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NOVEMBER 20, 2023

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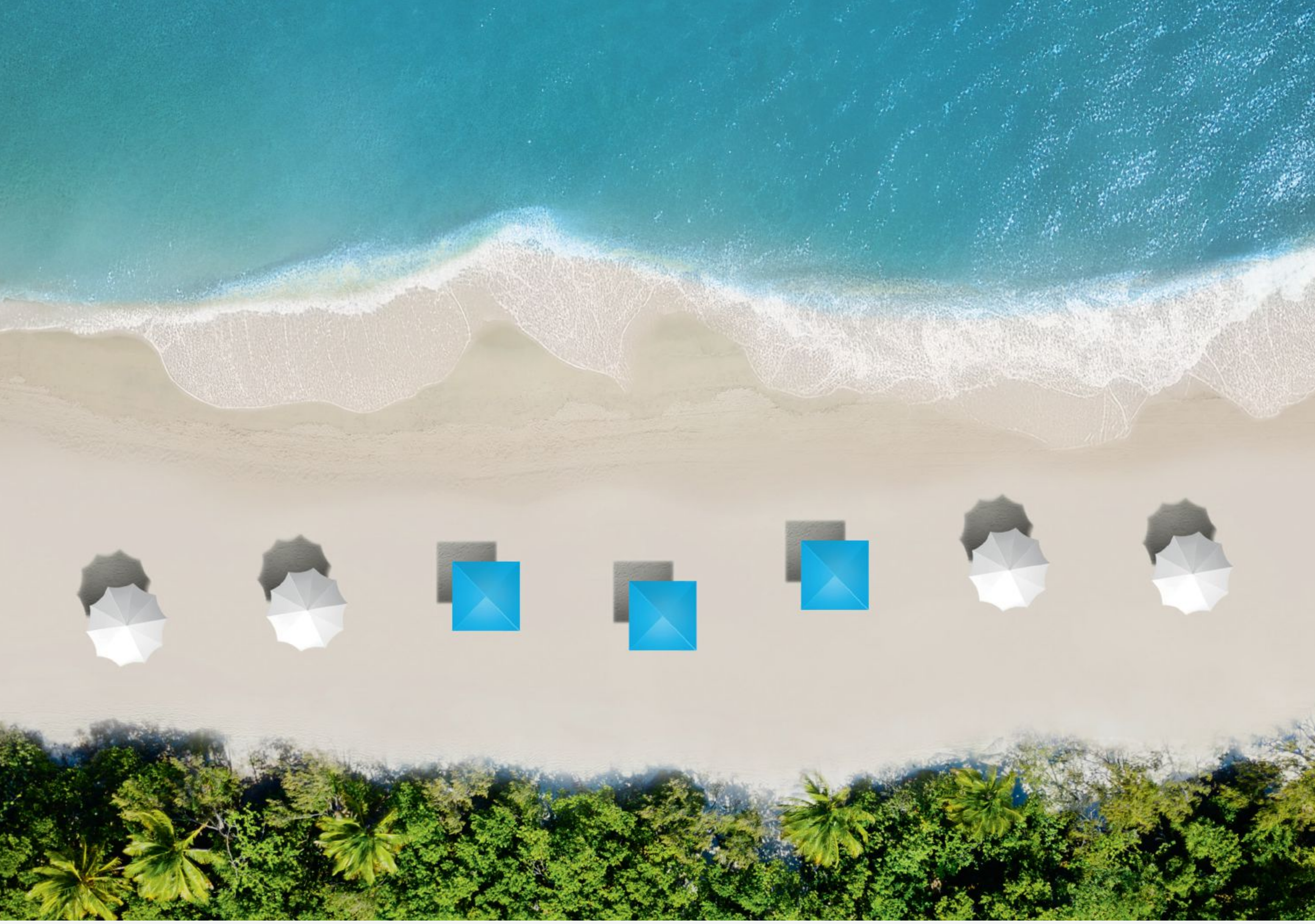

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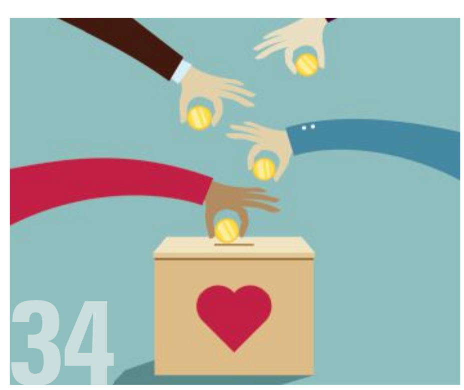

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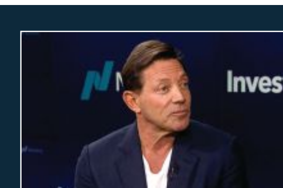

SCAN THIS CODE TO HEAR WHAT 'WOLF OF WALL STREET' JORDAN BELFORT HAS TO SAY ABOUT STOCK PICKING AND THE STATE OF WALL STREET.

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CHECK IT OUT ONLINE

Editorial

The curious case of FTX and bitcoin's surge

Sam Bankman-Fried, the founder of fraud-ridden cryptocurrency exchange FTX, presented himself as an altruistic, unkempt genius who found himself unwittingly out of his depth. A jury, however, decided that he was a fraudster who knowingly stole $8 billion of customers' money. Another example that all that glitters in crypto land is not gold? A blockchain lover's Barbieland detached from the real world?

Whatever your stance, crypto now has its own Jordan Belfort (see page 32), and Bankman-Fried faces years behind bars. Ironically, as the 31-year-old awaits sentencing, bitcoin is on a tear. Its price has doubled, surging back above $37,000, while trading volume went gangbusters. But away from the courtroom drama, the reasons for this tidal shift are more prosaic, with the U.S. rumored to be on the cusp of having spot-price bitcoin ETFs approved by the Securities and Exchange Commission.

This is arguably the biggest thing to happen to bitcoin since the mythical Satoshi Nakamoto invented it in 2008. Many clients will, therefore, see the legitimization provided by the new ETFs as a reason to ask their advisors why they aren't benefiting from the price increase.

Many clients will see the legitimization provided by the new ETFs as a reason to ask their advisors why they aren't benefiting from the price increase.

On the surface, there are compelling arguments for the nascent asset class – its increasing lack of correlation to major markets establishes it as an alternative to gold, and the pending regulatory approval indicates that the data and structure are sound. But as *InvestmentNews*' Emile Hallez reports in this issue, most advisors don't have exposure. In short, they don't trust bitcoin, or – whisper it – don't understand it. Given the cryptocurrency's short history and wild price swings, few advisors are willing to recommend an investment for which they can't predict or measure risk.

Advisors are, of course, paid to steer clients away from unsuitable investments, and bitcoin's volatility remains a huge turnoff for long-term financial planning. But doing so without a deep understanding of what you're rejecting won't be enough for bullish clients. Further education to get ahead of what could be another crypto wave looks like a smart play.

The new ETFs, at the very least, will make a small allocation of "play money" in portfolios more palatable. Perversely, the fall of FTX may embolden some investors who view its collapse as some sort of nadir for crypto. "That can't happen again, right?"

But for advisors, the SEC approval will be what matters, and there is little doubt that bitcoin is inching toward more widespread legitimacy. Advisors, even deeply cynical ones, should be prepared for clients' crypto questions.

Comments? Questions? Send your thoughts to james.burton@keymedia.com.

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THIRD-QUARTER ETF FLOWS

The latest ETF Perspectives report from Vanguard highlighted some interesting trends, along with the overall drop in ETF assets.

$111 billion
Third-quarter cash flows into U.S.-domiciled ETFs

$80 billion
Equity ETFs led the way

-2.2%
Decline in ETF assets overall, to $7.2 trillion

$53 billion
Inflows into nontraditional ETFs, led by covered-call strategies

30%
Portion of net new purchases of equity ETFs that went into S&P 500 ETFs

Source: ETF Perspectives, Vanguard

DON'T TALK TO FAMILY ABOUT MONEY?

Discussing potential inheritances and planning how and when those should happen can help prepare heirs and avoid misunderstandings, with advisors seeing better outcomes for those who do. But a new study found that such talks do not always end well.

33%
experienced an increase in conversations about family wealth during the pandemic

78%
reported having spontaneous conversations about wealth

48%
noted that in their families, financial decision-making is shared among two or more generations

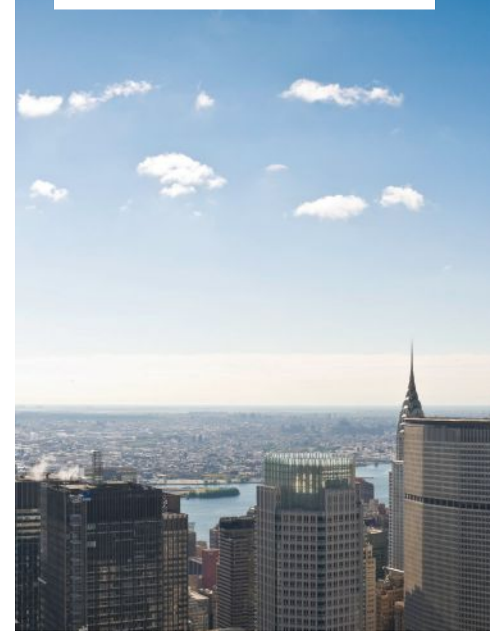
20%
said their family had limited skills to co-manage shared assets

26%
regretted discussing wealth with a family member. In some cases, this exacerbated the wealth-holders' anxiety about their relationships with their children

Source: Merrill Center for Family Wealth

TOP 10 ETF PROVIDERS IN US

Inflows to U.S. exchange-traded funds remained resilient even though both stocks and bonds fell in October, while U.S. equity and ultra-short-term bond ETFs contributed the most to October's net inflow of $34 billion. Which providers top the charts when it comes to market share?



FEDERAL FUNDS RATE – HISTORICAL ANNUAL YIELD DATA

The Federal Reserve stayed on pause in November, keeping its benchmark interest rate in the 5.25% to 5.5% range. We look back at the past five years of yield data.

Year	Average Yield	Year Open	Year High	Year Low	Year Close	Annual % Change
2023	4.98%	4.33%	5.33%	4.33%	5.33%	23.09%
2022	1.68%	0.08%	4.33%	0.08%	4.33%	6085.71%
2021	0.08%	0.09%	0.10%	0.05%	0.07%	-22.22%
2020	0.36%	1.55%	1.60%	0.04%	0.09%	-94.19%
2019	2.16%	2.40%	2.45%	1.55%	1.55%	-35.42%
2018	1.79%	1.42%	2.40%	1.34%	2.40%	80.45%

Source: Macrotrends

BlackRock iShares	Vanguard	State Street	Invesco	Charles Schwab
32%	29%	15%	6%	4%

First Trust	JPMorgan	Dimensional Holdings	WisdomTree	ProShares
2%	2%	1%	1%	1%

Source: National Bank ETF Research, Bloomberg, as of Oct 31.

CREDIT CARD BALANCES SET NEW RECORD

New stats from TransUnion show that bank card balances were up in the third quarter of 2023 compared to a year earlier, with Millennials overtaking Boomers as the second-biggest bank card credit users, behind Gen Xers.

15%
Increase in bank card balances in Q3 year on year

$995 billion
New record high for those balances

$6,088
Average bank card balance, the highest in 10 years

9%
Increase in total bank card credit lines, with the average credit card line per customer surpassing the $25,000 mark

24.1%
Average bank card utilization, below the pre-pandemic level of 24.6% seen in Q3 2019

Source: TransUnion, as of end Q3

CYBERCRIMINALS TARGET THOSE OVER 60

Living life at least partly online is a fact of modern living. But while the youngest Americans are typically tech-savvy, with high levels of digital literacy, the oldest cohort is more vulnerable to cybercrimes.

$3.1 billion
Amount those over 60 lost to cybercriminals in 2022

7,200
Number of over-60s affected by romance scams

60%
Portion of losses that resulted from weaker digital literacy or cybersecurity knowledge

$1 billion
Amount of investment scams

88,262
Number of over-60s who were victims of cybercrimes in 2022, down from 2021 (92,371) and 2020 (105,301), but above the 68,013 of 2019

Source: Incogni

NewsAnalysis

DOL PROPOSAL STARTS WHERE REG BI STOPS

Opponents say the DOL's proposed rule overrides Reg BI by imposing fiduciary duty on brokers working with retirement savers. Backers say the measure fills in Reg BI's gaps in investor protection

BY MARK SCHOEFF JR.

An investment advice proposal recently released by the Department of Labor picks up where Regulation Best Interest leaves off – a point criticized by opponents and celebrated by supporters.

Under the DOL's retirement security rule proposal, most financial advice to retirement savers – including one-time recommendations on rolling assets from a company plan over to an individual retirement account – would be held to a fiduciary standard if the investor is working with a "trusted advisor," regardless of whether it's an investment advisor, broker, or insurance professional.

The proposal is designed to curb advisor conflicts of interest that lead to "junk fees" that are eroding Americans' nest eggs, the Biden administration asserts.

"Essentially, any broker-dealer [adhering to] Reg BI will find themselves ensnared in ERISA fiduciary status," Jason Berkowitz, chief legal and regulatory affairs officer at the Insured Retirement Institute, told reporters.

As they did when fighting the Obama administration's DOL fiduciary rule, financial industry opponents argue the Biden proposal will sharply increase brokers' regulatory costs and legal exposure.

'LITIGATION BONANZA'

In a Nov. 7 appearance at a Securities Industry and Financial Markets Association conference in Washington, Sen. Bill Hagerty, R-Tenn., said he is "very concerned … [about] the litigation bonanza it might create."

"It's the first step in trying to fill a really wide regulatory gap. I think it will lower fees in the entire retirement industry that it covers"

CHRIS TOBE, INVESTMENT CONSULTANT, HACKETT ROBERTSON TOBE GROUP

If the DOL promulgates a final rule some time next year, it would join Reg BI – the Securities and Exchange Commission's broker standard that went into force in June 2020 – in the regulatory landscape.

Reg BI prohibits brokers from putting their revenue interests ahead of their customers' interests for strong investment returns. But it is not legally a fiduciary standard. Investment advisors continue to have fiduciary status under SEC regulation.

The DOL rule would hold brokers advising retirement accounts to the fiduciary standard imposed by federal retirement law, the Employee Retirement Income Security Act. Brokers would have to give advice that is in the investor's best interests, avoid misleading statements, and charge reasonable fees, among other requirements.

That prospect is raising concerns among opponents of the DOL rule.

The Biden proposal would also extend fiduciary status to independent insurance agents and could cause a similar outcome, said Michelle Richter-Gordon, co-founder of Annuity Research & Consulting.

"Members of the independent agent community should be deeply concerned," Richter-Gordon said. "It seems quite scary for an individual agent, who could become the pocket for ERISA litigation."

Brokers will find that serving retirement savers with modest assets is not worth the regulatory costs imposed by fiduciary status, DOL opponents say.

"That is going to have a negative impact on advisors' willingness to work with middle- and lower-income Americans," Berkowitz said.

Proponents counter that the DOL proposal augments Reg BI to provide wider investor protection against conflicted advice.

NON-SECURITIES INVESTMENTS

Micah Hauptman, director of investor protection at the Consumer Federation of America, said the proposal closes loopholes that allowed too many advisors to sidestep fiduciary status when recommending rollovers. It also covers advice to retirement plan providers and, unlike Reg BI, applies to advice regarding non-securities investments, such as fixed index annuities and other insurance products.

The current DOL proposal accomplishes those objectives and yet is more narrowly tailored than the Obama rule, Hauptman said. The Obama measure was vacated in 2018 by a federal appeals court that ruled the DOL exceeded its authority.

"They put out a really strong rule while still addressing the concerns that the Fifth Circuit [Court of Appeals] laid out," Hauptman said.

President Biden highlighted annuities as a source of investor harm that the measure targets. Although they can provide an income stream in retirement that many workers seek, annuities can also be opaque, expensive, and risky.

“Any broker-dealer [adhering to] Reg BI will find themselves ensnared in ERISA fiduciary status”

JASON BERKOWITZ, CHIEF LEGAL AND REGULATORY AFFAIRS OFFICER, INSURED RETIREMENT INSTITUTE

In particular, the Biden administration has cited fixed index annuities as a source of “junk fees.” The insurance industry has taken umbrage at that characterization. But what is not debatable is that a recommendation to buy the product is not covered by Reg BI because Reg BI applies only to securities.

A fixed index annuity is not a security. But it is becoming a popular investment in the high-interest-rate environment, said Kristin Prieur, compliance consultant at My RIA Lawyer.

“A lot of advisors are moving into fixed annuities,” Prieur said. She added that the products come with hidden fees and surrender charges that can take investors by surprise.

“These costs they don’t often see can be catastrophic,” Prieur said. The DOL proposal “is going to cover an area that has been missed in previous regulations. As this evolves, [brokers] might have to look more closely at their retirement investors and the products they are investing in.”

The proposal addresses the need for stricter advice rules around insurance products in retirement plans, said Chris Tobe, an investment consultant at Hackett Robertson Tobe Group.

“It’s the first step in trying to fill a really wide regulatory gap,” Tobe said. “I think it will lower fees in the entire retirement industry that it covers.”

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TICK-TOCK: DOL PROPOSAL TIMELINE

President Biden introduced the Department of Labor’s retirement security rule proposal at a White House event on Oct. 31. The text was published in the Federal Register on Nov. 3, which opened a 60-day public comment period that ends on Jan. 2. The comment timeline has drawn strong pushback from 18 financial industry trade groups, which called for an extension of the deadline. DOL denied the request. The agency likely needs to promulgate a final rule sometime over the summer to avoid having it scuttled by a new Congress in 2025 if Republicans hold the House and win the Senate and White House.

INCREASING COSTS HITTING FINANCIAL ADVICE INDUSTRY

Expenses are rising: LPL Financial said in October that its core general and administrative expenses were up 15% year-over-year

BY BRUCE KELLY

Rising costs of acquisitions, higher salaries for employees, and competitive recruiting bonuses for financial advisors, along with the record spike in interest rates, are making it more costly to run large wealth management enterprises. Some are wondering whether that will result in either layoffs at large financial services firms or more consolidation at firms that have been recently acquired by large buyers like private equity shops.

There are plenty of signs of concern for the broad financial advice industry, which employs roughly 320,000 financial advisors through a variety of businesses, from small registered investment advisors to giant broker-dealers.

At the start of November, the Charles Schwab Corp. said it had finished cutting as much as 6% of its 35,900-member workforce amid efforts to curb costs as it continues to integrate TD Ameritrade. That's roughly 2,100 employees, with many noting that Schwab is in a unique position to cut jobs after the acquisition of its leading rival.

"With the Schwab deal for TD, Schwab bought those assets and got rid of the costs," said one industry executive, who asked not to be named.

Citigroup's managers and consultants working on CEO Jane Fraser's reorganization have discussed job cuts of at least 10% in several of the bank's major businesses, CNBC reported this month, citing people with knowledge of the process.

Meanwhile, Focus Financial Partners Inc., a leading buyer and aggregator of RIAs for almost 20 years, announced in November the reshuffling of a

handful of its senior executives. At the same time, the firm, which was acquired for $7 billion earlier this year by Clayton Dubilier & Rice and Stone Point Capital, left the door open in its press release to an internal reorganization of its dozens of individual RIAs, which have operated autonomously until now.

"These appointments reflect Focus' strategic evolution as a private company toward a more cohesive organization that seeks a common purpose and higher levels of collaboration, and that operates with greater levels of efficiency for the benefit of its partner firms and the clients they serve," the company said in the statement.

Industry executives and consultants noted that the current environment for broker-dealers and RIAs is far from a level playing field when it comes to cost, particularly when it comes to compliance and technology. Firms are making investments in those areas to drive efficiencies, all with the goal of providing financial advisors with more time and resources to bring more clients aboard.

"Cost pressures are particularly pronounced in the insurance company-owned broker-dealer space," said Brian Dunham, partner and principal at KPMG's financial services strategy practice. "The insurance company broker-dealer part of the industry was built decades ago to distribute product, and that kind of business is under pressure from regulators. Those firms now want to present themselves as full-service wealth managers, like their competition."

Insurance companies have been dumping their broker-dealers since the credit crisis. Just this year, Cetera Financial Group said it was acquiring the wealth management business of Securian Financial, an insurer based in Minnesota.

"And the RIA aggregators are saying to advisors, 'If you join our platform, we can take on compliance and lower the cost profile while you spend time growing the business,'" Dunham added.

And expenses are increasing for firms. LPL Financial Holdings Inc., long an industry bellwether, said in October that its core general and administrative expenses had risen 15% year-over-year to $342 million during the third quarter.

But adding new business can drive expenses. LPL Financial and Prudential Financial Inc. said over the summer that Prudential will move the retail brokerage and investment advisory assets of 2,600 financial advisors from Prudential Advisors' current custodian, Fidelity's National Financial Services, to LPL Financial. Matt Audette, LPL's chief financial officer, said during a conference call with analysts in October that the estimated expense to onboard those financial advisors is $125 million.

"Part of this is G&A expenses, part is related to interest on debt, and part is related to the big RIA consolidators spending tens or hundreds of millions of dollars buying firms but not having taken costs of those acquisitions out yet," said Larry Roth, managing partner of RLR Strategic Partners. "Big firms are looking inward and asking, 'Are we running an efficient business, or are there places where we are redundant?'"

"Cost pressures are particularly pronounced in the insurance company-owned broker-dealer space"

BRIAN DUNHAM, PARTNER AND PRINCIPAL, KPMG'S FINANCIAL SERVICES STRATEGY PRACTICE

"But they are not stressing out about it," Roth said. "They're considering whether it's time to look at a rationalization plan.

"That means looking at the organizational design and cost structure of the firms they acquired," he added. "It might be time to take costs out of business. That could be from head count reductions. For example, if an RIA aggregator bought 20 firms, and each has its own chief investment officer, that means you probably have too many talented people running large-cap growth portfolios."

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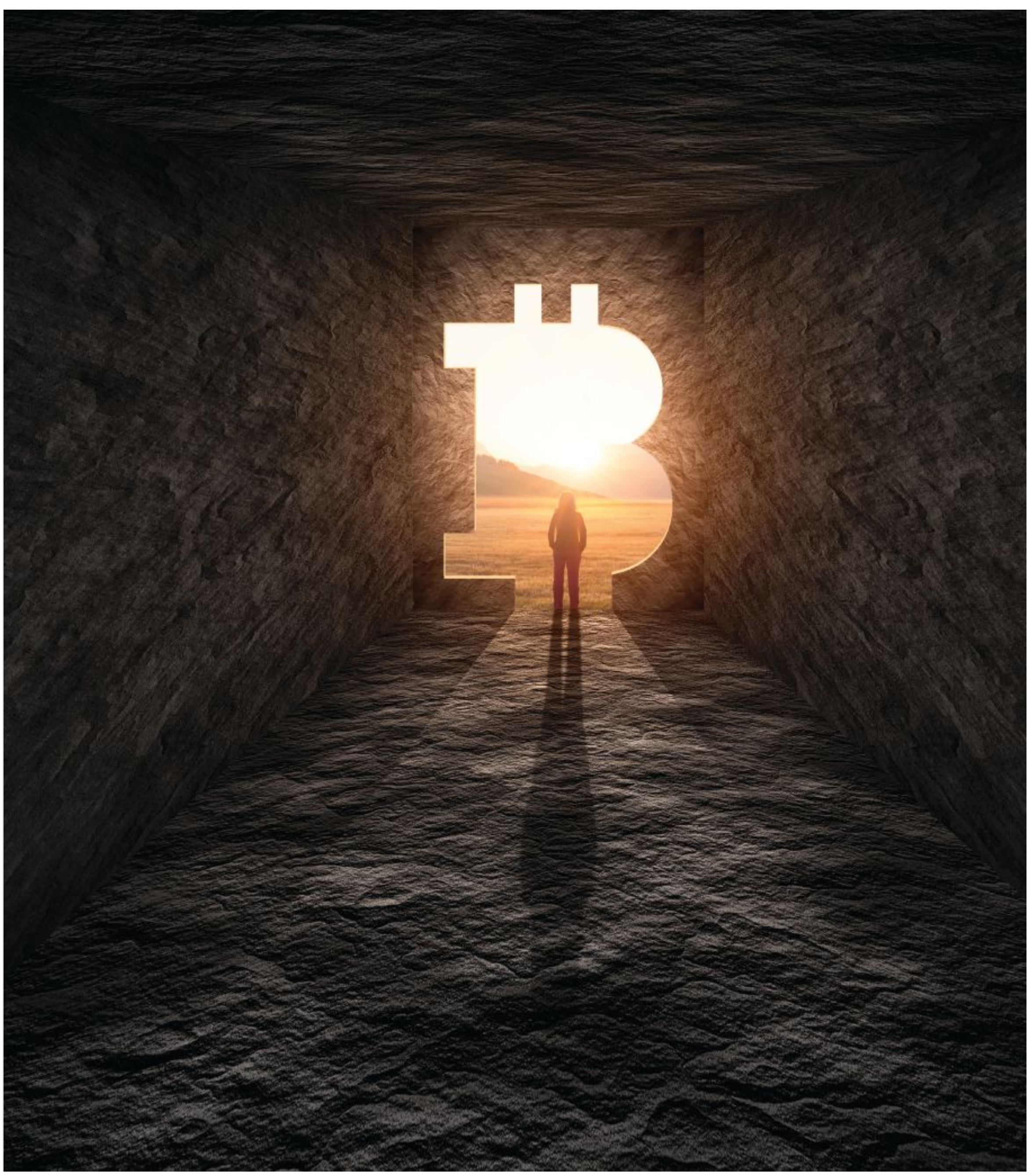
COSTS AND CUTS

- The Charles Schwab Corp. has cut as much as 6% of its 35,900 member workforce. That's roughly 2,100 employees
- Citigroup's managers and consultants have discussed job cuts of at least 10% in several major businesses
- LPL Financial Holdings Inc. said in October that its core general and administrative expenses had increased 15% year-over-year

BITCOIN IS HAVING A MOMENT

There's a lot going on in the digital assets world as advisors face questions about whether and how to use the asset class

BY EMILE HALLEZ



There's hardly been a quiet year for bitcoin since its inception, but 2023 has been a standout: The price of the digital asset has more than doubled, the U.S. is on the cusp of having spot-price bitcoin ETFs, and the founder of a major exchange that melted down in 2022 has been convicted on numerous fraud charges.

The exchange-traded fund aspect alone could generate immense interest among advisors who have been on the fence about digital assets, particularly for those whose clients have been clamoring for bitcoin allocations. But even 15 years after bitcoin's invention, blockchain-enabled digital assets are very young compared with well-established asset classes, which leaves many hesitant to consider crypto as a long-term investment.

But as bitcoin has diverged from its correlation to the U.S. stock market, advisors might consider it as an alternative to gold, said Tyrone Ross, co-founder of Turnqey Labs and former CEO of Onramp Invest.

The recent price increase "is meaningful – but it's also on the back of the hype around ETFs and the progress that has been made in the courts, with the SEC," Ross said. "The problem, though, is that there aren't a lot of advisors allocated to bitcoin."

Part of the reason for that is the wild volatility in its price since 2017. But there also hasn't been much education available to advisors until somewhat recently. Ross has been working with the American College of Financial Services on three continuing education modules on crypto that are coming out in January, he said.

There are more resources available today to help advisors and clients make educated decisions about if and how to allocate assets, Ross said.

"The data gathering is better. The infrastructure is better than it was even 18 months or two years ago," he said. "It's a lot easier for advisors to take a look now and run some analysis, and have the right, regulated vehicles."

UP AND DOWN

"I almost got to the point where I was going to put [digital assets] into portfolios, and then bitcoin crashed," said Chris Chen, wealth strategist at Insight Financial Strategists. That decision wasn't really about market timing, he said. "I have thought a little further on it. Really, we don't understand, as people who deal with investments, what the behavior of bitcoin is … We don't have a clue."

A longer history would help, at least for the sake of better understanding what the general place of digital assets is within portfolios. Of course, the lack of history won't stop some clients from being interested in such assets, but short-term bets on them are speculative, Chen said.

"It has the potential of shooting up like a rocket, and it has the potential of coming down as one," he said. "Investing is not so much about returns … it's also about measuring risk in your portfolio. We have no idea what the risk is [for digital assets]."

Chen also takes issue with bitcoin and other digital assets being called cryptocurrency.

"I don't think it has the characteristics of one," he said. "The central banks of the world … will not release the authority over monetary policy to private bands of individuals."

Further, the fixed limit on the number of bitcoins means that it is deflationary, he said.

But Chen and others agree that the advent of a spot bitcoin ETF would legitimize it as an asset.

SPOT ON THE HORIZON

Watchers expect the Securities and Exchange Commission to issue a decision on spot bitcoin ETF applications late this year or early next year, most likely approving them. Earlier this year, the agency lost a court battle brought by Grayscale Investments over the rejection of its request to transform its trust into an ETF. According to various reports, the SEC does not plan on appealing the decision.

While there are a handful of bitcoin futures ETFs on the market, interest in those funds has been meager compared to the forthcoming spot-price products. The first bitcoin futures ETF, ProShares' Bitcoin Strategy ETF (BITO), debuted just over two years ago and represents about $1 billion, making it the biggest such fund on the market.

Relatedly, the first ether futures ETFs were recently approved by the SEC, and the products are only a little over a month old.

FROM THE BEGINNING

Financial advisor Douglas Boneparth, president of Bone Fide Wealth, was an early adopter of bitcoin, acquiring a bitcoin miner with a partner in 2014. He has yet to sell any of the bitcoin he owns, he said.

"Wow – what a ride it's been. I'm still very long-term bullish on bitcoin. I view it as a digital store of value – digital gold, if you will," he said. "I get that you can make jewelry out of [gold], but all money is a construct, at the end of the day."

With that firsthand experience, Boneparth's been in a good position to educate clients, he said. But he recommends that everyone take a

"Wow – what a ride it's been. I'm still very long-term bullish on bitcoin"

DOUGLAS BONEPARTH, PRESIDENT, BONE FIDE WEALTH

BEST-PERFORMING ETFS IN OCTOBER, 2023

	TICKER	NAME	TOTAL RETURN (%)	AUM ($M)
1	BITC	Bitwise Bitcoin Strategy Optimum Roll ETF	28.2	1
2	BITO	ProShares Bitcoin Strategy ETF	28.1	1,093
3	XBTF	VanEck Bitcoin Strategy ETF	27.9	59
4	MAXI	Simplify Bitcoin Strategy PLUS Income ETF	27.8	29
5	DEFI	Hashdex Bitcoin Futures ETF	27.5	2
6	BTF	Valkyrie Bitcoin and Ether Strategy ETF	26.8	32
7	BWET	Breakwave Tanker Shipping ETF	17.1	2
8	EPOL	iShares MSCI Poland ETF	15.8	214
9	BITS	Global X Blockchain & Bitcoin Strategy ETF	15.2	14
10	EGPT	VanEck Egypt Index ETF	13.3	21

*Excluding leveraged/inverse ETFs.

Source: NBF ETF Research, Bloomberg. Data as of Oct. 31

"The lying, cheating, and stealing has to stop. FTX and Sam Bankman-Fried are not one-offs in the crypto industry"

DENNIS KELLEHER, CEO, BETTER MARKETS

few dollars to play around with bitcoin to gain an understanding of how digital assets and blockchain technology work.

"People are going to have to deal with blockchain technology at some point in time," he said. "The sooner you can figure out how it works and be knowledgeable, the better off you're going to be."

While Boneparth self-custodies his bitcoin in cold storage, most people are far from being ready for that. And that's one of the aspects of a spot bitcoin ETF that's exciting, he said.

"Now people can get exposure to this asset class in a very traditional way, through an ETF wrapper," he said. "That is very bullish for bitcoin."

BANKMAN-FRIED BEHIND BARS

A number of legal actions this year drew more attention to the digital asset and crypto space, most notably the recent conviction of FTX founder Sam Bankman-Fried. While it could be reassuring for some that potential bad actors are facing consequences, it is likely just as disconcerting for those who are unsure about digital assets.

"It doesn't instill confidence in the space at large. And if you're not super knowledgeable about bitcoin or cryptocurrency, and you see large institutions go under … how can you not say, 'This is not a space I want to mess around with or expose my clients to,'" Boneparth said.

But exchanges are centralized companies that have nothing to do with the underlying assets or blockchain technology, he noted. "These are institutions run by fraudsters. If you can't separate those two things, you are not going to have a confident view of the space."

Upon Bankman-Fried's conviction earlier this month on numerous fraud charges, Better Markets CEO Dennis Kelleher said the wider issue of malfeasance in the crypto world is far from being addressed.

"The lying, cheating, and stealing has to stop," Kelleher said in a statement. "FTX and Sam Bankman-Fried are not one-offs in the crypto industry. In fact, today's conviction is a condemnation of the entire crypto industry and its business model, which is based on breaking the law for a financial product that has no socially useful purpose."

Ross acknowledged that the industry is to blame for Bankman-Fried's rise.

"We anointed that clown," Ross said. "That was a very bad decision. The entire industry was hung up on him … and it was bad for all involved."

ehallez@investmentnews.com

InvestmentNews
THE TRUSTED RESOURCE FOR FINANCIAL ADVISORS

SPECIAL REPORT

Top REGIONAL FEE-ONLY RIAs 2023

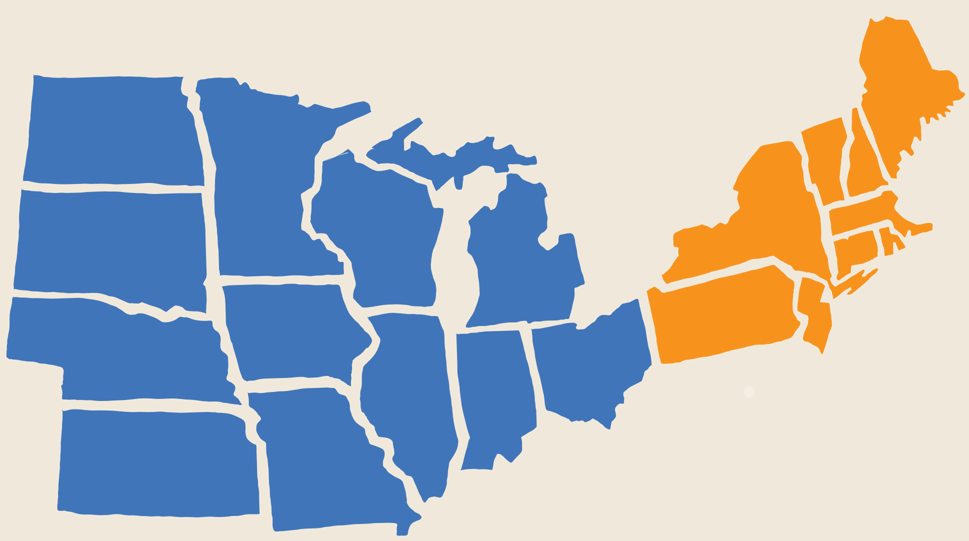
The Top Regional Fee-Only RIAs are thriving in their individual localities by tailoring and adapting their offerings to ensure client expectations are met

CONTENTS PAGE

LOCAL HEROES

InvestmentNews celebrates the best fee-only RIAs from the four regions across the U.S. The 100 winners are thriving in their respective areas by ensuring their clients experience exemplary service. Through a combination of expertise, personalized attention, and a client-first mentality, they have established themselves as trusted partners in guiding individuals and families toward financial success.

CHARACTERISTICS OF TOP REGIONAL FEE-ONLY RIAs BY REGION (MIDWEST AND NORTHEAST)



MIDWEST

622	Firms
$500.4B	AUM
4,617	Advisors
855.5K	Clients
$585K	Average account

Asset breakdown

70%	High-net-worth individuals
13%	Other individuals
17%	Institutional and other

NORTHEAST

644	Firms
$851.3B	AUM
4,718	Advisors
824.2K	Clients
$1,032.9K	Average account

Asset breakdown

56%	High-net-worth individuals
7%	Other individuals
37%	Institutional and other

PROWELL FINANCIAL MANAGEMENT

AUM: $6,407,099,280
HQ: Exton, Pennsylvania

The key to the firm's success is that it's the same as its clients.

One of only four members of staff, Courtney Kauffman, says, "We primarily work with family-owned businesses, and we are a family-owned business as well."

Prowell was founded by Kauffman's father, Mark, over three decades ago.

She says, "We understand families; we get the difficulty of managing family relationships while running a company because that's not always the easiest thing in the world. We bring a sense of comfort to our clients."

Testament to this is that three generations of the same family work with Prowell. This is driven by the firm's commitment to its clients, which is again reinforced by its understanding of being a family operation.

Kauffman says, "We want to be the number-one phone call, no matter what goes wrong. As it stands, we are usually the number-one phone call from early in the morning till late at night, and we make sure whatever they need gets done."

Part of Prowell's ability to be so effective and build trust with its clients lies in how it operates internally. With such a small team, there is no margin for not being perfectly aligned.

"The chemistry in our office is one of the most important things you will find because we are talking constantly, even when one of us is remote," says Kauffman. "We have a Zoom room, and I'm pretty much up on that screen all day long when I might not be in the office. We work very closely."

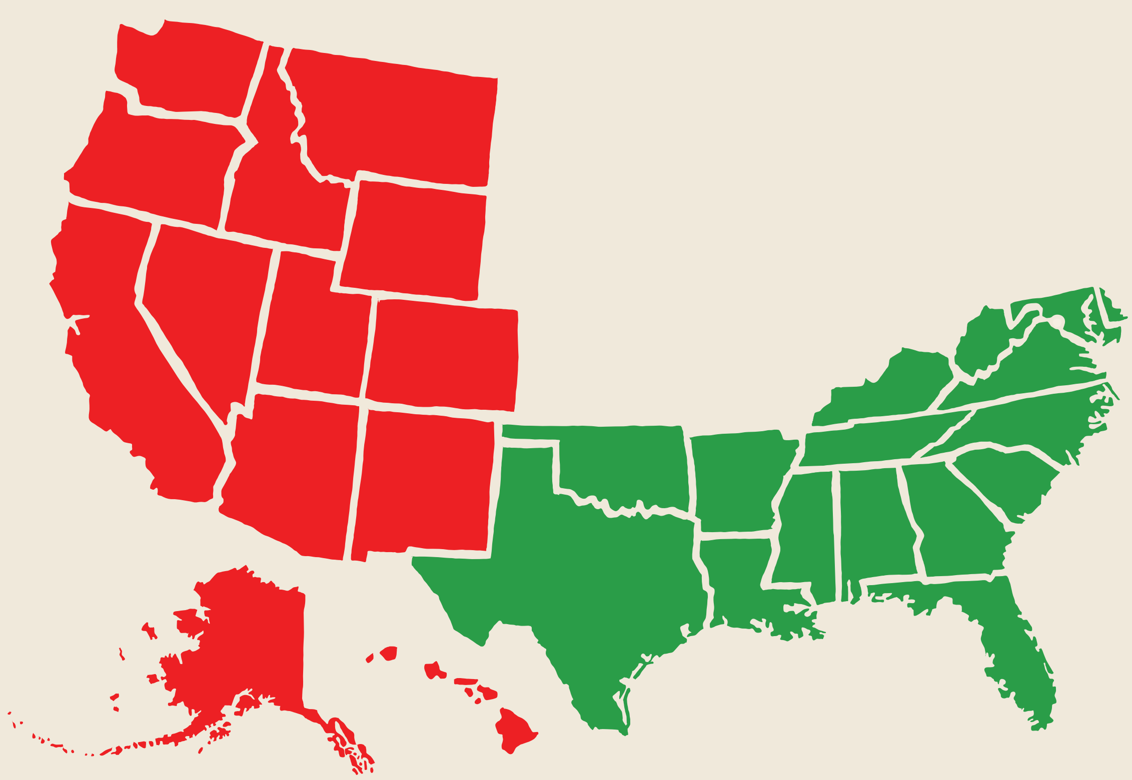
EXPERTS IN LIMITATION

Part of Prowell being such a trusted ally of its clients is its awareness of its limitations. Often, it's not because the firm can't do something but because it might have someone who can do it better.

"Part of being honest, transparent, and open is giving the best where you can and finding outside help where maybe you can't," Kauffman says. "We've made sure that we have surrounded ourselves with amazing professionals in the field, whether that's legal work, accounting, or whatever a high-net-worth family would need, so that any recommendation we give, we truly believe in."

However, knowing where its boundaries lie is also a strength. It enables Prowell to be dedicated to

CHARACTERISTICS OF TOP REGIONAL FEE-ONLY RIAs BY REGION (WEST AND SOUTH)



WEST

862	Firms
$628.3B	AUM
5,604	Advisors
953K	Clients
$659.2K	Average account

Asset breakdown

72%	High-net-worth individuals
14%	Other individuals
14%	Institutional and other

SOUTH

909	Firms
$742.6B	AUM
6,883	Advisors
1,186.6K	Clients
$625.8K	Average account

Asset breakdown

66%	High-net-worth individuals
15%	Other individuals
19%	Institutional and other

"WE HAVE A CLOSE RELATIONSHIP WITH OUR CLIENTS; THEY KNOW THAT THEY CAN TURN TO US FOR ANYTHING"

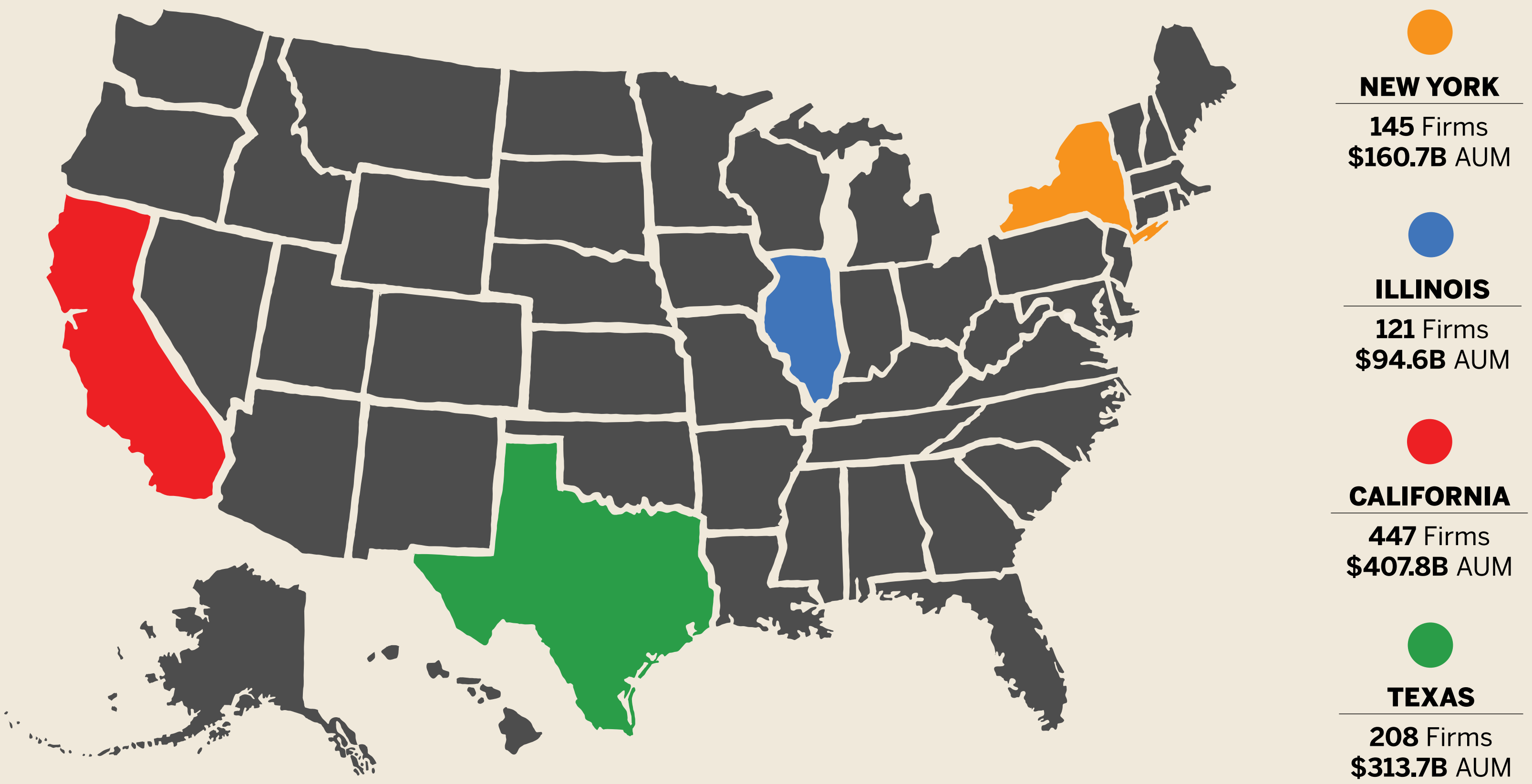
COURTNEY KAUFFMAN, PROWELL FINANCIAL MANAGEMENT

METHODOLOGY

InvestmentNews selected the largest fee-only RIAs by region based on data reported to the Securities and Exchange Commission on Form ADV.

To qualify, firms must have met the following criteria: (1) latest ADV filing date is either on or after August 1, 2022, (2) total AUM is at least $100M, (3) does not have employees who are registered representatives of a broker-dealer, (4) managed assets for individual clients during its most recently completed fiscal year, (5) no more than 50% of amount of regulatory assets under management is attributable to pooled investment vehicles (other than investment companies), (6) no more than 25% of amount of regulatory assets under management is attributable to pension and profit-sharing plans (but not the plan participants), (7) no more than 25% of amount of regulatory assets under management is attributable to corporations or other businesses, (8) does not receive commissions, (9) provides financial planning services, (10) is not actively engaged in business as a broker-dealer (registered or unregistered), (11) is not actively engaged in business as a registered representative of a broker-dealer, and (12) has neither a related person who is a broker-dealer/municipal securities dealer/government securities broker or dealer (registered or unregistered) nor one who is an insurance company or agency.

REGIONAL LEADERS



ensuring its clients know they will be given priority and every matter will be handled with care.

Kauffman, who has both CFP and CAP designations, says, "While they might be a family, we're able to look at everyone as an individual and keep private what they need to keep private. That's why we bring a lot of trust to our clients, and that shows in the ongoing relationships we have. When you pick up the phone, you can call any of our cell phones day or night, and we'll be there; they know who we are."

This even extends to the team attending weddings and parties for clients, proving the bond exceeds a purely transactional one. It all points to why clients stay with the firm.

"Sometimes, if you call a larger firm, you've got no idea who is going to answer the phone. It's amusing when we answer all our compliance-type questions and they're like, 'How often do you speak to your clients?' I say to them, 'Every week and some every day, to the point where I have their phone number memorized because we talk so much.'"

Being able to be so hands-on is one reason why Prowell hasn't grown in terms of its team. The firm's priority is offering the best service.

"The main importance for us is delivering this quality of work for our clients, and that's number one," Kauffman says. "So growth can't happen unless we know that we can still bring that level of detail to each one of our clients because I never want it to be that someone calls me and I'm not answering or at least calling them back within 30 minutes."

Illustrating how deep that commitment is, Kauffman ponders the choice between growing the firm and having to sacrifice the bespoke service it currently offers.

"If it's, you don't grow and you stay here, or it's, you get really big, but 10% of your clients are very disappointed with the work – the 10% of clients being disappointed is what would keep me up at night."

PLANNED SUCCESSION

Being a centralized operation and dealing with new family generations is a challenge. Again, Kauffman can leverage her own experience in response. With her father being the firm's founder, she knows what it's like to mix business and family.

She says, "It can be stressful for the second generation coming in, and they have their own financial goals based on their morals and beliefs, and they might not want to talk to their mom and dad's financial advisor.

"It's helpful to have myself or another member of the team as more of a peer advisor that they can be more open with. I think that adds some of the glue and makes it easier for them because I understand that it can be intimidating when you're first learning about finances, especially with your parents' higher net worth."

There is also a sensitivity to going beyond the first generation. The firm tailors its support and advice to be mindful of this.

Kauffman says, "These people spend their whole lives building these businesses, and that's their legacy, and then they're turning their financial futures over to us. We have to think about how we cannot only take it on for them but also for their kids and grandchildren; it's a very vulnerable thing."

With this uppermost in its client dealings, Prowell preempts any issues that may arise so that it has a ready-made solution to present.

"As a team, we have meetings all the time on what we could do, and I think a lot about it," says Kauffman. "We try to come up with the next thing that our clients will need because we can see what's coming by talking to their attorneys or accountants. We're always trying to predict what the next need will be and get on top of it before it actually becomes a need."

Recognition has flowed to Prowell for being so proactive, and a single standout fact encompasses how effective the firm has been.

"We've never done any type of marketing," says Kauffman. "We've got to where we are by always finding what fits the needs of the client."

TOP REGIONAL FEE-ONLY RIAs 2023

Top 25 Fee-Only Firms in the Midwest

1	Moneta Group
2	Savant Wealth Management
3	Bahl & Gaynor
4	Johnson Investment Counsel
5	Oxford Financial Group
6	Financial Counselors
7	Fiduciary Counselling
8	The Mather Group
9	Valeo Financial Advisors
10	Sapient Capital
11	Orgel Wealth Management
12	Altair Advisers
13	Plancorp
14	BPS Capital Management
15	Zhang Financial
16	JMG Financial Group
17	TruePoint
18	NorthRock Partners
19	Hamilton Capital
20	Brownson, Rehmus & Foxworth
21	Mainstay Capital Management
22	Advance Capital Management
23	Carnegie Capital Asset Management
24	Vivaldi Capital Management
25	Sym Financial Advisors

Top 25 Fee-Only Firms in the Northeast

1	Cambridge Associates
2	Silvercrest Asset Management Group
3	Pathstone
4	BBR Partners
5	Appleton Partners
6	Loring, Wolcott & Coolidge
7	Ballentine Partners
8	TAG Associates
9	Mill Creek Capital Advisors
10	Modera Wealth Management
11	Pinnacle Associates
12	Circle Wealth Management
13	Ropes Wealth Advisors
14	Adviser Investments
15	Prowell Financial Management **Phone:** 484 359 4057 **Website:** prowell-financial.com PROWELL FINANCIAL MANAGEMENT LLC
16	HM Payson
17	Coho Partners
18	Aureus Asset Management
19	R. M. Davis
20	East End Advisors
21	Bradley, Foster & Sargent
22	Choate Investment Advisors
23	The Bollard Group
24	Congress Wealth Management
25	Simon Quick Advisors

TOP REGIONAL FEE-ONLY RIAs 2023

Top 25 Fee-Only Firms in the West

1	Hall Capital Partners
2	IEQ Capital
3	EP Wealth Advisors
4	Comprehensive Financial Management
5	Jordan Park
6	Aspiriant
7	Lido Advisors
8	Evoke Wealth Management
9	Brighton Jones
10	Churchill Management
11	Ferguson Wellman Capital Management
12	Seven Post Investment Office
13	CPWM
14	Wetherby Asset Management
15	Frontier Asset Management
16	Parallel Advisors
17	Bailard
18	KCM Investment Advisors
19	Sepio Capital
20	Mission Wealth Management
21	Pure Financial Advisors
22	Index Fund Advisors
23	Laird Norton Wealth Management
24	Regis Management Company
25	Becker Capital Management

Top 25 Fee-Only Firms in the South

1	Fisher Investments
2	Jasper Ridge Partners
3	HB Wealth Management
4	WE Family Offices
5	CV Advisors
6	Smith Shellnut Wilson
7	Signature Financial Management
8	SignatureFD
9	Arlington Partners
10	Waverly Advisors
11	Nicholas Hoffman & Company
12	WMS Partners
13	Wilbanks Smith & Thomas Asset Management
14	Balentine
15	Capital Investment Advisors
16	Capital Advisors
17	Andersen
18	Permanens Capital
19	Stonegate Investment Group
20	Moran Wealth Management
21	Exencial Wealth Advisors
22	Certuity
23	Buckhead Capital Management
24	Southeast Asset Advisors
25	Heritage Investors Management

Re-emerging with growth strategies

SEI's head of practice management, Shauna Mace, gives advisors the cold facts and the tools to combat them

BY MANAL ALI

In 2022, the wealth management industry faced a whirlwind of challenges, ranging from unpredictable markets to rising costs. Advisory firms, however, demonstrated resilience by clocking 8% growth in client relationships. Yet beneath these encouraging numbers lie deeper insights and trends.

The 2023 *InvestmentNews* Benchmarking Study sponsored by SEI provides critical research to help financial advisors in practice management. Shauna Mace, head of practice management at Independent Advisor Solutions by SEI, provides insights into some of the key findings of the study's comprehensive research.

Shauna Mace, CHPC, head of practice management, SEI

SUSTAINING GROWTH

Advisory firms have historically ridden on market performance to augment their assets under management. The recent data, Mace reveals, however, indicate continued challenges in acquiring new clients. The primary driver of these new client additions has always been referrals. It's evident that for consistent and long-term growth, advisories need diversity and to bolster their organic growth strategies, including leveraging traditional marketing avenues.

ADVISORS NEED TO GUIDE CONVERSATIONS WITH CLIENTS BEYOND MERE FINANCIAL METRICS

Furthermore, while advisory founders have been instrumental in propelling firm growth, the looming retirement of a significant chunk of advisors underscores the urgent need to nurture the next generation.

Retaining clients in these tumultuous times requires an intentional shift in communication, in terms of what is communicated, how it is communicated, and the volume of communication. Mace maintains that clients value progress toward their goals, and relationships built on trust. Advisors need to guide conversations beyond mere financial metrics, delving into clients' aspirations, fears, and success parameters. As market volatilities surge, consistent and proactive communication is paramount, reminding clients of the long-term approach to wealth management and goal management.

In terms of financial management, the study highlights the importance of closely managing expenses to maintain profitability. The disparity between top-performing firms and their counterparts can be attributed to prudent financial management. While revenues remained stable amid market volatilities, top performers were astute in managing their expenses.

Mace says, "What caught my attention however, when analyzing the specific statements, was that the leading companies in each category didn't augment their expenditures, with the exception of one area: marketing and development. It prompts the question of whether these firms ought to be channeling funds into other crucial aspects, such as advisory or professional staff. Yet it was noteworthy that the one line item in the income statement where there was a noticeable uptick was in marketing spending."

ENGAGING NEW CLIENTS IN A VOLATILE ENVIRONMENT

The study found firms on average added 5.8% more clients to their list in 2022, but unfortunately also on average lost 2.7% of their existing clients. It appears that market volatility and expectations of a recession hurt not only the assets but also the referral activity of both existing clients and centers of influence.

Fear and uncertainty are often paralyzing, preventing individuals from taking action – a trend clearly observed during Covid. Data from that period show that many firms were stagnant, merely holding their breath, adopting an "if it isn't broken, don't fix it" attitude. This behavior mirrors that of many clients who prefer to wait out the storm rather than make significant changes during tumultuous times.

As Mace says, "People take action when there's enough of a need for them to – when it gets to a point where they can't not take action anymore.

"The job of the advisor is to create a conversation that's not simply focused on the markets but to educate their clients or prospectives around the impact of good habits and behaviors as it relates to their finances and the impact that can have."

GAINING SCALE, CAPACITY AND EFFICIENCY

Figuring out how to maximize efficiency and productivity while utilizing fewer resources is a common challenge for firms. "The largest driver of expenses is people. So how can you get the most out of your people?" Mace asks.

The top-performing firms in the study achieved an average operating profit margin of 43.5% – more than double the average 19.1% profit margin among all other firms. The difference in profitability is due to productivity. In the top-performing firms there are 49 clients for every team member versus 31 in all other firms.

Mace further notes that in the study, the No. 1 tactic firms identified (an impressive 76% of survey responders), in planning to implement and implementing enhanced efficiency and scalability, was the defining or refining of processes and workflows. The second was investing in new technology.

This is a route Mace observes being taken by the most operationally efficient and successful firms as they work to define their processes; in particular, the core, repetitive ones such as onboarding, client reviews, and money movement. They are not just defining these processes but also leveraging their CRM systems and other technological tools to operationalize these processes and workflows. This, in turn, is boosting their capacity and productivity, as evidenced by the productivity metrics highlighted in the study.

Finally, the study revealed the evolving role of operations in advisory firms. The increasing value of operational roles and the steady increase in compensation for these positions reflect the industry's recognition of the importance of operations in achieving efficiency and scale.

Information provided by Independent Advisor Solutions by SEI, a strategic business unit of SEI Investments Company (SEI).

STUDENT LOANS

WILL EMPLOYERS PASS THE COLLEGE PLANNING TEST?

As federal student loan payments resume, parts of the SECURE 2.0 Act will soon make it easier to save for college or contribute to a 401(k)

BY EMILE HALLEZ

Paying for college is seldom easy, and there are several factors at play that will soon make planning for it simpler and harder in their own ways.

Next year, provisions from the SECURE 2.0 Act take effect that will allow employers to offer some financial benefits to workers who are paying down student loans. But that much-anticipated development comes as payments on federal student loans have resumed after a 3½-year hiatus and as the government has delayed publishing its 2024 federal student aid application form.

Another aspect of the legislation is that it will soon allow rollovers from 529 savings plans to individual retirement accounts, which gives parents and grandparents a considerable incentive to open such accounts.

> “There is still anxiety [among workers] about understanding what their [repayment] options are”
>
> KEVIN WALKER, PRESIDENT, CANDIDLY

ABOUT THOSE REPAYMENTS

Employers – or at least their human resources departments – are very much aware of the financial stress that the resumption of federal student loan payments will cause for some of their workers. Repayments started again in October, following the pause during the pandemic that was extended several times. Those payments will likely hit the youngest workers hardest, as many have never had to make payments before and will have to adjust their budgets accordingly.

Recent surveys from Fidelity and Empower have found that some workers will be in a financial bind because of the repayments, and that could affect participation in company 401(k) plans.

Starting next year, there will be a way around that. Employers that provide matching contributions for their workers will be able to do so for those who aren’t contributing to plans on their own but are paying down student loans. Numerous retirement plan record keepers are adding that capability to their systems, and newer companies like Candidly and Vestwell’s Gradifi offer such programs.

“There is a lot of attention in the prep stages to get that in place,” said Kevin Walker, president of Candidly. “It’s a way to unlock money that is being left on the table by people who are not contributing to their 401(k).”

The firm has quickly been ramping up, having expanded business by a factor of 10 over a year, company CEO Laurel Taylor said in August.

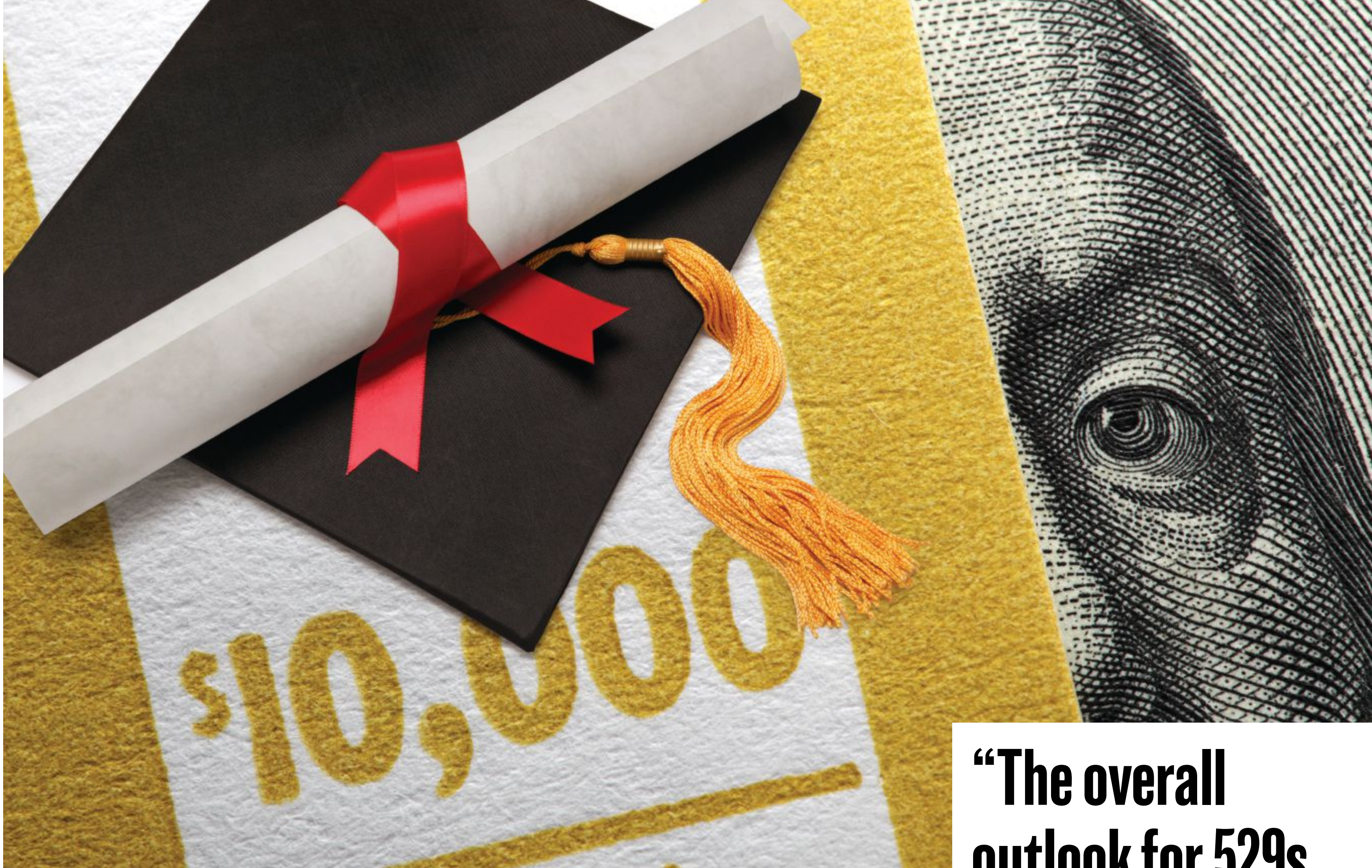
HELPING CLIENTS PREPARE

Not only do those programs provide a financial benefit for employees, but employers have incentives to implement them as well. For example, making matching contributions on behalf of those with loan payments can help companies pass “nondiscrimination testing” for their plans, meaning that the 401(k) doesn’t disproportionately benefit higher-income workers, Walker said. It’s also seen as a perk that can help with retention, he noted.

Ahead of the launch in January, the company has been helping clients prepare, providing webinars for employers about how it will work.

But there has been a lot of feedback so far from employees at those companies – both those with and without student loans, Walker said. People without debt are often looking for guidance on how to save for their children’s or grandchildren’s educations, he noted.

Candidly initially entered the market by providing guidance on student debt, such as



information about payment options. With federal loan payments resuming, there has been more demand for that, Walker said, including help sought by some nonprofits and health providers to get employees on track for public-service loan forgiveness, he said.

Although President Joe Biden issued an executive order that would have forgiven up to $20,000 in loans for borrowers, that order was reversed by the Supreme Court earlier this year. In response, the administration rolled out a new but limited forgiveness program and income-based repayment options.

Guidance on those topics has also been in demand by employers, Walker said.

"There is still anxiety about understanding what their [repayment] options are," he said.

COLLEGE SAVINGS

One of the latest reasons that 529 plans have been growing in popularity is that they can be used for private K-12 or vocational training expenses. Adding to that flexibility, the assets can potentially be rolled over to a Roth IRA, which helps reduce the risk that the money has nowhere to go if beneficiaries don't need it, for example, if they receive full-ride scholarships or don't attend college.

"The overall outlook for 529s continues to brighten, and especially with the expansion of qualified expenses to certain types of rollovers from 529s to Roth IRAs," Paul Curley, associate director of 529 and ABLE solutions at ISS Market Intelligence, said in an email. "As 529s expand from a product for education financial planning to retirement financial planning in 2024, we expect new energy by new stakeholders to drive growth."

Net assets in 529 programs grew by nearly 12% over a year as of the end of the third quarter, going from $365.5 billion to $408.6 billion, according to ISS data published Nov. 9.

ALL ELSE BEING EQUAL

There are a variety of 529 plans on the market, and some are much better than others in terms of cost and investment selection.

The two plans rated highest by Morningstar, according to a report the company issued Nov. 2, are the Utah my529 and Pennsylvania 529 Investment Plan.

The former has received Morningstar's gold-medal designation since it began rating 529s in 2012, although that plan "does not rest on its laurels," manager research analyst Hyunmin Kim wrote in the firm's report.

"State oversight continues to be top-notch. Instead of hiring an investment manager for the plan, the state employs its own well-resourced and experienced investment team and draws upon a network of experts, including its board, an investment advisory committee comprising institutional investors and advisors and external consultants," Kim wrote.

At $20 billion in assets, the Utah 529 is the fourth-largest plan, behind the Nevada Vanguard 529 Plan ($29.8 billion), the New York direct-sold 529 ($35.2 billion) and Virginia College America 529 ($78 billion), according to ISS figures.

Meanwhile, the Pennsylvania 529, which went up in its rating by a notch this year, benefits from the state treasury's having built a strong team of investment personnel, who recently negotiated with the investment manager and program manager for a faster rate of fee reductions as total money in the plan increases, Kim stated.

Across the industry, college-savings plans have generally been improving, with lower overall costs and portfolios designed to better fit beneficiaries' needs. As interest in the plans has grown, asset managers have dedicated more resources to the area, which has benefited participants, Kim noted.

"Stewardship standards continue to rise as well," she said. "Robust interaction between the state and its investment entity forms a baseline now, with more engaged state entities aggressively negotiating with external managers and advocating for their account holders."

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"The overall outlook for 529s continues to brighten, and especially with the expansion of qualified expenses to certain types of rollovers from 529s to Roth IRAs"

PAUL CURLEY, ASSOCIATE DIRECTOR OF 529 AND ABLE SOLUTIONS, ISS MARKET INTELLIGENCE

GARRETT AGAIN BATTLES FOR DOL RULE

Sheryl Garrett, founder of the Garrett Planning Network, got a shout-out from President Obama in 2015 when he introduced a Department of Labor fiduciary rule. Now she's joining the fight to support the Biden administration's proposal

BY MARK SCHOEFF JR.

THE LAST TIME Sheryl Garrett attended a White House rollout of a proposal to raise investment advice standards for rollovers, she became one of the stars of the show.

When President Barack Obama announced the Department of Labor's proposal in 2015, Garrett was in the crowd at an auditorium at AARP headquarters in downtown Washington. Obama cited Garrett when he highlighted examples she had provided to the White House of investors who had been harmed by bad recommendations to transfer funds from a company retirement plan to an individual retirement account.

"Once he mentioned my name, I didn't remember anything after that," said Garrett, founder of the Garrett Planning Network. "It's surreal now. It was extremely surreal then."

The Obama administration's DOL fiduciary rule was vacated by a federal appeals court in 2018. When the Biden administration released a similar regulation on Oct. 31 at the White House, Garrett was again in the audience.

It wasn't quite as exciting a moment for Garrett this time. President Biden didn't call out her name. But she left the event with a bounce in her step because she felt as if this time around, the DOL proposal – known as the retirement security rule – would become a final rule that survives.

"In general, folks were elated to see that we're not talking about years or decades before we would see fiduciary advice for all," Garrett said of the White House audience, which mostly comprised investor advocates. "It's coming just in the nick of time."

CONTINUED ON PAGE 26

HEARTH AND HOME

Sheryl Garrett began her own retirement planning 15 years ago when she decided to move to Eureka Springs, Arkansas. Nestled in the Ozark Mountains in the northwest part of the state, the area offered beauty, peace, and the opportunity to grow plants and fruit sustainably throughout the year for Garrett and her spouse, who passed away two years ago. Garrett has a mini-orchard and a greenhouse on her grounds, where she lives with her teenage daughter. "We like feeling like we're out in the wilderness," Garrett said, even though they're only two miles from the center of town.

Garrett has a passion for nature and outdoor activity.

Garrett and her daughter visited Cabo San Lucas, Mexico, where Claire saw the ocean for the first time.

Garrett enjoys spending time in her orchard.

Sheryl Garrett and her daughter Claire play catch with a water balloon at Linn Valley Lake, Kansas.

CONTINUED FROM PAGE 24

Under the DOL proposal, most financial advice to retirement savers – including a one-time rollover recommendation – would be held to the fiduciary standard in federal retirement law if the investor is working with a "trusted advisor," regardless of whether that's an investment advisor, broker, or insurance professional.

Financial advisors would have to give advice that is in the investor's best interests, avoid misleading statements, and charge reasonable fees, among other requirements. The proposal is designed to curb advisor conflicts of interest that lead to "junk fees" that are eroding Americans' nest eggs, the Biden administration asserts.

> **"I'm delighted that the concept of fiduciary did not get wiped off the plate"**
>
> SHERYL GARRETT, FOUNDER, GARRETT PLANNING NETWORK

Financial industry resistance to the Biden DOL rule is shaping up to be just as fierce as it was to the Obama rule. Industry opponents of the Obama rule filed the lawsuit that led to the Fifth Circuit Court of Appeals' decision to kill the regulation.

Critics of the latest iteration of the DOL rule say that it will sharply increase regulatory costs and legal exposure for brokers and insurance agents, who will be held to the fiduciary standard required by the Employee Retirement Income Security Act.

A staunch fiduciary advocate, Garrett is ready to return to the battle over applying the standard to retirement accounts and plans.

"I'm delighted that the concept of fiduciary did not get wiped off the plate," Garrett said. "It's what retirement savers need and expect when they seek advice on what they can and should do next."

She's particularly enthusiastic about the reach of the DOL proposal, which encompasses insurance investment products that aren't securities, such as fixed index annuities, and independent insurance agents who sell them.

"The insurance industry needs to be held to the same standard as a registered investment advisor is held to," Garrett said. "There is a huge [regulatory] gap. The rollover itself is not considered a fiduciary act, and it should be. It's virtually an irrevocable decision."

Trade associations representing brokerage and insurance firms are arguing that under the DOL proposal, their members would decline to work with savers with modest retirement assets because of the costs associated with fiduciary requirements.

"I say, figure it out," Garrett said. "Your less-wealthy clients should not be subsidizing the wealthy people. If you can't make money serving the middle market because you have to sell them more expensive products, you should get out of the market. Stop ripping them off."

The nearly 250 advisors in Garrett's network are fee-only fiduciaries who don't receive commissions or any other compensation based on the sale of a financial product or service. They are also all certified financial planners. The CFP designation has its own fiduciary requirements.

Advisors in the network charge hourly fees, an approach that Garrett says promotes acting in a client's best interests better than assessing a fee based on assets under management.

"Money has to move for advisors to be paid most of the time," she said. "So by charging for time, money doesn't have to move. Writing a check for your services is painful. Taking your fee quarterly out of the investment account is almost invisible. Or, if it comes out of an annuity, the client doesn't know it."

Garrett, 61, is making plans to step back from the leadership of the network she founded in 2000. "Version 2.0," she said, will be "member-driven and member-led." Eileen Freiburger, who joined the network in 2001, came out of retirement in 2021 to become its managing director.

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InvestmentNews
THE TRUSTED RESOURCE FOR FINANCIAL ADVISORS

SPECIAL REPORT

FASTEST-GROWING FEE-ONLY RIAs 2023

***InvestmentNews* recognizes the Fastest-Growing Fee-Only RIAs that are delivering for their clients with outstanding advice, care, and communication**

CONTENTS PAGE

LEADING LIGHTS

The Fastest-Growing Fee-Only RIAs of 2023 are celebrated for attracting new assets since July 2020. While all 75 winners are trusted and reliable partners for their clients, each firm has its own unique strategy and operating methods.

The fee-only business model, characterized in part by independence from broker-dealers and commission-based products, has been able to flourish, as illustrated by assets under management by fee-only firms growing at an average annual rate of 9.5% since 2019 to $2.9 trillion, while the number of client accounts has grown 10% on average to 4.1 million. These 75 winners have led the segment in growth over the past three years.

DESTINY WEALTH PARTNERS
AUM: $805,805,266
Three-year growth: 234.8%

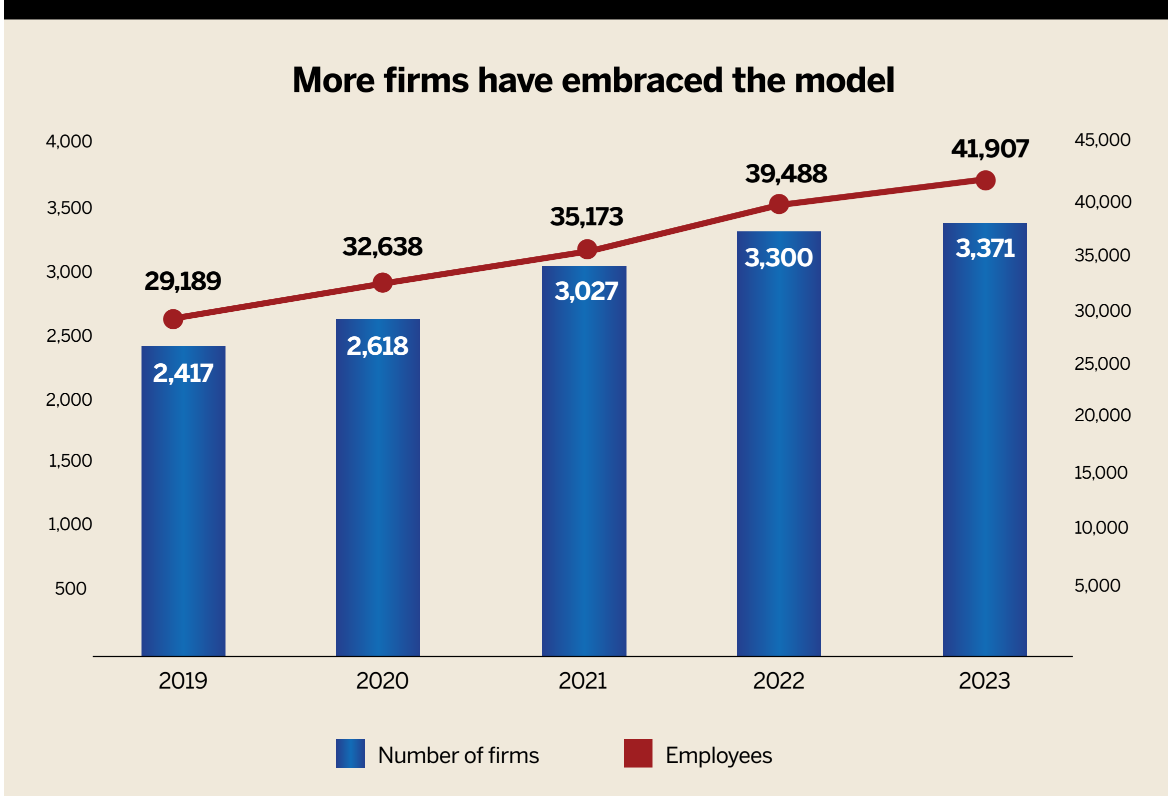
Being aware of what's required is Destiny's culture.

Founder and CEO Thomas Ruggie says, "Our prevailing attitude is to get stuff done. It all boils down to creating effectively what I would want if I were the client sitting on the other side of the table."

"We are a quick re-actor to trends, and historically, that's been the case. We continue to expand the boundaries"

THOMAS RUGGIE, DESTINY WEALTH PARTNERS

FASTEST-GROWING FEE-ONLY RIAs BY THE NUMBERS



However, it's been more than words that have created that type of atmosphere. A few years ago, Destiny adopted the Entrepreneurial Operating System platform for its executive team.

"It basically helps us determine our goals by working backward. We can say, 'What are our 10-year, three-year, or one-year goals?'" Ruggie says.

It's now been rolled out across all departments, enabling weekly or monthly meetings to track progress.

"It's made us have very structured processes that we consistently walk through; every single team member is involved in one, if not multiple, pieces of the division," says Ruggie. "Our culture has grown phenomenally because now everybody knows what's going on across the board."

The client retention data speaks volumes about the firm's approach:

- 99% for six of the last seven years
- 98% in the remaining year

Destiny's reputation and track record are what have enabled the firm to attract clients.

Ruggie says, "I'm the best salesperson in the firm, and yet I'm kind of crappy at it. People laugh at me when I say that because, at this point, I'm a great salesperson, but it's because I've done a great job for the last 32 years, and people know that."

In addition to serving as wealth managers, operating a family office and engaging in M&A operations, Destiny has attracted ultra-high-net-worth clients by capitalizing on various niches. These include:

- a direct investment platform that permits clients to invest in companies such as Hipgnosis, SpaceX, and Stripe
- diversified alternative investments encompassing sports memorabilia, wine collections, artwork, and exotic cars

The alternative idea was spawned by Ruggie's personal experiences.

"I've got a multimillion-dollar sports collection, but my wife and kids don't give a damn about it," he says. "It dawned on me that if I don't make it home one night, they have no idea what to do with it.

"We've replicated that to focus on other people who are just like me and have the same problems. I bring a unique perspective because, like them, I'm a collector."

Despite having longstanding success, Destiny is catering to today's generation. The firm recruits advisers who are relatively inexperienced, with four to seven years in the industry.

Ruggie says, "We're fortunate that we have the ability to bring in somebody like that and build them. If you talk to any of our nine advisers, the goal is for you to get the same treatment and planning process. It's a lot easier to do that than try to change somebody who's been doing things their own way for 20 years."

This extends to attracting more clients through what Destiny calls "next-gen business." That's where Ruggie accepts that what appealed to individuals previously might not do so now.

"As our business sits right now, it's a great business, but it's effectively what I've built and done in my 30 years in the business," he says. "The reality is that the way we do things right now is not very appealing to Gen Y and Gen Z, so we've hired a young person to come in and basically build out a separate business offering focusing on that demographic.

"The goal of our firm is to be a perpetual firm, to be around in 30 or 40 years, and if we do things the way we've been doing them for the last 30 years, we're not going to appeal to the younger generation."

DELAP WEALTH ADVISORY

AUM: $317,812,809
Three-year growth: 210%

The Oregon-based firm has a strategic approach: helping owners maximize the after-tax transferable value of their business.

Partner Jared Siegel says, "Taxes end up being an individual's largest annually recurring nondiscretionary expense, so it's a way to maximize long-term wealth."

"When the marketplace votes with its feet and wallet the way that it has, it's an affirmation that the team that's been pulled together here is doing the right stuff" JARED SIEGEL, DELAP WEALTH ADVISORY

The decision to taper Delap's agenda was a calculated move.

"We've narrowed our individual focus to expand our collective impact," says Siegel. "By getting more focused on the types of clients we serve, the types of challenges, problems, and opportunities that we face give us the opportunity for pattern recognition or recurring strategies and experiences that wouldn't be there if we were serving a broader base."

For the strategy to work, it requires not only diligence but also discipline, and this can create a need to pause sometimes.

"We had to trust the plan, but doing anything

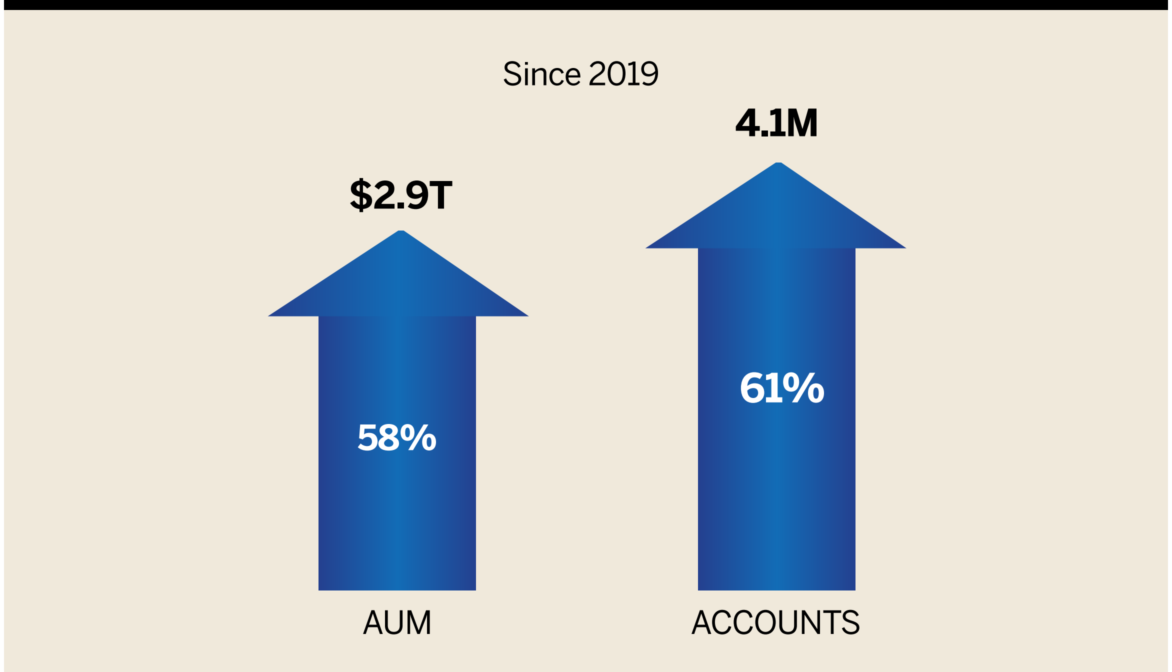
METHODOLOGY

InvestmentNews selected the Fastest-Growing Fee-Only RIAs based on data reported to the Securities and Exchange Commission on Form ADV.

To qualify, firms must have met the following criteria: (1) latest ADV filing date is either on or after July 1, 2022, (2) total AUM is at least $100M, (3) does not have employees who are registered representatives of a broker-dealer, (4) managed assets for individual clients during its most recently completed fiscal year, (5) no more than 50% of amount of regulatory assets under management is attributable to pooled investment vehicles (other than investment companies), (6) no more than 25% of amount of regulatory assets under management is attributable to pension and profit-sharing plans (but not the plan participants), (7) no more than 25% of amount of regulatory assets under management is attributable to corporations or other businesses, (8) does not receive commissions, (9) provides financial planning services, (10) is not actively engaged in business as a broker-dealer (registered or unregistered), (11) is not actively engaged in business as a registered representative of a broker-dealer, and (12) has neither a related person who is a broker-dealer/municipal securities dealer/government securities broker or dealer (registered or unregistered) nor one who is an insurance company or agency.

To be considered for the list of fastest-growing AUM, firms must have met the criteria in each year (ending July) between 2020 and 2023. In cases where a firm filed more than one annual update to their ADV, the latest filing for the year was used.

FASTEST-GROWING FEE-ONLY RIAs' RAPID GROWTH



"We have to have a long-term mindset, and we have to recognize that diluting our client base for short-term revenue has potential consequences down the road" JUSTIN BAKEWELL, BRIGHTSIDE ADVISORY PARTNERS

different or saying no to any good opportunity can certainly provoke anxiety," says Siegel.

The fundamental key to Delap's success is having the personnel to carry it out. The firm aims its recruitment at individuals with CPA and CFO skills rather than those more geared to selling financial products.

Interestingly, Seigel's entire team had no prior investment advisory experience, as he purposefully sought people who embrace Delap's culture and have the client experience uppermost in their minds.

Seigel says, "A natural by-product of wealth is complexity, and we've purposefully built our firm to simplify and clarify financial decisions for our clients. We ultimately coordinate that complexity to alleviate that stress and burden that the clients would otherwise struggle with."

An example of this is the thousands of tax codes nationwide across cities, counties, and states. The genius of Delap's model is that as a client creates more wealth, the firm can use even more of its skills to guide them.

"We approach planning through a facilitated process rather than a prescribed process," says Seigel. "But too many choices create the paradox of choice, so we work through a facilitated process where the client gains clarity on what's most important to them so they can communicate it to us, which then informs what's most important in our service."

While the firm has plans to grow and keep iterating, for Delap, even that can be simplified to maintain discipline and focus.

Seigel says, "We're attempting to be a better firm today than we were last week."

BRIGHTSIDE ADVISORY PARTNERS

AUM: $747,538,679
Three-year growth: 284.7%

In pursuit of growth, the firm places an emphasis on its current clients. While that may appear out of sync, it's clear in the mind of CRO and partner Justin Bakewell.

He says, "We all believe that growth starts with this relentless pursuit of serving our current clients amazingly well. If we help them meet their goals, the rest falls into place."

Brightside works with three distinct groups:

- entrepreneurs and business owners
- general partners at private investment funds
- multigenerational wealth

"If you don't fall into one of those buckets, there are other folks that might serve you really, really well, but that's not where we're spending our time," Bakewell says.

This narrowing of its offerings has enabled Brightside to gain a reputation.

Bakewell says, "We are so deeply focused on those different areas from an advisory standpoint that it lends itself to referrals and really becoming deep experts in each one of those spaces, which differentiates us dramatically from some of our peers who have a broader approach to planning and client service."

One fundamental attribute Brightside has is that its people are predisposed to its client base. The firm switched its focus to the three groups after a detailed internal review.

Bakewell says, "We have decades of experience serving these three types of clients, and we said that's what we want to focus on. The expertise that we have is what drove our strategy, as opposed to the opposite."

Brightside is growing, but only in a measured and controlled manner. The firm is not doing it through acquisition or by employing advisers who come with clients. Instead, it is developing junior team members in client discussions from the early stages.

"When it comes to clients, business strategy, and execution, we try to involve everyone from development to implementation," says Bakewell. "That creates a cultural buy-in."

New members rotate around the firm's departments for the first few years to find out what appeals. This way, everyone is in a role in which they are comfortable, but also with an appreciation of the other areas.

Bakewell says, "The feedback that we've gotten is that they feel much more included than they would at a more traditional firm, as they get exposure to a wide variety of things and partners."

Going forward, Brightside is optimistic that it can continue to perform well due to its focus on private markets. Bakewell highlights what he feels are ongoing advantages:

- "That's a deliberate action on our part because the volatility is much less."
- "We think there's great opportunity as long as you can withstand the illiquidity of the private markets and you plan thoughtfully and underwrite these opportunities in a very diligent way focused on risk."

Brightside staying in its lane is certainly the future.

"If we're no longer differentiated in the marketplace, if we really can't say that we are experts in our three areas and we become diluted, that will affect our client service and our ability to grow in the long run," Bakewell says.

FASTEST-GROWING FEE-ONLY RIAs 2023

Under $500 million

1. Canvas Wealth Advisors
2. Walkner Condon Financial Advisors
3. VELA Investment Management
4. Custos Family Office
5. Delap Wealth Advisory
6. BMSS Wesson Wealth Solutions
7. Centered Wealth
8. Madison Wealth Partners
9. High Note Wealth
10. True Wealth Design
11. Harmony Asset Management
12. Life Line Wealth Management
13. Schubert & Company
14. Hardin Capital Partners
15. Moss, Luse & Womble
16. Nia Impact Advisors
17. RoseCap Investment Advisors
18. Tranquility Partners
19. Harpswell Capital Advisors
20. Accretive Wealth Partners
21. Weinberger Asset Management
22. Blue Barn Wealth
23. Harbor Advisory
24. Fielder Capital Group
25. Wealth Management Solutions

$500 million to $999 million

1. Align Impact
2. McGlone Suttner Wealth Management
3. Operose Advisors
4. Brightside Advisory Partners
5. Capstone Wealth Advisors
6. Destiny Wealth Partners

7. JFG Wealth Management
8. Pacific Capital Wealth Advisors
9. TRUADVICE
10. Single Point Partners

$1 billion to $5 billion

11. Sachetta
12. CGN Advisors
13. High Probability Advisors
14. Geometric Wealth Advisors
15. Arkos Global Advisors
16. Amussen, Hunsaker & Associates
17. FSM Wealth Advisors
18. NWK Group
19. Biechele Royce Advisors
20. Abound Wealth Management
21. Fi3 Financial Advisors
22. Waypoint Capital Advisors
23. Apeiron RIA
24. Bay Colony Advisory Group
25. Rainey & Randall Investment Management

More than $1 billion

1. Prowell Financial Management
2. Nicholas Hoffman & Company
3. Sage Mountain Advisors
4. Circle Wealth Management
5. Elser Financial Planning
6. Apella Capital
7. NextCapital Advisers
8. Ellevest
9. Savant Wealth Management
10. Smith Shellnut Wilson
11. Foster Victor Wealth Advisors
12. Modera Wealth Management
13. EP Wealth Advisors
14. Angeles Wealth Management
15. Pathstone
16. QP Global Family Offices
17. Lindbrook Capital
18. Pinnacle Wealth Management Advisory Group
19. Laird Norton Wealth Management
20. Grey Street Capital
21. Red Door Wealth Management
22. Dakota Wealth
23. The Mather Group
24. Winthrop Capital Management
25. Congress Wealth Management

'WOLF OF WALL STREET' TOUTS INDEX INVESTING

Could the former fraudster successfully manage a modern-day financial advisory firm? Absolutely, says Jordan Belfort

BY GREGG GREENBERG

Could the "Wolf of Wall Street" successfully manage a modern-day financial advisory firm?

No question, says Jordan Belfort. But not the way he used to do it in the '80s and '90s when he was running the now-infamous Stratton Oakmont brokerage firm.

"One of the distinctions I make in my book is that stockbrokers are fairly useless. They really are. You don't need to pick stocks. It's ridiculous. But there is a need for financial planning," Belfort said.

The former fraudster, whose rise and fall was portrayed by Leonardo DiCaprio in a blockbuster Martin Scorcese film, is once again talking about Wall Street, although this time in a far more sober way. Literally, figuratively, and financially.

His new book, "The Wolf of Investing," is aimed at helping "regular investors" use his in-depth knowledge of Wall Street to their advantage. No shady advice. No penny stocks. No talk of illegal substances. Just legitimate financial advice from an industry insider who's been there, done that, done even more – and survived to talk about it.

"I resisted writing about Wall Street and how to make money in the stock market the right way for many, many years," Belfort said. "And ultimately, I just got to a point where, after being on the speaking circuit and teaching mostly entrepreneurship and sales, I realized there is a need to discuss things like: What is the actual way to make money in the stock market – the right way, and without the nonsense of short-term trading and trying to time the market?"

ADVERTISING

As it turns out, the "right way," according to the now-reformed Wolf of Wall Street, is to put at least 90% of a client's portfolio into low-fee index funds – the type of passively managed funds made popular by the late Vanguard founder Jack Bogle.

Yes, it's true. Belfort considers himself a "Boglehead."

"While I had invested this way myself, using indexing and maintaining a carefully balanced portfolio, the more research I did, the more shocked I was at how simple it was to build wealth over time," he said. "Every academic study out there points to the fact that trying to pick individual stocks or mutual funds, after all the fees and commissions and taxable events that occur, is a dead end."

Belfort got the idea for the book from watching his own family lose money by day-trading cryptocurrency. And when it comes to where the wolves might be prowling on today's Wall Street, Belfort believes the crypto space is a good place to look, especially at some of the smaller firms.

As to the larger, more traditional investment banks and brokerages on Wall Street, Belfort says they have good and bad qualities.

"There is the useful side where they create massive value and serve this mission-critical function in the economy, which is to take companies public, provide credit through bond offerings. And they deserve all the accolades for creating that value," he said. "Then there's the not-so-useful side where they create bubbles, and they plunder and pillage the village. And that's where it gets really complicated."

It's worth noting that Belfort is not entirely against picking individual stocks. He writes in the book that there's nothing wrong with a little "healthy speculation," even though over the long term it's a sucker's bet.

"If you want to take 5% of your money, or 10%, whatever you feel comfortable with, and go speculate, then maybe you'll make some money with it," he said. "But probably you won't do as well as simply holding the right type of index fund and using long-term compounding to get where you want to get."

FROM PRISON TO HOLLYWOOD

- Jordan Belfort, born in 1962, founded brokerage firm Stratton Oakmont in 1989
- He pleaded guilty to stock-market manipulation and running a boiler room in 1999
- Belfort spent 22 months in prison in return for giving testimony about his fraud scheme
- He was ordered to pay back $110.4 million that he had swindled from stock buyers
- In 2007, Belfort published his memoir, "The Wolf of Wall Street"
- In 2013, the book was adapted into a film in which he was played by Leonardo DiCaprio
- In 2023, Belfort published "The Wolf of Investing"

“Stockbrokers are fairly useless ... You don’t need to pick stocks. It’s ridiculous. But there is a need for financial planning”

JORDAN BELFORT

Not to mention holding it in the right type of account and in the most tax-efficient way for retirement, which is where Belfort sees the modern-day financial planner adding value for clients.

“Managing wealth to minimize taxes and setting yourself up for a great retirement – that is very useful,” he said. “As soon as they cross over and start trying to pick stocks for you, or put you into vehicles that are actively managed, then that’s where I part ways with financial advisors.”

Belfort also includes chapters on regulation and Wall Street history in his book. Of course, most readers are well aware of Belfort’s own past through his bestselling autobiography and the feature film about his life. It is those fans, and that wide audience, that he’s trying to reach.

“Everything I’ve done since I went to jail has been, in my opinion, at the highest level of ethics. I’ve been helping people and serving people all over the world, helping them live more empowered lives financially,” said Belfort. “I have a platform, people follow me, and I want to show them how you really build wealth in the stock market.”

And as to who would play him if his latest book were turned into a movie? Would Leo DiCaprio do a “Wolf” sequel about the benefits of index funds?

“It’s not as exciting as plundering and pillaging and doing massive quantities of drugs,” said Belfort. “I don’t know if ‘The Wolf of Investing’ will be a movie, but I know what it will do for anyone who reads it. It’s going to radically improve their ability to make money over the long term and to retire with a huge nest egg.”

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Column

INDIVIDUAL RETIREMENT ACCOUNTS

Year-end QCD mistakes to avoid

Qualified charitable distributions are one of the best ways for IRA owners to receive tax benefits for their donations

Assets in individual retirement accounts are the best assets to give to charity, since they're loaded with taxes. For those who give regardless, using IRAs to make the gifts can provide tax benefits – but only if it's done correctly. If not, the tax benefits can be lost.

IRAALERT
ED SLOTT

Qualified charitable distributions are one of the best ways for IRA owners to receive tax benefits for their donations. QCDs are done by making a direct transfer from the IRA to a qualifying charity. The tax benefit is that the distribution from the IRA is not included in income, where it otherwise would be.

The only downside to QCDs is that they're not available to everyone. Only IRA owners and beneficiaries who are age 70½ or older qualify. QCDs can't be done from 401(k)s.

The annual QCD limit is $100,000 per IRA owner, not per IRA account. Properly timed QCDs can also offset required minimum distribution income. Even though the RMD age is now 73, the QCD age has not changed, so QCDs can be done even before RMDs begin.

Most people no longer receive tax benefits for their charitable gifts since more than 90% of taxpayers don't itemize their deductions. Instead, they use the higher standard deduction, which in 2023, for IRA owners aged 65 or over, is $30,700 for a married couple filing jointly and $15,700 for single individuals. A QCD provides a tax benefit even for people who take the standard deduction because it doesn't count as adjustable gross income.

These great tax benefits, however, can be forfeited if the QCD rules aren't followed. Not surprisingly, that seems to happen more frequently at year-end, when advisors and clients are up against deadlines. Here are the most important QCD pitfalls:

QCD TIMING ERRORS

One of the key benefits of using QCDs is that the distribution from the IRA to the charity isn't included in income and can satisfy the RMD amount. However, if an RMD was already taken earlier in the year, a QCD taken subsequently can't offset the RMD income. The QCD will still be excluded from income, but the RMD already taken will be included in income. To avoid that result, make sure to do the QCD first, before taking the RMD.

WAITING UNTIL RMDs BEGIN

Some IRA owners think they can't do QCDs until RMDs begin. The QCD age is still age 70½ even though the RMD age has been raised to age 73. Missing out on the few years before RMDs begin can mean lost tax benefits for donations that are being made anyway.

BEWARE OF IRA DEDUCTIONS

An IRA deduction can invalidate the QCD tax benefit. This became an issue when the original SECURE Act removed the restriction against making traditional IRA contributions after age 70½.

Taking an IRA deduction in the same year as doing a QCD could cause the QCD to be included in income. For example, if a person made a 2023 deductible IRA contribution of $7,500 and also did a $10,000 QCD, only $2,500 of that QCD would be excluded from income. The remaining $7,500 would be a taxable QCD, eliminating the tax benefit. Any amount of QCD not allowed can still be taken as an itemized deduction. However, since most people no longer qualify for itemizing, the QCD tax benefit would be lost. (In certain cases, a deductible IRA can also make a subsequent year's QCD taxable.)

The better option for those who wish to use the QCD is to not make a tax-deductible IRA contribution. Instead, contribute to a Roth IRA. If income is above the Roth IRA contribution limits, use the back-door Roth IRA, where a contribution is made to a nondeductible traditional IRA and then converted to a Roth IRA.

QCDs VIA CHECKBOOK IRAs

QCDs that are desired for this year must be completed by year-end. The funds must leave the IRA and go to the charity on or before Dec. 31. In cases in which IRA owners make the QCD gifts using "checkbook IRAs," those checks must clear by year-end. If they're not cashed by the charity, they won't show up as a distribution for this year for tax reporting purposes.

BENEFICIARY QCDs

IRA beneficiaries qualify to use QCDs, but they must also be age 70½ or older. The fact that the deceased IRA owner was over age 70½ at death has no bearing on this. If a beneficiary attempts a QCD before reaching age 70½, it won't qualify and won't be excluded from income. In addition, even for qualifying beneficiaries (those 70½ or older), the QCD ordering rules still apply. If the IRA beneficiary is subject to RMDs, the QCD must be done before taking the RMD; otherwise, the QCD won't offset the RMD income.

BENEFITS BACK TO THE IRA OWNER

By law, the QCD will only qualify if "a deduction for the entire distribution would be allowable" if made as an itemized deduction, according to Tax Code Section 408(d)(8)(C). You don't have to itemize deductions to qualify for the QCD benefit. But the entire amount of the gift would have had to be deductible if you had itemized. This means there can be no benefit back to the donor, like tickets to a show, dinners, discounts, etc., other than certain intangible benefits or titles. Any benefit received back would void the entire QCD benefit, not just the amount of the benefit. Make sure you receive a contemporaneous written acknowledgement, or CWA, from the charity indicating that you didn't receive any benefit in return.

A QCD can be a game-changer of a tax benefit. Don't mess it up by failing to follow the playbook.

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

Q3 advisor moves down 18.9% from year before


DEVIN McGINLEY

NUMBERSGAME

Advisory industry recruiting activity continued to decline over the third quarter, according to the latest analysis of the Advisors on the Move database.

In the third quarter, total recruiting activity, which consists of movements of experienced reps between unrelated firms, excluding those resulting from a merger or acquisition, was down 9.6% from the second quarter and 18.9% year over year.

Recruiting activity was at the lowest of any comparable period in the past five years, down 13.7% even from 2020.

As in other recent years, the topline number belies two divergent trends. Independent broker-dealers and registered investment advisors recruited 366 and 254 advisors away from other firms, respectively, while 311 advisors left wirehouses for other channels, and 202 departed banks.

MOVES BY OTHER MEANS

It's well-documented that advisors overall have a preference for operating under independent models, where, as independent contractors rather than employees, they are able to make a wider range of decisions about their operations and take home a larger share of the revenue they produce. That preference has consistently shown up in the recruiting data, as well as in recent Fidelity research that found about one in six advisors had switched to an independent firm over the past five years and that 94% were happy with the move.

And while recruitment has been down significantly, plenty of advisors have moved by other means in 2023.

Increasingly, firms that historically have lost experienced advisors to independent channels have established their own independent arms. Over the first nine months of this year, 1,355 advisors moved between related firms, nearly triple the level seen in the comparable period of 2022. The vast majority – 85% – of these moves have been to the independent broker-dealer or RIA arms of the advisor's existing firm.

A case in point is Wells Fargo. Hundreds of its wirehouse advisors have moved to Wells Fargo Advisors Financial Network, its independent arm, over the past two years, stemming the head count losses at the company and establishing FiNet as a recruiter in its own right. This quarter, it attracted 14 advisors from unrelated firms.

Then there are mergers and acquisitions, also excluded from the recruiting data but a potent source of new advisors for firms large enough to pursue deals. More than 700 advisors moved to Cetera after its acquisition of Securian closed in August, for example.

According to Echelon Partners, the third quarter saw a rebound in deal announcements from the past 12 months, and though total M&A activity is expected to remain relatively flat from 2022, the number of $1 billion-plus transactions is anticipated to rise 10.2% year over year. That likely means more bulk movements of advisors over the coming months.

NEWS ON MOVES FOR ALL ADVISOR MOVES AND RECRUITING ACTIVITY, SCAN QR CODE.

RECRUITING

LPL Financial once again led recruiting in the third quarter, onboarding 393 advisors from other firms for a year-to-date total of 986. The firm was followed by Raymond James & Associates, Fidelity Brokerage Services, and U.S. Bancorp Investments.

On the other side of the ledger, Merrill Lynch lost the most advisors to other firms – 169 during the quarter and 298 so far this year. That was followed by Morgan Stanley, Edward Jones, UBS Financial Services, and Wells Fargo Clearing Services.

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Q3 TOP NET GAINS

	ADVISERS GAINED	YTD
LPL FINANCIAL	393	986
RAYMOND JAMES & ASSOCIATES INC.	39	59
FIDELITY BROKERAGE SERVICES	35	167
U.S. BANCORP INVESTMENTS INC.	32	39
CAMBRIDGE INVESTMENT RESEARCH INC.	25	NC
RBC CAPITAL MARKETS	25	49
TIAA-CREF INDIVIDUAL & INSTITUTIONAL SERVICES	19	35
OSAIC WEALTH INC.	18	21
COMMONWEALTH FINANCIAL NETWORK	18	86
WELLS FARGO ADVISORS FINANCIAL NETWORK	14	-10

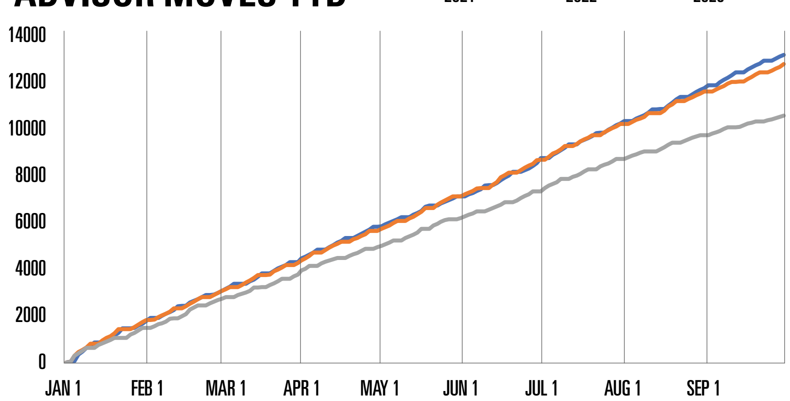
Q3 TOP NET LOSSES

	ADVISERS LOST	YTD
MERRILL LYNCH PIERCE FENNER & SMITH INC.	169	298
MORGAN STANLEY	53	55
EDWARD JONES	48	212
UBS FINANCIAL SERVICES INC.	45	87
WELLS FARGO CLEARING SERVICES	43	171
TRANSAMERICA FINANCIAL ADVISORS INC.	28	40
NORTHWESTERN MUTUAL INVESTMENT SERVICES	25	104
NYLIFE SECURITIES	23	92
SECURITIES AMERICA INC.	22	91
EQUITABLE ADVISORS	22	109

Q3 CHANNEL NET CHANGES

	ADVISER MOVES	YTD
INDEPENDENT BROKER-DEALER	366	685
RIA	254	856
REGIONAL BROKER-DEALER	73	-20
DISCOUNTER	-7	47
INSTITUTIONAL	-31	-53
INSURANCE BROKER-DEALER	-142	-635
BANK	-202	-268
WIREHOUSE	-311	-612

ADVISOR MOVES YTD



DISCLAIMER AND METHODOLOGY: The *InvestmentNews* Advisors on the Move database is designed to capture all recruiting activity of retail financial advisors/teams of advisors as they move from one firm to another. The activity recorded within the database comes from a number of sources, including *InvestmentNews* and other media reports, press releases, direct submissions that have been reviewed by *InvestmentNews*, and regulatory filings. To qualify as a move, no more than 60 days can have elapsed between the date an advisor/team leaves one firm and the date they join another. Any advisor registration changes that came as a result of merger and acquisition activity are not recorded as moves in the database.

Industry

FOCUS

Helping women in tech align wealth with values

Danika Waddell, left, with her associate advisor Mariana Llamas.

IN THE WORLD of financial planning, finding the right advisor who understands your personal values can be a game-changer. That's where Danika Waddell, president and founder of RIA Xena Financial Planning, comes in. Her unique selling point? A crystal-clear focus on building portfolios that reflect her clients' ethics.

"I work with women in the tech industry, and I particularly like working with people who are interested in their impact on the world," she said.

That's because Waddell knows the importance of investing only in companies that reflect an individual's mindset. Being charitable herself, this could mean a focus on beliefs, on giving back, or even on avoiding investments linked to fossil fuels.

This approach to selecting clients was very deliberate. Waddell decided to focus on women in tech because, as she put it, "I live in Seattle. Everybody works in tech."

It was her familiarity with the technical aspects of their compensation packages that made Waddell a natural fit for this niche. Initially, she also considered working with women business owners. Still, Waddell realized their financial challenges differed significantly from those of women in tech – the tax implications are distinct, prompting her to narrow her focus.

> **"When someone comes to our website and they're a woman of color or someone who's part of the LGBTQ community, they know they're going to feel safe here"**
>
> DANIKA WADDELL, PRESIDENT AND FOUNDER, XENA FINANCIAL PLANNING

Over time, Xena Financial Planning naturally attracted clients who shared her values and passions.

"We're very vocal about our stance on a number of political issues," she said. "We saw that these people were gravitating toward us anyway, so let's lean into that a little bit more."

Waddell's mission to champion value-led initiatives is perhaps best showcased in her diversity, equity, and inclusion work. She highlighted how her firm's DEI mission statement on her website provides transparency to potential clients and fosters a sense of safety for those from diverse backgrounds.

"When someone comes to our website and they're a woman of color or someone who's part of the LGBTQ community, they know they're going to feel safe here. They can see what we stand for. It's really transparent – and I'm super proud of that work," she said.

This drive for inclusivity is similarly reflected in Waddell's commitment to making the financial planning profession more available to everyone.

"One thing that's really important to me is making our industry more accessible to those who would like to become financial planners," she said. "Having a team that's more diverse than the average in our industry, creating jobs, creating a flexible environment where people can learn – I would love to have some kind of residency program too.

"I don't know if I'll be able to make it happen or not – other people have tried and failed, but I love the idea of people being able to learn in an environment that's supportive of their future growth."

Edelman purchases $500M Massachusetts RIA

EDELMAN FINANCIAL ENGINES, one of the largest registered investment advisory firms, has acquired PRW Wealth Management, an RIA that provides a range of wealth management services. PRW, which is headquartered in Quincy, Massachusetts, manages more than $500 million in assets under management and serves 200 clients, from families to business owners.

Earlier this year, Edelman acquired Align Wealth Management. It also acquired Erman Retirement Advisory, Hermann & Cooke, and Smart Investor late last year.

"Growth through acquisition remains a key area of focus for EFE, and the firm expects activity will increase in the coming quarters as it continues conversations with strong partners," the companies wrote in a statement.

Wealth management bonuses to increase, bankers hit hard

BONUS SEASON ON Wall Street is looking grim for bankers in an industry hobbled by rising interest rates, bank failures, and a dealmaking slump. Next year will probably be no better.

Merger advisers could see their payouts for 2023 slide as much as 25%, according to a report last Tuesday from compensation consultant Johnson Associates Inc. At regional banks, year-end compensation for professionals in retail and commercial businesses could fall 10% to 20%, the company found.

Those working in asset management may see a decline in bonuses of as much as 10% on lower profits, while payouts at wealth management firms are projected to be up 5%. At private equity firms both big and small, incentive compensation is likely to be flat.

Snowden addition brings recruited assets for year to $1B

SNOWDEN LANE PARTNERS has added a $230 million advisor to its list of seven recruited in 2023, which have given the hybrid RIA firm a $1 billion boost in AUM.

Former Merrill Lynch vice president and wealth advisor William H. "Trey" Jones III is the latest to join the firm as a partner and managing director, and will form The Jones Group. Jones spent 10 years at Merrill Lynch, having started his career in an operational role before completing the wirehouse's financial advisor program in 2017.

"As I examined options for the next phase of my career, Snowden Lane stood out as a destination where I'd be empowered to carry those same values forward," Jones said.

AlTi Global to stay focused on M&A

AFTER TWO ACQUISITIONS so far this year, AlTi Global Inc., the giant registered investment advisor that targets wealthy clients, continues to see potential merger and acquisition targets on the horizon.

There may be fewer firms on the market right now, but those that are remain attractive, Mike Tiedemann, AlTi Global's CEO, said during a conference call last Tuesday after the release of the firm's third-quarter earnings.

"There are fewer firms, but there are some very high-quality firms that have been competitors of ours for years that are willing to engage and see us as a viable long-term option for them," Tiedemann said. "We are a destination, a firm with a unique platform, and we have a global footprint. When a firm that deals with the ultra-high-net-worth client is evaluating M&A strategic decisions, we are a very credible counterparty."

UBS wins back Credit Suisse clients

UBS GROUP REPORTED stronger-than-expected client inflows in its wealth management business, boosted by the first signs of stabilization at Credit Suisse as it carries out an expensive and complex integration of its former rival.

The unit saw net new money of $22 billion in the third quarter, compared with an estimate of $14 billion. About $3 billion of that was at Credit Suisse's wealth arm, its first positive client flows in a year and a half.

The Zurich-based bank posted a net loss of $785 million for the three months ending in September, its first quarterly loss in almost six years, as costs to absorb Credit Suisse came in at $2 billion. A further $1 billion in charges is expected to come in the fourth quarter.

Regulation

Morgan Stanley to pay 6 states $6.5M for failing to protect customer data

MORGAN STANLEY SMITH BARNEY agreed to pay six states $6.5 million to settle charges that it failed to protect customers' personal information while shutting down two data centers in 2016.

The problem occurred when computer devices were decommissioned and sold following the closure of the data centers. Morgan Stanley contracted with a vendor to remove data from the devices. But the vendor subcontracted some of the work to an unauthorized vendor and some customer information was left on the computers.

A second incident involved a software flaw that could have allowed unencrypted customer data to remain on devices that Morgan Stanley could not locate after they were decommissioned. Approximately 15 million clients' details were exposed over a five-year period beginning in 2015, Bloomberg News previously reported.

State regulators, PIABA back Finra against claim it's unconstitutional

TWO GROUPS SOMETIMES at odds with Finra over how best to protect investors are backing the regulator against a lawsuit that questions its constitutionality.

The Financial Industry Regulatory Authority Inc. is defending itself against a claim brought by Alpine Securities Corp., a firm Finra expelled in March 2022 for misusing customer funds, charging unreasonable fees, and making unauthorized trades and capital withdrawals.

In its lawsuit, Alpine argues Finra violates the constitution because its disciplinary hearing officers aren't properly appointed by the executive branch. The firm also claims Finra operates inappropriately as a state actor.

Finra fines Haywood USA $175,000

THE FINANCIAL INDUSTRY REGULATORY AUTHORITY INC. has fined Haywood Securities USA as part of a settlement agreement. Haywood Securities USA is the U.S. subsidiary of Haywood Securities Inc. a Vancouver-based financial firm offering investment banking and sales and trading services, among others.

According to the Finra settlement order, Haywood USA recommended 134 sales, worth almost US$11 million, of 53 different Canadian private placements to American customers "without conducting reasonable due diligence of the issuers and the offerings." The order says this took place from September 2014 through the present.

The order also says that between September 2014 and the present, Haywood lacked a supervisory system sufficient to achieve Finra compliance with at least three major rules, though from 2020 through the present one of those rules was covered by the firm's supervisory system.

FOCUS

Provisions to kill DOL fiduciary proposal add to uncertainty

HOUSE LEGISLATION TO fund the Department of Labor contains provisions to kill the agency's proposal to raise investment advice standards for retirement accounts, but the effort to scuttle the regulation faces strong opposition from Democrats.

While the financial industry is trying to stop the proposal through the legislative process, it also has tried to slow it down by asking DOL for an extension of the public comment period, which is set to end Jan. 2. The agency denied that request last Tuesday.

Last Tuesday night, the House approved by voice vote three amendments to an appropriations bill that would deny funding for the DOL to finalize, implement, or enforce the retirement security proposal it released last month. The $196 billion bill would set spending levels for the DOL, the

Asset managers warn of failed trades

GLOBAL INVESTMENT houses are bracing for more failed trades as a result of plans to halve the time it takes to settle American stock transactions to just one day.

Around 60% of asset managers fear a higher rate of settlement failures will be the consequence of regulations coming into force in May that will speed up the time it takes to complete a U.S. security trade, according to SIX Group's Future of Finance report, which polled 343 C-suite executives at financial institutions around the world.

The looming shift will put stocks in the largest equity market out of step with not only global peers but also the world of foreign exchange, where trades typically take two days to complete. That threatens to create new risks for firms unprepared for the transition.

Department of Health and Human Services, and other agencies.

The House postponed further consideration of the spending bill last Wednesday and is now in recess until after Thanksgiving. It's not clear whether Republicans, who control the House, 221-212, have enough votes to approve the bill.

Although the provisions to kill the DOL proposal were approved by voice vote, House and Senate Democrats, as well as the Biden administration, made clear that they're opposed to so-called policy riders.

In a statement indicating that President Biden would veto the funding bill, the White House cited parts of the measure that would prevent the DOL from using funds to provide "critical protections" for retirement plans.

Other signs of Democratic resistance to riders emerged when the House approved a bill last Tuesday night to fund the government into early 2024 and avert a shutdown when funding expired at the end of the day last Friday.

The House approved the bill, 336-95, with most Democrats in support. They voted in favor in part because it did not contain any riders. Senate Majority Leader Chuck Schumer, D-N.Y., praised the bill for avoiding riders.

As the Republican House and Democratic Senate work to reach an agreement to fund the government through the entire fiscal year, it likely will be difficult for policy riders to survive the legislative process given the Democratic opposition.

Rosa DeLauro, D-Conn. and ranking member of the House Appropriations Committee took aim at policy riders when

The proposal aims to curb financial advisors' conflicts of interest that lead to high fees, or 'junk fees'

she outlined the parameters for a final government funding bill.

"That means no new poison-pill riders," she said Tuesday on the House floor.

DOL DECLINES TO EXTEND COMMENT DEADLINE

The DOL proposal would hold most financial advice to retirement savers to a fiduciary standard – including one-time recommendations to roll over funds from a company plan to an individual retirement account – regardless of whether the investor is working with an investment advisor, broker, or insurance professional.

The Biden administration says the proposal aims to curb financial advisors' conflicts of interest that lead to high fees – or junk fees – that diminish nest eggs. Financial industry opponents say it will sharply raise regulatory costs and increase legal exposure for advisors, which will make them less likely to work with low- and middle-income retirement savers.

GOP riders to stop SEC rules face difficult legislative path

LEGISLATION THAT CONTAINS several provisions to stop major SEC rule proposals affecting financial advisors stalled in the House, and the so-called policy riders face a difficult legislative path ahead.

The House postponed a final vote on an appropriations bill that would fund the Securities and Exchange Commission and several other federal agencies when Republicans couldn't agree on some non-SEC parts of the bill.

The funding bill would provide $2 billion for the SEC, a $170.4 million cut in the agency's current budget. It contains riders that would prevent funding for the SEC to complete proposed rules for public company climate disclosure, investment advisor custody of client funds, and mutual fund reform, among others.

Gensler says proposal on AI conflicts aligns with Reg BI

AN SEC PROPOSAL targeting potential conflicts of interest for financial advisors using artificial intelligence is not meant as a way to modify Regulation Best Interest, Chair Gary Gensler said.

The Securities and Exchange Commission introduced a proposed rule over the summer that would require investment advisors and brokers to remediate conflicts related to interactions with investors conducted through artificial intelligence, predictive data analytics, and similar technology.

Under the proposal, advisors and brokers would have to eliminate or neutralize conflicts that arise when an algorithm encourages an investor to purchase an investment product or follow a strategy that does more to increase the advisors' revenues than the investors' returns.

SEC imposes second-highest number of penalties

THE SEC TOOK the most enforcement actions for violations of securities laws in four years during its latest fiscal year and ordered the second-highest amount in financial remedies related to those actions in history, the agency announced.

The Securities and Exchange Commission filed 784 enforcement actions in fiscal 2023, a 3% increase over fiscal 2022, and the highest number since fiscal 2019, when it conducted 862 enforcement actions. The agency engaged in 501 stand-alone – or original – enforcement actions, an 8% increase over fiscal 2022.

The SEC achieved the second-highest total amount of financial remedies – $5 billion – in its history in fiscal 2023. That total was eclipsed only by the $6.4 billion it obtained in fiscal 2022.

Your clients don't think Bidenomics has worked for them

THE BIDEN ADMINISTRATION singled out annuities in the DOL's proposed fiduciary rule, and the stakes are high for independent insurance agents.

The proposed changes will almost certainly make it more difficult to sell annuities via 401(k) rollovers.

The industry's reaction was immediate. The Insured Retirement Institute said in a statement that the DOL would "needlessly cause millions of lower- and middle-income workers to lose access to the financial advice they need." The American Council of Life Insurers said that Biden conflated "legitimate retirement costs with junk fees," which "is a scare tactic to push regulations that will hurt Americans in need of greater financial certainty."

Long-term care: An uncomfortable but necessary conversation

IT'S NOT SOMETHING people want to think about, but most acknowledge that long-term care should be a part of their retirement planning.

The problem isn't just that they don't want to think about it – it's that more than half of people don't think about it at all, even while conceding the topic's importance. "Long-term care is the hardest risk to protect clients against, because the options are expensive no matter what path is pursued," Kevin Brady, vice president at Wealthspire, said. Conversations about it start when clients are in their 50s or early 60s, when insurance is "comparably affordable and health events are less likely to be problematic," he said.

"Most people prefer not to rely on their children or family to support them should they need LTC. This is part of why having some amount of LTC coverage is the goal, relative to what they can afford," Brady said.

Millions of retired Americans aren't coming back to work

MORE THAN 3½ years after Covid struck, the U.S. still has around 2 million more retirees than predicted, in one of the most striking and enduring changes to the nation's labor force.

The so-called Great Retirement induced by the pandemic is evident in the divergence between the actual number of retirees and that predicted by a Federal Reserve economic model. While down from a 2.8 million gap late last year, it remains elevated, and has even risen from 1.7 million in June.

"While the gap seemed to be closing earlier in the year, it seems to have widened slightly since then," said Miguel Faria-e-Castro, economic policy adviser at the Federal Reserve Bank of St. Louis. "As of September, we estimate about 1.98 million excess retirees."

FOCUS

Are retirees' nonworking assets dragging them down?

IN A STATE synonymous with retirement, Michael Landsberg, partner and chief investment officer at Punta Gorda, Florida-based Landsberg Bennett Private Wealth Management, which manages roughly $1 billion in assets for high-net-worth retirees and is an affiliate of Hightower Advisors, believes retirees should change the way they think about their financial assets.

Upon retiring, one may have a primary residence, a vacation home or two, multiple cars, and maybe even a boat. While all of these assets can amount to a sizable net worth on paper, they may actually be costing a retiree more money and stress, and working against their financial well-being while in retirement.

"We discuss the concept of working assets versus nonworking assets with all of our clients," Landsberg said.

Nonworking assets cost money. The vacation home, the second or third car, and the boat all cost money, time, and effort to maintain. Working assets, such as rental properties or stocks, generally produce income and don't involve tremendous financial expenditures to maintain.

Landsberg said that it's important for retirees to reassess these assets and consider downsizing their home or selling the unused vacation home, in an effort to streamline their financial life and shed assets that are costing money to maintain and keep every month.

Many nonworking assets look attractive on paper, but they're actually financially problematic.

> **"It's not just about money — many retirees may not want to spend their retirement grappling with the stresses and upkeep of maintaining multiple homes"**
>
> MICHAEL LANDSBERG, PARTNER AND CHIEF INVESTMENT OFFICER, LANDSBERG BENNETT PRIVATE WEALTH MANAGEMENT

VC firm co-owned by California Pensions debuts with $1B

COLLECTIVE GLOBAL, an investment firm co-owned by California public pension plans, is launching with more than $1 billion of committed assets under management and a goal of broadening the plans' exposure to venture capital.

The firm, led by Co-Chief Executives Daniel Adamson and Sheel Tyle, will take stakes in VC firms and early-stage startups, it said last Tuesday in a statement. It will also make opportunistic wagers that could include secondaries and co-investments.

Collective Global aims to reimagine "how pensions and other premier asset owners access the innovation economy," Adamson said. Management will also co-own the firm.

Each founding investor, including the pensions, will commit at least $100 million.

Michael Landsberg, far right, and the team at Landsberg Bennett Private Wealth Management

"It's not just about money – many retirees may not want to spend their retirement grappling with the stresses and upkeep of maintaining multiple homes," Landsberg said.

The decision to downsize also makes it more likely that retirees can rely less on debt to fund their lifestyle.

"A lot of time we create financial plans based off the idea that clients live in a house from age 65 to 85 and then most likely downsize after that," he said. "Ideally there's some equity in the home, although we don't recommend clients borrowing against the equity in their home to finance their lifestyle expenditures. The clients that we work with typically don't have mortgages."

Debt is a costly and often overlooked expense for retirees.

"I wouldn't want a client to take out a home equity loan and have the interest rate go from 2% to 8% because that just works against their cash flow every month, so getting rid of cash-intensive assets and downsizing may be the best option," he added.

Landsberg's career in finance spans more than 30 years. He has been interested in numbers and finance ever since fourth grade.

Landsberg Bennett Private Wealth Management was founded in 2012 by Michael Landsberg and Lew Bennett, both of whom previously spent more than a decade at Merrill Lynch.

These clients will make retirement planning a breeze

GOLDMAN SACHS ASSET MANAGEMENT collaborated with behavioral finance research firm Syntoniq to discover what motivates and influences Americans to save for their retirement, based on a survey of more than 5,000 working and retired people.

Those who have an easier time preparing for retirement display four key traits: high optimism, high future orientation, high financial literacy, and having a reward orientation rather than a risk orientation.

Respondents displaying the highest levels of these traits typically had larger retirement savings, were less stressed about managing their savings, and were better able to manage competing priorities. Highly optimistic respondents are more likely to report that their retirement savings are on track or ahead of schedule (83%), compared to 41% with low optimism.

Hub International acquires retirement consulting firm

HUB INTERNATIONAL LIMITED, the Chicago-based insurance brokerage and financial services firm, has purchased the assets of Renaissance Benefit Advisors Group, a retirement plan consulting firm that focuses on helping plan sponsors meet their fiduciary responsibilities, the company announced. Terms of the transaction weren't disclosed.

Renaissance has offices in New York City and Atlanta. According to its website, it has provided advice to plans holding more than $2 billion in retirement assets. Ellen Lander, who founded Renaissance in 2008, and the rest of the Renaissance team will join Hub Mid-Atlantic.

"The commitment of Ellen and the RBA team to being a trusted 'fiduciary partner' to their clients makes them an excellent fit for Hub as we continue to grow our presence in the Northeast," Joe DeNoyior, president of Hub Retirement and Private Wealth, said in a statement.

Federal pension funds exclude Hong Kong

THE MAIN FEDERAL government pension plan will exclude investments in Hong Kong, in addition to mainland China, from its $68 billion international fund, amid rising tensions between the world's two largest economies.

The $771 billion Federal Retirement Thrift Investment Board said it will switch the benchmark index for its international fund, effectively eliminating exposure to Hong Kong, according to a statement. The plan already avoids investments on the mainland.

The change comes amid heightened geopolitical tensions, as Washington tries to prevent China from acquiring high-end computer chips and imposes curbs on U.S. investments in the world's second-largest economy. Other pensions have also trimmed back China exposure in recent years.

The 4% rule is back, but it's not really a rule

ONE OF THE MOST controversial numbers in financial planning, 4%, is back – but less so the "rule" that accompanies it.

Morningstar Inc. published research showing that 4% is the "highest safe starting withdrawal rate for retirees," as there is a 90% probability they will still have money left in their portfolios after 30 years, assuming an initial allocation to equities of 20% to 40%.

But Ronald Palastro, financial planner at Cobblestone Wealth Advisors, said, "If we did 4% in 2022 with both the stock market down and the bond market eviscerated, it would be hard to make up for those losses. Today we have products designed for retirement and software capable of creating segments to protect a retirement nest egg against sequence-of-return risk. The 4% rule is simple and dangerous."

FOCUS

'Adulting does suck, but we're here to support you'


STOY HALL

STOY HALL realized early on that financial literacy was a scarce resource in his family, and his community.

Now, as founder and CEO of Black Mammoth, a financial services company in Iowa with clients all over the country, he says that during his childhood, there simply weren't any finance professionals who looked like him – and there still aren't enough.

"There are not a lot of black CFPs," Stoy said. The data are there to back that statement up. According to research from Zippia, the most common ethnicity of finance professionals in the U.S. is White (71.9%), followed by Hispanic (9.5%), Asian (8.4%) and Black (5.7%). But that wasn't going to stop Hall.

"I knew when I went to college I wanted to do finance, so I ended up going to Drake University to play football. And I actually started in accounting, which was a mistake. But I ended up realizing that while accounting wasn't for me, numbers and finance were."

> "I truly believe every person on this planet should have a financial planner. And I will die on that hill for that to happen"
>
> STOY HALL, FOUNDER AND CEO, BLACK MAMMOTH

He ventured into the insurance industry, but Hall's vision extended beyond the conventional sector approach.

"What made sense to me was helping people create an entire plan, with that plan dictating what the next move is," he said.

In 2020, Hall founded Black Mammoth, an office that offers comprehensive financial solutions tailored to individual needs. His approach focuses on minimizing clients' financial worries, allowing them to concentrate on their families and wealth creation.

"I wanted to create more of a 'modern family' office feel where we are doing things tip-to-tail for people – and really customizing them."

And it was really Hall's background and personal experiences that have shaped his specialization. He grew up in a single-parent household, and many of his friends and family are part of the LGBTQ community. As a former athlete and a minority himself, he intimately understood the unique challenges and opportunities that these groups face in their financial lives. In that vein, Hall hosts his own podcast – "NoBS Wealth" – on which he gets people in various professions to share their insights and experiences.

"My podcast is designed to bring in other professionals from other walks of life – other advisors, other business owners, and so on – to get the public to understand that they're not in this thing called life alone."

It's this drive to help people feel supported – less alone – that is at the core of all Hall does.

"I truly believe every person on this planet should have a financial planner," he said. "And I will die on that hill for that to happen."

Aside from marginalized communities, Hall also has focused on another, albeit more privileged, minority: athletes.

"We've heard all the bad stories, we've heard good stories, but ultimately there isn't a really good, safe place to go for athletes. Ultra-wealthy people have a team. They need to buy a car, get their accounting stuff done, buy a home, they have a team that handles most of that. That mindset is a very wealthy mindset that I believe everyone should have. We all should have a team behind us to help us with these decisions because we're not experts in them."

And with the proper support, Hall said it's possible to separate emotions from money. Money often drives people's emotions, leading to impulsive choices.

"Money is the root of all evil, but it runs our emotions, and a lot of people make emotional, rash decisions because of their money situation," he said. "Adulting does suck, but we're here to support you."

WHAT'S IN A NAME?

Stoy Hall explains the Black Mammoth ethos: "Black is bold. Black is powerful. To be 'in the black' is to be profitable. Mammoths are known for their colossal size and tough exterior, but they also embody quiet strength and natural leadership. Just as mammoths would lead creatures great and small to water, so does Black Mammoth strive to ensure prosperity for all."

Osaic exec on how to handle change

PUTTING OFF NECESSARY business optimizations because the process seems too heavy a lift could have serious implications for the long-term health and viability of your firm or practice, according to Cindy Hamel, executive vice president for business transformation at Osaic, which is the midst of a major effort to unify multiple wealth management firms into a single entity.

One secret to the success of any significant project, Hamel says, is to make the planning process inclusive. Before starting a project, you should gather as much input as possible from a wide variety of people and departments. "Even small or necessary changes have implications for other areas of the business that you may not have planned for. Some of the best ideas come from those working in the day-to-day rather than from the top of the organization."

Tech-forward advisors serve clients better: Study

IN AN AGE WHEN everyone relies on technology, some prefer to do without. A recent eMoney study found that's going to be a problem for advisors who aren't down with tech.

The study found that clients who work with tech-forward advisors — those who rate technology or client portals as very or extremely important and are actively using them in their planning process — experience improved satisfaction, heightened motivation and increased trust toward their advisors.

Similarly, clients working with advisors who use financial psychology fare significantly better than clients working with advisors who are FinPsych-averse. According to eMoney, only 17% of advisors are implementing both practices. Emily Koochel, manager for financial wellness at eMoney, says the research was based on eMoney's findings last year.

FOCUS

How planner built firm after moment of inspiration

CHERYL HOLLAND's journey into the world of wealth management was ignited by a chance encounter at a conference of the International Association of Financial Planners.

There, she met a gentleman who made a profound statement that ultimately changed the course of her career.

> **"If you have excellent data on your team and your clients, you can do a much better job"**
>
> CHERYL HOLLAND, FOUNDER AND FINANCIAL PLANNER, ABACUS PLANNING GROUP

"The future of everyone in this room is to charge a fee for your advice rather than sell a product," Holland recalls him saying. "And literally the light bulb went off in my head – I said, 'That's exactly what I want to do.'"

With newfound clarity and determination, Holland embarked on a path of self-reflection. She left Merrill Lynch, pursued her certified financial planner designation, and started offering financial advice at a rate of $25 per hour.

"I didn't know what I was doing or talking about, though," she said. "So it might not have been worth it."

Holland's journey, like that of many of her peers, was a self-taught one. However, she's thrilled to see just how far the industry has evolved into a true profession, complete with methodologies and young professionals eager to enter the field.

Twenty-five years ago, Holland founded Abacus Planning Group – and, from its inception, the firm has operated as a well-balanced three-legged stool.

"We have a team dedicated strictly to portfolio management," Holland said. "Their day-to-day work revolves around the markets, individual portfolio management and tailoring execution and communication to clients."

Complementing this team, Abacus employs a group of certified financial planners whose primary role is financial planning. They tackle a wide range of financial aspects, from tax planning and insurance review to estate planning and aligning client goals with long-term strategies.

To win over clients' kids, advisors really have to try

IT'S A PROSPECT base that advisors know all too well – clients' children – and one whose business is not easily earned, so much so that many professionals don't really try. Less than one in five affluent investors say they work with their parents' financial advisors, according to data published by Cerulli Associates. Often, there's nothing an advisor can do that will persuade a client's child to hire them – but there are certain types of investors who are much more open to that than others.

While just 5% of those who work with their parents' advisors identify as self-directed investors, nearly 75% of those who stick with their parents' advisors say they are either reliant on advice or want more of it, according to Cerulli.

Redefining the wealth transfer issue

FINANCIAL ADVISORS ARE at a pivotal moment as we approach one of history's most significant wealth transfers. Digital-native Gen Z, poised to inherit this wealth, maintains a unique, sometimes skeptical, perspective on financial guidance.

The challenge was underscored by a recent Finra Investor Education Foundation report that revealed a mere 30% of Gen Z investors turn to financial planners. Instead, they rely on digital platforms, social media, and personal networks. Given this evolving landscape, advisors are prompted to refine their strategies to emphasize their relevance and become trusted allies for emerging investors.


CHERYL HOLLAND

Interestingly, over time, Abacus's operations team has grown to become the largest within the organization – something Holland attributes to good old-fashioned teamwork. "If you have excellent data on your team and your clients, you can do a much better job."

Holland acknowledges that Abacus's location, in Columbia, South Carolina – not a terribly wealthy state – has shaped its approach to talent acquisition.

"We have always had to compete differently for talent," she says. Approximately 20% of the team has been virtual, and an additional 10% works on a more sporadic basis. The firm's experience with remote work was not new, but the challenge lay in adapting to an environment devoid of face-to-face interaction and mentoring opportunities.

"We had to think about how we behave together as an organization when we don't see each other," Holland said. "How do you keep morale high when things feel low? Not just for your clients, but for your team? All in all, we came out of all of this with a better sense of how to mentor and how to develop."

Veteran turned advisor embodies spirit of service

DAVID CHEPAUSKAS, a senior wealth planner at Summit Financial in Red Bank, New Jersey, embodies the spirit of service in multiple ways. Early in his life, he felt called to volunteer for the military during the Cold War. After all, it runs in the family.

His father was one of the longest-held prisoners of war during World War II, having been captured in North Africa and held for more than 800 days, until the Nazis surrendered.

"He got captured in February of 1943. And his mother didn't know he was alive until November of that year," Chepauskas says, fighting back tears. "Veterans of World War II didn't talk about it much, but I knew what he had done, and I admired it and was inspired by it, like many people [who were] inspired by their parents."

How advisors can lead with purpose

WHAT DOES IT take to lead a purposeful business? And how can this focus provide a strong advantage to your firm? "When purpose is a key driver and not just profits, the focus shifts from financial [key performance indicators] to fulfilling a long-term vision of doing good," said Juli Wilder, head of growth at Thrivent Advisor Network. "Positive impact, positive team climate is really important. Culture is intentionally crafted and cultivated, and team members feel really encouraged and motivated to share their own talents with others."

"There's a war for new talent and it's real," Wilder added. "Being a purpose-driven business gives you a strong advantage, but you have to live it and breathe it."

Don't be crippled by 'fear of making a mistake'

THE *INVESTMENTNEWS* WOMEN ADVISOR SUMMIT in New York began not only with a bang, but with a rejection of the unfair questions so often asked of female business owners.

Mandy Gilbert, entrepreneur and author, started by recounting the demeaning questions women entrepreneurs often face as they grow their businesses, questions like, "Did you start this business with your husband?" or "Did your father start it?" and "How do you manage the business while keeping up with your household duties?"

Gilbert then discussed the obstacles that female entrepreneurs and CEOs need to overcome on the way to success. She pointed out that entrepreneurs "cannot do it all themselves." In her view, they need to bring in qualified people and welcome their help, which is why "inclusive decision-making" is so vital for growing a business.

Advisors hustled to hang onto clients last year

WITH THE MARKET dropping precipitously in 2022, registered investment advisors spent much of last year fighting to hold onto clients and soothe their anxieties. Advisors were also busy trying to please clients by adding on services, according to RIA executives.

"We saw advisors focus specifically on retaining clients in 2022, likely a result of more reactive engagements that were driven by market volatility," Anand Sekhar, vice president of practice management and consulting at Fidelity Institutional, the RIA custody arm of Fidelity Investments, wrote in an email.

According to a Fidelity report, RIAs with less than $1 billion in AUM posted organic growth rates of 3.2% last year compared to 8.2% in 2021. Likewise, the larger RIAs with $1 billion or more reported organic growth of 3.6% last year versus 8.4% a year earlier.

FOCUS

Keeping clients' objectives at the heart of investment strategy

CARYN ZWEIG

WITH A CAREER stretching back to the halcyon days of the '80s, Caryn Zweig knows what it means to invest ethically and invest well. From her start working for Bear Stearns on the floor of the American Stock Exchange while still an undergraduate to her current role as CEO of Abner Herrman & Brock Asset Management, Zweig's journey has been marked by a keen eye for how and when to invest.

During a stint at Atalanta Sosnoff Capital – a leading figure in money management on the New York Stock Exchange – Zweig spent time researching new equity issues, understanding the details of security analysis, and learning exactly what it means to invest well.

"It was about looking at how to analyze stocks – the industries and the companies," she says. It's this experience that singles Zweig out as a force to be reckoned with – and for those looking to select specific investment vehicles, Zweig preaches self-education.

"When we talk to either direct clients or financial advisors, whom we also serve, we consider what we know after we do an assessment of the client's objectives. I think that our proposal really depends on their risk tolerance and liquidity needs. Also, what kind of volatility is comfortable for them?"

Zweig stresses the importance of balance in a portfolio, where some assets are geared toward preservation of capital, through vehicles such as individual bonds, and others toward growth.

"From day one, AHB was founded on a core principle – to put the client first. We specialize in our core investment strategies," she said, underlining the firm's focus. And specialization really is key in Zweig's philosophy. In a market rife with complex products and emerging trends, she believes in sticking to the firm's strengths and acknowledging where others' expertise is greater.

"We pride ourselves on the categories and the strategies that we do provide. We specialize in investment-grade taxable bond portfolios, investment-grade municipal bonds, and our core large capitalization equity strategy. And we feel that those are strategies we can excel at for the client."

Looking to the future and the changing regulatory landscape, Zweig sees the increasing importance of fiduciary responsibility in investment management. She underscored the significance of understanding clients' long-term objectives, risk tolerance, and personal priorities.

"That's part of what regulation has stepped in to provide – because as the industry has become less cookie-cutter and many different ways to advise a client over their lifespan have developed, you might need a more conservative approach based on their unique personal circumstances and what long-term objectives they're trying to achieve. It is no longer appropriate to design asset allocation entirely based on age."

> **"From day one, AHB was founded on a core principle — to put the client first"**
>
> CARYN ZWEIG, CEO, ABNER HERRMAN & BROCK ASSET MANAGEMENT

Investors 'very concerned' about 2024 presidential election

THE 2024 PRESIDENTIAL election is less than a year away. But some investors are already concerned about who's going to win the big chair next November. A survey from Janus Henderson shows 49% of investors are very concerned about the presidential election, surpassing the portion worried about inflation, which 35% of respondents said they were very concerned about, and the risk of recession, which was cited by 29%.

But Paul Schatz, president at Heritage Capital, said the markets rarely care about a presidential election until the middle to the end of October in the election year. "I've been doing this 34 years and I have never found worrying about the election to be worthwhile in trying to make my clients money."

Global bonds on course to erase 2023 losses

GLOBAL BONDS HAVE been such a kicking post in recent months that it may come as something of a surprise they are just a fraction away from erasing this year's losses. The Bloomberg Global Aggregate Bond Index jumped 1.3%, the biggest one-day gain since March, following weaker-than-expected U.S. inflation data. The gauge, which was down by as much as 3.8% for the year less than a month ago amid the higher-for-longer narrative, is now just 0.3% lower for 2023.

The global index, which tracks more than $61 trillion, powered ahead as the U.S. inflation numbers spurred traders to erase bets on any further Federal Reserve interest-rate hikes and boost wagers on lower borrowing costs.

Is 50/30/20 the new 60/40?

WHILE QUESTIONS SURROUND the validity of the classic portfolio consisting of 60% stocks and 40% bonds, many are considering turning to alternative investments.

"If you look at 60/40, it's 40-year-old technology," Ramin Kamfar, founder and CEO of alternative asset manager Bluerock, said. "Institutions realized when you run an analysis, alternatives will make the portfolio more efficient."

But Brad McMillan, chief investment officer at Commonwealth Financial, argued that 60/40 is not doomed. "It has broken down over the past year or two, but nothing works all the time. The reason we got the results we did was because interest rates spiked up very strongly. It was kind of a unique situation."

CPI surprise boosts hopes Fed hiking cycle is over

STOCKS CLIMBED WHILE bond yields sank as an unexpected slowdown in inflation bolstered bets the Federal Reserve's aggressive hiking cycle is now over – and the next move will be a cut in mid-2024.

The October consumer price report added to the "Goldilocks narrative," which has the economy remaining resilient and disinflation allowing the central bank to ease policy in 2024. Fed swaps indicate the odds of another hike in the current tightening cycle have fallen to almost zero.

"The last of investors not convinced the Fed is done are likely throwing in the towel," said Bryce Doty at Sit Fixed Income Advisors. "The next Fed action is more likely to be a cut next summer than another rate increase."

ESG veteran warns of multiyear purge for sector

THE BAD YEAR that a lot of ESG investors are having may be about to get even worse.

James Penny, chief investment officer of TAM Asset Management and a veteran of ESG investing, said the dramatic sell-off that's torn through green stocks may soon morph into a "slow burn" that could last several more years.

The green correction – with the S&P Global Clean Energy Index down more than 30% over the past year – has "shaken some investors within ESG impact sustainability," Penny said in an interview. It's "definitely been a tough time to be invested in thematics in sustainability."

Rising rates have advisors sprinting toward private credit

PRIVATE CREDIT IS pulling away from the pack as the alternative of choice, taking the baton from crypto, commercial real estate, and other so-called noncorrelated assets. The question facing financial advisors now is whether it has stamina to stay in the lead.

Both legs of the 60/40 portfolio failed in 2022, with the S&P 500 falling more than 18% and the iShares Core U.S. Aggregate Bond index dropping 13%. "Private credit funds can be a good option for accredited and institutional investors looking for additional ways to generate income through higher yields. It's often structured as floating-rate debt, so the rising-rate environment has enhanced the yield to limited partners," said Andrew Graham, founder of Jackson Square Capital.

Advisors dig into the great commodity question

THE QUESTION OF whether gold, oil, and other commodities are right for individual client portfolios has always been a hard one for financial advisors to mine.

The Invesco DB Commodity Index Tracking Fund is flat year to date as inflation has moderated over the course of 2023 thanks to the Federal Reserve's aggressive rate hike campaign. That said, over the past five years, the fund is up almost 50% as a result of the step-up in inflation caused in part by the pandemic.

Robert Minter, director of ETF investment strategy at abrdn, said, "Commodities can go higher or lower based on both demand and supply. And right now, we have a supply problem. Over the last three years, we've had a supply problem. And so, we need to focus a little less on the macro, a little more on the supply problem."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