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THE BIG SQUEEZE

CAUGHT BETWEEN AGING PARENTS AND RAISING KIDS, THE SANDWICH GENERATION IS DESPERATE FOR ADVICE

PAGE 8

IN DEPTH:

HOW 2 YEARS OF COVID CHANGED INDUSTRY PRACTICES

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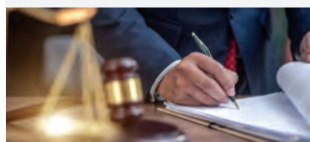

New SECURE Act regulations: In effect now!

On Feb. 23, the IRS released proposed SECURE Act regulations. These long-awaited regulations offer guidance on many parts of the SECURE Act and include a few surprises. The new rules are effective immediately! Tune in as we discuss highlights of the new rules with America's IRA Expert, Ed Slott, CPA.

Date: Thursday, April 7, 2022
Time: 1:00 PM Eastern Daylight Time

Contents ©Copyright 2022 by InvestmentNews LLC. All rights reserved. Vol. 26, No. 6, March 21, 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.

Merrill aims to boost its ranks of financial advisers

BY BRUCE KELLY

AFTER HUNKERING down on hiring advisers during the pandemic, Merrill Lynch is once again looking to bolster the numbers of its thundering herd. This year it's targeting more young financial advisers with limited experience in the industry and, more selectively, experienced advisers outside major metropolitan markets.

This is a modification of Merrill Lynch's strategy during and even before the pandemic shut down the economy in March 2020. This year the firm wants to add 500 early career advisers through what it calls its "accelerated growth program," dubbed AGP internally — 2½ times as many as it usually does annually.

These are financial advisers and registered reps from other firms looking to build their practices by joining a large enterprise like Merrill Lynch; over the past couple of years, the firm has added roughly 200 such advisers each year. It's a three-year program and compensation is based on a salary.

Merrill Lynch is also putting out the "now hiring" sign for veteran financial advisers in markets that it has shunned recently in recruiting.

RECENT SHIFT

Several years ago, Merrill Lynch pulled back from hiring experienced financial advisers, which can be lucrative for the adviser but exorbitantly expensive for the firm, and focused on training young advisers. More recently, it has refocused its hiring of veteran financial advisers, or those who generate $1 million or more in annual revenue, to those working in large markets like Miami and Silicon Valley.

This year, the firm intends to widen the scope of its hiring of experienced advisers to places where it's getting calls from advisers and sees potential for growth, including Austin, Texas; Aspen, Colorado; Charleston, South Carolina; Reno, Nevada; Nashville, Tennessee; Iowa, Maine and other locations.

> **KEY POINTS**
> - Merrill Lynch announced an 'accelerated growth program' for advisers.
> - The push comes after a 6.3% decline in head count last year.

These changes in hiring come on the heels of Merrill's announcement last year that it anticipated graduating 1,000 new advisers per year from its adviser development program, or ADP.

"We've been through an extraordinary period during the pandemic," Andy Sieg, president of Merrill Lynch Wealth Management, said in an interview March 11. "Some of our competing firms are growing from competitive recruiting."

"We haven't been focused on competitive recruiting, and hiring in those programs stopped," Sieg said. "We didn't just slow down training programs, we stopped hiring."

Now, expectations are that the firm will increase its overall head count by 3% to 4% annually over the next five to 10

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Wealthtech takes on RIA aggregators

BY SEAN ALLOCCA

WEALTHTECH STARTUPS are buying books of business and hoping an advanced in-house tech stack is enough to lure financial advisers, and their clients, away from more established wealth managers.

Savvy, a newly formed fintech, plans to acquire existing registered investment advisory firms and wealth managers and pair them with proprietary software that advisers and clients can use to manage their finances.

The New York-based fintech closed on $7.3 million in seed funding last month and has about 12 employees on staff, who cater mostly to wealthy professionals.

"It's not your typical off-the-shelf stuff," said Ritik Malhotra, co-founder and CEO of Savvy.

"We brought in a team ... with significant experience building consumer-facing tech," he said, adding that much of his staff spent years with top tech companies like Airbnb Inc.

TARGET ACQUISITIONS

Savvy's target acquisitions are generally RIAs with around $200 million in assets, but the company is willing to make offers on up to $1 billion in managed assets. Most advisers who come on board become employees and are in the middle of their careers and looking for growth, Malhotra said. The company is even targeting wirehouse breakaways.

"The tech looks visually appealing and advisers are saying clients like the user experience," he said. "It's not spitting out a 90-

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Kitces, LPL exec agree on more transparency on custody fees

BY MARK SCHOEFF JR.

A FINANCIAL FIRM executive and a high-profile financial adviser agreed last Tuesday on the need for more transparency on the costs of custodial services but differed on exactly how far to go.

Michael Kitces, head of planning strategy at Buckingham Wealth Partners, and Marc Cohen, executive vice president for adviser business strategy at LPL Financial, squared off in an *InvestmentNews* webcast.

Kitces, a prolific blogger who has outsized influence on how the advice sector tackles key issues, is a longtime critic of what he characterizes as a lack of candor on the part of custodians about how much they charge to hold registered investment advisers' assets.

"I have no idea what I'm actually paying," said Kitces, co-founder of the XY Planning Network.

He estimates Charles Schwab & Co. charges about 11 basis points for custodial services, based on financial disclosures filed with the Securities and Exchange Commission.

But that number doesn't provide the detail that Kitces seeks. For instance, it doesn't tell him what Schwab is charging each of its custody clients and it gives him no feel for whether one firm is subsidizing another on the platform.

"We can't even find out [the price for custody] if we ask, most of the time," Kitces said. Custodians have a good idea of the revenue they're generating but "they just don't tell us unless it's not enough, then they [tighten] the screws."

Custodians make money on custody in a variety of ways — by charging advisers per account on their platform, earning interest on custodied assets and charging for securities transactions. Other revenue can come from payment for order flow and from highlighting certain investment funds available on their platform, which is known as providing "shelf space."

"What's less important is how much money the custodians are making and precisely what they're charging but rather what the trade-offs are," Cohen said. "If you're not the ones picking up the bill, who is picking up that bill and what are some of the conflicts that may be created as part of that type of relationship?"

SCHWAB, FIDELITY BACK OUT

The debate emanated from a challenge laid down at last fall's *InvestmentNews* RIA Summit. Schwab executive Bernie Clark and Fidelity Institutional executive David Canter asserted that Kitces didn't understand the nuances of custody. *InvestmentNews* senior columnist Jeff Benjamin suggested that Clark and Canter debate Kitces.

The executives initially agreed to the debate, but then backed out, citing scheduling difficulties. Cohen, who also participated in the *IN* RIA Summit but didn't poke Kitces, agreed to participate in the debate, which was moderated by Benjamin.

MURKY TRADE-OFFS

Most advisers don't pay for custody themselves but pass the costs along to clients. Custodians can use shelf space payments and other revenue from their platforms to lower the bill for some of the custodied assets, but the details are murky.

Custodians should be more open about their operations, Cohen said, noting that LPL strives for transparency with its custodial customers.

"The industry has tended to shy away

CONTINUED ON PAGE 28

Vanguard sued over big tax bills for target-date funds

BY MARK SCHOEFF JR.

INVESTORS IN VANGUARD target-date retirement funds are suing the company for allegedly mismanaging the accounts and causing them to be hit with excessive tax bills.

In a class-action lawsuit filed last Monday in U.S. District Court for the Eastern District of Pennsylvania, the plaintiffs focus on Vanguard's sale of a large amount of assets from their accounts in December 2020 to redeem shares that moved from Vanguard's retail target-date accounts to its institutional accounts.

'ELEPHANT STAMPEDE'

The migration was caused by Vanguard's decision to open its institutional funds to all retirement funds with at least $5 million in assets, down from a previous $100 million threshold, which caused an "elephant stampede" out of retail funds, according to a Wall Street Journal story.

Vanguard was forced to sell as much as 15% of the assets in retail target-date funds, resulting in substantial capital gains taxes for investors who held the funds in taxable accounts, the lawsuit asserts.

"The resulting capital gains distributions to investors were unprecedented (40 times previous levels)," the suit states. "While this didn't hurt retirement plans, it left taxable investors holding the tax bag."

The suit names three plaintiffs — Valerie M. Verduce of Georgia, Catherine Day of Massachusetts and Anthony Pollock of California — who held Vanguard retail

target-date funds in taxable accounts and had tax liabilities of $9,000, $12,000 and $36,000, respectively. The suit says the harm across all retail investors in taxable accounts could amount to hundreds of millions of dollars or more.

TAX CONSEQUENCES

"The complaint explains how Vanguard hurt its smaller, taxable investors, so that it could favor its larger retirement plans," Jonas Jacobson, a partner at Dovel & Luner and counsel for the plaintiffs, said in a statement.

A Vanguard spokesperson declined to comment.

Unlike most lawsuits against retirement funds, this one is based on the tax consequences of a fund's actions rather than its record-keeping fees or conflicts of interest in investment selection.

"THIS IS A MAJOR-LEAGUE SCREW-UP OF EPIC PROPORTIONS."

DANIEL WIENER, CHAIRMAN, ADVISER INVESTMENTS

Vanguard's retail and institutional target-date funds pursued similar investment strategies using different versions of the same index funds. The retail funds had higher fees than their institutional counterparts.

When Vanguard decided to lower the asset threshold to $5 million from $100 million for retirement plans to invest in the institutional target-date funds, it didn't consider the consequences for investors in taxable accounts, said Daniel Wiener, chairman of Adviser Investments.

"This is a major-league screw-up of epic proportions," Wiener said. "It's just bad thinking."

Vanguard should have been using the lower-cost index funds in its retail accounts, he said.

"Had they done that, there wouldn't have been as big a difference in costs, forcing people to move from retail to institutional," Wiener said.

Vanguard has developed a reputation for offering low-cost investment products to ordinary investors, a theme established by the firm's iconic founder, the late John Bogle. The complaint quotes Bogle about his belief in treating investors fairly.

"Over its history, Vanguard has often lived up to that purpose," the complaint states. "It has become one of the most respected and successful investment companies in the world. But in this case, it has fallen far short. It harmed its smaller, taxable investors (the very people it was founded to serve) to cater to the retirement plans that drive its bottom line."

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NANCY PELOSI

New ETF tracks Pelosi's portfolio moves

BY JEFF BENJAMIN

SHORT OF BEING elected to Congress, most investors don't stand much of a chance competing against the likes of U.S. House Speaker Nancy Pelosi. The California Democrat has become the poster child for trading activity by members of Congress that leads to blockbuster portfolio performance.

To try and level the playing field, a new exchange-traded fund will be investing based on public filings from the 82-year-old congresswoman.

The Insider Portfolio ETF (INSDR), which began trading on the MERJ Exchange on March 8, is designed to give everyday investors the opportunity to benefit from the kind of inside information that's only available to members of Congress.

"Nancy Pelosi is like the best meme stock trader in the world," said Jaime Rogozinski, founder of the Reddit's WallStreetBets forum that launched the ETF.

13-F FILINGS

The portfolio, which is being managed by Digital Markets, will allocate to specific stocks based on 13-F filings from the 18-term representative, which means there will be some lag time between Pelosi's actual portfolio and what the ETF holds on a daily basis.

"Obviously, we're not going to be able to replicate her performance one to one, but even if we can get a whiff of the performance, investors will be able to get some of the returns she's been able to enjoy," Rogozinski said.

Even getting a portion of Pelosi's performance is still pretty good when you consider that one portfolio tracker measured her 2021 portfolio gains at more than 50%, which compares to a gain of more than 28% for the S&P 500 Index.

"If you are not blessed with the financial savviness of the U.S. Congress members, the world of investing can be inaccessible and intimidating to the novice investors we know as constituents," Rogozinski said.

"NANCY PELOSI IS LIKE THE BEST MEME STOCK TRADER IN THE WORLD."

JAIME ROGOZINSKI, FOUNDER, REDDIT'S WALLSTREETBETS

Eric Balchunas, senior ETF analyst at Bloomberg Intelligence, said the key to the new ETF's success will be access, but he believes the concept is spot-on.

"There's been a lot of attention given to how Pelosi's portfolio has performed and there's a bit of cynicism there that they're cheating somehow," he said. "I could see something like this catching on."

HUSBAND'S ACUMEN

Pelosi claims her husband, Paul Pelosi, is the trader in the family, and public records show her 81-year-old husband to be both active and proficient when it comes to investing. Paul Pelosi's investing acumen has even spawned a social media movement mocking the coincidence of his stunning success.

After a groundswell of criticism from the general public, Nancy Pelosi recently endorsed a plan for tighter rules on insider trading by members of Congress. But Rogozinski isn't too worried that the rules will be drastic enough to derail his new fund.

"When the subject of insider trading came up a decade ago, Congress turned around and passed a slap on the wrist, requiring them to disclose a little more," he said. "We might see some watered-down potential controls, but I believe they won't lose their abilities to pick stocks and continue to retain their competitive advantage."

'SERIOUS PRODUCT'

In terms of how the ETF could be impacted if Pelosi ever retires from Congress, Rogozinski said they will find another congressperson's portfolio to track.

"The entire vision was Nancy, but because we're trying to get regulatory compliance, and this is a serious product, we wanted to have flexibility," he said. "This allows the longevity to outlast any person. The entire thing is built around her portfolio until there's reason to change it."

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Fired broker who threw smoothie lands at Aegis

JAMES IANNAZZO

BY BRUCE KELLY

JAMES IANNAZZO, the former Merrill Lynch broker who was fired in January after an incident at a Connecticut smoothie shop, is now a registered broker with Aegis Capital Corp., which is based in New York and has 300 retail registered reps.

Iannazzo, who had worked for Merrill Lynch in Stamford, Connecticut, became registered with Aegis last Tuesday, according to his BrokerCheck profile. Aegis has both independent contractor brokers and employee financial advisers under its roof, and it's not clear which type of business Iannazzo will be conducting at the firm's Westport, Connecticut, office.

Iannazzo, 48, was arrested after the incident in January and faces three charges, including intimidation based on bigotry or bias in the second degree, a felony. The other charges are second-degree breach of peace and first-degree criminal trespass. Earlier this month, he applied for a pretrial probation program, and a Superior Court Judge in Bridgeport, Nbidi Moses, continued the case until April 8.

In November, Aegis Capital Corp. was sanctioned $2.75 million by the Financial Industry Regulatory Authority Inc. for churning, or excessive trading in client accounts, from 2014 to 2018.

FIRESTORM

Eugene Riccio, the attorney for Iannazzo, declined to comment about his hiring by Aegis. An attorney for Aegis, Michael Ference, also declined to comment.

Iannazzo was arrested Jan. 22 by the Fairfield, Connecticut, police after erupting at a Robeks smoothie store, throwing a drink at an employee, hitting employees and demanding to know who made a smoothie that contained peanuts and caused his child to have a severe allergic reaction, according to the Fairfield police.

A video of the incident, in which Iannazzo repeatedly uses profanity and calls one employee an "immigrant loser," caused a firestorm at the time on social media platforms including Twitter.

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ConocoPhillips	COP	4.69%
Schlumberger	SLB	4.55%
Pioneer Natural Resources	PXD	4.50%
Marathon Petroleum	MPC	3.96%
Occidental Petroleum	OXY	3.21%
Williams Companies	WMB	3.14%
Devon Energy	DVN	3.10%

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STATE STREET GLOBAL ADVISORS

Opinion

Retirement planning is anything but normal in a post-pandemic world

This issue's special reports on "the new normal" that has arisen in the wake of the pandemic touch on the many ways the financial advice business has changed. Technology has played a key role in much that is different, from the growth of remote work in its many forms to new ways of communicating, to empowering advisers and creating a more level playing field for them regardless of which channel they choose. Technology also is increasingly important in financial and retirement planning, a subject also covered in the issue.

But technology hasn't changed everything, and one important aspect of retirement planning that hasn't changed — and is likely never to change — is the need for advisers to be forthright with their clients, especially about matters relating to longevity and income adequacy, not just investments. It's not a matter of honesty, it's more about the willingness to have conversations that may be uncomfortable for advisers and clients both. In the case of retirement, the tough conversation that should be had involves the potential for having inadequate retirement income. With a wide range of factors contributing to that greater uncertainty, this could well be the time for such difficult, but important, conversations.

PROFOUND CHANGES

What's different now? The pandemic, of course, has led to profound changes in the way people view work. Many have chosen to retire early, take a break from work or seek a job that pays less but satisfies in other ways. All those choices may seriously affect an individual's ability to build an adequate financial cushion to provide the income needed in retirement.

What's more, about a third of those who take Social Security benefits choose to start receiving benefits at age 62, when they'll get 25% to 30% less than if they waited to their full retirement age of 66 or 67. Only about 9% of women and 6% of men wait until age 70 to claim what could be as much as almost one-third more money than what they would get at full retirement age.

Inflation is another worrisome factor. Pandemic-caused supply chain problems that raised the prices of goods have been compounded by higher fuel prices in the wake of the Russia-Ukraine war. Our decades-long era of low inflation and worries about deflation seem to be over, causing concerns about how income will be able to keep pace with prices during one's post-work years.

Meanwhile, the Federal Reserve raised its key interest rate by 25 basis points last week, signaling the beginning of a series of hikes aiming to raise that rate to about 2%. While that's still very low by historic standards, the upward direction of interest rates points to higher costs in the future for anything requiring borrowed money, such as homes and cars.

THE NEED FOR ADVICE ON HOW TO MANAGE RETIREMENT IN A MUCH-CHANGED WORLD IS PARTICULARLY ACUTE.

THE NEED FOR ADVICE

Many advised clients are in good financial shape to weather whatever the future holds. But given the paucity of savings overall and the difficulty that most people have in translating the total value of their holdings into regular income, the need for advice on how to manage retirement in a much-changed world is particularly acute. Whether the solution involves working longer, monitoring spending or perhaps choosing to annuitize a portion of one's wealth to cover basic expenses, an adviser's compassionate and honest discussion can be invaluable.

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KEEPING THE SANDWICH GENERATION ON TRACK FOR RETIREMENT

A GENERATION OF MIDDLE-AGED AMERICANS ARE BRINGING UP THEIR CHILDREN WHILE CARING FOR AGING PARENTS, AND PLACING THEIR OWN RETIREMENT NEEDS ON THE BACK BURNER.

BY SEAN ALLOCCA

Wealth management consultant Laura Varas had to act quickly when she faced a family emergency while caring for her ailing aunt in 2018.

The nursing home where her aunt lived suddenly decided to declare her mentally incompetent, effectively stripping Varas of her caregiving and power-of-attorney duties. The facility argued that Varas was part of the so-called "sandwich generation" — a slice of middle-aged Americans responsible for bringing up their own children while caring for aging parents — and was too busy to provide the necessary care.

"I went into estate planning crisis mode," she said.

Nursing home operators have been accused of benefiting financially by seeking to become legal guardians of their patients, especially those with large estates. Standing in the hallway on the phone with a team of lawyers, Varas made the decision to remove her aunt, who was suffering from dementia, at the first chance she could get.

"We escaped the next day," she said, "and did it during lunch, when no one was watching."

The near disaster demonstrates the potential estate planning needs that many clients in the sandwich generation deal with as they care for family members, such as long-term care insurance, medical expenses and housing costs.

It also shines a light on the real-life situations associated with caregiving that can often be much more challenging to overcome. Varas routinely spends up to 15 hours a week on the phone with various insurance providers, lawyers, doctors and money managers.

"It affects your ability to work, because it's so emotionally draining," she said. "If I could get back the time I was on hold on the phone with some of these companies, I could take a three-week vacation."

MOSTLY GEN-X

For these mostly Gen-X clients, it's not only about caring for parents, but planning for their children, too. For the 12% of U.S. adults who are

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part of this cohort, there are increasing concerns about the high cost of child care, which has risen 41% for center-based options in some states during the pandemic, according to a study by LendingTree.

Research from the wealth management consulting firm Hearts & Wallets, which Varas founded in 2009, found the number of Gen Xers who are now very concerned about costs of caregiving hit 24% in 2020, up six percentage points from 2018.

The study, released in January, conveyed just how large the need for managing the finances of aging loved ones is in the U.S., and showed how issues are compounded for wealthier households that have additional assets and more complex estate planning problems.

"These burdens bleed into their own finances and the consumers have increased anxiety about their own financial security," Varas said about the findings.

With prices on the rise, sandwiched clients are now worried about saving for college and the health of aging relatives, leaving little time — or assets — to plan for retirements of their own.

The good news is that wealth managers can step in and provide much needed assistance, said Marguerita Cheng, chief executive of Blue Ocean Global Wealth in Gaithersburg, Maryland.

"It's like a life vest, you have to take care of yourself first," Cheng said about the necessity to plan for retirement before setting aside money for family members. "You can't pour from an empty cup."

STARTING POINT

A good place to start, she said, is a plan to pay for college. 529 plans are popular options, and with more than $438 billion in assets under management across approximately 15 million accounts nationwide last year, there were 92 savings plans and 12 prepaid plans available, according to research from AKF Consulting.

It's also important to remember that while children have avenues to help pay for higher education, like choosing a less expensive in-state school or applying for need-based or merit-based scholarships, near-retirees have significantly fewer options.

"There's never going to be financial aid for retirement," Cheng said.

Despite rising college tuition and ballooning student debt, only 36% of Americans actually know a 529 plan is an education savings tool, a one percentage point decline from 2012, according to a 2021 study by Edward Jones. The study also found that only 20% of parents have saved or are planning to use a plan.

To help, Morningstar publishes annual rankings that can be useful for advisers and their clients. The Illinois Bright Start Direct-Sold College Savings, Michigan Education Savings Program and Utah my529 plans got gold ratings last year in the research, and all of the top-ranked plans were direct-sold, while five of the seven at the bottom were adviser-sold.

College savings products aren't the only investments available. Many employers now offer dependent care flexible spending accounts that allow clients to make pretax contributions to pay for qualified child care expenses, which include day care, preschool and summer day camps. These FSAs aren't subject to federal or state income taxes, nor are contributions subject to withholdings for Social Security and Medicare, according to Kevin Oleszewski, a senior wealth planner at The Carson Group.

Oleszewski also recommends looking into child and dependent care tax credits that help pay for care for children and dependents. Those credits are based on income and how much clients spend. The American Rescue Plan Act increased the expense cap to $4,000 for one child or dependent, and $8,000 for two or more children or dependents. The tax credit can recoup up to 50% of a taxpayer's expenditures.

"It's dollar for dollar, so that's real money going back into your client's pocket," he said. "It's an underutilized strategy."

While there are options for helping children get to college, like student loans and scholarships, there are sometimes fewer choices for the elderly. A record 42 million Americans are serving as caregivers for an aging parent or loved one, and among the 54 million Americans 65 or older, 70% will require long-term care services at some point, according to the consultancy Seniorly.

For Tess Zigo, a CPA affiliated with LPL Financial in Palm Harbor, Florida, step one is setting up the plan. Advisers should ask the age at which clients want to retire, but also look at life expectancy calculations based on family history to determine how long clients' assets will need to last. Once retirement is taken care of, clients can move on to other needs, like ensuring parents will have the health care and housing they require.

"The reality is, a lot of clients don't have too much money left over," Zigo said.

Those client conversations can be difficult, especially those related to the declining health of loved ones. But it can be even more trying when clients have to bring up estate planning topics with their aging parents — discussions that are often ignored entirely.

"Part of my role is to ask the uncomfortable questions," said Patti Black, a partner at Bridgeworth Wealth Management in Birmingham, Alabama.

She focuses clients on long-term care insurance and other financial products, but also on more practical expenses like funeral planning and transportation costs when elderly parents have to give up their driver's licenses.

"I remember the pain so vividly sitting in the director's office and being peppered with questions," she said about her experience planning her mother's funeral in 2018. "It's like throwing a really expensive party that no one wanted to attend."

Black recommends handling those difficult conversations while family members are still alive, which helps families think through the expenses, but more importantly can spare them from making difficult decisions while grieving.

"It's like most anything else in life — the earlier you talk about it, the more options there are," she said.

UNFORESEEN EXPENSES

Be mindful of unforeseen expenses as well, said Cheng, who cared for her father during his battle with Parkinson's disease. Medical equipment and home improvements that make the house more accessible for seniors are top of the list, she said. Senior-proofing households can help elderly family members stay safe and age in place, but those upgrades, like grab bars, sit-in showers and chair lifts, will also add additional expense.

Cheng recommends reading the riders of any long-term care policies that are in place very carefully. In her case, she was able to access $10,000 for improvements. Still, according to a recent AARP study, three-quarters of family caregivers reported spending an average of $7,242 annually on out-of-pocket costs related to caregiving.

"Financial planners can really provide a lot of support to clients during this period," Cheng said.

Hearts & Wallets CEO Varas said financial planners can also provide enormous value by understanding the entire investment portfolio of the aging family member to ensure the products are in the best interest of clients. One provider sold proprietary products to her father and recommended he sell out of highly appreciated stock positions held in a trust account, she said.

"I cannot overstate the magnitude of the damage this advice has had on my family," she said.

While caring for her loved ones is challenging, Varas still believes it is well worth the struggles.

"We're working really hard to keep everyone alive and happy," she said about her aunt, whom she rescued from a nursing home in 2018. "My aunt eats all the time, and although she doesn't talk anymore, she gets great joy from watching birds."

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> **"THERE'S NEVER GOING TO BE FINANCIAL AID FOR RETIREMENT."**
>
> MARGUERITA CHENG, CHIEF EXECUTIVE, BLUE OCEAN GLOBAL WEALTH

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THE NEW NORMAL

It's been two years since Covid-19 shut down the world economy and permanently changed the way all of us live and work. The *InvestmentNews* team explores the new challenges, and benefits, that resulted from the pandemic and how the new normal has affected the financial services industry for the long term.

Search for home/office balance continues

BY JEFF BENJAMIN

As the global pandemic reaches the somber milestone of causing 6 million deaths worldwide, signs that the Covid-19 threat is starting to wane has the financial services industry trying to figure out what normal looks like and how or whether it makes sense to bring employees back to the office.

With varying requirements for vaccines, masks, and social distancing, some of the biggest brands in wealth management essentially are hoping for the best and employing a range of efforts to be careful while also being productive.

At Charles Schwab Corp., the plan is to bring employees back to offices in eight groups across various locations starting April 25.

"As we move through the pandemic, we created and implemented a workplace flexibility program to provide employees the flexibility to allow for remote work options, if that's what's best for them," said Schwab spokesperson Pete Greenley.

"The program is designed to balance the importance our employees place on workplace flexibility with the benefit of in-person interactions to train and learn from one another, build human connections, collaborate, and maintain Schwab's culture as we serve our clients," he added. "Employees have enthusiastically embraced our flexibility options, and as of Dec. 31, 2021, a substantial portion of the workforce has taken advantage of the opportunity for additional flexibility once the workforce returns to office."

HYBRID MODEL

The Vanguard Group is kicking off its return to the office this month with a "multi-month return to office transition period," said Vanguard spokesperson Laura Bulman.

Last year, Vanguard introduced a hybrid model that had most employees working from home three days a week.

"Flexibility for our crew is a key component of our vision for the future of work, and while this will be a new way of working, our commitment to caring for crew and delivering on our mission to clients remains unchanged," Bulman said.

Meanwhile, T. Rowe Price Associates and Goldman Sachs have already brought employees back.

At T. Rowe, U.S.-based employees who are vaccinated returned to the office beginning Feb. 28, according to spokesperson Brian Lewbart.

"For the majority of current associates, no final decision has been made regarding a vaccine mandate, however, associates who are required to spend a sizable amount of time meeting in person with our clients, prospective clients, business partners, or companies must be fully vaccinated as a condition of employment beginning April 1," Lewbart said. "The policy is designed to help us serve our clients and comply with protocols set by other organizations, many of which require visitors to be vaccinated."

T. Rowe employees who are opting out of vaccinations "can apply for non-client facing open roles at the firm," Lewbart said. "In addition, all new hires in the U.S. are required to be fully vaccinated against Covid-19 or have a valid medical or religious exemption from receiving the Covid-19 vaccine."

At Goldman Sachs, employees have been back in the office since last June, although the company did move back to remote work when the Omicron variant was spiking in January.

A Goldman spokesperson said that employees were brought back to the office in February and that since September, all employees working in the office are required to be vaccinated.

'VOLUNTARY REENTRY'

At Fidelity Investments, the strategy is a "voluntary reentry pilot" for people returning to the offices.

"Those associates who are fully vaccinated are not required to wear masks," said Fidelity spokesperson Michael Aalto.

"For those who are not vaccinated or fully vaccinated, we require them to wear masks when in the office," he added. "We do not require vaccinations or boosters for our associates but strongly encourage them. We will continue to monitor and modify our policies as the pandemic continues to hopefully ease."

While culture is often cited as the biggest case for bringing employees back to the office, that attitude might be missing the way the pandemic has forced change, according to Ric Edelman, founder of the Digital Assets Council of Financial Professionals.

"I can't say forever, but there is no question that remote working will remain dominant in the financial services industry for some time to come," he said. "Other than management's desires to restore its previous culture, there's little reason for client-facing staff to be required to be in the office, since Zoom has proven to be highly effective. Rather than attempting to restore a pre-Covid culture, firms would be better off creating a new culture that reflects today's business environment."

When Skip Schweiss took over as chief executive of Sierra Investment Management in October, the policy was for people to spend at least

three days a week in the office and, following Los Angeles County rules, employees had to wear masks in common areas.

MANDATE DROPPED

The local mask mandate was dropped March 7, and Schweiss said Sierra went back to full remote briefly earlier this year when Omicron was surging.

In terms of future remote work policies, Schweiss said he's still weighing the options.

"I've talked to a lot of other business leaders and read a lot of studies about it," he said. "Employers have learned that people can get their work done remotely and employees have come to appreciate the value of working remotely. But I think you lose some culture when people are not in physical proximity. That's one of the reasons we all go to conferences, for human interactions."

Karl Wagner, senior wealth adviser at Biondo Group, agrees that the pandemic "pushed many employers to evaluate and adapt their operational procedures for business continuity in the face of government mandates."

"Our firm was able to navigate the lockdowns and Covid-19 outbreaks by prioritizing tasks and roles," he said. "As a financial firm, with various compliance rules, we identified the key persons who needed to maintain a presence in the office, while others were able to work remotely as per the CDC quarantine guidelines."

> **"REMOTE WORKING WILL REMAIN DOMINANT IN THE FINANCIAL SERVICES INDUSTRY."**
>
> RIC EDELMAN, DIGITAL ASSETS COUNCIL OF FINANCIAL PROFESSIONALS

TECHNOLOGY IN PLACE

Wagner said that while his firm "never entertained having remote work or a hybrid state being a permanent part of our culture," it helped having the technology in place for such an occurrence. "While many companies note their employees work longer hours at home, we value the interpersonal interactions and collaborative environment that is supported by being in the office," he added.

Laura Victoria, senior director at Laserfiche, is also embracing culture with a March 7 "soft open" of its new headquarters in Long Beach, California.

"We launched the hybrid work arrangement program last summer in anticipation of moving into the building in October 2021, but we had to scratch the plan due to evolving health concerns, new mandates, and employee needs," she said. "We have a diverse workforce that works collaboratively across continents and functions. And no single work style fits all, so we are constantly looking for new ways to provide our employees with flexibility while meeting our greater business goals."

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Breakaway RIAs emerge as the big winners in the new normal

BY BRUCE KELLY

2021 was a very good year for so-called breakaway financial advisers — those who ditch Wall Street wirehouses like Merrill Lynch and Morgan Stanley and dash to registered investment advisers, where they stand to earn a greater share of their revenue and enjoy greater autonomy than they would have working at a big bank.

Wall Street has been pooh-poohing this trend for years, pointing to the fact that the Big Four wirehouses, which also include Wells Fargo Advisors and UBS, have the wealthiest clients and the financial advisers who generate the greatest amount of revenue in the industry.

> **69.4%**
> YEAR-OVER-YEAR NET GAIN IN ADVISERS FOR RIAs IN 2021

WIREHOUSES LOSE OUT

As the financial advice industry attempts to emerge from two years of Covid-19 and return to the office, the numbers on where advisers are choosing to work show there's little room for doubt that the wirehouses are losing the scrum for talent.

Wall Street firms are pouring money into technology — think Merrill Edge — and acquisitions — see Morgan Stanley's recent purchase of ETrade. But it's the RIAs that are winning the war for experienced financial advisers. And that doesn't seem likely to change any time soon.

According to InvestmentNews Research, the RIA channel saw a net gain of 1,530 financial advisers in 2021, while the wirehouses had a net loss of 2,065. Of course, not all wirehouse advisers jump to an RIA; some retire and hand off their book of clients to the firm, often for a handsome fee. The RIA channel also boosts its numbers by scooping up advisers from so-called independent broker-dealers and regional firms, although the target for many RIAs is the wirehouse advisers with the biggest production.

RIAs also have the wind at their backs in the fight for financial adviser talent. Last year's RIA net gain was 69.4% higher than in 2016, when RIAs had a net gain of 903 advisers, according to InvestmentNews Research.

And the RIA industry is beginning to look a lot like — gasp! — Wall Street, making it even more attractive — and familiar — to financial advisers leaving the big firms. For instance, private equity money has flooded the RIA industry, increasing the potential valuation of an RIA with $1 billion or more in assets under management.

PUBLIC MARKETS

The public markets are another reason why RIAs are winning the ardor of financial advisers.

Dynasty Financial Partners, an early proponent and gateway tool of the breakaway partner model, filed for an IPO in January, reporting 47% year-over-year growth in fee-based revenue through September, according to a filing with the Securities and Exchange Commission. It's seeking to raise $100 million.

Two RIAs and a special purpose acquisition company said in September they were combining to create a new company that will be listed on the Nasdaq, Alvarium Tiedemann Holdings, which has aggressive growth targets for assets and earnings. The new enterprise expects to have a public value of almost $1.4 billion.

More such listings and deals will come in the near future in the RIA industry. It's the hot space in the wider financial advice industry. And that's the new normal for RIAs.

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Brokerages want remote inspections to continue

BY MARK SCHOEFF JR.

Probably the biggest change to U.S. business culture during the pandemic was that most Americans worked from home rather than going into the office. For brokerages, that shift ushered in remote office inspections, something the industry wants to see continue.

The Financial Industry Regulatory Authority Inc. allowed remote supervision from the beginning of the coronavirus outbreak and extended the temporary relief through the end of this year. Finra said last week that its board has approved filing several proposals with the Securities and Exchange Commission that could allow brokerages to conduct remote inspections beyond December.

"Fidelity continues to find remote inspections to be as effective as inspections previously performed on-site," three Fidelity Investments executives wrote in a Feb. 16 comment letter. "Looking forward to the post-pandemic environment, we believe there should be a path forward to preserve remote inspections as an option for broker-dealers to inspections."

Advances in technology have given firms the ability to oversee their staff no matter where they work, according to the Fidelity officials. Remote inspections would allow them "to continue providing their employees with workplace flexibility," they wrote.

Sander Ressler is skeptical about making remote inspections the new normal. Ressler, managing director of Essential Edge Compliance Outsourcing Services, said using the approach for low-risk firms periodically makes sense.

MISSING THE MALFEASANCE

But he cautioned that remote supervision should not become widespread. If it does, regulators are likely to miss brokerage malfeasance because the best information they dig up on violations comes from what they find on their own while on site rather than what firms give them electronically.

He used the example of a firm that has 15,000 registered reps. If even a tiny fraction of them — 15 — are violating the rules, it could cause significant harm to investors.

"If you don't ever go into those offices, you won't know who the 15 are," Ressler said. "Do you know how hard it is to play hide-and-seek when two people are in different houses? [Brokerages] are just advocating a cost management exercise, not an effective risk management program."

'UPDATE THE RULE BOOK'

Ken Bentsen Jr., chief executive of the Securities Industry and Financial Markets Association, said the organization has been talking to Finra, the SEC and state regulators to promote remote inspections.

"We need to update the rule book to what the workplace is going to look like in the post-pandemic world … it's just a reality that you're going to have hybrid working," Bentsen said in an *InvestmentNews* 3Questions video interview. "So much inspection today is done electronically as it is."

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Retiring in an age of uncertainty

BY MARY BETH FRANKLIN

From the Covid-19 pandemic to the Russian invasion of Ukraine, the world has lurched from one crisis to the next over the past few years, triggering supply chain disruptions, sparking stock market volatility and altering retirement plans.

For some people, the pandemic meant retiring earlier than planned due to job loss or health concerns. For others, remote working arrangements allowed them to quit their dreaded commute and extend their careers. But whether retiring earlier or later than planned, both new and existing retirees faced the challenge of generating steady income in a low-interest-rate environment.

Traditionally, retirees have relied on a 60/40 investment strategy in which 60% of a portfolio's assets are invested in stocks for growth and the remaining 40% is invested in bonds to provide income.

85%
PORTION OF INVESTORS WHO ARE INTERESTED IN AN ANNUITY OR ALREADY OWN ONE

But persistent low interest rates have called such traditional rules of thumb into question, including the golden rule of retirement income that directs retirees to withdraw 4% of their nest egg during the first year of retirement and increase future withdrawals to keep pace with inflation. Although interest rates remain stubbornly low, inflation has soared to the highest level in 40 years. Welcome to the new normal.

Increasingly, consumers are looking for ways to protect a portion of their retirement investments. But some financial advisers may be underestimating their clients' appetite for guaranteed income.

An overwhelming majority of investors — 85% — said they're interested in owning an annuity that guarantees lifetime income or already own one, according to a study by Alliance for Lifetime Income and Cannex that surveyed more than 2,000 investors ages 45 to 75.

In contrast, a corollary study of more than 500 financial professionals found just 18% think their clients are extremely interested in an annuity offering lifetime income, indicating that there's a huge gap in what investors want and what advisers think they want.

"If that gap continues to widen, financial professionals are likely to find that clients will go elsewhere for advice," said Jean Statler, CEO of the Alliance for Lifetime Income, a nonprofit consumer education group.

WOMEN MOST AFFECTED

Women may have been most affected by the pandemic as they juggled work responsibilities and family obligations. The experience has changed how many women view their finances.

More than 70% of women investors with investible assets of $100,000 or more who are primary or shared decision makers have a strategy in place to protect themselves from outliving their savings, according to a new Advisor Authority study from the Nationwide Retirement Institute.

"WOMEN ARE BEING MORE PROACTIVE … PLANNING FOR THEIR FUTURE."

ANN BAIR, SENIOR VICE PRESIDENT, NATIONWIDE FINANCIAL

"Women investors are not taking their experience living through the Covid-19 pandemic or other financial crisis lightly," said Ann Bair, senior vice president of marketing for Nationwide Financial. "After experiencing the upheaval of these events, from market volatility to juggling childcare during remote learning, women are being more proactive thinking about and planning for their future."

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews. *mbfranklin@investmentnews.com*

Messaging apps meet Wall Street

BY SEAN ALLOCCA

Unmonitored messaging apps are cropping up quickly at wealth management firms as advisers return to office life and reshape how they interact with colleagues and clients.

The latest apps like WhatsApp and email platforms like Gmail are beginning to play an oversized role in adviser communications, a trend that could increase as more clients choose to communicate via their smartphones. The vast majority of Americans (97%) now own a cellular phone of some kind, while the share of smartphone owners with internet connectivity is now 85%, up from just 35% when the Pew Research Center first conducted its annual survey in 2011.

While Wall Street firms have been required for decades to closely monitor and save business communications, the new mobile apps that proliferated during the lockdowns of the pandemic have complicated oversight efforts in recent years — and are now coming under fire from regulators.

As banks and wealth managers were forced to send workers home amid Covid-19, companies ran into difficulties keeping tabs on advisers who might be using an unmonitored device.

USING PERSONAL DEVICES

Advisers at JPMorgan Chase & Co., for example, routinely communicated using their personal devices, according to a Securities and Exchange Commission order released in December. The SEC and the Commodity Futures Trading Commission fined the company a total of $200 million, saying that even managing directors and other senior supervisors at the bank had used services such as WhatsApp or personal email addresses for work-related communication.

The Wall Street money manager isn't alone. Firms including Goldman Sachs Group Inc. and HSBC Holdings are also being probed by regulators over staffers' communications. Recently, Citigroup Inc. joined the list of banks being investigated over employee communications using unauthorized messaging services.

The industry's shift to remote work also blurred the lines between work life and personal communication as advisers brought their jobs home during the pandemic. Financial Industry Regulatory Authority Inc. examinations are still being handled remotely, after the agency extended the deadline to return to in-person exams through June of this year.

Clients are increasingly connected, and wealth management tech providers are betting advisers will want to reach clients using texts or messaging apps. Fintech firms like Redtail Inc. and Snappy Kraken have recently launched compliant texting for advisers.

Faster and more direct forms of communication are likely here to stay. Ninety-eight percent of text messages are opened compared to just 20% of emails, according to data provided by Redtail. And on average, people respond to texts in under 90 seconds, while it takes someone 90 minutes to respond to an email.

As these apps continue to proliferate in wealth management, brokerages will need to keep tabs on employees who choose to communicate with others through unmonitored messaging apps, or risk paying a price with regulators, which will continue to keep an increasingly watchful eye.

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Analysis&Commentary

SOCIAL SECURITY

Arguments for raising Social Security's full retirement age

Raising the normal retirement age for Social Security benefits will likely be among the reforms Congress considers to address the program's long-term financial challenges, the American Academy of Actuaries explains in a new issue brief.

Social Security's Board of Trustees projects income to the system will be insufficient to pay promised benefits beginning around 2034, when trust fund reserves are depleted — unless Congress takes corrective action before then.

While numerous bills have been introduced on Capitol Hill over the years to tweak Social Security benefits and payroll taxes in the name of fixing the system's long-term finances, overall Social Security reform isn't imminent. And if history is any guide, most changes would be prospective, with little impact on current or near retirees.

MARY BETH FRANKLIN

ONRETIREMENT

Social Security's financial problems stem partly from the impact of individuals living longer and receiving benefits for a longer period — a trend that is expected to continue for the foreseeable future. The graying of America also contributes to the imbalance between taxpaying workers and benefit-receiving retirees. In 1960, there were 5.1 workers paying taxes to fund Social Security benefits for each retiree. By 2020, that worker-to-retiree ratio had dropped to 2.7 and it's expected to slip further to 2.3, by 2035.

RETIREMENT AGE DEFINED

As originally designed in 1935, Social Security defined normal retirement age, when workers could receive full benefits, as 65. In 1940, when Social Security began paying monthly benefits to retired workers, those workers who survived to age 65 had an average remaining life expectancy of 11.9 years for men and 13.4 years for women.

As part of the solution to a solvency crisis in 1983, Congress agreed to a gradual increase in the normal retirement age from 65 to 67. Based on 2019 mortality rates, life expectancy for retirees at age 65 had increased to 18.1 years for men and 20.6 years for women, the actuaries report said. In other words, since Social Security began paying monthly benefits, life expectancy at age 65 rose roughly 6.5 years, while the age for collecting full benefits increased by only two years.

The first cohort of Americans for whom 67 is the normal retirement age turn 62 this year, the earliest eligibility age to claim Social Security. But filing in 2022 would result in a 30% reduction in their benefits because they claimed them five years before their normal retirement age. That compares to a 25% reduction for someone with a normal retirement age of 66 (born from 1943 to 1954) who filed for benefits at 62, four years before their normal retirement age.

INCREASED LONGEVITY

Even with the existing increase in retirement age, a continuing pattern of increased longevity means the Social Security system is facing another impending solvency challenge. Some reform package, likely including changes to both the system's benefits and payroll taxes, will be necessary to ensure the system's solvency through the 2030s and beyond.

"The fact that increased longevity is among the root causes of Social Security's financial problems suggests that raising the normal retirement age is a likely — and perhaps even necessary — component of any package of program changes that address them," the report said. "An increase in the normal retirement age would reduce the benefit payable at any given claiming age while providing an incentive for delayed retirement and longer working lifetimes."

If the normal retirement age were gradually raised to 70, as some legislative proposals suggest, someone who claimed benefits at the earliest age of 62 would incur three additional years of reductions, receiving just 57% of their full retirement age benefit amount — an amount unlikely to be adequate for most future retirees.

> **"INCREASED LONGEVITY IS AMONG THE ROOT CAUSES OF SOCIAL SECURITY'S FINANCIAL PROBLEMS."**
>
> AMERICAN ACADEMY OF ACTUARIES REPORT

In addition, longevity expectations aren't uniform across the population. Better-educated, higher-income workers tend to live longer than lower-wage workers. Thus, any proposed changes in the normal retirement age would likely have a greater impact on lower-income workers, who depend more heavily on Social Security for the bulk of their retirement income.

REFORM IS INEVITABLE

Social Security reform is inevitable, and raising the normal retirement age is just one of many options. The sooner Congress tackles this critical issue, the better, since delaying action will require more drastic and costly solutions. It's crucial that any changes be phased in gradually, so people have time to adjust their retirement plans. Case in point, the last major reform package was passed nearly 40 years ago but it will not be fully implemented until 2027, when those who were born in 1960 reach their full retirement age of 67.

(Questions about new Social Security rules? Find the answers in Mary Beth Franklin's new 2022 ebook at MaximizingSocialSecurityBenefits.com)

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
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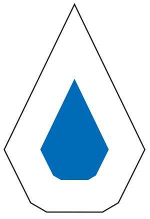

REFINITIV LIPPER
FUND AWARDS

NAVIGATING RISING INFLATION AND CENTRAL BANK POLICY SHIFTS

Economies are looking to a Covid-19 global recovery with considerable ongoing caution — not least with the global spread of the Omicron variant. It is becoming increasingly clear that we'll need to navigate a long-term journey with inflationary pressures, central bank policy changes — and heightened volatility episodes along the way.

The 30-year inflation highs recorded in late 2021 may partly reflect short-term inflation drivers, such as supply chain bottlenecks caused by the reopening of the global economy. While supply chains are expected to strengthen and pressures subside, the pandemic-driven era of huge fiscal spending programs has opened the door to higher, longer-term inflation. Central banks will increase interest rates over the longer term from historical lows for sure as higher employment and wage inflation stoke economic growth, together adding fuel to the inflationary fire.

There are other factors that could further pressure inflation and cause central banks to adopt more hawkish responses to interest-rate rises. Deglobalization of the post-pandemic supply chain to higher-cost economies may withdraw previous checks on inflation. Government borrowing continues to grow money supply to record levels. Keeping interest rates low — for example in the U.S. — would potentially drive inflation through declining currency values against other major currencies. Also, wealth transfer from baby boomers to millennials and Gen X at their peak spending years could be another secular inflation trend.

Bond and large-cap growth equity funds in particular will lose favor among investors when inflation heralds a new era of interest rate rises. As a result, we may see some increased activity and volatility triggered by selling and offsetting bargain hunting starting in earnest around late Q1 or early Q2 in 2022. Fund performance and flow data will be very important for investors that look to navigate the economic backdrop by rebalancing their investment portfolios to strategies including inflation-protected bonds and value investing.

T. Rowe Price takes home large-company trophy

Calamos is the overall small-company winner, while Fidelity garners 35 individual fund trophies

BY JEFF BENJAMIN

T. Rowe Price Associates was edged out by Fidelity Investments for the most individual fund Lipper Awards this year, but T. Rowe's overall risk-adjusted performance ranked the Baltimore-based asset manager as the large-company trophy winner for the 12-month period through Nov. 30.

Fidelity set the pace in the 2022 tally with 35 U.S. fund awards, which compares to 24 for T. Rowe. Pacific Investment Management Co. was a close third with 23 total fund awards.

The three other fund companies gathering double-digit trophies this year were Invesco Advisors and Vanguard Group, with 16 each, and Capital Research & Management Co. with 15.

The overall company winner in both the large- and small-company categories is based on risk-adjusted performance across the fund family over the past three years. For that period, T. Rowe had eight funds earning Lipper Awards.

"We are honored and grateful that T. Rowe Price has been recognized with such a prestigious award," said Eric Veiel, head of global equity at T. Rowe, which has $1.58 trillion in total assets under management.

Veiel went on to say the award "demonstrates the value we bring to our clients, and it reflects the impressive strength and depth of the investment professionals we are fortunate to have, including the portfolio managers, analysts and traders who comprise our global research and trading teams."

Fidelity, which has $4.5 trillion under management, might have fallen short on the overall large-company award, but three of its mutual funds that swept their three-, five- and 10-year performance periods. Those funds are the Fidelity Series International Value Fund (FINVX), Fidelity Managed Retirement 2025 Fund (FIXRX) and Fidelity Intermediate Government Income Fund (FSTGX). This marks the third year in a row that FSTGX has swept all three time periods.

Two other funds riding three-year streaks of sweeping all three time periods are the Pimco GNMA & Government Securities Fund (PDMIX) and Pimco Long-Term U.S. Government Fund (PGOVX).

Invesco has three funds that have swept their respective category time periods over each of the past four years: the Invesco AMT-Free Municipal Fund (OMFCX), Invesco Pennsylvania Municipal Fund (OPACX), and Invesco Rochester New York Municipals Fund (RMUCX).

Bart Grenier, head of asset management at Fidelity, put the fund company's performance in long-term perspective.

"Market volatility is an inherent part of investing," Grenier said. "While having well-established processes in place to deal with this is critical, what's even more important is having experienced, dedicated investment professionals sifting through the noise to make decisions focused on the long term and always with the best interests of our fund shareholders in mind. Delivering strong, consistent long-term performance for our fund shareholders is core to what we do, and we're honored our portfolio managers have been recognized by Lipper for their hard work and commitment to our clients."

This year's overall small-company winner is Calamos Advisors, which didn't win any individual fund awards for the three-year period used to measure a fund family's overall risk-adjusted performance.

According to Tom Roseen, head of research services at Refinitiv Lipper, this year's line separating small and large fund companies was $131.2 billion in total assets.

At the large-company level, the overall fund family must have at least five unique funds in the equity and fixed-income categories, and at least three in the mixed assets category. Small fund companies are required to have at least three unique funds in each of the three categories.

On Calamos not winning any individual fund awards for the three-year period but still winning the overall small-company award, Roseen said, "That shows they didn't hit a home run, but they had lots of funds hitting triples."

"That happens more frequently than you'd think," he added.

> "Market volatility is an inherent part of investing."
>
> **Bart Grenier**
> **Head of asset management**
> **Fidelity Investments**

John Koudounis, chief executive at Calamos, which manages $44 billion, said the award reflects Calamos' diverse set of strengths. "Being named best overall small fund company demonstrates our investment teams' breadth and depth of experience as active risk managers, having delivered significant risk-adjusted outperformance across multiple strategies during a volatile period."

Beyond the overall company winners, in the equity category, JP Morgan Investment Management was the large-company winner and Needham Investment Management was the small-company winner.

On the fixed-income side, Nuveen was the large-company winner, and Carillon Tower Advisers was the small-company winner, marking the second consecutive year it won the category.

"We are very excited and proud that Lipper has recognized Carillon's fixed-income funds for the second year in a row," said Bob Kendall, president of Carillon Tower Advisers, a subsidiary of Raymond James Financial. "The award acknowledges the good work that Reams Asset Management, our affiliate investment partner that runs the Carillon fixed-income funds, has done in a very challenging environment."

Nuveen, which has half its $1.2 trillion in assets in fixed-income portfolios, won the same award two years ago, but what makes this year's award unique is that it represents the consolidation of multiple asset managers.

"We were a multi-boutique company, but over the last three years we've brought together TIAA, Nuveen and multiple affiliates into one large fixed-income asset manager," said Bill Huffman, Nuveen's head of fixed income and equities.

In the mixed assets category, Lord Abbett & Co. was the winner among large companies, and Virtus Investment Advisers won the small-company award.

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2022 WINNER
UNITED STATES

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Over Three Years, out of 43 funds

Best Global Multi-Cap Core Fund
Over Ten Years, out of 28 funds

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The Refinitiv Lipper Fund Awards highlight funds and fund companies that have excelled in delivering consistently strong risk-adjusted performance relative to their peers. The Refinitiv Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is a risk-adjusted performance measure calculated over 36, 60 and 120 months. The fund with the highest Lipper Leader for Consistent Return (Effective Return) value in each eligible classification wins the Refinitiv Lipper Fund Award. For more information, see lipperfundawards.com. Although Refinitiv Lipper makes reasonable efforts to ensure the accuracy and reliability of the data contained herein, the accuracy is not guaranteed by Refinitiv Lipper.

TROPHY WINNERS

MANAGEMENT COMPANY	LIPPER CLASSIFICATION	FULL FUND NAME	TICKER SYMBOL
American Beacon Advisors Inc.	Alternative Equity Market Neutral Funds	American Beacon SSI Alternative Income Fund, Y	PSCIX
AssetMark Inc.	Mixed-Asset Target Allocation Aggressive Growth Funds	GuidePath Growth Allocation Fund, Institutional	GISRX
Baillie Gifford Overseas Ltd.	Global Large-Cap Growth Funds	Baillie Gifford Long Term Global Growth, 2	BGLTX
Robert W Baird & Co. Inc.	Short Municipal Debt Funds	Baird Short-Term Municipal Bond Fund, Institutional	BTMIX
BNY Mellon Investment Adviser Inc	Natural Resources Funds	BNY Mellon Natural Resources Fund, Y	DLDYX
Bridgeway Capital Management LLC	Small-Cap Value Funds	Bridgeway Small-Cap Value Fund	BRSVX
Calvert Research and Management	Multi-Cap Core Funds	Calvert US Large Cap Core Responsible Index, I	CISIX
Capital Research & Management Co.	Core Plus Bond Funds	American Funds Strategic Bond Fund, R6	RANGX
Capital Research & Management Co.	Mixed-Asset Target 2035 Funds	American Funds 2035 Target Date Retirement Fund, R6	RFFTX
Capital Research & Management Co.	Mixed-Asset Target 2050 Funds	American Funds 2050 Target Date Retirement Fund, R6	RFITX
Capital Research & Management Co.	Mixed-Asset Target 2040 Funds	American Funds 2040 Target Date Retirement Fund, R6	RFGTX
Capital Research & Management Co.	Mixed-Asset Target 2045 Funds	American Funds 2045 Target Date Retirement Fund, R6	RFHTX
Capital Research & Management Co.	Mixed-Asset Target 2055+ Funds	American Funds 2055 Target Date Retirement Fund, R6	RFKTX
Legg Mason Partners Fund Advisor LLC	Global Infrastructure Funds	ClearBridge Global Infrastructure Income Fund, IS	RGSVX
Columbia Management Inv Advisers LLC	Absolute Return Bond Funds	Columbia Mortgage Opportunities Fund, I3	CMOYX
Diamond Hill Capital Management Inc.	Multi-Cap Value Funds	Diamond Hill All Cap Select Fund, Y	DHTYX
Dimensional Fund Advisors LP	Intermediate U.S. Government Funds	DFA Intermediate Government Fixed Income Portfolio, Institutional	DFIGX
Dodge & Cox	Global Income Funds	Dodge & Cox Global Bond Fund	DODLX
DWS Investment Management Americas Inc.	Real Return Funds	DWS RREEF Real Assets Fund, R6	AAAVX
Eaton Vance Management	Commodities General Funds	Parametric Commodity Strategy Fund, Institutional	EIPCX
Eaton Vance Management	Emerging Markets Local Currency Debt Funds	Eaton Vance Emerging Markets Debt Opportunities Fund, R6	EELDX
Eaton Vance Management	Short-Intermediate Municipal Debt Funds	Parametric TABS 1-to-10 Year Laddered Municipal Bond Fund, I	EILBX
Fidelity Management & Research C. LLC	Financial Services Funds	Fidelity Select Brokerage and Investment Management Portfolio	FSLBX
Fidelity Management & Research Co. LLC	High Yield Funds	Fidelity Capital & Income Fund	FAGIX
Fidelity Management & Research Co. LLC	International Large-Cap Value Funds	Fidelity Series International Value Fund	FINVX
Fidelity Management & Research Co. LLC	Loan Participation Funds	Fidelity Series Floating Rate High Income Fund	FFHCX
Fidelity Management & Research Co. LLC	Mixed-Asset Target Allocation Moderate Funds	Fidelity Advisor Balanced Fund, Z	FZAAX
Fidelity Management & Research Co. LLC	Retirement Income Funds	Fidelity Managed Retirement 2025 Fund	FIXRX
Fidelity Management & Research Co. LLC	Short-Intermediate U.S. Government Funds	Fidelity Intermediate Government Income Fund	FSTGX
Grantham Mayo Van Otterloo & Co. LLC	Global Natural Resources Funds	GMO Resources, IV	GOVIX
Security Investors LLC	Dedicated Short-Bias Funds	Rydex Inverse Mid-Cap Strategy Fund, H	RYMHX
Hartford Funds Management Co. LLC	Global Multi-Cap Value Funds	Hartford Climate Opportunities Fund, R6	HEOVX
Impax Asset Management LLC	Global Multi-Cap Core Funds	Pax Global Environmental Markets Fund, Institutional	PGINX
Invesco Advisers Inc.	Energy MLP Funds	Invesco SteelPath MLP Income Fund, R6	OSPMX
Invesco Advisers Inc.	General & Insured Municipal Debt Funds	Invesco AMT-Free Municipal Fund, Y	OMFYX
Invesco Advisers Inc.	High Yield Municipal Debt Funds	Invesco Rochester Municipal Opportunities Fund, Y	ORNYX

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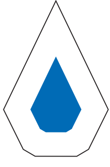
TROPHY WINNERS

MANAGEMENT COMPANY	LIPPER CLASSIFICATION	FULL FUND NAME	TICKER SYMBOL
Invesco Advisers Inc.	New York Municipal Debt Funds	Invesco Rochester New York Municipals Fund, Y	RMUYX
Invesco Advisers Inc.	Pennsylvania Municipal Debt Funds	Invesco Pennsylvania Municipal Fund, Y	OPAYX
Delaware Management Co.	Minnesota Municipal Debt Funds	Delaware Minnesota High-Yield Muni Bond Fund, Institutional	DMHIX
MML Investment Advisers LLC	International Large-Cap Core Funds	MassMutual Overseas Fund, I	MOSZX
Matthews International Capital Management LLC	China Region Funds	Matthews China Small Companies Fund, Institutional	MICHX
Matthews International Capital Management LLC	Pacific Ex-Japan Funds	Matthews Asia Innovators Fund, Institutional	MITEX
Morgan Stanley Investment Management Inc.	European Region Funds	Morgan Stanley Europe Opportunity Fund Inc, I	EUGDX
Morgan Stanley Investment Management Inc.	International Multi-Cap Growth Funds	Morgan Stanley Institutional International Advantage Port, I	MFAIX
Needham Investment Management LLC	Small-Cap Core Funds	Needham Small Cap Growth Fund, Institutional	NESIX
Nuveen	California Municipal Debt Funds	Nuveen California High Yield Municipal Bond Fund, I	NCHRX
Orrell Capital Management Inc.	Precious Metals Equity Funds	OCM Gold Fund, Advisor	OCMAX
Parnassus Investments	Equity Income Funds	Parnassus Core Equity Fund, Institutional	PRILX
PGIM Investments LLC	Utility Funds	PGIM Jennison Utility Fund, Z	PRUZX
PIMCO	General Bond Funds	PIMCO Long-Term Credit Bond Fund, Institutional	PTCIX
PIMCO	GNMA Funds	PIMCO GNMA & Government Securities Fund, Institutional	PDMIX
PIMCO	General U.S. Government Funds	PIMCO Long-Term US Government Fund, Institutional	PGOVX
PIMCO	Inflation-Protected Bond Funds	PIMCO Long-Term Real Return Fund, Institutional	PRAIX
PIMCO	Mixed-Asset Target Today Funds	PIMCO RealPath Blend Income Fund, Institutional	PBRNX
PIMCO	Short Investment-Grade Debt Funds	PIMCO Low Duration Income Fund, Institutional	PFIIX
Advisors Preferred LLC	Flexible Portfolio Funds	Quantified STF Fund, Investor	QSTFX
RiverPark Advisors LLC	Alternative Long/Short Equity Funds	RiverPark Long/Short Opportunity Fund, Institutional	RLSIX
SEI Investments Management Corp.	Corporate Debt A-Rated Funds	SEI Institutional Investments Trust Long Duration Credit Fund, A	SLDAX
Advisors Preferred LLC	Absolute Return Funds	Spectrum Advisors Preferred Fund, Investor	SAPEX
T. Rowe Price Associates Inc.	Corporate Debt BBB-Rated Funds	T Rowe Price Institutional Long Duration Credit Fund	RPLCX
T. Rowe Price Associates Inc.	Mixed-Asset Target 2010 Funds	T Rowe Price Retirement I 2010 Fund, I	TRPAX
T. Rowe Price Associates Inc.	Mixed-Asset Target 2015 Funds	T Rowe Price Retirement I 2015 Fund, I	TRFGX
Thrivent Asset Management LLC	Mid-Cap Core Funds	Thrivent Mid Cap Stock Fund, S	TMSIX
Victory Capital Management Inc.	Ultra-Short Obligation Funds	USAA Ultra Short-Term Bond Fund, R6	URUSX
Vanguard Group Inc.	California Intermediate Municipal Debt Funds	Vanguard California Intermediate-Term Tax-Exempt Fund, Admiral	VCADX
Vanguard Group Inc.	General U.S. Treasury Funds	Vanguard Extended Duration Treasury Index Fund, Institutional Plus	VEDIX
Vanguard Group Inc.	International Equity Income Funds	Vanguard International Dividend Appreciation Index Fund, Admiral	VIAAX
Vanguard Group Inc.	Massachusetts Municipal Debt Funds	Vanguard Massachusetts Tax-Exempt Fund, Investor	VMATX
Vanguard Group Inc.	New Jersey Municipal Debt Funds	Vanguard New Jersey Long-Term Tax-Exempt Fund, Admiral	VNJUX
Vanguard Group Inc.	Short U.S. Government Funds	Vanguard Short-Term Federal Fund, Admiral	VSGDX
WCM Investment Management	International Large-Cap Growth Funds	WCM Focused International Growth Fund, Institutional	WCMIX
WCM Investment Management	International Small/Mid-Cap Growth Funds	WCM International Small Cap Growth Fund, Institutional	WCMSX



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MERRILL

CONTINUED FROM PAGE 2

years, for a net increase of 600 to 700 each year, he said.

Riding the wave of a record-breaking stock market last year produced an embarrassment of records at Bank of America's Merrill Lynch wealth management group, which reached new highs on metrics ranging from assets to revenue.

But the flip side to that story was a decline in training and hiring financial advisers. Bank of America/Merrill Lynch reported 18,846 advisers at the end of last year, including Merrill, Bank of America private bank and consumer investments. That compares to 20,103 at the end of 2020, a decline of 6.3%.

ABOVE THE NORM

Attrition of financial advisers at Merrill Lynch is historically 4%, so last year's rate was above the norm. According to InvestmentNews Research, in 2021, Merrill Lynch saw a net loss of 1,070 financial advisers, a staggering number for any organization and the highest that any firm saw last year. It was followed by Wells Fargo Clearing Services, which does business as Wells Fargo Advisors, which saw a net loss of 999 advisers last year.

"During a pandemic, you only saw half of the balance of trade occur," Sieg said, referring to the attrition level of financial advisers last year. "We didn't have normal hiring occur."

"Now, we are going to selectively do some additional competitive hires of experienced advisers with traditional deal structures," he said. "We previously discussed doing that in Florida and Silicon Valley. We're going to expand the scope of that."

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WEALTHTECH

CONTINUED FROM PAGE 2

page report."

Another fintech, Farther Finance, is also bringing on advisers from RIAs to work for the company as employee advisers.

The fee-only wealth advisory start-up provides its advisers with proprietary technology, also built in-house, to manage clients' investments.

The New York-based adviser employs about 20 advisers and caters to wealthy professionals.

These next-gen platforms are struggling to solve a major problem for wealth managers: technology. Advisers and clients are notoriously underwhelmed with their software platforms, and the industry routinely lands at the bottom of J.D. Power client satisfaction surveys that rank features like mobile apps and client portals.

A recent study from Refinitiv found that 63% of wealth platforms show significant digital capability gaps compared to investor expectations. Just 37% of investors give their platforms top scores for the digital experience.

Both Savvy and Farther recently landed on a short list of startups to watch that analysts are calling the next generation of wealthtech.

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KITCES, LPL EXEC

CONTINUED FROM PAGE 3

[from those discussions]," he said. "There's been a bit of embarrassment. We need to have that conversation."

But Kitces wants to know more about what custodians are charging across the industry.

He's also concerned about the compliance implications of opaque custody fees. The adviser benefits from custody services but may not be able to show a regulator exactly how much a client is paying for them. Kitces said it could create a crackdown like the one the SEC's currently conducting about lack of transparency around 12b-1 fees.

He asserted that custodians should be as transparent as RIAs about their fees.

"We do it every day as RIAs," Kitces said. "When you're aligned to the people you serve, you end up creating even greater value for them because it forces you to be laser-focused."

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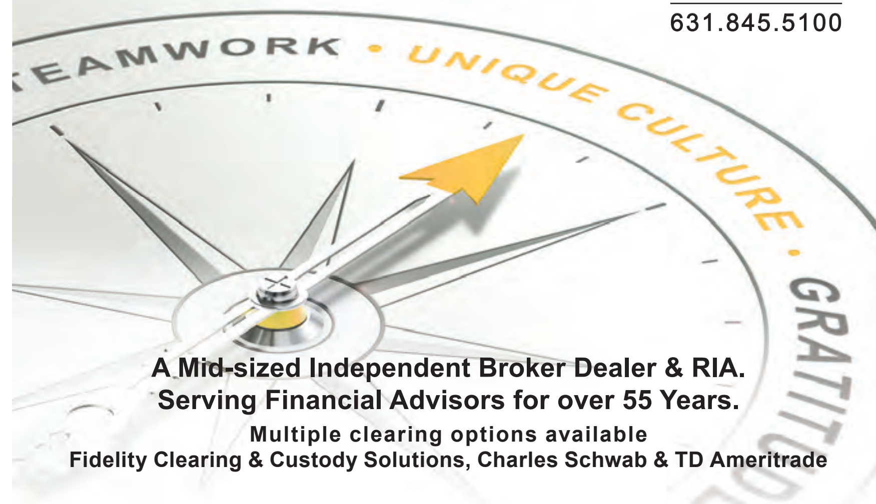

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