MARCH 25, 2024

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RACE AGAINST TIME

Cetera has reportedly floated the idea of doing an IPO in five years — but it has a ton of heavy lifting to do to prepare

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MARCH 25, 2024

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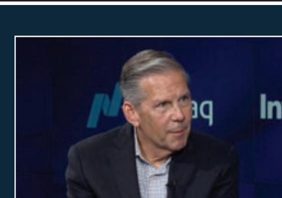

SCAN THIS CODE TO HEAR WHITESTONE REIT CEO DAVID HOLEMAN TALK ABOUT REAL ESTATE INVESTING OPPORTUNITIES

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CHECK IT OUT ONLINE

Editorial

Gen Z will need help — are you ready?

Retirement used to be a byword for slowing down, relaxing, spending time with grandkids, or enjoying the fruits of decades of labor: an expected later-life reward for your contribution to society.

The baby boomers, however, may be the last cohort to enjoy such a relatively simple final act. The world has changed, and Gen Z sees a very different world ahead. Even factoring in the anxiety that every generation has felt about the future, young people's outlook seems particularly bleak.

A study two years ago by McKinsey & Co. revealed that 23 percent of Gen Zers don't expect to ever retire. Factors include a perceived tough job market and lack of good pay, the student debt burden (although Gen X and millennials are saddled with more), mental health issues that impact the ability to work, and the lack of opportunities for homeownership.

But this grim outlook appears to have had a positive impact on savings. In 2021, Vanguard found that 62 percent of Gen Zers participated in their employer-sponsored retirement plans – the largest increase of any generation since the early 2000s.

Fast-forward to the end of 2023, and a retirement study by the Transamerica Center for Retirement Studies showed Gen Zers started saving at 19, earlier than millennials and Gen Xers, contribute a median 20 percent of their annual pay to retirement plans, and have a median of $29,000 in their retirement accounts. The day to day is a grind, clearly, but the future may not be as depressing as stressed-out Gen Zers think.

That said, as this generation ages, their financial picture is unlikely to get any less complicated. The US population is, on average, living longer, so people's savings must go farther or they have to work longer. Folks change jobs more often, posing more 401(k) rollover questions. And as our new column Dear Gabby highlights, gray divorce rates have surged. For Americans over 55, the rate has doubled, and for those over 65, it's tripled. Mainers, incidentally, were the most keen to abandon their marriage vows in 2023.

The US population is, on average, living longer, so people's savings must go farther or they have to work longer

So, the broad picture for Gen Z is this: they are stressed about future prospects and their health, and their financial plan will get more complicated as they age. To combat this, they're more savings-conscious than previous generations.

Unsurprisingly, a recent T. Rowe Price survey (see page 4) reports that those more than five years away from retirement age are much less likely to pay for financial advice. But the mood and savings habits of Gen Z suggest a huge opportunity on the horizon when millions will want or need help. Those advisors who work out how best to connect with this generation and, with skill and empathy, guide them toward a retirement of comfort, fulfilment, and, importantly, hope, will be the successful advisors of the future.

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

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FINRA FINES SPIKE 63% IN 2023

The Financial Industry Regulatory Authority Inc. went back to carrying a big stick last year as the fines it imposed on brokerage firms reached $89 million, according to a new report by law firm Eversheds Sutherland.

63%
increase in fines, from $54.5 million in 2022 to $89 million

14
supersized fines of $1 million or more, compared with 11 in 2022

25%
increase in total monetary sanctions ordered

9%
decrease in number of cases reported by Finra

66%
decrease in amount of restitution ordered, to $7 million, down from $21 million

Source: Eversheds Sutherland, March 2024

RANKING US WEALTH

Despite concerns over the state of the union ahead of November's high-stakes election, the US remains the undisputed leader in private wealth creation and accumulation.

$67 trillion liquid investible wealth
US ranks 1st globally

$201,469 wealth per capita
US ranks 6th globally after Monaco, Luxembourg, Switzerland, Australia, and Singapore

62% millionaire growth, 2013 to 2023
US ranks 11th globally

5.5 million millionaires
US ranks 1st globally

9,849 centimillionaires
US ranks 1st globally

788 billionaires
US ranks 1st globally

Source: Henley & Partners in partnership with New World Wealth, March 2024

WHO'S GETTING HELP FROM AN ADVISOR?

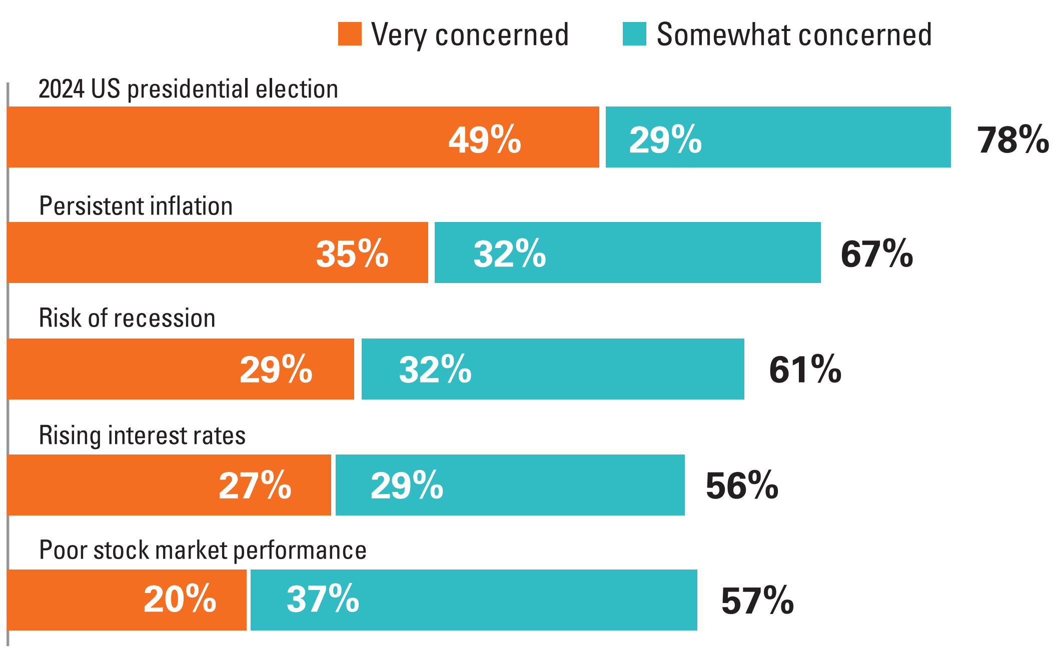
A T. Rowe Price survey shows the demand for financial planning services is strongest among participants who are within one to five years of their retirement date.

- Yes, currently paying to receive help from a human advisor
- Yes, currently paying to receive help from a robo-advisor
- Not currently, but would consider paying for advice in the future
- Not currently, and would not consider paying for advice

WHAT'S STRESSING OUT CLIENTS?

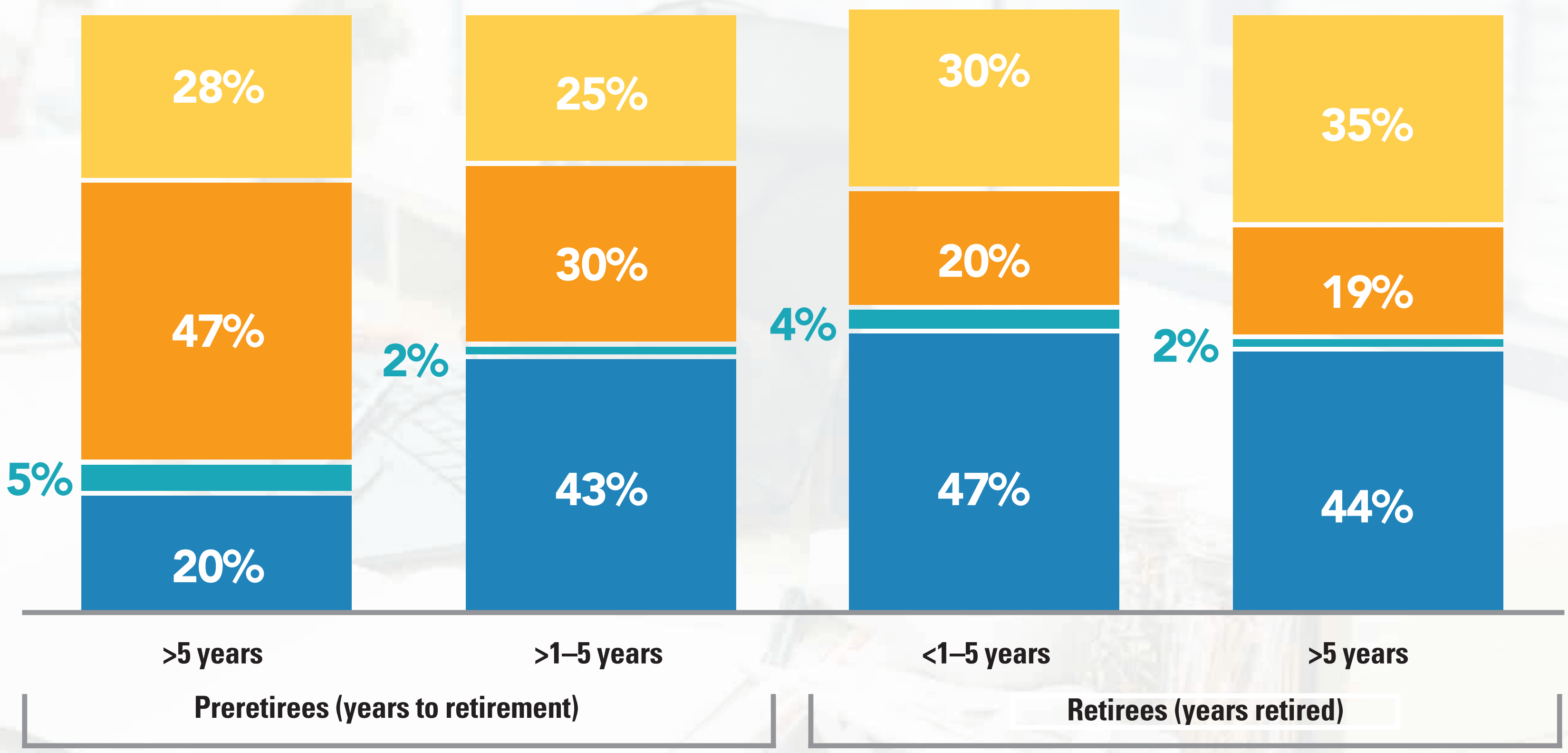
On the eve of a potentially tumultuous election, and against an uncertain interest rate and inflation backdrop, investors are naturally fearful. The general consensus is that this is a challenging market, but what are investors most concerned about?

HOW CONCERNED ARE YOU ABOUT THE FOLLOWING OVER THE NEXT 12 MONTHS?



Source: *Janus Henderson Investor Survey*, as of September 2023. 1,000 mass affluent and HNW investors surveyed

Help from advisor – by years to/since retirement



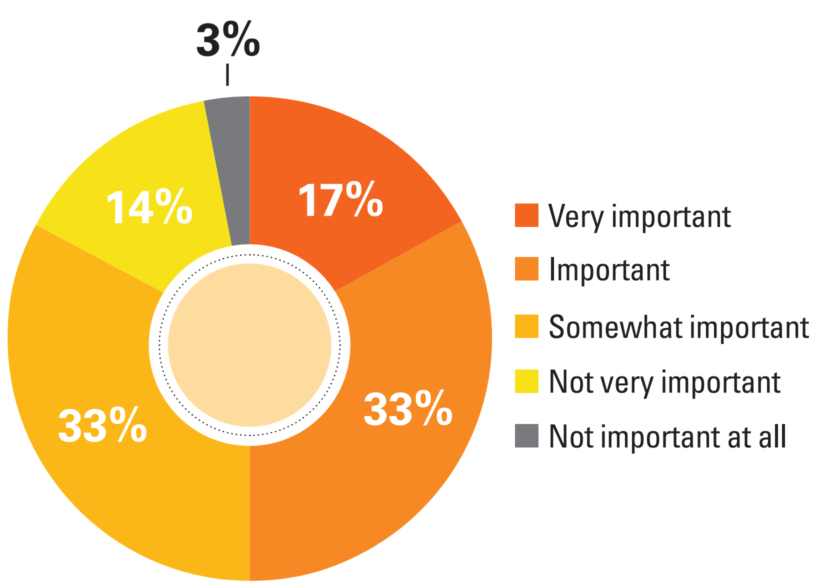
Numbers may not total 100% due to rounding.

Sources: *T. Rowe Price Retirement Savings and Spending Study*, 2023

IMPACT OF ELECTION ON FINANCIAL PLANS

The upcoming 2024 election is weighing heavily on the minds of many investors. Half of CFP professionals report their clients are placing significant importance on the outcome of this year's elections related to their decisions about future plans.

HOW MUCH IMPORTANCE ARE CLIENTS PLACING ON THE 2024 ELECTION SEASON REGARDING THEIR FINANCIAL PLANS?

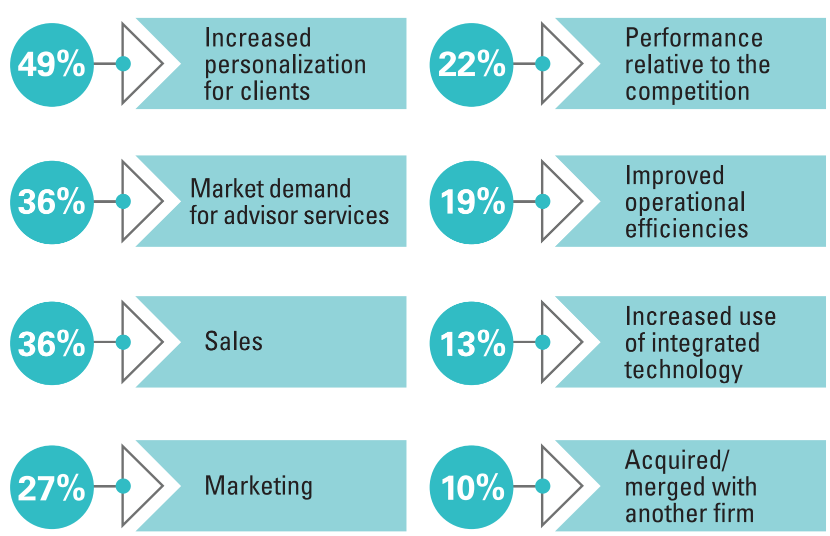


Source: CFP Board, March 2024

REASONS FOR OVERALL GROWTH

Advisors have seen strong growth in the past three years and expect this trend to continue in 2024, with 90% predicting their firm will grow this year. But where are the hot spots?

REASONS FOR GROWTH



Source: Orion, March 2024

THE BULL RUN AND YOUR CLIENT'S RETIREMENT PLAN

As stocks head higher, clients are seeing visions of early retirement. What should advisors be telling them?

BY GREGG GREENBERG

The bulls are running. The bears are retreating. And investors are once again dreaming about early retirement. The question is, should their advisors be waking them up?

That's a tough one, and it requires the review of a bit of not-so-distant history.

From 2019 through 2021, the stock market posted luscious back-to-back-to-back returns of 31 percent, 18 percent, and 29 percent, respectively. Client accounts grew so bountiful in the wake of that three-year stretch that workers approaching retirement at the time could practically taste it.

"Timing the market is not a good retirement plan, so our base percentages of equity in retirement plans don't change"

MATT KILGROE, CYNDEO WEALTH PARTNERS

Meanwhile, over the same three-year span, the iShares US Aggregate Bond ETF (AGG) went on a decent run of its own, returning 8.5 percent in 2019 and 7.5 percent in 2020, before posting a slight drop of 1.7 percent in 2021.

Even gold shined for most of those three years, with the yellow metal returning 18 percent in 2019, 25 percent in 2020, and a negative 4 percent in 2021.

Seriously, with all that bullishness raging across nearly every asset class at the time, it's hard to blame a long-serving employee for shopping for a hammock or Winnebago while on the job.

And then came 2022, and those daydreams went poof! The S&P 500 sank 18 percent, while the AGG dropped 13 percent. Even gold slid almost a percentage point despite all the financial turmoil. The only asset class that seemed to work during that turbulent year was private market alternatives, and only because they didn't have to be marked to market.

Fast-forward back to the present, and the S&P 500 and gold are hitting new highs after bouncing back in 2023, when they were up 26 percent and 12.7 percent, respectively. Meanwhile, bonds are behaving once again as they are supposed to, with the AGG up 5.6 percent last year and now yielding over 3 percent.

With all this bullishness in mind, what are advisors telling clients who may once again be daydreaming of an earlier-than-expected retirement?

JOSEPH'S AMAZING FINANCIAL ADVICE

In the Bible, Joseph interprets Pharaoh's troublesome dream by telling him there will be seven years of abundant harvests followed by seven years of famine. Taking Joseph's agricultural forecast to heart, Pharaoh stocks up on grain during the good times, eventually using it to successfully tide his country over during the subsequent tough times. As a result, Pharaoh makes Joseph his full-time advisor and gives him a bigger slice of his portfolio to manage.

Christopher Davis, partner at Hudson Value Partners, takes an approach similar to that of Joseph by socking away some additional funds during boom times to make sure his clients are covered during the lean ones.

"We almost always seek to set aside one to two years of distribution needs in cash and short-term fixed income for clients," he said. "New highs are a good time to top those levels up, but by having this buffer, we seek to mitigate sequence-of-returns risk and having to sell at inopportune times. Knowing the funds are there makes it easier to stay the course on your asset allocation."

Davis is also using this run-up to rebalance client portfolios back to their target weights, as the concentration of returns has been even narrower so far in 2024 than in 2023. In recent months, he's been taking the profits off the top of some of his successful investments that have become overgrown to find and fund opportunities in areas such as Japanese equities, healthcare, and small- to mid-cap industrials.

"It's important to balance finding those companies who are growing their fundamental earnings power with how much you are paying for those earnings," he said. "Your entry price is the one thing about an investment that cannot improve with time."

crisis in 2008. Wealth managers turned to private markets to help weather the storm, with many proclaiming the 60/40 a thing of the past.

Alas, rumors of the demise of the 60/40 portfolio proved premature. According to Morningstar, a standard balanced portfolio combining a 60 percent weighting in the Morningstar US Market Index and a 40 percent weighting in the Morningstar US Core Bond Index returned a more than healthy 18 percent in 2023.

So now that the public markets are once again showing their muscle, what, if anything, should advisors do with all those far less liquid private investments they added to asset allocations when things were looking bleak?

Kilgroe said he has no plans to eliminate alternatives from the mix. If anything, he said, rebalancing out of stocks could likely mean an increase in private investments for his clients, although he remains wary of real estate due to interest-rate pressures on commercial buildings.

"Private credit particularly is attractive to us given the yield differential versus traditional fixed income," he said. "There are other considerations around private credit such as liquidity, but in the right proportions we like the asset class."

"While acknowledging the reduced liquidity inherent in private investments, we believe that the benefits of diversification and potential for enhanced returns outweigh this concern"

MICHAEL LEVERTY, LEVERTY FINANCIAL GROUP

Matt Kilgroe, CEO of Cyndeo Wealth Partners, agreed that an extremely strong or weak market would potentially propel him to rebalance more often than he would otherwise. Nevertheless, he emphasized that a powerful bull run – or bear raid – shouldn't change the plan itself.

"Timing the market is not a good retirement plan, so our base percentages of equity in retirement plans don't change," he said.

Perhaps nodding to King Solomon's wisdom of splitting the baby in half, Barbara Pietrangelo, financial planner at Prudential Advisors, focuses more on the short term, making sure her clients have enough income to pay their regular bills. Once that mission is accomplished, she creates longer-term asset allocations for them that can weather future booms or busts.

"While the market generally goes up over time, no one can accurately predict what will happen. Everyone's situation is so unique, so we start with understanding the clients' goals, needs, risk tolerance, and then create a plan. While we may need to tweak it from time to time, the core components remain the same," Pietrangelo said.

WHAT ABOUT ALL THOSE ALTS?

One of advisors' biggest reactions to the 2022 meltdown was the rush to add alternatives to client portfolios. The classic 60/40 mix of publicly traded stocks and bonds fell 16 percent that year, suffering its worst performance since the global financial

Likewise, Michael Leverty, founder and CEO of Leverty Financial Group, said he adjusted his equity allocation by increasing his exposure to private equity. In his view, the strategic shift reflects recognition of the ongoing trend of companies choosing to remain private.

"While acknowledging the reduced liquidity inherent in private investments, we believe that the benefits of diversification and potential for enhanced returns outweigh this concern," he said.

Leverty added that he's also upping his allocation to private credit in the fixed-income portion of his portfolio. "We are particularly drawn to the first lien and floating-rate characteristics inherent in this sector."

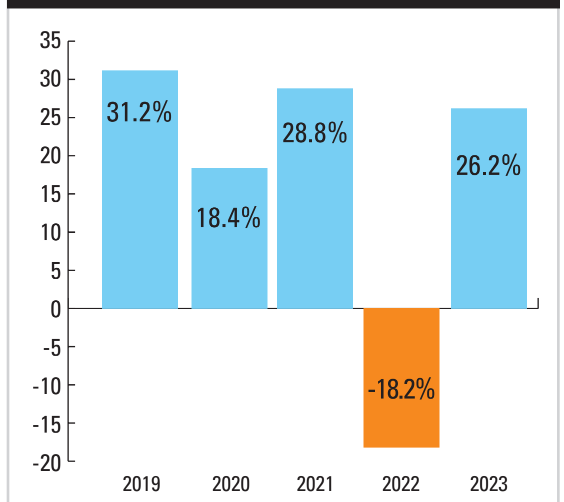
OUTLOOK FOR ANNUITIES

Stock funds weren't the only retirement savings vehicles flying off the shelves last year. The US annuity market also set a new record. According to Limra, total sales of annuities in the US surged to $385 billion, up from $310.6 billion in 2022, when fear drove investors out of stocks and into guaranteed annuity contracts.

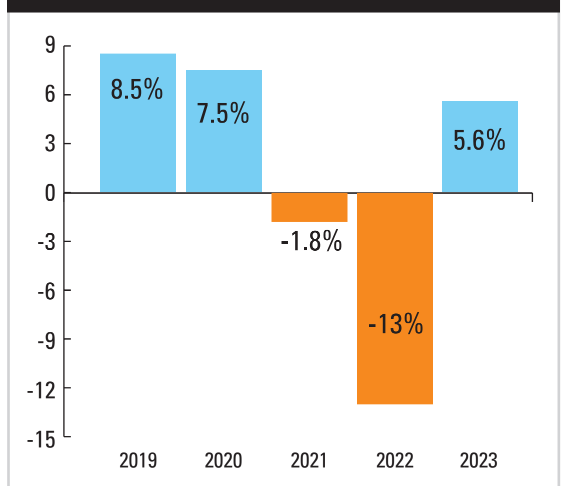
Now that stocks and bonds are safe again, or at least "safer," should advisors put them back on the metaphorical shelf?

"The guarantee that annuities provide can be very valuable to the peace of mind of some clients. But that guarantee is a lot more costly than owning the genuine articles of stocks and bonds directly," Davis said.

S&P 500 TOTAL RETURN



ISHARES CORE US AGGREGATE BOND ETF



In his view, if a wealth manager can get the asset allocation right and create a financial plan that the client is comfortable with, then annuities become less relevant.

Kilgroe is also not a fan of annuities, no matter the market. He believes Social Security and pensions in some cases act as great supplements to a well-designed retirement plan. However, he sees the fixed-income portion of a 60/40 strategy as a better way to create income for clients.

"The idea of guaranteed income is comforting, but the expense and lack of flexibility around annuities is something we don't find attractive," Kilgroe said.

Prudential's Pietrangelo has been using equity products with "buffers" as a cheaper alternative to annuities. These products allow clients to get a portion of the upside and limit losses if markets go down.

"I'm finding clients nearing or in retirement are attracted to different approaches to protecting their money and seeing growth in their nest eggs, which took them so long to accumulate," she said.

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Not every solution hits the headlines

Look beyond the noise to help your clients hit their retirement deadlines

BY ANDREW FARRELL, MSJ
SVP RETIREMENT SALES,
DISTRIBUTION AND MARKETING

As you work with your clients to build portfolios designed to deliver the retirement outcomes they expect, when they expect them, you consider all the solutions available to you. Your clients are doing their own research, too. Stocks, bonds, mutual funds, exchange-traded funds and alternative investments regularly top the list of options they're exposed to every day in headlines and news feeds.

What about annuities? They don't often create the viral noise that other investment solutions do, but they can create additional opportunities to protect and grow savings that will be needed over the course of a lifetime.

Some of your clients may already recognize that annuities can help ensure guaranteed lifetime income in retirement. And you've already recognized that this basic awareness doesn't always translate into an annuity as part of a holistic financial plan. What's standing in the way?

It may boil down to this: clients don't always understand all the benefits or even the basics of all the investment solutions they hear about. A recent study[1] by The American College of Financial Services found that older Americans "lack actionable retirement knowledge," and that financial professionals play a key role in ensuring they know what they need to as they plan for the future.

Sometimes it can be challenging for clients to see beyond financial headlines and even their own preconceptions of "retirement deadlines" as they build their savings. Yet they also want to understand how their retirement plans will get them to their goals. As you describe the ways different investments work together in a portfolio, educate them about how an annuity could also play a role. Illustrating how certain types of annuities go beyond a "paycheck in retirement" and can provide additional benefits designed to meet multiple needs may open their eyes to the potential value of annuities.

Take the RILA (registered index-linked annuity). This style of annuity offers investors growth opportunities combined with various protection options, and they may have features that help balance income needs with flexibility and choice.

Spelling out the ways a RILA can help provide flexibility and growth opportunities helps you teach your clients more about how their investments work to their benefit. The more they know about their choices, the more value you can provide with education and guidance to meet their needs.

If your clients aren't taking that next step toward an annuity purchase, Symetra can help you clarify the range of retirement solutions—including the ones they may overlook. Talk to us today.

At Symetra, we focus on five key reasons why a RILA could be a valuable addition to a client's portfolio:

Opportunity

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Protection

RILAs may offer options to tailor levels of protection against downside risk.

Flexibility

RILAs may allow access to money should a client's current needs change.

Control

RILAs may offer additional features that protect returns and help to balance growth and protection.

Family

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[1] Study Finds That Improving Financial Literacy Supports Retirement Wellness and Confidence | The American College of Financial Services Feb. 14, 2024, accessed Feb. 20, 2024.

FLORIDA-OR-BUST RETIREMENT PREVAILS

Advisors help clients make sure they don’t experience both, as interest rates dip slightly and more homes go on the market

BY EMILE HALLEZ

A tight housing market and relatively high interest rates haven’t stopped people from flocking to Florida for retirement – although advisors say clients are exercising caution before deciding to relocate.

Last year, about 338,000 people in the US moved to a new home as part of a retirement plan, up 44 percent from about 235,000 in 2022 but down from 398,000 in 2020, according to Census Bureau data analyzed by Hire A Helper. Florida attracted more than any other state in 2023, with 11 percent of people moving there for retirement, while California had the biggest exodus (18 percent of movers), followed by New York (11 percent).

This year, interest rates have fallen slightly, and more homes are being listed for sale. Data this month from Zillow showed new listings were up 21 percent in February compared with a year earlier. Total inventory is up 12 percent, with cities in Florida seeing three of the four biggest increases. Inventory went up the most in Dallas (39 percent), followed by Tampa (31 percent), Orlando (30 percent), and Miami (29 percent).

When clients are considering a move, they should weigh their lifestyles, both pre- and post-retirement, including proximity to family, recreation, and healthcare, said Nicole Sullivan, co-founder of Prism Planning Partners.

“While someone’s home may be worth more today, purchasing a different home will be more expensive than before – so people are being thoughtful”

NICOLE SULLIVAN, PRISM PLANNING PARTNERS

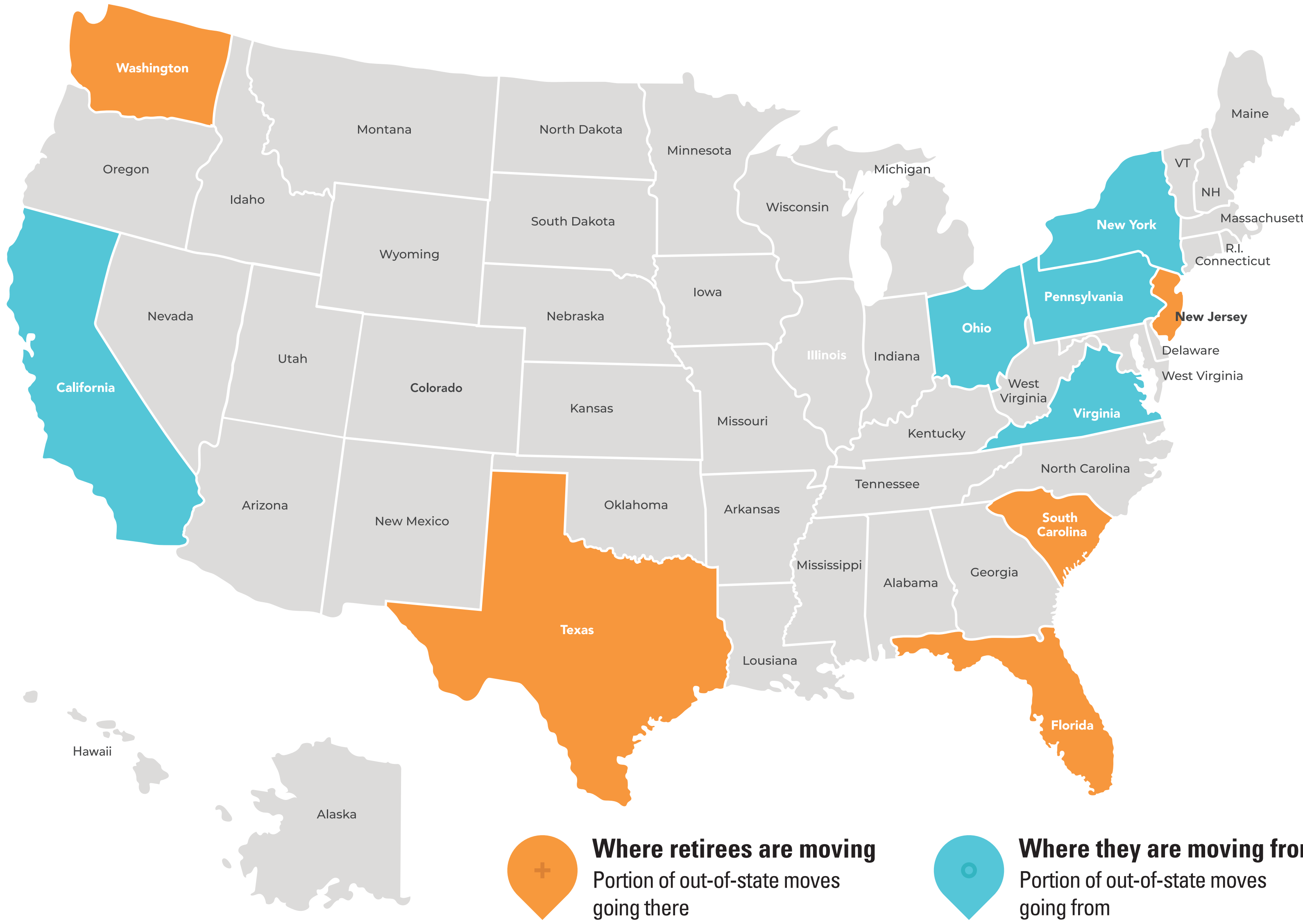
“We see that clients who want to move for lifestyle reasons are generally taking action,” Sullivan said in an email. “While someone’s home may be worth more today, purchasing a different home will be more expensive than before – so people are being thoughtful. I observe fewer ‘impulse’ moves compared to several years ago.”

Increasingly, moves early in retirement are intended to be permanent – and more people say they want to age in place. Last year, data published by the National Association of Realtors showed that 43 percent of homebuyers aged 68 to 76 could not be convinced of any factors that would make them move again, compared with 30 percent in the same cohort in the same survey a year earlier. That was also the case for 31 percent of those 58 to 67, up from 26 percent for that group in the 2022 survey.

That aligns with sentiments people expressed in a survey in late February by Fannie Mae – among people 60 and up, 56 percent said they will never sell their homes, 27 percent indicated that they might, and 17 percent said they already had or are planning to. Seventy-two percent of people said they were confident about having enough income during retirement, and many people alluded to a “lock-in effect” with their current homes, or being happy with having paid the mortgage off, feeling attached to their communities, and being accustomed to the services available nearby, Fannie Mae found.

People early in retirement are the most likely to have moved far from home. Realtor data show that young baby boomers moved an average of 90 miles from their previous homes in 2022, while older boomers moved 60 miles away, and those in the Silent Generation moved 50 miles. When retirees do relocate, they’re most likely to move to small towns (35 percent), followed by suburbs (26 percent), rural areas (20 percent), or resort towns (15 percent).

Even as interest rates went up last year and home



Where retirees are moving

Portion of out-of-state moves going there

Florida	11%
South Carolina	10%
New Jersey	6%
Texas	6%
Washington	5%

Where they are moving from?

Portion of out-of-state moves going from

California	18%
New York	11%
Virginia	7%
Ohio	5%
Pennsylvania	5%

Source: Hire A Helper analysis of US Census Bureau data

values remained at a high point, there were more first-time buyers in the market, and the average age of buyers decreased compared with 2022. Baby boomers accounted for the most sales of any generation in 2022, at 39 percent, compared with millennials, at 28 percent, according to the Realtor data.

“Many of the financial discussions revolve around the different taxes you are currently subject to versus what that might look like if you relocated”

LANDON BUZZERD, GRANT STREET ASSET MANAGEMENT

“The combined share of younger and older boomers made up the largest share of homebuyers,” said Brandi Snowden, director of member and consumer survey research at the National Association of Realtors. “They’re more likely to have that equity built up that they can put toward their new home than first-time homebuyers and younger homebuyers.”

Even if near or current retirees are carrying mortgages, likely with interest rates of less than 4 percent, a move could still make sense if they’re relocating to a lower-cost area, said Landon Buzzerd, associate wealth advisor at Grant Street Asset Management.

“Many of the financial discussions revolve around the different taxes you are currently subject to versus what that might look like if you relocated,” Buzzerd said in an email. “Property taxes can vary greatly by state and even counties within states. You may be subject to more local taxes in one area over another, homeowners’ association fees may change, and the overall cost of living will vary. An increase in your mortgage from higher interest rates could be partially offset by these factors or make the potential move more prohibitive.”

Each case is unique, said Julie Bray, president and wealth manager at GW Financial.

“In a recent scenario where a client considered moving from California to Oregon, the initial plan was to leverage home equity to retire debt and reduce taxes. However, upon closer examination, factors like higher Oregon income and property taxes, increased mortgage interest rates, and Oregon’s state estate tax posed significant financial challenges. It’s a reminder that tax implications and cost-of-living adjustments must be thoroughly evaluated before finalizing relocation decisions,” Bray said in an email. “Meticulous financial planning and realistic cost projections are essential to ensure a successful relocation that aligns with long-term financial goals.”

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Ensuring alimony payments continue despite premature death

Dear Gabby,
My client, Sarah, is going through a divorce. Sarah and her husband, Tom, have been married for 23 years and, although she had a great career, Tom always earned more money. Under the proposed agreement, Tom is required to pay alimony to Sarah for 10 years. Sarah is counting on her alimony to meet her financial goals. What happens if Tom passes away before the end of the 10-year term?
Sam L., Texas

DEARGABBY
GABRIELLE CLEMENS

Dear Sam,
In most states, alimony is based on the financial needs of the recipient and the payer's ability to pay. If the payer dies, the alimony order is terminated. One of the most effective ways to secure alimony against the risk of premature death is through life insurance.

Using insurance to secure alimony involves purchasing a life insurance policy on the payer's (in this case, Tom's) life with the recipient of alimony (Sarah) named as the beneficiary. This ensures that if Tom dies, Sarah will continue to receive financial support through the life insurance proceeds.

Here's how to do it:

1. **Determine the amount:** Calculate the amount of life insurance coverage needed to replace Sarah's alimony payments in the event of Tom's death. Consider such factors as the duration of the alimony payments (10 years), Tom's lifestyle and health, and Sarah's financial needs.
2. **Select the policy:** Choose a life insurance policy that meets the coverage needs and budget. Options include term life insurance, which provides coverage for a specific period, or permanent life insurance, which offers coverage for life as long as premiums are paid.
3. **Name the alimony recipient as beneficiary:** As the recipient of alimony, Sarah would be named as the beneficiary of the life insurance policy. This ensures that Sarah will receive the death benefit proceeds if Tom passes away.
4. **Pay premiums:** Ensure that the premiums for the life insurance policy are paid regularly to keep the coverage in force. Sarah can request that the insurance company inform her if the policy is at risk of lapse due to non-payment of the premiums.
5. **Keep records:** Both parties should maintain records of the life insurance policy, including the policy number, coverage amount, and contact information for the insurance company.
6. **Review regularly:** Review the life insurance policy annually to ensure that the coverage amount remains adequate and that the beneficiary designation has not been changed. Sarah and Tom may adjust the coverage over time to reflect the reduction in alimony due as the termination date grows near. Sarah can include language in the divorce agreement that requires Tom to provide proof of coverage at least annually.

By using life insurance to back up alimony, Tom can provide financial security for Sarah in the event of his early death to ensure that she has the funds she requires.

Dear Gabby,
I manage my client's IRA. He is getting divorced and has agreed to give his spouse half. How do I divide the account?
Vera H., Wisconsin

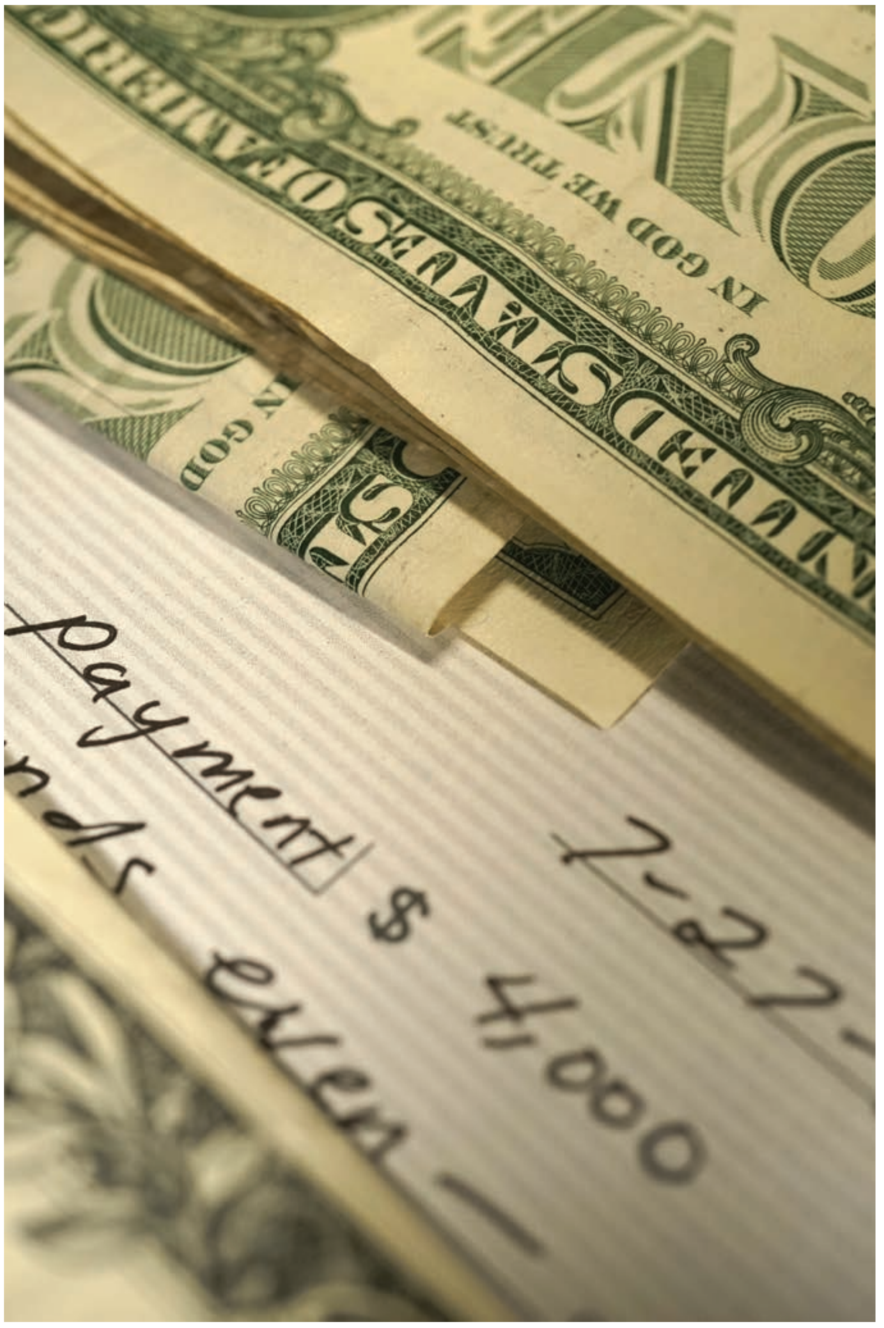
Dear Vera,
Dividing an individual retirement account during a divorce involves a specific process to ensure it's done correctly and tax-efficiently. Here's a general overview:

KEY CONCEPT: TRANSFER INCIDENT TO DIVORCE

- IRAs are split through a **transfer incident to divorce (TID)**, which allows tax-free transfers between spouses.
- This is different from qualified retirement plans like 401(k)s, which use qualified domestic relations orders (QDROs).

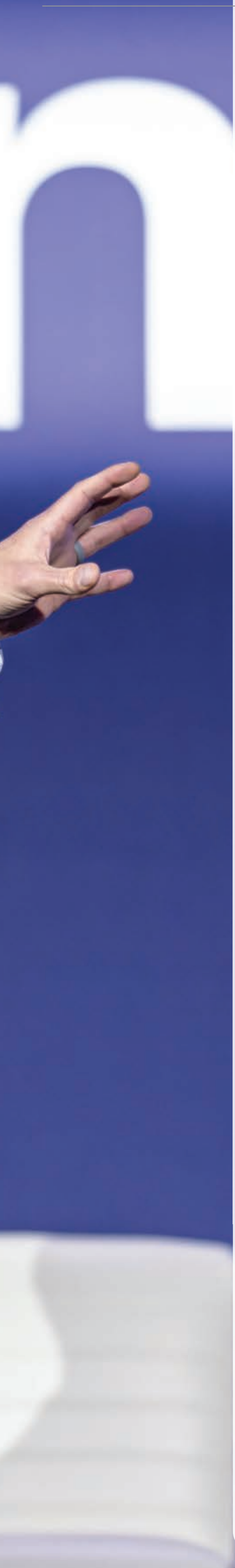
STEPS INVOLVED:

1. **Agreement on the division:**
   - The divorce decree or settlement agreement **must explicitly state** the IRA transfer as a TID.
   - The agreement should detail the specific account information, transfer amount, and receiving spouse's IRA details (if already established). If the recipient doesn't have an IRA account, they must open one.
2. **Transferring the funds:** Once the divorce decree is finalized, the document is submitted to the IRA custodian (the bank or financial institution holding the IRA account). The custodian then facilitates the transfer directly between the IRAs, following the court order's instructions.
3. **Tax implications:** Following the TID process ensures the transfer is tax-free. Any other method of dividing the IRA (e.g., withdrawing funds and distributing as cash) could result in tax penalties.



One of the most effective ways to secure alimony against the risk of premature death is through life insurance

Gabrielle Clemens is an expert on divorce financial planning and author of Marriage is about Love, Divorce Is about Money.



AVANTAX PRESIDENT ACCOUNTS FOR A BRAND-NEW ERA

While the firm is best known for its tax expertise, Todd Mackay is talking about relationships and creating connections

BY GREGG GREENBERG

FOR SOMEONE running a wealth management firm best known for its detailed number-crunching and tax expertise, Avantax president Todd Mackay sure likes to talk about relationships.

Founded by a CPA in 1983, Avantax helped pioneer the concept of tax-smart investing and planning. Many owners and iterations later, including its acquisition by broker-dealer giant Cetera for $1.2 billion last September, the firm still conjures visions of advisors-cum-accountants in green eyeshades scouring the latest IRS tax codes for loopholes.

While Mackay isn't running from the firm's legacy of adding alpha through its proprietary tax-harvesting programs, the language emanating from Avantax lately is more about creating connections rather than finding deductions.

"It can't be said often enough – wealth management is a relationship business," Mackay said. "And when you ask advisors what they want the most, their first answer always is 'more time with clients.' So Avantax created technology that puts time back into advisors' hands by automating manual processes."

Along similar lines, Mackay staunchly contends that despite Avantax's reputation for a laser focus on tax-smart investing, the firm has always practiced "holistic" wealth management, the latest touchy-feely term sweeping the industry.

"There's not a dollar that Uncle Sam doesn't tax, so we'd argue that failing to consider taxes in wealth management isn't truly holistic. In that vein, Avantax has practiced holistic wealth management for decades," he said.

Instead, Mackay refers to holistic wealth planning as "Avantax intelligent planning," whose elements include tax-optimized asset location and allocation, tax-focused investment strategies, retirement planning and withdrawal strategies, family risk management, business planning, legacy planning, education planning, and cash-flow management.

"Advisors want to be aligned with a wealth management firm that can help provide their clients with complex situations [with] tax-intelligent financial planning, and tools that help minimize unnecessary tax payments," he said.

> **"There's not a dollar that Uncle Sam doesn't tax, so we'd argue that failing to consider taxes in wealth management isn't truly holistic"**
>
> TODD MACKAY, AVANTAX

GETTING DOWN TO BRASS TAX

Avantax managed more than $92 billion in client assets as of year-end 2023 and boasts more than 3,000 financial professionals. And now, as part of Cetera, Mackay has even more firepower at his disposal to expand the company and

AVANTAX FAST FACTS

1983
Blucora founded

2016
Blucora completes acquisition of HDVest

2022
Blucora sells TaxAct, rebrands to Avantax (on December 19)

2023
- Avantax acquired by Cetera (on November 27)
- Avantax manages more than $92 billion in client assets (as of December 31)
- Avantax has more than 3,000 financial professionals (as of December 31)

"Advisors come to Avantax because they want to offer clients financial planning through the lens of tax, chasing that extra 1.2 percent of tax alpha we believe we can add every single year"

TODD MACKAY, AVANTAX

compete for talent against deep-pocketed, private equity-backed RIAs seeking to grow, quite literally, at any cost.

While Mackay's language makes it sound as if the firm is taking a warm-and-fuzzier approach to the marketplace, he firmly grasps why Avantax has enjoyed recruiting success in recent years amid these talent battles – the company's conviction about tax-focused financial planning.

"Advisors come to Avantax because they want to offer clients financial planning through the lens of tax, chasing that extra 1.2 percent of tax alpha we believe we can add every single year," said Mackay.

That's right. Advisors know that when Avantax boosts their clients' bottom lines through its tax wizardry, this will eventually trickle down to their own.

That said, Avantax has been through a few internal tussles of its own to reach this point.

In the wake of an unpopular $60 annual fee on advisors' accounts at outside money managers that it announced in 2020, Avantax saw hundreds of advisors exit the firm. It staunched the bleeding the following year by paying bonuses to new recruits of up to two to three times the industry norm as part of a package to get them to move to the firm.

The appeal to advisors' pocketbooks appears to have worked for Avantax, and the firm is once again a magnet for talent. And Mackay says the Cetera purchase won't undo those advances.

"One of the first phrases we as leaders of Cetera and Avantax said to our teams was our commitment to 'do no harm,'" he said. "What that means is we're taking a thoughtful approach to everything, with the goal of creating the least disruption possible for our financial professionals and their clients, and the home office teams supporting our advisor community."

Mackay adds that much of financial planning has become commoditized over the last decade. However, what has not and won't become a commodity in his view is the ability to combine tax planning and financial planning together in a personalized way for each client.

"That is the true differentiator that Avantax brings to advisors and clients," he said. "Additionally, advisors come to us for the ability to partner with more CPAs and tax professionals to help serve those tax clients more holistically and have a captive pipeline of new client prospects."

Look at it this way. According to the October 2023 Herbers & Co. Service Market Growth Study, tax advice is the No. 1 thing clients want, but aren't getting, from their financial professional.

So call him holistic or realistic – it doesn't matter. Mackay knows exactly what clients and advisors want. And he's intent on giving it to them.

DEATH, TAXES, AND TECHNOLOGY

The Cetera deal now behind him, Mackay says he finally has more time to look to the future, not just of Avantax but of the entire wealth management industry. What he sees down the road is a massive push toward greater personalization.

"The biggest winners will be those that can offer the most personalized experience for the end client and leverage the technology advancements and in-depth knowledge of the clients' needs to do so," he said. "Clients ultimately want to know that an advisor is looking at their financial plan at a personal level that is unique to them and making sure that the solutions that are provided are just as unique."

Advances in technology will also free Mackay to meet more with advisors, one of his favorite things to do. He says he already spends an inordinate amount of time every day on phone calls and formal home-office visits talking with advisors and clients about the challenges they face.

On the flip side, Mackay says the worst part of his work is dealing with the unexpected death of an advisor who didn't have a succession plan in place. Amid personal tragedy and turmoil, not having a succession plan can put the advisor's family, partners, and clients in a tough spot.

"It's a tough topic to broach because no one wants to confront their mortality, but I'm passionate about urging each and every one of our financial professionals to work with our succession planning team so if there's an unforeseen event, the value of their lifetime of work can be realized for the benefit of their family, and their clients can be transitioned to someone who shares the advisor's approach to client service," he said.

In the meantime, tucked in between life, death, and taxes, Mackay is bent on helping Avantax advisors grow their businesses, whether organically or by consulting with them about transactions with other firms.

"It's rewarding to know that we're making great progress expanding tax-intelligent financial planning to the masses, not just high-net-worth clients," he said.

Of course, those high-net-worth clients didn't get that way by overpaying their taxes, now, did they?

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CLOCK IS TICKING FOR CETERA IPO

If the brokerage is eyeing an IPO in the next five years, as sources say, it's got a lot of work to do to get ready

BY BRUCE KELLY

With Cetera Holdings potentially eyeing an initial public offering and stock listing in the next five years, the giant network of at least five broker-dealers, 12,000 financial professionals, and combined assets of $665 billion has some heavy lifting to accomplish to please Wall Street investors and bankers.

Cetera Financial Group is the official home of the broker-dealers under its roof, and it has accomplished plenty in a little more than a year. In January 2023, Cetera said it was buying the wealth business of insurance company Securian Financial Group, and in September it followed that deal with the acquisition of Avantax, a tax specialist. Combined, the two firms worked with roughly 4,000 financial advisors.

Add in the naming of a new CEO of Cetera Holdings in May, Fidelity Investments veteran Mike Durbin, and a reinvestment by its private equity owner Genstar Capital, and it was a busy year for the broker-dealer network.

That's nothing new for Cetera, which has been a work in progress since getting out of bankruptcy in 2016.

Genstar made its initial investment in the firm in 2018. While the terms of the deal were not released, market speculation put Cetera's value at $1.5 billion at the time.

Since then, it has added 5,000 advisors and more than doubled its employee head count to 2,800, with assets under administration growing from $242 billion in 2018 to $475 billion in 2023.

But there's more work to be done if an IPO is on the horizon, which two senior brokerage industry executives who asked not to be named said is currently being discussed internally at the firm.

"Cetera management is floating the idea of five years for an IPO, but some people are doubting if they can do it in time," one executive said. "There is a ton of work to do, but they haven't yet done the hardest parts.

"They've done the easy things, the acquisitions of Securian and Avantax, but the hardest stuff is the integration of those firms," the executive said. "Add in public company reporting, shared services, no duplicative firm presidents. If they can figure it out, it could be a huge IPO. Five years is doable, just, if they start on the hard work now.

"Cleaning up the shared services across the firm matters; you need to move quickly each quarter to

"The longer Cetera puts off integrating those firms, the tougher it's going to be down the road"

INDUSTRY EXECUTIVE

CETERA FINANCIAL GROUP'S NETWORK

Broker-dealers:
Cetera Advisor Networks
Cetera Investment Services
Cetera Financial Specialists
Avantax

Hybrid:
Cetera Advisory Services

Registered investment advisors:
Cetera Investment Management
Cetera Investment Advisers

report to the Street when you're a public company," the executive added. "And the Street will harshly analyze any duplicative spending."

The executive pointed to Osaic, which is also widely thought to be heading toward an IPO, and its recent work to integrate its network of broker-dealers under one firm as an example of the work that Cetera will face.

"Just look at Osaic," the executive said. "They took people from LPL Financial, Greg Cornick and Dimple Shah, and had to clean up duplicative operations where there is extra spending and not meaningful for shareholder value."

Aretec will fairly quickly realize most of its planned expense synergies," said S&P.

"We believe Aretec's acquisition of Avantax enhances the company's scale," according to the S&P analysis. "The acquisition will supplement Aretec's existing capabilities in providing tax-focused wealth management services."

"It also adds Fidelity as a custodial partner for Aretec, opening the door to acquire broker-dealers using Fidelity's custody platform," said S&P. "Following the close of the transaction, expected by the end of 2023, Avantax will operate as a standalone entity within Aretec Group."

"[Cetera's] acquisition of Avantax enhances the company's scale. The acquisition will supplement [Cetera's] existing capabilities in providing tax-focused wealth management services"

REPORT FROM S&P GLOBAL RATINGS

Cornick, who's president of advice and wealth management at Osaic, worked at LPL for six years before jumping to his current firm, which was called Advisor Group at the time. Likewise, Shah was a five-year veteran of LPL when she started working at Osaic in 2022 as executive vice president and head of corporate strategy.

A spokesperson for Cetera didn't comment when asked about a five-year timeline for an IPO, nor did he comment on whether the firm had plans to further integrate its broker-dealers.

"2023 was a record year of success and growth for Cetera who is stronger than ever and focused on the business at hand," the spokesperson wrote in an email. "We look forward to a very bright future for our 12,000-plus financial professionals and all who are affiliated with Cetera."

Cetera Holdings, which also uses the name Aretec Group, clearly has its supporters. In a research note from October, just weeks after Cetera announced the acquisition of Avantax, S&P Global Ratings affirmed its rating on Aretec, including its "B" issuer credit rating, and removed the brokerage group from "Credit Watch negative."

"The stable outlook reflects our expectation that

Cetera Financial Group comprises four broker-dealers, a hybrid firm, and two registered investment advisors. The broker-dealers are Cetera Advisor Networks, Cetera Investment Services, Cetera Financial Specialists, and Avantax. The financial advisors from Securian were moved under Cetera Advisor Networks.

LPL Financial's 2010 listing on the Nasdaq is widely regarded as the blueprint for a giant brokerage doing an IPO, and LPL spent years reorganizing its internal functions before the IPO.

Most notably, it became a broker-dealer that clears and custodies its own securities transactions, a profit center, while also integrating large acquisitions, like the 2,200 financial advisors it acquired in 2007 when it bought several broker-dealers from insurance company Pacific Life.

In 2010, shares of LPL listed at $30. In February, they hit a 52-week high of $271.11.

"LPL is perceived as gold standard in the industry for an IPO," the executive said. "But the longer Cetera puts off integrating those firms, the tougher it's going to be down the road."

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THE PERFECT SCALE: Silvercrest's edge in asset management

Robert Teeter on the right size for excellence – how Silvercrest's unique positioning maximizes client value and performance

Others may not cop to it, but Robert Teeter considers benchmarks an essential metric for evaluating investment success.

"It's probably not universally accepted," he says, "but I'm a big believer in benchmarks. Pick a benchmark that's most appropriate and evaluate yourself against that. You have to have a form of benchmarking to evaluate success, even if the goals differ across clients."

This approach has proven to be effective for Teeter in his role as managing director and head of investment policy at Silvercrest Asset Management.

Teeter's narrative with Silvercrest, spanning over two decades, begins with a collaborative venture to launch a fund of hedge funds vehicle. This initial engagement, marked by its longevity and success, set the stage for a deeper involvement with Silvercrest.

Teeter reminisces about his progression from managing a hedge fund strategy for a significant family office to taking on institutional clients, including Silvercrest. This endeavor eventually led him to interact more significantly with Silvercrest as one of its institutional clients.

Before his tenure at Silvercrest, Teeter was a founding partner at Ten-Sixty Asset Management, which merged with Silvercrest, marking a pivotal moment in Silvercrest's ascent to greater success. A sentiment backed by other leaders in the firm, Silvercrest's collaboration with Teeter in initiating and launching the Silvercrest Hedged Equity Fund in 2003 led to the deepened relationship between the two firms.

Teeter now leads in developing a comprehensive institutional approach to investment, emphasizing macroeconomic research, asset allocation, and risk analytics, among other areas.

THE SILVERCREST DIFFERENTIATOR

Teeter highlights three core elements that set Silvercrest apart: investment excellence, client-centric customization, and the firm's unique positioning in terms of size.

"First, a cornerstone of our approach since the firm's inception has been to deliver investment excellence for our clients. This commitment remains steadfast, with a focus on achieving solid results through adherence to classic investment principles," the managing director says.

"Second, we prioritize offering services that are client-friendly and highly personalized. We treat each client as an individual, crafting tailored solutions that meet their unique guidelines and objectives. Our approach eschews one-size-fits-all solutions, such as massive pooled investment vehicles, in favor of a more personalized, one-on-one strategy. This combination of investment excellence and customized service is, in my opinion, a distinctive aspect of our firm."

The third notable point highlighted is the company's unique size. This firm stands out for not facing any resource constraints, a testament to its robust infrastructure in terms of data, systems, and team capabilities.

Despite this abundance of resources, the company maintains a size that avoids the pitfalls of becoming an impersonal, overly hierarchical organization. This strategic balance allows the company to stay agile and consistently prioritize the best interests of its clients. The organizational focus is firmly on client-centric decisions and actions, underscoring a commitment to delivering tailored and effective solutions.

This approach effectively positions the company in a sweet spot, avoiding the challenges faced by

"I'm a big believer in benchmarks. Pick a benchmark that's most appropriate and evaluate yourself against that"

ROBERT TEETER, SILVERCREST ASSET MANAGEMENT

IN COLLABORATION WITH

SILVERCREST
ASSET MANAGEMENT GROUP

Robert Teeter

smaller entities with limited resources and larger corporations burdened by bureaucracy.

Teeter found scaling the firm over the years "has been both fun and challenging, leading to an increase in team size, client support, and portfolio management capabilities. The expansion has necessitated changes in approach and operational dynamics, making the experience enriching for everyone involved."

A significant shift highlighted alongside the firm's growth is the accessibility and abundance of data in today's market. Unlike earlier in Teeter's career when finding information was a competitive advantage, the current landscape is characterized by the ubiquity of data.

This change has compelled the firm to focus on efficiently capturing and organizing information. A critical aspect of their investment process now involves assembling highly skilled teams to analyze, discuss, and debate this wealth of information.

"If a firm has 20 or 300 analysts, let's not just assume that having 300 analysts is better. Let's understand what they're doing and why they think that makes that better"

ROBERT TEETER, SILVERCREST ASSET MANAGEMENT

MARKET TRENDS AND SPECULATION

Teeter acknowledges the complexities of predicting market trends and the implications of Federal Reserve policies on valuations. As a matter of policy, the organization adopts a three-year forward-looking perspective for its forecasts, which are regularly updated and discussed weekly, with more formal reviews monthly and quarterly. This time frame is chosen because it aligns with the period over which fundamental results typically materialize. Short-term fluctuations are often viewed as noise – driven by sentiment and valuation changes – whereas over a three-year span, the focus shifts to fundamentals.

Contrary to the concerns of many peers, Teeter is less worried about the economy's state, noting a growing recognition of its solidity. This perspective suggests a shift in focus from the pervasive economic anxieties of the previous year to a more optimistic outlook on the economy's strength.

CORNERSTONES OF CLIENT RELATIONSHIP AND INVESTMENT STRATEGY

Silvercrest frequently engages with numerous investment managers each year, involving the evaluation of various management strategies and larger firms. Teeter says, "If a firm has 20 or 300 analysts, let's not just assume that having 300 analysts is better. Let's understand what they're doing and why they think that makes it better.

"In some types of work, having more analysts is better. But it all has to match with what you're trying to do process-wise."

With a robust resource base and a strategic approach to investing, Teeter is well equipped with the necessary team and technology. However, a constant emphasis on innovation and education remains to ensure that they do not fall behind industry advancements.

Teeter highlights two core principles central to their organization's ethos: "Delivering strong results for the client in the way the client sees fit."

This client-centric approach is underscored as a key reason many choose to work there, offering professionals the freedom to serve their clients directly and collaboratively, rather than adhering to a rigid, top-down mandate.

"It's not a one-size-fits-all approach and I think that's pretty rare."

SectorFocus

SEC RULE

ENVIRONMENTALISTS, CONSERVATIVES SUE SEC OVER CLIMATE RULE

If anyone needed proof that many groups are unhappy with the rule, both the Sierra Club and US Chamber of Commerce have filed court papers

BY EMILE HALLEZ

The SEC recently passed a groundbreaking rule that will require many big public companies to report their climate-related business risks and their greenhouse gas emissions.

But the rule the Securities and Exchange Commission finalized was significantly pared down from what it proposed two years earlier, walking back the overall burden on businesses while nonetheless getting some progress on climate reporting on the books.

"This is not the rule I would have written. While these are important steps forward, they are the bare minimum. Ultimately, today's rule is better for investors than no rule at all, and that is why it has my vote," commissioner Caroline Crenshaw said before voting in favor of it. "Although I am loath to leave for future commissions those obligations that I see as our responsibilities today, I'm afraid that is precisely what we are doing."

Commissioners Hester Peirce and Mark Uyeda voted against the rule, while Crenshaw, chair Gary Gensler, and commissioner Jaime Lizárraga voted in favor of it.

Not many parties appear to be happy with the level of compromise. In fact, the commission has since been sued by both conservative and progressive groups over the rule, in addition to numerous Republican-leaning states that have sought to block it. On the political right, the US Chamber of Commerce has added itself to an existing case brought by Liberty Energy, filing a petition for review with the Fifth Circuit Court of Appeals. On the left, the Sierra Club filed a petition for review with the US Court of Appeals for the DC Circuit.

Under the new rule, many large companies will have to report some of their greenhouse gas emissions as well as their material risks related to severe weather events like hurricanes and floods. There are also requirements, called "attestation," that some of the biggest companies have third parties evaluate the figures they provide and the methods used to calculate those.

"In an investing ecosystem that has driven untoward attention to short-term results, this rule will begin to require a longer-term view of decision-making, and that is a critical step in the right direction" KAREN OGDEN, ENVEST ASSET MANAGEMENT

Opponents of the SEC's rule have contended that even with the agency's significant revisions, the final rule will be overly burdensome for corporations and that the regulator doesn't have the authority to impose regulations on climate-related issues. And those who wanted to see the SEC go much further were disappointed that the final version requires companies to disclose only risks related to Scope 1 and 2 emissions, or those related to the greenhouse gases they emit directly and those from the energy they use. Lacking are Scope 3 reporting requirements, which would have covered the indirect emissions from companies' supply chains and end users, which by most accounts constitute the majority of businesses' greenhouse gases.

"Stepping away from the requirement to quantify Scope 3 emissions, which are difficult to measure in the best scenario, we believe the SEC will ultimately make climate risk assessment and disclosure reasonably achievable and more consistent," said Karen Ogden, partner at Envest Asset Management, a financial advisor specializing in sustainable investing.

"Certain industries will naturally carry a heavier burden than others, and all impacted companies may experience increased costs, but in an investing ecosystem that has driven untoward attention to short-term results, this rule will begin to require a longer-term view of decision making, and that is a critical step in the right direction," Ogden said in an email. The SEC will likely refine the rule and expectations after it has gone into effect and had time to evaluate companies' approaches, she said.

A critical defect in the final rule, according to environmental and sustainable investing groups, is that companies must report emissions only if they decide on their own that they are financially material to business or if they have publicly set goals or targets for reducing them. That could give corporations significant flexibility as to whether they

"Information dissemination is at the bedrock of our securities laws"

LANCE DIAL, K&L GATES

want to report emissions.

While critics have cast the SEC's rule as an effort to regulate climate issues, the commission has held that many, if not most, big companies already provide climate-related figures to investors. A rule is necessary to make the methods for reporting that data consistent, so that comparing figures among companies is apples to apples, proponents have said.

"Investors like information. They tend to find this information helpful in making investment decisions," said Lance Dial, partner at K&L Gates, during a March 13 presentation the law firm held on the new rule. "I've never met a portfolio manager who said, 'No, I don't need that – I can make a decision based on my feelings.' Information dissemination is at the bedrock of our securities laws."

The SEC didn't come up with the idea of climate-data reporting, and other jurisdictions, such as the European Union, already require some aspects of it, he noted.

Sean Jones, another partner at the firm, said that additional guidance from the SEC is all but necessary for showing companies what "materiality" means for the sake of greenhouse gas emissions – "material" appears 1,000 times in the rule, which runs more than 800 pages. A big potential drawback of the rule is that it could dissuade companies that voluntarily disclose climate data from doing so once it's in effect, as reporting could be viewed as an admission that the risks and figures they report are financially material, Jones said.

"The challenge is that it's an all-or-nothing decision," he said. "Either you disclose them, or you don't."

While the lawsuits are pending, it would be unwise for companies to plan as if the rule won't go into effect next year, the lawyers said. Dial said companies should use a "snow-day rule," or the assumption that students hoping for a snow day should still plan to have their homework for the next day completed.

"You can't just sit on the sidelines and hope it goes away," Jones said.

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WHAT SEC COMMISSIONERS SAID ABOUT THE FINAL VERSION OF THE CLIMATE RULE:

Chair Gary Gensler: "These rules will enhance the disclosures that investors have been relying on to make their investment decisions. Issuers and investors will benefit from the consistency, comparability, and reliability of these disclosures."

Hester Peirce: "While the commission feigns agnosticism about how public companies should think about climate risks, the prescriptive nature of this new climate regime will affect corporate behavior. Through an extensive set of leading disclosure items, the commission steps into the shoes of the corporate board, nudges corporate decision-making, and distorts corporate supply chains."

Jaime Lizárraga: "The commission's actions reflect investors' views that climate risks can be material to their investment and voting decisions, and that these risks can have a material impact on a company's bottom line."

Caroline Crenshaw: "We owe it to investors to ensure that they can adequately assess financial risk. Today we take a step in that direction. And while important, this rule could have been more."

Mark Uyeda: "Today's rule is the culmination of efforts by various interests to hijack and use the federal securities laws for their climate-related goals. In doing so, they have created a roadmap for others to abuse the commission's disclosure regime to achieve their own political and social goals."

Want to retire happily from an advisory career? Start planning now

Imagine yourself in retirement. Maybe you're sailing off the Amalfi Coast, visiting family in Albuquerque, or on the links with your buddies. Or maybe you're consulting part time, helping a young advisor get to know your favorite clients.

OPINION
ROBERT GOFF

Either way, you need a plan. How will you set yourself up for a happy, fulfilling retirement?

Since 2018, Raymond James has been surveying retired advisors to gauge their happiness and learn what factors influenced their answers. One common theme that emerges year after year is how essential succession planning is to satisfaction in retirement.

Among the former advisors surveyed, here are three actions they say prepared them.

CREATING A SUCCESSION PLAN

"Go create a plan" can sound intimidating, but it doesn't have to be – especially if you're looking 10 or more years down the road. In the survey, 65 percent of advisors said simply identifying a successor was key.

If you don't have a built-in successor, there are a couple of ways to find the right one. The first is by surveying your personal network of advisors. Who do you know who could be a good fit for your clients? You may need to interview multiple advisors before finding your successor, but the effort will be worth it once you've found the one you feel comfortable passing your clients to.

Another way to identify the best-fit successor is by engaging with your firm's management and soliciting their help to find a suitable match based on their knowledge of you and other advisors they've worked with.

A third option is to leverage a tech solution. At Raymond James, advisors can log into the Practice Exchange platform and input attributes they're looking for in a buyer (or a seller, for that matter), and the matching algorithm pairs them with potential successors that they can reach out to.

COMMUNICATING YOUR PLAN TO CLIENTS

Relationships are a primary focus during succession planning, just as they have been throughout your career as a financial advisor. Successful succession planning means keeping clients informed: Nearly 3 out of 4 survey respondents (74 percent) identified communicating with clients as a top factor in preparing for their retirement.

There's a lot of anxiety associated with these discussions, which is one reason advisors sometimes wait too long: How will your clients perceive the news? How can you reassure them that you're still committed to their financial goals? But it's important to have open and timely conversations with your clients – the more frequent and early, the better – even if it's just to tell them you have a plan, so they know that if something happens to you, they will be taken care of.

Successful succession planning means keeping clients informed: Nearly 3 out of 4 survey respondents (74 percent) identified communicating with clients as a top factor in preparing for their retirement

It's natural to be reluctant to start these conversations, but it's essential to give your clients the opportunity to say goodbye to you and meet their new advisor, whether it's with a retirement party or a simple phone call.

DECIDING HOW TO SPEND RETIREMENT

Mental and psychological preparation is another critical step toward retirement for more than a third of survey respondents. Advisors need to plan for their next stage – for example, if they're going to stay on for some time to transition their book, and then move into a coaching or consulting role.

It can be extremely helpful to be able to talk to clients about your plan and to be available to your succeeding advisor, who may still have a lot to learn. Retiring advisors tend to have a wealth of experience and knowledge that isn't written down: You may have been through market downturns, the tech crash, or the housing crash, and you just know how to help clients through it – younger advisors may need to lean on you in unexpected or unique situations.

Also, keep your sights on the fact that succession means your retirement. You'll want to consider what that leisure time looks like, whether it's spending time with family, golfing, traveling, or something else. Find what makes you happy and go all in – you've earned it.

The bottom line? Planning is key to a happy retirement. And whether you plan to maintain relationships with your clients and successor (as 66 percent of survey respondents do) or sail off into the sunset, whether you're five years away or 20, it's never too early to start.

Robert Goff is vice president of succession and acquisition planning at Raymond James.


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BUILDING WEALTH WITH NOURISHING ADVICE

'Possibilities are endless' if you marry a staple diet of good financial habits with a plan, says entrepreneurial advisor

BY EMILY DOUGLAS

Chloé Moore, the founder of Financial Staples, had never heard of financial planning when she was growing up. In fact, in her college years, she was set on a career in sports medicine. However, it just wasn't meant to be.

"After taking a few classes, I realized I no longer wanted to be an athletic trainer," Moore says. "So I talked to my counselor, who was the head of the financial planning program at the University of Alabama, switched my major, and never looked back."

Her professional journey began at two small firms, followed by a stint at an independent trust company, before she embarked on her entrepreneurial venture. Financial Staples, a virtual fee-only financial planning firm based in Atlanta, was born out of Moore's desire to serve a broader clientele. Moore specializes in tech employees with equity compensation, and she has focused on helping first-generation individuals build wealth and learn financial basics.

"I spent the first half of my career working with high-net-worth and ultra-high-net-worth clients," she says. "I wasn't really fulfilled in the work that I was doing. I just felt like I was helping rich people get richer, and I wanted the opportunity to really help people who had the potential to build wealth – helping them from the ground up."

Initially, Moore aimed to work exclusively with young professionals. Her first few clients were all tech employees, and she saw she could draw from her past experiences with high-net-worth individuals and corporate executives. This prompted a shift in her focus toward those with equity compensation who were beginning their wealth-building journey.

Moore emphasizes the emotional aspect of money management, recognizing its profound effect on our everyday decisions. Many of her clients are trailblazers in their families, often the first to attend college or earn a significant income. Moore plays a crucial role in helping her clients link their current financial habits to their past experiences.

"One thing I noticed with a lot of my clients when we started working together was that they didn't really have a lot of resources or people growing up who taught them the basics of money," she says. "Some of them have financial trauma or negative experiences around money from their childhood. Helping them connect the dots between past experiences and the way they're managing their money today can help them to break through and make progress in their financial situations."

But Moore's not all about the money – in fact, one of her biggest passions outside of finance is her penchant for cooking – something she equates to her firm's strategy and core values.

"When I was trying to think of what to name my firm, I thought about the fact that I always have staples in my kitchen. That allows me throw together a meal at a moment's notice – and always be prepared. This concept can translate to a person's financial world. There are certain staples or good financial habits that everyone should have," she said. "And if you pair those habits with a good recipe, or financial plan, the possibilities are endless."

> **"I just felt like I was helping rich people get richer, and I wanted the opportunity to really help people who had the potential to build wealth"**
>
> Chloé Moore, Financial Staples

Looking toward the future, Moore is excited about a non-profit venture she co-founded – the BLX Internship Program. BLX aims to bring more diversity into the financial planning profession by providing paid internship opportunities to Black and Latinx aspiring financial planners.

"There has been a large focus on diversity, equity, and inclusion over the last few years," she says. "I hope that that trend continues as we try to increase the representation of women, people of color, and LGBTQ+ professionals in financial services. As a woman of color, I'm very passionate about creating opportunities for others and look forward to continuing this work."

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THE SYMPHONY OF FINANCIAL PLANNING

Pop musician turned advisor on transferring skills from the studio to keeping the 'personal' in finance

BY EMILY DOUGLAS

PHOTO CREDIT: USEROFREALITY DESIGN

For Cody Garrett, the realms of wealth management and music are intrinsically similar. With an education in piano performance and arranging from Berklee College of Music, and a successful past career as a pop musician, Garrett's seen a lot of skills that are transferable from recording studios to financial boardrooms.

Before his current career, Garrett wrote music – some of which was recorded at Abbey Road in London, where The Beatles cut some of their most famous songs.

"I think of the financial plan like a full orchestra of musicians – but the players are each part of your financial ecosystem," he says. "Instead of the brass, woodwinds, strings, and percussion, you have insurance, investments, taxes, and estate planning. They each have a unique role to play, but they should all be following the same conductor – you. As a financial planner and educator, my role is to be the arranger – but not to conduct their orchestra."

Garrett also highlights the importance of staying in tune when it comes to financial planning. Much like when you're planning a financial strategy, it's important to listen to the cues around you.

"I'm not just playing anything I want," he says. "I know all my scales, I know all the different chords, much like how people need to know all the contribution limits. I know the difference between good debt and bad debt – but I don't play everything I can as quickly as possible. I have to play while listening to the players around me – moving my hands and feet while also understanding the environment of where we're playing."

While it's important to follow the music, there's also an improvisational aspect to financial strategy. You need to be able to adapt to challenges, to pivot in certain unseen situations, and to ultimately evolve as the market does. All of which Garrett also honed during his musical past.

"My career background as a professional pop musician has made the improvisational aspect of financial planning easier for me – understanding that plan is both a noun and a verb," he says. "The only thing we know is accurate about the plan is that it's going to be wrong. I love the adaptive part, and certainly helping people keep their finances in tune."

At Measure Twice Financial, Garrett deals primarily with DIY investors – people ages 35 to 60 who're looking to build their own wealth. While he likes to help and advise his clients, Garrett also places a strong emphasis on self-education about investments. And that begins with throwing out the archaic notions of a "one-size-fits-all" approach to investing.

"Personal finance media is often filled with one-size-fits-all frameworks and rules of thumb that take the personal out of personal finance," he says. "DIY investors are taught to save 10 percent to 15 percent of their income in retirement accounts, as if retirement savings should be based on how much you earn, not how much you spend. They're told to subtract their age from 100 to determine their asset allocation between stocks and bonds, without regard for the size of their portfolio versus their distribution rate. They're told to build a three-to-six-month emergency fund without considering their unique risk profile. They're either told to pay off the mortgage early or only pay minimally based on interest rates but ignoring investor behavior."

This notion of bland plans that can apply to everyone is the antithesis of Garrett's philosophy, as well as his slogan, "Keep finance personal." Instead, he advocates for developing your own knowledge about investing by asking the right questions and always looking for new opportunities.

"The 'Keep Finance Personal' slogan came from a mix of 'personal finance' and Austin, Texas' motto of 'Keep Austin Weird,'" Garrett says. "Austin has become a really innovative place now – it's not run by big businesses but rather by family shops. And I think that ties into keeping finance personal. As we create educational content, let's not miss out on the personal side of money. We have the quantitative side, but we also have our qualitative values."

To achieve this, Garrett asks people to question their own motives in investing. What do you really care about? How do you want your money to align with your life, not just align your life with your money?

"Rather than telling people what to do, I provide comprehensive financial education to help them make their own well-informed decisions – based on their financial situation, unique values, and desired outcomes. I'm trying to be a guide but not the hero of their story."

This commitment to teaching has followed Garrett throughout his financial career. His work includes teaching individuals how to review real financial documents while discovering unique planning opportunities.

His new video course at MeasureTwiceMoney.com includes a step-by-step review of 20 actual financial documents: mortgage, auto loan, and credit card statements; pay statements; employee benefits guidebook; estate documents; various investment account statements; disability/homeowners, auto, and umbrella liability policies; Social Security statements; and a federal income tax return. All of which means less stress and more financial literacy for his clients.

Garrett says maintaining a sense of self when dealing with clients is absolutely essential.

"Determine who you want to help and how you want to serve them," he says. "Once you know in great detail whom and how you're passionate to serve, the direction of your career path will become clear.

"For example, as a financial planner, I want to serve families who want to become work-optional as DIY investors within five years. And they prefer transparent financial planning services without investment management. That ideal client avatar naturally shapes my service, process, and fee structure – to provide comprehensive, education-focused financial advice for a flat fee without control over client investments," Garrett says. "Most people want to serve the past, present, or future version of themselves."

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"The only thing we know is accurate about the plan is that it's going to be wrong. I love the adaptive part, and certainly helping people keep their finances in tune" Cody Garrett, Measure Twice Financial

Industry

Citi pays Andy Sieg $11.3 million for first three months

CITIGROUP PAID new wealth management chief Andy Sieg $11.3 million for his inaugural quarter at the Wall Street bank.

Sieg, 56, arranged the so-called golden handshake before joining in late September from Bank of America, with Citi guaranteeing him $11 million in cash and equity incentives on top of his salary, according to a filing last Tuesday.

The award, amounting to the highest pro rata compensation for the bank's top brass last year, underscores Citi's desire to overhaul its struggling wealth division as it seeks to lift investor returns. The franchise has struggled to compete with US rivals including Morgan Stanley and JPMorgan Chase & Co.

B-D network Wentworth closes deal to go public

WENTWORTH MANAGEMENT SERVICES, a broker-dealer aggregator with four firms and 1,900 advisors, and Kingswood Acquisition, a special purpose acquisition company, said they closed their merger, first announced almost two years ago, and will begin trading as Binah Capital Group on the Nasdaq with the ticker BCG.

The broker-dealer network has approximately $23 billion in assets and a pro forma enterprise value of $208 million, making it a microcap that will have little, if any, meaningful trading volume.

It's been boom times for mergers and acquisitions in the industry, but some firms, including Wentworth, have chosen to go the route of an initial public listing, which can be difficult, particularly for smaller players.

FOCUS

'In my ethos, it's about ... how you impact the world'

AT WESCOTT FINANCIAL ADVISORY GROUP, they know the meaning of growth – something founder Grant Rawdin attributes to the unique set of principles the team follows. Rawdin says that as his firm has expanded, its people have continuously rallied around these essential standards.

"Client service is pre-eminent," he says. "I'm an attorney by background – results and a complete dedication to the client's best interests are the hallmarks of that profession. This carries over well to what we do in wealth management: Bringing on like-minded people who similarly have that conviction helps you grow robustly. It enables clients to trust you – which is the most important element for a client."

With his background in accountancy and the legal field, Rawdin is no stranger to pressure. And while his career trajectory is certainly unique, it's positioned him perfectly to deal with the client success side of things.

"When I started in wealth management, it was a time when it was the purview of investment-oriented professionals. Those of us who had other licensures and backgrounds came in and helped to expand the focus of client services. For me, coming into the wealth management profession with tax and business expertise allowed me to supplement the investment plans with more technical and substantive planning."

And as Wescott, an independent RIA with its headquarters in Philadelphia, has grown, Rawdin has not only held onto that unique skill set – he's used it to propel the company and his clients to new heights. Rawdin has continued to employ people with diverse backgrounds – as well as younger hires from non-traditional backgrounds.

"Our next generation of employees might have come right from college – though college isn't enough. We want them to continue to get other degrees and licensures, to have them

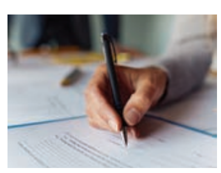
Raymond James taps Paul Reilly's successor

PAUL REILLY, who replaced Tom James as CEO of Raymond James Financial in 2009, is stepping down sometime next year and will be replaced by the firm's current chief financial officer, Paul Shoukry. Shoukry, a 14-year veteran of the firm, will become president immediately.

Shoukry will be only the fourth chief executive in the company's history. Current chair and CEO Reilly will remain on the board as executive chair. Shoukry will retain his current responsibilities until he transitions to the CEO role.

Under Reilly, Raymond James has grown to work with 8,710 financial advisors in various business lines and seen its stock price increase almost 10-fold.

Multifamily office Caprock strikes first deal for $2.2 billion firm



CAPROCK, a multifamily office RIA offering specialized services to ultra-high-net-worth individuals, marked a milestone with its first-ever acquisition. The firm announced that it has snapped up Grey Street Capital, a boutique advisory firm based in Chicago with $2.2 billion in client assets.

Caprock is billing the integration as a marriage of expertise and client-centric philosophies, aimed at enhancing the level of service provided to the well-heeled client base both firms serve.

"Caprock and Grey Street fit very well with each other as both firms are focused on providing sophisticated solutions to a select number of ultra-affluent families,"Caprock co-CEO Gregory Brown said in a statement.

"I'm an attorney by background — results and a complete dedication to the client's best interests are the hallmarks of that profession"

GRANT RAWDIN, WESCOTT ADVISORY GROUP

well rounded. I was an English major in college and I couldn't imagine a better major. You explore so many disciplines in the context of literature. My accounting and attorney background helps me … to be a more complete financial advisor.

"Being able to have a wide view is another discipline of those professions – to dig deeply and to find solutions. And again, the tenets of those professions are also about serving the client's best interests."

Ultimately, for Rawdin, he entered into this profession with a genuine desire to help people.

"Because if you don't want to help people, then you don't care about the work that you're doing," he says. "That drive to help people transcends. It truly comes from the heart, and it takes you deeply into counseling clients and families. In my ethos, it's about helping to repair the world, how you impact the world – it's not just one generation, but two or more. And if I can do that, I will have been successful."

Goldman plans to expand model portfolio business

GOLDMAN SACHS ASSET MANAGEMENT is charting a path to break into the top ranks of what's projected to grow into a more than $11 trillion industry by the end of the decade.

The asset manager wants to become one of the "top five" providers of model portfolios, according to Alexandra Wilson-Elizondo, co-chief investment officer of the firm's multi-asset solutions group. GSAM runs $14.5 billion in model portfolios, making it the ninth-largest player, according to a 2023 Cerulli Associates report.

GSAM is one of several firms looking to make deeper inroads into a booming corner of money management in which asset managers and investment platforms package up customized strategies across asset classes.

Has UBS missed the US wealth management M&A boom?

UBS GROUP'S appetite for acquisitions goes beyond its mega-deal last year for distressed Credit Suisse Group, with the chair of UBS saying earlier this month that its next targets are likely to be wealth management firms in the United States, starting a few years from now.

The question, one banker said, is whether UBS will arrive too late to the wealth management M&A boom.

"That's the assessment," said Larry Roth, managing partner at RLR Strategic Partners. "UBS could be late to the M&A party, which already has significant, well-run firms that are having success in this area," Roth said, mentioning firms like Morgan Stanley, LPL Financial, and Raymond James Financial as successful recent buyers.

LPL expands Mississippi presence with family practice

LPL FINANCIAL announced the addition of the McAnally Investment Group – comprising financial advisors Mark McAnally, Josh McAnally, and Brandon McAnally – to its network.

Before joining LPL, the group was affiliated with Wells Fargo Advisors, where it managed around $250 million in advisory, brokerage, and retirement plan assets.

Operating from Booneville, Mississippi, the McAnally Investment Group is a family-run business that has evolved significantly since Mark McAnally founded it in 2000. Joining with his sons, Josh and Brandon, Mark has expanded the firm to provide personalized financial services that cater to clients in various life stages.

RIA industry slow to 'capture more clients,' EP Wealth CEO says

WHEN YOU ask EP Wealth CEO Ryan Parker how the RIA managed to grow its assets to $21.4 billion and serve 13,000 households over the span of 25 years, he'll say it comes down to having a laser-focused mission.

But the former CEO of Edelman Financial Engines says the pace of the RIA industry as a whole leaves a lot to desired.

"We just haven't seen more rapid market share gains by the RIA space," Parker says. "Even though it's the fastest-growing part of the industry, it surprises me sometimes that some people who aren't being served, [even though] they really deserve to be, haven't yet made a change to find someone."

Regulation

Fed still looking at three rate cuts in 2024, but sees fewer next year

FEDERAL RESERVE officials maintained their outlook for three quarter-point rate cuts this year but forecast fewer cuts than before in 2025 following a recent uptick in inflation.

Officials decided to leave the benchmark federal funds rate in a range of 5.25 percent to 5.5 percent, the highest since 2001, for a fifth straight meeting. Policymakers signaled they remain on track to cut rates this year for the first time since March 2020, but they now see just three reductions in 2025, down from four forecast in December, based on the median projection.

"The committee judges that the risks to achieving its employment and inflation goals are moving into better balance," the Federal Open Market Committee said.

Finra fines spike 63 percent in 2023: Report

THE FINANCIAL INDUSTRY REGULATORY AUTHORITY went back to carrying a big stick last year as fines it imposed on brokerage firms reached $89 million, a 63 percent increase compared to $54.5 million in 2022, according to a report from law firm Eversheds Sutherland.

The top five enforcement issues as measured by total fines were spoofing, which made its first appearance ever on this annual list; trade reporting; anti-money laundering; Regulation Best Interest; and suitability, according to the report.

The increase in the dollar amount of fines came as both the number of disciplinary actions and orders of restitution again declined compared to the previous year.

FOCUS

Biden's budget targets backdoor Roths and $10 million retirement accounts

WEALTHY AMERICANS would lose some of the tax perks they can currently access through various retirement savings accounts under the budget proposed March 11 by President Joe Biden.

Those cuts are part of a wider push by the White House to raise taxes or eliminate loopholes for corporations and very wealthy households, while proposing certain tax reductions for lower-income families.

On the cutting board is the so-called backdoor Roth IRA conversion, a strategy that's used by high earners to get around income limits on contributions to individual retirement accounts. The proposed budget, which includes many changes previously floated by the administration, would also tamp down on high account balances in various tax-deferred accounts.

"The provision would prohibit a rollover to a Roth IRA of an amount distributed from an account in an employer-sponsored eligible retirement plan that is not a designated Roth account (or of an amount distributed from an IRA other than a Roth IRA) for a high-income taxpayer," according to an explanation the Treasury Department, which defined high income as $450,000 for those married and filing jointly, $425,000 for heads of households, and $400,000 in other cases.

Curiously, the Treasury's "green book," which explains the proposed budgetary provisions, doesn't mention 401(k) plans, although it does point to 401(a)s, 403(b)s, 457(b)s, and simplified employer pension plans that would be subject to limits. However, that's likely not an oversight, as 401(k)s are a type of 401(a), said Mark Iwry, non-resident senior fellow at the Brookings Institution.

"Without a doubt, Treasury's proposal applicable to retirement plans exceeding $10 million 'to which section 401(a)' applies is intended to cover

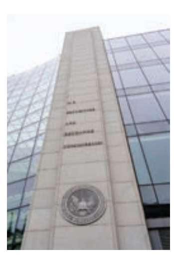
SEC sues two firms over bogus AI claims

THE SECURITIES AND EXCHANGE COMMISSION penalized two money managers for what it says were bogus claims about their use of artificial intelligence, marking the beginning of a fresh crackdown by Wall Street's main regulator.

The SEC said that Delphia (USA) and Global Predictions both made "false and misleading statements" about their purported use of the technology. Lawyers for each of the investment advisers didn't immediately respond to requests for comment.

Shortly after the cases were announced, the SEC's enforcement chief, Gurbir Grewal, said at a conference in Florida that the cases were only the start of the regulator's action against misuse of AI.

Industry groups accuse SEC of trying to 'vastly expand its authority'



THE SECURITIES AND EXCHANGE COMMISSION stands accused of trying to "vastly expand its authority" in a lawsuit filed by three investment industry associations.

The case filed by the National Association of Private Fund Managers, the Alternative Investment Management Association, and the Managed Funds Association says the regulator has adopted a "sweeping, unprecedented new interpretation of a 90-year-old statute," referring to the expanded definitions of "dealer" and "government securities dealer" within the Dealer Rule.

"The US SEC has exceeded its statutory authority by incorrectly concluding that customers of dealers may be dealers themselves – a clear departure from the statutory definition and understanding of what has meant to be a securities 'dealer' for the past 90 years," said Jack Inglis, AIMA CEO.

401(k)s," Iwry, former senior advisor to the Treasury secretary for national retirement and healthcare policy, said in an email.

To reduce "excessive" balances in IRAs and other accounts, the administration wants to impose distribution rules for high earners who amass more than $10 million. In such cases, account owners would have to take annual distributions of at least 50 percent of anything over that amount, with additional restrictions for accounts of more than $20 million, according to the Treasury.

"Any changes that take away the ability to accumulate or participate [in retirement accounts] are not particularly popular within the benefits industry. That's for sure," said Craig Copeland, director of wealth benefits research at the Employee Benefit Research Institute. The proposed retirement account changes would apply to people with high incomes, so not very many people would be affected directly, he said. However, some small businesses with highly compensated employees could be discouraged from offering plans, given proposed restrictions on the tax benefits they might otherwise get from providing them, he said.

"If the employer doesn't offer the benefit, then people on the lower [end of the income] scale aren't going to have the benefit," Copeland said. Small business "is where the most impact would be."

> **"Any changes that take away the ability to accumulate or participate [in retirement accounts] are not particularly popular within the benefits industry"**
>
> CRAIG COPELAND, EMPLOYEE BENEFIT RESEARCH INSTITUTE

Bank customers are concerned about overregulation

AMERICAN BANK customers are concerned overregulation of the banking industry will lead to restricted access to credit.

A poll conducted earlier this month for the American Bankers Association found a high level of satisfaction among 4,423 adult participants, with 87 percent satisfied or very satisfied with their primary bank.

However, when asked about regulation of the banking industry, most indicated they don't want to lose access to credit card reward programs as a result of regulatory changes, and 68 percent believe that economic challenges such as inflation and slowing growth mean this is not the time to add additional regulatory requirements that will restrict bank lending.

Osaic, Securities America fined by Finra over cybersecurity

THE FINANCIAL INDUSTRY REGULATORY AUTHORITY fined Osaic Wealth and Securities America $150,000 each for failures related to protecting thousands of clients' private information and cybersecurity gaffes from January 2021 through last March.

Both firms are part of the broader Osaic network of broker-dealers, which until last year was dubbed Advisor Group.

"Until March 2023, neither Osaic Wealth nor Securities America required, and therefore many of their branch offices lacked, data loss prevention controls such as multi-factor authentication for all email accounts, encryption for outbound emails with customers' non-public personal information, and maintenance of email access logs," according to the Finra settlement.

JPMorgan fined $348 million for falling short on trade surveillance

JPMORGAN CHASE & CO. was fined a total of $348 million by US regulators over gaps in its trade-surveillance program, which they said failed to monitor conduct of its employees and clients.

The Office of the Comptroller of the Currency fined the bank $250 million, while the Federal Reserve added a $98 million penalty, the regulators announced March 14. Both required the bank to take corrective actions to fix the issues.

"The consequences of these deficiencies include the bank's failure to surveil billions of instances of trading activity on at least 30 global trading venues," the OCC said in its order. The bank neither admitted nor denied the OCC's findings.

Finra fines M1 Finance in landmark social media enforcement

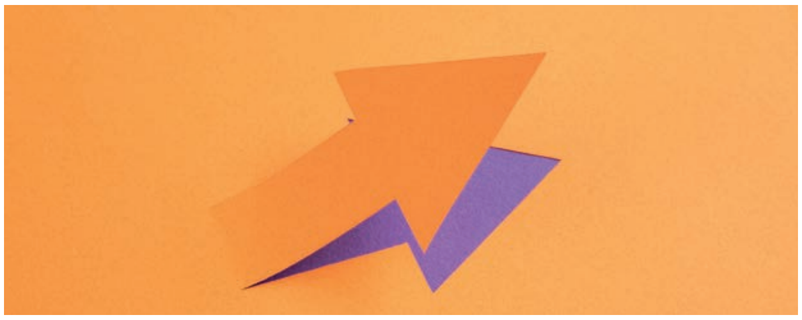
FINRA SLAPPED online brokerage firm M1 Finance with an $850,000 fine for violations related to its social media influencer program in its first formal enforcement action related to a firm's supervision of finfluencers.

The Financial Industry Regulatory Authority's investigation of firms' use of social media to attract customers revealed that between January 2020 and April 2023, M1 Finance engaged social media influencers to create content promoting the company.

According to Finra, the firm told influencers to use a unique hyperlink for new customers to open and fund new accounts on its website. It provided the influencers with infographics and welcome guides, as well as compensation for each account opened.

Retirement

Republicans propose raising retirement age



THE LARGEST caucus of House Republicans called for an increase in the Social Security retirement age last Wednesday, setting up a clash with President Joe Biden over spending on popular entitlement programs.

The Republican Study Committee, which includes about 80 percent of House Republicans, called for the Social Security eligibility age to be tied to life expectancy in its fiscal 2025 budget proposal. It also suggested reducing benefits for top earners who aren't near retirement, including a phase-out of auxiliary benefits for the highest earners.

The proposal sets the stage for an election-year fight with Biden, who accused Republicans of going after popular entitlement programs during his State of the Union address.

Retirement accounts surged on strong 2023 markets: Vanguard

DESPITE A year of uncertainties that included volatile markets and shifting economic policies, American workers have largely stuck to their long-term retirement goals by maintaining steady saving habits, according to new Vanguard research.

In a preview of its *How America Saves* report, which analyzes data from 2023 on nearly five million defined-contribution plan participants, the indexing giant found a notable 19 percent increase in average account balances, primarily driven by positive market performance.

Despite a complex economic environment marked by the highest mortgage rates in over two decades and record-high household debt, the equity and bond markets concluded 2023 with gains of 25 percent and 5 percent, respectively.

FOCUS

Here come the lawsuits over pension risk transfers

THE PAST couple of years have been a boon for insurers that help employers offload pensions obligations to group annuity contracts. But now, companies including AT&T and Lockheed Martin are facing lawsuits over that practice, and more cases are likely coming.

Earlier this month, those companies, along with State Street Global Advisors, were sued by groups of plaintiffs seeking class-action status and claiming the companies did wrong by moving ERISA-protected retirement assets to products with state-level oversight, particularly to one insurer: Athene Annuity and Life Co. State Street recommended Athene as the annuity provider for AT&T, according to the complaint against it.

"Lockheed Martin egregiously violated its fiduciary responsibilities in selecting an annuity provider to pay pension benefits for 31,000 employees. Since 2021, Lockheed Martin has offloaded over $9 billion in pension obligations to Athene … a private-equity controlled insurance company with a highly risky offshore structure," the complaint filed against that company read. As a result, the Lockheed plan participants "are no longer subject to the [Employee Retirement Income Security Act] statute's protections."

That lawsuit was brought by a firm all

Pensionmark announces partnership with Vestmark

TWO LEADING names in wealth management – an advisory firm and a software and services provider – are entering into a partnership with the aim of creating a significant step forward for the industry.

Pensionmark Financial Group and Vestmark will work together to create an innovative and dynamic platform that draws on their respective strengths. It will be called World MAP and will streamline advisors' operations and provide the tools they need for today's clients.

Vestmark's portfolio management capabilities and trading solutions that prioritize tax management and personalization, as seen in its VestmarkONE platform, will align with the retirement and wealth management expertise of Pensionmark to provide a comprehensive suite of services.

'Unretirement' may be viable well into the future, study says

WORKING AND "unretirement" have become themes for older Americans, and a recent study suggests that's unlikely to change – as long as people want to stay in the labor market.

Currently, employers view older workers as being at least as valuable as younger ones, and evidence suggests that in most professions, productivity doesn't decline substantially with age.

A paper this month from the Center for Retirement Research at Boston College found "a case for tempered optimism" about the prospects for working past traditional retirement age. "Very few employers view older workers as less productive," the author, Geoffrey Sanzenbacher, wrote. "The majority say that older workers are equally productive, with a large fraction seeing them as more productive."

but synonymous with ERISA litigation over nearly two decades – Schlichter Bogard, which in 2006 set in motion the wave of 401(k) excessive-fee cases that continues today, and was also behind many of the 403(b) lawsuits against Ivy League universities.

Though the case against AT&T and State Street was filed the same week, the firms behind that lawsuit are different: Zuckerman Spaeder, Edward Stone, Kantor & Kantor, and Libby Hoopes Brooks & Mulvey.

"The trend of de-risking has been around for quite some time"

ANDREW ORINGER, THE WAGNER LAW GROUP

PENSION RISK TRANSFERS

Up until recently, corporate pension plans often struggled with their funded ratios, despite being closed to new employees. Investment performance and rising interest rates helped change that, and over the past couple of years, many plans have taken the opportunity to transfer assets to group annuity contracts. Those arrangements, known as pension-risk transfers, reached a record volume of $48.3 billion in 2022, a 42 percent increase over activity in 2021, data from Limra show.

Athene has been a big winner in that trend, with more than $10 billion in pension group annuity sales in 2023.

While getting rid of pension obligations gives companies less to worry about, the practice has been criticized for potentially leaving workers and retirees with less protection.

"The trend of de-risking has been around for quite some time. The idea is for employers to get these risks off their balance sheets and to insurance companies," said Andrew Oringer, partner at The Wagner Law Group.

Plaintiffs' lawyers will make arguments that the choice of a particular annuity was substandard, he said. If the cases lead to large recoveries, or at least survive motions to dismiss or motions for summary judgment and end in settlements, that could mean more such cases.

Schlichter's message to pension sponsors: Be very careful with PRTs

THE MOST prolific 401(k) litigator has a message for companies with pensions: If you're offloading plan assets to an annuity, put the best interests of the participants first.

Earlier this month, Jerry Schlichter's law firm filed a case against Lockheed Martin over its choice to hire Athene Annuity and Life Co. for pension risk transfers. That suit came just a day after a separate one was filed against AT&T and State Street Global Advisors by a different group of litigators. Chances are that more – if not many more – lawsuits will follow.

In an interview, Schlichter said "no comment" about whether additional lawsuits on pension risk transfers are in the works.

Race, gender gaps in 401(k) use go beyond income, report finds

THERE ARE differences in how well the 401(k) system works by race and gender, and small changes to the system could close savings gaps, research published last Tuesday suggests.

The paper from The Collaborative for Equitable Retirement Savings found that when controlling for income and job tenure, there are discrepancies across racial and gender lines in account balances, contribution rates, loans, and early withdrawals. Asian women and men on average had the highest contribution rates and account sizes and the lowest incidences of loans and pre-retirement withdrawals, the authors found. Black workers had lower contribution rates and account balances and higher incidences of loans and early withdrawals.

Why pre-retirees with a plan are better off in retirement

A NEW report from T. Rowe Price adds to the mountain of evidence about the benefits of formal financial planning for Americans approaching retirement.

The investment management firm known for its focus on retirement solutions shared insights from its 2023 annual *Retirement Savings and Spending* study, which surveyed more than 3,000 401(k) participants across the US, including full-time and part-time workers.

Those individuals, ranging in age from 18 upwards, showed a clear correlation between formal financial planning and enhanced retirement wealth. Based on the research, those entering retirement with a retirement plan had up to four times more wealth than non-planners.

Nationwide and Morningstar forge retirement plan partnership

NATIONWIDE HAS forged a partnership with Morningstar Retirement to offer a new advisor-managed accounts service through its network.

Aimed at advisors who work with institutional and government retirement plan clients, the service integrates Morningstar Retirement's proprietary technology and methodologies with professional advice, allowing plan participants with Nationwide to benefit from customized portfolios based on their needs.

The initiative addresses a common challenge among retirement savers: understanding how much to save for a comfortable retirement. According to research from the Nationwide Retirement Institute, 40 percent of plan participants aren't sure of the savings needed to achieve their retirement objectives.

Behavioral finance meets AI with launch of new platform

IN A development touted as "the future of financial advice," Alai Studios and Shaping Wealth unveiled Lydia, a new AI-powered tool designed to help financial advisors better meet the emotional and financial needs of their clients.

By blending AI technology with insights from behavioral finance, the two firms have developed a platform that offers personalized financial guidance and coaching to deepen the advisor-client relationship.

Unlike other fintech applications that often put automation at the fore, Lydia distinguishes itself by reinforcing advisors' capabilities in key areas of human interaction, including emotional intelligence, decision-making, and client engagement.

Top two reasons why affluent clients switch advisors

FINANCIAL ADVISORS should take note of two key reasons affluent clients seek an alternative to reduce the risk of losing business to rivals, according to a new report.

The increasingly competitive wealth management space offers consumers far more choice and easier onboarding options than ever before, so advisors must ensure clients' primary needs are met, the Cerulli Associates report says.

The two priorities for clients with a wandering eye are diversification (38 percent) and attractive performance (25 percent). This is exacerbated by communication – positively if it's the existing advisor effectively sharing information and insights with clients, but negatively if it's a rival providing attractive opportunities.

FOCUS

A firm designed for the digital age

ASK RIANKA DORSAINVIL what she expected to do with her life, and she says financial planning was not on her list of preferred occupations.

"When I went to college, I didn't even know about this profession," the co-founder and co-CEO of 2050 Wealth Partners says. In fact, the profession didn't come until much later. First, Dorsainvil discovered a passion for helping others in high school while tutoring math. However, she quickly realized that majoring in math was not her calling.

Dorsainvil sought a blend of her love for numbers and helping others. This led her to a personal finance class, where she encountered the intricacies of Social Security, disability insurance, retirement savings, and student loans.

"Knowing that this information can be not only applied when I finish school, but also now was extremely helpful," she says. Dorsainvil's personal experiences further fueled her passion. Witnessing a relative's challenges in retirement due to health issues and a lack of financial planning, she vowed to make a difference.

An elective led her to discover the certified financial planner certification course, and the rest is history. Dorsainvil's keen understanding of the needs of her clients, particularly millennials, is pivotal to her approach.

Recognizing the importance of accessibility and convenience, she foresaw the trend of virtual advising even before it became a necessity during the pandemic.

Her firm, initially launched as Your Greatest Contribution in 2015, merged in 2020 to form 2050 Wealth Partners with co-founder Lazetta Rainey Braxton. The firm was, she says, designed for the digital age.

"I wanted to make sure that location wasn't a barrier," she explains.

Dorsainvil loves the intimate glimpse into her clients' lives that virtual meetings

> "If you want to go fast, go alone. But if you want to go far, go together"
>
> RIANKA DORSAINVIL

What does it take to grow organically?

WHILE NO one formula rules them all when it comes to achieving organic growth in the wealth game, research from Janus Henderson Investors sheds light on essential practices that may distinguish successful advisory firms from their peers.

Drawing from a recent joint study with the Financial Planning Association, Ben Rizzuto, wealth strategist at Janus Henderson, and Bryan Powell, its senior director of practice management, highlighted six common threads among advisory practices that have achieved consistent organic growth.

Among them was a well-structured business plan. While many advisors have a comprehensive plan in place, it often lacks a strategic approach to growth, focusing mainly on assets under management, new clients, and new revenue.

More clients making wealth transfer plans a family affair

THE DYNAMICS of generational wealth transfer are evolving as advisors take part in a trend toward more inclusive discussions involving family members, according to research from Edward Jones.

In a survey it conducted recently, nine-tenths (89 percent) of advisors reported their clients have established plans for wealth transfer. Encouragingly, around two-thirds (65 percent) of advisors say clients are including their children or parents in discussions, indicating a shift toward multigenerational planning.

"Earlier involvement creates a better sense of trust and intentionality before the transfer takes place," said David Chubak, head of the US business unit and branch development at Edward Jones.

RIANKA DORSAINVIL

bring and traditional office settings do not. "It's been a way to personalize the relationship," she says.

While she was on maternity leave, Dorsainvil said masterminding meticulous documentation and clear communication with clients were strategies that not only ensured continuity of service but also reinforced client trust during her absence. "[Masterminding] is a key component in having a sustainable business, either as a solo practitioner or as a large firm."

Her partnership with Braxton is a result of years of respect and collaboration. "As one of the sayings goes, 'If you want to go fast, go alone. But if you want to go far, go together,'" Dorsainvil says.

She highlights the need for increased cultural competency and inclusivity in financial planning. Her podcast, "2050 Trailblazers," is an educational platform aimed a t enhancing understanding and representation in the industry.

"It's more so of acceptance and honoring their story," Dorsainvil adds. "We can continue to serve the mosaic that America is transitioning into beautiful different ethnicities, religions, and a place of acceptance."

Being a fiduciary is the 'true professionalization' of advice

FOR MANY registered investment advisors, fiduciary duty is essential when acting in the best interests of clients.

Doing so means they operate from a position of trust and confidence. All aspects of how independent advisors conduct themselves "need to be pointed in that direction," says Blaine Aikin, founder of Fiduciary Insights.

"Diligence and care are key," Aikin says. "Whenever you think of conflicts, or you think of it in the way of duty of loyalty, you have to be a prudent professional. You have to know exactly what the client is looking for and how to deliver it. It's a very comprehensive profession full of professional obligations."

Americans still flunking financial literacy

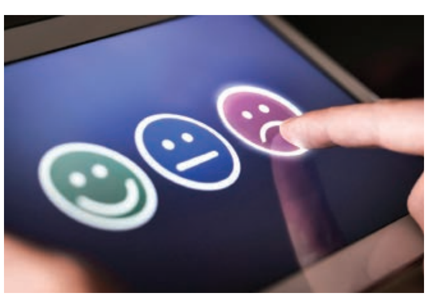
WHILE THERE'S been a slight uptick in financial literacy among young people, Americans' overall financial knowledge and understanding is still shy of what they need to get through life, according to the National Financial Educators Council.

The financial education provider has published the annual results of its National Financial Literacy Test, which reveal persistent inadequacy in financial understanding among Americans.

Across just over 93,000 participants, the average score was 67.34 percent, falling just short of the 70 percent mark required to pass. Despite the overall shortfall, 57.35 percent of participants managed to achieve a passing score.

What is clients' biggest dissatisfaction?

THE FAST-EVOLVING financial services landscape, with digital disruptors emerging constantly, requires a keen eye on the demands of clients – but what do they really want?



Aiming to find out, a Hearts & Wallets survey of almost 6,000 US households asked participants to rank their top wants from their financial services firms on a scale of 1 to 10. While there were differences between the wealthiest clients and the mass market, some key themes emerged, with more than half of respondents citing the following top five: "Fees are clear and understandable," "Explains things in understandable terms," "Unbiased, puts my interests first," "Has made me money," and "Well-trained staff."

Nine-tenths of advisors feel underserved on tech

THE WEALTH industry is standing at a crossroads as advisors balance hopes for growth and enhanced client service through technology against challenges and barriers to adoption of technology, according to a new study from Orion.

At its annual conference in San Diego, Orion unveiled the findings from its second *Wealthtech Survey*, which offers insights into technology adoption trends among fiduciary advisors.

According to Orion's survey, more than half of the 542 respondents (52 percent) said they plan to amplify their investments in client-facing technology in 2024, but just 9 percent believe their firms have provided all the tech solutions they need.

Investing

Clients asking more about gold as yellow metal moves higher

TAKE HEED, advisors. The gold bugs are starting to come out.

The yellow metal may have receded slightly since hitting an all-time high last week of $2,214 per ounce for April delivery. However, even at its current price of $2,173, gold is still up an impressive 5.3 percent year to date and 9.2 percent over the past 12 months.

While it's not getting the same attention as bitcoin or NVDA due to their truly historic bull runs, the stealthy advance in gold is starting to attract more attention from clients, a number of advisors say. And some strategists believe this is only beginning.

Rising oil has advisors adjusting energy allocations

ADVISORS IGNORING the rise in crude oil may be missing out on a gusher of profits for their clients.

A barrel of US crude for April delivery cost $81.64 at last check, up 13.7 percent year to date and up 22 percent over the past 12 months. That's a pretty slick return for the black gooey stuff, but it's been a stealthy rise, especially compared to the attention being paid to rallies in other markets.

For example, the S&P 500 is up 9 percent and the tech-heavy QQQ ETF has risen 9.3 percent since the start of the year. Meanwhile, gold has returned 5.3 percent so far in 2024.

FOCUS

Shaking up the 60/40 portfolio

HEALTH AND wealth are somewhat intertwined for Alex Shahidi, co-chief investment officer and managing partner at Evoke Advisors in Los Angeles and host of the "Insightful Investor" podcast. He says it's not until something goes wrong that your main priorities shift – and to really thrive, and help your clients thrive, awareness and continuous education are paramount.

"I launched my career 25 years ago as my first job out of school – I'm still here and working harder than I probably ever have. That's largely because there's so much insight that the industry as a whole needs to learn."

And by the industry, Shahidi means everyone from investors to clients to financial advisors and investment managers.

"The first decade of my career, the stock market was negative with two 50 percent declines," he says. "What you learn in that period is the importance of minimizing losses during the unexpected economic collapses. That feeds into diversification and what it really means to be diversified."

Shahidi is quick to emphasize the importance of diversification, likening it to an individual's health.

"Your health is always priority No. 1," he explains. "But if you go through a stretch where you don't fall ill and people around you are doing well, it's not until something bad happens to yourself or a loved one's health that health becomes a priority again. It always was No. 1, but you just forgot about it – and I think about risk for investing in a similar way."

Shahidi believes most investors are just not that well diversified – something which could go undetected during favorable environments but cause issues down the line.

"If you just look at a conventional 60/40 portfolio – 60 percent stocks, 40 percent bonds – that portfolio is about 98 percent correlated to the stock market," he says. "In other words, it basically makes a single bet. The reason it's so highly correlated is because you have 60 percent of the portfolio in an asset that is very volatile and 40 percent of the portfolio in something not very volatile. The performance of the more

Munis' tax shield looking shinier amid US wealth boom

AMERICANS ARE getting richer, setting the municipal bond market up for a bounty of opportunity.

New data from the IRS, analyzed by Western Asset Management, show adjusted gross income in the US increased $2.2 trillion in the 2021 tax year – a 17.5 percent surge and the highest year-over-year jump in the past two decades. The increase comes as many US households bounce back from a pandemic-induced slump where millions faced job cuts.

"Individuals have gotten wealthier and are falling into higher tax brackets, and these individuals can benefit more from muni incomes than they could in the past," Western Asset's Samuel Weitzman said.

Fed 'Goldilocks' strategy still in play, says Goldman

TRADERS WERE prepared for Jerome Powell to push back against their optimism over interest-rate cuts – and when he didn't, buy signals flashed across Wall Street.

Global stocks and bonds extended gains last Wednesday after Fed policymakers kept rates on hold and continued to pencil in three quarter-point cuts this year. A surprise decision by the Swiss National Bank to lower its benchmark rate further boosted market confidence that monetary policy has indeed peaked in most developed nations. US equity futures climbed, while yields on two-year Treasuries – those most sensitive to monetary policy – fell three basis points to 4.57 percent.

"If you just look at a conventional 60/40 portfolio – 60 percent stocks, 40 percent bonds – that portfolio is about 98 percent correlated to the stock market"

ALEX SHAHIDI, EVOKE ADVISORS

volatile 60 percent dominates the outcomes. To me, that's a big problem – because the first tenet you're taught in investing is don't put all your eggs in one basket."

Instead, Shahidi recommends owning multiple asset classes that could do well in different economic environments, like commodities, gold, inflation-linked bonds, and Treasuries.

"If you diversify across the environments, you can essentially eliminate the risk of a lost decade," he says. "Then you can structure those assets in a way where they have a similar return and risk over the long run. You don't have to have this trade-off between high-risk, high-return stocks, low-risk, low-return bonds – having to choose between the two based on your risk and return objectives. You can rebuild the menu and select from diverse asset classes that you can essentially structure to have similar return and risk."

Advisors may want to up emerging market bond allocations

YES, THERE'S risk in emerging market bonds – but not as much as many advisors and investors believe – especially not in the current global economic environment, says Eric Fine, head of emerging markets active debt at VanEck.

In Fine's view, emerging market bonds will outperform developed market issues as a result of lower debt levels, sound economic policies, and better risk-return profiles in a large number of emerging market bond markets.

A recent report from Fine's team at VanEck says high debt and deficits in developed markets have limited the traction of monetary policies.

Investors bullish despite election uncertainty: CFP Board

OPTIMISM AMONG American investors has held up amid economic uncertainties, with a significant majority of CFP professionals observing a more positive outlook for 2024 compared to the previous year, according to the CFP Board.

A new survey by the Certified Financial Planner Board of Standards found that six out of seven CFPs report their clients are looking forward to the future with optimism, despite challenges posed by the economic environment and anticipation of the US elections.

The *2024 CFP Professionals Financial Outlook Survey* indicates a notable shift in investor sentiment, with 48 percent of CFPs citing an uptick in optimism among their clients compared to 2023.

US equity investors increase risk appetite: S&P Global

SENTIMENT AMONG US equity investors has weakened this month, according to a measure of optimism from S&P Global, but their risk appetite is undeterred.

Expectations for returns in the next 30 days declined by one percentage point compared to February, to a reading of negative 12 percent, with almost half of respondents believing that the equity market will remain steady during the 30-day period.

S&P Global's Investment Manager Index survey showed that healthcare, information technology, industrials, financials, energy, consumer staples, communication services, and consumer discretionary are all expected to perform, with the first three well ahead of the rest.

BlackRock launches first public tokenized fund

BLACKROCK HAS taken a step forward in its digital assets strategy by launching its first tokenized fund on a public blockchain.

The BlackRock USD Institutional Digital Liquidity Fund (BUIDL) sits on the Ethereum blockchain and is available through Securitize Markets, providing instantaneous and transparent settlement and allowing for transfers across platforms.

Investors with an initial minimum investment of $5 million can participate in the fund, which seeks to offer a stable value of $1 per token and pays daily accrued dividends directly to their wallets as new tokens each month. Investors can transfer their tokens any time to other preapproved investors.

JPMorgan expects foreign investors to buy Indian stocks

INDIAN EQUITIES are poised to lure more foreign inflows after the general elections, with the economy's promising growth prospects and the Fed's rate cuts acting as catalysts.

That's the view from Rajiv Batra of JPMorgan Chase & Co., who says global funds' positioning in India's $4.3 trillion stock market remains light and investors will use any correction as an opportunity to increase holdings. Overseas flows have become more volatile ahead of the national vote amid concerns over stretched valuations.

"Foreign investors who didn't increase relative positioning in India over the last 2–2.5 years, waiting for this clearing event, will start focusing back on growth-driven policies or reforms," Batra wrote.

CalPERS has $34 billion bet on private equity, credit

THE LARGEST US pension fund is investing more in private equity and private credit in a bet the riskier assets will fuel higher returns.

The board of the California Public Employees' Retirement System voted to boost the target allocation for private equity to 17 percent of its portfolio, up from 13 percent, and increase private credit to 8 percent from 5 percent. Based on current values, that works out to about $34 billion in private equity and credit, while CalPERS plans to pare its exposure to publicly traded stocks and bonds.

The shift reflects confidence CalPERS can identify attractive investments even as the fund significantly cut the expected 20-year returns from private equity in its latest market survey, citing increased financing costs.

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A leading annuity provider

At MassMutual Ascend, we are committed to going above and beyond – so when it comes to your clients' financial futures, the impossible feels possible. It's the reason we're a leading provider of annuities today, and it's the reason we'll continue rising to the top tomorrow. Learn more at MassMutualAscend.com.

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