APRIL 4, 2022

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# PAYING IT FORWARD

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MAGAZINE | VOL. 26, NO. 7 | 

# TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

## INSIDE

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Ed Slott explains why the 10-year RMD rule isn't what everyone had expected.



Dasarte Yarnway offers 5 ways advisers can promote diversity, inclusion and belonging.

PODCASTS




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# Morgan Stanley spells out plan to offer ETFs

BY JEFF BENJAMIN

**MORGAN STANLEY** Investment Management is ramping up operations to launch an exchange-traded fund platform, with plans to get its first ETFs to market later this year.

The plans were announced internally last week in a memo from Morgan Stanley managing director Daniel Simkowitz, who cited recent hires from Goldman Sachs and BlackRock who will lead the new initiative.

"A first-class ETF platform will further enable us to match our world class investment capabilities with the diverse set of investment vehicles our clients increasingly demand," the memo reads in part.

Simkowitz said a "multi-asset ETF platform that covers active and systematic strategies will also complement our leadership in separately managed accounts driven by Parametric's premier position in customization, the distinguished mutual fund history at MSIM and Eaton Vance and our private fund platform that now has over $200 billion in alternatives capital for clients."

Last month, Morgan Stanley hired Anthony Rochte as global head of ETFs and Allyson Wallace as global head of ETFs capital markets.

Rochte, who joins from Goldman Sachs, has more than 18 years of experience in the ETF space, including helping to launch the ETF platform at Fidelity Investments.

Wallace, who joins from BlackRock, brings fixed-income expertise, suggesting a diverse, multi-asset ETF build-out.

**KEY POINTS**

- Morgan Stanley Investment Management is designing a full-scale ETF platform.
- The $1.5 trillion manager plans to launch its first ETFs this year.

### FAST-GROWING SPACE

Morgan Stanley, which has $1.5 trillion under management following last year's acquisition of Eaton Vance, is one of a handful of major asset management companies that has yet to enter the fast-growing ETF space, which saw a record $1 trillion worth of inflows last year.

Some major fund companies that have entered the ETF space over the past few years include American Century, Capital Group, Federated Hermes, Dimensional Fund Advisors


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# House approves SECURE 2.0 with bipartisan vote

BY MARK SCHOEFF JR.

**THE HOUSE APPROVED** with strong bipartisan support last Tuesday legislation designed to expand access to workplace retirement plans and increase retirement savings.

The Securing a Strong Retirement Act builds on the SECURE Act that Congress passed in 2019. Known as SECURE 2.0, the House passed the measure, 414-5, sending it to the Senate, where several retirement savings bills are under consideration.

The Senate could take up SECURE 2.0 or advance a similar bill and then work out differences between the House and Senate versions of the legislation in a conference committee. The Senate timeline is uncertain.

The 139-page SECURE 2.0 bill would raise the minimum age for required distributions from retirement plans to 75 from 72, expand automatic enrollment in 401(k) and 403 (b) plans and provide incentives for small businesses to establish retirement plans, according to a summary.

The measure contains dozens of provisions that were championed by Democrats and Republicans and garnered widespread support from interest groups ranging from AARP to the Insured Retirement Institute, as well as from financial firms.

In a capital that is usually riven with partisan dissension, retirement savings legislation consistently generates strong backing from both


CONTINUED ON PAGE 22

# Morgan Stanley spins off $15 billion RIA unit

BY JEFF BENJAMIN


**MORGAN STANLEY** is selling a $15 billion registered investment advisory business that it purchased last year as part of its Eaton Vance acquisition.

Eaton Vance WaterOak Advisors, which has a history dating to the 1920s, was sold in two parts, to CI Financial and Pathstone, according to announcements last Thursday.

The sale suggests Morgan Stanley won't be following some competing Wall Street firms that are migrating toward the RIA space.

Toronto-based mega-acquirer CI Financial is buying the Eaton Vance Investment Counsel division's $11.4 billion in assets under advisement.

Englewood, New Jersey-based Pathstone, which has $35 billion under management, is acquiring $3 billion from the WaterOak portion of the RIA.

Eaton Vance purchased the Winter Park, Florida-based RIA in November 2020, four months before Morgan Stanley acquired Eaton Vance Corp. in March 2021, thus making the RIA an indirect subsidiary of Morgan Stanley.

Prior to its acquisition by Morgan Stanley, EVIC served as the dedicated wealth management affiliate of Eaton Vance Corp.

## BACKING AWAY

The sale represents another example of Morgan Stanley backing away from the RIA business. In April 2021, Morgan Stanley announced plans to sell ETrade's RIA custody business, ETrade Advisor Services, for $55 million in cash.

"This is a continued signal that Morgan Stanley does not want to be in the RIA space, and that they want to focus on their core verticals," said Brandon Kawal, principal at consulting firm Advisor Growth Strategies.

Kawal said the way the RIA assets were divided between two buyers represents the kind of "creativity now going on in the RIA space when it comes to acquisitions."

"Play it forward, with how big

CONTINUED ON PAGE 22

# Advisers place little faith in Biden's 'billionaire tax'

BY JEFF BENJAMIN

**PRESIDENT JOE BIDEN'S** unprecedented plan to tax the unrealized gains of the nation's wealthiest households might draw wide support from the populist masses, but some financial advisers are describing it as a bad precedent that should die in Congress.

"It's a horrible proposal that most rational people would view as unconstitutional," said Kyle Hill, founder of Hill-Top Financial Planning.

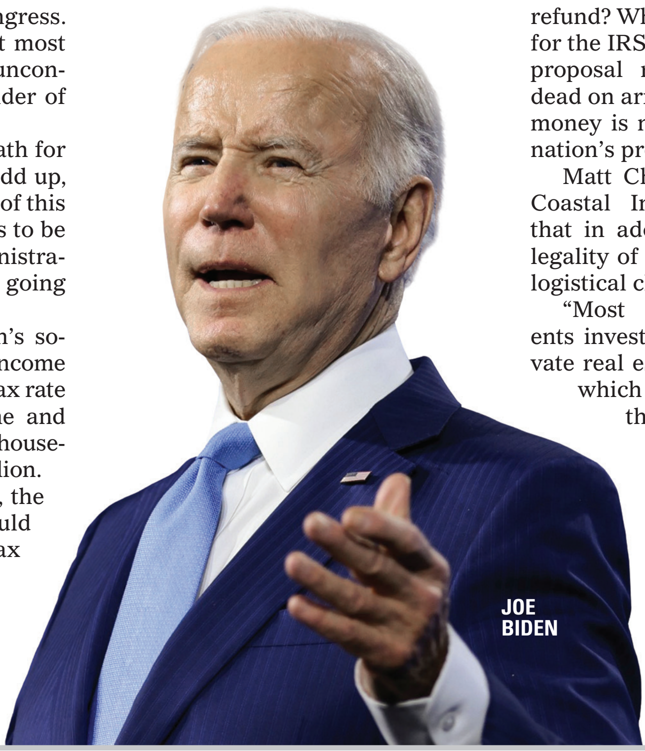
"With that being said, the math for support in the Senate doesn't add up, so it's got next to a zero chance of this passing," Hill said. "This appears to be virtue signaling from this administration, with no real plan for this going into effect."

Unveiled last Monday, Biden's so-called "Billionaire Minimum Income Tax" proposes a minimum 20% tax rate that would hit both the income and unrealized capital gains of U.S. households worth more than $100 million.

If the tax plan becomes law, the White House estimated it would generate $360 billion in new tax revenue over the next decade.

Alvin Carlos, a financial planner at District Capital Management, said the proposal would affect such a small minority of taxpayers that it should be considered as benefitting the greater good.

"This is essentially a wealth tax, and whether it's fair or not depends on what type of society we want to build," Carlos said. "It's only going to affect 700 people and will generate a lot of income. From a societal perspective, I'm in favor of it if they put the money to good use."



JOE BIDEN

Judging by a random sample of financial advisers, Carlos' support for the plan to tax unrealized and illiquid gains on things like real estate and art puts him in the minority.

## 'LOONEY TUNES'

Kashif Ahmed, president of American Private Wealth, described the tax proposal as "looney tunes."

"What if you tax someone, they never sell and then have capital losses?" he said. "Is the IRS going to send a refund? What about how long it takes for the IRS to send you a refund? This proposal rightfully deserves to be dead on arrival. Confiscating people's money is not sound policy to fix our nation's problems."

Matt Chancey, a tax specialist at Coastal Investment Advisors, said that in addition to the questionable legality of such a tax, there would be logistical challenges galore.

"Most ultra-high-net-worth clients invest in illiquid assets like private real estate or private businesses which don't offer liquidity, and they aren't easy to value since there isn't a public market," he said. "The mechanics of this would be hard to track but possibly doable since there are a limited number of $100 million-aires. But without a liquidity event driving the taxable event, these

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# Wendy Williams demands her money from Wells

BY BRUCE KELLY

**TV TALK SHOW** host Wendy Williams went on Instagram on March 23 and claimed Wells Fargo & Co. and one of its financial advisers, 23-year veteran Lori Schiller, were blocking her access to her cash as part of a bitter guardianship battle that has been going on for weeks.

"My thing is that I've been asking questions about my money, and when I began asking questions about my money, suddenly, Lori Schiller has got no response regarding my money," Williams said in the video. "I want my money. This is not fair."

> **"I WANT MY MONEY. THIS IS NOT FAIR."**
>
> WENDY WILLIAMS

Schiller has been registered with Wells Fargo Advisors since 2017 and is based in its midtown Manhattan branch, according to her BrokerCheck profile. She has previously worked at UBS, Morgan Stanley and Merrill Lynch. A Wells Fargo staff person hung up on an *InvestmentNews* reporter who called on March 25 and asked to speak with Schiller.

## GUARDIANSHIP FILING

According to the New York Post, in February Wells Fargo claimed in a filing with New York Supreme Court that Williams was incapacitated and needed a guardianship. The letter to Judge Arlene Bluth requested a hearing to determine whether Williams needed a professional to intervene in her affairs. The case of whether Williams is an incapacitated person who needs a guardianship was then sealed, meaning documents are not available to the public.

"And Wells Fargo has no questions

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# Fed tightening puts mortgage planning back on the table

BY JEFF BENJAMIN

**AS THE FEDERAL RESERVE** kicks off its first cycle of interest-rate hikes since 2018, mortgage rates are already starting to head higher, which has financial advisers scrambling to help clients navigate their housing and real estate investment exposure.

"I pounded the table and strongly advised every client to lock in, refi and term out their debt in 2020, once the pandemic began and throughout the year," said Paul Schatz, president of Heritage Capital.

"My view is that now is way too late to refinance," Schatz added. "Fixed-rate mortgages have basically doubled and that's like chasing a stock higher and higher."

According to Bankrate.com, the national average rate for a 30-year fixed mortgage is 4.46%, which compares to 3.73% at the end of January, and 2.68% at the end of December.

The average rate for a 15-year fixed mortgage is 3.72%, compared to 3.05% at the end of January, and 2.49% at the end of December.

While lower mortgage rates have contributed to rising home prices over the past few years, the trend toward higher rates is now colliding with inflated home prices to create new headaches for advisers.

## FINANCING COSTS UP

According to the S&P CoreLogic Case-Shiller U.S. National Home Price Index, home prices rose by an average of more than 10% annually over the past three years, including an 18.8% increase in 2021.

"Prices are up, and rates are high; that's not a great recipe for success," Schatz said. "Real estate prices should not continue higher for much longer. Prices are sky-high and financing costs are much higher than most budgeted. That should put a lid on the market sooner rather than later."

**4.46%**
THE NATIONAL AVERAGE RATE FOR A 30-YEAR MORTGAGE

Chris Chen, founder of Insight Financial Strategists, is in the camp that one can still refinance into a rising rate cycle.

"Chances are that interest rates are going to continue to increase, so today's rates may look high compared to yesterday's, but there is a good chance that today's rates will look low tomorrow," he said.

In terms of selling high and then renting until housing prices come back down, Chen said that strategy comes with its own set of risks.

"We do need a place to live, and if we have a home already, I don't think it makes sense to sell the home for a

CONTINUED ON PAGE 23

# Morgan Stanley is top hirer of '21

BY BRUCE KELLY

**AS FINANCIAL ADVISERS** flocked to registered investment advisers last year, a look at the net numbers for advisers last year at the Big Four wirehouses — Merrill Lynch, Morgan Stanley, Wells Fargo Advisors and UBS — shows the difficulties that sleeve of the investment advice industry is having in hiring advisers.

Only one of the four firms, Morgan Stanley, showed a net increase in financial advisers in 2021, as determined by the number of advisers joining a firm minus the number of advisers leaving, according to *InvestmentNews* data.

Morgan Stanley had a net positive of 113 financial advisers hired by the firm last year, while Merrill Lynch had a net loss of 1,070, according to *InvestmentNews* data. Wells Fargo Advisors and UBS had net decreases of 999 advisers and 109, respectively.

An indication of Morgan Stanley's appetite for hiring was the 15% increase in loans it made to financial advisers in 2021, according to the firm's annual report. Such loans, which are used to compensate new hires and are deemed "employee loans" at Morgan Stanley, totaled $3.74 billion at the end of last year, compared to $3.24 billion a year earlier.

The wirehouse channel of the financial advice industry is the most concentrated and highly experienced group, with roughly 53,000 financial advisers among the four firms. Wirehouses have the wealthiest clients and their advisers generate the most revenue.

## TRAINING AND TECHNOLOGY

The slack pace of hiring at the wirehouses is to be expected. The big firms, for the most part, have recently said they are either shying away from recruiting, which is expensive, and instead focusing on training and technology to have advisers generate more revenues.

In 2017, Morgan Stanley and UBS

said they were leaving an industry agreement known as the Protocol for Broker Recruiting, which makes it easier for competitors to hire financial advisers.

Merrill Lynch has focused on trainees and hiring brokers with limited experience, although the firm recently indicated that it wants to boost hiring of select experienced advisers in 2022. Wells Fargo Advisors re-

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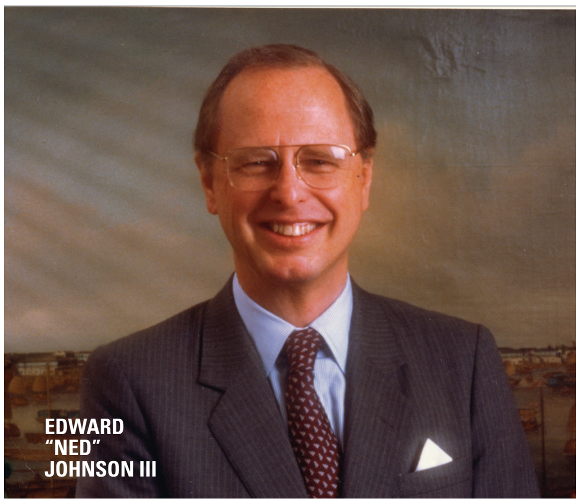

EDWARD "NED" JOHNSON III

# Edward Johnson III, fund pioneer at Fidelity, dies at 91

BLOOMBERG NEWS

**EDWARD "NED" JOHNSON III**, who revolutionized the money management industry by promoting mutual funds for retirement plans and money market checking accounts while head of Fidelity Investments, has died. He was 91.

He died on March 22 in Florida, according to Fidelity. No cause was given. He was a resident of Wellington, Florida, according to the firm.

"He loved his family, his coworkers, work, the stock market, art and antiquities, tennis, skiing, sailing, history and a good debate," his daughter, Abigail Johnson, the firm's chief executive since 2014, wrote in a LinkedIn post.

In 1972, Ned Johnson was promoted to president of the Boston-based firm his father had founded after World War II, and he served as chief executive until 2014. During his tenure at the top, assets jumped to more than $2.1 trillion from $3.9 billion, making Fidelity the second-biggest U.S. mutual fund company.

The firm now led by his daughter had $11.1 trillion in assets under administration, including $4.2 trillion in discretionary assets, as of Feb. 28.

## 'FINANCIAL SUPERMARKET'

Ned Johnson pioneered the sale of mutual funds directly to individual investors rather than through brokers and abolished almost all of the firm's 8% sales charges. He introduced 401(k) retirement plan management, in which Fidelity became the largest player.

He was the first to offer money market funds that allowed customers to write checks, competing directly with bank accounts. He fostered celebrity portfolio managers and offered low-fee index funds.

"He created the financial supermarket," Peter Lynch, Fidelity's superstar stock picker in the 1980s, said in a 2019 interview.

Ned Johnson amassed a net worth of $13.6 billion, according to the Bloomberg Billionaires Index. The bulk of his fortune was derived from his 12% stake in the closely held company, according to a regulatory filing.

He is survived by his wife, Elizabeth, known as Lillie, daughters Abigail and Elizabeth, son Edward C. Johnson IV and seven grandchildren.

# The challenge of standing in a giant's shadow

The recent passing of Edward C. Johnson III, the self-effacing leader who drove the stratospheric growth of Fidelity Investments, will bring change to one of the world's largest financial firms. To be sure, with his daughter Abigail leading the company since 2014 and with Johnson, widely known as Ned, having had a far less involved role in Fidelity's affairs for many years, any changes are likely to be imperceptible at first. But in so many cases at investment and securities firms in the past, the passing of a visionary leader — no matter how well-managed the enterprise — has posed unique challenges.

Essentially, those challenges come down to issues of tradition and change. Which elements of a firm's culture and principles that drove growth and which its visionary leader stood for and encouraged should be retained? Which must be adapted or replaced to meet new circumstances?

In family-controlled businesses such as Fidelity, that challenge is probably less of an issue than at firms with a different ownership structure. At Vanguard, for example, a long-time Fidelity rival that was led by a visionary of comparable stature, the tension between tradition and change has been more apparent.

### LEGACY OF LEADERSHIP

Under the leadership of John Bogle, who created a unique structure in which the company's mutual fund shareholders also owned the fund manager, Vanguard's investment philosophy was based on the then-novel idea that matching the market, if done cheaply, is better than trying to beat it. Over time, a die-hard kernel of fans, who came to be known as Bogleheads, grew into acres of investors whose $8 trillion in assets make Vanguard the nation's second-largest manager after BlackRock.

Lately, the organization and many of its vociferous Bogleheads have been wondering what the firm's former leader would have done in the face of the changing world Vanguard now finds itself in. For example, having already captured such a huge share of investor assets that growth in that area is slowing, Vanguard decided to manage those assets for investors — of course, in its traditional, low-cost way. Since 2015, according to recent reporting by Bloomberg, those managed assets have grown to $275 billion.

### SHIFT TO TECH

Another change has come in technology. To keep pace with customer demands and to avert embarrassing service glitches, the company is spending billions more on technology and spending it more quickly, which is a marked shift from its go-it-slow approach of earlier years. And in a significant departure from its tradition of in-house development, Vanguard bought direct-indexer Just Invest last year, its first-ever acquisition.

**LEADERS AT VANGUARD AND FIDELITY PROBABLY WILL BE ASKING THEMSELVES WHAT JACK AND NED WOULD DO.**

Current Vanguard leadership may privately chafe about gripes from Bogleheads, but their existence is evidence of the ongoing presence and influence of the Vanguard corporate culture. At other firms created and dominated by strong leaders for many years, such as Merrill Lynch and J.P. Morgan, time and changes in corporate ownership have all but erased the practical impact of the original culture.

It's doubtful, for example, that anyone in the executive halls of Bank of America wonders what Charlie Merrill would do in their shoes. Leaders at Vanguard and Fidelity, on the other hand, probably will be asking themselves what Jack and Ned would do for a while to come.

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2022 DEI AWARDS

# Recognizing individuals and firms for their DEI efforts

The *InvestmentNews* Excellence in Diversity, Equity & Inclusion Awards honor and recognize those who support a diverse, equitable and inclusive environment within the financial services industry. For a fifth year, *InvestmentNews* has selected individual winners and firm finalists from hundreds of nominations.

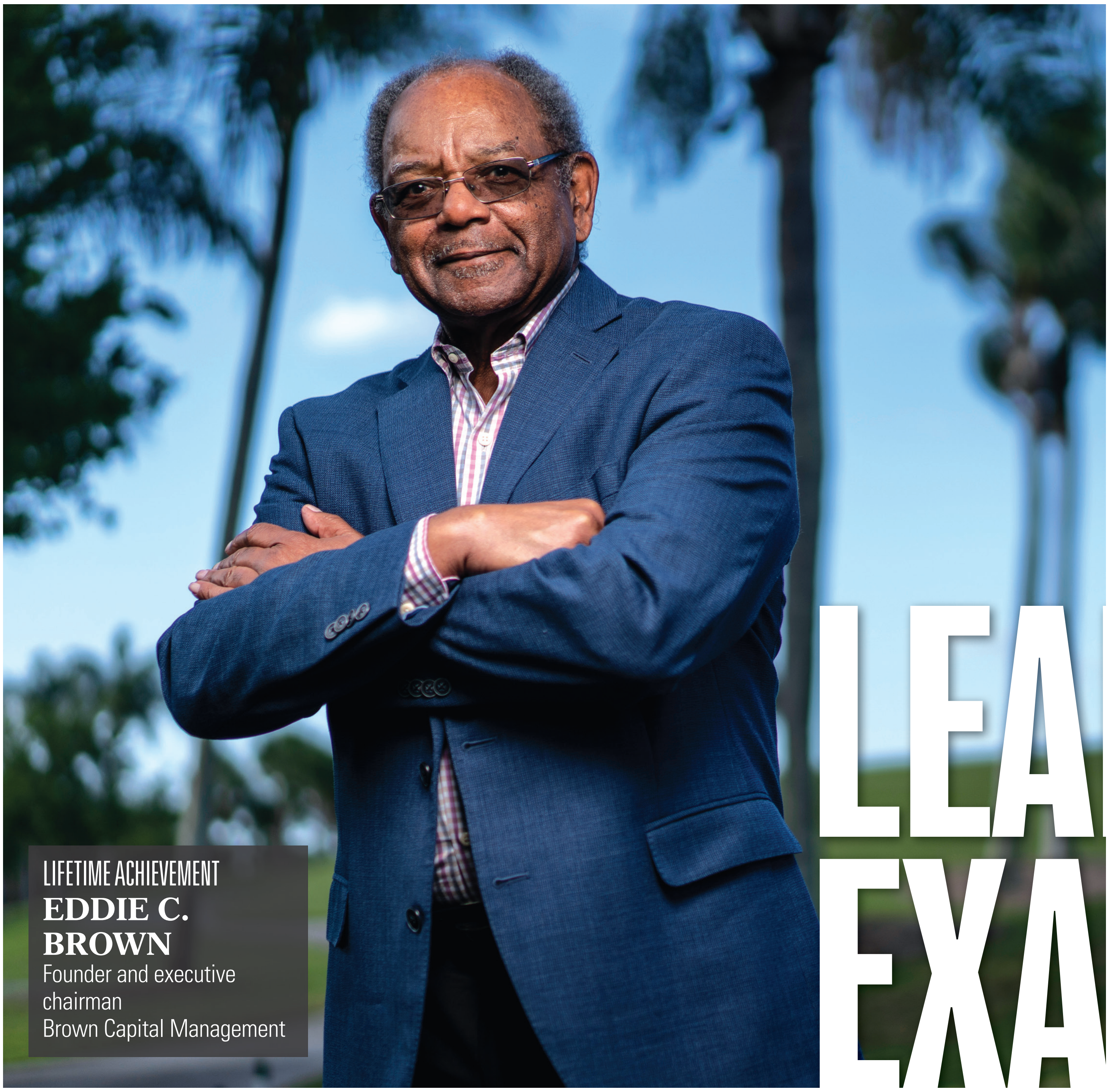
This year, 15 individuals and 15 firms were chosen by *InvestmentNews* judges. These inspiring people and companies take decisive action to promote DEI and show why it matters. Their contributions to advancing diversity within the financial advice community provide others with tangible ways to create a more inclusive work environment.

Although the industry still has a long way to go when it comes to DEI, the award winners on these pages can inspire us all to celebrate the resilience of these individuals and the DEI initiatives of these firms. *IN* is dedicated to promoting the transformative power of diversity, while celebrating excellence within the industry.

Visit us online at DandIIN.com to read their stories and be inspired. Also, *IN* will host an event on May 11 to celebrate all DEI winners and finalists.

*— Brittney Grimes, Editorial Special Projects Manager*

*Individual profiles written by Evan Cooper; firm profiles written by Deborah Nason.*




LIFETIME ACHIEVEMENT
**EDDIE C. BROWN**
Founder and executive chairman
Brown Capital Management

One of the first things you notice upon meeting Eddie Brown, the 81-year-old founder of $17.5 billion Brown Capital Management, is his knack for putting people at ease.

"Who is this Mr. Brown you're talking about?" he jokes, insisting on being called Eddie.

As his longtime friend, Sen. Raphael Warnock, put it, "What's striking about Eddie Brown is his humility."

"When you meet him, you would never know he's achieved so much, but he's one of the most extraordinary people I've ever met," said the Georgia senator, who used to be the pastor of the church Brown attends in Baltimore.

Detailing the many achievements of Eddie Brown — the recipient of the 2022 *InvestmentNews* Excellence in Diversity, Equity and Inclusion Lifetime Achievement Award — could start at just about any point in his eight decades of moving forward, sometimes against the odds and sometimes with a fortuitous wind at his back.

The son of a 13-year-old unwed mother, Brown was born into a home in Apopka, Florida, which didn't have electricity or indoor plumbing.

Mostly raised by his grandparents and strongly influenced by his mother's older brother, the young Eddie Brown was running moonshine before he was a teenager.

The family moved to Allentown, Pennsylvania, when Brown was in middle school, and he credits the persistent intervention of a second cousin for steering him away from "fast cars and moonshine."

Brown writes in his 2011 memoir, "Beating the Odds," that his mother — who was in and out of the picture throughout his upbringing — became a staunch advocate for the quality of her son's education.

"My mother deals with my education situation in a way that's so out of character it literally startles me," he writes. "Basically, she accompanies me to school and very forcefully and indignantly informs my principal that I will not be taking industrial arts classes."

With a focus on academics instilled, Brown graduated high school at 16 and found his way to Howard University in Washington, D.C.

"It's the only college I applied to because that's the only college I had ever heard of," he said.

As luck would have it, Brown's tuition, room and board were paid for by a mysterious philanthropist.

"A community organizer in Allentown told us there's a white lady who would like to help a Black student go to college," Brown said. "Well, there were only seven Blacks in my class, only three were in college prep, and of those three, two were from middle-class families that could afford to pay for college."

Looking back on it, Brown criticizes himself for not making the effort to track down and thank the woman who paid for his college education.

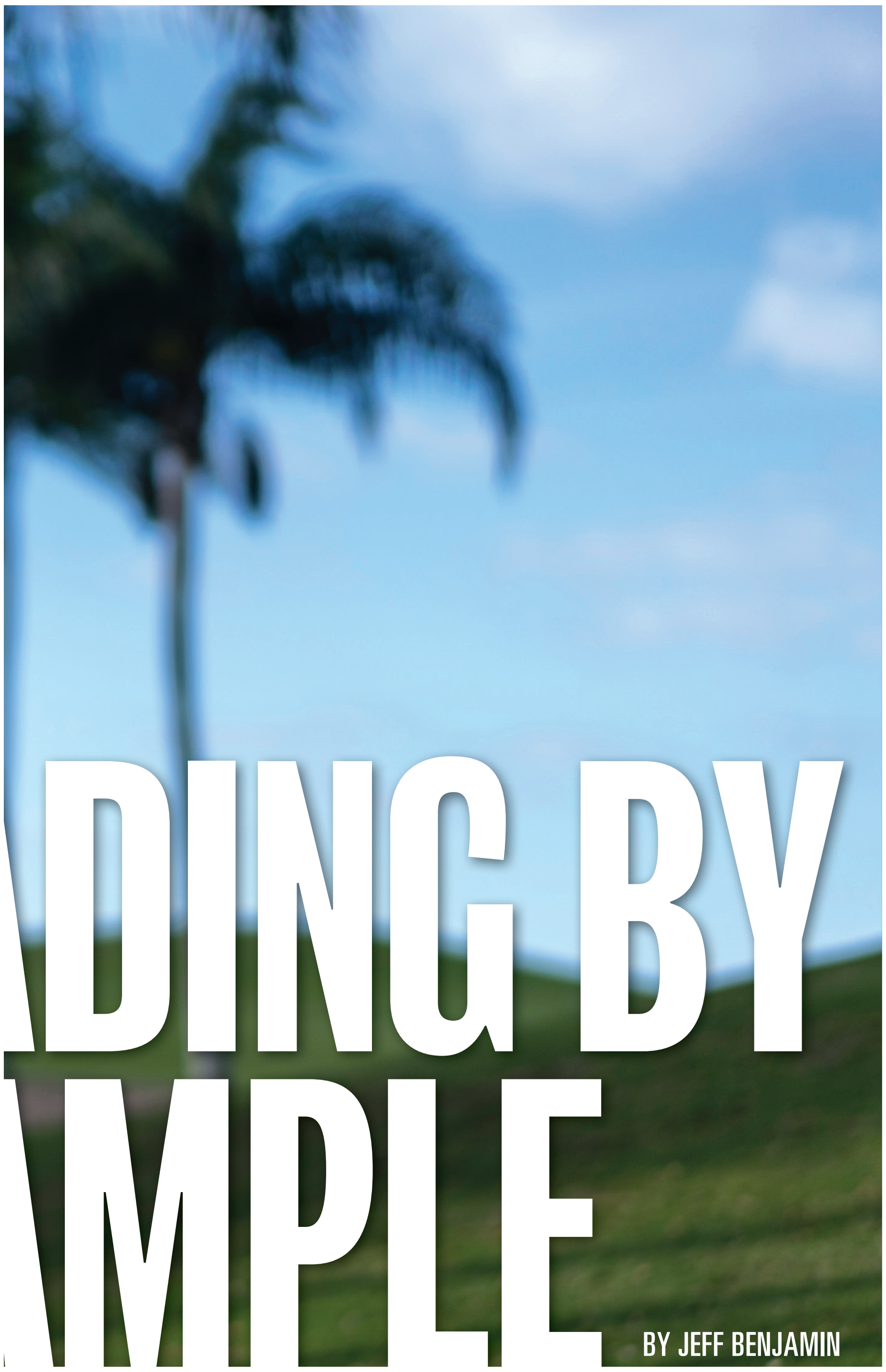
"Every year I was at Howard, this lady would send a check to the registrar," he said. "I didn't have enough sense to look this lady up, and by the time I did have enough sense, I couldn't find her."

### ENTREPRENEURIAL SPIRIT

After earning a degree in electrical engineering, Brown went on to get a master's degree at New York University, and a master's in business administration from Indiana University.

In a slow but steady migration away from engineering work at IBM toward finance and investment management, which included a stint in the Army, Brown set his mind on working for T. Rowe Price Associates in Baltimore, which he described as the best growth stock investing company in the country.

Brown's transition from a comfortable and promising job at IBM to the world of wealth management could be traced in some ways to the entrepreneurial spirit instilled in him by the un-




BY JEFF BENJAMIN

JOSH RITCHIE

cle who made a decent living running moonshine.

"The reason I am attracted to the money management business is it's measurable," he said. "We mark to market every night. You're either good at it or you're not. That's the kind of business I want to be in."

Appreciating that he had benefited from some of the earliest forms of affirmative action, Brown's application to T. Rowe in 1971 was deliberately void of any reference to his race.

"I was the first African American professional hired at T. Rowe, and I give them a lot of credit for hiring me," he said. "There was no emphasis on affirmative action, and they only had one Black client at that time."

The move to T. Rowe also gave Brown the opportunity to become a regular guest on "Wall Street Week with Louis Rukeyser," a popular public television program filmed on Friday evenings in nearby Owings Mills, Maryland.

When Brown launched his own firm after 10 years at T. Rowe, his very first client tracked him down by going through the PBS offices in Owings Mills.

## RIGHT PLACE, RIGHT TIME

That client was Geraldine Whittington, the former personal executive secretary to President Lyndon Johnson.

"I was a panelist on 'Wall Street Week,' and she wrote a letter to the program saying she wanted to get in touch with me," Brown said. "She had won a medical malpractice suit and had won some money. It was just circumstance, fate and being in the right place at the right time."

Brown said his first big corporate client was Dow Chemical Co., which eventually led to getting a slice of the giant pension fund California Public Employees' Retirement System.

**"WHAT'S STRIKING ABOUT EDDIE BROWN IS HIS HUMILITY."**

SEN. RAPHAEL WARNOCK, D-GA.

"It was a bootstrapping approach," Brown said. "Before approaching major institutions, I wanted to have some clients that I managed money for."

He describes getting Calpers as a client as "an interesting situation."

"As I understand it, they were challenged to have some diversity, and they didn't want to be backed into a corner of looking for strictly women and minority-owned firms," he said. "So, they asked for emerging investment management firms, and we got invited to make a presentation to the investment committee. As I recall, the allocation was $40 million, which was huge at the time."

Of course, it wasn't just a steady ride up from there to the present day when Brown Capital Management manages $17.5 billion and employs 38 people.

One example of Brown's leadership style and commitment to others stood out in the midst of the 2008 financial crisis.

After reaching a peak of $6 billion under management in 2005, Brown said the firm's growth strategies lagged the markets leading up to the financial crisis. When 2008 saw the S&P 500 Index decline by 37%, the company's assets had fallen to $1.1 billion.

It was at that point that Brown got a call from a consultant representing one of his bigger institutional clients, asking how low the assets under management would have to get before Brown Capital Management would be forced to shut down.

Brown said he took offense at the question.

"I was so upset and wondered if he was calling any white-owned firms and asking the same question," he said.

But as with many of the other challenges Brown had faced up to that point, he found something of value in the question and actually sought to come up with an answer.

"I told him the number was $150 million," he said.

As the Great Recession unfolded and layoffs swept across Wall Street, Brown and his team devised a plan to weather the storm without laying anyone off or cutting anyone's pay or benefits.

Well, almost nobody's pay was cut.

"The three most highly compensated people agreed to take significant pay cuts," Brown said, referring to himself, current president Keith Lee, and Bob Hall, the former president and chief operating officer, who died in 2019.

"We also had a very generous landlord, who agreed to stop charging rent," said Brown, who owned the building.

Lee recalls that uncertain period in early 2009 as a classic Eddie Brown experience.

"We had confidence that at some point, and we didn't know when, that the markets would come back and we'd be fine," Lee said.

"But that strategy to get us through it was so consistent with Eddie and his leadership style," he added. "He is holistic in his thinking, and one of the smartest people you'll ever meet."

As of January, Brown transitioned from chief executive to executive chairman of the firm he launched in 1983 out of his home.

Lee, who joined the firm in 1991, has served as president since 2012 and worked closely with Brown on the portfolio management side, is now CEO.

It is, as Brown explains, part of the succession planning process, but not the start of his retirement.

"This signals to the world that we have a succession plan," Brown said. "This is the first step, but I have no current retirement plans. I'm having fun and I'm in great health."

As Brown's business has grown, so has his appreciation for being able to "pay it forward."

## CHARITABLE GIVING

Eddie Brown and his wife Sylvia have donated tens of millions of dollars over the years to programs that support education and the arts, especially those that promote expanding educational opportunities to African American communities.

In addition to founding The Turning the Corner Achievement Program, the Browns have donated to the Baltimore Museum of Art, the Enoch Pratt Library in Baltimore and the University of Maryland Baltimore Cure Scholars Program, and they founded the Eddie C. and Sylvia C. Brown Fellowship in Community Health, which provides tuition to students at Johns Hopkins Bloomberg School of Public Health.

In October, the Browns donated $5 million to their alma mater, Howard University, which turned out to be the largest gift the university had ever received.

Brown said two people in his life have influenced his philanthropy: the woman he calls Lady B, who anonymously paid his tuition at Howard, and a pastor who once told him, "Those who are blessed should be a blessing to others, especially those who are less fortunate."

John Rogers, founder, chairman and co-CEO of Ariel Investments, has been friends with Brown for 35 years, and regards him as "an important role model for young African Americans considering a career in the money management industry."

"With every success, Eddie gives back to his community," Rogers said. "He is unwavering in his commitment to Baltimore."

Ariel Investments was founded six months before Brown Capital Management, in 1983, and they are the two oldest African American-owned asset management firms in the country.

Reflecting on how far he's come from a segregated small town in the Jim Crow South to be successful enough to be able to give millions of dollars to charity, Brown remains humble.

"I'm just kind of a regular guy," he said. "I'm not trying to be a trailblazer; I just consider myself extraordinarily fortunate to be able to develop an excellent investment management firm and be able to bring together this talent. I'm not selfish. That's always been my approach, and to be a good citizen to the community."

*jbenjamin@investmentnews.com*

## MAC GARDNER
Founder and chief education officer
FinLit Tech

When the bank he was working for in Tampa, Florida, eliminated its private wealth unit in 2019, Mac Gardner chose an unorthodox path. The certified financial planner decided that rather than take another job as an adviser — a career to which he had devoted 20 years, with stints at TIAA, USAA and Raymond James — he would pursue his passion for financial literacy.

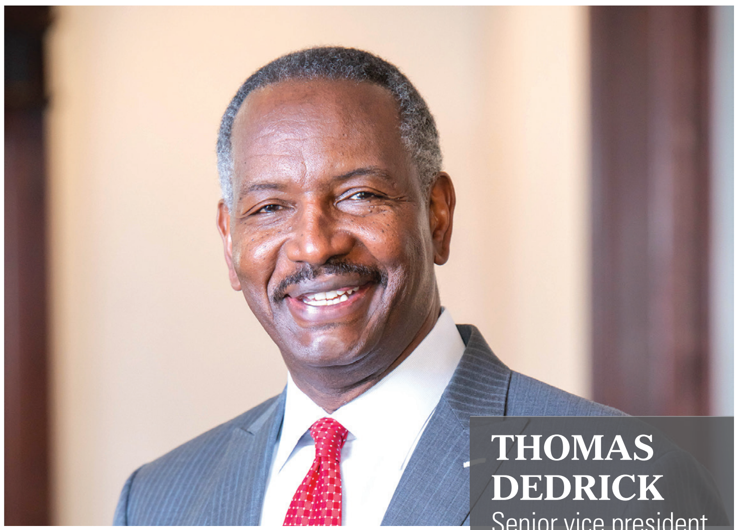
"When I was an adviser, I wrote a book for adults, 'Motivate Your Money!' and 'The Four Money Bears' for children, which has two boy bears and two girl bears of different shades," Gardner said. "People told me their kids really liked the book, and they started asking me for an app to go with it."

That encouraged him to create FinLit Tech, a company he says builds a bridge between financial literacy and financial technology.

With funding from eMoney, which continues to support his efforts, Gardner worked with financial educators and a tech group in Tampa to build the app, gamifying financial education for children in grades K-5.

The tool teaches financial ABCs and then analyzes and tracks the habits, behaviors and traits of each player regarding the lessons they learned about spending, saving, investing and giving. Parents and teachers have been using the program, and the firm sells it to local and regional banking institutions to sponsor in their communities.

"Imagine the paradigm shift if kids started to save and invest when they were 7," Gardner says. "We could close the wealth gap."



## THOMAS DEDRICK
Senior vice president, investments
Raymond James & Associates

A veteran of more than four decades as an adviser, Thomas Dedrick grew up 35 miles from where he now works.

After graduating as an art major at Morris Brown College, an historically Black institution in Atlanta, he wanted to work in graphic design and applied to several companies in the city, including Merrill Lynch. A hiring manager said all graphics work was done in New York, but there was an opening in the local operations center, and Dedrick took it.

After working in the mailroom for a year and taking several training courses, he became a bookkeeper — or a "corrections controller," as he called it — fixing operations mistakes for eight offices. "To see if they were satisfied, I created and sent out surveys to all the offices I covered," he said. They were more than satisfied; the office manager in Tuscaloosa was so impressed with Dedrick's customer service that he asked him to move there and become a broker.

Being the town's lone Black adviser was a challenge, but Dedrick persevered, becoming a Chairman's Club-level producer and founding a firmwide group for African American advisers to share ideas and experiences. After almost 33 years with Merrill Lynch, he joined Raymond James in 2014, taking a leadership role in its Black Financial Advisor Network. For providing advice and guidance, Dedrick received the group's Sage award, which recognizes the contributions of a Black adviser who shares his wisdom and insights with others.

## LAWRENCE SMITH
President and wealth planning adviser
ELS Vision Wealth Management

Because his father spent his career with the Comptroller of the Currency, Ohio-native Lawrence Smith says he has "banking in his blood." But he credits his mother, who created a hugely successful annual Black bridal show event, for his entrepreneurial drive.

After college in Dallas, Smith worked in a few fields and then joined JPMorgan Chase, where he became licensed as a banker. Wanting to be a full-time adviser, he moved to Lincoln Financial's retirement plan services unit in 2011 and became its Rookie of the Year.

In 2017, he went independent, continuing to use Lincoln's broker-dealer and its RIA platform to focus on helping those in the "first generation of success," whom he describes as adults from a working-class background who have built some assets but are not sure what to do with them.

In that year, Smith also joined the Association of African American Financial Advisors and was selected for its first scholarship to Howard University's certified financial planning program, which he completed remotely.

His involvement in AAAA underscored his commitment to encourage diverse young people to consider careers in financial services and to give back to his community through volunteer work, including serving on the board of the Guide Right Foundation of Dallas, which provides educational and mentoring services to inner city boys.

"The industry needs to attract more African American youth, and I'm working on ways to do that," Smith said.

## ANGELA RIBUFFO
President and financial adviser
Raion Financial Strategies

After a career as a nurse, teacher, and employee and contractor with the Defense Department, Angela Ribuffo decided to become a financial adviser.

"For many years, I helped military and civilian personnel with logistics issues that often involved money, budgeting and finances," said Ribuffo, whose husband was a career Air Force officer, requiring the family to make several moves, the last to Anchorage, Alaska. There, the couple used the services of a financial adviser, and Ribuffo felt the job would be a good fit for her based on her military work helping others.

"But it was 2008, a horrible time to join the industry, and I didn't know what I didn't know — including how I would be paid," she said. "I was the only woman in my district, and I was struggling so much I almost quit."

Instead, for support and guidance, she joined the local chapter of Women in Insurance and Financial Services, later becoming its national president and the recipient of its Angel award for leadership and mentoring. Ribuffo also earned certifications in financial planning, retirement income, divorce financial analysis and long-term care.

In 2019, she went independent, affiliating with Lincoln Financial, where she has played a critical role in the formation and continued development of its African American Financial Professional Network.

"DEI efforts are so important because everyone should feel comfortable and welcome when seeking financial advice or working in the business," Ribuffo said.

## SYED NISHAT
Partner
Wall Street Alliance Group

As the child of parents who worked at the U.S. embassy in Dhaka, Bangladesh, Syed Nishat says he always dreamed of coming to America.

A scholarship to the University of Nevada in Reno was his ticket, but since he didn't have money for a full four years, he graduated in two-and-a-half, later working at a gas station and a 7-Eleven in California hoping to land a job that would sponsor him so he could stay.

A brokerage firm in New York offered to do that — if Nishat could make it as a cold caller. He did, much to the chagrin of his father, who thought being a broker was no better than being a gambler.

But Nishat stuck to it, specializing in serving immigrants and first-generation Americans, who were — and continue to be, he says — largely ignored and underserved by financial advisers.

Coming to see that his clientele wanted financial advice that extended beyond investments, Nashat and his Pakistani-born partner formed a hybrid firm in 2010 to serve their expanding roster of physicians and entrepreneurs who had moved to the New York metropolitan area from all over the world.

Today, the Wall Street Alliance Group provides legal, real estate, pension planning and tax services in addition to investments.

"Our seven-person firm, which manages $400 million and is growing about 20% a year, is itself very diverse," said Nishat, who sees its short-term goal as expanding to serve immigrant and first-generation engineers. "Long-term, we want to be a household name."

## BRANDON DIXON-JAMES
President and financial planner
Resilient Wealth Management

Fold under pressure or find ways to survive? That's the question Brandon Dixon-James asked himself when he began his financial services career as an insurance agent with Prudential when he was 22. He chose the latter path.

"I had no natural market, but I took every call I could, developed a thick skin and pushed ahead," he said.

Growing up in a single-parent household in Stockton, California, Dixon-James says he always got a kick out of earning money by mowing lawns, saving, and using the money to buy something he wanted, like a basketball hoop. "I didn't know what my career would be, exactly, but I knew I enjoyed setting goals and working hard to attain them — and I saw myself somehow working in an office and dealing with money."

A mentor at California State University in Fresno, where he majored in finance, introduced him to financial planning, which he continues to view as a way he can help people, especially minorities, who typically have been underserved.

After three years in insurance, Dixon-James switched to investments at bank brokerage units in Los Angeles. Six years later, in 2013, he returned to Fresno, became a certified financial planner and set up his own firm, affiliating with Royal Alliance Associates.

"It's stressful to move and start a business and a family at the same time, but independence lets me do what I believe what I'm best at and also pursue my passion for education," said Dixon-James, who volunteers in financial literacy programs for children and takes part in educational outreach programs for adults.

## MARLON HALL
Regional vice president and team lead
Jackson National

Black financial advisers are rare, Black wholesalers rarer still.

So as a leader and advocate for those essential product marketers through the Association for Wholesaling Diversity (AWD), which he founded in 2016, Marlōn Hall is as unique as his name (pronounced mar-lone, French for "little hawk"). His route to a successful career in this relatively obscure corner of the business is equally singular.

Raised by a single mother in a tough South Side Chicago neighborhood, Hall moved to Laramie, Wyoming, which his wife discovered on vacations out West. Taking a job as a carpenter, a skill he developed after dropping out of an elite high school at the time his mother died, he endured overt discrimination and decided to earn his equivalency diploma and go to college.

After graduating, he got a job as a bank teller, where his manager suggested he take training courses that led to earning securities licenses and being called on by wholesalers. Coming to understand their job, Hall applied to Jackson Financial and became an internal wholesaler in Denver in 2008. He joined the field force in 2010 and was promoted to team leader of five wholesalers in 2020.

In his travels, Hall met other Black wholesalers who, like him, often felt isolated. To provide a place to share their experiences and help each other, and to raise awareness among African Americans nationally about careers in financial services, he formed AWD.

"People well up when talking about their experiences and realizing they are not alone," Hall said, "I thought that might happen once or twice, but it happens often."

## LEE THORESEN
Senior counsel and head of regulatory
RBC Wealth Management

Being an advocate for diversity and its value comes naturally to Lee Thoresen.

Of Korean descent and adopted by a white family, she spent much of her youth in Vermont. She experienced how race, gender, religion, ethnicity and socio-economic status can make people feel like outsiders. And she also has seen how organizations can benefit when outsiders can be made to feel like insiders.

"If there were more outreach, we could move the needle, and that needle needs to be moved in terms of enabling people to succeed," she said.

Thoresen's own path to success was unusual. Set to attend the University of Vermont, she left for San Francisco a week before school started and worked at a variety of odd jobs, eventually attending community college.

She transferred to University of California at Berkeley and attended its prestigious law school — "all at cheap, in-state rates" — and took part in an exchange program with Harvard.

Thoresen practiced corporate law and joined RBC in 2006. She is an active member of the firm's Diversity Leadership Council and recently finished two terms as chair of its Multicultural Employee Alliance, where she revitalized the employee resource group.

Outside work, Thoresen serves on the board of a nonprofit that works to combat homelessness in the Twin Cities.

"Recently, I realized that I've gone from being mentored to being responsible for mentoring others and helping companies realize diversity's value. My goal is to make sure I'm making the best of that role," she said.

## ANKUR CRAWFORD
Executive vice president and portfolio manager
Alger

As a woman and mother of three children with 17 years of investing business experience, Ankur Crawford knows how the industry can show little support for those demographic groups and others.

"When I came back to work after the birth of my third child in 2019, it would have been nice to have a support structure," she said. "Not that my firm wasn't great, but I couldn't express my feelings in a way that I could with peers."

In response, she formed a networking group for women at the firm and for others in investments and finance. "I don't want to pit women against men, it's just that women typically interact and communicate differently."

Being different is nothing new for Crawford. The child of Indian parents born in Kansas, where her father was studying for his doctorate degree, she moved to Saudi Arabia where her father later taught and was sent to a boarding school in the Himalayas. The family moved to Buffalo, New York, when she was a teenager, and a bachelor's, master's and Ph.D. in mechanical engineering and material science followed.

Crawford's first job, however, was with Alger. "I didn't want to be labeled and after a fortuitous interview with the firm's CEO, who recognized my abilities even though I had never taken an economics or accounting class, they took a shot."

Having experienced different societies and living with different people, she says that being different can be a real strength. "It doesn't have to be a weakness, and proving that is what motivates me."

## CARLOS MUÑOZ
Executive director, head of asset manager, diversity, equity and inclusion engagement
Morgan Stanley

Leading the team that manages relationships with the 350 asset management firms distributing products through Morgan Stanley, Carlos Muñoz has another important role.

He heads the Equity Collective, a Morgan Stanley initiative that brings together 27 wealth and asset management businesses to educate, empower and develop the next generation of diverse leaders.

The three organizations the group thus far has helped — Boys & Girls Clubs of America, Team IMPACT and HIVE Diversity — have educated about careers in financial services; helped students with resume advice, internships and summer jobs; and matched chronically ill children with student athletes to help combat isolation.

"Our industry does a terrible job of identifying what we do," Muñoz said. "Young people don't know the range of jobs that are available and think they need a degree in economics or an MBA. We lose out on diverse talent because they don't think they belong or that there's a place for them at the table."

Muñoz, who came to the New York area from Colombia at 7, found his place at the financial services table through a high school internship at a wirehouse. He loved the business and after college took a job in asset management at Citigroup, speaking to advisers with Latin American clients. After a short stint at another firm, he joined Morgan Stanley in 2011.

"With our young people, we stress the importance of networking and having a mentor, so you don't have to do it alone," he said. "We also encourage industry leaders to step up and be a resource and champion for others."

**MERCY AMEYAW**
Director of municipal dealer sales
Raymond James Financial

Combine an unusual background, fortuitous opportunities and a tireless work and volunteer ethic, and you get what Mercy Ameyaw describes as a "completely unexpected" life trajectory.

Born in Ghana, raised in Modena, Italy, and moving to the U.S. at 13, Ameyaw enlisted in the Army after high school in response to the 9/11 attacks. She qualified for a program allowing her to study international affairs at Northeastern University between deployments, and later earned an online master's degree from American University.

After a 17-year career that included service as a platoon sergeant in Afghanistan and working in military intelligence, Ameyaw was allowed to retire with full benefits due to her combat injuries.

Mustering out in Tampa, Florida, and armed with a resume she says was filled with undecipherable military jargon, she attended a career fair where a JPMorgan recruiter, a fellow veteran, figured out her military intelligence experience was perfect for the bank's anti-money-laundering program. A year later, her boss and mentor told her about a big AML ramp-up at nearby Raymond James, and quietly made a connection.

Since joining the firm in 2016, Ameyaw has been active in its Veterans Inclusion Network, becoming its co-chair, leading annual fundraisers, spearheading initiatives to help military spouses, and co-running its Mental Health Awareness Month. In addition, she represents the firm as a board member of Girls Inc. of Pinellas, where she was elected president-elect. "For me, it's always been about giving back," Ameyaw says. "How do I pay it forward for all the amazing opportunities I've had?"

## PAMMI BHULLAR
Director of diversity, equity and inclusion
Edelman Financial Engines

Combining tactical skills and vision, Pammi Bhullar's career and personal goals are to make progress in closing wealth and opportunity gaps. She views her role as leader of Edelman Financial Engines' diversity, equity and inclusion efforts as the perfect opportunity to do that.

Growing up in rural southwestern Pennsylvania, she said that having an Indian émigré father and an American mother helped her appreciate the value of having very distinct perspectives. "I learned that regardless of background, everyone should be respected," she said.

That led to educational and career choices where the common thread has been an effort to "bring people together who are very different in order to achieve their potential."

Her undergraduate degree in marketing and theater arts from the University of Pittsburgh was followed a few years later by a master's degree in business with a concentration in nonprofit management from Boston University.

After working and volunteering in nonprofit programs involving education and talent development, Bhullar spent five years with Thermo Fisher Scientific, ultimately becoming its senior manager of global diversity and inclusion.

She joined Edelman Financial Engines in early 2021 to design and launch its DEI program.

"We're trying to increase the diversity of our applicant pool and to educate and support employees in the ways they need," she said. "My goal is to elevate the voices of all employees, and especially underrepresented people, by removing barriers. I hope we can be a role model for other RIA firms."

## CATALINA FRANCO-CICERO
Wealth adviser
Tobias Financial Advisors

Catalina Franco-Cicero jokes that she became a financial planner at age 8. The Colombian native, whose single mother came to Miami with three small children, was the first in her family to learn English, "so I became responsible for writing checks and dealing with money while my mother worked," she said. A good student, Franco-Cicero went to a local community college where she was in the honors program, winning a scholarship to nearby Barry University for her last two years of college. Regarding student aid, she said she "never abused the system because I didn't even know there was a system," explaining how she borrowed money from her brother and started a summer camp to earn money. Later, she got a master's degree in sports management and was studying for her doctorate to teach on the college level.

One day, her husband asked her to take notes at a financial planning class she had urged him to take. "I discovered my passion," she said, boldly dropping out of her Ph.D. program — "career suicide in education" — to eventually become a certified financial planner, joining her current firm in 2017. Now serving on the first advisory board of CHIP (Changing How Individuals Prosper) and recently a member of Morningstar's Hispanic Heritage Month panel, she is committed to bringing financial planning and financial literacy to underserved populations. "Our industry does a good job of intimidating people into believing they are not wealthy or smart enough to be a client, which is isolating. I want to change that."

## PEGGY HASLACH
Financial adviser
The Finity Group

A Rising Star at an age when many start taking Social Security? That's Peggy Haslach, who followed a circuitous route to being the financial adviser she is today — and is not about to slow down.

After losing a six-figure job in Los Angeles in 2009 at age 49, Haslach sought financial help, but found advisers who only were interested in selling products, not the unique needs of Haslach and her then-partner and now-wife. The following year, the couple moved to Haslach's native Washington, where she taught nosework training to dog owners (it's a real thing). A student asked Haslach to help organize her financial advisory firm office, which inspired Haslach to become an adviser herself. To earn more, she applied for a job at an insurer's broker-dealer and wowed the manager, a college water polo player, by having been a member of the U.S. women's national water polo team.

Named her Seattle office's Rookie of the Year, Haslach stayed until 2016 and then moved to another insurance B-D. But chafing under the pressure to seek new high-net-worth clients, she went independent in 2019, joining Finity Group, which specializes in serving health professionals.

"My niche is veterinarians, many of whom are women and LGBT," said Haslach, who is on the cusp of becoming a certified financial planner. "The only way to change the face of financial services is for people to see people like themselves. Being a white woman gets me into the room; my job is to open the door and let others come in."

**THE IRICK GROUP – MERRILL PRIVATE WEALTH MANAGEMENT**
Wirehouse | Founded: 2020
Employees: 6

"We have a responsibility to be pulling up our respective communities if we want to have a sustainable, growing wealth management industry that represents the changing face of wealth," said Myah Irick, private wealth manager at the Irick Group – Merrill Private Wealth Management in Pittsburgh.

She and her team put a lot of energy into paying it forward. They conduct workshops for universities, corporations and the public on financial literacy, women-focused financial empowerment, impact investing and tips on talking to children about money.

Last October, the firm hosted a boot camp for 50 underrepresented startup founders across the U.S. The firm also promotes impact investing as a way to engage its clients with DEI. For example, Irick Group has developed an equality and inclusion investment strategy to focus on companies that pay employees fairly and have diverse boards.

Within Bank of America, Irick co-founded a regional Black Professional Group. Her team has also coached regional and national leaders on recruiting, retaining and growing diverse talent and building multigenerational, diverse teams. Leaders should create an environment where people can show up as their authentic selves, ask questions, and even address injustice, she said.

Contact Cynthia Bowman, chief diversity & inclusion and talent acquisition officer for Bank of America, at cynthia.bowman@bofa.com.

**ANGELES INVESTMENTS**
RIA | Founded: 2001
Employees: 29

"Our [DEI] goal has been to have a very thoughtful and integrated strategy," said Sapna Shah, managing director with Santa Monica-based Angeles Investments.

Shah, who heads the asset management firm's DEI committee, aims to advance its efforts internally and with the industry and community. Organizationally, Angeles is working to integrate DEI considerations into its human resources processes (e.g., recruiting) and its marketing and communication output (e.g., highlighting the firm's DEI advocacy). The firm's strategy also includes deepening engagement with DEI initiatives amongst stakeholders (employees, clients and external investment managers).

Since 2020, Angeles' community-oriented DEI efforts include a partnership with nonprofit Phelps Forward, which provides career counseling, networking and job placement to first-generation female college students and graduates. To encourage diversity within the industry, the firm requires potential managers to complete a questionnaire asking them to describe their actions relating to DEI, ESG, business sustainability and shareholder engagement.

"We want them to be an extension of our firm's values and our clients want to know that our partners embody their own values," Shah said.

Contact Sapna Shah, managing director and chair of the Angeles DEI committee, at sshah@angelesinvestments.com.

**WIPFLI FINANCIAL ADVISORS**
RIA | Founded: 1999
Employees: 100+

Milwaukee-based Wipfli Financial Advisors has been taking DEI seriously, and it shows. Of its nearly 100 financial advisers across 20 offices, more than 50% are women. How did the firm achieve this?

"By design and luck," said Jeff Pierce, the firm's CEO. "In our recruiting process, we want the candidates to find themselves, to see themselves in the business."

Successful female leaders at all levels are included in the interview process, so that prospective employees know they won't be alone if they join the firm, he said. It's also important for current female employees to see potential career paths. There are numerous role models to look up to at Wipfli, as the chief investment officer, the chief operating officer, the chief financial officer and numerous senior financial advisers are women.

The firm's culture also contributes to making female employees feel comfortable, Pierce said.

"The spirit of curiosity is embedded in our culture, through listening, speaking and learning," he said. "We want all our employees regardless of age, gender or experience to be able to speak up and ask questions."

Contact Jandy Rowe, principal and chief operating officer, at jrowe@wipflifinancial.com.

**ZEO CAPITAL ADVISORS**
Asset manager
Founded: 2009
Employees: 6

"In the area of diversity, smaller firms have an advantage," said Venk Reddy, founder of San Francisco-based Zeo Capital Advisors, a fixed-income mutual fund manager.

"Because each employee must wear multiple hats, we have a bias to look beyond experience alone. We value people who can be nimble."

A team with ethnic, socio-economic, and educational diversity allows the firm to be more agile and creative to compete with bigger firms. For example, when doing credit analysis, the more ways you can look at something, the more risks you can identify. Having outsiders' perspectives helps avoid common biases, he said.

"It's about redefining what it means to be qualified," Reddy said. "If we don't [redefine], we'll still hire from the same overrepresented demographics."

To that end, the firm recruits for core skill sets over work experience, seeking candidates who are lifelong learners, are intellectually curious and have overcome life obstacles.

But diversity for its own sake isn't enough. "It's constructive when you understand why you're doing it," he said. "And to be creative, you need diversity. When you put all the different experiences together in an environment that is kind and inclusive ... it leads to creativity and innovation."

Contact Paige Uher, COO and CMO, at paige@zeo.com.

**EDELMAN FINANCIAL ENGINES**
RIA | Founded: 1986
Employees: 1,525

Edelman Financial Engine has recently intensified its strong commitment to DEI by establishing the position of director of diversity, equity and inclusion, staffed by Pammi Bhullar.

The visibility of her new role and new DEI-related initiatives over the past 15 months have already had an impact. These included the rollout of a formal firmwide DEI strategy, the debut of a DEI education series covering microaggressions and how to be an ally, and the introduction of the "We Aspire" program, which provides a career path for Edelman employees who want to become financial advisers.

One of the ripple effects of these initiatives was the grassroots formation of four new employee resource groups, representing military veterans, Asian-Americans, Hispanics and people from the LGBTQ+ community.

Overseeing DEI strategy that touches 1,500 employees across 145 offices can be a challenge. Bhullar approaches it systemically:

- Clarifying people's roles and actions toward DEI and recognizing their contributions.
- Constantly looking at processes to mitigate bias, for example, in the We Aspire program.
- Driving corporate accountability through use of DEI data and responding when, for example, DEI metrics are decreasing in a given area.

Contact Pammi Bhullar, director of diversity, equity & inclusion, at pbhullar@edelmanfinancialengines.com.

**PARTNERSHIP WEALTH MANAGEMENT**
RIA | Founded: 2005
Employees: 4

Starting out in the industry in 1998, Woody Derricks immediately noticed that colleagues were uncomfortable with the subject of gay clients.

"Even the clients were uncomfortable, worried about how they would be treated," he said.

Right then, Derricks, a straight man, resolved to cater to the underserved LGBTQ population. Now president of Partnership Wealth Management in Towson, Maryland, his practice has evolved to also specialize in working with women.

He shared some particular concerns of same-sex couples.

"First of all, they're concerned with finding advisers they can feel comfortable with," Derricks said. "[Regarding legacy], since they often don't have kids, charitable giving is used to a larger degree. And because some states are less hospitable to same-sex marriage, it becomes extra important to have health-care proxies prepared so that spouses can be involved in each other's care."

Being raised by a single mom influenced Derricks' sense of empathy. He strives to deliver to his clients respect, compassion, understanding, knowledge of what they need and emotional sensitivity.

"I've seen what people go through and I want to make sure that everyone feels comfortable," he said.

Contact Woody Derricks, president, at woody@partnershipwm.com.

**RAYMOND JAMES**
Financial services
Founded: 1962
Employees: 15,000

"We understand [our approach to DEI] is a journey, so we want to put forth an approach that's realistic," said Pedro Suriel, senior vice president, diversity, equity and inclusion at Raymond James. "We want everyone in the organization to feel they're part of the evolution of our strategy."

The company's DEI efforts reach employees on several fronts, including departmental committees and various affinity networks for associates and financial advisers.

How do nonminority employees fit in with DEI activities?

"They are encouraged to participate in any network as allies or advocates," Suriel said. "Many have, especially over the last couple of years. The social unrest in the U.S. shifted and elevated the conversation. More people want to understand different points of view and hear people's stories."

Raymond James fosters this communication through firmwide "crucial conversations," he said. These events must follow certain guidelines, as follows:

- Treat this as a conversation, not a debate.
- Seek to understand.
- Respect the individual.
- Respect each other's lived experience.
- Approach the conversation with curiosity and positive intent.

"We talk about diversity in the broadest sense," Suriel said. "We all have multiple identities and we are more than what is visible to the eye. When we can talk, we can understand how our lived experiences impact how we see the world."

Contact Pedro Suriel, senior vice president of diversity, equity and inclusion, at pedro.suriel@raymondjames.com.

**NORTHERN TRUST ASSET MANAGEMENT**
Asset manager
Founded: 1971
Employees: 936

"The most important driver of culture is the nature of the dialogue. What we signal is what is important, and it matters every day what we say," said Shundrawn Thomas, CEO of Northern Trust Asset Management.

One way the organization fosters that dialogue is through the activities of its employee resource councils and forums. For example, in 2021, NTAM held events such as the AAPI Listening Circle, where Asian American and Pacific Islander employees shared their experiences regarding discrimination, and a Juneteenth panel discussion, featuring Black senior leaders, including Thomas, speaking on "The Costs of Freedom: Past, Present and Future."

"One of the realities is, we have not captured fully the promise of diversity," he said. "We have to get there on purpose. It's part of the vision. Our core values — passion, curiosity, competence, diversity and humility — influence how we engage with one another."

It's important to acknowledge the things that impact employees and to communicate that the company is investing in their well-being. It's also good for the bottom line, Thomas said.

"These events are opportunities for us to learn about one another. Dialogue creates a higher level of trust and engagement beyond just having a good strategy. This translates into better performance, which in turn, leads to growth in AUM and fees," he said.

Contact Kim Evans, head of corporate sustainability, inclusion and social impact, at KC114@ntrs.com.

**ONYX ADVISOR NETWORK**
Adviser support platform
Founded: 2021
Employees: 3

"Where else will you find a community where people look, feel and sound like you?" said Emlen Miles-Mattingly, explaining the inspiration for the Sacramento, California-based Onyx Advisor Network, which he co-founded.

The fintech company, expected to launch in April, was designed to meet the needs of underrepresented entrepreneurial-minded advisers. Onyx wants to attract not only people of color, women, and LGBTQ+ persons, but also others who feel disenfranchised, Miles-Mattingly said.

These advisers often experience limited access to important resources, due to the high costs associated with practice management technology and the high AUM requirements to receive custodial services. They also feel isolated.

Onyx will offer access to compliance solutions, custodians, coaching, and other technology at a discounted subscription cost – plus a badly-needed supportive community.

"There aren't tons of [diverse] advisers you can go to for help, whether for startup or practice management advice," said Miles-Mattingly. Earlier in his career, he found that he needed to form his own informal group of minority advisers to share information and struggles.

"You can find affinity groups of all kinds, but without a package of services plus a community," he said. "We want to help you be in business for yourself, but not by yourself."

Contact Emlen Miles-Mattingly, co-founder, at emlen@onyxadvisornetwork.com.

**AMERIVET SECURITIES**
Broker-dealer
Founded: 1994
Employees: 40

"People don't know there are minority-owned broker-dealers who can distribute bonds," said Mercedes Elias, U.S. Marine Corps veteran and co-CEO of New York City-based AmeriVet Securities, which serves institutional clients.

AmeriVet is one of very few firms designated as both a Service-Disabled Veteran-Owned Business and a Minority Business Enterprise, she said. About 60% of its employees are veterans.

The firm supports the veteran community in many ways, including hosting numerous educational events with nonprofits to grow public awareness of veterans' issues, working with veteran-owned small businesses to put on those events, and providing financial support for nonprofits helping veterans transition out of the military.

AmeriVet also provides transitioning help by offering one-to-one internships three times a year to help military veterans get their first experience working in financial services and corporate America.

The recent social unrest in the U.S. has contributed to the firm's growth, Elias said.

"As people were stuck at home during Covid, watching the protests, individuals and companies started asking themselves, 'What can we do?'" she said. "While companies have often worked with us as a way to check off the DEI box, now they recognize the importance of working with diverse-owned businesses and they're starting to utilize us in a more meaningful way."

Contact Sidney Covington, veteran engagement associate, at scovington@amerivetsecurities.com.


**THE FINANCIAL ALLIANCE FOR RACIAL EQUITY**
Industry group
Founded: 2020
Employees: 9 member firms, 6 HBCUs, 4 industry partners

A 2018-2020 study conducted by the Nationwide Retirement Institute asked African American advisers to identify their chief obstacles to success. Their answers were sobering: discrimination from consumers, inability to create a natural market, and a lack of mentors.

The findings inspired Kristi Rodriguez, senior vice president of the Institute, to address these challenges. Taking a systemic approach, she spearheaded the creation in 2020 of the Financial Alliance for Racial Equity, a coalition comprised of nine leading financial services groups, six historically Black colleges and universities and four strategic partners, including the American College and the CFP Board. FARE's mission is to create awareness around financial service career opportunities to attract and retain diverse talent.

Some of FARE's initiatives included:

- Holding a student-focused event in partnership with national student network HBCUConnect that reached 300 HBCU students and alumni. Programming included educational panels, networking, and recruitment sessions for current internships and full-time job openings from FARE member companies.
- Producing three-minute videos for HBCUs, highlighting different roles and pathways into the financial industry
- Raising $120,000 from all the FARE firms in partnership with the CFP Board to help Black financial professionals prepare for their CFP certification

"When we get more financial professionals in the industry, it will help us build trust to reach markets that have not been traditionally engaged," Rodriguez said.

Contact Kristi Rodriguez, senior vice president, at RODRIK7@nationwide.com.

**CAIS**
Alternative investment platform
Founded: 2009
Employees: 135

While much can be done internally to advance DEI, firms like CAIS, an alternative investment platform based in New York City, are also actively engaging with external organizations to make a difference.

CAIS is in the midst of a growth spurt and has recently expanded from 40 employees to 200, bringing dozens of women into fintech, said Abby Salameh, CAIS' chief marketing officer. The firm's commitment to DEI has resulted in a 63% increase in diversity, with 41% of female new hires in 2021 coming in at the vice president level or higher.

"We made a mindful effort to recruit from firms who had a diverse candidate pool," Salameh said. "We wanted to move the needle. As a female in the C suite, I know the importance of role models. There was no one like that when I was coming up."

CAIS has worked to move that needle by working with organizations such as the Mom Project, which helps women reenter the workforce, and Mogul, a software platform that specializes in diversified executive searches, including people of color and talent from across the globe.

The firm also hosts a virtual speaker and event series called CAIS in Common that focuses on minorities and technology while also highlighting that "we all have so much more in common than differentiates us," Salameh said.

Contact Morgan Von Ahsen, senior vice president, at mvonahsen@caisgroup.com.

**DIVERSITAS**
Educational institution
Founded: 2017
Employees: 2

The Diversitas program, launched in 2016, is a series of university-hosted national and regional conferences focused on bringing more underrepresented groups into the financial services industry. Its target audiences are high school and college students, academic and career advisers, and financial advisers, who serve as role models.

Diversitas founder Barry Mulholland, professor and director of financial planning programs at the University of Akron, was influenced by the economics and diverse demographics of his local community.

"We understood that financial wellness comes from financial literacy and education about the financial industry. Not just for students, but also the advisers who influence their careers — including teachers, high school administrators, guidance counselors and academic advisers," he said.

Diversitas began as an in-person regional conference in northeast Ohio from 2017 to 2019. When the pandemic hit in 2020, it went virtual and grew threefold, extending its reach nationally through 22 partner university co-hosts, and attracting more than 600 participants. The 2021 event reached more than 700.

"We struck a nerve — people sensed there needed to be change but there was no local conversation," Mulholland said. "In addition, students want to see someone who looks like them, but they can't necessarily find them locally. Now we're providing national and regional opportunities for connections."

Contact Dr. Barry Mulholland, director of the financial planning program, at bmulholland@uakron.edu.

**AETOS ALTERNATIVES MANAGEMENT**
Asset manager
Founded: 2001
Employees: 30

Diversity, equity and inclusion have been core values for Aetos Alternatives Management since its founding in 2001, said co-founder Anne Casscells. The firm is a hedge fund adviser and outsourced chief investment officer for institutional clients, headquartered in Menlo Park, California.

"Over my career, I've seen many successful female colleagues in the early part of their careers somewhat pretend they weren't women. They felt the need to do that so their work commitment wouldn't be questioned," Casscells said. "And it was worse for the LGBTQ community. There's a lot of pain people hold inside from this."

She continued, "I've had a very long sensitivity to trying to create opportunities for people in finance who don't fit the traditional stereotype. When you find a non-stereotypical person with potential, you have to coach them and encourage them to apply."

Outsiders have a different way of looking at things, Casscells said. "They bring in viewpoints others don't, so for a good investment culture, you need to have people who speak up and speak the truth, and go against received wisdom."

"They make you think hard about your culture," she continued. "I constantly have to evolve myself as a leader to model embracing diverse voices, truly diverse — including people from all sides of the political spectrum. No one should be shut down — we have to mean that."

Contact Alexis Parcella, director of client relations and business development, at aparcella@aetos.com.

**FREEMAN CAPITAL**
RIA
Founded: 2019
Employees: 15

About a decade ago, serial tech entrepreneur Calvin Williams Jr. was looking for a financial adviser to help him manage the windfall he'd received from selling a startup. He didn't get very far.

"I wanted someone to build a path to building more wealth, but I didn't meet their minimum," he said. "That's when I realized the difference between wealth management and wealth building."

Williams' frustration led him to launch Charlotte, North Carolina-based Freeman Capital to provide personal financial planning and a wealth building platform for people traditionally ignored by the industry. He started the firm with an advisory board of certified financial planners. A diverse chief financial planner now oversees a team of five diverse planners.

The basic features of Freeman's services include:

- The ability to work with a human financial planner.
- No contract and low monthly fees. The $50-a-month plan includes unlimited access to the financial planner.
- Investment management. Betterment builds customized client portfolios to Freeman's specifications.

Part of the approach involves giving clients wealth-building steps to follow. There are major foundational steps that fall into 10 different categories with hundreds of steps, explained in one-on-one educational conversations with planners, Williams said.

Clients feel an emotional impact.

"They feel a burden has been lifted; their financial anxiety has become lowered," Williams said.

Contact Calvin Williams, CEO and founder, at calvin@freemancapital.co.

# Analysis&Commentary

RETIREMENT

## Tax planning can be challenging for new retirees

Retirement brings lots of changes. Freedom from work. Freedom to do what you want and try new things. But for some, the biggest adjustment to life after work is how to pay their bills without steady income from a paycheck and how to estimate how much they'll owe in taxes without the convenience of automatic withholding.

MARY BETH FRANKLIN

ONRETIREMENT


Your newly retired or soon-to-retire clients could probably use a little guidance on how much in federal and state taxes they should have withheld from their Social Security benefits, annuities, pensions and retirement account distributions. If they don't withhold enough money to satisfy their tax bill, they could face underpayment penalties. One way to avoid those penalties is through quarterly estimated tax payments.

"This is something new and different for your retired clients," said Robert Seltzer, an accountant in Los Angeles.

"We run tax projections and recommend withholding amounts from pensions or IRAs," Seltzer said. "It's about being proactive in their new phase of life and cementing that relationship by becoming more valuable to your clients."

Individuals generally have to make estimated tax payments if they expect to owe tax of $1,000 or more when their return is filed. To figure their estimated tax, they must calculate their expected gross income, taxable income, taxes, deductions and credits for the year. See the IRS worksheet accompanying Form 1040-ES, Estimated Tax for Individuals. Clients can use their prior year's federal tax return as a guide.

### PENALTY FOR UNDERPAYMENT

If they don't pay enough tax throughout the year, either through withholding or by making estimated tax payments, they may have to pay a penalty for underpayment of estimated tax. Generally, most taxpayers will avoid this penalty if they owe less than $1,000 after subtracting their withholdings and credits, or if they paid at least 90% of the tax for the current year or 100% of the tax shown on the return for the prior year — whichever is smaller.

Rules are different for higher-income taxpayers. If their adjusted gross income exceeds $75,000 for individuals or $150,000 for married couples filing jointly, they must pay at least 110% of the tax shown on the prior year return, rather than 100%, to avoid an underpayment penalty.

Deadlines for quarterly estimated tax payments for 2022 are April 18, June 15, Sept. 15 and Jan. 17, 2023.

There's an exception for new retirees. If your client retired after reaching age 62 or became disabled during the tax year for which estimated payments were to be made, and the underpayment was due to reasonable cause and not willful neglect, the penalty may be waived.

### CHANGING CIRCUMSTANCES

It's also important to help retired clients monitor their tax liability as their circumstances change. For example, in the first year of retirement, one spouse may have a salary part of the year and the other spouse may still be working. The retired spouse may want to withhold a larger amount of taxes from his or her pension that first year and adjust the withholding in future years.

Other events that could alter a client's tax withholding during retirement include paying off a mortgage or taking out a new one; one or both spouses starting Social Security benefits; reaching age 72 and taking required minimum distributions from retirement accounts; receiving a large taxable capital gain due to the sale of real estate, mutual funds or stocks; or relocating to a new state with a different income tax rate.

To reduce future taxes, clients may want to consider converting a portion of traditional retirement accounts to a Roth IRA. Although taxes are due on the converted amount, future withdrawals will be tax-free to both the account holder and heirs. But be aware of short-term tax consequences. A Roth conversion can boost both income taxes in the year of conversion and Medicare premiums two years later.

Another option is to buy permanent life insurance with a long-term care rider that can protect against possible long-term care costs and provide tax-free cash withdrawals during the policyholder's lifetime as well as tax-free death benefits for heirs.

"If you want the IRS to take the smallest bite possible out of your money, consider these strategies that allow you to convert your tax-deferred money into tax-free money," said Justin Biance, financial adviser and author of "Designed to Last: Renovate Your Financial House and Retire with Confidence."

"Being proactive is the key to enjoying your retirement more on your terms," Biance said.

**(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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IRA ALERT

## The new 10-year RMD rule isn't what we expected


On Feb. 23, the IRS released its long-awaited SECURE Act proposed regulations for required minimum distributions, which include some big changes to the way most of us thought these payout rules would work.

Unfortunately, even though these are "proposed" regulations, the changes are likely effective now. This isn't like tax law, where proposed legislation doesn't become a law until it's signed by the president. The SECURE Act took effect Jan. 1, 2020; now, two years later, the IRS has issued these "proposed regulations" on how the RMD rules will work.

IRAALERT
ED SLOTT

The big surprise was the IRS' interpretation of how the 10-year rule applies for certain individual retirement account (and workplace plan) beneficiaries.

The IRS says that when death occurs on or after the account holder's required beginning date, or RBD, under the 10-year rule, RMDs would be required for years one through nine. Then in year 10, the entire remaining balance in the inherited IRA would have to be withdrawn by the beneficiary.

This means that some beneficiaries who inherited in 2020 may have already missed an RMD (for 2021) that no one thought had to be taken. The best advice for advisers is to have affected clients hold off right now on making up any missed RMDs for 2021. Hopefully, the IRS will provide a waiver of the 50% penalty or some other guidance on this later this year.

### THE 10-YEAR RULE

As a review, the SECURE Act eliminated the so-called "stretch IRA" for most

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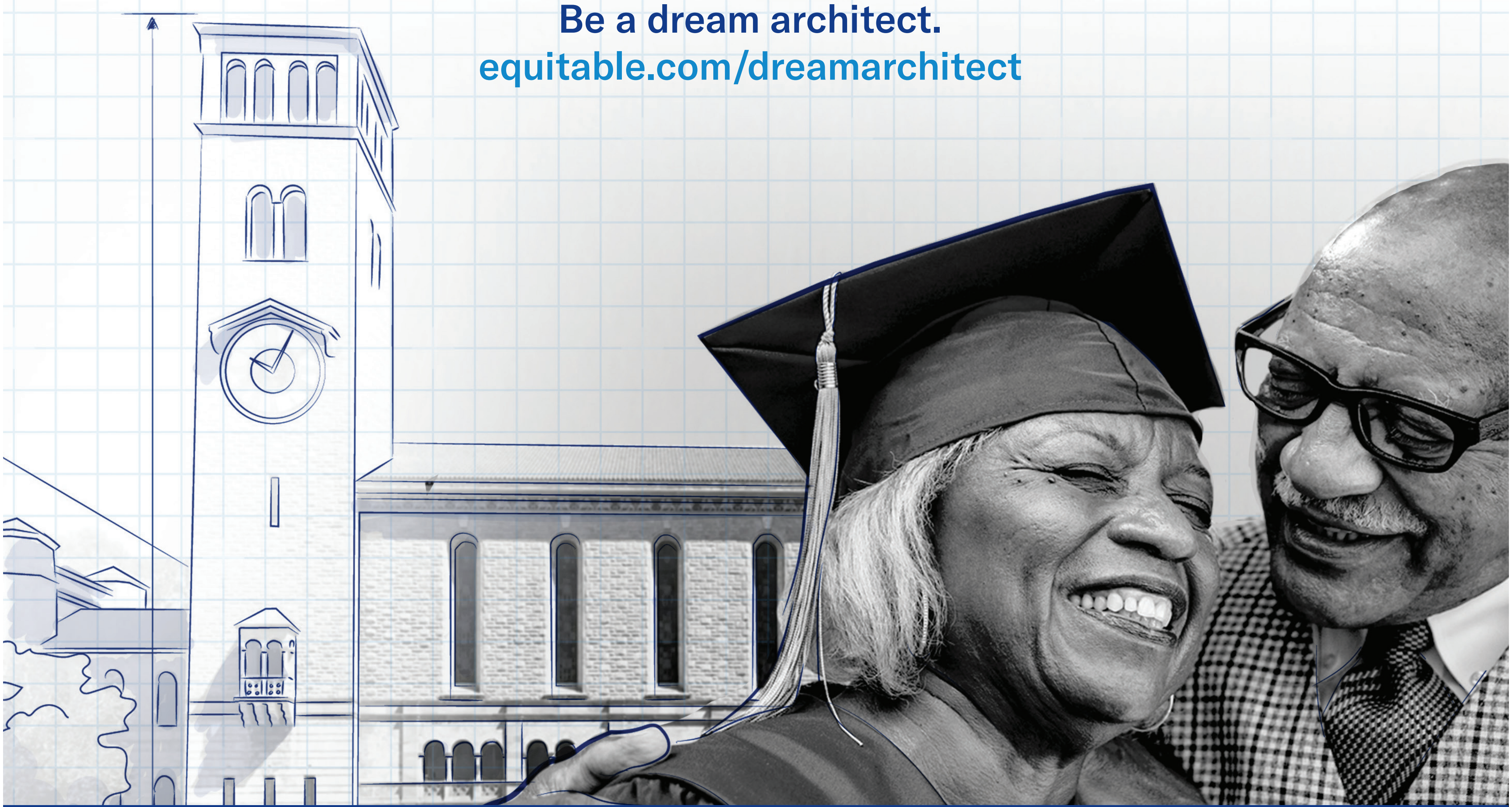

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DEI

# Our industry is not reading the room

Lonbaye Dasarte Yarnway. This was the name at the top of the resume I submitted for entry-level positions in the financial services industry. Although the PDF was decorated with accomplishments — a solid grade-point average, recognition as a Division I student athlete, president of a campus social club — it wasn't enough to catch the attention of a firm, no matter how hard I tried.

My natural instinct was simply to try harder. This is America, right? If there was a goal to be achieved, the best way to reach it was to do everything that helped opportunity, hard work and faith to collide. It didn't take long for me to see that my efforts would continually be in vain due to forces that I, an ambitious soon-to-be college graduate, could not control.

OUTSIDEIN
DASARTE YARNWAY

## IT'S TIME TO ACT

We in the financial industry do a great job of acknowledging the need for diversity, inclusion and belonging. But when it's time to act, other matters take precedence. Less than 2% of all certified financial planners identify as African American or Black, while 2.7% identify as Latinx and 3.9% as Asian or Pacific Islander. Meanwhile, the U.S. population is 12.4% African American or Black, 18.5% Hispanic or Latinx, and 6.1% Asian or Pacific Islander, according to 2021 Census Bureau data. To change our industry for the better, we must change the room.

Here are five steps financial advisers can take to be part of the change that would destigmatize our industry and create space for all:

**1. Seek out diverse talent.** It's easy to skip over underrepresented candidates if you aren't looking for them. Often, ideal candidates are hiding in plain sight, but they may not look like the associate you imagined. Expand your mind. A person of color or member of the LGBTQ-plus community is likely hoping for the opportunity to prove themselves, and would do so with grace and a strong work ethic. But they may never get that chance if you don't seek them out.

**2. Get proximate.** The advisers of the future are sitting in classrooms somewhere. They probably have all the soft skills to be an adviser but may not know the career is a viable option due to the lack of representation. Get proximate to these students. Sponsor a student at a conference. Become a mentor. Go to your child's career day. Every effort counts.

**3. Be vocal about your support.** Now that you've committed to supporting underrepresented advisers, be vocal about it. Tell underrepresented employees they belong at your firm. Ask your team to recommend talented people in their networks who might fit your latest job posting. By being vocal about your intentions and support for underrepresented financial professionals, you build a culture of inclusivity that will permeate through the firm and broader industry.

**4. Promote and amplify underrepresented professionals.** People cannot be what they cannot see. Every time an underrepresented candidate gets passed over for a raise or promotion for no reason other than their race, gender or ethnicity, a downstream effect occurs. A child sees one less woman president, Latinx CEO or member of the LGBTQ-plus community on stage. By promoting and amplifying these talents, a new image becomes ingrained in the minds of future professionals who identify with those role models, and a fresh perspective is introduced to the room.

**5. Push-pull.** "Push-pull" charges every financial professional to push those ahead of them to success, while pulling those coming after them through the same doors. This is a communal model that dispels the myth of a zero-sum game within our space and enables us to progress further than competition ever can.

If there was ever a time to change the complexion of the wealth management industry, it's now. By implementing these steps, we will build longer tables and more seats in our industry, rather than higher fences. This is the way.

*Dasarte Yarnway is founder of Berknell Financial Group and co-founder of Onyx Advisor Network.*

CONTINUED FROM PAGE 18

non-spouse designated beneficiaries and replaced that with a 10-year rule under which all the inherited retirement funds must be withdrawn by the end of the 10th year after death.

The law created exceptions for certain beneficiaries Congress called "eligible designated beneficiaries," who could continue to use the stretch IRA. EDBs are surviving spouses, minor children of the deceased IRA owner (up to age 21, regardless of state law), disabled and chronically ill beneficiaries, and beneficiaries who aren't more than 10 years younger than the deceased IRA owner.

Most other non-spouse beneficiaries would be subject to the 10-year rule.

## 'AT LEAST AS RAPIDLY'

But now, under these new rules, both the RBD and the rule known as the "at least as rapidly," or ALAR, rule become more important.

The RBD is generally April 1 of the year following the year the IRA owner (or plan participant) turns age 72. Some plan participants can delay their company plan RBD if they're still working. Under these IRS rules, the RBD takes on new significance since RMDs would be required for years one through nine if the IRA owner dies on or after the RBD, but not if death occurred before the RBD.

The ALAR rule was always in the tax code for RMDs but lost its significance (or so we thought) once the 10-year rule was created. That's because most commentators, including me, believed that under the 10-year rule, no RMDs would be required in years one through nine, and that the only RMD would be the balance in the inherited IRA at the end of the 10-year term.

Surprise! The IRS says no. The ALAR rule still applies, and RMDs will be required for years one through nine.

While the ALAR rule doesn't require the beneficiary to take the same amount as the IRA owner, it does require the beneficiary continue RMDs. Under this rule, once lifetime RMDs begin, they must continue for beneficiaries based on their life expectancy, if they are a designated beneficiary.

**Translation:** Both rules apply when death occurs on or after the RBD:

**1. The ALAR rule,** which requires RMDs each year after death (when death occurs on or after the RBD); and

**2. The 10-year rule,** under which all funds in the inherited IRA must be withdrawn by the end of the 10th year.

## EXAMPLE

In 2021, Tom, age 32, inherits an IRA from his father, who died at age 74. Tom is a designated beneficiary but not an eligible designated beneficiary. This means he's subject to both the ALAR rule (for years one through nine) and the 10-year rule for year 10. Tom's father died after his required beginning date, so Tom is required to take annual RMDs over his life expectancy (the stretch IRA) for the first nine years (i.e., starting in 2022 and continuing through 2030). In 2031, by Dec. 31, he's required to take the remaining portion. If he doesn't follow this schedule, he'll be subject to the 50% penalty on the amount not taken.

If Tom's father had died before his RBD, Tom could take as much or as little out of the inherited IRA each year during the 10-year period, but he still would have to withdraw the entire IRA by Dec. 31, 2031.

## ROTH IRAS

Since Roth IRAs aren't subject to lifetime RMDs, every Roth IRA owner is deemed to have died before his or her RBD, regardless of their age at death. That's because Roth IRAs have no RBD. For example, a Roth IRA owner who dies at age 100 is still deemed to have died before his or her RBD.

In the example above, if Tom's father's IRA was a Roth IRA, Tom wouldn't have to take annual RMDs for years one through nine, regardless of whether the father died before or after his required beginning date.

While some beneficiaries subject to the 10-year rule will have to take RMDs in years one through nine, this will never be the case for a designated Roth IRA beneficiary.

This can allow inherited Roth funds to continue to accumulate income tax-free for the full 10-year term. That can benefit both individual and trust beneficiaries and is another good reason to contribute to, or convert to, Roth IRAs. Keep in mind, however, that the full balance of the inherited Roth must still be withdrawn by the end of the 10th year.

**THIS IS YET ANOTHER REASON TO CHECK BENEFICIARY FORMS.**

Since all Roth IRA owners are deemed to have died before their RBD, this can trigger the five-year rule if there's no designated beneficiary. A designated beneficiary is an individual named on the beneficiary form or a qualifying trust. Examples of a non-designated beneficiary (NDB) are an estate, a charity, or a non-qualifying trust.

## WATCH OUT FOR FIVE-YEAR RULE

Under the RMD rules for inherited IRAs, when an NDB inherits from someone who died before the RBD, the five-year rule applies, and the inherited IRA funds must be withdrawn by the end of the fifth year after death (but no withdrawals are required for years one through four).

This is yet another reason to check beneficiary forms to make sure that they have designated beneficiaries.

Alert your clients to these new RMD rules. New inheritors may already be subject to taking RMDs they thought could be delayed much longer.

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

## MORGAN STANLEY ETFS

CONTINUED FROM PAGE 2

and T. Rowe Price.

Rochte, who doesn't have a lot of details at this point, stressed that the ETF platform will be comprehensive, including "multi-jurisdiction, multi-asset class and multi-brand."

"Our focus is on building a world class ETF platform that will enable us to match our investment capabilities," he said. "It is driven by client demand."

Jacques Chappuis, Morgan Stanley's global head of distribution, echoed the sentiment that the migration into the ETF space is giving clients what they want in terms of an ETF wrapper.

### LIKELY STRATEGIES

Regarding the types of strategies likely to land on the new platform under the asset management brands of Morgan Stanley, Eaton Vance and Calvert, Chappuis said they likely will not deviate from what the asset managers are already offering through mutual funds and separately managed accounts.

"You'll likely see those strategies we already have put into the new shell, first in the U.S., with the intention of taking it global," he said. "We're viewing it as a way to give clients an option on the vehicle they can access to get exposure."

On the risk of the ETF platform cannibalizing Morgan Stanley's mutual fund business, Chappuis said that's "not a concern."

"We would expect there could be some clients that would prefer this [ETF] product," he said. "If that's the case, it shows we're serving clients better by giving them a vehicle they prefer, and that's exactly what we're trying to do."

Todd Rosenbluth, head of research at ETF Trends, said the growing appeal of ETFs, particularly among financial advisers, is driven by liquidity, transparency and lower fees.

Even though Morgan Stanley is somewhat late to the game, Rosenbluth said the ETF space is still in an upward growth trajectory and there is room for newcomers.

"It's sort of surprising that they're doing it now, because at this point a lot of money managers have already dipped their toes into the ETF space," he said. "But it's still relatively early days for active ETFs, and there's still lots of room for growth."

Rosenbluth said that although Morgan Stanley's asset management business operates independently from its brokerage side, there are "benefits of familiarity."

"Asset managers with a strong following will have a leg up in the ETF space," he said. "It's extremely competitive, and scale and distribution matter."

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## MORGAN SPINS OFF

CONTINUED FROM PAGE 3

some of these platforms are getting, you can make an argument that $15 billion is a big bite," he added, suggesting that as RIAs get larger, there could be more deals that divide the assets to make them more palatable to potential buyers.

Daniel Seivert, chief executive of Echelon Partners, also highlighted the unique nature of the sale announced last Thursday.

"It is rare to have a seller break into two pieces as part of a transaction," Seivert said. "On one hand, it's great news and kudos to the sellers if indeed they were able to find best-fitting partners for two of the partner groups. It is usually an objective of the seller to keep it all together, and along those lines sellers look to pull in any other deals possible prior to the close to increase scale and multiple and the number of buyers."

### EXPECTED TO CLOSE IN Q4

Morgan Stanley didn't respond to a request for comment for this story.

According to the CI Financial announcement, the EVIC transaction is expected to close in the fourth quarter of this year.

Since entering the U.S. RIA market in January 2020, CI has announced nearly three dozen acquisitions and has grown from zero to approximately $133 billion.

"With nearly a century of success, Eaton Vance Investment Counsel has earned its reputation as one of the country's leading registered investment advisors and we are proud to welcome them to CI Private Wealth," CI Chief Executive Kurt MacAlpine said in a prepared statement.

"This is one of our largest U.S. acquisitions by assets to date and aligns us with a growing firm with a rich history, an exceptional team, industry-leading wealth management capabilities and loyal, sophisticated clients," MacAlpine added.

Pathstone celebrated the growth the deal will create. The combination will significantly expand Pathstone's footprint in Florida, and the firm will now operate in 14 locations in the U.S. with 235 team members, more than 100 of whom are shareholders of the firm, according to a statement.

"We are very excited to welcome WaterOak to our family," Pathstone President Matthew Fleissig said in the statement.

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## SECURE 2.0

CONTINUED FROM PAGE 2

sides of the aisle. It gives lawmakers an opportunity for a win on an issue that can be a big concern for constituents — not having enough money for their post-work years.

"This is transformative legislation," Rep. Richard Neal, D-Mass. and chairman of the House Ways and Means Committee, said before the vote. "We are helping Americans prepare for a secure retirement."

As an example, he cited a provision that allows workers to increase catch-up contributions to retirement plans, which Neal said would help them save for retirement while simultaneously working on other financial goals, like paying for their children's education.

"This bill goes a long way in addressing this country's retirement crisis," Neal said. "This legislation will become law, I hope, in the near future."

The legislation particularly targets the millions of Americans whose employers — often small businesses — don't offer a retirement program.

"We designed this bill to really focus on those who have not saved in the past and, unless we do something differently, are not going to be saving for the future," said Rep. Kevin Brady, R-Texas and ranking member of the Ways and Means Committee.

The bill's many provisions offer plenty of touchstones for supporters to praise. Fidelity Investments highlighted one having to do with student debt.

"Securing a Strong Retirement Act takes an important step to help those individuals by allowing employers to make 'matching' contributions to a 401(k) plan while their employees make student loan repayments," Kevin Barry, president of workplace investing at Fidelity, wrote in a March 25 letter to House leaders.

Supporters of the bill are now turning their attention to the Senate, where the Health Education Labor and Pensions Committee held a hearing on retirement savings policy that previewed pending legislation. Both the Senate HELP and Finance committees will be considering legislation that could complement SECURE 2.0.

A strong lobbying push will continue to get a final bill through both chambers and enacted into law before the end of the congressional session in December.

"Today the U.S. House of Representatives passed one of IRI's primary public policy objectives — a retirement bill that further expands access to workplace retirement plans and protected lifetime income products," IRI CEO Wayne Chopus said in a statement. "The bipartisan legislation will deliver measurable benefits to America's workers and retirees who have anxiety over whether they will have sufficient retirement income that lasts throughout their golden years. Our efforts will now shift to the Senate to continue the positive momentum and get a bill to President Biden this year."

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## WENDY WILLIAMS

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and answers with regarding my money," Williams said in the Instagram post. "This is not fair. And Lori Schiller and Wells Fargo have this guardianship petition about keeping me away from my money. This is not right."

In the video, Williams also claimed a former doctor of hers — one she fired — gave medical information to Schiller.

Bitter public disputes involving celebrities and the control of their finances have made headlines of late, such as Britney Spears' fight to control her finances.

On March 25, a spokesperson for Wells Fargo Advisors declined to comment.

Earlier, before the case was sealed, the spokesperson in February told Variety that the firm's "priority is the financial well-being of Ms. Williams and the preservation of her privacy."

"As we have expressed to the court, Wells Fargo is open to working with Ms. Williams' counsel to release funds directly to her creditors for bills historically and regularly paid from her accounts," the spokesperson said at the time.

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## 'BILLIONAIRE TAX'

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clients would then most likely use collateralized credit lines, most likely against those same assets or others, for the liquidity to pay the taxes of the unrealized gains."

Implementation also looks like a steep challenge to Keith Singer, estate planning attorney and president of Singer Wealth.

"This proposal seems extremely difficult to implement," he said. "First of all, why are they calling it a billionaire tax when it's applied to people with only $100 million of net worth? Secondly, how are they going to determine who has $100 million in net worth when many times that is comprised of esoteric assets like artwork, real estate and closely held business interests?"

For some advisers, the best way to view Biden's latest tax proposal is by writing it off as too extreme to get through a closely divided Congress.

"I understand the president's desire to reduce our growing deficit and to do so by putting the onus on millionaires and billionaires, but this seems to be off the mark and could start us down a slippery slope, as it equates unrealized and unrealized gains with income," said Kevin Williams, founder of Full Life Financial Planning.

"An unrealized gain exists in a moment in time, which depending on the asset, could change from minute to minute," he said. "It feels like a proposal that is more likely to capture headlines and score political points than it is to ever be enacted."

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## MORTGAGE PLANNING

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short-term arbitrage between mortgage payments and rent," he said. "After all the costs are included, it is likely to be an unprofitable trade. Not to mention that many times mortgage payments can actually be lower than rent."

Dennis Nolte, president of Seacoast Investment Services, drew parallels between the current housing market and the period leading up to the 2008 financial crisis. "It seems a lot like 2005, which is one of the times we told folks to either sell or not buy residences," he said. "But now rates are rising, inventory is low, and lending standards are still tight."

Like Chen, Nolte isn't a fan of "playing the housing market." "Trying to time the sale and sit it out for a couple of years, we're finding folks aren't that patient," he said. "If the current mortgage payment is tolerable and folks can sit with it, we're advocating to hold primary residences for now. It's too difficult to find comparable homes unless someone is wanting to downsize significantly."

If a client is in downsizing mode, and the wheels are already in motion, then "we would be accelerating that," said Scott Birmingham, lead financial planner at AMR Asset Management Resources.

"The option of selling and renting is an attractive scenario, but in my location [Franklin, Tennessee], the rental prices have increased so dramatically, it may not make sense," Birmingham said. "Is it too late to refinance? I don't think so. Rates are still very attractive, just not the 2% and 3% rates we have been spoiled with recently."

**"PRICES ARE UP, AND RATES ARE HIGH; THAT'S NOT A GREAT RECIPE FOR SUCCESS."**

PAUL SCHATZ, PRESIDENT, HERITAGE CAPITAL

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## TOP HIRER

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cently ramped up efforts to hire advisers but continues to see advisers leave and move to other firms almost six years after its banking scandals.

It's too early to determine which of the four wirehouses will have the most successful year in hiring advisers in 2022, but Morgan Stanley will undoubtedly attempt to capitalize on its success last year.

A spokesperson for Morgan Stanley declined to comment about hiring for this article. A Merrill Lynch spokesperson also declined to comment, but the firm has indicated recently that competitive attrition in the second half of 2021 declined back to historic norms of 4% of its adviser workforce.

### PRODUCTION

A spokesperson for Wells Fargo Advisors said that the firm had, as of March 18, recruited and hired advisers with more than $46 million in production and a combined assets under management of more than $5.4 billion.

But competitors and industry recruiters said that the firm is offering a total recruiting package of three times an adviser's annual fees and commissions, known in industry shorthand as production, for select recruits. And that could be higher in some cases.

### BEING MORE SELECTIVE

"Morgan Stanley last year backed away from the not hiring message and is currently hiring advisers more selectively," said one industry recruiter, who asked to speak anonymously. "The firm is looking for advisers in that sweet spot, doing $1 million or more in annual production and … probably part of a team. They're realizing with all the changes that they have a special moment and are trying to lean in and make it rain a little bit."

According to *InvestmentNews* data, Morgan Stanley last year hired 177 financial advisers from Merrill Lynch, 151 from Wells Fargo Advisors and 72 from UBS. Meanwhile, those three firms hired a total of 85 advisers from Morgan Stanley in 2021.

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