FEBRUARY 7, 2022

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 Vol. 26, No. 3, February 7, 2022. InvestmentNews (ISSN 1098-1837) is published bi-weekly except the last week of May, first week of July and the first week of September by InvestmentNews LLC., 685 Third Avenue, New York, NY 10017-4024. U.S. subscription price: $89 a year.

Judge rips Wells, Finra in decision over arb claim

BY BRUCE KELLY

A GEORGIA SUPERIOR Court judge took a serious whack at Wells Fargo Advisors, as well as the Financial Industry Regulatory Authority Inc., in a January order that dismissed an arbitration claim that Wells Fargo had won 2½ years ago involving a client who sued the firm for mismanaging his account.

KEY POINTS

- Georgia court dismissed a 2017 Wells Fargo arbitration claim.
- The judge questioned whether Finra arbitration was a neutral forum for investors.

At the center of the judge's order to undo Wells Fargo's July 2019 victory was her condemnation of alleged manipulation of the way arbitration panelists, who ultimately approve or deny damages in such claims, are selected under the aegis of Finra. Any mismanagement would be in violation of industry rules and a decades-old process that uses a computer-generated list to select arbitration panelists in an effort to reach neutrality between the two sides.

"Permitting one lawyer to secretly red line the neutral list makes the list anything but neutral, and calls into question the entire fairness of the arbitral forum," Fulton County Superior Court Judge Belinda E. Edwards wrote in an order to vacate, or dismiss, the decision in favor of Wells Fargo Advisors.

Through its arbitration division, Finra oversees hundreds of investor claims, with potentially hundreds of millions of dollars at stake, each year.

At the heart of the Finra system, which has drawn the ire of the likes of Sen. Elizabeth Warren, D-Mass., is the perceived impartiality of its three-person panels of professionals, dubbed Finra arbitrators, who ultimately decide for or against investors and broker-dealers and assign dollar amounts of compensation.

"Finra is supposed to be a neutral forum and this order in Georgia raises serious issues about that," said Adam Gana, managing partner at Gana Weinstein.

2017 LAWSUIT

In 2017, Wells Fargo Advisors client Brian Leggett filed a complaint in Atlanta with Finra arbitration, suing the firm and his broker for $1.5 million and alleging that Wells Fargo failed to adequately train, monitor and supervise two registered reps who mismanaged his account. In 2019, Leggett lost that claim, with the three Finra arbitrators denying the allegations, according to the decision at the time.

Either the claimant or the defendant can go to court to overturn an arbitration panels decision, but they're highly unlikely to get a favorable ruling. On Jan. 25, however, Edwards ordered the dismissal of Wells Fargo's legal victory over its client Leggett.

Edwards condemned Wells Fargo, its attorney Terry Weiss and Finra for al-

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Ray Jay reels in $104B of net new client assets

BY BRUCE KELLY

CONTINUING THE SPATE of strong broker-dealer financial results kicking off 2022, Raymond James Financial Inc. said Jan. 26 that financial advisers in its private client group had recorded net new asset growth of $104 billion, or 11%, over the 12 months ending in December.

For comparison, Morgan Stanley, with 16,000 financial advisers, almost twice as many as Raymond James, reported last week it too had seen net new client assets growing at an annual rate of 11%. James Gorman, Morgan Stanley's chair and CEO, at the time dubbed the growth in new client money as "freakish."

11%
PRIVATE CLIENT GROUP'S NET NEW ASSET GROWTH

Net new assets are the lifeblood of a brokerage firm and a strong metric of growth. And the broad stock market was roaring, which is always good news for financial advisers and their firms, which charge an annual fee on client assets in the neighborhood of 1%.

The S&P 500 repeatedly hit record highs throughout 2021 and ultimately posted a total annual return, including dividends, of 28.7% — almost twice its annual median return of 15.4%.

Like other firms, Raymond James also reported a series of new highs for the three months

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UBS wealth management Americas nabs assets

BY BRUCE KELLY

LIKE ITS COMPETITORS, UBS global wealth management closed out 2021 with a bang, reporting last Tuesday that in the Americas region, it added $21.9 billion in net new fee-generating assets for the quarter ending Dec. 31.

That's a big leap compared to $11.8 billion in net new assets for the third quarter and just $1.4 billion in what the global bank referred to as "net new money" for wealth management in the Americas region for the same period in 2020.

UBS said in its earnings release that like its competitors, it's looking to continue expanding its franchise. That's quite a different tune for large financial institutions like UBS, many of whom were rocked by the 2008 financial crisis and then for years faced restrictions imposed by banking regulators on their stock buybacks and dividends.

Just last month, UBS Group said it was buying leading independent robo-adviser Wealthfront Corp. in a deal valued at $1.4 billion, ending months of speculation over the fate of one of the industry's largest automated-advice platforms.

"We will leverage digital to expand our reach starting in the U.S., where we've announced our plans to acquire Wealthfront to deliver a digital wealth management offering to millennial and Gen Z affluent investors," the company said. "Together, we can expand our wallet share, access new clients, lower the cost to serve, and drive long-term growth. Looking ahead, we are planning similar models in the rest of the world."

As *InvestmentNews* has noted, despite last year's political and social turmoil, it turned out to be an incredibly healthy year for the financial advice industry. The S&P 500 repeatedly hit record highs during 2021, benefitting brokerage firms and banks like UBS immensely. The index ultimately posted a total annual return, including dividends, of 28.7%.

RECORD PRETAX PROFIT

UBS global wealth management Americas delivered a pretax profit of $2 billion for 2021, which was a record and marked a 47% increase year over year, the company reported. The performance was supported by an 18% increase year over year in revenue per adviser and record loan volume of $92 billion, according to the company.

Financial adviser head count of 6,218 dipped slightly during the quarter but was within the range that large concerns like UBS wealth management Americas typically target. That was down 1.4%, or 87 advisers, compared to the end of 2020, and marked a decline of 48 advisers, or less than 1%, when compared to the total in the quarter ending in September.

bkelly@investmentnews

How UBS plans to leverage Wealthfront's robo-adviser

BY SEAN ALLOCCA

THE UBS GROUP acquisition of Wealthfront Inc. may have put an end to co-founder Andy Rachleff's belief that "software is better than people," but it highlights how new investing technologies that his company adopted, like direct indexing and cryptocurrency, are upending wealth management.

The $1.4 billion megadeal marks the Swiss bank's largest push into the U.S. market, where it will target more mass-affluent and younger clients than its traditional base. The "New Investor" — a term coined by the Financial Industry Regulatory Authority Inc. to describe investors who opened accounts for the first time in 2020 — has fewer investible assets and trades much more frequently than most wealth management clients.

YOUNGER COHORT

Wealthfront's average customer is about 34 years old with an investment account of approximately $60,000, and this younger cohort has the potential to inherit $84.4 trillion worth of assets in the coming decades, according to the latest analysis from Cerulli Associates.

"Adding Wealthfront's capabilities and client base to our global investment ecosystem will significantly boost our ability to grow our business in the U.S.," Ralph Hamers, chief executive of UBS, said in a release. "Wealthfront complements our core business … and will enhance our long-term ambition to deliver a scalable, digital-led wealth management solution to affluent investors."

Wealthfront's capabilities will become the foundation of the wirehouse's new digital offering, which will also include access to remote human advice. In the near term, however, clients can expect additional features to be added, including access to UBS' research and analytics, according to a letter sent to customers announcing the news, which was reviewed by *InvestmentNews*.

"WEALTHFRONT WAS AN EARLY MOVER IN ROLLING OUT DIRECT INDEXING."

WILLIAM TROUT, JAVELIN STRATEGY & RESEARCH

The major issue for UBS will be determining how to successfully integrate the robo-adviser within its existing product lineup, said David Goldstone, manager of research and analytics at the consulting firm Backend Benchmarking.

"The UBS acquisition will be the company's third foray into robo advice," Goldstone said in an email. "It is a difficult time to enter the robo space."

UBS first launched Smart Wealth, a European-based offering, in 2017 only to shutter the platform in 2018, before launching Advice Advantage in the U.S. through a partnership with SigFig Financial Management later that year.

The Wealthfront acquisition is fundamentally different from other UBS robo offerings, however, because Wealthfront already has an existing client base of nearly half a million users and is approaching $30 billion in assets under management, Goldstone said.

Another major advantage could be Wealthfront's prowess in direct indexing. The Palo Alto, California-based company, which was founded in 2008, was an early entrant into the space, adding direct-indexing options to its service in

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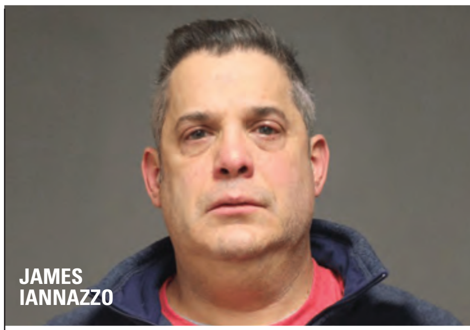

JAMES IANNAZZO

Merrill fires adviser after uproar at shop

BY BRUCE KELLY

MERRILL LYNCH FIRED a financial adviser in January after he was arrested over a disorderly incident at a Connecticut smoothie shop.

James Iannazzo, 48, had been registered with Merrill Lynch in Stamford, Connecticut, since 1996, according to his BrokerCheck profile, and regularly made Barron's ranking of top advisers for Connecticut.

He was arrested on Jan. 22 by the Fairfield, Connecticut, police after erupting at a Robeks smoothie store, throwing a drink at an employee, hitting them and demanding to know who made a smoothie that contained peanuts and caused his child's severe al-

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LPL doubles recruited assets in 2021

BY BRUCE KELLY

LPL FINANCIAL reported last Thursday that it recruited advisers with $89 billion last year, more than double the amount — $42 billion — in the prior year.

The company also said its affiliated registered reps and advisers reeled in net new assets last year of $119 billion, a 13% growth rate, up from 7% in 2020. LPL's total advisory and brokerage assets rose 34% year-over-year to $1.21 trillion, it reported.

That range of asset growth over the past couple of years is what LPL has as its future target, CEO Dan Arnold said during a conference call with analysts.

"You've got 7% growth in 2020 and 13% growth in 2021," Arnold said. "And those are

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SCOTUS vacates Northwestern rulings

BY EMILE HALLEZ

RETIREMENT PLAN SPONSORS everywhere on Jan. 24 got what is almost certainly unwelcome news: The Supreme Court overturned lower courts' dismissals of a long-running case against Northwestern University.

The court ruled unanimously, excluding Justice Amy Comey Barrett, who did not participate, that the Seventh Circuit Court of Appeals erred in its analysis that led it to uphold a dismissal granted by the district court.

In short, the lower courts paid too much attention to whether the Northwestern plans' inclusion of some low-cost options is sufficient to show the fiduciaries abided by their duties under the Employee Retirement Income Security Act.

"The Seventh Circuit's exclusive focus on investor choice elided this aspect of the duty of prudence," the order read. "The court maintained the same mistaken focus in rejecting petitioners' claims with respect to record-keeping fees on the grounds that plan participants could have chosen investment options with lower expenses."

The justices kicked the case back to the Seventh Circuit, directing the appellate judges to "reevaluate the allegations as a whole, considering whether petitioners have plausibly alleged a violation of the duty of prudence as articulated in Tibble under applicable pleading standards."

Several years ago, the Supreme Court found in the landmark Tibble v. Edison International case that plan fiduciaries have an ongoing duty to monitor plan investments.

In the Northwestern case, which was filed in 2016, the plaintiffs alleged that the school ran afoul of ERISA by opting for investment options and plan services with higher-than-necessary fees.

"In rejecting petitioners' allegations, the Seventh Circuit did not apply Tibble's guidance but instead erroneously

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Smaller firms may not be ready for rule

BY MARK SCHOEFF JR.

SMALLER FINANCIAL ADVISORY firms may not be ready for the regulatory world they're living in now that the DOL is policing most of a retirement-savings advice rule.

Last Tuesday, the Department of Labor began enforcing an investment advice regulation for retirement accounts that was approved by the agency late in the Trump administration.

The DOL fiduciary rule provides exemptions under federal retirement law — the Employee Retirement Income Security Act — allowing retirement-plan fiduciaries to receive compensation for advice that would otherwise be prohibited, such as third-party payments, as long as they act in a retirement saver's best interests.

To qualify for exemption, most advisers making recommendations for retirement accounts must declare their fiduciary status in writing to their clients. They also must disclose their compensation structure and conflicts of interest, and adopt policies and procedures to comply with impartial conduct standards.

THE RISK

The regulation would trigger a fiduciary standard of care for most recommendations to roll retirement funds over from 401(k) plans to individual retirement accounts.

Some smaller firms are not fully aware of the new requirements and could have inadvertently missed the Feb. 1 deadline, said Fred Reish, a partner at Faegre Drinker Biddle & Reath. There's also the risk that their policies and procedures won't withstand regulatory scrutiny.

"For example, some firms may not appreciate the process required, and the information that must be gathered to make a compliant rollover recommendation," Reish wrote in an email.

The fiduciary rule became effective last February and the DOL was slated to begin enforcing it in December. But the agency delayed implementation for most of the rule until last Tuesday.

Another part of the rule will go into force on July 1. At that time, retirement advisers must document and disclose why a rollover recommendation is in a client's best interests.

The rule is in place after years of work on the issue. An Obama administration fiduciary rule was vacated by a

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Firm spices up Bitcoin IRA option with in-app game

BY EMILE HALLEZ

IF ADDING BITCOIN to individual retirement accounts wasn't enough to get some people interested in saving for retirement, one company is adding a game to the mix.

On Jan. 27, Sioux Falls, South Dakota-based plan provider Choice announced that it is adding a Price-Is-Right-style game to its app. The game, Blinko, lets account holders drop a token through a peg grid, once a day, in hopes of winning Bitcoin that would be added to their retirement savings.

Choice, which is part of Kingdom Trust Co., is giving away 1 billion Satoshis as part of its promotion, it stated in the announcement. A Satoshi is the smallest Bitcoin unit, or a one hundred-millionth of the digital currency.

Choice launched in 2020 and bills itself as "the first retirement provider to offer a single account for all client retirement assets, physical or digital, legacy or traditional." The provider includes more than 125,000 accounts in its business, with custody of over more than $18 billion in assets, it said.

1B
SATOSHIS BEING GIVEN AWAY BY CHOICE

Other players have entered this area, including ForUsAll, which last year debuted a brokerage-style investment option, Alt 401(k), that lets clients allocate as much as 5% of their invested assets to various cryptocurrencies through Coinbase Institutional.

The financial services industry has occasionally taken stabs at gamification in hopes of getting people more engaged with their accounts or luring new clients. But how effective those strategies have been is questionable at best.

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Opinion

Comedy or tragedy? The curtain is rising on robos' third act

The recent UBS acquisition of Wealthfront for an eye-popping $1.4 billion brings down the curtain on Act II in the long-running drama, "Robos on Wall Street." What will happen in Act III, and how will the show end?

First, review Act I, when the curtain rises on the 2008 financial crisis. Critical of Wall Street and the way it provides financial advice, 30-year-old Jon Stein founds Betterment, putting automated investment tools like those used by financial advisers directly into the hands of individual investors. Wealthfront also starts that year. While Betterment, Wealthfront and other early robos lower the cost of advice by automating asset allocation and using low-cost ETFs in most cases, they don't provide the full range of advice offered by conventional financial planners and advisers. At least not at the start.

RANGE AND DEPTH

Act II opens a few years later, after robo-advisers and many clients have decided that algorithms alone are often insufficient to provide the range and depth of advice many people seek. Many robos add tiered services, with human advisers assisting those who want and need more personalized help and are willing to pay for it. Giants including Vanguard, Charles Schwab, Merrill Lynch and Morgan Stanley offer their own robos. RIA firms and broker-dealers white-label robo technology so they too can provide automated tools. Seeing a gap in its offering, UBS decides to acquire the second-largest stand-alone robo, Wealthfront.

For traditional firms that offer a robo service, as well as for the stand-alone robos, Act III offers several potential directions. For stand-alones, their attractiveness as a play on the future direction of the advice business, coupled with the ample dry powder at large financial services players, could mean more acquisitions are on the horizon. Surviving stand-alones may continue to build the human advice side of their business and grow into a more robust hybrid channel of financial advice.

VARIETY OF SCENARIOS

There are also a variety of Act III scenarios possible for traditional firms that offer a robo service. Many could well be content with having their robo arm remain a relatively minor adjunct to their main business. Others, including UBS of course, have bigger plans. Ralph Hamers, the bank's CEO, told analysts last week that its priority is growing the Wealthfront brand; profits will come later. If that turns out as planned, Act III could turn "Robos on Wall Street" into a comedy in the classical Greek sense in that all turns out well and there's no element of tragedy.

But classical tragedy is also a possibility, since great intentions (i.e., hubris) don't necessarily produce great results, especially when traditional managers replace startup leaders and douse the entrepreneurial spirit that made the acquisition so attractive in the first place. Another less-than-happy outcome might be that Wealthfront continues to attract younger clients, but the growing client base doesn't graduate up to UBS advisers at anywhere near the scale envisioned.

Comedy or tragedy? The curtain on Act III is rising.

THE ATTRACTIVENESS OF STAND-ALONE ROBOS ... COULD MEAN MORE ACQUISITIONS ARE ON THE HORIZON.

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BEST PLACES TO WORK FOR FINANCIAL ADVISERS

75 STANDOUT EMPLOYERS

For a fifth year, InvestmentNews Best Places to Work for Financial Advisers recognizes those firms dedicated to providing their employees with a stellar work environment that supports their personal and professional advancement, which in turn contributes to the overall success and health of the firm.

The 75 firms presented here go beyond just offering financial advisers attractive benefits and perks; they empower employees with the skills and confidence needed to deliver the best possible investment and financial planning guidance for their clients.

Since the Covid-19 pandemic began two years ago, many of these firms have updated their working arrangements or went hybrid and have continued those policies, even as lockdowns eased and offices reopened in some parts of the country.

The 75 firms are presented in three categories: small, medium and large. Each firm was selected for its workplace culture, employee benefit programs and employee-focused policies. Our 2022 winners represent firms of all sizes across the U.S., from those with fewer than 15 employees to firms numbering in the hundreds.

— Brittney Grimes, Editorial Special Projects Manager

Profiles of the top firms in each category were written by Deborah Nason, with data compiled by Brittney Grimes.

VISIT **BESTPLACESFOR ADVISER.COM** TO FIND ADDITIONAL INFORMATION ABOUT THE 75 FIRMS AND TO LEARN MORE ABOUT THE ANNUAL INVESTMENTNEWS PROGRAM.

HOYLECOHEN

Employees: 57 | **Firm type:** RIA | **CEO and Senior Managing Director:** Mark Delfino
Location: San Diego, California | **Primary custodian:** Schwab Advisor Services

Maintaining and nurturing a healthy company culture can be challenging when a firm is experiencing rapid growth. Even more so when that growth comes from acquiring other firms.

"It's one thing to have the same technology and investment platform; it's another thing to integrate the people," said Jeremy Kovacevich, partner with HoyleCohen Wealth Management, a regional RIA headquartered in San Diego. The firm has grown from 15 to 60 employees over the past 10 years, primarily through mergers.

Three years ago, the company founded a culture committee to help newcomers feel at home and create a cohesive culture among all employees. The committee is composed of nonmanagement members from all four offices. Its duties include assigning mentors for new employees, hosting events to engage employees with associates in different departments, and soliciting and implementing employee suggestions (such as unlimited paid time off).

HoyleCohen also celebrates new employees by flying them and their families to San Diego for special welcome events.

"We strive to bring out the human element with these initiatives," Kovacevich said.

MISSION WEALTH MANAGEMENT

Employees: 76 | **Firm type:** RIA | **CEO:** Matthew Adams
Location: Santa Barbara, California | **Primary custodian:** Fidelity Institutional Wealth Services

"There's a mutual respect afforded when people know each other at a human level," said Seth Streeter, co-founder of Mission Wealth, an RIA with 20 offices throughout the nation. This is essential for creating a healthy and satisfying work environment, especially during Covid, he said.

The firm takes a multipronged approach to create a culture based on human connectivity:

- **Companywide retreats, both in-person and virtual**. Employees, flown to a common location, participate in team-building activities, such as volunteer projects.
- **Bimonthly, virtual, all-firm meetings**. These begin with employees participating in ice breaker activities with randomized small groups. They discuss questions such as, "What's your biggest goal? Your biggest lessons learned?"
- **Local office events**. Employees attend fun hiking, dinner and theater events with local co-workers.
- **Affinity teams**. These cross-company personal interest groups bring together employees based on common focus areas such as women's issues, fitness and cooking.

"We curate deeper connections amongst teams," Streeter said, "which in turn fosters empathy, deep sharing and understanding in a nonthreatening way. Relationships are not simply transactional."

BRIDGEWORTH WEALTH MANAGEMENT

Employees: 57 | **Firm type:** RIA | **CEO and Co-Founder:** DeLynn M. Zell
Location: Birmingham, Alabama | **Primary custodian:** LPL Financial

Last year, Bridgeworth, based in Birmingham, Alabama, identified the attributes of success among its best employees, to use as the firm's core values. The effort resulted in the following principles:

1. Everyone has to play well in the sandbox
2. Commitment to excellence
3. Lifelong learning
4. Positive can-do attitude
5. Do what is right always

"These serve as guideposts to the employees, and they know we're holding everyone to the same high standards. They reinforce good behavior and help morale," said DeLynn Zell, co-founder and CEO.

Also in 2021, Zell introduced what she calls "accountability pods." These are monthly small group meetings for partners and advisers, new and established, to give each other feedback and coaching on reaching their goals. These gatherings enable conversations between people who don't normally interact, and keep people inspired, motivated and on track.

"As partners, we set the example. If you have to talk about your goals, when you're in a pod with a junior adviser, you don't want to be seen as a slacker," she said.

SAGEVIEW ADVISORY GROUP

Employees: 130 | **Firm type:** RIA | **CEO:** Randall Long
Location: Newport Beach, California | **Primary custodian:** Fidelity Institutional Wealth Services | **Broker-dealer:** Cetera Advisor Networks

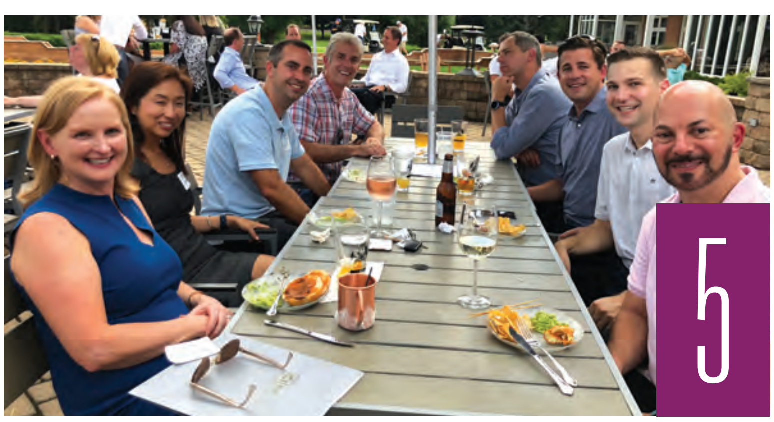
How do you keep hundreds of employees across 31 offices happy? "They truly enjoy what they're doing," said Randy Long, founder of SageView Advisory Group, a national RIA specializing in retirement plans and wealth management that's headquartered in Newport Beach California. In the past three years, the firm has added 10 offices and grown from 120 to 240 employees.

Much of employees' satisfaction stems from the support they receive from the firm to smoothly serve clients and each other. To this end, SageView focuses on providing clear objectives and expectations, driven by a focus on clarity, transparency, process and integrity, along with a metric-driven compensation program, measured by data such as revenue and client satisfaction.

"We create a lot of consistency in serving our clients," Long said. "We have a centralized, shared service model that provides investment research and marketing materials [to all the offices]. And we provide tremendous resources to answer employee questions."

In addition, employees feel empowered because they have input into processes.

"It's bottom-up — we take the best ideas from our advisers," Long said.



BDF

Employees: 71 | **Firm type:** RIA | **President:** Chad D. Carlson
Location: Itasca, Illinois | **Primary custodian:** Schwab Advisor Services

Based on the idea of "loving on your people," BDF of Itasca, Illinois, introduces potential employees to its person-centered mindset during the interview process. Candidates are asked questions such as, "What have you learned about yourself?" and "What do you care about?"

Once hired, new employees are showered with attention and affection.

"We want to intentionally build relationships between associates across the firm," said Chad Carlson, BDF's president.

On their first day, new team members have lunch with the firm's president, their team captain and their trainer. In the first two weeks, the newcomers receive balloons, specialty popcorn and dessert. Over the next several months, they have weekly virtual lunches with the other teams and participate in BDF University, a curriculum that instructs employees on how to perform their jobs successfully.

Relationship building continues throughout the year with more get-togethers, including monthly fun events planned around holidays, sports or charity projects.

"As we continue to grow, we think about 'How do we stay smaller?'" Carlson said about BDF's determination to maintain its close-knit feeling.

BAILARD

Employees: 73 | **Firm type:** RIA | **CEO:** Sonya Mughal
Location: Foster City, California | **Primary custodian:** Schwab Advisor Services

ACCREDITED INVESTORS WEALTH MANAGEMENT

Employees: 53 | **Firm type:** RIA | **CEO and Founder:** Ross Levin
Location: Edina, Minnesota | **Primary custodian:** Schwab Advisor Services

ADVISER INVESTMENTS

Employees: 98 **Firm type:** RIA | **Interim CEO and General Counsel:** Chris Mirick
Location: Newton, Massachusetts | **Primary custodian:** Fidelity Institutional Wealth Services

CASSADAY & CO.

Employees: 73 | **Firm type:** Hybrid | **CEO:** Stephan Q. Cassaday
Location: McLean, Virginia | **Primary custodian:** Pershing Advisor Solutions
Broker-dealer: Royal Alliance Associates

RFG ADVISORY
Employees: 55 | **Firm type:** Hybrid | **CEO:** Bobby White
Location: Birmingham, Alabama
Primary custodian: TD Ameritrade Institutional
Broker-dealer: Private Client Services

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MORTON CAPITAL
Employees: 54 | **Firm type:** RIA | **CEO:** Jeff Sarti
Location: Calabasas, California
Primary custodian: Fidelity Institutional Wealth Services

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FACET WEALTH
Employees: 286 | **Firm type:** RIA | **CEO:** Anders Jones
Location: Baltimore, Maryland | **Primary custodian:** Apex

12

JMG FINANCIAL GROUP
Employees: 81 | **Firm type:** RIA | **CEO:** Anthony D. Cecchini
Location: Downers Grove, Illinois
Primary custodian: Schwab Advisor Services

13

SIGNATURE ESTATE & INVESTMENT ADVISORS
Employees: 102 | **Firm type:** RIA
CEO and President: Brian D. Holmes
Location: Los Angeles, California
Primary custodian: Schwab Advisor Services
Broker-dealer: Royal Alliance Associates

14

MERIT FINANCIAL ADVISORS
Employees: 91 | **Firm type:** Hybrid
CEO and Founder: Rick Kent | **Location:** Alpharetta, Georgia | **Primary custodian:** LPL Financial

15

THE COLONY GROUP
Employees: 125 | **Firm type:** RIA
CEO and Chair: Michael J. Nathanson
Location: Boston, Massachusetts
Primary custodian: Fidelity Institutional Wealth Services

16

SIMON QUICK ADVISORS
Employees: 60 | **Firm type:** RIA
Managing Partner: Leslie C. Quick III
Location: Morristown, New Jersey
Primary custodian: Fidelity Institutional Wealth Services

17

PINNACLE INVESTMENTS
Employees: 59 | **Firm type:** Hybrid
Co-Founder: Gregg Kidd | **Location:** Syracuse, New York
Primary custodian: First Clearing

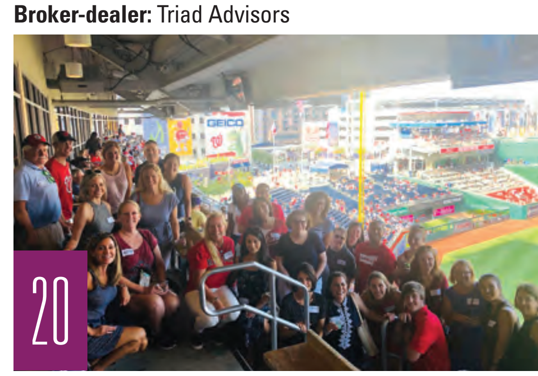
18

CARSON WEALTH
Employees: 86 | **Firm type:** RIA
CEO and Founder: Ron Carson | **Location:** Omaha, Nebraska
Primary custodian: TD Ameritrade Institutional
Broker-dealer: Cetera Advisor Networks

19

ONEDIGITAL
Employees: 306 | **Firm type:** Hybrid
CEO and President: Adam Bruckman
Location: Atlanta, Georgia
Primary custodian: Schwab Advisor Services
Broker-dealer: Triad Advisors

20



CERITY PARTNERS
Employees: 265 | **Firm type:** RIA
CEO and Partner: Kurt Miscinski | **Location:** Chicago, Illinois
Primary custodian: Schwab Advisor Services

21

PRIVATE OCEAN WEALTH MANAGEMENT

Employees: 41 | **Firm type:** RIA | **CEO:** Greg Friedman | **Location:** San Rafael, California
Primary custodian: Schwab Advisor Services

"Drive and ambition can coexist with kindness and consideration," said Greg Friedman, founder and CEO of Private Ocean, headquartered in San Rafael, California.

One way the firm supports this coexistence is through the efforts of its full-time chief experience officer, Cynthia Greenfield, who's a certified coach. Her responsibilities include creating connections, culture and community across multiple offices. She does so by coaching employees on personal and professional development, and by developing and facilitating meetings and events.

"She designs the balance between fun, technology-focused and team-building events," Friedman said.

He does his part by frequently checking in with employees to ask them, "How are you? Anything bugging you? What can I do to support you?"

"I always express to them how important they are, how integral they are to our success. And I always follow up on any issues they bring up," Friedman said. "It's the way I want to be treated — feeling that I have a voice, that I can give my opinion and that I know about changes before they go into effect. It's respect."

FRAGASSO FINANCIAL ADVISORS

Employees: 43 | **Firm type:** Hybrid | **CEO and Chairman:** Robert Fragasso
Location: Pittsburgh, Pennsylvania | **Primary custodian:** TD Ameritrade Institutional
Broker-dealer: Private Client Services

"People work for money, but they also work for that sense of belonging and joint accomplishment," said Bob Fragasso, founder of Fragasso Financial Advisors Inc., an RIA based in Pittsburgh, with five offices in Western Pennsylvania. The firm celebrates its 50th anniversary this year, and more than half of its employees have a tenure of 10 years or longer.

The structure of the business — especially its compensation philosophy and centralized operations — is what contributes most to employee satisfaction, Fragasso said. All employees are on salary, with bonuses based on firm-wide retention and acquisition of clients, and all are supported by companywide financial planning, portfolio management, marketing and HR functions.

"Employees don't have to do everything themselves to take care of clients," Fragasso said. "They're happy because they're supported and because they're using their skills at their highest level." He added, "They're not working in a cocoon or in competition with others in the office. People feel that they're part of a team. Everybody here trusts everybody else and everyone celebrates every win."

WEALTHQUEST

Employees: 31 | **Firm type:** RIA | **CEO:** Wade Daniel
Location: Cincinnati, Ohio | **Primary custodian:** TD Ameritrade Institutional

Cincinnati Ohio-based Wealthquest takes a highly visible approach to its culture by way of its formal social contract, signed by every employee upon joining the firm. The document outlines detailed expectations in terms of everyday working behavior (e.g., "listen before speaking"), conflict resolution (e.g., "apologize quickly and forgive quickly"), and continuous improvement (e.g., "invest in improving procedures").

"We hold each other accountable to the social contract so we can ensure that everyone is bringing the best versions of themselves," said President W. David Kern. "There are a lot of positive aspects within it that we pursue as a team to deliver extraordinary service to our clients."

In another visible nod to culture, the organization recently created a new staff position, called Director of Mission, charged with reinforcing the social contract by providing staff with regular check-ins ("Do you have what you need to do your job?"), assistance with conflict resolution, and personal and professional coaching.

"We expect that this new role will help ensure that we retain the integrity of our culture," Kern said.

HALBERT HARGROVE

Employees: 35 | **Firm type:** RIA | **CEO and Chairman:** Russ Hill
Location: Long Beach, California | **Primary custodian:** Fidelity Institutional Wealth Services

Humility, kindness, generosity of spirit — these are some of the underlying values of Halbert Hargrove's work culture, said JC Abusaid, president and CEO of the firm, which is headquartered in Long Beach, California.

Influenced by its founder, who set the tone as "do the right thing," the firm prides itself on its sensitivity to employee needs.

"What's different is our story — it's not about greed but being the best and doing the right thing for associates," Abusaid said. "We're constantly asking them, 'What can we do better?'"

Examples of the firm's responsiveness include:

- Innovating or changing associates' roles according to their strengths.
- Providing mentors to employees.
- Combating Covid-related stress by encouraging employees to take a day off once a month, and increasing the childcare reimbursement benefit to reflect the reality of the moment.
- Centralizing back-office headquarters with management oversight of all locations: "We take care of running the office, hiring, compensation and reviews," Abusaid said. "We take the burden off client-facing satellite employees and allow them to focus on their businesses."

WESTMOUNT ASSET MANAGEMENT

Employees: 32 | **Firm type:** RIA | **President and Chief Investment Officer:** James E. Berliner
Location: Los Angeles, California | **Primary custodian:** Schwab Advisor Services

"As a firm started by a father and son 32 years ago, a sense of family connectedness permeates the organization. We try to still instill that sense of family," said Sean Cauvel, managing partner of Los Angeles-based Westmount Asset Management.

The firm worked extra hard to keep virtual colleagues feeling cared for during the pandemic, and took several creative steps:

- Publishing a daily, now weekly, newsletter that covered what was happening at the firm, such as successes and tech upgrades; highlighted each employee, with personal Q&As and photos of their workspaces; and a fun "Guess Who?" feature with clues about an unnamed co-worker.
- Periodically sending lunches and dinners to employees' homes, as well as gift cards for hotel stays and specialty food sites.
- Holding a virtual wine and cheese tasting.
- Providing a $400 stipend to upgrade employees' home offices with monitors, chairs, etc.

The morale stayed high, Cauvel said.

"There's a palpable esprit de corps that creates a certain energy and a feeling that our future is bright," he said.

STRATEGIC FINANCIAL SERVICES

Employees: 36
Firm type: RIA
CEO: Alan R. Leist III
Location: Utica, New York
Primary custodian: Schwab Advisor Services

PER STIRLING CAPITAL MANAGEMENT

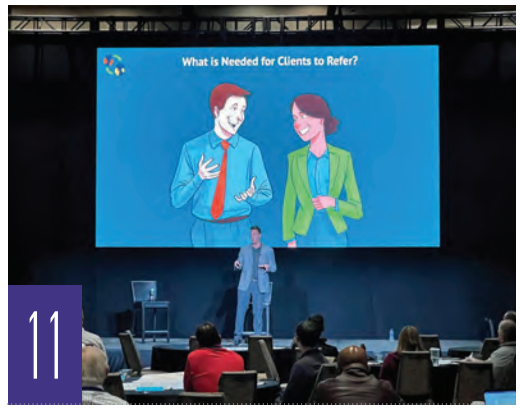
Employees: 43
Firm type: Hybrid
Managing Director: J.P. O'Sullivan
Location: Austin, Texas
Primary custodian: Fidelity Institutional Wealth Services
Broker-dealer: B.B. Graham & Co

GOELZER INVESTMENT MANAGEMENT

Employees: 31
Firm type: RIA
CEO: Gregory W. Goelzer
Location: Indianapolis, Indiana
Primary custodian: Fidelity Institutional Wealth Services

WEALTHSOURCE PARTNERS

Employees: 34
Firm type: RIA
CEO: Bryan Sullivan
Location: San Luis Obispo, California
Primary custodian: TD Ameritrade Institutional



PRIVATE VISTA

Employees: 34
Firm type: RIA
Managing Partner: James M. Weil
Location: Chicago, Illinois
Primary custodian: Schwab Advisor Services

EVERSHORE FINANCIAL GROUP

Employees: 40
Firm type: Broker-dealer
President: Robert D. Barboni
Location: Palm Beach Gardens, Florida
Primary custodian: Pershing Advisor Solutions
Broker-dealer: Securian Financial Services

INTEGRATED PARTNERS

Employees: 34
Firm type: Hybrid
Founder: Paul Saganey
Location: Waltham, Massachusetts
Primary custodian: LPL Financial

TRUE NORTH ADVISORS

Employees: 38
Firm type: RIA
Co-founder and CEO: Scott Wood
Location: Dallas, Texas
Primary custodian: Schwab Advisor Services

COASTAL WEALTH

Employees: 43
Firm type: Hybrid
Chairman: Harris Fishman
Location: Fort Lauderdale, Florida
Primary custodian: MassMutual
Broker-dealer: MML Investors Services

MONECO ADVISORS

Employees: 39
Firm type: RIA
Managing Partner, Office of Supervisory Jurisdiction: Charlie Rocco
Location: Fairfield, Connecticut
Primary custodian: LPL Financial

SHP FINANCIAL

Employees: 39
Firm type: RIA
Co-founder: Matthew Peck
Location: Plymouth, Massachusetts
Primary custodian: Fidelity Institutional Wealth Services

APRIEM ADVISORS

Employees: 16 | **Firm type:** RIA | **President:** Rhonda Ducote
Location: Irvine, California | **Primary custodian:** Schwab Advisor Services

At Apriem Advisors, "Not one person is more important than another," said Rhonda Ducote, president and CEO of the Irvine, California-based firm. "It takes all four departments — operations, planning, wealth management, investment management — and all the people within them to make the best experience for the client."

Management took two important steps five years ago to intentionally foster this feeling of equality:

1. Changing the compensation structure. Previously, salespeople received percentages of the revenue they generated. "That had set up an 'us versus them' scenario because everyone else in the firm was doing just as much work," Ducote said. Under the new system, everyone receives a salary and the same bonus structure. The change motivated employees to work together and growth took off, she said.
2. Establishing an employee engagement committee that solicited employee suggestions. One significant employee request was to make permanent the Covid-related hybrid schedule (three days in the office, two days virtual). The firm agreed, and not only did productivity and morale soar, but the virtual aspect enabled growth across the country.

CIC WEALTH

Employees: 15 | **Firm type:** RIA
CEO: Ryan Wibberley
Location: Rockville, Maryland | **Primary custodian:** Schwab Advisor Services

When you're constantly empowering employees to make or suggest improvements, you never know what might come of it. For Ryan Wibberley, founder and CEO of CIC Wealth in Rockville, Maryland, this mindset led to a huge and happy surprise.

Last summer, three of the younger team members secretly read the management book, "Traction," and using its suggestions for success, clandestinely put together a 20-step plan for CIC to follow. After weeks of preparation, they made their presentation to the firm's three partners, who enthusiastically embraced the initiative and agreed to partner with the presenters to implement the changes.

One aspect of the plan sought to reevaluate the support team's job descriptions, so that each person was working according to his or her strengths. Other parts of the plan focused on keeping people accountable and running more organized and structured meetings.

"[The day of the presentation] was one of the best days of my career. It completely blew me away that they cared that much to improve our firm, our team," Wibberley said.

RICHARD P. SLAUGHTER ASSOCIATES

Employees: 20 | **Firm type:** RIA
President and CEO: Brooks Slaughter
Location: Austin, Texas | **Primary custodian:** Schwab Advisor Services

When the pandemic hit, sending employees to work virtually, it brought with it a lot of questions, said Bob Tabor, executive vice president at Richard P. Slaughter Associates, based in Austin, Texas.

"We asked ourselves, 'How do we maintain the support our employees [usually] feel? How can they still deliver a high standard of service? How can we duplicate the camaraderie?'" he said.

The firm responded with virtual communication — lots of it, including:

- Frequent all-hands get-togethers. These upbeat meetings often took place several times a week. "We asked 'What's going on with you? How can we help? Anything fun going on?'" Tabor said.
- Small departmental meetings. These could be more frequent, and featured group problem-solving and discussion of issues.
- Messaging on internal platforms. "There were lots of 'Atta boys!' and spontaneous video calls. We really throttled up the celebrations of the teams," he said.

"We've learned that if we can get through something as scary as Covid, we can survive anything," Tabor said.

BEAIRD HARRIS

Employees: 17 | **Firm type:** RIA
Managing Partner: Pat Beaird
Location: Dallas, Texas | **Primary custodian:** Schwab Advisor Services

"Our number one rule is 'Treat everybody with dignity and respect at all times,'" said Pat Beaird, co-founder of Beaird Harris Wealth Management in Dallas.

"It has to be modeled at the top. If not, it won't happen," he said. "[Furthermore,] we believe in servant leadership — we lead by being willing do whatever it takes — there's a humility that goes along with that. And we tend to attract those types of employees."

Employees' families are also given special respect, as Beaird Harris acknowledges their support with gift certificates during the busiest times of the year.

The firm's culture, while led by the partners, gets a strong assist from its marketing and communication coordinator, partner Clint Dunn. He or-

ganizes company events, runs spouse recognition programs, crafts internal and external communications, and communicates and promotes special projects. In addition, he manages the company's private Facebook group, uploading group photos and congratulating family milestones.

"He's been essential to making it happen, especially during Covid," Beaird said. "Keeping the firm connected is an important piece of the puzzle."

McLEAN ASSET MANAGEMENT

Employees: 24 | **Firm type:** RIA
Managing Principal: Dean Umemoto
Location: Tysons, Virginia | **Primary custodian:** Schwab Advisor Services

With a large number of retirements occurring within just 18 months, McLean Asset Management in Tysons, Virginia, took steps four years ago to preserve the firm's culture. Applying her background as a former recruiter, managing principal Paula Friedman came up with a plan.

"We decided to identify traits among the employees who had been most successful. We looked to see what they had in common," she said.

The traits they discovered included adaptability; flexibility; self-management; a client focus, especially with an eye toward long-term relationships; a desire for continuous learning; and the ability to take ownership of

responsibilities.

"These in turn guide our recruiting," Friedman said. "We screen for these competencies, which results in employees who are aligned with the firm."

In addition to its recruitment strategy, McLean supports its culture by delivering an extensive orientation process to its new hires, which includes engagement with management and the leadership team, and an online knowledge base.

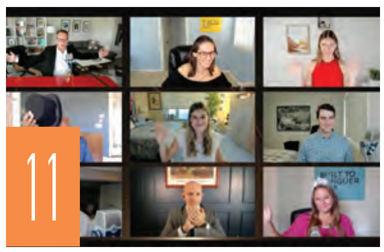
BERMAN McALEER
Employees: 26 | **Firm type:** Broker-dealer
CEO: David Berman
Location: Timonium, Maryland
Primary custodian: National Financial Services
Broker-dealer: Kestra Financial

BENCHMARK WEALTH MANAGEMENT
Employees: 20 | **Firm type:** Broker-dealer
CEO: Nancy Knous
Location: Memphis, Tennessee
Primary custodian: LPL Financial

DURBIN BENNETT PRIVATE WEALTH MANAGEMENT
Employees: 21 | **Firm type:** RIA
CEO: Tylor Seaman
Location: Austin, Texas
Primary custodian: Schwab Advisor Services

DIVERSIFIED
Employees: 21 | **Firm type:** RIA
CEO: Michael Fisher
Location: Wilmington, Delaware
Primary custodian: SEI
Broker-dealer: Purshe Kaplan Sterling

FIDUCIAM FINANCIAL
Employees: 21 | **Firm type:** Broker-dealer
Managing Partner: Mark R. Jones
Location: Middlebury, Connecticut
Primary custodian: Ameriprise Financial



POTOMAC FUND MANAGEMENT
Employees: 15
Firm type: RIA
CEO: Manish Khatta
Location: Miami, Florida
Primary custodian: TD Ameritrade Institutional

MERSBERGER FINANCIAL GROUP
Employees: 20 | **Firm type:** Hybrid
Co-CEO: Zachary Mersberger
Location: Sheboygan Falls, Wisconsin
Primary custodian: Pershing Advisor Solutions
Broker-dealer: Cambridge Investment Research

CORIENT
Employees: 27 | **Firm type:** RIA
CEO: James Rooney
Location: Newport Beach, California
Primary custodian: Fidelity Institutional Wealth Services

BERGANKDV WEALTH MANAGEMENT
Employees: 28 | **Firm type:** RIA
CEO: Dave Hinnenkamp
Location: Minneapolis, Minnesota
Primary custodian: Schwab Advisor Services

HEMINGTON WEALTH MANAGEMENT
Employees: 17 | **Firm type:** RIA
CEO and Co-founder: Eileen O'Connor
Location: Falls Church, Virginia
Primary custodian: TD Ameritrade Institutional

FINANCIAL FREEDOM WEALTH MANAGEMENT GROUP
Employees: 15 | **Firm type:** Broker-dealer
Founder and CEO: Julia Carlson
Location: Newport, Oregon
Primary custodian: Schwab Advisor Services

PELL WEALTH PARTNERS
Employees: 17 | **Firm type:** Broker-dealer
CEO: Geri E. Pell
Location: Rye Brook, New York
Primary custodian: Ameriprise Financial

ZUCKERMAN INVESTMENT GROUP
Employees: 15 | **Firm type:** RIA
President and CEO: Daniel Zuckerman
Location: Chicago, Illinois
Primary custodian: Pershing Advisor Solutions

SPECTRUM INVESTMENT ADVISORS
Employees: 22 | **Firm type:** RIA
President: Manuel Rosado
Location: Mequon, Wisconsin
Primary custodian: TD Ameritrade Institutional

MOISAND FITZGERALD TAMAYO
Employees: 18 | **Firm type:** RIA
Managing Partner and Lead Advisor: Charles Fitzgerald III
Location: Orlando, Florida
Primary custodian: Schwab Advisor Services

GIBSON CAPITAL
Employees: 17 | **Firm type:** RIA
Managing Partner and COO: Christine T. DeMao
Location: Wexford, Pennsylvania
Primary custodian: Fidelity Institutional Wealth Services

SMITH ANGLIN FINANCIAL

Employees: 27 | **Firm type:** RIA
Managing Partner: : Steven W. Anglin
Location: Dallas, Texas
Primary custodian: Schwab Advisor Services
Broker-dealer: Purshe Kaplan Sterling Investments

BOGART WEALTH

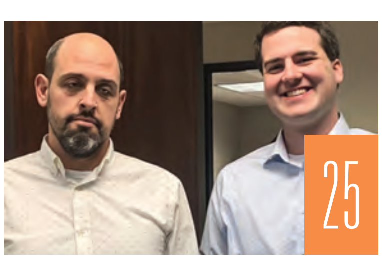
Employees: 20 | **Firm type:** RIA
CEO and President: James Bogart
Location: McLean, Virginia
Primary custodian: Schwab Advisor Services

WILLIS JOHNSON & ASSOCIATES

Employees: 23 | **Firm type:** RIA
CEO and Founder: Willis Johnson
Location: Houston, Texas
Primary custodian: Fidelity Institutional Wealth Services

LEGACY WEALTH MANAGEMENT

Employees: 23 | **Firm type:** RIA
CEO and President: Jim Isaacs
Location: Memphis, Tennessee
Primary custodian: Schwab Advisor Services

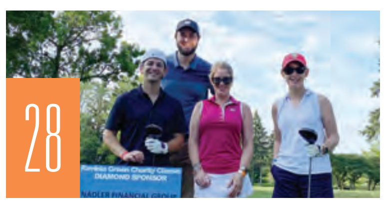


BSW WEALTH PARTNERS

Employees: 26 | **Firm type:** RIA
CEO: David Wolf
Location: Boulder, Colorado
Primary custodian: Schwab Advisor Services

CENTER FOR FINANCIAL PLANNING

Employees: 29 | **Firm type:** Hybrid
Managing Partner: Timothy Wyman
Location: Southfield, Michigan
Primary custodian: Raymond James



NADLER FINANCIAL GROUP

Employees: 19 | **Firm type:** RIA
President: Michael A. Nadler
Location: Deerfield, Illinois
Primary custodian: Schwab Advisor Services
Broker-dealer: Ausdal Financial Partners

GREYSTONE FINANCIAL GROUP

Employees: 15 | **Firm type:** RIA
Managing Partner: Todd R. Moss
Location: Bloomfield Hills, Michigan
Primary custodian: TD Ameritrade Institutional

FINANCIAL SYMMETRY

Employees: 24 | **Firm type:** RIA
President: Bill Ramsay
Location: Raleigh, North Carolina
Primary custodian: Pershing Advisor Solutions

WADDELL & ASSOCIATES

Employees: 20 | **Firm type:** RIA
CEO and Chief Investment Strategist: David Waddell
Location: Memphis, Tennessee
Primary custodian: Schwab Advisor Services

SKYEBURST WEALTH MANAGEMENT

Employees: 25 | **Firm type:** Broker-dealer
Managing Partner and President: Daniel T. Wilson
Location: Auburndale, Massachusetts
Primary custodian: Ameriprise Financial Services

WEALTHSTREAM ADVISORS

Employees: 18 | **Firm type:** RIA
President: Michael Goodman
Location: New York, New York
Primary custodian: Fidelity Institutional Wealth Services

VINTAGE FINANCIAL SERVICES

Employees: 15 | **Firm type:** RIA
Chief Investment Officer: Frank Moore
Location: Ann Arbor, Michigan
Primary custodian: Raymond James

WEALTHBRIDGE ADVISORS

Employees: 15 | **Firm type:** Broker-dealer
Franchise Owner: Dale N. Donaldson
Location: Lake Oswego, Oregon
Primary custodian: Ameriprise Financial Services

PROVISE MANAGEMENT GROUP

Employees: 28 | **Firm type:** Hybrid
CEO, Chair and CCO: V. Raymond Ferrara
Location: Utica, New York
Primary custodian: Schwab Advisor Services
Broker-dealer: Kestra Financial

BIONDO INVESTMENT ADVISORS

Employees: 17 | **Firm type:** RIA
CEO, CIO and Portfolio Manager: Joseph P. Biondo
Location: Milford, Pennsylvania
Primary custodian: National Financial Services
Broker-dealer: Fidelity Brokerage Services

ELWOOD & GOETZ WEALTH ADVISORY GROUP

Employees: 17 | **Firm type:** RIA
CEO and Founding Partner: Lindsay Elwood
Location: Athens, Georgia
Primary custodian: Schwab Advisor Services

CI Financial's US expansion is a Canadian success story

KURT MACALPINE

BY JEFF BENJAMIN

Two years ago, it might have been easy to write off CI Financial Corp. as a wayward carpetbagger schlepping down from Canada to try and horn in on the bustling U.S. wealth management industry. But that is no longer the case.

With 30 U.S. acquisitions already under its belt, Toronto-based CI has not only emerged as one of the most prolific buyers of registered investment advisers, but as of Jan. 1, its U.S. business operations represent the largest and fastest-growing segment of the $304 billion financial conglomerate. CI's U.S. footprint, which was at zero in 2019, is now at $119.8 billion.

CI also has a $114.1 billion asset management division in Canada, and a $63.8 billion Canadian wealth management division.

In 2020, during its first year in the U.S. market, while amassing more than $20 billion worth of wealth management assets, CI dually listed its shares on the New York Stock Exchange to help facilitate transactions. And in September of last year, it opened a U.S. headquarters in Miami, which is already slated to double in size.

While closing some of the largest deals in wealth management and ranking among the top three aggregators over each of the past two years, CI's leadership is conspicuously sending a message that it is here to stay.

"We're only in the first inning, and we want to be the largest wealth management platform in the U.S., period," said Kurt MacAlpine, the 40-year-old chief executive who started notching RIA deals within three months of being hired in September 2019.

MacAlpine, who brought with him experience working in the U.S. as executive vice president and head of global distribution at WisdomTree Asset Management and as a partner and leader of the North American asset management practice at McKinsey & Co., likely sealed the deal with his dual U.S.-Canadian citizenship.

"Kurt was perfect for what we needed: He's young and comes from a digital background," said William Holland, non-executive chairman of the board, who has been with CI for 32 years and served as CEO from 1998 to 2010.

"We knew that what was working in 2014 wasn't working in 2019, and the timing was imperative," Holland said. "If we didn't hire Kurt and didn't do what he's done we would be in far worse shape. The big thing that happened early is having someone come in from outside and question why we were still doing things the way we were 10 years ago."

Holland's reference to 2014 relates to the decision by the Bank of Nova Scotia to sell its 38% stake in CI, which forced a wake-up call.

"It was a huge tipping point because we had to start preparing our business to be around forever," Holland said. "That was way too many shares to hit the market at a period of time when asset managers in Canada were way out of favor."

As Holland tells it, part of the appeal of MacAlpine was the way he seized upon the opportunity to establish a wealth management foothold in the U.S. For his part, MacAlpine said that from the start, the board's marching orders have been clear about the mandate for growth through acquisitions.

BEYOND BUYBACKS

To fully appreciate where CI is now and where the company is heading, you have to understand the Canadian wealth management space and the tight spot CI's leadership felt the company was in just a few years ago, when share buybacks seemed like the only way to drive up the stock price.

Even as a well-established Toronto-based company with a history dating to 1965, CI was a relatively unknown and underestimated entity in the U. S. in early 2020, when much of the world was focused on the early days of a global pandemic.

At that time, U.S. aggregators, many of which were already backed by deep-pocketed private equity investors, were well into the trend of driving record-level consolidation among registered investment advisers. So when CI Private Wealth, as the U.S. operations are known, announced a couple of acquisitions of U.S. RIAs in rapid succession, it was largely overlooked as a curious anomaly.

"History is littered with Canadian companies thinking they can go to the U.S. and do what they do in Canada," said John Aiken, who covers CI as an analyst at Barclays.

Like most of the analysts following CI at the time, Aiken had a negative rating on the company, which was viewed as struggling to compete in Canada's wealth management infrastructure, which is dominated by banks and operates almost like a government utility.

Even as one of the largest publicly traded financial services companies in Canada, CI's market share is at just 7%, down from 10% a decade ago.

"Through a host of macro events, the growth of CI had slowed considerably," Aiken said. "We didn't think asset managers were going to zero, but the growth outlook was not that great."

But while CI's Canadian operations were being viewed by both analysts and investors as stuck in a rut, the company's board had been in full scramble mode to deploy a plan aimed at boosting what CI executives and board members saw as a wildly undervalued stock price.

There might be no stronger cheerleader for CI's potential than board chair Holland, who bought 750,000 shares of CI stock in 2021, ranking him as Canada's largest insider buyer of public company stock.

"I was probably the biggest insider buyer in 2020, also," he said. "It's the cheapest stock that I know of, and I think there's a long-term opportunity here that is staggering."

Holland's insider perspective of how CI leadership was working to appease shareholders paints a picture of a company poised for big changes

"WE HAD TO START PREPARING OUR BUSINESS TO BE AROUND FOREVER."

WILLIAM HOLLAND, NON-EXECUTIVE CHAIRMAN, CI FINANCIAL but missing the key piece in a leader like MacAlpine to deploy resources and execute the mission.

Holland recalls stepping aside as CEO in 2010 "to start a transition that took longer than it should have."

After Holland, CI went through two more CEOs who were promoted from inside the company. Put bluntly, to investors, the company looked and acted outdated.

"We realized years ago that 20% of our employees were over age 55 and had been with the company for 20 years plus," Holland said. "We were getting pressure from shareholders to basically transition the business. The board decided we would hire an outside CEO and have a generational transition. Today, 45 of the 50 top executives from five years ago are gone."

THE BENEFITS OF SCALE

Back to the present, where CI's stock price is up nearly 50% over the past 12 months as investors have started to recognize the benefits of scale in the U.S. wealth management industry, insiders and analysts say the market still doesn't fully get CI Financial.

"I don't think anyone really knows where CI is going with this," said John Eubanks, director at the investment banking firm Park Sutton Advisors, which has been involved in some of CI's deals.

Eubanks gives CI credit for aggressively going after big chunks of the RIA market, but he said the growth in the U.S. has become so lopsided it could force the Canadian parent to spin off the U.S. business.

"Based on what they've done so far and the landscape and what's happening with other [aggregators], it would not be surprising if they spun out [the U.S. business] as a separate entity," he said.

From a shareholder perspective, which is the original driver behind CI's move into the U.S. market, a U.S. spinoff would certainly address the disconnect between investors in Canada that don't understand the RIA market and investors in the U.S. that don't understand the Canadian wealth management business.

"A problem CI has is now going into two markets with two different strategies and investor bases that don't understand the other strategies," said Barclays' Aiken.

MacAlpine isn't tipping his hand just yet about any kind of breakup of CI Financial, but his frustration over the way the company is valued is clear.

"If you look at the multiples by which wealth managers trade in the U.S. and the multiples we trade at, there's a disconnect; I call it a criminal disconnect," he said.

Holland said investors in Canada "are missing it because they just think we can't be competitive with Canadian banks."

"I can't imagine a business profile that's much better than this," he added. "This is just a cash-generating machine, yet analysts are so down on Canadian asset managers. We have no [capital expenditure] and we have no accounts receivable department."

OKO GROUP/CAIN INTERNATIONAL

Above: Renderings of CI's future headquarters in Miami (the tower is not yet completed).

MacAlpine said the tide is slowly turning, but it remains to be seen if it will turn quickly enough for the board of directors.

"A couple of years ago, 100% of our equity investors, bondholders and employees were Canadian," he said. "The story is new. The RIA market doesn't even exist in Canada. We're focusing on a foreign story for Canadian investors, and all the analysts covering our stock are Canadian."

FAST AND FURIOUS STYLE

Whether CI spins off the U.S. business or employs some other means of distinguishing the Canadian and U.S. operations, it's clear MacAlpine sees no end to his push into the RIA market. And on that note, he can sound both defensive and bold, being familiar with the grumblings from executives at competing aggregators suggesting CI's fast and furious style is skewing supply and demand fundamentals.

Most of the executives at competing aggregators contacted for this story declined to comment. But, even if U.S aggregators are a tad ruffled by MacAlpine's style, there's respect for the level of success CI has achieved in such a short time.

"My hat's off to [MacAlpine], and I commend them for making some very high-quality acquisitions," said Rush Benton, senior director of strategic growth at Captrust Financial Advisors, a $600 billion aggregator that's made 56 acquisitions since 2006.

Benton cited the CI model of buying but not rebranding as an approach that appeals to some owners.

"They're buying firms today with the goal of combining them later," he said. "If I'm an owner that is a little less interested in being integrated, maybe that model works for me."

$20B
U.S. WEALTH MANAGEMENT ASSETS CI ACQUIRED IN 2020

Whatever the sales pitch looks like, it's clearly gaining momentum, as witnessed by the increasing size and pace of the deals.

CI closed out 2021 with announced acquisitions of $6 billion Regent-Atlantic, $23 billion Segall Bryant & Hamill, and $7.5 billion Gofen & Glossberg.

MacAlpine said CI is well past the days of cold calling to make deals and noted that the pace of inquiries led to 185 nondisclosure agreements in 2021.

"I wasn't in this space two years ago, and I don't worry about the criticism, but my job is a lot easier today than it was two years ago," he said. "Other firms can have their opinions, but we're very comfortable with what we're paying."

Regarding CI's growth strategy, MacAlpine makes no apologies for the pace of acquisitions and even takes a swipe at aggregators relying on private equity funds to try and keep up.

"If you take CI out of the equation, the vast majority of buyers are temporary capital from PE-backed aggregators," he said. "When there's a market stress point, a lot of those businesses have seven to eight times leverage, and that won't end well. Our model is permanent capital."

BALANCE SHEET GROWS

As far as what CI is paying for RIAs, those details are not broken down on earnings reports because they are deemed nonmaterial transactions in the context of the company's total balance sheet. These are cash and equity deals, and as CI's balance sheet grows, along with the size of its RIA acquisitions, the details are not expected to get any clearer.

"We've seen a very successful acquisition strategy in terms of number and size of deals, but it's difficult to determine the financial success" of the deals, said Aiken. "It begs the question, is there some sort of integration risk and are there any bad acquisitions?"

MacAlpine doesn't deny that bad deals could happen, but he said part of his process helps guard against that.

"If someone needs to sell, there's zero chance we're buying," he said. "You need to align with what we want to build strategically. Every firm we announce goes into it knowing the people at CI because we force them to meet people and finally, we have a total financial alignment."

While all of CI's RIA deals have included a blend of cash and equity, a new partnership program launched in January converts the equity into a pooled partnership designed to drive the RIAs toward cooperative goals for growth and success.

Aiken describes the private partnership model as "textbook MBA organizational structure."

"They are carving out a private entity within the larger public organization," he said. "As a business owner, I'm now facing the same risks and growth [as the rest of the partners] but can also benefit from the synergies."

MacAlpine describes the partnership structure as the latest evolution of CI's U.S. growth strategy, which is being expanded to include trust services, bill payments and family office services.

One thing that won't change is the focus on independent financial advisers, "because of the fiduciary standard versus the suitability standard," MacAlpine said.

"The other problem with brokerages is how they make money," he added. "We only get paid fees on advisory assets. I believe in value for money."

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HEALTH CARE

Medicare do-over season is a second chance to enroll

Think of the first quarter of the year as Medicare do-over season.

During Medicare's general enrollment period, which runs from Jan. 1 through March 31 each year, people who missed signing up for Medicare when they were first eligible get a second chance to enroll — but late enrollment penalties will apply.

The same January-through-March period is also the open enrollment period for Medicare Advantage, when people who are enrolled in a Medicare Advantage plan can switch to another Medicare Advantage plan or go back to original Medicare.

Medicare is certainly a valuable — and complicated — care program for adults ages 65 and older and certain people with disabilities. For the many people who work beyond the traditional retirement age of 65, the Medicare enrollment rules are even more confusing.

MARY BETH FRANKLIN

ONRETIREMENT

Most people enroll in Medicare during their seven-month initial enrollment period, which begins three months before they turn 65, includes their birthday month, and ends three months after they turn 65. People who work beyond age 65 and who continue to have group health insurance coverage through their current employer (or their spouse's current employer) can delay enrolling in Medicare penalty-free until eight months after the coverage ends. That is known as a special enrollment period.

Medicare Part A, which covers hospitalization, is premium-free for most workers who paid FICA payroll taxes throughout their career. Medicare Part B, which covers doctors' fees and out-patient services, has a monthly premium.

In 2022, most Medicare beneficiaries pay $170.10 per month for Medicare Part B, which is usually deducted directly from monthly Social Security checks. High-income beneficiaries pay more based on their income.

MISSED ENROLLMENT

If you miss enrolling in Medicare during your initial enrollment period — or during your special enrollment period if you are eligible for one — you must wait until the next general enrollment period that runs from Jan. 1 through March 31 each year. Unfortunately, your Medicare coverage won't begin until the following July 1, and in the meantime, you could be on the hook for all of your health care expenses, as Medicare is the primary insurer for people 65 and older.

In addition, you will incur a 10% late enrollment penalty for every year you were eligible to enroll in Medicare Part B but didn't. So, if you waited until age 70 to sign up for Medicare, five years after your initial enrollment period, you would have to pay an extra 50% of the standard Medicare Part B premium every month for the rest of your life.

People are also eligible to enroll in an optional Medicare Part D prescription drug plan when they turn 65 during the same seven-month initial enrollment period as Medicare Part B. But there is a shorter special enrollment period for people to enroll in a Part D plan after their group health insurance coverage ends.

Individuals over age 65 must choose a Medicare Part D prescription drug plan within 63 days of losing their group health insurance or face delayed enrollment penalties if they sign up after the deadline. The penalty is 1% for every month they were eligible to enroll in a Part D but didn't, for a total delayed enrollment penalty of 12% per year for the rest of their life.

Medicare Advantage plans offer the same basic benefits provided by Medicare Parts A and B and often include prescription drug coverage, rendering Part D plans unnecessary for most Advantage plan members. In addition, most Medicare Advantage plans, which are run by private insurers, include extra coverage that original Medicare doesn't offer, such as vision, hearing, and dental care, as well as gym memberships.

Medicare Advantage plans have exploded in popularity in recent years. Today, an estimated 42% of Medicare beneficiaries are enrolled in Medicare Advantage plans, attracted to the extra benefits and typically lower monthly premiums. But in exchange for more benefits and lower costs, Advantage plan members must agree to use their plan's network of health care providers, and the plans often require preapproval to see specialists.

MIND THE MEDIGAP

Medicare Advantage plan members who are dissatisfied with their current plan can switch to a different Advantage plan any time between Jan. 1 and March 31 each year. They can also switch from an Advantage plan to original Medicare during the same three-month period. If they do, they should also buy a supplemental Medigap policy and enroll in a Medicare D plan.

> **42%**
> OF MEDICARE BENEFICIARIES ARE ENROLLED IN MEDICARE ADVANTAGE PLANS

But switching from an Advantage plan to original Medicare can be difficult for some people with health problems. The only time someone is guaranteed access to any Medigap plan of their choice is during their initial seven-month enrollment period. After that, medical underwriting rules apply, and insurers can reject applicants or raise premiums above standard rates.

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

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REGULATION

College hoops and fiduciary duty don't mix

The NFL playoffs have been spectacular, but college basketball brings me even more viewing pleasure this time of year. Almost nothing can diminish the fun — except fiduciary duty.

DCINSIDER
MARK SCHOEFF JR.

Recently, I was watching my alma mater play a crucial conference game when a commercial from a financial firm aired. The ad touted that its advisers were fiduciaries to their clients. That assertion caught the attention of a friend, who said that all financial advisers have a fiduciary duty to their clients. Another friend responded: "No, that's not right. There also is the suitability standard."

They were both wrong.

I felt like Flo in the Progressive commercial, trying to resist the temptation to discuss insurance while relaxing at the beach. Unlike Flo, I sidestepped the conversation about fiduciary duty.

I minded my own business and did not correct my friends. But I could have said: Investment advisers are governed by fiduciary duty. Registered representatives of brokerage firms now must adhere to Regulation Best Interest, the broker standard of conduct that resembles fiduciary duty but is not fiduciary duty.

Reg BI essentially has replaced suitability, but there's

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EQUITABLE

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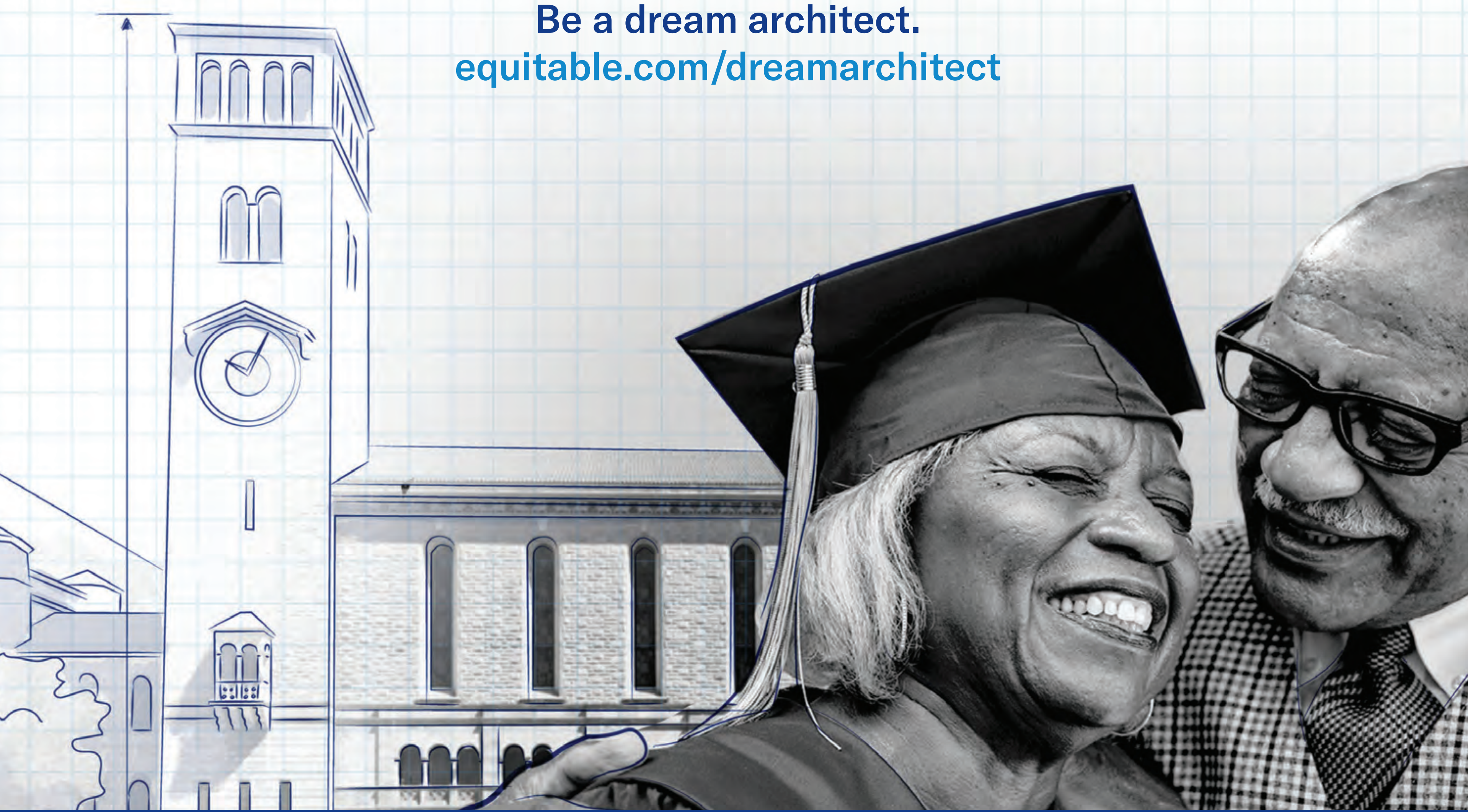

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an ongoing debate about whether it's stronger than suitability.

The company in the advertisement that sparked my friends' conversation was in fact an investment advisory firm and its advisers had to adhere to fiduciary duty.

But when we watch the Super Bowl, the Winter Olympics or the NCAA basketball tournaments, we will be bombarded by ads from brokerages and insurance companies implying that they are fiduciaries when, in reality, they are not.

The ads in heavy rotation are designed to attract clients who are planning for retirement on their own thanks to 401(k) plans and individual retirement accounts. The firms beckon, saying that they can be their trusted financial adviser. Trusted maybe, but, in most cases, not a fiduciary.

FIDUCIARY OR REG BI?

Whether a financial adviser is governed by fiduciary duty or Reg BI may not affect how she delivers investment advice. She might put her clients' interests ahead of her own under either standard. Yes, she only has to ensure she's not putting her own interests ahead of her clients' under Reg BI, but let's not split hairs. Or she may seek to pad her own revenue with her recommendations whether she is subject to fiduciary duty or Reg BI.

It's up to the Securities and Exchange Commission to draw lines of demarcation between investment advisers who are fiduciaries and registered reps who are Reg BI adherents. The difference must be so crisp that no one ever will assert that all financial advisers are fiduciaries.

This distinction is supposed to be made on Form CRS; the client relationship summary created as part of Reg BI. But there is so much gobbledygook on Form CRS that the SEC committee overseeing the document's implementation issued guidance in December on how to make the form more useful to investors.

The problem is the guidance is dense and turgid. The Institute for the Fiduciary Standard complained that the guidance actually confused the issue of whether the term "fiduciary duty" can be used on Form CRS. That term can't appear in one section. Elsewhere, advisers have free rein to include it on their Form CRS.

The SEC must do better if it wants to help investors decide whether to hire an investment adviser or a broker. SEC Chair Gary Gensler has said the agency will use examinations and enforcement to ensure Reg BI protects investors.

I hope the SEC also produces easy-to-read guidance that outlines exactly what Reg BI is supposed to accomplish and how. Make it as punchy as the commercials that imply a financial firm is acting in its clients' best interests. That would be almost as rewarding as having your school make it to the Sweet 16.

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STAFFING

How are firms withstanding the Great Resignation?

Each year, we look to the winners of the *InvestmentNews* Best Places to Work for Financial Advisers to glean lessons on how to keep employees happy. The task seems especially pertinent a year into the Great Resignation, the ongoing wave of employee turnover spurred by the pandemic's disruption to the rhythms of working life.

NUMBERSGAME
DEVIN MCGINLEY

Indeed, the 2022 Best Places to Work show how a content workforce helps firms succeed. Collectively, this year's winning firms reported an annual turnover rate of only 6.2%. Economy-wide, a study by analytics firm Visier found that one in four workers left their job in 2021. The financial sector's workforce is steadier, but voluntary turnover — those quitting their jobs, as a proportion of the total workforce — stood at 17.7% even before the pandemic, according to data from the Bureau of Labor Statistics.

The Best Places to Work are drawn from surveys of employee satisfaction at participating firms, in combination with a survey of employers on the benefits available to their staff. Looking at the key differentiators — where the Best Places most outpaced other firms in policy implementation — reveals the ways these firms have responded to the challenges of recent years and kept employees happily on board.

LONG-TERM CLARITY

Financial sector employees stay in their jobs a median of about five years, according to the BLS. Once workers reach 55 — the average age of the financial advice profession — median tenure with an employer about doubles to a decade. Add to that a substantial investment in building their book of business, and the typical financial adviser is looking for a relatively long-term relationship with their firm.

For those advisers, and even for younger advisers just joining the company, clarity on the firm's long-term trajectory is an important part of retention. And succession planning — what happens when the firm's current management group rolls over — is an integral part of providing that clarity. At Best Places firms, 91% have a formalized program for succession planning, compared to only two-thirds (67%) of other firms, the largest difference observed in our surveys.

Whether by planning for long-term organizational leadership or by other means, the Best Places score high marks from employees when it comes to long-term clarity. At winning firms, 98% of employees say they understand the long-term strategy of their organization, and the same number have high confidence in their organization's leadership.

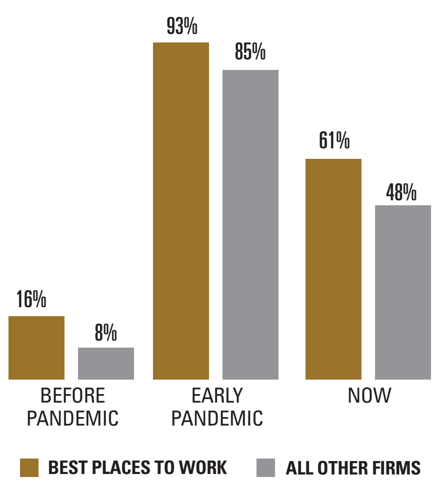
SHARING THE SUCCESS

While confidence in the long-term strategy and stability of the organization was a defining characteristic of Best Places winners this year, the firm's day-to-day success and staff's ability to share in it were also important gauges of employee satisfaction. Compared with other firms, the Best Places to Work were more proactive in developing employee talent and rewarding contributions.

According to surveys of employees, 92% of staff at winning firms felt they received sufficient initial training for their roles and 94% agreed their need for ongoing training has been met, compared with 86% and 89%, respectively, at other firms. Put another way: 97% of employees at Best Places said their organization encourages their professional development.

Employees at the Best Places aren't only set up for success, they're rewarded for it, too. About half (48%) of Best Places have a profit-sharing plan, compared with only 35% of other firms. These are usually pooled from a fund of firm profits and distributed to eligible employees through a predetermined formula and are in addition to individual incentive programs, which were offered by all of this year's winning firms. The results of sharing the wealth are evident: 96% of staff at winning firms felt valued in their organization.

SHARE OF REMOTE WORKERS



Source: Best Places To Work employer survey

FLEXIBLE WORK ARRANGEMENTS

Even before the pandemic hit, remote and flexible work arrangements were emerging both as a plum incentive for new recruits and a way to retain current employees as they navigated life's changes. Now telecommuting options are firmly established as an expectation among employees. According to Gallup surveys, two-thirds of U.S. white-collar works remain fully or partially remote. Among remote workers, 91% expect to continue at least partial remote working post-pandemic, and 30% say they are likely to seek new opportunities if employers enforced a full-time return to the office.

The Best Places have been on top of this trend from the beginning. Before Covid, 16% of employees at these firms were remote, double the share at other firms. As offices shuttered in March 2020, almost all (93%) transitioned to telecommuting, and most remain remote. Currently, 61% of staff at Best Places are working from home, compared with 46% at other firms.

The ability to operate a remote workforce can be a proxy for the health of an organization. Keeping employees engaged when they are no longer showing up in-person requires frequent and detailed communication; adequate access to technology and timely resolution of issues that arise; and a shared sense of purpose. On all these points, Best Places achieved high marks from their employees.

In the end, becoming a top destination for employees is not merely about pleasing staff; it's about laying the groundwork for a successful and adaptable organization. In the past two years, and with this group of firms, we've seen that in action.

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INtheNews

"EVERYBODY STARTED SAVING MONEY. A LOT OF WHAT WE DID, FROM A SOCIAL STANDPOINT, GOT STRIPPED AWAY FROM US. THEY LIVED A SIMPLER, CHEAPER LIFE, AND MANY PEOPLE ARE THINKING, 'I'M NOT GOING BACK TO MY EXPENSIVE LIFE.'"
-ANTHONY KLOTZ, AN ORGANIZATIONAL PSYCHOLOGIST AT TEXAS A&M UNIVERSITY

STAFFING & COMPENSATION

RIAs must up their staffing and compensation game: Schwab

BY JEFF BENJAMIN

THE FUTURE OF wealth management is about people, and advisory firms that don't make their workforce a top priority will fall behind the curve, according to the latest RIA benchmarking study from Charles Schwab.

"We're seeing a shift where more than ever the emphasis is on people being the differentiator of their future," said Lisa Salvi, managing director of business consulting and education at Schwab Advisor Services.

This year's study, based on research into more than 1,000 advisory firms representing nearly 13,000 employees across 27 roles, found that recruiting talent has risen to be the second highest strategic priority for firms, which is the highest it has ever ranked in the Schwab studies.

The study showed that 80% of advisory firms are hiring, and Salvi said that dynamic is exacerbated by the trends toward job changing and resignations at a time of economic uncertainty.

"People are not just evaluating where they work, but they're asking themselves why they work," she said.

KEY POINTS

- Hiring is getting more competitive at every level of an advisory firm.
- But compensation alone won't allow firms to keep pace.

MAIN DRIVER

The main driver behind the focus on adding staff is as straightforward as the growth of the wealth management industry and the increasing demand for financial advice.

A firm that's the median size today, with eight employees, 298 clients, $439 million under management and $2.6 million worth of annual revenue, will likely need to add six additional employees over the next five years as the business continues to grow.

Using a projected compound annual growth rate of assets under management, the Schwab report expects the median firm five years from now to have 14 employees, working with 383 clients, managing $791 million in total assets, and generating revenue of $3.8 million.

"As a good rule of thumb for advisory firm, for every $325,000 in revenue, add one new role," Salvi said. "That role can be client facing, an operational team member, or sometimes it's very specialized at larger firms."

The research shows that the general compensation mix across all advisory firm roles includes a base salary representing 79% of total compensation, while 10% is performance-based, 7% is tied to revenue, and 4% is in the form of ownership profit distributions.

But Salvi said compensation alone will not be enough to attract and retain employees going forward.

"It's already more competitive to hire, and we're seeing that in all industries," she said. "There's a lot of changing roles in addition to the Great Resignation."

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FIXED INCOME

$2B in GWG junk bonds sold by advisers are under pressure

BY BRUCE KELLY

GWG HOLDINGS INC., an alternative asset manager that issued a series of high-yield bonds known as L Bonds, has severely stumbled of late, most recently stating it had missed $13.6 million in combined interest and principal payments for its L Bonds series.

GWG has a 30-day grace period to make the payments, according to a Jan. 18 filing with the Securities and Exchange Commission. If it fails to do so, it triggers a default.

GWG's auditor, Grant Thornton, resigned at the end of December, always a troubling signal for a financial services firm. At the time, Grant Thornton said its most recent audit did not contain an adverse opinion about the company and there was no disagreement between the auditor and GWG, according to a filing with the SEC.

GWG has been delayed in filing its financial statements with the Securities and Exchange Commission, inhibiting its ability to raise fresh capital. GWG until recently had invested in life settlements, but it wasn't clear to what extent the L Bonds were backed by life settlements.

Topping off the company's woes is its stock price, which has fallen from a recent high of $10.55 per share in November to a fresh low of $3.81 in afternoon trading on Jan. 26, for a decline of 63.9%.

According to GWG's website, Emerson Equity, a San Mateo, California-based broker-dealer that primarily sells private placements, is the managing broker-dealer for the GWG issuer. In December, in an unrelated matter, the Financial Industry Regulatory Authority Inc. penalized Emerson Equity $1.7 million for years of poor supervision of short-term mutual fund trades.

In that settlement, Finra characterized Emerson Equity as having 200 registered reps and financial advisers in 50 offices, with a focus primarily on selling private placements.

An industry source, who asked not to be named, said GWG could have issued as much as $2 billion of high-yield bonds over the past several years; the securities are 7-year bonds with yields of 8.5%, making them particularly attractive to investors in the recent low-interest-rate environment.

Along with Emerson Equity as the managing broker-dealer, which is akin to a lead underwriter in traditional investment banking terms, dozens, if not hundreds, of other broker-dealers and registered investment advisers could have sold the product.

DEMAND GROWS

There has been a growing demand for life settlements, as institutional investors search for higher yields in the current low-interest-rate environment and look for diversification. Because of that increased demand, life settlement payouts are generally higher than they have been in the past.

When the issuer of a high-yield investment product announces it has a series of obstacles like those facing GWG, financial advisers and firms that sold the investments take notice.

GWG is looking for options but is trying to avoid a fire sale, according to a letter posted on Jan. 24 on the company's website and signed by CEO Murray Holland.

The company has "paused L Bond sales retroactively to January 10, 2022, while [it] works with its advisors to identify and evaluate options available to the company," Holland wrote. "While asset sales may provide near-term liquidity, the value the company expects to receive in those transactions would likely be at a significant discount to the fair market value of the assets."

The company believes that pursuing such transactions would not be in the best interests of bond holders at the moment, Holland wrote.

Messages left on Jan. 26 for Emerson Equity's president, Tim Sullivan, were not returned.

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SMALLER FIRMS

CONTINUED FROM PAGE 4

federal court, which led to the Trump administration version.

Despite the long regulatory road, implementation will be a heavy lift, said Barry Salkin, a senior attorney at Wagner Law Group.

Financial firms "have had a substantial amount of time to do it," Salkin said. "I don't know if they're there yet. There are still items you'd like to have the DOL provide more guidance on."

The insurance firm Principal was ready for last Tuesday's compliance deadline in part because of changes it made to its policies to prepare for the Obama-era rule, said Lance Schoening, director of policy for Principal Financial Group.

For instance, the firm's advisers don't make rollover recommendations immediately when someone has had a life event — such as retiring or losing a job — that might affect their 401(k) plan. Instead, Principal initially focuses on educating the person about his or her options.

"We've maintained a number of procedures that have helped us run on a track to comply with the new prohibited transaction exemption," Schoening said.

> **"THERE ARE STILL ITEMS YOU'D LIKE TO HAVE THE DOL PROVIDE MORE GUIDANCE ON."**
>
> BARRY SALKIN, SENIOR ATTORNEY, WAGNER LAW GROUP

The extra time to prepare internal systems for documenting rollover decisions — and comparing a new plan to a client's existing plan — will be helpful, he said. "Firms are going to have to really focus on getting that information from their clients."

ANOTHER PROPOSAL

The fiduciary rule that is now in force covers investment advisers and brokers and is meant to align with the Securities and Exchange Commission's Regulation Best Interest, the broker standard of care.

But independent insurance agents are governed by a different rule, known as 84-24. Those advisers are policing themselves, said Ryan Brown, corporate counsel at M&O Marketing.

"No financial institution has raised its hand to say we'll make sure insurance agents are in compliance with this," Brown said.

The DOL has on its agenda another rulemaking proposal that likely would expand the definition of who is a fiduciary and include more advisers, such as insurance agents who are not adhering to 84-24.

"The anticipation is that the department may want to conform those exemptions to the new exemption that is [now] online," Schoening said.

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SCOTUS VACATES

CONTINUED FROM PAGE 4

focused on another component of the duty of prudence: a fiduciary's obligation to assemble a diverse menu of options," the order read. "But respondents' provision of an adequate array of investment choices, including the lower cost investments plaintiffs wanted, does not excuse their allegedly imprudent decisions."

The case against Northwestern, similar to numerous other lawsuits brought in recent years against 401(k) and 403(b) plan sponsors, has relied on the fact that cheaper options were available than those used within the plan.

Whether that alone is sufficient to state a claim has been disputed in the case, and that detail is critical to litigators. Because plan committee meetings and notes are usually not public, plaintiffs' law firms have little or no direct insight into fiduciaries' processes for selecting investments and services prior to discovery.

"At times, the circumstances facing an ERISA fiduciary will implicate difficult tradeoffs, and courts must give due regard to the range of reasonable judgments a fiduciary may make based on her experience and expertise," the order read.

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IN-APP GAME

CONTINUED FROM PAGE 4

Crypto and digital assets, however, might be something 401(k) participants are interested in.

About 60% of people said they would like to see digital asset options added to their plans, according to a recent survey of 821 people by Capitalize. Nearly as many said they recognized cryptocurrencies are volatile, and 45% said they are risky.

The fluctuations last month in Bitcoin have been a strong reminder of that.

More than half of people also said that digital assets are strong long-term investments, with more enthusiasm among younger generations. Just over 50% of baby boomers said that, compared with 59% of Gen Xers, 60% of millennials and 78% of Gen Z respondents, according to Capitalize.

However, only about 5% of people said they hold Bitcoin through an IRA, although another 50% said they would consider it.

ADVISERS TAKE NOTICE

There's also some interest among financial advisers. Among more than 200 advisers Capitalize surveyed, more than 52% said they feel cryptocurrency can be a strong short-term investment, and about 47% said it is good as a long-term option. About 60% said that crypto is overhyped, but more than half also indicated that it has potential within retirement accounts.

A report last year by Morningstar reached a different conclusion. Although Gen Z investors surveyed were five times as likely as baby boomers to say they wanted crypto in their retirement accounts, they still ranked it as the least important aspect among 16 different features.

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ARB CLAIM

CONTINUED FROM PAGE 2

lowing manipulation of the choice of arbitrators that would, in the end, favor the brokerage firm over the client, thus creating a disparity in the system.

Weiss was allowed, with a nod and a wink from Finra, to manipulate Finra's "neutral list" of arbitrators in the Leggett lawsuit, according to Edwards' order, essentially allowing one side to put the thumb on the scale of justice.

"Wells Fargo and its counsel, Terry Weiss, admit that Finra provides any client Terry Weiss represents with a subset of arbitrators in which certain arbitrators (at least three, but perhaps more) are removed from the list Wells Fargo agreed, by contract, to provide to the investors in the event of a dispute," Edwards wrote.

DECISIONS IN THE DARK

Decisions about arbitrators were made in the dark, according to Edwards.

"The record here shows that Wells Fargo and its counsel, Terry Weiss, insisted on three potential arbitrators be removed from the neutral list itself, prior to arbitrator selection, without notification to any parties, in every case in which Terry Weiss appeared for any client," she wrote.

"Finra has well-established rules for admitting arbitrators to its roster and the process is fair to all parties. Wells Fargo Advisors followed this process, and we intend to appeal this decision," a spokesperson for Wells Fargo Advisors wrote in an email.

The attorney, Terry Weiss, didn't immediately reply last Wednesday for a request to comment.

A Finra spokesperson said the criticism of Finra was misguided and not accurate.

"There has never been any agreement between Finra Dispute Resolution Services and attorney Terry Weiss regarding appointment of arbitrators," the spokesperson wrote in an email. "Any assertions to that effect are false."

Finra has "reviewed all cases involving Terry Weiss as counsel and none of the three arbitrators in question was excluded or removed from ranking lists prior to sending the lists to the parties," according to the spokesperson.

Plaintiffs' attorneys, who sue brokerage firms on behalf of clients, were quick to question Finra and its mandatory arbitration process, which has recently been questioned by Congress.

"This decision opens up a Pandora's box of horrific issues for Finra, like which other firms and which other defense lawyers have a secret agreement with Finra to remove arbitrators," said Andrew Stoltmann, a plaintiff's attorney. "It strikes at the heart of the fairness of the arbitration process, which is the arbitrator selection."

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RAY JAY

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ending in December, including records for client assets under administration of $1.26 trillion and cash sweep balances of $73.5 billion.

Highs in cash sweep deposits could prove particularly fruitful to broker-dealers like Raymond James if the Federal Reserve raises short-term interest rates this year, as is widely expected.

"I can't promise we'll be able to sustain the 11% net new asset growth we achieved over the last 12 months or the phenomenal 14% annualized net new assets we experienced in the fiscal first quarter," Raymond James CEO Paul Reilly said on a conference call to discuss its earnings with analysts on Jan. 27. "But given our strong retention and continued interest in all of our affiliation options, I'm optimistic we will continue delivering leading organic growth numbers."

QUARTERLY RESULTS

Meanwhile, Raymond James reported a total of 8,464 financial advisers and registered reps across its varied business lines at the end of last year. That was a net decline of 18 compared to the September quarter and a net increase of 231, or 2.8%, compared to December 2020. The company pointed to financial adviser retirements as the biggest reason for the slight quarter-to-quarter decline.

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LPL DOUBLES

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probably pretty nice bookends as a way to think about a range of potential growth over the long run, or as we go forward."

Over the past few years, LPL has created a series of channels to target various types of advisers, including wirehouse reps and those looking to establish registered investment advisory firms.

"A lot of the recruiting success was the efficacy of the sales team, refining the way we went to the market and spoke with advisers," Rich Steinmeier, head of business development at LPL, said in an interview. "We're also working with outside recruiters, and before 2018 we didn't really do that."

He added that new models targeted at wirehouse and so-called breakaway advisers, including sub-brands LinscoBK by LPL Financial and Strategic Wealth Services, brought in advisers with $2 billion in assets during the last three month of 2021. "And all of those capabilities are growing and should perform better in the future," Steinmeier said.

LPL also acquired net new assets of $71 billion in 2021 through mergers and acquisitions, the company reported.

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UBS

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2013 for retail investors with at least $500,000 on the platform, although the minimum is currently $100,000.

"UBS has to date sat on the direct-indexing sidelines," said William Trout, director of research at Javelin Strategy & Research. "Keep in mind that Wealthfront was an early mover in rolling out direct indexing — in this case, for clients without a financial adviser."

The technology allows advisers to trade weighted baskets of stocks that are usually built around environmental, social and governance principles, and let clients directly own a portfolio of stocks designed to mimic the holdings of an ETF.

That new business model could be ripe for expansion. Direct indexing currently represents more than $362 billion in assets, but the projected five-year growth rate is 12.4%, ahead of both exchange-traded funds and mutual funds, according to recent data from Cerulli.

COMPETITION RISES

Competitors are already making inroads, like Vanguard Inc., which acquired the Oakland, California-based platform Just Invest with $1 billion in managed assets, and Charles Schwab & Co., which purchased the recently shuttered, values-based robo-adviser Motif in May.

The rise of cryptocurrency could also be an interesting angle given Wealthfront's early engagement with Grayscale Investments. Founded in 2013, Grayscale is the largest digital asset manager, with $43 billion in assets under management and 15 digital currency investment strategies, including six SEC-reporting investment products.

Grayscale's regulated products enable investors to access digital assets in their investment portfolios alongside traditional investment options including stocks, bonds and ETFs.

"UBS has been very skeptical of crypto," Trout said.

Still, Wealthfront has maintained high growth in recent years, and made strides toward former CEO Rachleff's vision of a fully automated platform that directly deposits paychecks, settles monthly bills, and automatically invests the rest.

The question now becomes how well UBS can integrate the new technologies and sidestep the pitfalls that led to the closure of its first robo-advice platform back in 2017.

"Whether this robo-advice initiative is more successful than previous ones remains to be seen," Goldstone said.

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MERRILL FIRES

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lergic reaction, according to the Fairfield police department's website.

Iannazzo also made comments to an employee referencing their immigration status, according to the police. A video of the incident, in which Iannazzo repeatedly uses profanity and calls one employee an "immigrant loser," caused a firestorm over the Jan. 22 weekend on social media platforms including Twitter.

"THIS INDIVIDUAL IS NO LONGER EMPLOYED AT OUR FIRM."

MERRILL SPOKESPERSON

"Our company does not tolerate behavior of this kind," a Merrill Lynch spokesperson wrote in an email. "We immediately investigated and have taken action. This individual is no longer employed at our firm."

Iannazzo is the latest wealth management professional to have lost his or her job after ugly behavior was made public on social media platforms. In 2020, Franklin Templeton fired an executive who had accused a Black bird-watcher in Central Park of threatening her.

Also in 2020, Raymond James Financial Inc. fired a senior bond manager after he and a woman were caught on video confronting a San Francisco man who was stenciling the Black Lives Matter slogan on the property where he lives.

EMS CALL

At around 1:30 pm EST on Saturday, Jan. 22, Iannazzo called 911 requesting an emergency medical services response to his home for a juvenile who was suffering from an allergic reaction and was later transported to an area hospital, according to the police report.

Iannazzo told officers that he was upset about his son having a severe allergic reaction and he went back to the store as a result, according to the police.

He was charged with intimidation based on bigotry or bias, breach of peace and criminal trespass. He has a court appearance for Feb. 7 in Bridgeport Superior Court.

Over the Jan. 22 weekend, Iannazzo's attorney, Frank J. Riccio, issued a statement on social media stating the financial adviser "wholeheartedly regrets the incident" and that he is "not a racist individual." According to the statement, Iannazzo was acting out of "anger and fear" over what had happened to his son, who has a life-threatening peanut allergy.

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