all of whom will continue in their leadership roles post-transaction. The firm is led by CEO William Giffin, a 30-year industry veteran.

BOB OROS

"TC Wealth is a highly successful business with long-standing clients and deep expertise in financial planning, investment management, trust, fiduciary and retirement plan advisory services," Bob Oros, Hightower chairman and chief executive, said in a prepared statement.

"The group has a strong footprint in the greater Midwest, with significant potential to scale nationally," Oros said. "We are excited to welcome Bill Giffin and the team and see a strategic opportunity to grow their business together."

Hightower has 122 advisory businesses in 34 states and the District of Columbia, $132.2 billion under administration and $104.1 billion under management.

The transaction closed on Dec. 31.

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IN Research

BUNDLE AND SAVE

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both advisers and clients in his direction.

"We do not require vaccines and we never will," he said.

According to the announcement, Bonito and Lehman joined Inspire at the end of 2021 and represented the RIA's third acquisition last year.

Netzly said the firm's assets under management nearly doubled in 2021, mostly due to new clients.

"More and more Christians are feeling unwelcome in the woke culture of secular investing firms and are leaving to spend their professional energy contributing to a firm that supports their biblical values rather than attacks biblical values," he said. "We are honored to protect the inalienable rights of religion and conscience for our Christian financial advisers as we work together to inspire transformation for God's glory throughout the world with biblically responsible ESG investing and planning advice."

Bonito, whose career in wealth management dates to 2004, according to public filings, was with Financial Engines for three years.

"My conscience was telling me that I needed to find a firm that upheld morals, values, and principles that come from the Bible," Bonito said in a prepared statement.

POSSIBLE VACCINE MANDATE

"However, the straw that broke the camel's back for me was the possible vaccine mandate," he added. "I have already had Covid and have a T-Cell immunity report, but these were looking like they would not have been considered by my previous firm."

Lehman, whose career in wealth management dates to 2010, also spent three years at Financial Engines.

"I'm very excited about the fact that I'm on a team that is committed to advancing the Kingdom in addition to putting our clients' interests and values first," Lehman said in the statement.

Financial Engines did not immediately respond to a request for comment.

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MAKE THE SMARTER MOVE

401(K) TAX LAW

CONTINUED FROM PAGE 4

account balance for the bottom 20% of income earners went from $16,690 to $13,000, according to the paper. The median balance was flat for the next 20%, more than doubled for those whose incomes put them in the 40% to 90% percentile range, and quadrupled for the top 10%, Doran wrote.

Tax deferral for retirement accounts resulted in a revenue loss to the federal government of $145 billion in 2016, in 2020 dollars, though that has increased to a current amount of nearly $380 billion, according to the paper.

In passing retirement saving reforms, Congress has responded to pressure from employers and the financial services industry, Doran contends.

"This enterprise is especially attractive to legislators because retirement policy has a cachet of respectability," he wrote. "Few legislators would think it good strategy to build a public record of weakening employee protections and directing subsidies to mutual funds, insurance companies, brokerage houses and banks; siding with employers over employees and shilling for Wall Street hardly resonate with most constituents. But strengthening the retirement system — making it easier for ordinary people to save and to secure their financial future — has an undeniable appeal."

Additional tax perks were unnecessary for affluent savers, who would contribute to IRAs and 401(k)s regardless, he wrote, while policy changes have done little for low-income earners, with the Saver's Credit being ineffective without the proposed modification of being refundable.

"Arguably, the current system of tax subsidies for private retirement savings makes little sense. The subsidies are available across the board; they are available to higher-income earners who do not need incentives to save, and they are available to lower-income earners for whom they provide little or no incentive to save," he wrote. "[T]hese subsidies should be limited to those earners, somewhere in the middle, who respond to them in the intended manner — by contributing to retirement plans and IRAs money that otherwise would be consumed."

It would benefit low-income workers to expand Social Security, for example, Doran noted. High-income earners should not have any subsidies to encourage them to save, he said.

While 401(k) plans must undergo nondiscrimination testing to help ensure the plans don't disproportionally benefit high-income earners, employers have a workaround in "cross testing," a method that considers benefits paid out using age and actuarial assumptions, instead of contributions as a percentage of income, Doran noted.

> **"STRENGTHENING THE RETIREMENT SYSTEM ... HAS AN UNDENIABLE APPEAL."**
> MICHAEL DORAN, UNIVERSITY OF VIRGINIA SCHOOL OF LAW

INDUSTRY PERSPECTIVE

Nevin Adams, chief content officer and head of retirement research at the American Retirement Association, disputes Doran's conclusions.

"Opinion pieces rarely drone on for 82 pages, but this one manages to, and does so dressed up as 'research,'" Adams said in an email.

Focusing only on tax preferences ignores the fact that 401(k)s and IRA assets are taxed in retirement, that matching contributions from employers can substantially benefit lower-income workers and that about two-thirds of plan participants are those earning less than $100,000 a year, he said.

Data from the Employee Benefit Research Institute show that account balances for higher-income earners are in rough proportion to their income levels, Adams added.

"The 401(k) is the only way we have ever gotten working Americans to save for retirement," he said. "Those that have access to those programs are doing well. The only problem with the 401(k) is that not enough working Americans have access to one."

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FINRA RULE

CONTINUED FROM PAGE 2

"Finra believes that the direct financial impact of a restricted deposit is likely to change such member firms' behavior — and therefore protect investors," the agency said in a regulatory notice.

SEC APPROVAL

The rule was approved last summer by the Securities and Exchange Commission.

Finra will make an annual determination of which brokerages pose heightened investor-protection risks. The criteria includes the number of firm-level and individual-level regulatory disclosures.

"The multi-step process includes numerous features designed to narrowly focus the new obligations on the firms most of concern," the regulatory notice states.

Finra has been under pressure for years to crack down on firms that hire a high number of brokers who have violated the self-regulator's rules. In April 2018, it issued guidance on heightened supervision.

The new rule will help Finra identify potential problem brokerages before they harm investors, said Marlon Paz, a partner at Latham & Watkins.

"It is not just addressing misbehavior in the capital markets through enforcement, but it's addressing misbehavior through prevention," said Paz, a former counsel in the SEC's Division of Trading and Markets. Finra "is not just continuing to play whack-a-mole. It's about smart investor protection."

The rule allows a firm to avoid the "restricted" category by voluntarily reducing its workforce, explaining why it doesn't deserve the designation or proposing an alternative punishment.

It's not clear how many firms will be designated as restricted. As the rule was being developed, Finra indicated the number likely would be small.

But Paz is concerned that small firms will make up most of the restricted roster. He said that the amount of time to work with Finra "to get out of the penalty box" may not be sufficient for firms with limited resources.

"I hope Finra remains vigilant that the onus [of the new rule] is not borne by smaller firms that continue to struggle to compete," Paz said.

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MORGAN STANLEY

CONTINUED FROM PAGE 3

If the settlement is approved by the judge, the affected clients will get access to at least two years of fraud insurance services as an automatic benefit, as well as the opportunity to make a claim for up to $10,000 in reimbursement for out-of-pocket losses.

Cybersecurity is becoming a vexing problem for many wealth management firms, which have long been the logical targets for data breaches. For one, they publicly disclose their assets under management, but also hold some of the most sensitive data directly connected to client finances.

The settlement comes on the heels of a similar breach at Morgan Stanley last year. Guidehouse, a vendor that provides account maintenance services to Morgan Stanley's StockPlan Connect business, suffered an information security incident, according to a July letter the company sent to the New Hampshire Attorney General's office.

In that incident, attackers exploited a software vulnerability, which was subsequently patched within five days, to obtain files giving them access to clients' names, addresses, dates of birth and Social Security numbers.

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VANGUARD

CONTINUED FROM PAGE 3

making a prerecorded welcome message that greeted customers calling in for help, according to reports.

While the fund company has made significant strides in expanding its customer service teams, hiring the right teams can be a challenge, said William Trout, director of wealth management at the consulting firm Javelin.

"Vanguard has a mixed track record when it comes to customer service," Trout said, noting that training and retaining new hires can be expensive. "But there just has to be a backup plan when people can't get the information they need online."

It's not the first time online investment firms have experienced website issues and it likely won't be the last. In July, Fidelity Investments Inc. and Charles Schwab & Co. were hit by widespread problems that left their websites either temporarily inaccessible or performing more slowly than usual as a result of visitor bottlenecks.

Vanguard customers also complained that they couldn't execute trades online or reach client representatives by phone. A similar hiccup occurred in February 2017, prompting the company to reimburse some clients. This time around, Vanguard should have anticipated an uptick in volume with users inquiring about end-of-year tax reports, Trout said.

"It's a big headache that will further dent the brand and fuel the perception that Vanguard is not keeping up with technology," he said. "There couldn't have been a worse Christmas present for investors."

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RIA M&A

CONTINUED FROM PAGE 2

anticipating fatigue and a slowdown," the report states, noting that 63% of survey respondents expect activity to rise somewhat or considerably.

The drivers, according to the research, include high valuations, an aging founder demographic and the proliferation of serial acquirers.

Meanwhile, a third of adviser respondents expect M&A activity to level off in 2022, and 4% expect it to decline from prior years.

STARK CONTRAST

The findings represent a stark contrast from the outlook of a year ago, when 75% of advisers expected M&A activity to decline, and no respondents expected an increase in activity.

"That group seemingly assumed the pandemic would quell these strategic decisions," the report states. "In retrospect, Covid likely drove M&A activity, as advisers reflected on their goals, mortality, and lack of succession plans."

In terms of the outlook for valuations, advisers believe it continues to be a seller's market, with 39% of respondents expecting valuations to increase over the next year, while 53% think valuation levels will hold steady.

Keep in mind that this bullish outlook for M&A activity comes against the backdrop of more than 230 deals last year, which was up from 159 deals in 2020 and 131 in 2019.

As one might expect, the bigger firms will continue to be the most active acquirers.

Among survey respondents representing firms with more than $1 billion under management, 74% plan to make an acquisition in the next two years. That compares to 63% last year and 74% two years ago.

39%

PORTION OF RESPONDENTS WHO EXPECT VALUATIONS TO INCREASE IN 2022

By comparison, only 42% of the respondents representing firms managing between $100 million and $1 billion plan to make an acquisition in the next two years. That percentage has remained virtually unchanged over the past few years.

Of those RIAs planning to make acquisitions, the primary drivers in order are to acquire talent, grow clients and assets, expand services, expand infrastructure and expand geographies.

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KAMILA ELLIOTT

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also is part of the board's future of financial planning initiative.

One goal is for the demographics of the financial planning field to match the demographics of the advice market, which is becoming more diverse.

"I want to make sure that any person seeking financial advice can feel like, 'I'm working with someone that understands me, that knows me,' and they can achieve financial success together," said Elliott, president and partner at Grid 202 Partners, a registered investment advisory firm based in Washington, D.C.

The business case for diversity is clear, she said. More diverse firms that encompass multiple points of view and backgrounds tend to perform better. Homogeneity can turn off potential clients and potential advisers.

"Young people don't look for diversity [in advisory firms], they look for the absence of diversity," Elliott said.

Elliott's journey to the financial advice profession began when she was a student at Penn State University, where she earned both a bachelor's degree and MBA. During holiday and summer breaks at home, she worked at PNC Bank and became interested in financial advice as she observed the daily activities of a PNC adviser.

"Everyone in my family knew I loved money," she said.

Elliott, 44, spent 17 years at Vanguard, where she specialized in working with high-net-worth clients, major endowments and foundations as well as universities, hospitals and charitable organizations. She also has worked at Dimensional Fund Advisors and LPL Financial. She joined Grid 202 Partners in March 2020. Elliott earned her CFP credential in 2013.

She serves on the Investment Committee for Women Against Abuse Inc. in Philadelphia and is a member of the Association of African American Financial Advisors.

"KAMILA IS A CHAMPION FOR A MORE DIVERSE ... FINANCIAL PLANNING PROFESSION."

KEVIN KELLER, CEO, CFP BOARD

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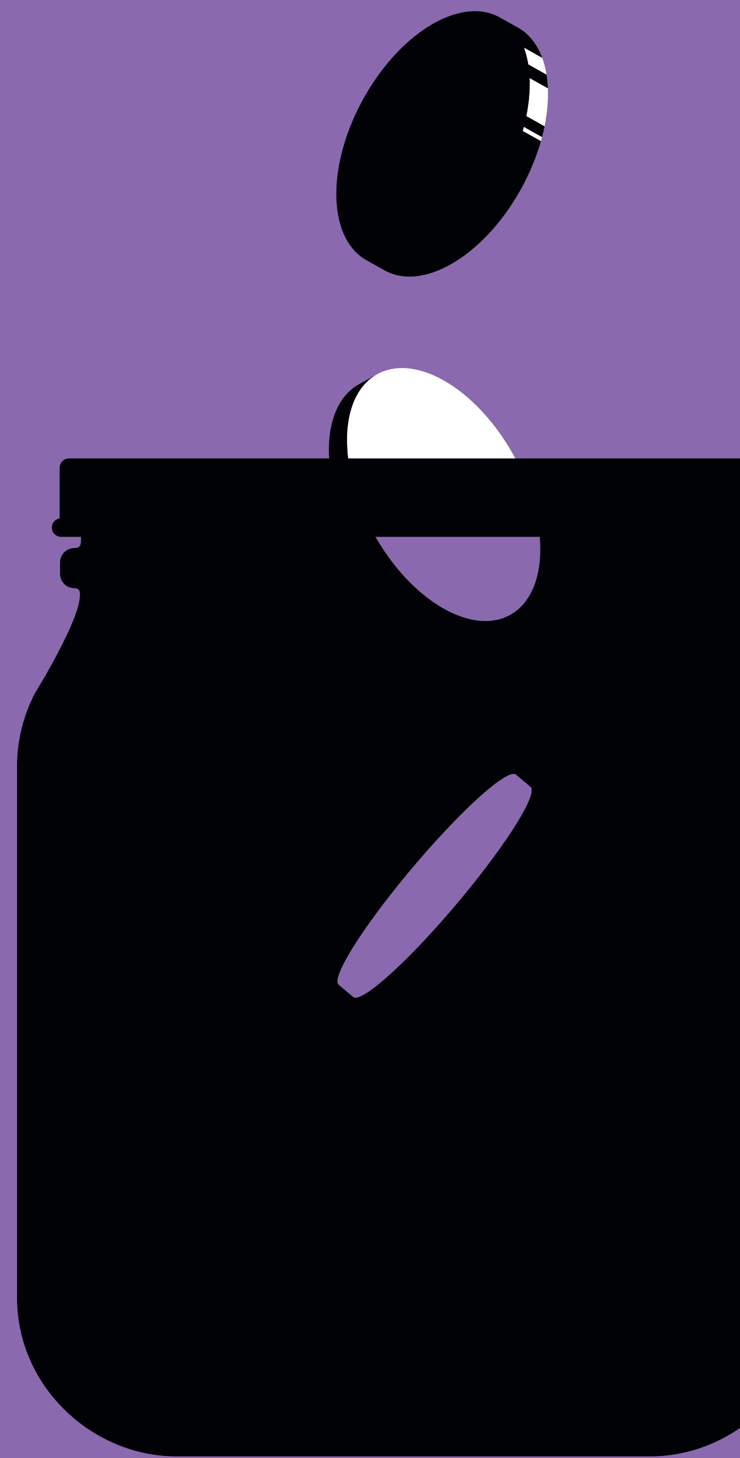

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