MAY 1, 2023

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GARY GENSLER'S BIG AGENDA

THE SEC CHAIR IS SITTING PRETTY, EVEN WHEN HE'S IN THE HOT SEAT

IN DEPTH:
HOW RISING RATES SAVED IBDs

PLUS
THE TOP IBDs OF 2023

MAGAZINE | VOL. 27, NO. 9 |

INSIDE

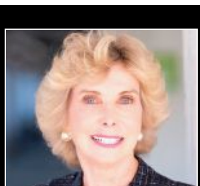
MAY 1, 2023

Couldn't make it to Chicago? We've got you covered.

Ed Slott breaks down the ABCs of NFTs in IRAs.

COVER PHOTO: RYAN DONNELL

VIDEO



SCAN THE QR CODE TO WATCH MARY BETH FRANKLIN AT *IN*'S RETIREMENT INCOME SUMMIT IN CHICAGO

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Advisor Group to merge its B-Ds under new name

BY EMILE HALLEZ

ADVISOR GROUP WILL merge its eight affiliated broker-dealers under a single, yet-to-be named brand in a process that will take two years, it announced last Wednesday.

The company hasn't decided on a name, although it won't be One Advisor Group, said Jen Roche, Advisor Group's executive vice president of marketing and communications.

It was already known that the firm was considering rebranding and consolidating its wealth management units, but the announcement last Wednesday made it official. Earlier last month, multiple sources had indicated that the firm was favoring the name One Advisor Group — but that option as of now has been nixed.

"The idea is to go to a new brand that is not part of any of our legacy brands or firms," Roche said.

Advisor Group will announce the new name later this year, and each of the eight broker-dealers will be rolled into it over the course of 18 to 24 months.

KEY POINTS

- The company hasn't yet decided on a name.
- All eight independent broker-dealers will be merged under the new name in 18 to 24 months.

That transition will not require repapering of accounts, but it will give the firm's financial professionals "access to the full breadth of community and expertise our scale provides without the complexities that multiple legal entities can impose," CEO Jamie Price said in the announcement. "Our current business model has been successful to date, but as the industry landscape continues to evolve, simultaneously maintaining a series of divergent brands no longer supports a best-in-class experience for our financial professionals or their clients."

Held-away accounts at outside money managers, including turnkey asset management programs, "will need to follow the procedures of the third parties to transfer," the company said, adding that it is "leveraging its partnership with those parties to work toward a seamless transition."

ONE ENTITY AT SCALE

Putting the firm's 11,000 advisors under one roof will result in smoother business continuity, succession and acquisition planning for them, Advisor Group said. Operating one entity at scale will also help improve service and support, compliance, technology and peer-to-peer sharing, it noted.

The eight firms are American Portfolios, FSC Securities, Infinex Investments, Royal Alliance Associates, SagePoint Financial, Securities America, Triad Advisors and Woodbury Financial Services.

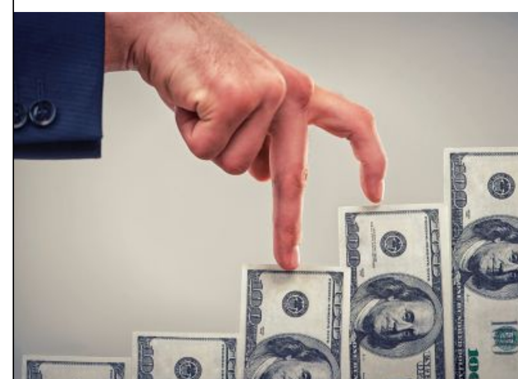
"For new recruits, it will streamline the recruitment, affiliation and account transfer process," Price said in the announcement. "During a financial professional's growth years, it will enable us to deliver consistently high-quality business building resources and support, which includes dedicating our resources and support to a more personalized approach aligned to the advisor's business model. And when the time comes to retire, we've removed barriers so a financial professional can sell a practice to an expanded pool of potential internal buyers."

The process is about "creating a long-term home for advisors to grow and thrive," Roche said.

The private equity-owned firm is also likely considering an initial public offering, similar to the path LPL Financial Holdings took to its IPO in 2010.

CONTINUED ON PAGE 26

LPL sees assets, advisors increase in first quarter



BY MARK SCHOEFF JR.

LPL FINANCIAL achieved increases in net income and total assets in the first quarter thanks to solid organic growth, firm officials said after the market close last Thursday.

The independent-broker dealer reported net income of $339 million from January through the end of March, compared to $134 million in the same time frame last year.

That performance resulted in earnings per share of $4.24 so far this year, up 159% from $1.64 per share in the first quarter of last year. The net income in the first quarter compared to the $319 million, or $3.95 per share, LPL reported in the fourth quarter.

LPL's stock price is down 5.9% this year through last Thursday, which compares to a gain of 8.3% by the S&P 500 Index over the same period.

Total assets increased to $1.18 trillion in the first quarter, a 1% boost from $1.16 trillion a year ago and a 6% increase from $1.11 trillion in the fourth quarter.

The firm also experienced a boost in recruited assets, which were $13 billion in the first quarter. They were $85 billion over the trailing 12 months, up approximately 12% from a year ago.

"These results were driven by the ongoing enhancements to our model and our expanded adjusted market," LPL CEO Dan Arnold said on a conference call with analysts.

HEAD COUNT RISES

The total number of LPL financial advisors was 21,521, an increase of 246 advisors over the previous quarter and up 1,430 year over year. The firm provides a range of business services to advisors in its network, who oper-

CONTINUED ON PAGE 26

Ray Jay savings program got boost from bank woes

BY EMILE HALLEZ

RAYMOND JAMES brought in record net revenue during the quarter that ended in March, despite declines in its asset management fees and brokerage revenue, the company disclosed last Wednesday in an earnings presentation.

Driving those results were bumps in the revenue from the firm's private clients group and bank businesses during its fiscal second quarter of 2023, with interest income coming in at nearly triple the amount seen during the same quarter a year ago.

A theme during the earnings call held after last Wednesday's market close was the leadership's excitement over Raymond James' recently launched "enhanced savings program," which has seen a flood of money come in amid the recent bank failures. The program, which started in a pilot phase earlier this year and opened to new client assets in March, now has balances totaling more than $4.5 billion. Although it was restricted to new money at first, Raymond James opened the program to existing client assets in April.

"The enhanced savings program added approximately $2.7 billion in new deposits in March, as the offering was only open to net new balances until April," chief financial officer Paul Shoukry said in prepared remarks during the call. "And a good portion of these new balances were derived from brand-new clients to the firm following the Silicon Valley Bank collapse, highlighting the attractiveness of this product and Raymond James being viewed as a source of strength and stability."

That program, which is available

CONTINUED ON PAGE 26

Morningstar adds competitors' model portfolios to platform

BY JEFF BENJAMIN

MORNINGSTAR INVESTMENT CONFERENCE

MORNINGSTAR IS taking another step toward financial advisors by letting model portfolios from leading asset managers sit alongside its own models on its Morningstar Wealth platform.

"This is an important milestone in the strategic evolution of the U.S. Wealth platform," said Daniel Needham, president of Morningstar Wealth, which launched a year ago as a wealth technology and investment management provider for financial advisors.

The addition of model portfolios from BlackRock, T. Rowe Price and Clark Capital was announced last Tuesday in Chicago at the annual Morningstar Investment Conference.

John Harris, head of platform distribution at Morningstar, said model portfolios from other popular investment managers, including Fidelity Investments, will be added in the coming weeks.

The addition of model portfolios from outside money managers was promoted as a means of helping financial advisors scale their businesses.

During a presentation on the models, Harris referenced the shrinking number of financial advisors along with the increasing need for advice among consumers who expect more from their advisors.

"The most successful advisors in the future," he said, will be those willing to outsource select pieces of their business.

OUTSOURCING SAVES TIME

Rob Schlegel, divisional sales manager at Clark Capital, made the case for outsourced asset management by comparing the limited resources of an advisory firm to the resources of an

CONTINUED ON PAGE 26

First Republic grows wealth assets despite advisor exits

BY RYAN W. NEAL

DESPITE SEVERAL recent high-profile departures of advisors, First Republic has retained most of its financial advisors and even more of its assets under management.

In the San Francisco-based bank's first earnings call since turmoil struck in March, First Republic reported total wealth management assets rose to $289.5 billion in the first quarter, a 6.7% increase from the previous quarter and up 5.6% year over year. The financial advisors who departed First Republic were responsible for less than 20% of total wealth management assets, and the bank anticipates retaining a portion of the assets associated with departing teams, CEO Michael Roffler said on the earnings call.

As of April 21, First Republic has retained nearly 90% of its financial advisors, Roffler said.

"This is a testament to the terrific wealth management franchise our talented teams have built over the years," he said. "We remain fully committed to our integrated banking and wealth management model and the unique benefits it provides to clients."

First Republic had $11 billion in net client inflows during the quarter. However, wealth management revenue remained mostly flat, up just 0.7% over the year-ago period.

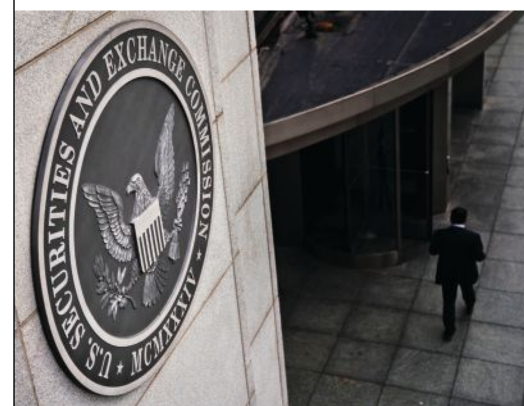
HIGH BONUSES

Over the past decade, First Republic became an attractive destination for wirehouse advisors, using high bonuses to lure advisors in areas where the bank was looking to expand.

After the collapse of Silicon Valley Bank and Signature Bank, depositors pulled money from regional banks like First Republic, S&P Global Inc.

CONTINUED ON PAGE 26

SEC releases bulletin on Reg BI 'duty of care'



BY EMILE HALLEZ

BROKERS AND investment advisors must thoroughly understand products and clients' financial needs before making recommendations, which includes having a list of alternatives they have considered, the SEC said on April 20.

That information came in a question-and-answer-style staff bulletin on "duty of care," the third and final in a series the Securities and Exchange Commission has published on Regulation Best Interest — with a goal of making the responsibilities of brokers and advisors extremely clear.

The guidance itself seeks to inform brokers, advisors and their firms, but it's not itself any form of new regulation, an SEC official speaking on background said on a call with reporters.

Last year, the SEC issued two such staff bulletins — one just over a year ago addressed account recommendations including rollovers, and another in August covered how to manage conflicts of interest.

SETTING EXPECTATIONS

The 24-page document represents one more way the regulator is trying to set expectations, potentially before it ramps up enforcement efforts around Reg BI. The bulletins are also seen as a way that SEC Chair Gary Gensler is trying to get the most use out of a regulation that was passed by his predecessor, Jay Clayton.

The SEC official speaking on April 20 noted that a common theme among the bulletins is that complying with Reg BI and the Investment Advisers Act is not a check-the-box exercise and is one that should happen before — rather than after — recommendations are made. The SEC would not hesitate to pursue actions against individuals and firms that it sees as failing to comply, the official said.

While the Investment Advisers Act applies to all advisory clients and relations, Reg BI is triggered at the time of a recommendation to a retail custom-

CONTINUED ON PAGE 26

From left: Paul Richman, chief government and political affairs officer, Insured Retirement Institute; Mark Schoeff Jr., senior reporter, *InvestmentNews;* Michael Canning, founder, The LXR Group.


From left: Matt Wolniewicz, president, Income America; Tamiko Toland, managing director, lifetime income strategy and market intelligence, TIAA; John Faustino, head of Fi360.


IRA guru Ed Slott expounds on the rationale for shifting funds to ease the tax pain.

Slott urges taking tax hit to get out of traditional IRAs

BY MARK SCHOEFF JR.

ED SLOTT NOTICES an odor wafting from traditional individual retirement accounts. It's the stench of taxes, and he says time is running out for retirement savers to move their money to a better place.

Changes ushered in by landmark retirement savings legislation known as the SECURE Act have diminished the value of IRAs as a vehicle for passing a nest egg to the next generation, Slott said. The bill set a time limit of 10 years for most beneficiaries to liquidate an inherited IRA.

"IRAs are now an awful, horrible asset to use for wealth transfer and estate planning," Slott said April 17 at the *InvestmentNews* Retirement Income Summit in Chicago. "They stink."

It's not just the new time limit that undermines IRAs' usefulness for sending money to the next generation. It's also the fact that when the time comes for inheritors to take a required minimum distribution, they will have to pay taxes on the money that has accumulated in the accounts.

'AN IRA IS AN IOU'

The money was put into IRAs on a tax-deferred basis. The government gets its share when the funds are withdrawn.

"An IRA is an IOU to the IRS," Slott said.

There is urgency around taking money out of IRAs now and putting it elsewhere — like a Roth IRA — despite the tax hit, Slott said. A 2017 tax reform law lowered individual rates, but that provision is set to expire in

CONTINUED ON PAGE 24

RETIREMENT INCOME SUMMIT

Social Security reform unlikely until crisis erupts

BY MARK SCHOEFF JR.

CONGRESS WON'T undertake significant Social Security reform until the entitlement program approaches a crisis that falls within most lawmakers' reelection windows — which could occur after the 2028 election, longtime Washington observer Jeff Bush said April 18.

In 2032, the entitlement program's trust fund is projected to be empty. Taxes collected to fund the program would only pay 80% of promised benefits at that point. Congress would be forced to act within a couple of years, transcending House, Senate and presidential election timelines.

Until then, lawmakers appear to have taken Social Security off the table as they debate how to tackle the country's $31 trillion debt.

"It is not mathematically honest," Bush, principal at The Washington Update, said at the *InvestmentNews* Retirement Income Summit in Chicago.

Although members of Congress put forward ideas to reduce the deficit, those plans don't include ways to pay down the debt over time, Bush said. Another problem is that budget bills tend to be a bipartisan cornucopia of spending. Compromise means including everything each side wants.

PARTISAN BRINKSMANSHIP

The looming standoff over raising the debt limit won't provide a breakthrough on Social Security reform, Bush said. Republicans are demanding spending cuts before agreeing to an increase in the limit, but they aren't

CONTINUED ON PAGE 24

Vulnerability can ground trust

BY MARK SCHOEFF JR.

LUPE CAMARGO CHOKED up as she told a story about her husband's eulogy for his mother at her funeral.

Camargo, a financial planner at Perspective Financial Services, said she was moved as people came up to her husband afterwards and said, "That's how your mom would want to be remembered."

Camargo's open emotion in front of about 250 audience members at the *InvestmentNews* Women Advisor Summit in Chicago is something that also can come out when she's working with clients who are going through the loss of a loved one or another difficult life transition.

"My superpower [is that] I'm not afraid to be vulnerable in front of my clients," she said on a panel that explored navigating change and uncertainty.

Advisors can strengthen their connections with clients if they express empathy with their struggles and show that they have confronted the same challenges.

"If you crack yourself open, they'll crack themselves open alongside you," Camargo said on the sidelines of the *IN* conference. "It makes the focus of your relationship about the truth."

Listening and asking questions, if

CONTINUED ON PAGE 24

WOMEN ADVISOR SUMMIT

From left: Heidi Helmeke, president, Enspyre Wealth Advisors; Lupe Camargo, financial planner, Perspective Financial Services; Carolyn Armitage, president, Thrivent Advisor Network; Amy Florian, CEO, Corgenius.

Opinion

Wirehouses feeling the chill of autumn in the air

Autumn is Americans' favorite season, according to the research firm YouGov America, and perhaps the best times of that best season are its warm, sun-dappled afternoons.

A golden fall afternoon is perhaps an apt metaphor for the position in which wirehouses find themselves these days. In many ways, things couldn't be better for the giant firms. They continue to deliver healthy and steady profits to their bank holding company parents; they lead in advisor productivity among advisory channels; and the prodigious level of assets they manage continues to grow.

But just as the glorious days of autumn are bittersweet because we know what's next, the wirehouses likely face an approaching winter of their own as they become less prominent in the overall advisory business.

One hint of the future was Wells Fargo's recent decision to no longer disclose its advisor head count. While it is true that a firm's advisor productivity is more important than sheer head count, quarterly reports that show steadily declining advisor numbers would paint a less-than-optimistic picture of the business.

Last year, the 55,454 advisors affiliated with independent broker-dealers outnumbered the 44,297 advisors employed by wirehouses, according to Cerulli Associates, which estimated wirehouses will shed 1.5% of their advisors through 2025. While that's better than the 3.9% headcount shrinkage projected for the indie channel, Cerulli estimates that advisor head count at hybrid RIAs will grow by 8% through mid-decade while the number of advisors at independent RIAs will grow by 4.2%.

WINTER IS COMING

Since the days are long past when brand recognition, technology and access to initial public offerings and other investment products were the trump cards of the wirehouses, their absence — and the steady advisor attrition — makes it easy to believe that winter is just around the corner for industry's biggest names. But that's unlikely.

First, wirehouses have figured out how to keep top-performing advisors: Compensate them well and leave them alone to bring in assets, cement clients to the firm and behave responsibly. By working in teams, the top advisors also are training those who will succeed them.

Second, most wirehouse clients aren't going anywhere. Given that wirehouse advisors tend to be veterans of the business, it's safe to assume that a significant percentage of the customer base consists of long-time, satisfied clients. Merrill Edge and Morgan Stanley's institutional retirement business continue to supply the traditional advice business with countless leads. No doubt Citibank saw the potential in developing a robust feeder mechanism when it recently lured Andrew Sieg away from Merrill Lynch to head its wealth management arm.

And don't forget inertia. When a client's bank accounts, mortgage, credit cards and car loans are all tied together with investments, it's too much to unravel it all and move. Yes, winter is eventually coming, but the sun is still a long way from setting on the wirehouses' golden autumn.

LETTERS TO THE EDITOR

An advisor shares her personal connection to DEI

To Paul Curcio:

Thank you for being open and upfront on diversity, equity, and inclusion. I read your Editor's Note ("What's so funny about Diversity, Equity and Inclusion?") in the April 17 issue and felt compelled to share how much it mattered to me.

DEI is so important, and lately I have felt other newspapers and politicians have made it out to be some villain. It's been weighing on my mind, and I've struggled to put my thoughts into words. I was relieved to see *InvestmentNews* feels as strongly as I do, and I cannot express my appreciation enough. Here's to a diverse, equitable, and inclusive future.

Thank you, Paul, and to all at *InvestmentNews*.

Sarah Hudson

A boomer stands up to the boomer bullies

To Gregg Greenberg:

Gregg, don't let those boomers bully you! You are spot on ("Boomers refute retirement criticism," page 23). I entered the career workforce in 1983 and while my contemporaries jumped from job to job to score raises, I quietly established a 30-year career with a great employer. I ended up with a very lucrative retirement plan complete with health care. I paid off all my debts, including my mortgage, long ago.

So now, while I'm driving luxury vehicles and vacationing in Europe, most of my peers are still chasing jobs with retirement nowhere in sight.

Keep it up, Gregg! Keep telling the newer generations NOT to follow the boomers. Maybe some of them will listen and manage their finances sensibly, leading to a timely and comfortable retirement.

Marshall Reid

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InvestmentNews
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Chief Executive Officer
John French, jfrench@investmentnews.com

Chief Revenue Officer
Mike Schott, mschott@investmentnews.com

CONTENT
Editor-in-Chief: Paul Curcio
pcurcio@investmentnews.com
Director of Content: Gretchen Lembach
glembach@investmentnews.com
Managing Editor: Susan Kelly
skelly@investmentnews.com
Senior Columnist: Jeff Benjamin
jbenjamin@investmentnews.com
Senior Columnist: Bruce Kelly
bkelly@investmentnews.com
Senior Reporter: Mark Schoeff Jr.
mschoeff@investmentnews.com
Technology Editor: Ryan Neal
rneal@investmentnews.com
Retirement & Planning Editor, Multimedia Anchor: Gregg Greenberg
ggreenberg@investmentnews.com
DEI Editor: Joanne Cleaver
jcleaver@investmentnews.com
Contributing Columnist: Mary Beth Franklin
mbfranklin@investmentnews.com
Editorial Special Projects Manager: Ashley Sellers
asellers@investmentnews.com
ESG Editor: Emile Hallez
ehallez@investmentnews.com
Copy Editor: Daniel Martinez
dmartinez@investmentnews.com

CREATIVE DEPARTMENT
Executive Art Director: Scott Valenzano
Associate Art Director: Pablo Turcios
Senior Graphic Designer: Kyung Yoo-Pursell
Multimedia Editor: Angelica Hester

TECHNOLOGY
Director of Technology: Dan Wood
dan.wood@bonhillplc.com

ADVERTISING SALES
Business Solutions Manager, West Coast:
John Shaughnessy, jshaughnessy@investmentnews.com
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Head of Digital Advertising Operations:
Berta Franco, Berta.franco@bonhillplc.com
Senior Ad Operations and Programmatic Specialist
Mirsad Brkic, mbrkic@investmentnews.com
Business Solutions Manager & U.S. Events:
Sabrina Straub, sstraub@investmentnews.com
Director of Event Operations: Brie Johnson
bjohnson@investmentnews.com
Director of Customer Service, Events:
Natalie Taylor, ntaylor@investmentnews.com
Conference Content Producer:
Lucas Gochanour, lgochanour@investmentnews.com
Events Coordinator:
Zoe A. Szmulewicz, zszmulewicz@investmentnews.com

AUDIENCE AND MARKETING
Director of Audience and Analytics:
Bryan Fox, bfox@investmentnews.com
Director of Research: Devin McGinley
dmcginley@investmentnews.com
Manager of Email Delivery & Circulation:
Nicole Chantharaj, nchantharaj@investmentnews.com
Audience Data Specialist: Alex Rubinetti
arubinetti@investmentnews.com
Director, Client Services: Gillian Albert
galbert@investmentnews.com
Client Services Manager: Carla Flores
cflores@investmentnews.com
Digital Operations Coordinator: Justin Jones
jjones@investmentnews.com

People Operations Generalist
Cindy Zapata, czapata@investmentnews.com

INVESTMENTNEWS OFFICES
Headquarters: 685 Third Avenue
New York, NY 10017-4024
Bureau office: Washington: 601 13th Street, N.W. Suite 900 South, Washington, DC 20005

BONHILL GROUP, PLC
Chief Executive Officer: Patrick Ponsford
Chief Financial Officer: Sarah Thompson
Head Office: Bonhill Group, 29 Clerkenwell Road, London, EC1M 5LA

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GARY GENSLER HAS HIS GAME FACE ON

WITH CHEERLEADERS ON THE LEFT AND CRITICS ON THE RIGHT, THE SEC CHAIR STAYS FOCUSED ON WHAT MATTERS

BY MARK SCHOEFF JR.

GARY GENSLER is a fan of romantic comedies. In that popular movie genre, there's usually a "meet cute" in which the lead characters get off on the wrong foot.

If the protagonists of his first two years at the helm of the SEC are Gensler on one side and the financial industry and Congress on the other, the relationship has been rocky.

"So, it starts with a bit of tension, but in the end, they find they like each other," Gensler, chair of the Securities and Exchange Commission, said in an exclusive interview with *InvestmentNews*.

Nominated by President Joe Biden and sworn in to a five-year term on April 17, 2021, after being confirmed by the Senate, there's still a long way to go before the final credits roll on Gensler's tenure. But so far, it doesn't look as if he and his wide range of critics will end up in each other's arms.

Gensler leads a Democratic majority on the five-member SEC. Split votes on regulatory activities — with Gensler and fellow Democratic commissioners Caroline Crenshaw and Jaime Lizárraga on one side and Republican commissioners Hester Peirce and Mark Uyeda on the other — have become commonplace at the agency, amplifying a trend that emerged under Gensler's Republican predecessor, Jay Clayton.

The lack of consensus could ultimately weaken final rules and make them more vulnerable to court challenges and more likely to be scraped by a future Securities and Exchange Commission under a Republican majority.

In the meantime, Gensler is coming under withering scrutiny from congressional Republicans. In the past several weeks, he has been grilled for more than eight hours by two House committees where the GOP is in the majority.

Add to that the strong resistance many SEC proposals receive in the form of public comment letters from the financial industry, financial experts and sometimes investor advocates, and it's clear that Gensler is getting far more "hold on" admonitions than "way to go" exhortations.

He stays upbeat in the face of extensive opposition and doesn't reveal whether or how the pressure might influence rulemaking.

"It's democracy in action," Gensler said. "It's good to get feedback. It's good to get public comment. It's good to get comments from members of Congress. We're going to keep our eye on the goal of helping investors and [stock] issuers. We'll make adjustments where appropriate."

He also has a large cheering section, as evidenced by comment letters backing SEC proposals on controversial issues such as climate disclosures by public companies and environmental, social and governance investing oversight.

"He's responsive to investors," said Tracey Lewis, policy counsel at Public Citizen. "If investors didn't want this, he would have no support. He's not trying to be the most popular guy. He's trying to be the guy that does the right thing."

Known as an aggressive regulator when he chaired the Commodity Futures Trading Commission from 2009 to 2014, Gensler has fortified that reputation at the SEC. The

RYAN DONNELL

agency's current agenda contains 52 rulemakings in various stages.

Many proposals are aimed at investment advisors, such as reforming outsourcing, custody and cybersecurity.

"In 26 years, this is the highest number of consequential rulemakings affecting investment advisors," said Karen Barr, CEO of the Investment Adviser Association. "The speed and sheer volume is the most I've seen."

It's not just the number of rulemakings that are causing worry, it's their complexity.

"They're not making minor amendments," Barr said. "They're rethinking entire rules and, overall, they're rethinking the principles-based [approach] of rules. It's not one rule in a vacuum. It's the cumulative impact of all these rules on investment advisors and their clients."

AN EXPANSIVE, BUT VULNERABLE, AGENDA

The expansiveness of Gensler's agenda has made it more vulnerable to attacks, said Jason Berkowitz, chief legal and regulatory affairs officer at the Insured Retirement Institute.

"Because the scope of his agenda is more ambitious than his predecessors, you're seeing more pushback than previous chairs have seen," Berkowitz said.

Gensler does his own pushing back against the notion that he's pursuing more rules than previous chairs. He compares the 46 proposals made in his first two years with the 46 that were made by Clayton at the beginning of his tenure.

Amy Lynch, president of FrontLine Compliance, anticipates much more to come from Gensler.

"We're only overstating [his agenda] if he stops," Lynch said. "And why would he stop here? He has several years left in his term."

Some industry critics say that under Gensler, the SEC isn't clearly defining why all the rulemakings are necessary and that many of the proposals lack sufficient cost-benefit analysis.

"He is doing regulation by hypothesis," said Eric Pan, CEO of the Investment Company Institute, which represents mutual funds. "It's not clear [the SEC] has done their homework. They're expecting in the comment process that others will do the analysis for them. This is not good for the markets, the SEC [or] the industry. It creates a lot of uncertainty."

Issa Hanna, a partner at Eversheds Sutherland, said there hasn't been an earthshaking market failure to catalyze an agenda as robust as Gensler's.

"There's not this era-de-

CONTINUED ON PAGE 10

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fining singular major crisis that the Gensler administration is facing and usually the thing that would justify a massive amount of transformational change," Hanna said.

Gensler calls the U.S. financial markets the best in the world. His motivation is to keep them at that level.

"We've got a role to play in driving efficiency, market integrity and market resilience," Gensler said. "That's how you protect investors."

UNFAZED BY CRITICS

Republican lawmakers frequently assert that many SEC proposals exceed its congressionally approved authority. They point to a Supreme Court ruling last year that reined in the Environmental Protection Agency when warning the SEC to cool it.

Gensler isn't rattled. He said he's "very confident" the SEC can pursue its agenda unfettered. "Everything that we do here is grounded in law, legal authorities and how the courts interpret it," he said.

Beyond the scope and pace of his agenda, the area of the market where Gensler is targeting much of his reform makes the industry nervous. He is focused on financial intermediaries, the people in the middle of the market whom he often describes as extracting grains of sand — money — from the neck of an hourglass as funds move between issuers and investors.

An example of this approach is the rulemaking package that includes proposals on the best execution of customer orders. It's meant to bring greater transparency and efficiency to the process and to lower costs. Doing so threatens the so-called payment for order flow that brokerages pocket and that they say allows them to offer commission-free trading.

"It's not at all been surprising that there are market intermediaries that say … this might change our business model; this might change our revenue model and our profitability," Gensler said. "But our clients are the [stock] issuers and investors."

Putting intermediaries in the regulatory cross hairs causes a neuralgic reaction from groups that represent them.

"That sounds like a solution in search of a problem," Anya Coverman, CEO of the Institute for Portfolio Alternatives, said of Gensler's focus on the middle. "Intermediaries are heavily regulated. We believe intermediaries play a critical role between issuers and investors."

Retail financial advisors are intermediaries and might not be immune from Gensler's efforts to reduce economic rent in the middle. But the advisors in the middle Gensler pointed to in the *InvestmentNews* interview were advisors to private equity and hedge funds.

He asserted that much of what he's trying to accomplish would boost retail advisors. For instance, payment-for-order-flow reform "benefits their customers and, thus, benefits them as well," Gensler said.

TACKLING AI

The SEC is also working on a proposal on digital engagement practices and the use of artificial intelligence by robo-advisors and brokerage apps to encourage certain investor behavior.

"To the extent that we can address ourselves to the possible conflicts in those predictive data analytics, I would think that helps the humans, if I can say it that way, the actual [retail] investment advisor," Gensler said.

There may be indirect benefits for advisors from the SEC's roster of proposals, but that doesn't assuage concerns about Gensler's agenda. Barr, for instance, said there is a lot of overlap between proposals that would make them difficult and costly to implement.

"They all relate to each other," she said.

Gensler defended the rulemaking roster.

"I think each of these addresses important and separate issues," he said.

POLITICAL DESIGNS?

Some Gensler critics accuse him of putting more emphasis on politics than sound regulation. Anthony Scaramucci, managing partner at SkyBridge Capital, an alternative investment asset manager, said Gensler is angling for a Cabinet seat and trying to build support among progressive Democrats such as Massachusetts Sen. Elizabeth Warren in the way he has approached cryptocurrency oversight and other issues.

"Unfortunately, Gary, in an effort to publicize himself and curry [political] favor, has hurt the agency," said Scaramucci, who was briefly an official in the Trump White House. "You need a reformer. You need an open-minded regulator. [Former SEC Chair] Arthur Levitt, Gary is not. He thinks he can ride it into the Treasury Department."

Gensler, like Scaramucci a former Goldman Sachs executive, dismissed the notion that he's thinking ahead to his next position.

"He should get his facts right," Gensler said. "This job is one of the highest honors that one could ever imagine. Does this look like an agenda of somebody that would be trying to do what Mooch is saying?"

Gensler's term as head of the agency that oversees the $100 trillion U.S. capital markets with 4,547 staff members runs until 2026. It looks as if he's settled in for the long run.

"It's such a privilege to be in a job like this," Gensler said. "Whatever time God, the president and the electorate give me in this job, I'm going to do everything I can to make regular working families' and retirees' financial lives a little better if I can."

Later he added: "I know it sounds a little hokey."

It would probably be difficult to find a critic of Gensler's personal mission statement. But the agenda he's pursuing ensures he'll battle legions of opponents as long as he's in office.

mschoeff@investmentnews.com

"HE'S NOT TRYING TO BE THE MOST POPULAR GUY. HE'S TRYING TO BE THE GUY THAT DOES THE RIGHT THING."

TRACEY LEWIS, POLICY COUNSEL, PUBLIC CITIZEN

A LEGACY OF WINS BUILT ONE VOTE AT A TIME

Over the two years SEC Chair Gary Gensler has led the agency, the five-member commission has cast many 3-2 votes to advance rulemaking proposals, a trend that's likely to continue on major regulations.

Gensler and his fellow Democratic commissioners — Caroline Crenshaw and Jaime Lizárraga — are in the majority, while Republican commissioners Hester Peirce and Mark Uyeda comprise the minority.

The two groups have split on decisions about whether to release for public comment proposals on custody, outsourcing and cybersecurity for investment advisors, as well as proposals on mutual fund liquidity and climate disclosure for public companies and ESG disclosures for investment advisors.

If the Republicans aren't on board to release the proposals for comment, it's likely they'll oppose the final rules, too. The political division within the Securities and Exchange Commission reflects a policy and partisan divide that occurs throughout Washington, D.C.

The danger when it comes to rulemaking is that a 3-2 vote can make a regulation more vulnerable to court challenges and more likely to be amended or overturned by a future Republican-majority commission. That increases regulatory uncertainty and potential costs for financial advisors.

Gensler said split votes go with commission territory. "They're part of democracy," he told reporters following a House hearing in March.

In a recent *InvestmentNews* interview, Gensler said the SEC has had a "great deal of success" on the approximately 65 regulatory actions the commission has voted on over the last two years, including 46 proposals and 14 final rule adoptions. About half of them have come with 5-0 votes.

"That's a pretty good record compared to legislative bodies," he said.

Even if some commissioners object to a final rule, that doesn't mean their concerns weren't taken into account, Gensler said.

"We make adjustments where we think appropriate, even if we can't get to unanimous support," he said.

Gensler, a former Commodity Futures Trading Commission chair and Capitol Hill aide, applies his political know-how to running the SEC, said Christopher Iacovella, CEO of the American Securities Association.

"Based on the intensity of a political issue, he'll decide whether he wants to finalize the rule with a divided commission or negotiate to get broad support and a 5-0 vote," said Iacovella, who was counsel to a Republican CFTC commissioner when Gensler headed the agency. "You get whatever you can get, and at some point, you know you're going to lose."

Gensler "likes to engage intellectually," Iacovella said. "If he has made up his mind on something, he tries to convince others his view is the right view. If he hasn't, there's an open dialogue about the merits of an issue."

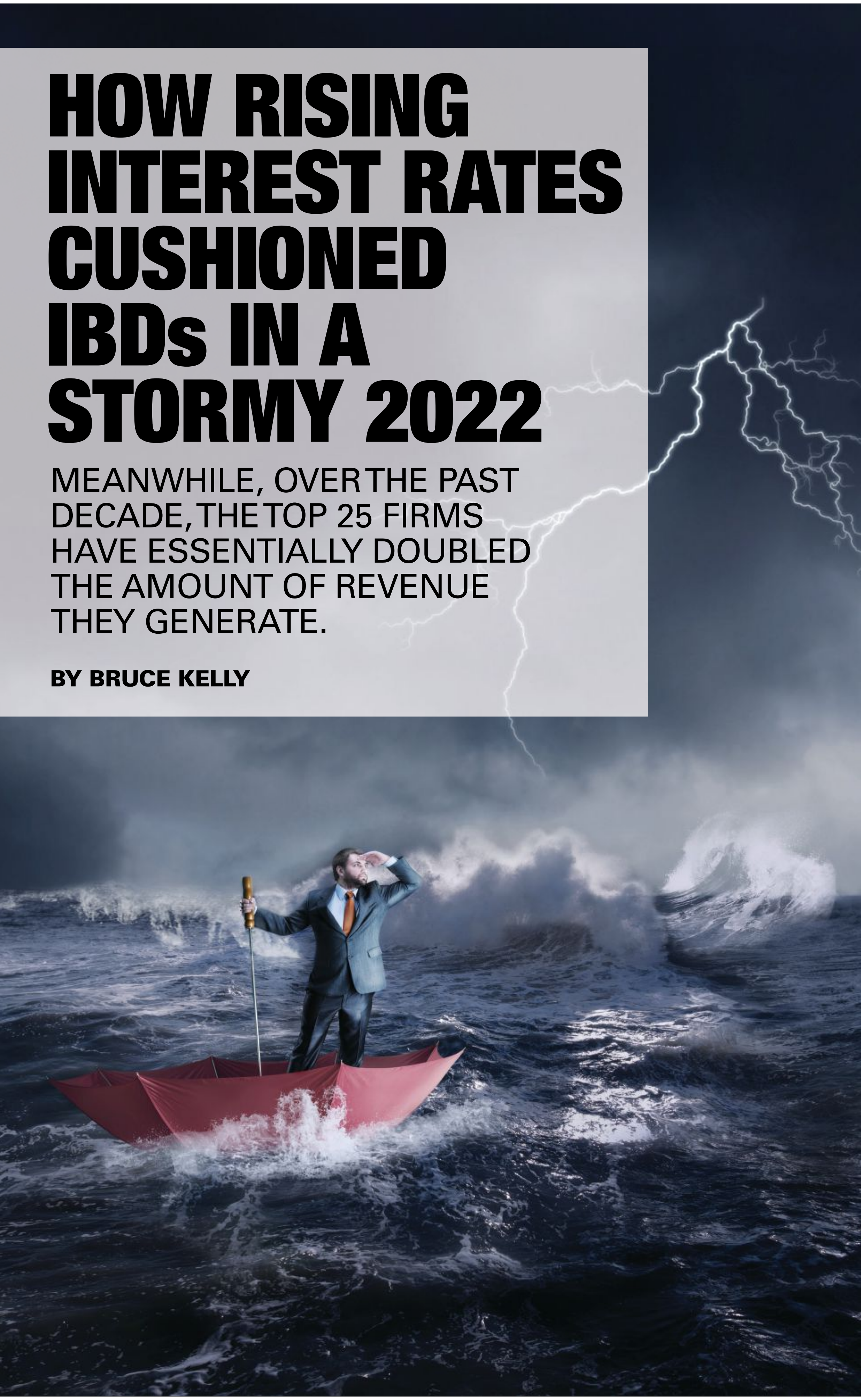
Gensler said he enjoys the give-and-take with his colleagues. "As a nation, we benefit from having a commission with five individuals bringing a diverse set of policy [and] economic views to these debates," he said.

— Mark Schoeff Jr.

HOW RISING INTEREST RATES CUSHIONED IBDs IN A STORMY 2022

MEANWHILE, OVER THE PAST DECADE, THE TOP 25 FIRMS HAVE ESSENTIALLY DOUBLED THE AMOUNT OF REVENUE THEY GENERATE.

BY BRUCE KELLY



Rising interest rates may hurt consumers by increasing the cost of borrowing on credit cards or mortgages, but they provide a lifeline for independent broker-dealers, especially in chaotic markets.

The S&P 500 stock index had a terrible year in 2022, falling 18%. In the past, that would have spelled doom for the top lines of the 25 largest independent broker-dealers, so called because they pay financial advisors as independent contractors rather than as employees.

But not in 2022: The 25 largest IBDs actually reported $35.7 billion in total revenue, a 6.1% increase when compared to 2021, according to data from InvestmentNews Research. And the largest contributor to that growth was not revenue from commissions or fees but rather a category labeled "other," which is primarily generated from rising interest rates and interest-rate spreads.

Indeed, other revenue at the top 25 firms reached $5.1 billion last year, a 38.5% increase from the prior year. Meanwhile, commission revenue reported by the firms declined roughly 5%, while fee revenue increased by the same amount.

There's no doubt that rising interest rates buoyed LPL Financial, the industry's largest firm with more than 21,000 financial advisors and often a bellwether of sorts for the other large firms.

"The combination of organic growth, rising interest rates and expense discipline led to [earnings per share] prior to intangibles and acquisition costs of $4.21, the highest in our history," LPL chief financial officer Matthew Audette said in February during a conference call with analysts to discuss fourth-quarter 2022 earnings.

A RESILIENT INDUSTRY

It's also noteworthy that over the past decade, the top 25 firms tracked by *InvestmentNews* have essentially doubled the amount of revenue they generate. That demonstrates an extremely resilient IBD industry, even though many on Wall Street have written IBDs off in favor of smaller but more profitable registered investment advisor firms, which in the past 10 years have seen unprecedented investment from private equity managers looking to build super regional RIA networks.

In 2013, the top 25 independent broker-dealers reported $18.5 billion in revenue, with the majority of that coming from commissions, or one-time sales of investment products. The industry has slowly and steadily shifted from focusing on one-time sales to concentrating instead on recommending and selling investment products that generate annual fees.

But the recent sharp rise in interest rates can't be overlooked. Since January 2022, the fed funds rate has risen from essentially zero to 4.65% in March. This means broker-dealers are profiting from cash held in client accounts, margin loans used to buy more securities and banking activity in general.

"The day the Fed changes interest rates, that goes right to the bottom line," said Larry Roth, the former CEO of both Cetera Financial Group and AIG Advisor Group, now simply Advisor Group. "And the big firms like LPL, Raymond James and Commonwealth, they've finally reached scale. That means they can capture the upside and benefit from rising rates even when there are headwinds of a market that's down almost 20%."

An appetite for recruiting also helps to bolster firms in tough markets like last year's. Traditionally strong recruiters of financial advisors, such as LPL Financial and Raymond James Financial Services Inc., reported increases in total revenue last year of 11.4% and 13.3%, respectively, according to *InvestmentNews* data.

In 2023, the industry will be watching closely the inner workings of Advisor Group, the broker-dealer network of more than 10,000 financial advisors. The firm announced a rebranding last Wednesday that will merge its eight affiliated broker-dealers under a yet-to-be-chosen new name, in a process that will take two years.

While the mergers and acquisitions market for RIAs has been white-hot for several years now, with chatter at industry conferences about how high valuations for such firms can really go, broker-dealer M&A remains vibrant, although there are increasingly fewer sizable targets left for large firms to acquire.

Advisor Group last June said that it was buying American Portfolios Financial Services Inc., a large independent broker-dealer based in Long Island, New York, with 850 financial advisors and close to $40 billion in assets. That announcement came just weeks after Advisor Group said it was acquiring a bank-focused broker-dealer, Infinex Investments Inc., with 750 financial advisors who control more than $30 billion in client assets.

BRANCHING OUT

Not to be outdone, Advisor Group rival Cetera Financial Group said in January it was buying the wealth business of insurer Securian Financial Group, which includes more than 1,000 advisors who oversee $24.8 billion in assets under management and $47.4 billion in assets under administration. And in April, a smaller broker-dealer network, Atria Wealth Solutions, said it was buying Grove Point Financial, the former independent broker-dealer H. Beck Inc., a wealth management firm with $15 billion in assets and roughly 400 advisors, from Kestra Holdings.

Independent broker-dealers this year will continue to buy and invest in large branches before those branches can be purchased by other investors, including private equity managers. For example, LPL Financial in November said it was buying one of its own giant branch offices, Financial Resources Group Investment Services, which houses bank brokers overseeing $40 billion in assets.

Advisor Group, Cetera and Atria are all owned by private equity managers.

Industry consolidation also happens on the much more intimate level of advisor to advisor, one executive noted.

"The big-picture discussion that is reassuring to us over the last decade or more is the perception of the demographic time bomb of aging advisors, the worries about large, en masse retirements and the anxiety that no one was training advisors to fill the void," said John Rooney, managing principal at Commonwealth Financial Network. "Frankly we look at it in the opposite way, and this is adding to the benefit of our advisors who have large scalable practices that are designed to be perpetual."

"We are seeing the decline of solo advisor practitioners who are aging out, and they are selling to those types of large practices," Rooney said. "At the end of the day, this is a game of gathering assets under management. That's the bellwether."

bkelly@investmentnews.com

TOP 25 IBDs RANKED BY REVENUE

	FIRM	2022 REVENUE	% CHANGE VS. 2021	2022 COMMISSION REVENUE	% CHANGE VS. 2021	2022 FEE REVENUE	% CHANGE VS. 2021	2022 OTHER REVENUE	% CHANGE VS. 2021
1	LPL Financial	$8,600,825,000	11.4%	$2,326,164,000	-2.2%	$3,875,154,000	9.9%	$2,489,791,000	37.0%
2	Ameriprise Financial Services	$6,193,740,493	2.4%	$1,257,650,662	-10.2%	$3,981,772,236	0.5%	$954,317,595	39.0%
3	Advisor Group	$4,230,665,487	6.4%	$1,615,637,526	-1.2%	$2,104,523,858	7.2%	$510,504,103	35.7%
4	Raymond James Financial Services Inc.	$3,590,389,752	13.3%	N/D	N/D	N/D	N/D	N/D	N/D
5	Northwestern Mutual	$2,203,629,000	10.0%	$466,699,000	-1.7%	$1,533,478,000	9.8%	$203,452,000	55.2%
6	Commonwealth Financial Network	$2,074,656,782	3.5%	$252,499,869	-6.4%	$1,531,829,554	0.1%	$290,327,359	41.7%
7	MML Investors Services	$1,573,800,000	-0.1%	$749,300,000	-10.3%	$816,900,000	12.0%	$7,600,000	-28.3%
8	Cambridge Investment Research Inc.	$1,466,778,216	7.1%	$360,489,779	-5.4%	$833,212,870	1.8%	$273,075,567	60.5%
9	Equitable Advisors	$1,244,544,639	-0.7%	$735,997,059	-6.0%	$425,359,215	5.1%	$83,188,365	27.4%
10	Kestra Financial Inc.	$790,210,634	5.2%	$207,754,217	-7.6%	$518,540,841	7.7%	$63,915,576	42.8%
11	Atria Wealth Solutions	$608,842,807	-6.0%	$298,913,343	-15.7%	$246,059,736	0.3%	$63,869,729	32.9%
12	Securian Financial Services Inc.	$474,335,000	3.0%	$209,227,044	-0.9%	$206,754,449	5.8%	$58,353,508	8.0%
13	Lincoln Investment Planning	$398,227,000	-5.9%	$114,764,000	-0.9%	$273,067,000	-3.2%	$10,396,000	0.5%
14	Principal Securities Inc.	$366,575,698	-5.8%	$221,826,048	-13.9%	$133,765,841	2.8%	$10,983,809	727.5%
15	Park Avenue Securities	$318,049,916	-2.4%	$168,254,466	-10.0%	$149,795,449	11.6%	$0	N/A
16	Independent Financial Group	$267,102,000	3.8%	$115,090,000	-3.7%	$130,499,000	6.2%	$21,513,000	44.7%
17	Centaurus Financial Inc.	$202,464,888	8.0%	$134,052,002	5.4%	$68,412,886	13.5%	$0	N/A
18	J.W. Cole Financial Inc.	$191,865,025	2.3%	$89,418,579	-2.5%	$102,446,446	6.9%	$0	N/A
19	United Planners Financial Services	$179,436,707	1.1%	$53,929,747	-5.8%	$119,608,629	3.3%	$5,898,331	32.9%
20	PlanMember Securities Corp.	$141,000,000	-1.4%	$17,120,000	-29.6%	$121,759,000	2.6%	$2,121,000	N/A
21	Geneos Wealth Management Inc.	$131,415,250	-6.9%	$35,243,559	-14.5%	$90,960,295	-5.5%	$5,211,596	40.7%
22	Hornor Townsend & Kent	$129,237,616	-5.6%	$76,844,425	-10.0%	$49,775,679	-0.8%	$2,617,523.00	45.4%
23	The Leaders Group	$127,802,156	6.5%	$127,802,156	8.1%	$0	N/A	$0	N/A
24	Concourse Financial Group Securities Inc.	$120,017,637	-14.1%	$68,856,067	-16.2%	$44,924,339	-13.2%	$6,237,231	10.1%
25	Prospera Financial Services Inc.	$109,937,028	34.1%	$30,734,726	20.1%	$71,473,591	41.5%	$7,728,711	31.3%

Revenue figures are for firms' year-end. N/D = not disclosed. N/A = not applicable or not available. Other revenue could include interest income, and financial planning, consulting, investment banking and other fees. Itemized revenue may not add up to totals due to rounding.

Source: InvestmentNews Research

Advisor Group

20 E Thomas Road, #2000
Phoenix, AZ 85012
(602) 744-3000
advisorgroup.com
Year founded: 2016
CEO/Top executive: Jamie Price
Recruiting contact: Kristen Kimmell

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	10,570	9.3%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	$308,766	-5.7%
# of fee-based advisors served:	8,932	9.3%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$4,230.7**	6.4%
Commission:	$1,615.6	-1.2%
Fee:	$2,104.5	7.2%
Other:	$510.5	35.7%
Total account assets:	**$549,169.0**	-6.3%
Fee-based:	$195,993.4	-8.1%
Other account assets:	$292,826.5	-3.7%
Excess net capital:	$174.2	22.0%
Total operating expenses:	$570.2	26.3%
Pretax earnings:	N/D	N/A

Arkadios Capital

309 E. Paces Ferry Road, Suite 1000
Atlanta, GA 30305
(404) 445-0035
arkadios.com
Year founded: 2016
CEO/Top executive: David Y. Millican
Recruiting contact: Chris Mielnicki

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	135	28.6%
# of CFPs:	28	47.4%
Avg payout per rep/year:	$586,115	10.8%
# of fee-based advisors served:	132	29.4%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$79.1**	30.1%
Commission:	$42.7	13.7%
Fee:	$36.4	56.7%
Other:	$0.0	N/A
Total account assets:	$8,200.5	60.3%
Fee-based:	$3,833.1	53.5%
Other account assets:	$4,367.5	66.8%
Excess net capital:	$2.0	2.0%
Total operating expenses:	$5.5	162.9%
Pretax earnings:	$4.8	17.2%

Alden Investment Group

37 West Ave.
Wayne, PA 19087
(215) 572-8700
aldeninvestmentgroup.com
Year founded: 1995
CEO/Top executive: Lee Calfo
Recruiting contact: John Mulqueen

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	90	28.6%
# of CFPs:	5	0.0%
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	30	20.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$18.4**	211.9%
Commission:	$16.9	210.2%
Fee:	$0.0	0.0%
Other:	$0.1	0.0%
Total account assets:	**$1,300.0**	73.3%
Fee-based:	$1,300.0	73.3%
Other account assets:	N/D	N/A
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Atria Wealth Solutions

295 Madison Ave., Suite 1407
New York, NY 10017
(888) 566-1482
atriawealth.com
Year founded: 2017
CEO/Top executive: Douglas J. Ketterer
Recruiting contact: Kevin Beard

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	2,153	-7.4%
# of CFPs:	281	-1.7%
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	1,838	-7.5%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$608.8**	-6.0%
Commission:	$298.9	-15.7%
Fee:	$246.1	0.3%
Other:	$63.9	32.9%
Total account assets:	**$92,190.0**	-12.1%
Fee-based:	$26,563.7	-10.2%
Other account assets:	N/D	N/A
Excess net capital:	$18.1	-37.0%
Total operating expenses:	$28.9	7.5%
Pretax earnings:	$31.3	-23.2%

Ameriprise Financial Services, a unit of Ameriprise Financial

108 Ameriprise Financial Center
Minneapolis, MN 55474
(612) 671-3131
ameriprise.com/why
Year founded: 1894
CEO/Top executive: Jim Cracchiolo
Recruiting contact: Manish P. Dave

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	8,173	2.3%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	N/D	N/A

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$6,193.7**	2.4%
Commission:	$1,257.7	-10.2%
Fee:	$3,981.8	0.5%
Other:	$954.3	39.0%
Total account assets:	**N/D**	0.0%
Fee-based:	N/D	N/A
Other account assets:	N/D	N/A
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Cambridge Investment Research Inc.

1776 Pleasant Plain Road
Fairfield, IA 52556
(800) 777-6080
joincambridge.com
Year founded: 1981
CEO/Top executive: Amy Webber
Recruiting contact: Tammy Robbins

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	3,801	1.9%
# of CFPs:	855	-0.7%
Avg payout per rep/year:	$372,811	0.0%
# of fee-based advisors served:	3,631	8.3%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$1,466.8**	7.1%
Commission:	$360.5	-5.4%
Fee:	$833.2	1.8%
Other:	$273.1	60.5%
Total account assets:	**$144,429.6**	-10.2%
Fee-based:	$86,291.5	-9.4%
Other account assets:	$58,138.1	-11.5%
Excess net capital:	$38.6	126.0%
Total operating expenses:	$1,349.1	2.6%
Pretax earnings:	$117.7	112.5%

Arete Wealth, a unit of Arete Wealth Inc.

1115 W. Fulton Market, 3rd Floor
Chicago, IL 60607
(312) 940-3684
aretewealth.com
Year founded: 2007
CEO/Top executive: Joshua D. Rogers
Recruiting contact: Joshua D. Rogers

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	253	29.1%
# of CFPs:	30	30.4%
Avg payout per rep/year:	$197,255	-5.1%
# of fee-based advisors served:	188	33.3%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$98.8**	20.1%
Commission:	$42.8	17.1%
Fee:	$21.4	13.4%
Other:	$34.6	28.9%
Total account assets:	**$2,452.5**	1.0%
Fee-based:	$2,452.5	1.0%
Other account assets:	N/D	N/A
Excess net capital:	$3.0	72.9%
Total operating expenses:	$89.6	20.0%
Pretax earnings:	$3.0	-37.5%

Centaurus Financial Inc., a unit of Federation of Financial Services

2300 E. Katella Ave., Suite #200
Anaheim, CA 92806
(800) 880-4234
joincfi.com; centaurusfinancial.com
Year founded: 1992
CEO/Top executive: J. Ronald King
Recruiting contact: John Trentor

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	684	6.2%
# of CFPs:	216	2.9%
Avg payout per rep/year:	$267,881	3.3%
# of fee-based advisors served:	540	7.1%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$202.5**	8.0%
Commission:	$134.1	5.4%
Fee:	$68.4	13.5%
Other:	$0.0	N/A
Total account assets:	**$33,524.2**	13.5%
Fee-based:	$7,073.6	15.0%
Other account assets:	$26,450.6	13.1%
Excess net capital:	$14.2	23.2%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

N/A = not available. N/D = not disclosed.

CFD Investments Inc.

2704 S. Goyer Road
Kokomo, IN 46902
(800) 745-7776
joincfd.com, cfdinvestments.com
Year founded: 1990
CEO/Top executive: Brent A. Owens
Recruiting contact: Brent A. Owens

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	141	-0.7%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	$241,854	0.2%
# of fee-based advisors served:	88	1.1%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$41.0**	3.3%
Commission:	$16.5	-3.1%
Fee:	$21.3	4.6%
Other:	$3.2	39.1%
Total account assets:	**$4,272.1**	-6.7%
Fee-based:	$2,010.4	2.7%
Other account assets:	$2,138.2	-18.4%
Excess net capital:	$1.1	2.9%
Total operating expenses:	$8.4	5.7%
Pretax earnings:	-$0.3	-135.8%

Equity Services Inc., a unit of National Life Group

One National Life Drive
Montpelier, VT 05604
(802) 344-7437
equity-services.com
Year founded: 1968
CEO/Top executive: Ata Azarshahi
Recruiting contact: John Keenan

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	501	-1.8%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	437	0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$77.2**	-2.4%
Commission:	$44.1	-5.8%
Fee:	$25.8	1.4%
Other:	$7.4	7.2%
Total account assets:	**$11,300.0**	-13.7%
Fee-based:	$3,100.0	-13.9%
Other account assets:	N/D	N/A
Excess net capital:	$2.7	-30.1%
Total operating expenses:	$79.0	0.6%
Pretax earnings:	-$1.8	-424.6%

Commonwealth Financial Network

29 Sawyer Road
Waltham, MA 02453
(866) 462-3638
commonwealth.com
Year founded: 1979
CEO/Top executive: Wayne Bloom
Recruiting contact: Becca Hajjar

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	2,117	1.9%
# of CFPs:	1,163	8.3%
Avg payout per rep/year:	$749,000	-2.6%
# of fee-based advisors served:	2,683	6.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$2,074.7**	3.5%
Commission:	$252.5	-6.4%
Fee:	$1,531.8	0.1%
Other:	$290.3	41.7%
Total account assets:	**$242,910.0**	-11.0%
Fee-based:	$149,379.7	-9.6%
Other account assets:	$93,530.3	-13.2%
Excess net capital:	$63.1	43.7%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Fortune Financial Services Inc.

3582 Brodhead Road
Monaca, PA 15061
(724) 846-2488
fortunefinancialservices.com
Year founded: 1997
CEO/Top executive: Gregory J. Bentley
Recruiting contact: Gregory J. Bentley

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	280	-0.4%
# of CFPs:	35	2.9%
Avg payout per rep/year:	$72,647	-7.5%
# of fee-based advisors served:	145	14.2%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$20.3**	-12.0%
Commission:	$20.3	-12.0%
Fee:	$0.0	N/A
Other:	$0.0	N/A
Total account assets:	**$2,728.9**	-26.8%
Fee-based:	N/D	N/A
Other account assets:	$2,728.9	-26.8%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Concourse Financial Group Securities Inc., a unit of Protective Life Corp.

2801 Highway 280 S.
Birmingham, AL 35223
(800) 288-3035
concoursefinancial.com
Year founded: 1984
CEO/Top executive: Libet Anderson
Recruiting contact: Libet Anderson

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	428	-12.8%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	$185,000	-4.6%
# of fee-based advisors served:	341	-10.5%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$120.0**	-14.1%
Commission:	$68.9	-16.2%
Fee:	$44.9	-13.2%
Other:	$6.2	10.1%
Total account assets:	**$4,122.5**	-29.3%
Fee-based:	$4,122.5	-29.3%
Other account assets:	N/D	N/A
Excess net capital:	$6.0	-12.2%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Founders Financial, a unit of Founders Financial Inc.

1026 Cromwell Bridge Road, Suite 100
Towson, MD 21286
(888) 523-1162
foundersfinancial.com
Year founded: 2006
CEO/Top executive: Bradley M. Shepherd
Recruiting contact: Tom Senseney

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	90	1.1%
# of CFPs:	25	0.0%
Avg payout per rep/year:	$472,734	-5.8%
# of fee-based advisors served:	82	-1.2%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$38.3**	-5.8%
Commission:	$4.6	-19.6%
Fee:	$31.9	-4.4%
Other:	$1.8	15.7%
Total account assets:	**$4,044.8**	-12.3%
Fee-based:	$2,494.3	-6.0%
Other account assets:	$368.9	18.0%
Excess net capital:	$0.9	-16.4%
Total operating expenses:	$9.2	29.3%
Pretax earnings:	N/D	N/A

Equitable Advisors, a unit of Equitable Holdings Inc.

1290 Sixth Ave.
New York, NY 10104
(212) 554-1234
equitable.com
Year founded: 1999
CEO/Top executive: David Karr
Recruiting contact: David Goettelmann

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	4,095	2.5%
# of CFPs:	477	0.4%
Avg payout per rep/year:	$226,979	2.9%
# of fee-based advisors served:	3,106	1.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$1,244.5**	-0.7%
Commission:	$736.0	-6.0%
Fee:	$425.4	5.1%
Other:	$83.2	27.4%
Total account assets:	**$193,983.6**	-8.5%
Fee-based:	$45,543.7	-9.0%
Other account assets:	$148,439.9	-8.3%
Excess net capital:	$45.9	-2.1%
Total operating expenses:	$1,128.2	0.7%
Pretax earnings:	$116.4	-12.8%

Geneos Wealth Management Inc.

9055 E. Mineral Circle
Centennial, CO 80112
(888) 812-5043
geneoswealth.com
Year founded: 2002
CEO/Top executive: Ryan Diachok
Recruiting contact: Austin Gross

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	217	0.0%
# of CFPs:	74	-6.3%
Avg payout per rep/year:	$492,735	4.0%
# of fee-based advisors served:	217	0.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$131.4**	-6.9%
Commission:	$35.2	-14.5%
Fee:	$91.0	-5.5%
Other:	$5.2	40.7%
Total account assets:	**$16,021.5**	-26.8%
Fee-based:	$14,002.9	-11.7%
Other account assets:	$2,018.6	-66.5%
Excess net capital:	$1.4	36.0%
Total operating expenses:	$16.1	4.4%
Pretax earnings:	$0.3	-74.7%

N/A = not available. N/D = not disclosed.

Grove Point Financial, a unit of Kestra Holdings

2440 Research Blvd., #500
Rockville, MD 20850
(301) 944-5900
grovepointfinancial.com
Year founded: 1984
CEO/Top executive: Michelle A. Barry
Recruiting contact: Robert J. Engle

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	396	-3.2%
# of CFPs:	95	35.7%
Avg payout per rep/year:	$269,881	-13.0%
# of fee-based advisors served:	361	13.2%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$107.1**	-16.0%
Commission:	$56.8	-21.1%
Fee:	$43.9	-12.6%
Other:	$6.3	22.3%
Total account assets:	**$15,413.5**	-23.5%
Fee-based:	$4,548.6	-22.0%
Other account assets:	$10,864.9	-24.1%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

J.W. Cole Financial Inc.

4301 Anchor Plaza Parkway
Tampa, FL 33634
(866) 592-6531
jw-cole.com
Year founded: 2002
CEO/Top executive: Robert Wood
Recruiting contact: John Carlson

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	496	2.3%
# of CFPs:	86	1.2%
Avg payout per rep/year:	$386,824	11.5%
# of fee-based advisors served:	435	1.2%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$191.9**	2.3%
Commission:	$89.4	-2.5%
Fee:	$102.4	6.9%
Other:	$0.0	N/A
Total account assets:	**$30,578.9**	13.3%
Fee-based:	$13,289.0	18.9%
Other account assets:	$17,289.9	9.4%
Excess net capital:	$12.6	31.6%
Total operating expenses:	$16.5	9.3%
Pretax earnings:	$7.50	33.8%

Harbour Investments Inc.

575 D'Onofrio Drive
Madison, WI 53719
(608) 662-6100
harbourinv.com
Year founded: 1987
CEO/Top executive: Aaron M. Hager
Recruiting contact: Aaron M. Hager

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	219	1.4%
# of CFPs:	43	0.0%
Avg payout per rep/year:	$362,021	-1.0%
# of fee-based advisors served:	217	-1.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$79.0**	0.4%
Commission:	$33.0	-7.1%
Fee:	$45.0	6.7%
Other:	$0.0	N/A
Total account assets:	**$14,218.0**	0.0%
Fee-based:	$5,760.0	-5.6%
Other account assets:	$8,458.0	4.2%
Excess net capital:	$0.7	206.5%
Total operating expenses:	$77.8	0.4%
Pretax earnings:	$0.0	-39.3%

Kestra Financial Inc, a unit of Kestra Holdings

5707 Southwest Parkway, Bldg 2
Austin, TX 78735
(844) 553-7872
kestrafinancial.com
Year founded: 1996
CEO/Top executive: James Poer
Recruiting contact: Daniel Schwamb

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	1,335	-5.2%
# of CFPs:	368	8.6%
Avg payout per rep/year:	$575,586	-2.9%
# of fee-based advisors served:	1,183	-1.4%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$790.2**	5.2%
Commission:	$207.8	-7.6%
Fee:	$518.5	7.7%
Other:	$63.9	42.8%
Total account assets:	**$103,181.4**	-9.8%
Fee-based:	$51,907.7	1.4%
Other account assets:	$51,273.7	-18.8%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Hornor Townsend & Kent, a unit of Penn Mutual Life Insurance Co.

600 Dresher Road
Horsham, PA 19044
(800) 873-7637
htk.com
Year founded: 1969
CEO/Top executive: Aaron Gordon
Recruiting contact: Kenneth Jones

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	539	0.2%
# of CFPs:	N/D	N/A
Avg payout per rep/year:	$174,859	6.5%
# of fee-based advisors served:	429	-2.5%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$129.2**	-5.6%
Commission:	$76.8	-10.0%
Fee:	$49.8	-0.8%
Other:	$2.6	45.4%
Total account assets:	**$16,907.5**	-19.7%
Fee-based:	$6,446.1	-8.5%
Other account assets:	$10,441.5	-25.4%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Kovack Securities Inc., a unit of Kovack Financial Network

6451 N. Federal Highway, Suite 1201
Fort Lauderdale, FL 33308
(866) 564-6574
joinkfn.com
Year founded: 1997
CEO/Top executive: Brian J. Kovack
Recruiting contact: Carlo A. Bidone

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	391	-3.5%
# of CFPs:	94	4.4%
Avg payout per rep/year:	$237,471	-5.0%
# of fee-based advisors served:	365	1.4%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$95.0**	-6.2%
Commission:	$42.3	-9.6%
Fee:	$51.4	0.3%
Other:	$1.3	-60.6%
Total account assets:	**$12,210.5**	-16.5%
Fee-based:	$2,976.8	-20.0%
Other account assets:	$9,233.7	-15.3%
Excess net capital:	$2.2	-11.1%
Total operating expenses:	$92.2	-1.8%
Pretax earnings:	$2.7	-47.6%

Independent Financial Group

12671 High Bluff Drive, Suite 200
San Diego, CA 92130
(800) 269-1903
ifgsd.com
Year founded: 2003
CEO/Top executive: Scott Heising
Recruiting contact: Julia Kohan

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	577	4.5%
# of CFPs:	145	4.3%
Avg payout per rep/year:	$382,270	-3.6%
# of fee-based advisors served:	482	7.1%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$267.1**	3.8%
Commission:	$115.1	-3.7%
Fee:	$130.5	6.2%
Other:	$21.5	44.7%
Total account assets:	**$34,877.7**	1.5%
Fee-based:	$10,303.0	-8.6%
Other account assets:	$24,574.7	6.4%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

LaSalle St. Securities

940 N. Industrial Drive
Elmhurst, IL 60126
(800) 777-7865
lasallest.com
Year founded: 1974
CEO/Top executive: Jack McDermott
Recruiting contact: Mark Contey

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	255	2.0%
# of CFPs:	45	0.0%
Avg payout per rep/year:	$230,000	4.5%
# of fee-based advisors served:	155	3.3%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$55.0**	1.9%
Commission:	$36.8	5.0%
Fee:	$19.5	8.3%
Other:	$1.0	0.0%
Total account assets:	**$12,000.0**	-4.0%
Fee-based:	$4,000.0	14.3%
Other account assets:	N/D	N/A
Excess net capital:	$2.0	0.0%
Total operating expenses:	$5.5	10.0%
Pretax earnings:	$3.5	16.7%

N/A = not available. N/D = not disclosed.

Cracking the Retirement Income Puzzle

Protective's Jim Wagner explains what advisors should look for as they prepare clients to begin drawing on their assets for income in a market unlike any they've seen.

People on the cusp of retirement are facing uncertainty about their investments just when they need it least. To help advisors find smart solutions to the current market conditions—including a new approach to income—InvestmentNews Create recently connected with Jim Wagner, Chief Distribution Officer, Retirement Division, at Protective.

JIM WAGNER
Chief Distribution Officer
Retirement Division
Protective

InvestmentNews Create: Clients are facing market pressures we haven't seen in a long time. What strategies can financial professionals use to guide investors during this period?

JIM WAGNER: Once-stable solutions no longer provide the safety net they historically have. The "60/40" portfolio—60% equities and 40% bonds—isn't what it used to be. Bonds are not ceating the desired level of safety within a portfolio anymore.

Taxes, inflation, rising interest rates and volatile markets pose increasing challenges, and clients are looking for solutions that can protect their assets and provide income in retirement. That's where annuities can help deliver confidence.

InvestmentNews Create: We talked about the challenging economic environment; why do these conditions make it important for advisors to consider investments that offer growth potential, guaranteed income and legacy protection? How has Protective tailored its income solutions to meet client needs?

JIM WAGNER: Put simply, annuities have become a critical element of asset allocation. Yes, they offer important death benefits and the potential for tax-deferred gains. But now more than ever we see the need for variable annuities to solve some of the threats we see present in today's market. We've got rising interest rates. We have inflation like we haven't seen in two decades. And these are hitting just as people are preparing to retire, so they need income. They're also going to need that income longer, because their expected longevity has increased over that of prior generations. It's a perfect storm.

Today's higher interest rates make variable annuities that have guarantees and living benefits, such as options to pay lifetime income, very enticing. These solutions can help clients access the potential for growth in the market; holders of a living benefit may find that the benefit value of the annuity may shift with the markets but the guaranteed income element won't.

InvestmentNews Create: How important is it for advisors to frame the discussion with clients when talking about lifetime income solutions such as annuities?

JIM WAGNER: Well, we already know that for advisors, the way they frame their advice to clients can make a real difference in how likely the clients can be to take that advice. What's funny is how this seems to be especially true for annuities.

In some of the research that we've conducted with partners, we have found that when advisors use the word "annuities" in talking with clients, the clients tend to be less receptive. However, when we surveyed clients about their desire to have a solution that provided guaranteed income in retirement, they were excited and said they would want to learn more.

This means advisors have to understand the problem the client is trying to solve and frame the solutions they propose in terms of helping their clients solve those problems. Annuities and other financial products can be very complex, and it's important that financial advisors use language that resonates with their clients.

It's an approach that we believe will be successful based on more than our own studies: Nearly half of Americans would be willing to convert some of their assets into a guaranteed lifetime income stream according to The Facts of Life and Annuities study conducted by LIMRA. And those Americans who already own an annuity feel they are on firmer financial ground than those who don't. In fact, 69% of those who own an annuity agree they won't outlive their savings by age 90, compared to 44% for those who don't own an annuity, according to Secure Retirement Institute data.

InvestmentNews Create: What benefits should advisors look for? We're thinking here about specific features designed to help address particular client needs.

JIM WAGNER: Protective has put a lot of time and effort into understanding that, and we developed a new offering, Protective Aspirations Variable annuity, to help meet those needs.

Longevity risk is a major reason clients get interested in annuities. Based on industry research, we can safely assume clients will live 30 years during retirement. That's a long time and their income needs can change drastically within that time frame.

We designed Protective's variable annuities with those needs in mind, offering clients the flexibility to control their income withdrawals. If clients decide to retire later than expected, they could benefit from higher withdrawal rates. Conversely, if clients retire sooner than expected, they won't see a huge hit to their income because our solutions offer unique withdrawal factors by age, instead of the typical age band structure often seen on living benefits.

Advisors should also be aware that most variable annuities don't offer a credit or carryover amount for years that clients take less than their maximum withdrawal amount. And if clients were to need additional funds from their retirement portfolio, other VAs would reduce the guaranteed amount for life. We've developed a unique feature with SecurePay Reserve, which offers clients the flexibility to defer up to three times their annual withdrawal amount. It can then be used for financial emergencies like a health scare, or for a big-ticket item they've been working toward like a special family trip. ■

To find out more visit protective.com

Lincoln Investment Planning, a unit of Lincoln Investment Group Holdings

601 Office Center Drive, Suite 300
Fort Washington, PA 19034
(215) 887-8111
lincolninvestment.com
Year founded: 1968
CEO/Top executive: Edward Forst
Recruiting contact: Thomas Lakatos

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	984	0.2%
# of CFPs:	215	1.4%
Avg payout per rep/year:	$290,525	-4.8%
# of fee-based advisors served:	1,050	13.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$398.2**	-5.9%
Commission:	$114.8	-12.2%
Fee:	$273.1	-3.2%
Other:	$10.4	0.5%
Total account assets:	**$44,482.2**	-15.3%
Fee-based:	$22,823.7	-12.5%
Other account assets:	$21,658.5	-18.0%
Excess net capital:	$24.8	-32.5%
Total operating expenses:	$99.6	2.1%
Pretax earnings:	N/D	N/A

Packerland Brokerage Services Inc.

432 Security Blvd., Suite 101
Green Bay, WI 54313
(920) 662-9500
packerlandbrokerage.com
Year founded: 1994
CEO/Top executive: Zach Kelly
Recruiting contact: Scott Zwierzynski

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	287	4.7%
# of CFPs:	21	0.0%
Avg payout per rep/year:	$115,817	-12.4%
# of fee-based advisors served:	1	-50.0%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$35.8**	-3.0%
Commission:	$25.5	-4.7%
Fee:	$9.8	3.1%
Other:	$0.6	-17.8%
Total account assets:	**$930.0**	-8.7%
Fee-based:	$930.0	-8.7%
Other account assets:	N/A	N/A
Excess net capital:	$1.2	34.8%
Total operating expenses:	$3.7	6.1%
Pretax earnings:	$0.3	-63.5%

LPL Financial, a unit of LPL Financial Holdings Inc.

4707 Executive Drive
San Diego, CA 92121
(866) 794-0185
lpl.com
Year founded: 1968
CEO/Top executive: Dan Arnold
Recruiting contact: Scott Posner, Rich Steinmeier

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	21,275	7.0%
# of CFPs:	N/A	N/A
Avg payout per rep/year:	$258,000	-5.7%
# of fee-based advisors served:	N/A	N/A

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$8,600.8**	11.4%
Commission:	$2,326.2	-2.2%
Fee:	$3,875.2	9.9%
Other:	$2,489.8	37.0%
Total account assets:	**$1,110,800.0**	-7.9%
Fee-based:	N/D	N/A
Other account assets:	N/D	N/A
Excess net capital:	$0.0	-100.0%
Total operating expenses:	N/D	N/A
Pretax earnings:	$1,111.7	84.9%

Park Avenue Securities, a unit of Guardian Life Insurance Co. of America

10 Hudson Yards
New York, NY 10001
(888) 600-4667
parkavenuesecurities.com
Year founded: 1999
CEO/Top executive: Marianne Caswell
Recruiting contact: Katie Martineau, Kevin Janus

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	1,878	-3.9%
# of CFPs:	N/A	N/A
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	N/A	N/A

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$318.0**	-2.4%
Commission:	$168.3	-10.0%
Fee:	$149.8	11.6%
Other:	$0.0	-100.0%
Total account assets:	**$41,597.9**	-11.8%
Fee-based:	$19,008.4	-8.2%
Other account assets:	$22,589.5	-14.5%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

MML Investors Services, a unit of Massachusetts Mutual Life Insurance Co.

1295 State St.
Springfield, MA 01111
(800) 542-6767
massmutual.com/investment/mmlinvestors
Year founded: 1981
CEO/Top executive: John Vaccaro
Recruiting contact: Julie Davis

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	5,863	-4.5%
# of CFPs:	541	-9.4%
Avg payout per rep/year:	$170,636	9.6%
# of fee-based advisors served:	5,180	-3.2%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$1,573.8**	-0.1%
Commission:	$749.3	-10.3%
Fee:	$816.9	12.0%
Other:	$7.6	-28.3%
Total account assets:	**$211,600.0**	-15.8%
Fee-based:	$72,000.0	-8.5%
Other account assets:	$139,600.0	-19.1%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/A	N/A

PlanMember Securities Corp.

6187 Carpinteria Ave.
Carpinteria, CA 93013
(800) 874-6910
planmember.com/join
Year founded: 1982
CEO/Top executive: Jon Ziehl
Recruiting contact: Kevin Twohy

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	474	2.8%
# of CFPs:	44	2.3%
Avg payout per rep/year:	$201,000	-4.1%
# of fee-based advisors served:	474	2.8%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$141.0**	-1.4%
Commission:	$17.1	-29.6%
Fee:	$121.8	2.6%
Other:	$2.1	N/A
Total account assets:	**$14,400.0**	-13.3%
Fee-based:	$11,088.0	-13.7%
Other account assets:	$3,400.0	-10.5%
Excess net capital:	$14.3	-13.3%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/A	N/A

Northwestern Mutual, a unit of The Northwestern Mutual Life Insurance Co.

720 E. Wisconsin Ave.
Milwaukee, WI 53202
(866) 664-7737
northwesternmutual.com
Year founded: 1968
CEO/Top executive: Sarah R. Schneider
Recruiting contact: Kathy Tague

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	5,633	1.8%
# of CFPs:	1,405	2.6%
Avg payout per rep/year:	$286,649	6.4%
# of fee-based advisors served:	N/A	N/A

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$2,203.6**	10.0%
Commission:	$466.7	-1.7%
Fee:	$1,533.5	9.8%
Other:	$203.5	55.2%
Total account assets:	**$255,762.6**	-8.5%
Fee-based:	$158,607.7	-2.8%
Other account assets:	$97,154.9	-16.5%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

Principal Securities Inc. , a unit of Principal Financial Services Inc.

711 High St.
Des Moines, IA 50392
(888) 774-6267
principal.com
Year founded: 1968
CEO/Top executive: Michael F. Murray
Recruiting contact: Betsy Jepsen

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	1,309	-2.7%
# of CFPs:	N/A	N/A
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	904	-2.7%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$366.6**	-5.8%
Commission:	$221.8	-13.9%
Fee:	$133.8	2.8%
Other:	$11.0	727.5%
Total account assets:	**$65,025.0**	-22.3%
Fee-based:	$12,648.5	-10.8%
Other account assets:	$52,376.5	-24.6%
Excess net capital:	$13.4	15.5%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

N/A = not available. N/D = not disclosed.

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TUESDAY, MAY 16, 2023 | 4:00PM-5:00PM ET

What Do Taxes Have to Do With Performance?

In a nervous market, advisors can feel like alpha is hard to find. Some commentators believe that by considering the tax impact of investing decisions, advisors—and in turn, their clients—can minimize the drag from taxes on a portfolio and in effect, create upside. We'll explore:

- How much tax efficiency really can matter
- Opportunities for "tax alpha" that advisors might not have realized
- Why it matters in this market

SPEAKERS

Gregg Greenberg
Retirement & Planning Editor
InvestmentNews

Todd Mackay
President
Avantax Wealth Management

Leslie Geller
Wealth Strategist
Capital Group

Jonathan Duggan
Director of Financial Planning
Procyon Partners

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Prospera Financial Services Inc.

5429 LBJ Freeway, Suite 750
Dallas, TX 75240
(972) 581-3000
prosperafinancial.com
Year founded: 1982
CEOs/Top executives: Tim Edwards, David Stringer
Recruiting contact: Kim C. Utz

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	164	0.6%
# of CFPs:	25	4.2%
Avg payout per rep/year:	$661,607	8.9%
# of fee-based advisors served:	164	0.6%

Financials *(Year-end: Jun. 30)*	2022 ($M)	1-year %chg
Total revenue:	**$109.9**	⬆34.1%
Commission:	$30.7	20.1%
Fee:	$71.5	41.5%
Other:	$7.7	31.3%
Total account assets:	**$13,800.0**	⬇-8.0%
Fee-based:	$6,000.0	1.7%
Other account assets:	$7,800.0	-14.3%
Excess net capital:	$7.60	-22.2%
Total operating expenses:	$29.0	N/A
Pretax earnings:	$2.3	-28.6%

The Leaders Group

26 W. Dry Creek Circle, Suite 800
Littleton, CO 80120
(303) 797-9080
leadersgroup.net/about-us/
Year founded: 1994
CEO/Top executive: Sean D. Wickersham
Recruiting contact: Charles Arnold

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	605	2.5%
# of CFPs:	104	-1.9%
Avg payout per rep/year:	$163,977	15.3%
# of fee-based advisors served:	245	3.8%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$127.8**	⬆6.5%
Commission:	$127.8	8.1%
Fee:	$0.0	N/A
Other:	$0.0	N/A
Total account assets:	**$2,495.3**	⬇-8.2%
Fee-based:	$43.5	-18.1%
Other account assets:	N/A	N/A
Excess net capital:	$8.2	45.4%
Total operating expenses:	$126.6	3.7%
Pretax earnings:	$3.1	-34.5%

Raymond James Financial Services Inc., a unit of Raymond James Financial

880 Carillon Parkway
St. Petersburg, FL 33716
(727) 567-1000
advisorchoice.com
Year founded: 1974
CEO/Top executive: Paul Reilly
Recruiting contact: Robbie Moseley

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	4,589	-0.8%
# of CFPs:	1,293	-8.4%
Avg payout per rep/year:	$583,787	11.6%
# of fee-based advisers served:	4,220	-2.3%

Financials *(Year-end: Sep. 30)*	2022 ($M)	1-year %chg
Total revenue:	**$3,590.4**	⬆13.3%
Commission:	N/D	N/A
Fee:	N/D	N/A
Other:	N/D	N/A
Total account assets:	**$398,825.0**	⬇-14.5%
Fee-based:	$238,791.0	-15.3%
Other account assets:	$160,034.0	-13.2%
Excess net capital:	$76.0	31.5%
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

The O.N. Equity Sales Co., a unit of Constellation Insurance Inc.

One Financial Way
Cincinnati, OH 45242
(877) 663-7267
joinonesco.com
Year founded: 1968
CEO/Top executive: Nancy Westbrock
Recruiting contact: Terry Garrard

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	402	-17.1%
# of CFPs:	55	-14.1%
Avg payout per rep/year:	$151,390	1.0%
# of fee-based advisors served:	268	-14.9%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$70.2**	⬇-17.0%
Commission:	$50.2	-19.6%
Fee:	$19.9	-9.7%
Other:	$0.1	-31.8%
Total account assets:	**$10,772.0**	⬇-23.5%
Fee-based:	$2,078.5	-20.5%
Other account assets:	$8,693.5	-24.2%
Excess net capital:	$7.9	212.3%
Total operating expenses:	$68.5	-15.9%
Pretax earnings:	$2.0	-37.2%

Securian Financial Services Inc., a unit of Securian Financial Group Inc.

400 Robert St. N.
St. Paul, MN 55101
(651) 665-3500
securian.com
Year founded: 1984
CEO/Top executive: George Connolly
Recruiting contact: N/A

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	1,026	7.9%
# of CFPs:	177	-21.0%
Avg payout per rep/year:	$358,674	11.0%
# of fee-based advisors served:	966	-5.6%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$474.3**	⬆3.0%
Commission:	$209.2	-0.9%
Fee:	$206.8	5.8%
Other:	$58.4	8.0%
Total account assets:	**$47,411.1**	⬇-10.9%
Fee-based:	$24,834.1	-7.8%
Other account assets:	$22,577.1	-14.0%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

The Strategic Financial Alliance Inc., a unit of SFA Holdings Inc.

2200 Century Parkway
Atlanta, GA 30345
(678) 954-4000
thesfa.net
Year founded: 2003
CEO/Top executive: Clive Slovin
Recruiting contact: Bryan Yvon

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	105	-5.4%
# of CFPs:	41	-8.9%
Avg payout per rep/year:	$452,000	3.4%
# of fee-based advisors served:	55	3.8%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$57.3**	⬆7.6%
Commission:	$19.2	5.3%
Fee:	$33.3	9.3%
Other:	$4.8	5.8%
Total account assets:	**$5,060.0**	⬆0.2%
Fee-based:	$4,058.0	0.1%
Other account assets:	$1,002.0	0.2%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

The Investment Center Inc.

1420 U.S. Highway 206 N.
Bedminster, NJ 07921
(800) 345-8041
investmentctr.com
Year founded: 1986
CEO/Top executive: Ralph J. DeVito
Recruiting contact: Bryan Gilrane

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	258	3.6%
# of CFPs:	53	-3.6%
Avg payout per rep/year:	$265,899	-2.0%
# of fee-based advisors served:	212	-0.5%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$77.8**	⬆1.7%
Commission:	$34.4	-11.4%
Fee:	$38.4	9.8%
Other:	$5.0	86.4%
Total account assets:	**$11,070.2**	⬇-14.0%
Fee-based:	$3,591.8	-31.6%
Other account assets:	$3,591.8	-52.9%
Excess net capital:	$3.5	16.3%
Total operating expenses:	$75.3	0.6%
Pretax earnings:	$2.5	53.0%

Trustmont Financial Group Inc.

200 Brush Run Road
Greensburg, PA 15601
(724) 468-5665
trustmontgroup.com
Year founded: 1986
CEO/Top executive: Anthony C. Hladek
Recruiting contact: Lacey Dochinez

Staffing and compensation *(as of Dec. 31)*	2022	1-year %chg
# of producing reps:	83	0.0%
# of CFPs:	22	-37.1%
Avg payout per rep/year:	$164,000	3.8%
# of fee-based advisors served:	47	2.2%

Financials *(Year-end: Dec. 31)*	2022 ($M)	1-year %chg
Total revenue:	**$13.4**	⬇-0.7%
Commission:	$6.5	-15.6%
Fee:	$6.9	19.0%
Other:	$0.0	N/A
Total account assets:	**$1,879.0**	⬇-20.5%
Fee-based:	$772.8	-7.9%
Other account assets:	$1,106.2	-27.5%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

N/A = not available. N/D = not disclosed.

Trutoro

2201 Washington Ave., Suite 2
Conway, AR 72032
(501) 358-6131
veritasindependentpartners.com
Year founded: 2013
CEO/Top executive: Gail Murdoch
Recruiting contact: Debra Shannon

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	29	7.4%
# of CFPs:	2	0.0%
Avg payout per rep/year:	$85,384	6.2%
# of fee-based advisors served:	17	-5.6%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$2.2**	-7.8%
Commission:	$0.9	-15.8%
Fee:	$1.3	-1.5%
Other:	$0.0	N/A
Total account assets:	**$299.4**	-1.0%
Fee-based:	$138.7	2.8%
Other account assets:	N/A	N/A
Excess net capital:	$0.1	-29.5%
Total operating expenses:	$2.1	-9.0%
Pretax earnings:	N/D	N/A

United Planners Financial Services, a unit of United Planners Financial Services

7333 E. Doubletree Ranch Road, Suite 110
Scottsdale, AZ 85258
(800) 966-8737
unitedplanners.com
Year founded: 1987
CEO/Top executive: Michael A. Baker
Recruiting contact: Sheila J. Cuffari-Agasi

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	459	2.7%
# of CFPs:	148	21.3%
Avg payout per rep/year:	$390,929	1.5%
# of fee-based advisors served:	471	3.5%

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$179.4**	1.1%
Commission:	$53.9	-5.8%
Fee:	$119.6	3.3%
Other:	$5.9	32.9%
Total account assets:	**$21,700.0**	-0.5%
Fee-based:	$12,400.0	-10.1%
Other account assets:	$9,300.0	16.3%
Excess net capital:	$7.4	31.6%
Total operating expenses:	$175.0	-9.0%
Pretax earnings:	$4.5	8.8%

Vanderbilt Financial Group

125 Froehlich Farm Blvd.
Woodbury, NY 11797
(631) 845-5100
JoinVanderbilt.com
Year founded: 1971
CEO/Top executive: Heidi Distante
Recruiting contact: Joe Trifiletti

Staffing and compensation (as of Dec. 31)	2022	1-year %chg
# of producing reps:	235	16.3%
# of CFPs:	N/A	N/A
Avg payout per rep/year:	N/D	N/A
# of fee-based advisors served:	N/A	N/A

Financials (Year-end: Dec. 31)	2022 ($M)	1-year %chg
Total revenue:	**$39.6**	-9.3%
Commission:	N/D	N/A
Fee:	N/D	N/A
Other:	N/D	N/A
Total account assets:	**$5,049.30**	-8.9%
Fee-based:	N/A	N/A
Other account assets:	$5,049.3	-8.9%
Excess net capital:	N/D	N/A
Total operating expenses:	N/D	N/A
Pretax earnings:	N/D	N/A

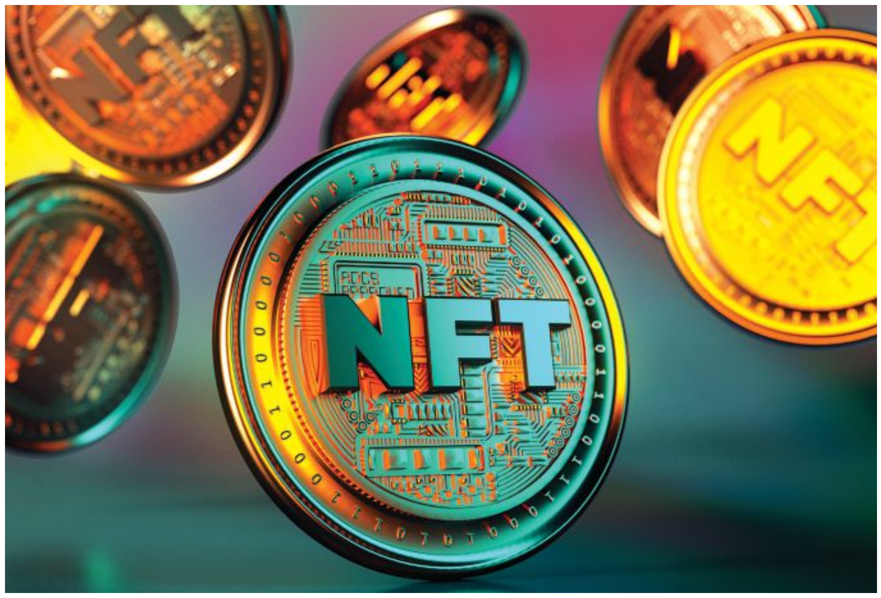
N/A = not available. N/D = not disclosed.

INDIVIDUAL RETIREMENT ACCOUNTS

Nonfungible tokens held in IRAs can trigger big tax hit

Nonfungible tokens, or NFTs, may trigger unexpected taxes and penalties if they're held in an individual retirement account, the IRS said in a notice issued in March.

IRAALERT
ED SLOTT



IRA funds can be invested in anything except these prohibited investments:

- Collectibles.
- Life insurance.
- S Corp. stock.

The IRS guidance focuses on whether NFTs are considered collectibles, which have always been a prohibited IRA investment. Under Tax Code § 408(m)(2), the term "collectible" means:

- Any work of art.
- Any rug or antique.
- Any metal or gem.
- Any stamp or coin.
- Any alcoholic beverage.
- Any other tangible personal property specified by the IRS.

However, there's an exception for coins issued under state law and certain gold, silver, platinum or palladium bullion. These are not considered a collectible, so they're not a prohibited IRA investment. However, they still must be held by an IRA custodian, and can't be held by the IRA owner at home, for example.

In fact, back in November 2021, a U.S. Tax Court case showed the steep risks to retirement savings of holding gold coins at home. In that case, Donna McNulty, a Rhode Island nurse, lost it all when the Tax Court held her self-directed IRA investment in gold coins that she kept in her possession at home was a taxable distribution. This cost her more than $300,000 in taxes and penalties.

While the above list of collectibles doesn't include NFTs specifically, the IRS says certain NFTs may now be included if they're linked to a collectible. That could raise serious and expensive tax issues for clients who may be holding NFTs in their IRAs.

If a collectible (or any other prohibited investment) is held in an IRA, the original cost will be treated as a taxable distribution from the IRA. In addition, a 10% early distribution penalty will apply if the IRA owner is under 59½ years old. The key here is that the distribution amount is based on the original cost, even if the asset has decreased in value. (It's not clear how the IRS intends to apply this rule for an NFT in an IRA that is considered a collectible under the new guidance but was purchased prior to issuance of the notice.)

In a separate publication, IRS Publication 590-A, the IRS says that a collectible doesn't need to be withdrawn from the IRA once a deemed distribution on the investment occurs. The publication states that when the NFT is actually distributed from the IRA, any amounts that were already included in income as a result of the deemed distribution won't be included again in income. In other words, the IRA owner will get credit for basis to the extent the original cost was treated as being distributed.

Example 1: Joe, 45, invested $200,000 of his traditional IRA funds in an NFT when they were all the rage. The NFT is linked to ownership rights to a collectible. But now the NFT turns out to be worthless. Joe will owe tax on the full $200,000 (plus a 10% penalty), even though the value is zero! Ouch. That's a double hit: first the loss of the funds, and then paying tax on value that no longer exists.

ROTH IRA EFFECT

NFTs in Roth IRAs may be more common since investors who believe their NFTs will substantially appreciate will want those gains to be free from income tax.

If the Roth IRA NFT is deemed to be a collectible, the investment in the NFT wouldn't be a taxable distribution if the distribution is "qualified" (i.e., the investment is made after any of the owner's Roth IRAs have been held for at least five years and when the IRA owner is at least 59½).

Example 2: Joe's older brother, Pete, who's 60, invested his Roth IRA funds in an NFT considered a collectible. Pete will still be subject to a deemed distribution on his investment, but there will be no income tax since the deemed distribution is on a Roth IRA NFT investment (assuming the distribution is qualified).

Instead of the NFT becoming worthless, what happens if the NFT value increases, say to $1 million, when Pete actually distributes it out of the Roth IRA? It appears that Pete won't owe taxes on the $800,000 gain either. In other words, the usual Roth IRA tax advantages aren't lost even though the Roth is invested in a prohibited investment.

Hopefully, most clients aren't investing their IRA funds in NFTs, but there must be enough of this going on for the IRS to issue guidance on it.

NFT LOOK-THROUGH RULES

NFTs can provide the holder the right to a digital file that may be an image, music, trading card or a digital sports moment, to name a few examples. Or an NFT can provide the holder the right to attend a concert or certify ownership of a certain item.

Not all NFTs in IRAs will trigger a deemed distribution. The IRS states in its guidance that you must look through the NFT to see whether the right or asset is associated with a collectible.

The IRS provides examples where the NFT would be deemed a collectible and a prohibited IRA investment resulting in a deemed distribution based on the original cost. This would be the case where the NFT looks through to rights or ownership of a gem or a work of art (both collectibles). The notice also has an example where the NFT is not considered a collectible when it provides a right to use or develop a plot of land. Since land is an acceptable IRA investment, the NFT won't cause a tax problem.

PROHIBITED TRANSACTION RISK

The tax damage could get even worse. The IRS points out that if an NFT in an IRA is deemed to be a collectible, the IRA NFT can cause a prohibited transaction, as well as a deemed distribution on the investment. That would be the case if the IRA owner uses the property for his own interest. In this situation, the tax consequences will be much worse since the entire IRA will be disqualified and be deemed distributed as of the first day of the year the prohibited transaction occurred. This is much worse than a deemed distribution of only the cost of the NFT.

Example 3: Mary invests $300,000 of her $2 million IRA in an NFT. The NFT certifies ownership of a rare gem, which is a prohibited IRA investment. Because the NFT is a collectible, the $300,000 investment would be a taxable deemed distribution in the year of investment. Mary then lends the gem to a museum and receives compensation in return. That's a prohibited transaction since Mary is using the gem personally in her own interest. In that case, the entire $2 million IRA is disqualified and taxable to Mary as a distribution from her IRA (minus the $300,000 basis from the deemed distribution on the original investment). In addition to the tax on the prohibited transaction, if Mary was under age 59½ at the time it occurred, she would also be subject to a 10% early distribution penalty.

These are extreme tax outcomes. While NFTs are relatively new, the IRS is on top of these as IRA investments.

NOT ALL NFTs IN IRAs WILL TRIGGER A DEEMED DISTRIBUTION.

It should be noted that this is the first salvo from IRS. The notice states that IRS is open to comments on the issue and intends to issue more guidance. However, these will be the rules for now.

GETTING THE WORD OUT

Advisors should get the word out to any clients who already have NFTs in their IRA or are considering doing so and advise them of this guidance.

If clients are holding NFTs in their IRAs, review them to see which NFTs are acceptable assets to hold in an IRA and which may be deemed a collectible under this IRS guidance. If the NFT is considered a collectible, warn clients about a taxable deemed distribution on the original investment and potential prohibited transaction exposure if the rights to the NFT are used personally. Be very careful here!

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

RETIREMENT

Boomers refute retirement criticism

GREG GREENBERG

ONPLANNING

You know where they say a road paved with good intentions leads, right?

Well, not too long ago, I posted a column warning future generations not to follow the baby boomers' lead when it comes to retirement planning. And that pretty much led me straight to a journalist's version of that fiery place.

Before I plead my case to the boomer community, here's what happened.

Highlighting a study by the Transamerica Center for Retirement Studies that said the median amount baby boomers, or those born between the years 1946 and 1964, have saved for retirement is a totally inadequate $144,000, I wrote that the boomer generation was on the "Road to Nowhere," even going so far as to reference the lyrics and title of the well-known Talking Heads song.

At the time I wrote, "Sorry to be blunt, boomers, but it's not just the soundtrack in our heads that's telling us that you are traveling down a troubled path, it's the data on our screens, too. Statistics from industry experts clearly show that your financial future is indeed certain — just not in a good way."

Fine. Admittedly I was being, well, "blunt." But I was writing as simply and directly as possible for what I believed was a noble reason. That is, to encourage Generation Xers, millennials and Gen Zers not to repeat the mistakes made by their elders.

And then the boomers lowered the boom … on me!

Emails flooded in, accusing me of ignoring the repeated financial indignities suffered by boomers, a large number of those hardships that weren't of their own making.

Responded Thomas: "How are boomers supposed to retire? They're still raising their adult kids AND adult grandkids who refuse to get out of their house and get on with life! Tell the 'you get' generation to stop whining about every little thing, pull themselves up and get on with it already!"

Wrote Wendy: "Because it was active lobbying again and again by the investment firms for policies eliminating pensions. And then there was active lobbying against a government run retirement program for low- and middle-income people in my state because the financial firms didn't want competition for fees. Because of that, a lot of elders are already homeless or living in poverty."

And on and on and on it went. My well-intentioned missive to post-boomers turned me into a boomer pariah.

So why am I bringing it up again? Why open myself to additional criticism from 76 million Americans with keyboards at the ready and chips on their shoulders?

Well, partly to set the record straight and partly to double down.

In terms of record straightening, I did point out in my original column that numerous financial crashes (e.g., dotcom, housing) and geopolitical conflicts (e.g., Vietnam, Iraq, Afghanistan) have "affected their work history and their ability to save an adequate amount for retirement." I also clearly stated that the baby boomers were "forced to deal with the societal transition from workplace pensions to defined-contribution plans, which left many ill-prepared for retirement."

WHY OPEN MYSELF TO ADDITIONAL CRITICISM FROM 76 MILLION AMERICANS WITH KEYBOARDS AT THE READY?

BABY BOOMERS' STRUGGLES

Finally, I wrote that the spike in health care costs, along with longer lifespans, certainly did not help "the boomers' ability to sock away money to prepare for a rainy day, or year."

So in my defense, I do have that on the record. But there were a few more things I could have said about the struggles baby boomers faced while saving for retirement in addition to those reasons offered by Thomas, Wendy and others.

First off, baby boomers were once considered a wealthier generation because their incomes drastically increased compared to the prior generation. Most, however, were taught to live and save based on an income plan that focused on three parts: Social Security, pensions and personal savings.

Unfortunately, that three-legged retirement stool on which boomers were counting kept having its legs hacked, causing it to wobble severely.

"As this generation worked over the years, drastic changes to that formula occurred as employer-provided pensions have all but vanished in the workplace after the 2008 financial crisis. Many workplace pension systems failed and companies shifted the liability of retirement income to their workers," said Kevin Chancellor, CEO of Black Lab Financial Services.

Chancellor said we've also seen changes to policies over the years that have eased early access to retirement funds. Some boomers were forced to crack into those funds prematurely to survive a crisis, or two.

"Many baby boomers needed retirement funds during times of crisis that even included the recent Great Resignation after the pandemic, when many of them left the workplace for an early retirement, even when retirement portfolios were down. Some are regretting that decision as they are trying to reenter the workforce and competing against younger highly skilled competition," he added.

QUICK TO TAKE UMBRAGE

Put it all together and it's easy to see why so many boomers are quick to take umbrage at those who insinuate that they are reaping the retirement crisis they themselves sowed. Even well-meaning insinuations like mine.

All that said, and I've certainly said a lot, a study recently released by Allianz Life does bolster my defense somewhat, as it illustrates the increasing financial fears among Gen Xers, or people born between 1964 and 1978.

The study shows that 43% of Gen Xers worry their employer will suspend their 401(k) match, compared to 38% of millennials (born between 1979 and 1996) and 24% of boomers. It also showed that 67% of Gen Xers say they are keeping more money out of the market than they should, compared to 66% of millennials and 54% of boomers.

Most notably, an overwhelming 85% of Gen Xers worry that they might "not be able to afford the lifestyle they want in retirement because of the increased cost of living, compared to 80% of millennials and 72% of boomers."

Well, maybe it's not a "Road to Nowhere," but it seems painfully clear, and not just to me, that Gen Xers don't want to follow the boomers down a rocky retirement path.

With that in mind, here's hoping members of every generation navigate their way to a comfortable retirement.

ggreenberg@investmentnews.com

INVESTING

Not investing in ESG doesn't mean you're anti-ESG

JEFF BENJAMIN

INSIGHTS

ESG investing is going through a rough patch, which is going to put some folks on the defensive and leave others saying, "I told you so."

There just doesn't seem to be any middle ground these days when it comes to the topic of investing around environmental, social and governance causes.

To call ESG investing a political football would be an understatement. It's currently the most contentious investment category of our times. The blame for that is widespread and includes the media and politicians, as well as some of the more ferocious ESG supporters, who can make innocent bystanders feel like they're trapped on an elevator with one of those kiosk guys at the mall hawking skin cream.

Financial advisors, in general, could be politely described as lukewarm on ESG, which ESG proponents often attribute to the financial advisory space being made up mostly of old white men who only care about profits and hate the planet and its inhabitants.

I'm exaggerating, of course, but not by a lot. Fact is, this has become such a divisive issue that even prioritizing risk-adjusted investment performance over ESG causes is now being defined by some as anti-ESG.

My sense is that advisors who shy away from ESG are focused on the higher fees and inconsistent performance, but I also know a lot of advisors who are very much on board the ESG train.

CONTINUED ON PAGE 27

Critical mass still out of reach for women CFPs

From left: Mary Beth Franklin; Kate Healy, managing director, CFP Board's Center for Financial Planning; Yonhee Gordon, chief operating officer, JMG Financial Group.

BY MARK SCHOEFF JR.

KATE HEALY PREFERS to look at the growing percentage of new certified financial planners who are women rather than the overall portion of CFPs who are women, because the former is growing while the latter has remained stagnant.

Certified Financial Planner Board of Standards Inc. statistics show that women comprised nearly 30% — 1,519 of 5,214 — of newly minted CFPs in 2022. Overall, the number of female CFPs rose 4.4% last year to 22,446, but that number continued to represent 23.6% of the 95,137 CFPs at the end of last year.

WOMEN ADVISOR SUMMIT

That 23% has been the ceiling for years for the proportion of female CFPs, which is frustrating for Healy, managing director of the CFP Board's Center for Financial Planning. That's why she focuses on the momentum shown in the number of new CFPs who are women.

"We are seeing progress," Healy said April 19 at the *InvestmentNews* Women Advisor Summit in Chicago. But she added: "The denominator is large."

YOUNG WOMEN ACCELERATING

What she meant about the denominator is that the overall population of CFPs remains predominantly male. There are more CFPs over the age of 70 than under the age of 30. Until there is a retirement trend in the profession, the overall portion of women is likely to remain in that 23% range.

"That's why I'm focusing on the 30% number," Healy said on the sidelines of the *IN* conference. "That shows where the progress is."

Over the last five years, the CFP Board has awarded $884,000 in scholarships to women to help finance the cost of obtaining CFP certification. The board established the Women's Initiative Council a decade ago, and the council recently launched an endowed scholarship program.

The CFP Board is working to raise awareness about financial planning among high school and college students to attract more people to the profession.

"We have to get critical mass," Healy said.

Making the CFP universe more diverse requires outreach to underrepresented groups.

"Mentoring is important," Yonhee Choi Gordon, principal and chief operating officer at JMG Financial Group, said at the *IN* conference.

Valerie Rivera, founder of FirstGen Wealth, is a role model for financial planning among people who are not often clients of financial planners. Her firm specializes in working with clients who are the first in their families to go to college, make more money than their parents and build wealth. That description fits her.

"People feel inspired when they see someone different," Rivera said.

Her clientele is about 90% people of color — Latino, Asian, Black and Indian. She is the first financial planner they've hired.

She emphasizes that a young person doesn't need to be proficient in math to become a financial planner. The subject is not her strong suit.

"I suck at math," Rivera said on the sidelines of the conference. "That's why there are calculators. The most important skills are high self-awareness and emotional intelligence."

mschoeff@investmentnews.com

TAX HIT

CONTINUED FROM PAGE 4

late 2025, along with several others in the measure.

Divided control of Congress makes any substantial tax legislation difficult to pass. That means that taxes likely will go in one direction — up. Slott said that makes transferring money from an IRA now imperative.

"Get it out at the lowest tax rate," Slott said. "It's a bargain now. Taxes are on sale."

Slott recommended that money withdrawn from traditional IRAs instead be allocated to Roth IRAs, where it can grow until being withdrawn tax-free. Another good landing place is life insurance, where cash can also be withdrawn tax-free. He also recommended using IRA distributions for charitable giving for clients who must take RMDs. Doing so avoids taxes on the withdrawals.

Slott said all of those options have a better "aroma" than a traditional IRA.

Clients don't necessarily consider that passing an IRA down to their children and other beneficiaries can saddle them with a big tax burden.

They also can be hammered by taxes in their lifetime when RMDs give them a high income even though they're not working.

mschoeff@investmentnews.com

REFORM

CONTINUED FROM PAGE 4

mentioning entitlements.

"They're proven they can't muster enough support," Bush said on the sidelines of the *IN* conference. "Credit [President] Biden. He set them up, and they took the bait."

It's not likely Congress will be able to address another looming fiscal issue until after the 2024 election — the expiration of tax cuts that were ushered in by a 2017 law. Most of the breaks — including lowering individual tax rates and doubling the estate tax exemption — will expire at the end of 2025.

One result would be that the current 24% tax bracket disappears, and many Americans paying that rate may see it increase to 33%, Bush said. He encouraged advisors to adjust the location of their clients' assets in order to reduce tax exposure.

That could mean, for instance, converting traditional individual retirement accounts into Roth IRAs, life insurance or annuities. Other steps include gifting to lower an estate tax hit and using qualified charitable contributions. Those kinds of moves can help clients manage their tax burden.

"It puts them in control," Bush said.

The fate of the expiring tax breaks depends on the election outcome in 2024, Bush said. If Republicans sweep the House, Senate and White House, the tax breaks could be extended. If Democrats sweep, it may portend a return of the wealth taxes proposed in the original Build Back Better legislation. The most likely 2024 election result is split government.

Bush gives Republicans the advantage to win the Senate and Democrats the advantage in the race for the White House in 2024. The House of Representatives is too close to call, he said.

mschoeff@investmentnews.com

TRUST

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your clients are open to it, are two of the best ways to help them through any kind of challenging life change.

"The principles of support are the same across the board," Amy Florian, CEO of Corgenius, said during the panel.

For instance, when clients retire, they may not be blissfully anticipating time off. They may be deeply concerned about what their identity will be outside of their careers. They may appreciate the chance to talk about what it's like to go into this stage of life.

An advisor can be the one to start the conversation by asking them what they would want others to know about this transition.

"It's amazing what happens when you are in that safe space," said Heidi Helmeke, founder and president of Enspyre Wealth Advisors.

Advisors don't need to worry too much about saying the wrong thing, Helmeke said. "Nobody is ever offended."

When clients are grieving, offer specific kinds of help, Florian said. For instance, perhaps you could assist them in making phone calls to people who need to know about the passing of a loved one or help them address envelopes for thank you notes for gestures of support. Perhaps an advisor could just offer to get coffee and give them a chance to decompress.

"Never just ask them what they need," Florian said. "You call them and give them options."

Clients may go through different stages of grief. Sometimes it can hit without warning.

"Grief sneaks up on you when you least expect it," said Carolyn Armitage, president of Thrivent Advisor Network. "Be flexible and fluid with that."

Armitage told the audience about a technique she uses when feeling overwhelmed. She gathers herself, looks at her hands — front and back — and says, "I've got this."

It's a message clients might need to hear, too.

mschoeff@investmentnews.com

RAYMOND JAMES

CONTINUED FROM PAGE 3

within the firm's private client group, provides up to $50 million in FDIC coverage via a network of banks, each of which contributes up to $250,000 of such insurance. The enhanced savings program advertises higher yields than are available with standard checking and savings accounts and does not entail bank fees or holding periods, according to Raymond James.

The program "is designed for clients who strategically hold significant cash for the long term and prefer a higher degree of security … [but] is not suitable for everyday cash," the company's site states.

DECLINE IN SWEEP MONEY

Despite that influx of money, the total amount of client cash, including sweep accounts, was $52.2 billion, down by 14% from the amount at the end of December, according to the firm. The decline in sweep money "reflects the expected cash sorting activity" that executives said they expect will taper off this year.

During the quarter, Raymond James bought back 350 million shares at "attractive prices," and the firm's board has authorized it to spend $1.1 billion to purchase more.

Fee revenue from asset management and administration fell by 11% year over year but increased 5% compared with the prior quarter. Brokerage revenue, at $496 million, was down 12% compared to a year prior but up 2% from the quarter that ended in December, the company reported.

"This year-over-year decline was largely due to lower asset-based trail revenues in [the private client group] as well as lower fixed-income brokerage revenues in the capital markets segment," Shoukry said. "Being able to generate record quarterly revenues during a period when capital market revenues were so challenged across the industry reinforces the value of having diversified and complementary businesses."

An unexpected $20 million arbitration award Raymond James had to pay created a drag on its noncompensation expenses, Shoukry said, referring to a Feb. 2 Finra award to Wells Fargo Advisors over claims that Raymond James and an advisor depleted an Arkansas branch office of reps.

As of March 31, Raymond James reported 8,726 advisors, nearly the same as the 8,730 from a year prior but up from the 8,699 as of the end of December.

ehallez@investmentnews.com

MORNINGSTAR

CONTINUED FROM PAGE 3

asset manager focused solely on managing portfolios.

"Rarely do we see clients leave their advisors over investment performance," he said, making the point that outsourcing all or some of the asset management work can "free up an advisor's time to spend more time with clients.

"It adds a ton of value because it puts more time back in your day," he added.

Som Priestley, portfolio manager and multi-asset solutions strategist at T. Rowe Price, cited research showing that financial advisors on average spend about 18% of their time working on investments.

That 18%, he said, "is both good and bad," because it's time away from servicing clients and it's not much time spent managing portfolios.

"It's becoming an increasingly complex world for financial advisors," Priestley said.

Eve Cout, managing director at BlackRock, said model portfolios don't have to be an all-or-nothing approach, especially for advisors who have a certain passion and expertise when it comes to investing.

"We just want to complement the advisor's practice," she said. "You can use a model as a core and spend your time on more complex products."

jbenjamin@investmentnews.com

FIRST REPUBLIC

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cut First Republic's credit rating, and the bank's stock price plummeted.

First Republic stabilized after a collection of big banks contributed $30 billion in uninsured deposits to ensure its liquidity.

However, a number of large advisor teams have left amid the turmoil.

Recently, a First Republic team managing $2.3 billion in client assets moved to Rockefeller Global Family Office.

Earlier in April, a New York-based First Republic team with $10.8 billion in client assets led by Adam Zipper and Joseph Duarte jumped to Morgan Stanley.

While Roffler reported that the bank retained 97% of client relationships, bank deposits were down 35.5% year over year and down 1.7% from the end of 2022.

Net income was down 32.9% and revenue was down 13.4%.

To reduce expenses, First Republic plans to significantly reduce executive officer compensation, condense corporate office space and lay off as much as 25% of its workforce in the second quarter.

First Republic did not take questions from analysts after finishing prepared remarks on the call.

rneal@investmentnews.com

ADVISOR GROUP

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In 2019, Reverence Capital Partners agreed to buy 75% of Advisor Group, with existing shareholders Lightyear Capital, PSP Investments and others retaining up to 25%.

Although consolidation of the eight broker-dealers stands to increase efficiency, "this is not a cost-cutting exercise," said Greg Cornick, president of advice and wealth management at Advisor Group. Head count and locations won't be affected by the rebranding, he said.

Rather, the consolidation strategy will help the firm's advisors grow and benefit from its scale, he said.

"This doesn't really have anything to do with whether we decide to go public or not," Cornick said. "Regardless of whatever we do there, we would be doing this [rebranding] as part of our strategy."

ehallez@investmentnews.com

LPL

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ate in both brokerage and advisory models. It also has financial institution affiliates in its enterprise channel.

Brokerage assets increased to $554.3 billion in the first quarter from $538.8 billion last year, while advisory assets decreased to $620.9 billion in the current quarter from $624.3 billion in the first quarter of 2022.

LPL obtained a total of $21 billion in organic net new assets in the first quarter, which represents 7.5% in annual growth. The advisory channel accounted for $14 billion of the new organic assets for 9% annualized growth. The brokerage channel garnered $7 billion in new assets for 5% annualized growth.

Arnold said LPL increased "same-store sales" thanks to the "differentiated experience" its advisors gave clients.

"As a result, our advisors are both winning new clients and expanding wallet share with existing clients, a combination that drove a sequential improvement in same-store sales," he said. "This increase occurred across all affiliation models, led by solid growth in our enterprise chain."

LPL's recruiting in traditional markets — independent brokerages — reached a new first quarter high of approximately $9 billion in assets, Arnold said.

LPL recruited approximately $3 billion in new assets from its "new affiliation models" — strategic wealth and an enhanced registered investment advisory offering, among others — delivering its strongest quarter to date, he said.

"We expect to carry this recruiting momentum into [the second quarter] for both our traditional markets and our new affiliation models," Arnold said.

mschoeff@investmentnews.com

SEC

CONTINUED FROM PAGE 3

er. But the end result is similar: "In the staff's view, they generally yield substantially similar results in terms of the ultimate responsibilities owed to retail investors," the SEC said in the bulletin.

KNOW WHAT YOU'RE SELLING

The SEC outlined that brokers and advisors have a duty to fully grasp the "potential risks, rewards and costs associated with a product, investment strategy, account type or series of transactions."

Understanding an investment option should include knowing: its objectives; initial and ongoing costs; key characteristics and risks; likely performance in different market conditions; expected returns, payout rates and potential losses; unusual features; and role of the product or strategy in the investor's overall portfolio.

The regulations don't prevent brokers and advisors from recommending complex or risky products, the SEC noted. However, there must be "a reasonable basis to believe the complex or risky product is in the best interest of the retail investor."

Brokers and advisors must also have "a reasonable understanding of the specific retail investor's investment profile, which generally includes the retail investor's financial situation (including current income) and needs; investments; assets and debts; marital status; tax status; age; investment time horizon; liquidity needs; risk tolerance; investment experience; investment objectives and financial goals; and any other information the retail investor may disclose," the SEC stated.

Part of the duty of care includes having a list of "reasonably available alternatives," the SEC wrote in the bulletin released April 20.

KNOW WHAT ELSE IS OUT THERE

That universe of alternatives depends on what's available through a broker or advisor's firm. In the case of an exhaustive "open architecture" investment menu, brokers and advisors don't need to vet every conceivable option, the regulator noted.

Conversely, a limited menu of funds available through a firm doesn't necessarily satisfy a list of reasonable alternatives. In such a case, a "professional may conclude that no investment or investment strategy they offer is in the retail investor's best interest," the bulletin read. "If that occurs, the firm and financial professional would not satisfy their care obligations if they recommended or advised any of those investments or investment strategies to the retail investor."

ehallez@investmentnews.com

NOT INVESTING IN ESG

CONTINUED FROM PAGE 23

Let's look specifically at that rough patch I referenced earlier.

According to Morningstar, at the end of last year the ESG funds in its database combined for a total of $286 billion in assets. That total, which included $3 billion worth of net inflows, was down more than 20% from the end of 2021 because of investment performance.

Aided by $69 billion in net flows, ESG fund assets peaked at $360 billion at the end of 2021, which represented a high-water mark; that was preceded by peaks of $236 billion in 2020 and $137 billion in 2019.

$286B
TOTAL ASSETS IN ESG FUNDS AT END OF 2022

While some might view the sudden asset drop-off last year as a major setback, a more prudent perspective would be that this is just another stage in the ESG category's evolution. And that is being molded to some extent by crafty politicians in search of populist bandwagons to board.

That's essentially how we ended up with three years of rolling ambiguity from the Department of Labor about whether defined-contribution retirement plans can or should include ESG funds as menu options for plan participants.

The back-and-forth, which started during the Trump administration and ultimately led to a veto by President Joe Biden earlier this year, boils down to when ESG criteria can be considered by plan sponsors when selecting investment options for workers saving for retirement.

As the rule currently stands and will remain until at least the end of Biden's presidency, plan sponsors are allowed to consider ESG factors when adding funds to the investment lineup.

If your reaction to that much celebrated and expensive political victory is whoop-de-do, you're not alone. Without overthinking whose bread might be getting buttered by all this politicking over how ESG funds are made available to retirement savers, let's not ignore the awesome potential of the multitrillion-dollar DC plan market.

Getting a foot in the door is what it's all about. It's no accident that firms like Fidelity are ramping up target-date funds with an ESG flavor as a long shot bet on getting a piece of the default allocation for savers who aren't paying enough attention to choose their own investments.

The ESG lobby has been trying to crack into the bountiful DC plan market forever, and Biden's big veto might help that cause. But nobody should expect any sudden moves.

FIDUCIARIES' CAUTION

Remember, the final gatekeepers for DC plan menus are fiduciaries born and bred to err on the side of extreme caution. So while being a political football might draw welcome attention to the ESG space, it also triggers the antennae of plan fiduciaries trying to protect plan participants from any unnecessary risks.

As Morningstar senior analyst Lia Mitchel notes, it's no accident that just 16% of DC plans offer access to an ESG strategy. More telling, however, is the fact that, according to Morningstar data, ESG funds in DC plans represent just $50 billion, or about half of one percent, of the more than $8 trillion in DC plans.

"There's plenty of plans starting to offer ESG funds, but there's still not a ton of assets," said Mitchel, who believes the key is somehow getting ESG strategies locked in as default options.

For a perspective on that challenge, look no further than the iShares ESG Aware MSCI USA ETF (ESGU).

With $14 billion in assets, ESGU is the largest ETF in the ESG space, but it endured a black eye this year, seeing more than $6 billion worth of outflows. While this might look like another hefty blow for ESG, it more likely boils down to that pesky reality of valuations over values.

According to Todd Rosenbluth, head of research at VettaFi, the flows out of ESGU this year can be directly tracked to a popular BlackRock model portfolio that recently replaced ESGU with the iShares MSCI USA Quality Factor ETF (QUAL).

Looking past the ESG moniker, ESGU is a strategy with a quality tilt, and quality is hot this year. But QUAL is focused specifically on quality, which is why its 8.9% return this year is beating ESGU by 2.6 percentage points.

So even BlackRock, the world's largest asset manager and a leading proponent of ESG investing, is placing performance potential ahead of whatever benefits ESG investing might produce.

None of this is a knock on ESG investing or its potential benefits well beyond financial services. It just shows how, sometimes, not wanting to invest in ESG strategies doesn't automatically make anyone anti-ESG.

jbenjamin@investmentnews.com

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Sep 21 | Insurance & Annuities
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Diversity, Equity, Inclusion Summit & Awards
May 10 | Current at Pier 59, NY

40 UNDER 40 SUMMIT & AWARDS

40 Under 40 Summit & Awards
Jun 22 | Convene, NY

WOMEN to WATCH SUMMIT & AWARDS

Women to Watch Summit & Awards
Nov 7 | NYC

women advisor summit

Women Advisor Summit
Nov 8 | Tribeca 360, NY

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