APRIL 8, 2024

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QUIET REVOLUTION

Edward Jones is renowned for its small-town, one-person office model, but the firm has a new plan that's designed to attract and retain top advisor talent

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Editorial

Commonwealth case sends crystal-clear message

In the combat sport of boxing, a trainer throws in the towel not only to concede defeat, but to protect the health of their fighter. At this point, defeat is usually inevitable and the only thing standing in the way of serious injury is the boxer's ego and pride. Not that they will agree; the best fighters could be on their knees with one functioning arm and still believe they're going to win.

And so to the recent prizefight in the wealth management world, Commonwealth Financial Network vs. the SEC, which last week delivered a stunning $93 million KO win for the latter to conclude a five-year legal battle.

Commonwealth may now wish it had conceded defeat when it had the chance. Back in 2019, the SEC alleged that the firm, in its role as a registered investment advisor, from July 2014 through December 2018 had failed to disclose material conflicts of interest related to certain revenue-sharing agreements with its clearing firm. In a rare move, Commonwealth's senior executives refused to back down and went toe to toe with the regulator, opting to litigate the matter rather than settle it. Despite this, the firm knew defeat was in the cards and was expecting a loss of between $5 million and $24 million, *InvestmentNews* reported just last month. That proved wildly optimistic.

Ultimately, the penalty was broken down to $65.6 million for disgorgement, interest of $21.2 million, and a civil penalty of $6.5 million. For context, the Boston-based firm's net income was close to $56.5 million in 2014 and $119.4 million in 2018, according to the court order. The lesson here: Don't fight Uncle Sam.

But why did Commonwealth risk more damage by taking on the SEC?

In addition to the size of the penalty, what makes this case eye-catching is the firm's stellar reputation

Did it really think it could win? Or was it simply too proud to accept a chastening defeat? In addition to the size of the penalty, what makes this case eye-catching is the firm's stellar reputation. With 2,200 financial advisors across its brokerage and registered investment advisor platform and $296 billion in client assets, it's a respected institution. Its gross revenue per advisor among independent broker-dealers has won awards. And the firm is built on revered founder Joseph Deitch's vision of creating an independent broker-dealer without conflicts of interest. Maybe – though this is pure speculation – this clearly articulated ethos is why the firm was so affronted by the SEC's legal pursuit.

What is clear, however, is that pushing back against the regulator cost Commonwealth at least $69 million more than they had set aside. This will have a chilling effect on other firms caught in the crosshairs of the SEC. Do they really have the stomach and conviction to prolong the fight? Or should they limit the damage and throw in the towel? This case makes one thing crystal clear – you take on Uncle Sam at your peril.

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

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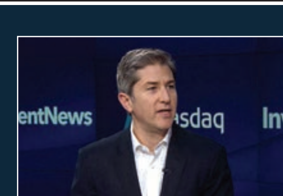

SCAN THIS CODE TO HEAR ALGER STRATEGIST BRAD NEUMAN TALK ABOUT SMALL-CAP GROWTH STOCKS

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CHECK IT OUT ONLINE

IMPACT OF INFLATION

Ongoing inflation has set back Americans' ability to prepare for their financial futures by causing them to reduce savings, take on debt, and withdraw from retirement accounts in order to make ends meet, according to a recent study.

69%
of Americans haven't been able to contribute as much to their savings due to ongoing inflation

51%
have taken on more debt because of inflation

67%
are more concerned about paying bills than about their financial future

42%
have withdrawn funds from their retirement savings because of inflation

37%
say they feel good about the direction inflation is heading, up from 31% last quarter

Source: The 2024 Q1 Quarterly Market Perceptions Study from Allianz Life Insurance Co. of North America, March 26, 2024

TOP 10 RETIREMENT FINANCIAL GOALS

The three goals that saw the biggest increases from 2022 were covering living expenses (+5%), paying for healthcare (+8%), and being able to travel in retirement (+8%).

1	Covering living expenses in retirement	78%
2	Having a predictable income in retirement	65%
3	Paying for healthcare costs in retirement	64%
4	Having an emergency fund	58%
5	Protecting retirement savings from economic uncertainty	57%
6	Being able to travel in retirement	53%
7	Retiring on time	42%
8	Paying for long-term care costs during retirement	31%
9	Having a plan to draw down savings in retirement	25%
10	Leaving a legacy/inheritance	19%

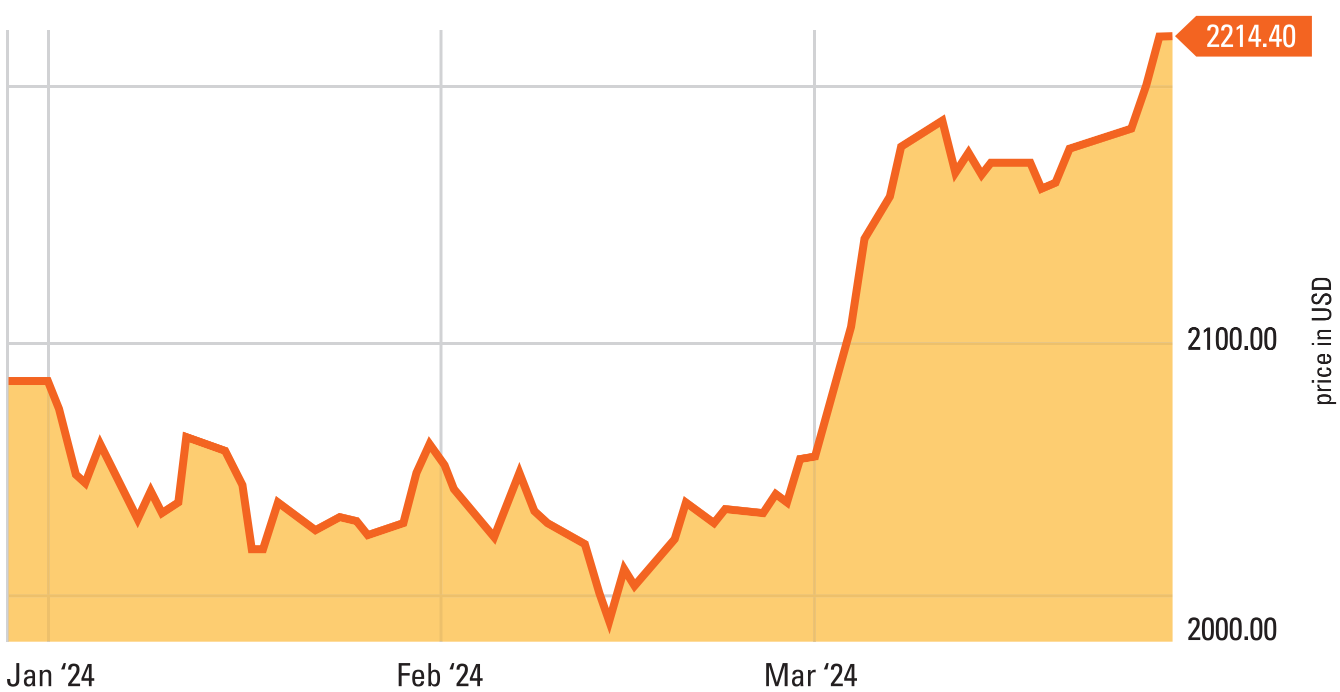
Source: Nationwide, In-Plan Guarantees Survey Report, September 2023

IN THE MONEY

Compensation for CEOs at major financial firms is always a topic of interest. In addition to reporting salary, incentives, and other pay, in 2023 companies were also prepared to report how much executives were actually paid for a given year, including gains and losses on stock awards.

GOLD BREAKS RECORD

Gold rose to a record at the end of March as indications the Federal Reserve is getting closer to cutting interest rates added impetus to a rally that's also been driven by geopolitical tensions and robust Chinese demand.



Source: Ycharts.com, March 29, 2024

Company	CEO	Adjusted total comp (2023)	Adjusted total comp (2022)	Adjusted comp, change, 2023 vs. 2022
Morgan Stanley	James Gorman	$37M	$31.5M	$5.5M (+17%)
JPMorgan Chase & Co.	Jamie Dimon	$36M	$34.5M	$1.5M (+4%)
Goldman Sachs	David Solomon	$31M	$25M	$6M (+24%)
Bank of America	Brian Moynihan	$29M	$30M	-$1M (-3.3%)
Wells Fargo	Charlie Scharf	$29M	$24.5M	$4.5M (+18%)
Citigroup	Jane Fraser	$26M	$24.5M	$1.5M (+6%)
Ameriprise Financial	James Cracchiolo	$25.6M	$25.15M	$450,000 (+1.86%)
Raymond James	Paul Reilly	$20.55M	$19M	$1.55M (+8%)

Sources: Bloomberg, Citigroup, Raymond James, Ameriprise

RETIREES STILL RECOVERING

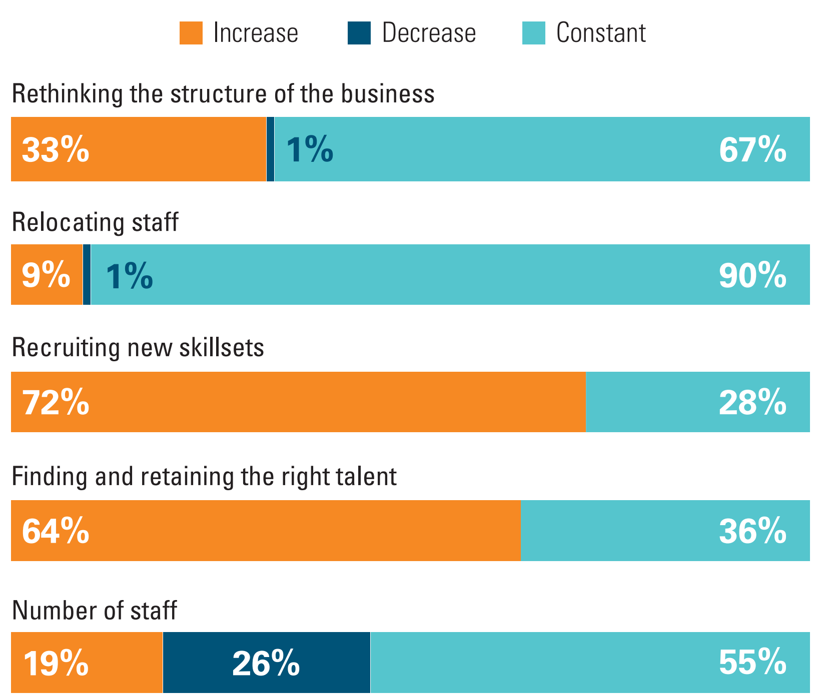
Target-date funds for people who are in or near retirement saw their performance rebound last year – but not nearly enough to make up for the losses the products experienced in 2022, casting more light on the vulnerability of investors who count on these funds as a source of income early in retirement.

- **12.8%** Net returns for target-date funds with a 2025 vintage in 2023
- **-15.2%** Net returns for target-date funds with a 2025 vintage in 2022
- **19.7%** Average net returns in 2023 for those farther away from their expected retirement
- **-18.1%** Average net returns in 2022 for those farther away from their expected retirement
- **37.2%** Market share for leader Vanguard, which boasts nearly $1.3 million in target-date assets, ahead of Fidelity, the second biggest, which accounted for 14.3 percent

Source: Morningstar's Target-Date Strategy Landscape report, March 2024

WILL AI CHANGE YOUR BUSINESS?

The AI revolution is underway, but how do companies currently using it expect it to affect the following aspects of people management in the next five years?



Source: AI Integration in Investment Management, 2024 Global Manager Survey by Mercer Investments

NewsAnalysis

NOT YOUR DAD'S EDWARD JONES

'One broker sitting in a strip mall in a rural town is history,' one executive says

BY BRUCE KELLY

Edward Jones, the home to 19,000 financial advisors that's known for its steady, one-man, one-office business model, is in the midst of a reboot.

Penny Pennington took over as managing partner from Jim Weddle in 2019, right before the COVID-19 pandemic forced financial advisors, along with the rest of the workforce, to operate out of home offices.

That wasn't a problem for Edward Jones financial advisors, who for more than 100 years have set up operations in one-person offices, quite often in small rural towns where giant competitors like Merrill Lynch wouldn't deign to go because wealthy clients live in cities.

"Giving our financial advisors who share in the work an opportunity to share in the profit is a core tenet of our partnership structure"

DON AVEN, EDWARD JONES

The firm's founder, Edward D. Jones Sr., opened the first office in 1922 in St. Louis.

For decades, Edward Jones' culture was so enamored of its slow-paced ways that in 2001, then-managing partner John Bachmann told *The Wall Street Journal* that he hadn't turned on his personal computer in at least four years and shunned the cellphone.

Leap ahead 23 years, and change, perhaps more than ever, is afoot at Edward Jones. Like its competitors, Edward Jones is a giant broker-dealer whose financial advisors are employees but who often leave for more lucrative areas of the business, like registered investment advisory firms or independent broker-dealers, where financial advisors typically take home a greater percentage of the revenue they generate.

Pennington's plan for the firm is taking shape, and it includes more emphasis on profitable enterprises – and a much more diverse financial advisor workforce – which could bolster the bottom lines of both the financial advisors and the firm, a private partnership atop which Pennington sits.

The company's decision in 2022 to give its financial advisors more flexibility to work in ways other than its tried-and-tested, one-advisor, one-office model is an indication of that change; the tactic has spurred more than 1,400 financial advisors, or over seven percent, to combine and work in bigger offices. Large teams are also more likely to stay put and not jump to the competition, another key theme at Edward Jones right now. It's far tougher for a large group of financial advisors to move than a small one-man shop.

Edward Jones, known to target the mass of affluent and small-town investors, is quietly guiding its financial advisors to go upscale and chase wealthier clients. The firm is putting cash on the table for advisors who are seeking to improve their credentials for clients in this area and reimbursing them for the cost of seeking certifications offered by the Investments & Wealth Institute, which touts itself as a premier gatekeeper for financial advisor certifications.

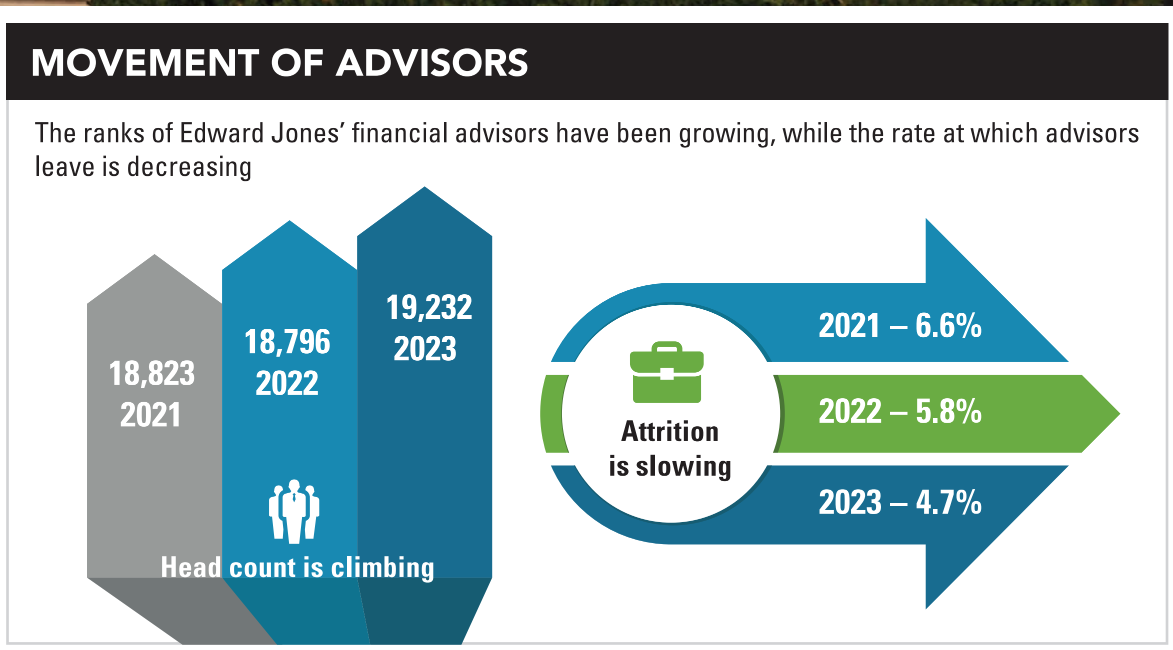
And Edward Jones is getting sick and tired of watching its financial advisors walk to the competition, a reason that's at least partially motivating the change in Pennington's strategy, one senior industry executive says.

"The firm is getting more aggressive in litigating its non-solicitation agreements with advisors who leave for another firm," said the executive, who spoke confidentially to *InvestmentNews* about Edward Jones. "They are taking the posture they won't be a feeding ground for independent broker-dealers or RIAs, and have changed the business model to what's rare in this industry – a captive organization – and are working to strengthen that to hang onto their financial advisors.

"For a number of years, Edward Jones ended up looking like a wirehouse, as a training ground for independent firms, but that won't be the case going forward," the executive said. "It's really beefing up internal offerings that the advisors can use or sell to the public. That means better technology and products, while modifying the model to make themselves more palatable to FAs, like using teams.

"One broker sitting in a strip mall in a rural town is history," the executive added.

Edward Jones is also looking to spread the wealth, according to a company spokesperson, and



Source: Edward Jones 2023 annual report

speeding up the process for financial advisors to participate in the partnership.

The firm, which currently has about 34,000 limited partners, is expanding its limited partnership opportunity with plans for annual partnership offerings to eligible financial advisors who haven't previously qualified.

"Historically, the firm's main limited partnership offerings have taken place approximately every four years," the spokesperson wrote in an email. "The firm's new planned [limited partnership] offerings will recognize the achievements and contributions of financial advisors who meet the eligibility requirements in years following a main partnership offering."

And the partnership is the home of the profits at Edward Jones.

"Giving our financial advisors who share in the work an opportunity to share in the profit is a core tenet of our partnership structure," wrote Don Aven, principal for talent acquisition at Edward Jones. "It allows us to remain competitive – both retaining and attracting the very best talent to serve our clients, colleagues, and communities."

One component of the changes is a more diverse financial advisor workforce at Edward Jones, which in 2021 settled a racial discrimination lawsuit for $34 million.

"For a number of years, Edward Jones ended up looking like a wirehouse, as a training ground for independent firms, but that won't be the case going forward"

INDUSTRY EXECUTIVE

According to the firm's 2023 annual report, at the end of last year, 10 percent of its financial advisors were people of color and 23 percent were women. The goal is to increase those numbers by 2025 so that 15 percent of financial advisors at the firm are people of color and 30 percent are women.

Meanwhile, change can also be discomfiting for some financial advisors, noted another senior industry executive, citing Edward Jones' recent effort to have a more centralized financial planning process for clients that takes the work out of the hands of the advisor.

"When Jones started consolidating financial planning, a whole bunch of FAs got hyped up," said the executive, who also asked to speak anonymously. "The home office took over the planning, instead of letting the advisors do that."

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'IT'S ABOUT ADVICE BEYOND INVESTING'

UBS market executive Julie Fox explains how she provides her advisors with everything they need to build their practice and serve their wealthy clients

BY EMILY DOUGLAS

In an industry marked by constant change, Julie Fox's priority has always been going beyond the metrics. She says her aims center around delivering best-in-class financial services to high-net-worth and ultra-high-net-worth clients through the firm's talented and productive financial advisors.

"It's more than just investing; it's about advice beyond investing," Fox says.

As the Philadelphia and Washington, D.C., market executive at UBS Private Wealth Management, Fox leads a team of hundreds of financial advisors who work with clients on everything from financial planning, wealth management, and estate and legacy planning to philanthropy. Her advisors approach financial planning through three critical categories: liquidity, longevity, and legacy.

"These categories provide a framework for a clear understanding of a client's wealth and what they want to accomplish," Fox adds. "Creating and preserving client wealth is the focus, while also acting as a financial sounding board for our clients as they go through life."

That paradigm has remained front and center over Fox's 21-year career with UBS. Looking forward, she sees an increasing use of technology to help advisors better serve their clients.

To stay ahead, UBS is investing in technological innovations that support advisors' needs and help them deliver richer client experiences at scale. One way UBS is doing this, Fox says, is through the firm's Smart Technologies and Advanced Analytics Team, or STAAT, and a new analytics platform that provides advisors with forward-looking data driven by artificial intelligence to help them better understand their clients' investments, life goals, and upcoming milestones. For example, if a client is expecting a baby or plans to purchase a new home, this technology enables advisors to have the data and information to work effectively with their clients.

Technology is also playing a role in helping financial advisors expand their businesses.

"Financial advisors used to rely heavily on cold calling to build their businesses, but now we are seeing advisors utilize technology, content, social media, and public relations to build their businesses and attract more clients," Fox says. "From a management perspective, we want to provide our advisors with everything they need to be successful in building their practice. This is something I think about every day."

Financial advisors have been very busy over the past two years, especially given the stock market's volatility, which has been driven by both the Federal Reserve's efforts to tame inflation and growing geopolitical tensions.

> "Financial advisors used to rely heavily on cold calling to build their business, but now we are seeing advisors utilize technology, content, social media, and public relations to … attract more clients"
> Julie Fox, UBS Private Wealth Management

"During times of stock market volatility, it's important for clients to be kept in the loop on what's going on, and that's exactly what our advisors have been doing – proactively reaching out to clients to keep them informed," Fox adds. "Advisors have been working with clients tirelessly to help them navigate the stock market's swings, rising interest rates, and inflation."

Outside of the market, Fox underscores the importance of mentorship and building strong teams, and extends her commitment to mentorship beyond the organization. As the co-founder and co-chair of the Philadelphia location of 100 Women in Finance, she emphasizes the value of connecting women across different career stages.

"Attracting key talent to an organization is critical," she says. "I've hired internally and externally to shape the right team, and have a diverse talent pool. There've been several people internally whom I've been able to bring up through the organization, and it's been extremely rewarding to watch people grow and help them develop their careers. My work in the community has played an important role in [my] being able to mentor others."

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CONSTANTLY EVOLVING TO BEST SERVE CLIENTS

Jordan Mayer subscribes to the adapt-or-die mantra – and believes this relentless commitment to improvement sets J.P. Morgan apart

BY EMILY DOUGLAS

For Jordan Mayer, the client is everything. As a wealth partner with J.P. Morgan Wealth Management, he says this defines his approach to wealth planning as well as how he's able to connect clients to the breadth of J.P. Morgan's offerings across its different lines of business.

"Everything needs to be about the client," he says. "They are front and center. How can we best help our client, whether they're an individual or family, non-profit or company? We need to help them define what their goals are, because we're entirely driven to help them meet their needs and navigate complex wealth-management challenges."

This begins with customized solutions. Mayer, who leads Maybach Partners in New York City, explains that the firms start by looking at asset allocation and income needs, and assessing the strategies that should be brought into a portfolio.

"Risk is a big part of what we do because we're dealing with very significant dollars," he says. "With institutional-type clients, for example, we're dealing with other people's money. So we need to do a risk assessment – we're here to try to protect capital as best as best we can. We also work on a basis of respectful relationships, not only outward from our team but also with regard to what we expect from clients.

"We like to think of our relationship with a client as a partnership. A successful client-advisor relationship should be built on trust. But I also think that it's very important to align the quality of J.P. Morgan and all of the services that we offer as a firm with the kinds of clients we're looking for."

This "two-way street" approach has its advantages. And, because Mayer is used to working with different lines of business to help serve complex clients, he has to have an understanding of the commercial bank, the investment bank, and the institutional side of asset management.

"We need to understand J.P. Morgan's broader capabilities and how those can come together to best serve a client," he says. "We want to work with people who understand the quality that J.P. Morgan brings and the breadth of our services."

For Mayer, this starts with having a top-notch team. His team, he explains, comprises 11 members – seven on the relationship and investment side

"People on our team are making a commitment to learn because it helps them grow, and our clients deserve exceptional service"

Jordan Mayer, Maybach Partners, J.P. Morgan Wealth Management

and four dedicated entirely to supporting clients' individual service needs.

"Our team COO plays a very important role," he says. "She and one of our relationship managers have been with us for at least 30 years. Longevity and consistency contribute to the top-notch client service we provide. Education is important on our team, too. We send everybody who joins our team to advanced Excel training, so that they learn how to use the core programs in today's world. [We want] their education to be as good as it can be. Many of them have also gone on [to get] varying designations. People on our team are making a commitment to learn because it helps them grow, and our clients deserve exceptional service."

It's this commitment to progress, be it on an individual or organization-wide basis, that Mayer believes sets JP Morgan apart. And, in a sector that's constantly evolving, that ability to flex and change is no longer a nice-to-have character trait – it's a necessity.

"Change is the new norm," Mayer says. "As is technology. We need to have people on our team who are savvy with technology and are willing to teach others – that's really how we adapt to some of the change. Another example of change is being able to adapt to better serve clients. For example, we realized that there were institutional insights that we needed to build into our team. As a result, four years ago, my daughter, who had experience in institutional sales and trading and fixed income and derivatives, joined the team."

In today's competitive landscape, Mayer's approach to diversifying the team's skill sets is something that sets Maybach up for long-term success. Keeping an eye on standards is also very close to his heart.

"What sets us apart is that we, again, stay entirely client-centric," he says. "Some of this is the same philosophy that comes through time and time again – we're not trying to be something that we're not. We understand what we're good at, we understand our weaknesses, whom we should work with and whom we should not. We've built our team to be able to provide excellent service to clients. We need great relationships, and we need to be able to deliver services where we're helping, whether it's individuals or entities."

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PAYOUT GRIDS FOR **INDEPENDENT BROKER-DEALERS**

Grids are based on data these firms provided to InvestmentNews Research

FIRM/PARENT COMPANY (IF ANY)	PHONE/WEBSITE/CEO OR TOP EXECUTIVE	RECRUITING CONTACT (NAME/PHONE/EMAIL)	PRODUCT	$0-$249K	$250-$499K	$500-$749K	$750-$999K	$1M OR GREATER
Arkadios Capital	(404) 445-0035 arkadios.com David Y. Millican IV CEO	Gregory J. Bentley President & Chief Executive Officer (724) 846-2488 gbentley@fortunefinancialservices.com	Mutual funds	1%-25%	86%-90%	91%-95%	91%-95%	91%-95%
			Insurance	1%-25%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	1%-25%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	1%-25%	86%-90%	91%-95%	91%-95%	91%-95%
			Securities	1%-25%	86%-90%	91%-95%	91%-95%	91%-95%
Atria Wealth Solutions	(888) 566-1482 atriawealth.com Douglas J Ketterer Chief Executive Officer and Founding Partner	Dara-Lynn Van Pee Relationship Development Associate (888) 523-1162, ext. 1244 dvanpee@foundersfinancial.com	Mutual funds	85%-94%	86%-94%	87%-94%	88%-95%	90%-97%
			Insurance	90%-100%	90%-100%	90%-100%	90%-100%	100%
			Variable annuities	90%-100%	90%-100%	90%-100%	90%-100%	90%-100%
			Limited partnerships	85%-92%	86%-92%	87%-92%	88%-92%	90%-95%
			Securities	85%-92%	86%-92%	87%-93%	88%-94%	90%-95%
Cambridge Investment Research Inc.	(800) 777-6080 joincambridge.com Amy Webber Chief Executive Officer	Tammy Robbins Executive Vice President and Chief Business Development Officer (800) 777-6080 tammy.robbins@cir2.com	Mutual funds	Negotiable up to 100%				
			Insurance	Negotiable up to 100%				
			Variable annuities	Negotiable up to 100%				
			Limited partnerships	Negotiable up to 100%				
			Securities	Negotiable up to 100%				
Centaurus Financial Inc. Federation of Financial Services	(800) 880-4234 joincfi.com; centaurusfinancial.com J. Ronald King Chairman, Chief Executive Officer	John Trentor SVP, Chief Distribution Officer (800) 880-4234, ext. 300 jtrentor@cfiemail.com	Mutual funds	80%-90%	86%-90%	90%+	91%+	92%+
			Insurance	80%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	80%-90%	86%-90%	90%+	91%+	92%+
			Limited partnerships	80%-90%	86%-90%	90%+	91%+	92%+
			Securities	80%-90%	86%-90%	90%+	86%-91%	92%+
cfd Investments Inc.	(800) 745-7776 joincfd.com, cfdinvestments.com Brent A. Owens President	Zachary W. Covert Director of Business Development (800) 745-7776, ext. 3006 zachary.covert@cfdinvestments.com	Mutual funds	75%-90%	90%	91%	91%	92%
			Insurance	90%	90%	90%	90%	90%
			Variable annuities	75%-90%	90%	91%	91%	92%
			Limited partnerships	75%-90%	90%	91%	91%	92%
			Securities	75%-90%	90%	91%	91%	92%
Commonwealth Equity Services, dba-Commonwealth Financial Network	(866) 462-3638 commonwealth.com Wayne Bloom Chief Executive Officer	Becca Hajjar Managing Principal, Chief Business Development Officer (866) 462-3638 bhajjar@commonwealth.com	Mutual funds	50-87%	87%	88%	89%	90-95%
			Insurance	100%	100%	100%	100%	100%
			Variable annuities	50-87%	87%	88%	89%	90-95%
			Limited partnerships	50-87%	87%	88%	89%	90-95%
			Securities	50-87%	87%	88%	89%	90-95%
Equitable Advisors Equitable Holdings Inc.	(212) 554-1234 equitable.com David Karr President	David Goettelmann Director (212) 314-2057 david.goettelmann@equitable.com	Mutual funds	40%-70%	40%-70%	81%-85%	86%-90%	91%-95%
			Insurance	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Variable annuities	51%-75%	53%-83%	81%-85%	86%-90%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	40%-75%	40%-83%	81%-85%	86%-90%	91%-95%
Equity Services Inc. National Life Group	(800) 344-7437 equity-services.com Ata Azarshahi President	John Keenan Senior Vice President, Business Development (802) 229-3862 jkeenan@nationallife.com	Mutual funds	55%-82.5%	81%-85%	Custom	Custom	Custom
			Insurance	55%-82.5%	81%-85%	Custom	Custom	Custom
			Variable annuities	55%-82.5%	81%-85%	Custom	Custom	Custom
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	55%-82.5%	81%-85%	Custom	Custom	Custom
Fortune Financial Services Inc.	(724) 846-2488 fortunefinancialservices.com Gregory J. Bentley President & Chief Executive Officer	Gregory J. Bentley President & Chief Executive Officer (724) 846-2488 gbentley@fortunefinancialservices.com	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Insurance	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	N/A	N/A	N/A	N/A	N/A
Founders Financial Founders Financial	(888) 523-1162 foundersfinancial.com Bradley M. Shepherd Chief Executive Officer	Dara-Lynn Van Pee Relationship Development Associate (888) 523-1162, ext. 1244 dvanpee@foundersfinancial.com	Mutual funds	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Insurance	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Variable annuities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	Up to 90%	Up to 90%	Up to 90%	Up to 90%	Up to 90%
Geneos Wealth Management Inc.	(888) 812-5043 geneoswealth.com Ryan Diachok CEO	Austin Gross Business Development (303) 785-8470, ext. 151 agross@geneoswealth.com	Mutual funds	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Insurance	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	76%-80%	76%-80%	86%-90%	86%-90%	86%-90%
Harbour Investments Inc.	(608) 662-6100 harbourinv.com Aaron M. Hager President	Aaron M. Hager President (608) 662-6100 ahager@harbourinv.com	Mutual funds	90%	91%	92%	92%	up to 94%
			Insurance	90%	91%	92%	92%	up to 94%
			Variable annuities	90%	91%	92%	92%	Up to 94%
			Limited partnerships	90%	91%	92%	92%	Up to 94%
			Securities	90%	91%	92%	92%	Up to 94%
Kestra Financial Inc. Kestra Holdings	(844) 553-7872 kestrafinancial.com Stephen Langlois President, Kestra Financial	Daniel Schwamb Executive Vice President, Business Development (737) 443-2400 daniel.schwamb@kestrafinancial.com	Mutual funds	65%-85%	88%-91%	92%	93%	93%
			Insurance	65%-100%	88%-100%	92%-100%	93%-100%	93%-100%
			Variable annuities	65%-85%	88%-91%	92%	93%	93%-95%
			Limited partnerships	65%-85%	88%-91%	92%	93%	93%-95%
			Securities	65%-85%	88%-91%	92%	93%	93%-95%
Kingswood Capital Partners Kingswood Group	(212) 600-5402 kingswoodus.com Michael Nessim CEO	Jaime Golden President of Acquisitions (212) 404-7002 jgolden@kingswoodus.com	Mutual funds	81%-90%	86%-90%	86%-95%	86%-95%	91%-95%
			Insurance	81%-90%	81%-90%	86%-95%	91%-95%	91%-95%
			Variable annuities	81%-90%	81%-90%	86%-95%	91%-95%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	81%-90%	86%-90%	86%-95%	86%-95%	91%-95%

FIRM/PARENT COMPANY (IF ANY)	PHONE/WEBSITE/CEO OR TOP EXECUTIVE	RECRUITING CONTACT (NAME/PHONE/EMAIL)	PRODUCT	$0-$249K	$250-$499K	$500-$749K	$750-$999K	$1M OR GREATER
Kovack Securities Inc. Kovack Financial Network	(866) 564-6574 joinkfn.com Brian J. Kovack Esq. CEO	Carlo A. Bidone Jr. Executive Vice President & Director of Branch Development (954) 670-0616 carlo@kfn.com	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
LaSalle St. Securities	(800) 777-7865 lasallest.com Dan Schlesser COO	Mark Contey Chief Marketing Officer (630) 600-0360 mark@lasallest.com	Mutual funds	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Insurance	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	86%-90%	91%-95%	91%-95%	91%-95%	91%-95%
MML Investors Services Massachusetts Mutual Life Insurance Co.	(800) 542-6767 massmutual.com/investment/ mmlinvestors John Vaccaro Chief Executive Officer	Julie Davis Head of MMFA Field Recruiting & Development (413) 744-6337 juliedavis@massmutual.com	Mutual funds	40%-75%	75%-80%	80%-82.5%	82.5%	82.5%
			Insurance	40%-75%	75%-80%	80%-82.5%	82.5%	82.5%
			Variable annuities	40%-75%	75%-80%	80%-82.5%	82.5%	82.5%
			Limited partnerships	40%-75%	75%-80%	80%-82.5%	82.5%	82.5%
			Securities	40%-75%	75%-80%	80%-82.5%	82.5%	82.5%
Packerland Brokerage Services Inc.	(920) 662-9500 packerlandbrokerage.com Zach Kelly Chief Executive Officer, Chief Financial Officer	Scott Zwierzynski Director of Recruiting (920) 662-9500 scottz@pbshq.com	Mutual funds	65%-92%	92%-94%	94%	94%	94%
			Insurance	65%-92%	94%	94%	94%	94%
			Variable annuities	65%-92%	92%-94%	94%	94%	94%
			Limited partnerships	65%-92%	92%-94%	94%	94%	94%
			Securities	65%-92%	92%-94%	94%	94%	94%
Park Avenue Securities Guardian Life Insurance Co. of America	(888) 600-4667 parkavenuesecurities.com Marianne Caswell President, Park Ave Securities	Katie Martineau Head of Field Recruiting, Agency Growth & Development (860) 378-4078 katie_martineau@glic.com	Mutual funds	Set by agency				
			Insurance	Set by agency				
			Variable annuities	Set by agency				
			Limited partnerships	N/A				
			Securities	Set by agency				
PlanMember Securities Corp. PlanMember Financial Corp.	(805) 684-1199 planmember.com/join Jon Ziehl CEO, President	Ron Heller Director, Partner Development (805) 259-9133 rheller@planmember.com	Mutual funds	70%-90%	90%-92%	90%-92%	90%-93%	92%-94%
			Insurance	100%	100%	100%	100%	100%
			Variable annuities	70%-90%	90%	90%-92%	90%-92%	92%-94%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	70%-90%	80%-90%	90%-92%	90%-92%	92%-94%
Principal Securities Inc. Principal Financial Services Inc.	(888) 774-6267 principal.com Michael F. Murray President & Chief Executive Officer	Betsy Jepsen National Director, Talent Growth (515) 878-1704 jepsen.betsy@principal.com	Mutual funds	up to 77%	up to 84%	up to 89%	up to 92%	up to 95%
			Insurance	up to 85%	up to 86%	up to 87%	up to 87%	up to 87%
			Variable annuities	up to 77%	up to 84%	up to 89%	up to 92%	up to 95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	up to 77%	up to 84%	up to 89%	up to 92%	up to 95%
Prospera Financial Services Inc.	(972) 581-3000 www.prosperafinancial.com Tarah Williams President & COO	Tarah Williams President & COO (972) 581-3015 tarah.williams@prosperafinancial.com	Mutual funds	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Insurance	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Variable annuities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Limited partnerships	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
			Securities	86%-90%	86%-90%	86%-90%	90%-92%	92%-99%
Raymond James Financial Services Inc. Raymond James Financial	(727) 567-1000 advisorchoice.com Paul Reilly Chief Executive Officer	Jodi Perry National Head of Advisor Recruiting (866) 877-1685 advisorchoice@raymondjames.com	Mutual funds	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Insurance	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Variable annuities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Limited partnerships	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
			Securities	81%-90%	81%-90%	81%-90%	81%-90%	81%-90%
The Leaders Group Simplicity Group	(303) 797-9080 leadersgroup.net Sean D. Wickersham President	Charles Arnold Chief Marketing Officer (303) 797-9080, ext. 1230 charles.arnold@leadersgroup.net	Mutual funds	76%-80%	86%-90%	91%-95%	91%-95%	91%-95%
			Insurance	76%-80%	86%-90%	91%-95%	91%-95%	91%-95%
			Variable annuities	76%-80%	86%-90%	91%-95%	91%-95%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	76%-80%	86%-90%	91%-95%	91%-95%	91%-95%
The O.N. Equity Sales Co. Constellation Insurance Inc.	(877) 663-7267 joinonesco.com Nancy Westbrock President and Chief Executive Officer	Terry Garrard Second Vice President, National Sales Director (513) 797-3425 terry_garrard@onescowealth.com	Mutual funds	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Insurance	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Variable annuities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Limited partnerships	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
			Securities	Up to 92%	Up to 92%	Up to 92%	Up to 92%	Up to 92%
Trustmont Financial Group Inc.	(724) 468-5665 trustmontgroup.com Anthony C. Hladek President	Lacey Dochinez Transition Specialist (724) 468-5665 lmd@trustmontgroup.com	Mutual funds	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
			Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
			Securities	86%-90%	86%-90%	86%-90%	91%-95%	91%-95%
United Planners Financial Services United Planners Financial Services	(800) 966-8737 unitedplanners.com Michael A. Baker Chief Executive Officer & President	Sheila Cuffari-Agasi Executive Vice President, Chief Revenue Officer (800) 966-8737, ext. 240 sjagasi@upfsa.com	Mutual funds	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Insurance	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Variable annuities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
			Limited partnerships	86%-90%	86%-90%	86%-90%	86%-90%	86%-90%
			Securities	91%-95%	91%-95%	91%-95%	91%-95%	91%-95%
Vanderbilt Financial Group	(631) 845-5100 joinvanderbilt.com Stephen A. Distante Chairman	Joseph J. Trifiletti President (631) 845-5100 Jtrifiletti@vanderbiltsecurities.com	Mutual funds	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Insurance	N/A	N/A	N/A	N/A	N/A
			Variable annuities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%
			Limited partnerships	N/A	N/A	N/A	N/A	N/A
			Securities	86%-90%	86%-90%	86%-90%	86%-90%	91%-95%

Column

INDIVIDUAL RETIREMENT ACCOUNTS

James Caan's estate case highlights rollover rules advisors need to know

IRAALERT
ED SLOTT

The jokes began as soon as the court decision came out: "The Godfather made the IRS an offer it could refuse." "Sonny Corleone shot down again.""Estate of James Caan whacked in tax case."

Yet it's doubtful that the Tax Court's decision in *Estate of James Caan et al* v. *Commissioner*, released October 18, was very funny to the heirs of the late actor James Caan, most famous for his role as Sonny Corleone in *The Godfather*.

The court ruled that because of an improper IRA rollover Caan made before his death, his estate owed close to $1 million in taxes and penalties. The judge found that Caan's rollover failed because it violated the same-property rule – a violation that cannot be fixed – and the 60-day rollover rule. The judge also concluded that the IRS acted properly when it denied Caan's request to extend the 60-day deadline.

FACTS OF THE CASE

Before his death in 2022, James Caan owned two traditional individual retirement accounts and invested a part of one in a partnership interest in a hedge fund. The custodian of his IRAs was UBS. The custodial agreement between UBS and Caan stated that Caan was responsible for providing UBS with the hedge fund's year-end fair market value.

In 2015, despite numerous attempts, UBS was unable to obtain the hedge fund's 2014 year-end valuation from Caan. Meanwhile, Caan's financial advisor left UBS and joined Merrill Lynch, and he persuaded Caan to transfer his IRAs to Merrill Lynch. All the assets in both IRAs were transferred, except for the hedge fund interest, which temporarily remained at UBS because it was not eligible for an Automated Customer Account Transfer, or ACAT.

Unfortunately, valuation issues are not uncommon when IRAs are invested in alternative assets, such as real estate or other nonliquid assets

Having failed to receive a valuation, UBS resigned as custodian of the remaining IRA funds (the hedge fund interest), and on November 25, 2015, it made an in-kind distribution of the hedge fund interest to Caan. UBS subsequently issued a 2015 1099-R to Caan that valued the hedge fund distribution at $1,910,903, its 2013 year-end fair market value.

On his 2015 federal income tax return, Caan reported a total of $2,299,567 in IRA distributions, including the $1,910,903 hedge fund interest. However, he reported only $388,664 as taxable income. He reported the hedge fund distribution as nontaxable.

In December 2016, well beyond the 60-day rollover deadline, Caan requested that the hedge fund completely liquidate his interest and roll the cash proceeds over to his Merrill Lynch IRA. The rollover was made through three wire transfers between January and June of 2017.

The IRS caught up with Caan's failed rollover, notifying him that he had a $779,915 income tax deficiency for 2015 because the hedge fund distribution was taxable. The IRS also assessed him a $155,983 "accuracy-related penalty" for substantially understating his 2015 taxes.

Caan subsequently asked the IRS for a private letter ruling that would waive his failure to complete the rollover within 60 days. But the IRS refused. Caan then appealed to the Tax Court.

THE COURT'S DECISION

Caan died in 2022, and his estate had no better luck in court. The crux of the decision was that Caan's attempted rollover did not qualify as a tax-free transaction and he therefore received a taxable distribution. The court ruled that Caan's rollover ran afoul of the tax code's same-property rule, which says that the property distributed from an IRA must be the same property that's subsequently rolled over. Here, Caan received a distribution of a hedge fund interest and rolled over cash.

The judge also found that the rollover was not completed within 60 days, since the distribution was made on November 25, 2015, but the transfers did not take place until between January and June of 2017.

IRA INVESTMENTS IN ALTS

James Caan's whole ordeal started with the hedge fund's inability to provide the custodian with a year-end valuation. Unfortunately, valuation issues are not uncommon when IRAs are invested in alternative assets, such as real estate or other nonliquid assets. The IRS requires custodians to report annual valuations on Form 5498. A proper valuation is also necessary for calculating required minimum distributions.

Investing IRA funds in alternative assets can also create problems for paying out RMDs if, as is often the case, the asset is not liquid. There is no exception for illiquid assets in the RMD rules. This is a particular problem for real estate. If the IRA owner has no other liquid assets, how can a part of the real estate be distributed each year to meet the RMD rules?

These problems with holding alternative investments in an IRA were aptly summarized by the Tax Court in the *Caan* decision: "This case is a quintessential example of the pitfalls of holding nontraditional, non-publicly traded assets in an IRA. Failure to follow the labyrinth of rules surrounding these assets can mean forfeiting their tax-advantaged status."

Amazingly, Caan's high-priced Beverly Hills-based financial advisor was apparently unaware of the rollover rules, and it cost Caan's estate a fortune. Your clients expect better of you. Know the rollover rules and monitor clients' rollover transactions to make sure they are completed correctly.

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

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DYNASTY CEO ON HIS FIGHT AGAINST INERTIA – NOT THE WIREHOUSES

Independence and being one's own boss are what it's all about for Shirl Penney, who stresses the fact that Dynasty's technology was built for 'a business owner who happens to be an advisor'

BY GREGG GREENBERG

DESPITE ALL appearances, Dynasty Financial founder Shirl Penney doesn't see the wirehouses as the biggest rival to the independent advisory movement.

No – in his view, the biggest challenge is inertia, and he believes it's his mission to help advisors overcome it. Considering his background, there are few people better qualified for the job.

"I spent a lot of time with advisors and their top clients, and, as a result, I heard firsthand how ultra-wealthy clients thought about how they wanted to receive their wealth advisory model," Penney said. "Many had a family office that provided advice separate from safe custody, and separate again from where products were manufactured and sold."

"We feel we are still very much in the early innings of the independent wealth movement"

SHIRL PENNEY, DYNASTY FINANCIAL

Prior to founding Dynasty, Penney worked for almost a decade at Citi Smith Barney in various leadership roles, including director of private wealth management and head of executive financial services. It was there that he learned what motivated advisors (other than money, that is) and what they needed (once again, other than money) to propel them to venture out on their own.

Back when Dynasty was getting started, in 2010, Penney says his early-stage thinking was to follow this model of separating advice, custody, and products, capturing it in a user-friendly, scalable platform that would enable advisors to make the jump to self-employment.

And jump they did. Currently, Dynasty's network includes 55 firms representing 330

C-Suite

advisors, and the firm maintains more than $87 billion in assets on its core technology platform. In fact, Dynasty grew more in 2023 than in any year since its founding.

"I remember at the time feeling more excitement than pressure because I felt that once the flywheel got moving, it would inspire both breakaway advisors and breakaway clients, and over time it would provide positive change to a nearly 200-year-old industry," Penney said.

In 2023, a total of 2,200 advisors left wirehouses, with 787 of them going to independent channels, according to *InvestmentNews*' Advisors on the Move database. That marked the sixth straight year in which more than 2,000 wirehouse advisors switched channels – and inertia was on the defensive.

M&A AND THE INDIE MOVEMENT

Penney predicts the wirehouses will look and feel more like private banks over time as the exodus continues. He also wouldn't be surprised to see some of them try to buy registered investment advisors as a way to increase their rosters of clients that are more captive to the firm.

Speaking of M&A, Dynasty isn't immune to the arms race building up in the RIA space. As private equity-backed players gobble up advisory teams coast to coast, Penney says Dynasty is in the catbird seat as one of the few full-service investment banks providing advisory services, valuation, and capital programs to the RIA ecosystem.

"We see no slowing down this year for M&A, but buyers are being a bit more selective and want to see growth, healthy margins, and strong leadership, and are paying premiums for more professionalized businesses," he said, adding that Dynasty often partners with PE firms to "provide a better outcome for both the advisor and the investors."

AN IPO POSTPONED

While Dynasty's pipeline may be bursting with advisors looking to go independent in 2024, its own attempt at independence in the form of an IPO has been put on hold, according to Penney.

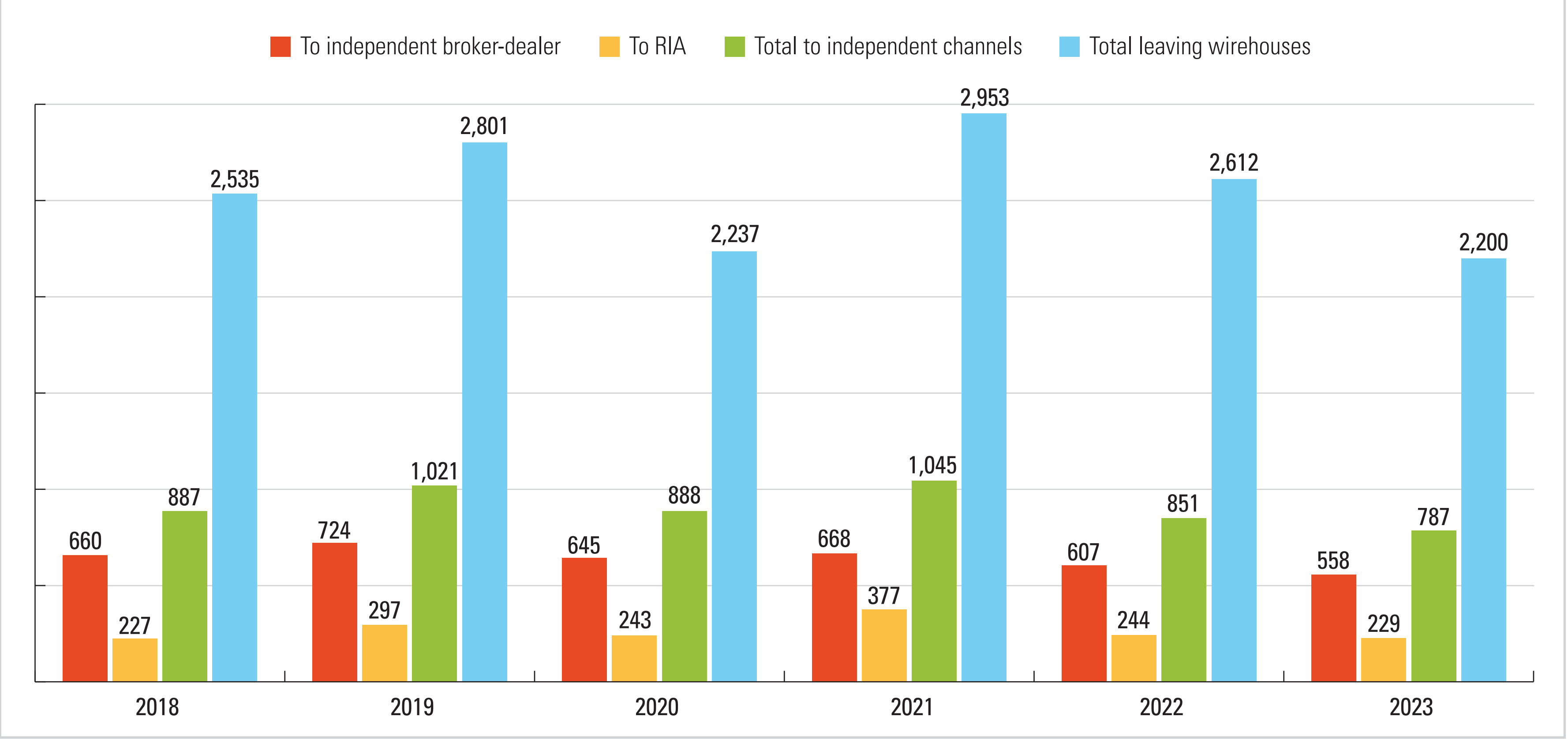
In January 2022, Dynasty filed papers with the SEC to raise $100 million through an initial public stock offering. All systems were go at the time, with the stock set to list on the Nasdaq under the ticker symbol DSTY.

Seven months later, however, an S-1 filing threw cold water on Penney's attempt to take Dynasty public. At the time of the filing, Dynasty was profitable, generating $7 million in net income in the first half of 2022, compared to $6.9 million in the same period a year earlier.

Penney said at the time he shelved the IPO idea in response to rough market conditions, deciding to sell minority ownership stakes to Charles Schwab and private equity investor Abry Partners instead. And on the shelf is where it currently remains.

"We kept the filing open for a number of quarters, but the window didn't reopen," he said. "It's expensive and distracting for a business to keep a filing open so we pulled it and took investments from our amazing group of legacy

ADVISORS LEAVING WIREHOUSES, BY YEAR



Source: *InvestmentNews* Advisors on the Move database investors, our employees, and brought on a new financial sponsor partner in Abry and a new strategic investor in Schwab."

For the record, Penney said, "We are focused on taking care of our clients and growing the business, and will look at public markets again when the environment is more advantageous."

BUILDING A DYNASTY

Penney was born, raised, and schooled in Maine, which tends to be chilly, if not downright cold, most of the year. He situated Dynasty in the much more accommodating climate of St. Petersburg, Florida, where he and his wife are active in various charitable causes, with a focus on education, poverty, ALS, and veteran services.

As long as the market environment for Dynasty's services remains equally warm and accommodating among wirehouse advisors on the move, Penney intends to make hay while the sun shines.

"We feel we are still very much in the early innings of the independent wealth movement," he said.

Put simply, independence is what it's all about for Penney – being one's own boss. He stresses the fact that that Dynasty's technology was built for "a business owner who happens to be an advisor.

"One of the beautiful things about the alignment in our business model is we get to live our American dream by empowering others to live theirs," Penney said.

While entrepreneurs like Penney tend to see the bright side of any issue, he says he's not blind to the challenges advisors face in making that big jump to independence. Such moves always affect friends and loved ones, and Penney says he's not immune to the pressures placed on him by his employees and loved ones either.

"It is particularly hard to drive change when it involves team members, clients, or long-standing resource partners," he said. "Many times, as a leader, you need to play the long game and do what is best for the business over time and hope that people understand."

As for his long-term goal, Penney says it is to live up to his company's name.

"To me, Dynasty means winning over a long period of time – sustained excellence," he said. "As a founder and CEO, a big part of my job to make sure we do!"

gregg.greenberg@keymedia.com

"We see no slowing down this year for M&A, but buyers are being a bit more selective"

SHIRL PENNEY, DYNASTY FINANCIAL

SectorFocus

EMERGING MARKETS

THE COMPLICATIONS OF INVESTING IN CHINA

As performance has dragged for Chinese equities, money has flowed out of funds

BY EMILE HALLEZ

Manufacturing data last week from China hinted at a small respite for the nation's ailing economy, which has struggled to grow amid a property crisis, high unemployment for young workers, and myriad other problems.

But any positive signs in the near future might not be enough to persuade US investors, as it's not clear whether China is set for years of stagnation, and economists can't seem to agree on the outlook.

In March, Goldman Sachs Wealth Management's chief investment officer and head of the investment strategy group, Sharmin Mossavar-Rahmani, told Bloomberg that even though clients are interested, the company was advising them not to invest in China given numerous factors, including a lack of reliability in the country's economic and policy data.

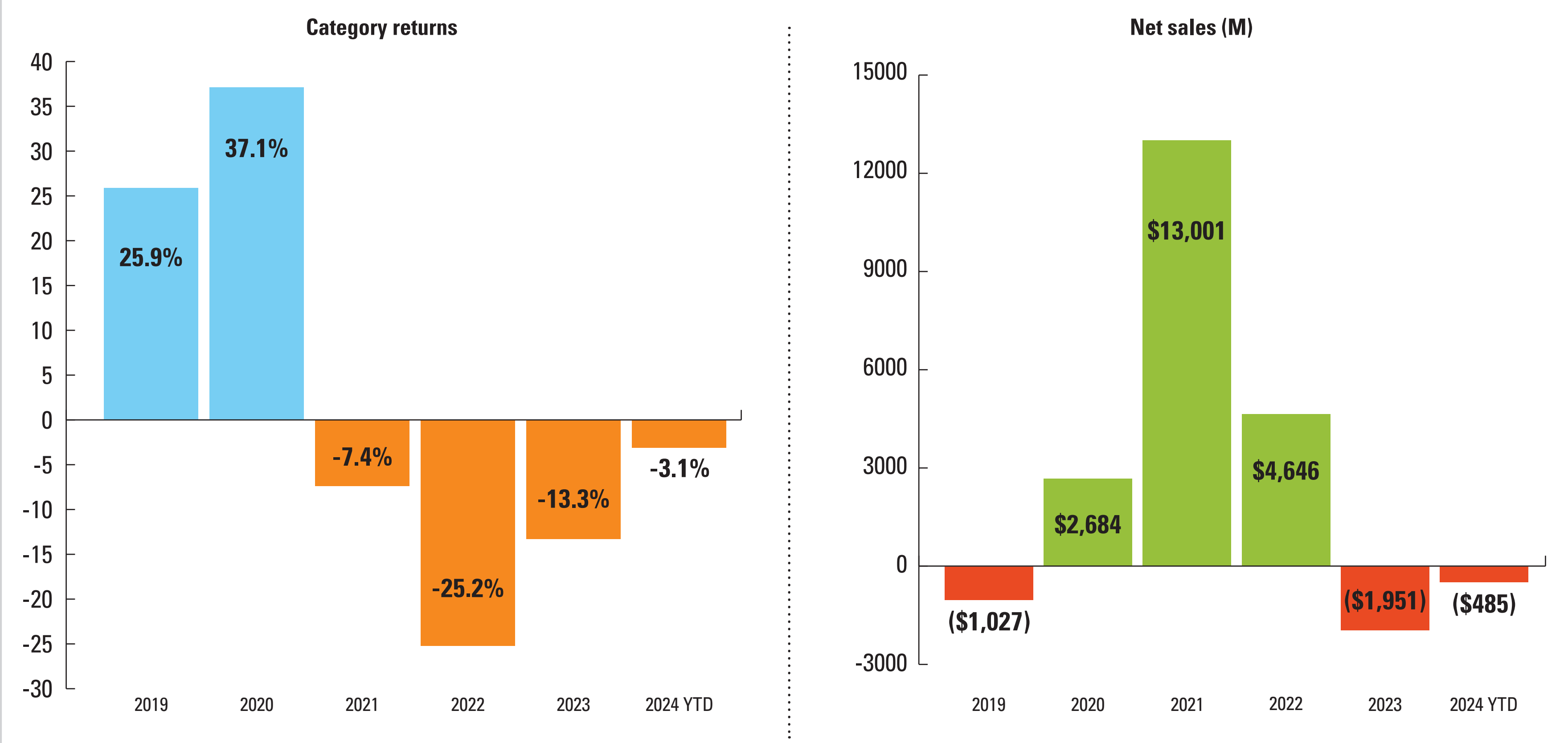
"I'm not a believer that you should just buy the cheapest, but in the Chinese ETF market or the market investing in Chinese equities, the devil is often in the details" TODD ROSENBLUTH, VETTAFI

Economists generally don't predict a strong comeback from a country's post-pandemic slowdown, although some are more optimistic about China achieving moderate growth than others.

Even ahead of manufacturing sector data last Monday from the Purchasing Managers Index that showed increased production and purchasing levels, net outflows from Chinese equities had declined as some global fund managers began adding stocks back into their portfolios.

That isn't necessarily an indication that investors should get in now and buy at a low point, and some

PERFORMANCE AND SALES OF CHINA MUTUAL FUNDS AND ETFS



Source: Morningstar Direct data for US-domiciled funds focused on China-region stocks

advisors recommend proceeding with caution even at the best of times.

"From the time people were selling everything to get in on the China train way back, I have said I will not touch any security from that country. Folks forget it's still a Communist country, and you cannot trust any of the numbers that come out of there," Kashif Ahmed, president of American Private Wealth, said in an email. "How are you going to do due diligence and valuation of securities when you cannot, in all honesty, have faith in the integrity of those financials? Stay away. [There are] plenty of great investment opportunities right here in the USA."

Amid the COVID-19 pandemic, the performance of US funds focused on Chinese holdings took a dive. Across the US-domiciled funds and ETFs that invest the majority of their assets in stocks based in China, Taiwan, or Hong Kong, average annual returns went from 37 percent in 2020 to -7 percent in 2021, -25 percent in 2022, -13 percent in 2023 and -3 percent year to date in 2024, according to data from Morningstar Direct.

Fund sales were slow to react, remaining net positive until last year, when the category bled about $2 billion. In the first two months of 2024, $485 million has poured out, the Morningstar data show.

Of 37 US ETFs focused on China, the average flow this year has been -$26 million, excluding products that are closed to new purchases or that registered no net sales, according to data from VettaFi. A big reason for the net outflows is redemptions from one product, the $4.9 billion iShares MSCI China ETF, which has bled $820 million year to date but is nonetheless the second-biggest ETF in the category.

"Folks forget it's still a Communist country, and you cannot trust any of the numbers that come out of there" KASHIF AHMED, AMERICAN PRIVATE WEALTH

The largest, the $5.4 billion KraneShares CSI China Internet ETF, has had slightly lower returns than the iShares MSCI China ETF this year, at -2.8 percent versus -2.5 percent, but it has seen nearly $158 million pour in.

The recent difference in sales of the two funds may come down to demand for tech-related stocks as opposed to other categories in the Chinese market, like financials and industrials, said Todd Rosenbluth, head of research at VettaFi.

"There seems to be a fair amount of debate about whether it's actually a good time to start buying," he said.

Excluding the iShares MSCI China ETF, average net sales for ETFs in the category so far this year are positive, at about $1 million, the VettaFi data show.

"The flows have been stronger than one would expect, given how poor the performance has been," Rosenbluth said.

Including the iShares MSCI China ETF, average net sales for the category have been -$73 million over a year. But over three and five years, sales were positive, at $520 million and $576 million.

The poor performance of China-based equities as a whole has brought down returns for funds in the emerging markets category, as the country represents one of those funds' largest components, Rosenbluth noted. That appears to have fueled demand for emerging markets ETFs that exclude Chinese holdings, as returns and sales for those have been stronger, he said.

Further, the list of US ETFs that invest in Chinese holdings offer different types of exposure, as some trade in mainland China rather than Hong Kong, and they diverge on holdings of state-owned versus privately owned enterprises, he said. One ETF, the $356 million WisdomTree China ex-State-Owned Enterprises Fund, focuses on companies not owned by the government, for example.

"There is government control of some of the companies, and for some people that's a good thing, for others it's something you want to avoid and exclude, because there's not broader shareholder rights," Rosenbluth said. "I'm not a believer that you should just buy the cheapest, but in the Chinese ETF market or the market investing in Chinese equities, the devil is often in the details."

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Lipper awards celebrate strong year for mutual fund industry

116 funds were recognized with a Lipper Fund Award over the five-year period, and 108 funds won the prestigious trophy for the 10-year period

BY GREGG GREENBERG

A stock market rebound and healthy fund flows had the mutual fund industry in good spirits March 14 at the 2024 LSEG Lipper Fund Awards in New York.

The awards celebrate the success of US portfolio managers and the fund management companies that posted the strongest risk-adjusted returns in the industry.

Tom Roseen, head of research services at LSEG Lipper, called 2023 a "banner year" in the fund industry, with both fixed-income and equity funds posting strong gains in the wake of a particularly brutal 2022 for investors. He also pointed out that the financial community has shown true resolve in recent years, overcoming a series of fierce headwinds, including COVID, a spike in inflation, and geopolitical concerns.

"The funds that were recognized tonight really were able to navigate the uncharted waters of these events and still post strong risk-adjusted returns, which is really what skilled investing is all about," Roseen said.

The LSEG Lipper Fund Awards are based on the Lipper Leader for Consistent Return rating, which is an objective, quantitative, risk-adjusted performance measure calculated over 36, 60, and 120 months. The fund with the highest Lipper Leader for Consistent Return or so-called "effective return" value in each eligible classification wins the LSEG Lipper Fund Award.

Overall, 117 funds won an award for the three-year period ended November 30. Moreover, 116 funds were recognized with a Lipper Fund Award over the five-year period, and 108 funds won the prestigious trophy for the 10-year period.

The group awards are divided into large and small asset management groups based on a regional assets-under-management split. For the US awards, that breakpoint was $136.9 billion in fund assets under management as of November 30.

Dimensional Fund Advisors took the top billing as the best large fund family equity group for the second consecutive year, beating out 25 other fund families. Meanwhile, Third Avenue Management took the top honors as the best small fund family equity group, beating out 185 other fund families for the title.

In the fixed-income arena, Invesco Advisers took home the trophy for best bond large asset fund manager.

Nolan Anderson, portfolio

"The funds that were recognized … really were able to navigate the uncharted waters of [2022] events and still post strong risk-adjusted returns, which is really what skilled investing is all about" TOM ROSEEN, LSEG LIPPER

Tom Roseen of LSEG Lipper with Nolan Anderson, portfolio manager and co-head of fixed income at Weitz Investments

PHOTO CREDIT: ALEX KAPLAN

Mutual of America Capital Management executives at the awards ceremony: from left to right, Ron Viener, vice president and head of trading; Duygu Akyatan, senior vice president and director of equity research; Jamie Zendel, executive vice president and head of quantitative strategies; Stephen Rich, chairman and CEO; and Joseph Gaffoglio, president.

Third Avenue Management executives accept awards: from left to right, Ryan Dobratz, portfolio manager for real estate; Victor Cunningham, portfolio manager, small cap; and Michael Warlan, head of trading and operations, with Emily Prince, group head of analytics at LSEG.

Panel discussion at the awards ceremony: Chris Floyd, vice president and portfolio manager at Franklin Templeton Investment Solutions; Alexis Deladerriere, head of international developed markets equity at Goldman Sachs Asset Management; and Jack Fischer, senior research analyst at Lipper Research

Federated Hermes portfolio managers Ann Ferentino and Michael Jura

PHOTO CREDIT: ALEX KAPLAN

manager for Weitz Investments, winner of the core-plus bond fund award for the three- and five-year periods, said that over the past year, fixed-income markets have moved "from fear of recession to fear of higher interest rates to now fear of missing out on a soft landing. As a result, risk premiums have contracted significantly, and more caution is warranted."

Other winners included PGIM Investments, which won the trophy for the best mixed-assets large fund manager group. And Mutual of America Capital Management won the award for the best mixed-assets small fund family group.

"We're thrilled to be recognized by LSEG Lipper with 10 awards in the US mixed-asset target-date fund categories and for best overall small firm in the US Group Award mixed-assets category," said Stephen Rich, CEO of Mutual of America Capital Management. "It's an honor to have the success of our MoA Clear Passage Funds acknowledged for their consistently strong performance, which further highlights our commitment to helping our investors achieve a financially secure future."

Elsewhere, Dimensional Fund Advisors took top billing as the best overall large fund management group for 2024, while Putnam Investment Management won for the best overall small fund management group.

Jack Fischer, senior research analyst at Lipper Research, noted that while the portfolio managers accept the hardware at the event, winning a Lipper award is truly a team effort.

"There are risk and performance analysts, market researchers, marketers, and lots of other professionals who help a fund consistently succeed. And long-term success really is what we are rewarding," Fischer said.

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FIXING SOCIAL SECURITY: AN ISSUE CANDIDATES AVOID – BUT SHOULDN'T

There are problems with just raising the retirement age or increasing taxes, economists say

BY EMILE HALLEZ

Republicans and Democrats don't agree on much these days, including Social Security – but both sides acknowledge that adjustments must be made to make the system solvent.

How the two sides approach that is another matter. The right favors various strategies to reduce benefits, while the left encourages raising taxes, particularly on the wealthy.

It's never a popular topic in election years, as politicians usually avoid campaigning on benefits cuts or tax hikes, and 2024 likely won't be an exception.

But with only nine years before the Social Security Trust Funds are projected to be fully depleted, which would result in a 23 percent reduction in benefits payments, the time for action is running out.

"The politics is the hard part. No congressman wants to go out there and say, 'I'm going to fix Social Security and raise your taxes, vote for me,'" said Mary Beth Franklin, a former *InvestmentNews* contributing editor who specializes in Social Security. "They have no immediate benefit, particularly in an election year." But, she noted, "The general polls say Americans want Social Security fixed, even if it means paying more in taxes."

PROMISES, PROMISES

Both President Joe Biden and former President Donald Trump have said they would avoid cuts to Social Security, although Trump recently told CNBC that reductions to that program and Medicare could be on the table. Last year, Trump suggested that extra revenue from federal oil and gas leases could be used to fund the system, although that strategy would cover less than four percent of the shortfall, the Committee for a Responsible Federal Budget later wrote.

Most recently, the Republican Study Committee, the powerful caucus in the House, issued a budget plan to counter one floated by the Biden administration. Without giving a number, the GOP proposed to increase the claiming age for future retirees to address increases in life expectancy.

Meanwhile, Biden's promise not to raise taxes on people making less than $400,000 has Democrats in a bind when it comes to addressing Social Security through tax increases alone, said Monique Morrissey, senior economist at the Economic Policy Institute.

"Democrats have walked back previous proposals that would have increased payroll taxes on people earning less than Biden's pledge. They're sort of boxed in there," Morrissey said. "I don't think there is any way of getting around the fact that we need revenue increases."

That has some people worried, she said. A hearing last July by the Senate Committee on the Budget entitled "Protecting Social Security for All: Making the Wealthy Pay Their Fair Share" got Republicans' attention, as did a well-circulated paper co-authored in January by economists Alicia Munnell and Andrew Biggs that argued for the elimination of retirement account tax deferral as a way to help fund the program, Morrissey noted.

"I also think it's appropriate for us, even if we are not rich, to be paying a little more for Social Security," she said, citing the program's funding as about 1.2 percent of GDP. The trust funds' insolvency "is not a catastrophe – this is something completely manageable."

"I don't think there is any way of getting around the fact that we need revenue increases"

MONIQUE MORRISSEY, ECONOMIC POLICY INSTITUTE

PAST AND FUTURE SOLUTIONS

The last time a major change was made to the program was 1983, when there was strong bipartisan support for gradually extending the retirement age from 65 to 67. That change, which represented benefits cuts of 10 percent to 12 percent, didn't start until 2000 and has taken more than 20 years since then to phase in, said Richard Johnson, senior fellow at the Urban Institute.

"They gave people time to adjust to this new reality," he said. Under the change, people can still begin claiming Social Security at 62, but they now get just 70 percent of their full benefits, rather than the 80 percent rate that was previously in place, Johnson noted.

There are significant issues with each of the basic political approaches to fixing the system's solvency, he said. Democrats' favored tactic of boosting the maximum income subject to FICA taxes wouldn't do enough to cover the shortfall because not enough people earn above the current level of $168,600, particularly with Biden's promise on taxes, he said.

And raising the retirement age to account for increasing life expectancy is problematic, as gains in longevity have predominantly occurred among the wealthy. Even now, some people have difficulty making it to 62 before starting to claim Social Security because of health problems – and getting on disability in the interim is difficult, Johnson said.

"This change would exacerbate inequality at older ages," he said. "Republicans want to redefine what it means to be old."

LONGEVITY, BIRTH RATES, AND IMMIGRATION

In March, BlackRock CEO Larry Fink focused on the idea of rethinking retirement in his annual letter to shareholders, explaining that the US system is under strain.

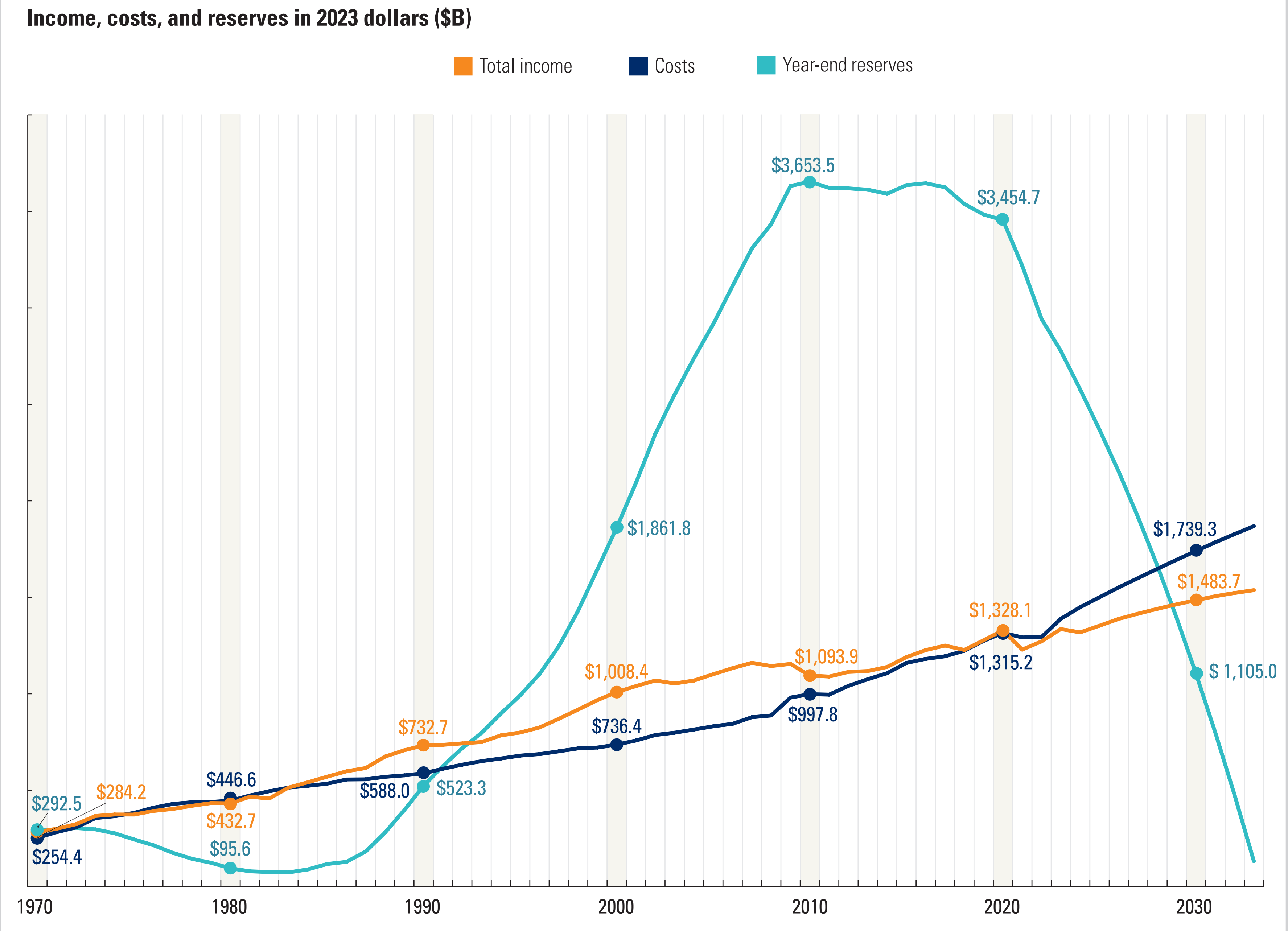
"No one should have to work longer than they want to," Fink wrote. "But I do think it's a bit crazy that our anchor idea for the right retirement age – 65 years old – originates from the time of the Ottoman Empire."

Even so, Social Security's funding issues have more to do with declining birth rates than increasing lifespans, Morrissey said. To a smaller extent, the problem is also a result of the share of total income subject to FICA taxes, as total wages above the taxable limit have increased, she noted.

Another approach that could help the system's funding – but would almost certainly be unpopular with Republicans and some Democrats – is increasing immigration, Morrissey said. That, along with programs that support working parents, such as subsidized childcare, could have the effect of shoring up the system, she said.

"Population growth is hugely beneficial to Social Security," she said. "Immigrants more than pay for themselves."

ASSETS IN OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE TRUST FUNDS



Source: Social Security Administration
Data from 2023 on use the administration's intermediate assumptions

Since 1983, average life expectancy has increased by about seven years, and raising the retirement age to 69 by 2033 would effectively overcorrect for the decrease in the ratio of working years to retirement years, she said.

EXPANDING BENEFITS

Even in 1983, the proposal to cut benefits through an increase in Social Security's retirement age didn't take into account that many people would soon be losing access to pension plans, which have since been replaced by defined-contribution plans like 401(k)s, Morrissey said. That trend, combined with cuts to Social Security benefits, could leave people less well-off financially in retirement, she said.

"I don't think it's enough to pay for the benefits that were promised – I think we also need to expand benefits," Morrissey said.

"No one should have to work longer than they want to. But I do think it's a bit crazy that our anchor idea for the right retirement age – 65 years old – originates from the time of the Ottoman Empire"

LARRY FINK, BLACKROCK

Although the Social Security system has never been unable to pay benefits in its 85-year history, people could start to lose faith in it as the insolvency date nears without a viable fix, Franklin said.

Wealthier people have the luxury of being able to tap payments sooner than full retirement age, and there seems to be more interest in claiming sooner, given doubts about whether funds will be available in the future, she said.

"People who are taking it early out of fear – it's like cashing in your portfolio in a down market," she said.

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InvestmentNews

2024 CALENDAR OF EVENTS

Take a look at our calendar of events and make sure not to miss out on any!

InvestmentNews RIA ACTIVATE NEW YORK

APRIL 16, 2024 | CONRAD NEW YORK DOWNTOWN

InvestmentNews women advisor summit CHICAGO

MAY 23, 2024 | JW MARRIOTT CHICAGO

INA INVESTMENTNEWS AWARDS 24

JUNE 20, 2024 | 583 PARK AVENUE, NEW YORK

InvestmentNews RETIREMENT INCOME SUMMIT

OCTOBER 2024 | CHICAGO

InvestmentNews women advisor summit NEW YORK

NOVEMBER 6, 2024 | TRIBECA 360, NEW YORK

InvestmentNews WOMEN to WATCH

NOVEMBER 6, 2024 | TRIBECA 360, NEW YORK

InvestmentNews RIA ACTIVATE CALIFORNIA

NOVEMBER 12, 2024 | MANCHESTER GRAND HYATT, SAN DIEGO

InvestmentNews RIA LABS

VIRTUAL EVENTS

- **CUSTODY ALTERNATIVES** – JUNE 25, 2024
- **PRACTICE VALUATION** – SEPTEMBER 24, 2024
- **DIRECT INDEXING** – DECEMBER 10, 2024

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KEEPING FAMILIES TOGETHER

Psychological aspect of wealth transfer is just as important as the financial aspect, if not more so, advisor says

BY EMILY DOUGLAS

Dealing with multigenerational wealth can be a tricky business for even the most seasoned investor. Understanding the key components that make up each family, what's important to them, and their ultimate goals, and then crafting a unique strategy that aligns with them, is more complicated than it sounds.

For Diane Compardo, founding partner of Compardo Wienstroer & Janes at Moneta, it's all in a day's work. She explains that the process begins with recognizing that every family is different – that's the most important part.

"I always say if you've seen one family office client, then you've only seen one family office client – because they're different in so many ways. I think we do a great job of trying to understand that keeping the family together is just as important as transferring the wealth. It takes a lot of understanding of what those clients' visions and missions are, what kind of legacy they want to leave, and what concerns they have. [Then it's about] sitting back, listening, and making sure we're addressing all of those [concerns]."

And this doesn't just include financial concerns – it's an inherently emotional process, too.

"This can include psychological [concerns] – it's making sure that we serve as that cornerstone for the family, as their first point of contact for anything even well beyond the financial side of things."

Staying ahead of industry changes is also a core component at Moneta – something that Compardo and her team pride themselves on. In past years, she's witnessed significant industry shifts, especially in client expectations and the sector's emphasis on serving as a fiduciary. Because, as Compardo explains, a few years ago the concept of a fiduciary, someone who acts with no conflicts of interest and always places clients' interests first, wasn't as widely recognized as it is today.

"Our business, in general, has evolved to where clients are expecting more – they're expecting a more holistic approach," she adds. "I've always served in a fiduciary capacity for clients, which means we have no conflict of interest whatsoever. So I can be on the same side of the table with the client. I think awareness around that has become very prominent. Ten years ago, I could have said 'fiduciary,' and a client wouldn't have known that word – so that's changed."

These changes have also affected the multigenerational wealth sector – with client expectations becoming deeper and more intrinsic.

"They simply want support in a lot of different ways," Compardo said. "Some of our industry might [think] the family office side is just a slightly higher level than somebody

> **"I always say if you've seen one family office client, then you've only seen one family office client – because they're different in so many ways"**
>
> Diane Compardo, Compardo Wienstroer & Janes, Moneta

who doesn't sit in this space. But I believe the support around it is much more complex than that. Again, it's leaning back to not just the financial aspects but a lot of the emotional things. I think the struggle they have is families want to stay together – it's not just the money that binds them. It has to be the communication and the continued trust among the generations – understanding the patriarch and matriarch, where the money came from, and how they want to see it evolve."

Looking at further industry changes and challenges, Compardo cites the rise of the conflict-free, fee-only model.

"It's a really big trend," she says. "We're seeing movement to the registered investment advisor industry at greater levels than we've seen in the past because it's a model that can provide a conflict-free structure, which a lot of clients are seeking today."

Another trend Compardo points to is the emphasis on holistic planning, which involves providing clients with comprehensive resources for all their financial needs. And she cites the need to support clients in an age of data overload and rising tech.

"There's a lot of information out there today," Compardo said. "Our clients lean on us to help them decipher that. From AI to robo-advisors, [clients] are inundated with financial information, [so they] still need that touch point. I usually self-diagnose, but I still go to my doctor. It's no different in the financial world because information can be so vast – it can lead you in so many different directions – so you still need that cornerstone of a person to actually decipher and interpret [the data]."

Furthermore, the impending generational wealth transfer has prompted a focus on educating the younger generation about financial management. Compardo and her colleagues at Moneta are dedicated to ensuring that children and young adults receive the support they need to make informed financial decisions early in life.

"We're seeing a lot of emphasis on making sure that kids have support for learning at all levels," she tells *InvestmentNews*. "We're being mindful to build that out, making sure that we're reaching the kids very early in their life – giving them the support they need to make better financial decisions or whatever other decisions [down the line]."

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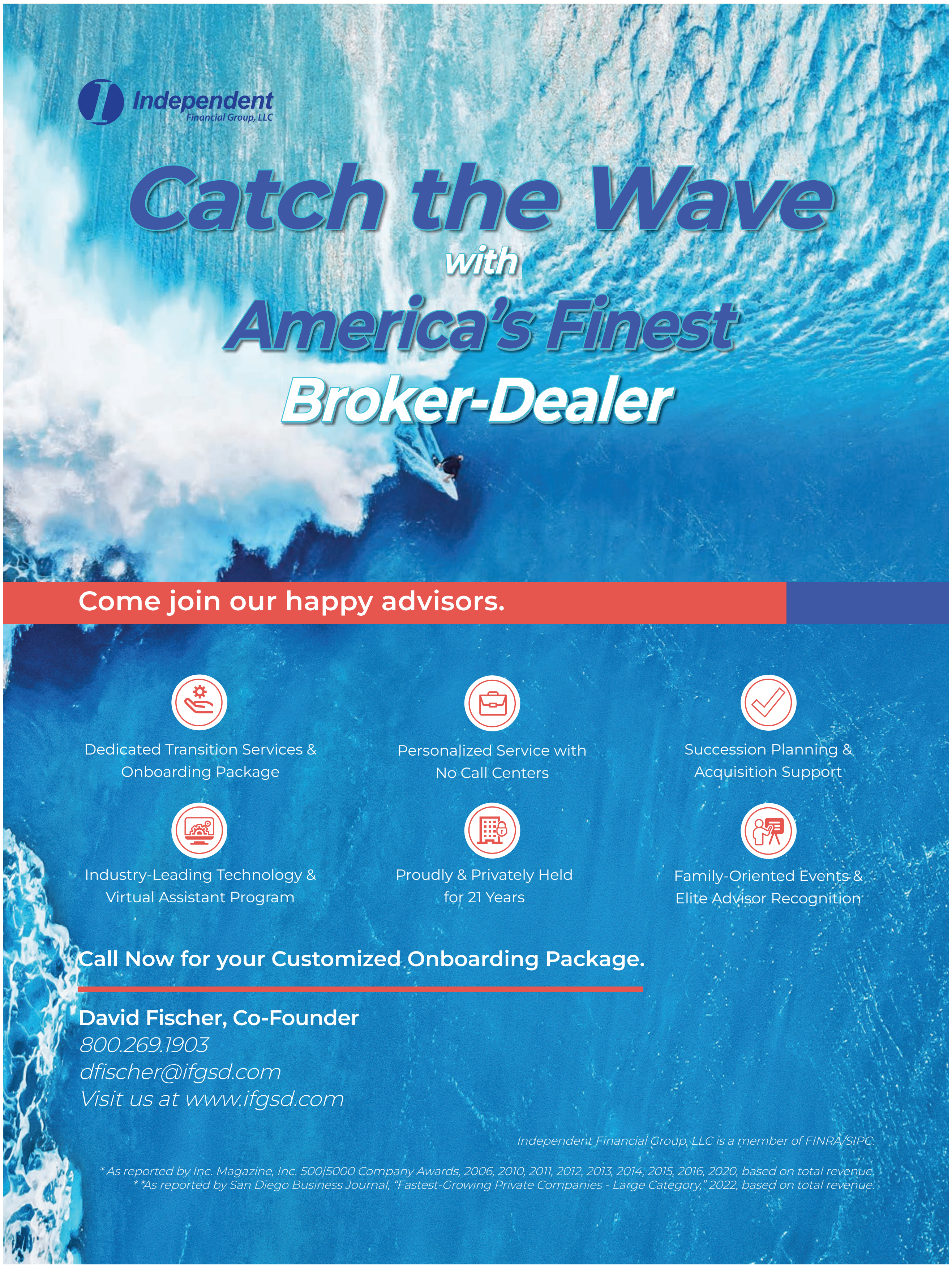
"Our business, in general, has evolved to where clients are expecting more – they're expecting a more holistic approach"

Diane Compardo, Compardo Wienstroer & Janes, Moneta



Reining in regulation by enforcement

OPINION
DALE BROWN

At the Financial Services Institute, our mission is to create a fair, business-friendly regulatory environment for our members. At the heart of it is preserving Main Street Americans' access to affordable, professional financial advice, products, and services.

Indeed, our financial advisor and firm members primarily serve clients whose main objectives are not to buy a yacht or join another country club but to save for a dignified retirement and plan for major life events.

ROLE OF STAKEHOLDER ENGAGEMENT IN RULEMAKING

So when we engage in the rulemaking process, it's not because we're predisposed to think that all new rules are bad. Instead, it's to make sure rules achieve their objective without detrimental unintended consequences.

Do they provide meaningful protections? Do they maintain investor access to financial advice? Do they treat different business models with deference? These are the questions we think about when we engage regulators and provide them with feedback.

Frankly, those are the types of questions regulators need to hear. When experts weigh in on proposals and offer workable suggestions, their insights help to ensure that whatever comes of them affects markets and investors positively.

That's why regulation by enforcement is so troubling: It circumvents the formal rulemaking process, denying industry stakeholders the opportunity to lend expertise and provide valuable perspectives. The practice has become so troublesome that we developed a white paper about it.

What is regulation by enforcement? At a basic level, it's an enforcement action penalizing conduct that advisors or other market participants did not previously realize violated federal securities laws, despite their reasonable efforts to understand these laws.

THE HARM DONE

Regulation by enforcement is harmful in a variety of ways. For one, it is fundamentally unjust. In our democracy, no one should be subject to government enforcement action without prior – and fair – notice of the standards, rules, or laws that form the basis of an alleged violation.

Second, it sometimes yields unintended consequences. A big issue with de facto laws in our industry is that they ignore a crucial part of the rulemaking process: public feedback. Without that, it's far more likely that a new standard set by enforcement will result in actions that cause harm to the investing community, like higher fees for products and services.

Third, the practice weakens the public's trust. It's pretty simple: The Securities and Exchange Commission undermines its own mission and credibility with the investing public when it doesn't properly engage with stakeholders.

A big issue with de facto laws in our industry is that they ignore a crucial part of the rulemaking process: public feedback

CONSISTENT AND PREDICTABLE RULES

The financial services sector doesn't just benefit from consistent and predictable rules – the industry needs them to operate properly and best serve Main Street investors. Yet, the SEC has, at times, used enforcement actions to establish new regulatory requirements or fine-tune existing ones, leaving firms and advisors guessing.

Perhaps the most egregious example is the SEC's Share Class Selection Disclosure Initiative, launched in 2018. As we point out in our white paper, "[With] the benefit of hindsight and after over a hundred enforcement actions," it's become clear that the SCSDI has produced a "de facto regulatory presumption against the use of mutual fund A share classes and 12b-1 fees."

The presumption is so strong, in fact, that it can "only rarely be cured through disclosure and has essentially become a rule, though with no notice or comment or any other opportunities for industry input."

In light of this – and other examples of regulatory overreach – we're calling on the SEC to adopt a procedural framework to detect and prevent certain unfair enforcement practices. In our white paper, we've laid out several concrete procedures:

- Factors the commission and its staff should consider before any novel enforcement action, such as evidence of prior notice, reasonable alternatives to enforcement action, and the extent of inaction by commission staff despite awareness of the issue
- Discussion of these factors in recommendation or advice memos from the enforcement division to the commission
- Transparency on such deliberation, including references in public releases and public announcements on prior notices regarding the potential of such novel enforcement actions
- Incorporation of these procedures into the SEC enforcement manual
- Periodic fairness audits by the office of the inspector general to ensure compliance with such procedures

None of the above should be controversial. Nor should any of the procedures be difficult to adopt, because the SEC already has the proper infrastructure to do so. And doing so would promote investor protection while creating a healthier, fairer regulatory environment for the industry – an outcome that benefits everyone, including the commission itself.

Dale Brown is president and CEO of the Financial Services Institute.

InvestmentNews

InvestmentNews' Special Reports provide an expert-collated resource for the industry when looking for best-in-class partners and the most revered service providers.

The Special Reports also provide an opportunity to honor the top companies and individuals in the industry for their hard work and commitment to innovation. In 2024, *InvestmentNews* will produce a comprehensive portfolio of Special Reports covering a plethora of topics and agendas that are top of mind for professionals and most pertinent to the industry.

- 5-Star Advisor Network
- 5-Star CRM Platforms
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- 5-Star Research Platforms
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- Fastest-growing RIAs
- Hot List
- Largest Broker-Dealers
- Rising Stars
- Top Advisors
- Top-paying Broker-Dealers
- Top Recruiters
- Top Regional RIAs

If you would like further details on how to be involved, please get in touch via email at **sophia.egho@keymedia.com.**

Industry

EP Wealth snaps up $1.2B California practice

RIA EP WEALTH ADVISORS broadened its footprint in California with the acquisition of Wacker Wealth Partners. This extends EP Wealth's reach into the state's Central Coast region and augments its assets under management by nearly $1.2 billion.

Based in San Luis Obispo, Wacker Wealth Partners has been a steadfast fiduciary for its diverse clients for over 35 years, committed to assisting them in achieving their long-term financial goals.

The firm is recognized for its deep-rooted client relationships and understanding of client priorities, which EP Wealth sees as a natural fit for its own client-centered approach.

AlTi strikes deal for $5.6B East End Advisors

ALTI GLOBAL, a wealth and alternatives manager, announced that it's acquiring independent advisory firm East End Advisors, which manages approximately $5.6 billion in assets for upper-high-net-worth families and foundations.

This move, valued at approximately $76 million initially, with potential additional payments based on performance, marks a significant expansion of AlTi's ultra-high-net-worth wealth management and strategic alternatives business.

The deal for New York City-based East End Advisors is poised to deepen AlTi's foothold in vital US family office hubs.

"We are excited to have them join the AlTi ecosystem," Michael Tiedemann, CEO of AlTi Tiedemann Global, said in a statement.

FOCUS

Changing the narrative for women in wealth

AS A LEADING voice for women in wealth management, Hilary Hendershott, founder of Indiana-based Hendershott Wealth Management, is dedicated to changing the status quo in the finance world – because when she first started working at her father's firm, all she saw was the same character on repeat.

"My colleagues are all [my father's] colleagues, so, old white men," she says. "I'd look around me and that's all I saw. I was thinking to myself on a continuous basis, who is going to hire me? What wealthy person is going to trust me [if I'm] the wrong gender and the wrong age?"

Hendershott had a pivotal moment when she realized that actually, some women prefer dealing with women. However, she still had doubts.

"I had had my male colleagues ask me [whether] my father lets me talk to clients. Or assume I'm probably doing the marketing for the firm."

These dismissive comments had Hendershott concerned, wondering how comfortable female clients might feel, too. It soon became clear, however, that her instincts were correct.

"It was one of those moments you can't turn back from because I saw something that I had never seen before. And then, of course, I could never unsee it. After that moment, my business exploded like mushrooms in terms of women reaching out to work with me. That's how I really decided to [form a] niche working with women and how I created that voice."

According to research from McKinsey, women's financial assets are expected to grow by 8.1 percent by 2030, while men's are only projected to rise by 2.7 percent. What's more, by 2030, women's share of investments is expected to reach a total of $10 trillion – or 45 percent of AUM. However, that's not a reason to take our foot off the pedal just yet.

"I always say that wealth-building

Creative Planning lands $2.2B wealth powerhouse

RIA CREATIVE PLANNING is getting bigger in Central Texas as it incorporates a multibillion-dollar practice, ML&R Wealth Management, a financial advisory firm that's been operating for more than 25 years, with locations in Austin and Round Rock.

The strategic move, completed last Monday, brings ML&R's $2.2 billion in assets under management and team of 18 into Creative Planning's portfolio.

"We are pleased to welcome ML&R Wealth Management and their expert team into the Creative Planning fold," said Peter Mallouk, Creative Planning's chief executive.

Mallouk praised ML&R's strong community engagement and reputation in Central Texas as pivotal for individuals and businesses planning for a financially secure future.

Former AssetMark CEO Ahluwalia joins Hightower as president

THERE'S A new face and title at Hightower Advisors. According to Hightower's recent Form ADV filing with the SEC, the $131 billion RIA appointed Gurinder Ahluwalia as president, a new position, effective this month.

Bob Oros, chairman and CEO of Hightower, believes that by adding Ahluwalia as president, and Michael DiBiasio as chief operating officer, Hightower is supporting the structure of growth "by adding talented leaders who can support our business and client objectives."

"At the same time, [we're] ensuring that we can continue to drive momentum for our advisors in a way that is proactive and scalable," Oros added in a statement provided to *InvestmentNews*.

"I always say that wealth-building is the final frontier of feminism"

HILARY HENDERSHOTT, HENDERSHOTT WEALTH MANAGEMENT

is the final frontier of feminism," Hendershott says. "Women have made gains in terms of sharing household roles, in terms of being present in the boardroom, [and] we're in the executive suite. And yet when I meet with women, a lot of times I find a fear, an avoidance. Am I actually going to put money in accounts titled to my name, and those accounts are going to grow exponentially?

"Because we fear it's not feminine, we fear [men] won't be attracted to us.… And so we grapple with all of that with our clients. I tend to attract clients in a marital couple for whom the woman is making some of the financial decisions. It spans the gamut. Some women are very matter-of-fact about money; some women are very committed to wealth-building, too. I have seen a willingness for women to engage in these conversations [compared] to when I started in the business in 1999."

Wells Fargo Advisors continues management overhaul

WELLS FARGO ADVISORS continues to reshuffle its lineup of senior executives as it focuses on growth in its independent broker and registered investment advisor businesses.

Last month, the wirehouse said 36-year veteran Mike Carroll was retiring as head of the Northeast division and was being replaced by Barry Simmons, who has been head of national sales for less than a year.

James Craven will replace Simmons as leader of national sales, which puts him in charge of recruiting at the wirehouse, which has close to 11,000 advisors.

"Carroll was a regional manager, and I thought he was very well-respected at the firm," said one Wells Fargo insider who spoke anonymously.

Focus chugs along with hub merger strategy

FOCUS FINANCIAL made progress in its ongoing hub strategy with another merger of wealth firms within its partner network.

It announced that Focus partner firm Strategic Wealth Partners Group is set to merge with Kovitz Investment Group Partners, one of the fiduciary wealth network's hub firms. The merger is expected to be finalized in the second quarter.

Located in Deerfield, Illinois, Strategic Wealth Partners delivers comprehensive wealth strategies, independent guidance, and bespoke services to affluent individuals, families, and retirement plan sponsors.

The consolidation is expected to result in a merged entity commanding over $14.5 billion in managed assets.

Omaha senior loses thousands to Dave Ramsey impostor

AN OMAHA retiree suffered a major financial loss after being baited into a scam that used a fake association with Dave Ramsey, the popular financial advice show host.

Ellen Graham, a 72-year-old living on a fixed income in a subsidized apartment, sought to enhance her finances by following what she believed was guidance from Dave Ramsey, a figure she trusted.

Unfortunately, her attempt to invest $2,000 turned out to be a bitcoin scam, orchestrated through a website designed to mirror Ramsey's official platform.

"This is the phone one but it's showing the real Dave Ramsey," Graham told 6 News on Omaha TV station WOWT, which first reported the story.

UBS boss gets $16M but bonuses are cut for traders

UBS GROUP cut its bonus pool for 2023 by 14 percent after a tougher year for dealmakers and traders, while elevating CEO Sergio Ermotti to the rank of best-paid European bank boss.

Ermotti received 14.4 million Swiss francs ($15.9 million) in compensation for his first nine months on the job, UBS said in its annual report.

UBS brought Ermotti back as CEO last April to oversee the government-brokered rescue of Credit Suisse and the multiyear integration of the bank's former rival. UBS posted a loss in the second half of 2023 and has warned that 2024 will be tougher as more complex integration occurs.

Regulation

AI is facilitating financial fraud, Treasury warns

ARTIFICIAL INTELLIGENCE is making it easier for fraudsters to carry out more sophisticated attacks on financial firms, the Treasury Department said in a report.

Recent advances in AI mean criminals can more realistically mimic voice or video to impersonate customers at financial institutions and access accounts, the agency wrote. The technology advances also allow bad actors to craft increasingly sophisticated email phishing attacks with better formatting and fewer typos, according to Treasury.

"Artificial intelligence is redefining cybersecurity and fraud in the financial services sector," Nellie Liang, undersecretary for domestic finance, said in a statement accompanying the report.

Repeat flubs at Stifel over complex products: Finra

ALMOST A decade after paying $1 million in penalties for similar violations, Stifel Financial broker-dealers agreed to fines and restitution of almost $3 million as a result of shortcomings in supervision and compliance related to financial advisors' sales of non-traditional exchange-traded funds and products.

According to the order issued March 25 by the Financial Industry Regulatory Authority, two Stifel broker-dealers – Stifel Nicolaus & Co., the employee firm, and Stifel Independent Advisors, for independent contractor reps – were penalized in 2014 and agreed to make changes in their sales of the products, but didn't meet their obligations.

The firms fell short of their goals just months after the initial penalty in January 2014, according to Finra.

FOCUS

SEC hammers Commonwealth with $93 million in penalties over revenue sharing

OVER THE Easter weekend, Commonwealth Financial Network was hit with a stunning $93 million judgment in its five-year legal battle with the Securities and Exchange Commission, which had alleged in 2019 that the firm, in its role as a registered investment advisor, from July 2014 through December 2018 failed to disclose material conflicts of interest related to certain revenue-sharing agreements with its clearing firm.

The SEC claimed Commonwealth had breached its fiduciary duty by failing to tell clients that they could have invested in less-expensive share classes of funds.

It's highly unusual in the securities industry for a broker-dealer to put up such resistance to a regulator like the SEC; many senior executives fear any potential backlash from a regulator.

Commonwealth Financial Network is a leading independent broker-dealer and RIA, with 2,200 financial advisors across its platform and $296 billion in client assets. The firm was preparing to take a financial hit over the matter; at the end of February, it said in an SEC filing that it

Bankman-Fried gets 25 years in prison for FTX fraud

FTX CO-FOUNDER Sam Bankman-Fried was sentenced to 25 years in prison for stealing billions of dollars from customers, marking the final chapter in a case that has both captivated and overshadowed the crypto industry.

District Judge Lewis A. Kaplan delivered the sentence in federal court in Manhattan moments after Bankman-Fried said he was "sorry about what happened at every stage." He faced as long as 110 years behind bars after being convicted last year of seven offenses, including fraud and conspiracy.

The one-time billionaire became a symbol of malfeasance and greed in the crypto world after his hugely popular FTX exchange collapsed, exposing a years-long fraud.

ARA, Ceres throw support behind DOL ESG rule for 401(k)s

THE AMERICAN RETIREMENT ASSOCIATION and Ceres are supporting a DOL rule that allows retirement plan fiduciaries, including those overseeing 401(k)s, to consider ESG factors in investment decisions.

In a legal brief filed at the Fifth Circuit Court of Appeals, the two nonprofits called for the continued application of a Department of Labor rule introduced in January 2023 that guides fiduciaries in including ESG factors in their decision-making, aligning with a broader industry trend toward sustainable investing.

The rule met legal opposition in the Northern District of Texas, but that challenge was shot down with a decision in favor of the regulation. That ruling is now under review in the appellate court.

could see a fine and loss of between $5 million and $24 million as a result of the SEC's complaint.

According to the court filing Friday, Commonwealth is liable for disgorgement of $65.6 million, interest of $21.2 million, and a civil penalty of $6.5 million. That totals $93.3 million, and the firm has 30 days to move the funds to the SEC, according to the filing.

with its clearing firm, National Financial Services, to receive portions of the fees received by NFS's "no transaction fee" and "transaction fee" programs, according to the court order, which was signed by Indira Talwani, US District Judge for the District of Massachusetts.

According to Talwani, the SEC also alleged that "the mutual fund shares for which Commonwealth received

"Commonwealth is very disappointed in the ruling, and we are exploring all options to continue to defend our position in the legal system"

WAYNE BLOOM, COMMONWEALTH FINANCIAL NETWORK

The penalty represents in the neighborhood of one or two years of net income for the firm. Commonwealth's net income was close to $56.5 million in 2014, according to the court order, and $119.4 million in 2018.

"Commonwealth is very disappointed in the ruling, and we are exploring all options to continue to defend our position in the legal system," the firm's CEO, Wayne Bloom, wrote in an email to *InvestmentNews*.

The crux of the SEC's allegation was that Commonwealth had agreements

those fees were sometimes more expensive for clients than shares of the same funds that did not generate fees for Commonwealth," and that "Commonwealth knew of the lower-cost alternatives to these share classes, their availability to clients, and that those lower-cost alternatives would generate less or no revenue for Commonwealth."

The SEC also charged that "Commonwealth failed to make robust disclosures regarding the revenue it generated from the higher-cost shares," according to the order.

Elderly client suing JPMorgan faces court setback

THE FAMILY of an elderly JPMorgan Chase client who lost tens of millions of dollars on investments as he slid into dementia faces a major setback in their years-long legal battle with the bank, after a magistrate judge recommended their case be thrown out.

Peter Doelger, 86, and his wife, Yoon, sued JPMorgan in federal court in Boston over investments that they allege never should have been allowed and that ended up wiping out much of a fortune once pegged at more than $50 million. They claim Peter had started exhibiting signs of dementia by the time he signed a document in 2015 absolving the bank of any liability for complex, risky bets in his portfolio.

SEC tightens rules on robo-advisor registration

THE SECURITIES AND EXCHANGE COMMISSION is closing a loophole that let some advisors register with the federal regulator as RINOs – robo-advisors in name only – by amending an old rule.

The SEC updated its registration requirements for internet-based investment advisers, aiming to fill decades-old gaps in the regulatory framework and enhance investor protection in the digital world.

The revamp, handed down in late March, aims to fill gaps that have emerged from a decades-old rule, the Internet Advisers Exemption, which governed whether online investment advisers should register with the federal watchdog or the state in which they have a local presence.

DOL limits companies with foreign convictions from managing 401(k) assets

LIFE JUST got more complicated for some asset managers that oversee retirement plan investments, as a change last Tuesday by the DOL restricts an exemption many have relied upon.

Most notably, the Department of Labor amended its qualified professional asset manager, or QPAM, exemption to clarify that individuals and companies with foreign convictions for serious financial crimes aren't eligible for it. Such crimes include fraud, tax evasion, extortion, embezzlement, or misappropriation of funds. Asset managers rely on being QPAMs to distribute funds in retirement plans.

To the chagrin of some companies with international footprints, the limitation on the exemption applies regardless of whether an affiliate or the corporate parent was convicted.

Will Wall Street banks avoid tough new climate-risk rules?

US REGULATORS, led by the Federal Reserve, have thwarted a push to make climate risk a focus of global financial rules, according to people familiar with the matter.

European central bankers have been advocating for the Basel Committee on Banking Supervision to require lenders to

disclose their strategies for meeting green commitments. In closed-door meetings, US officials cited their narrow mandate and concerns that the Basel Committee was overstepping its purpose, some of the people said.

The rift at the committee has been particularly pronounced between some officials at the Fed and the European Central Bank, which has been a strong supporter of more stringent climate requirements, the people said.

Retirement

Healthcare costs trump retirees' other concerns

WHILE RETIREES are concerned about exhausting their savings and the impact of inflation, anxiety over healthcare expenses weighs heaviest on their minds, according to a new survey by eHealth, an online health insurance marketplace.

The research it conducted with Retirable sheds fresh light on the challenges faced by Americans ages 60 to 70 as they navigate the collision of healthcare and financial planning in their retirement years.

According to the joint study, which surveyed more than 520 individuals, 63 percent ranked healthcare costs as their top concern in retirement, which trumped running out of money (58 percent) and inflation (53 percent).

CalPERS taps New Zealander as new CIO for $495B fund

STEPHEN GILMORE oversaw some of pension investing's best returns at his country's sovereign wealth fund. He's now taking one of the industry's hardest jobs: reviving the fortunes of the much bigger California Public Employees' Retirement System.

Gilmore, a New Zealand-born economist and investment strategist who has spent most of his 40-year career abroad, will start at CalPERS in July, becoming its fifth chief investment officer since 2009. The largest US pension system, with about $495 billion under management, is trying to snap a long spell of lackluster returns. His predecessor left CalPERS in September after just 18 months on the job.

AllianceBernstein 401(k) lawsuit booted

ALLIANCEBERNSTEIN defeated a lawsuit over the use of its own products in the company's $1.3 billion 401(k), and the result has lessons for other plan sponsors.

On March 25, the US District Court for the Southern District of New York dismissed the plaintiffs' claims without prejudice, meaning that they can file an amended complaint to address the legal shortcomings within 30 days.

The lawsuit, which was filed in 2022, failed to show that the asset manager could have breached its duties of prudence and loyalty, and it did not successfully allege any prohibited transactions, the court stated.

FOCUS

How clients can retire while they work

AT ADAMS WEALTH PARTNERS, founder David Adams has a unique approach to retirement planning – something he calls "Retire While You Work." He says this novel approach to wealth management helps his clients start living their best lives while they still can.

"Most people nowadays are looking at ways to not retire but to spend more time doing things they love with people they love"

DAVID ADAMS, ADAMS WEALTH PARTNERS

"So many people in my parents' generation work themselves to death," Adams says. "They get to 65, have a couple of million dollars saved and suddenly think it's time to retire. But a lot of times, unfortunately, they're then hit with poor health or they find they don't actually have any hobbies. So, they end up just going back to work – they don't get a chance to enjoy their money."

This startling observation led Adams to question the typical life plan that prioritizes work over well-being. And his philosophy is not just theoretical; it's deeply personal – rooted in his father's story, which he explores in his book, *The Currency of Time*.

"The book details a whole retirement strategy where we find time in our 30s, 40s, and 50s to retire a little bit more each year. That means saving money in a way that allows you to take more time off – so you eventually get to your 50s, and you're able to move to a passion project. Maybe you wanted to open a

Overfunded pension plans like Kodak's pose $137B opportunity

INSIDE EASTMAN KODAK, the once-iconic camera maker, a small pension investment team reaped such large gains in recent years that they windfalled themselves out of a job.

The group, managing retirement assets for more than 37,000 people, poured money into hedge funds and private equity, and turned a $255 million deficit into a $1.1 billion surplus.

That represents a potential fortune for a company that spent the past decade stumbling to find a post-bankruptcy direction. Last month, Kodak said it was moving management of the pension to an outside firm while it weighed how best to utilize the extra assets, which amount to almost triple the company's market value.

DAVID ADAMS

yoga studio, or you have a dream to launch a new restaurant – you're able to then do that."

Adams' philosophy is backed by studies suggesting that people who engage in work they love tend to lead longer, healthier lives. According to research from the University of Michigan, published in the *Journal of the American Medical Association*, working and living with a sense of purpose and meaning led to people actually living longer.

"You don't necessarily need $5 million saved up because you're staying active, you're healthier, you're enjoying what you're doing and continuing to gain an income," Adams says. "The word 'retirement,' the way our industry explained it when I started my career, is an antiquated term. Most people nowadays are looking at ways to not retire but to spend more time doing things they love with people they love."

This holistic approach to financial planning is something that emanates throughout the DNA of Nashville, Tennessee-based Adams Wealth Partners. Adams believes that when an advisor focuses on only one aspect of portfolio management without understanding a client's unique cash-flow needs, retirement date, and different life events, it's really doing them a disservice. Instead, customizing financial plans to fit the individual needs of clients is where Adams' expertise shines, and is the future of the sector at large.

"You have to have a team that's nimble, holistic, can offer all of those services and not operate in a silo," he adds.

HSAs as investments on the rise, but use still low

HEALTH SAVINGS accounts are a favorite among financial advisors, but recent research reinforces that HSAs are largely used like checking accounts, and assets are sparingly invested.

That, according to new data from the Employee Benefit Research Institute, indicates that few people are taking full advantage of the "triple tax benefits" of HSAs. For those accounts, there are no taxes on contributions, appreciation, or withdrawals for eligible expenses.

While the general guidance is for people to invest HSA assets and leave the funds untouched until retirement, that isn't necessarily appropriate for everyone, particularly for those who may not have the cash to pay for medical expenses out of pocket, says Jake Spiegel, research associate at EBRI.

Gender gap extends to retirement savers: Nationwide

THERE'S A notable gender gap in retirement confidence and readiness among US workers, particularly as an increasing number reach the age of 65, according to a recent survey conducted by the Nationwide Retirement Institute.

The survey of 1,200 participants in employer-sponsored retirement plans found marked disparities in how men and women view and manage their retirement savings.

While one-quarter (23 percent) of women polled believe they're not on the right track for retirement, that concern was less prevalent among male participants (15 percent). Similarly, 41 percent of women have either a negative or neutral outlook on their retirement planning, compared to 29 percent of men.

Washington governor signs auto-IRA legislation

THE MOVEMENT to adopt state auto-IRAs took another step forward with new legislation in Washington. In late March, governor Jay Inslee signed a landmark law to introduce automatic individual retirement accounts for individuals lacking employer-sponsored retirement plans.

Senate Bill 6069, named Washington Saves, was propelled forward by state treasurer Mike Pellicciotti, along with senator Mark Mullet and representative Kristine Reeves, to mitigate the emerging retirement savings crisis.

"Washington Saves will be a cornerstone for wealth building and the long-term financial health for generations of Washingtonians to come," Pellicciotti said in a statement, emphasizing the program's role in reinforcing economic security and dignity in retirement.

WealthVest adds new wholesale team

WEALTHVEST HAS deployed a new nationwide distribution team to focus on its partnership with life insurance and annuities firm Aspida.

The wholesaling firm offers the Aspida Wealthlock suite of annuities, available in 49 states, to broker-dealers and financial institutions. The team of three regional vice presidents, each with years of experience in the retirement planning industry, will provide a direct line to Aspida in their respective territories.

The products include several strategy options, competitive rates across several guarantee periods, and options for penalty-free withdrawals, a nursing home waiver, a terminal illness waiver, a death benefit, and more.

When does proprietary tech make sense for RIAs?

WHILE LARGER registered investment advisory firms might be able to muster the financial firepower to create their own in-house wealth technology platforms, cost isn't the only factor to consider when going the DIY route.

That's one of the main takeaways from a report wealthtech consultancy F2 Strategy published in collaboration with Dynasty Financial Partners.

According to the report, smaller breakaway practices – those that haven't broken the $2 billion AUM barrier – will find installing a technology solution akin to Dynasty's cost-prohibitive, as the initial investment, ongoing vendor management, and talent acquisition make it a "financially unfeasible" proposition.

Elements woos fee-only advisors with XYPN tie-up

ELEMENTS IS expanding its presence among fee-only financial planners through a new partnership with XY Planning Network, the independent advice and planning platform co-founded by Michael Kitces.

The collaboration promises to extend the reach and efficiency of more than 1,800 independent financial planners affiliated with XYPN by offering them access to Elements' financial diagnostics technology at reduced rates.

Acknowledging the diverse needs of advisors at different stages of their careers, the partnership introduces a flexible pricing model, with complimentary access for new entrants, scaled discounts for more established planning organizations, and the option for members to enter into month-to-month contracts to access Elements' software.

FOCUS

Leveraging real-time insights for business owners

WITHIN THE wealth management industry, a holistic approach is gaining prominence. Over the last decade, advisors have moved toward a more comprehensive understanding of their clients' financial landscapes and away from one-size-fits-all approaches to wealth management.

Mike Boroughs, managing partner at Fortis Capital Management in Bellevue, Washington, says that for a long time the industry was plagued with myopia, with advisors focused narrowly on investment accounts and looking at nothing else.

Now the times are a-changing.

"I think the industry is [becoming] more and more holistic, which is awesome. And so, as we integrate that approach with business owners and founders, a big piece of it is understanding their business, its impact on their net worth, and helping them make real-time decisions about their business more effectively," he says.

> 'When it comes to making decisions about your business, having custom reporting and real-time data is so important"
>
> MIKE BOROUGHS, FORTIS CAPITAL MANAGEMENT

As an example, Boroughs cites a business owner who's also a contractor. They build custom homes and just landed a really big contract. While they were in negotiations, they wanted to be able to make real-time decisions in terms of concessions – either through Zoom or Teams or even a phone call – to

RIAs are becoming 'common knowledge'

WOMEN'S HISTORY MONTH may have come to an end, but female advisors will continue to reflect on their time in the industry and the legacy they will leave. Naoko McKelvey is no exception.

In her 22 years in the industry, McKelvey, senior financial advisor at Blue Chip Partners, a Michigan-based independent firm, has found her calling: working with small businesses and families.

McKelvey has also noticed that registered investment advisory firms are becoming "common knowledge" among clients. "For new clients and prospects who are coming onboard, they are already knowledgeable about that, or they've already had an experience with another RIA firm," she says.

Advisors can serve as doctors' 'objective voice'

LAUREN OSCHMAN, partner and CEO of independent firm Vestia, says her personal background led her to her niche of serving doctors, a background "that would be really hard to recreate as an outsider coming in."

Oschman reflected on her personal relationship with one doctor, her father, who's an interventional cardiologist. "I watched him go through a medical malpractice lawsuit and just struggle with this concept of having a lot of financial ability. Doctors make really good money, but not knowing how to figure out how much is enough."

That inspired her to pursue a career in financial advice and ultimately focus on working with doctors.

MIKE BOROUGHS

understand how any changes the client wanted would affect their profitability on the contract.

Boroughs says it begins with understanding the project and having a cash-flow model built for it so the contractor can make data-backed decisions.

"We can build out a custom model just for them specifically for this project, with the key inputs linked throughout the rest of the model. This allows our client to update his model in real time, and he's negotiating with his client," he says. "They could have this model up on another screen and just change those key inputs to understand whether they were willing to give that concession or not in the negotiation. Being able to give those types of real-time insights and tools for business owners to be able to use so they can make decisions faster, we think is super-important."

It's also reflective of the way the industry is moving in general. More tailored approaches to asset management are seeing advisors use tech to build out comprehensive and wholly unique plans for individual clients. Recognizing that businesses often have data scattered across various platforms and formats, Fortis has also invested in a developer who creates custom dashboards and software products.

"We find that people do better when they don't look at their investment accounts every moment and aren't getting emotionally charged by seeing the swings in the market," Boroughs says. "However, when it comes to making decisions about your business, having custom reporting and real-time data is so important."

Are advisors seeing only the tip of the cash iceberg?

ADVISORS' ASSESSMENTS of their high-net-worth clients' cash holdings can diverge wildly from the reality of those held-away liquid assets, and that could spell a massive untapped opportunity, according to new research by Flourish.

The report found that while advisors estimate that their clients keep 7 percent of their net worth in cash, the figure actually exceeds 30 percent.

Despite recognizing the critical nature of discussing cash management – with 95 percent of advisors acknowledging it as part of their professional duty – just 5 percent say they actively offer solutions or engage in conversations about their clients' cash reserves.

The trouble with athletes retiring

APRIL SHOWERS bring May flowers, but April also brings the start of baseball season. As the opening week of MLB wraps up, some advisors are thinking about their athlete clients. Phil Reynolds is one of those advisors.

"Over 14 years ago, I was building my practice, and was referred a player in the NFL, who was undrafted, but wanted some help," he explains. "At that time, I was willing to really talk to anybody while trying to figure out potential niches that I could focus on, and I just kind of fell in love with working with young folks that were needing help."

That's when Reynolds took his passion for sports and dedicated his practice to serving professional athletes.

Advisors name their favorite designations

TIME TO dig into the alphabet soup better known as financial advisor designations.

Ross Riskin, chief learning officer at the Investments & Wealth Institute, says advisors can differentiate themselves from the pack by investing in their own education and, more specifically, "specialization."

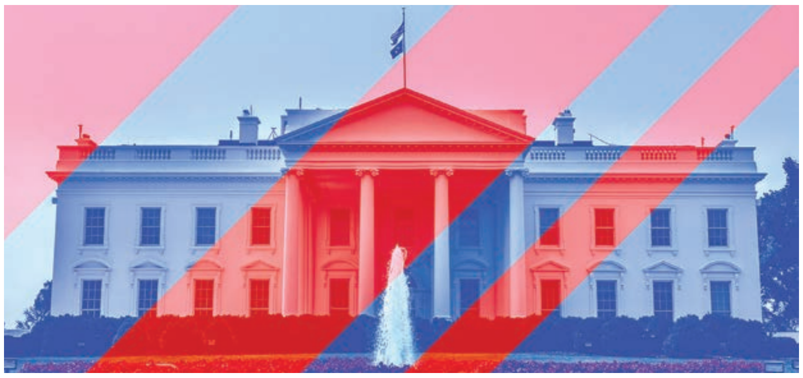
"In order to become a true specialist, whether you're working with individual clients or working as part of a big team, it's about having deep understanding and deep learning," Riskin says. "And that's often best obtained by pursuing an advanced certification, just like the CIMA, CPWA, or RMA, which are all offered by the Investments & Wealth Institute."

Fees for financial planning on the rise: AdvicePay

IN WHAT could be a sign of the times for the advice space, a new report by AdvicePay shows an uptick in what financial advisors charge for fee-based financial planning services.

Drawing from more than 380,000 transactions on the AdvicePay platform, which helps advisors manage payments, the study found that in 2023, monthly recurring subscriptions for planning fees escalated to an average of $265 per client, a 6 percent rise over the previous year. Similarly, quarterly subscriptions saw a 1.6 percent rise, averaging $968 per client, while one-time payments jumped 6.7 percent to $1,578.

Investing



Should advisors be making portfolio bets ahead of Biden-Trump rematch?

SHOULD FINANCIAL advisors change their clients' portfolio allocations in response to the upcoming presidential election?

Jeffrey A. Hirsch, editor in chief of the *Stock Trader's Almanac*, says election years have been the second-best year of the four-year cycle since 1901, with the Dow Jones averaging 7.6 percent gains in election years, while pre-election years show average increases of 12.3 percent. When a sitting president is running for re-election, the S&P 500 has averaged a gain of 12.8 percent in election years since 1949. This is substantially better than when there's an open field with no sitting president running, culminating in a loss of 1.5 percent on average for the year.

Blackstone REIT paid out more than it took in last year

BLACKSTONE REAL ESTATE INCOME TRUST, the alternative asset manager's flagship fund for wealthy investors, paid out more than it took in last year.

BREIT made more than $2.8 billion in distributions during 2023, exceeding cash flows of $2.7 billion, according to its annual report.

Blackstone launched BREIT in 2017 as it looked to branch out to retail investors, quickly building it into a $70 billion giant. But the rapid rise in interest rates spooked investors, leading the fund to restrict redemptions from November 2022 until February of this year. The fund's net asset value had fallen to about $60.7 billion as of the end of last year.

FOCUS

A broad asset allocation with a commitment to client care

WITH A career spanning more than 48 years, Joseph Montgomery, managing director of investments at the Optimal Service Group of Wells Fargo Advisors in Williamsburg, Virginia, has seen the philosophy of wealth management evolve over time. When he first began, it was a transactional business – but by the mid-90s, a consultative approach had emerged as the industry standard.

"We've always approached it that way," Montgomery says. "We've also always tried to use the broadest set of tools. If you go back to ancient days, it was pretty much stocks and bonds. That's obviously changed a lot – and by having a consultative approach, we have changed, too. We've evolved [alongside] that."

Part of this changing philosophy means having the ability to work with people over longer periods of time – something that historically wasn't always possible.

"One of our philosophies is that it's only a business if it outlives you," Montgomery says. "A lot of the teaming in our industry is just matching up people for coverage. [Instead,] you need to be able to give the client continuity of care. That's very important. People need to know that we have documented processes and procedures so that nobody they're working with in this group is cowboying anything. They're not independently running off and deciding to do XYZ [alone]."

For Montgomery, this approach is about that commitment to consistency – no matter what side of the equation the team is handling.

"We're looking at very broad asset allocation," he says. "That's a carryover from what we do institutionally – which was an easy carryover to the ultra-high-net-worth [clients]. However, you always have to keep in mind when you're working with any kind of asset pool – broad or narrow – that things go in and out of favor. It's like Mark Twain said: 'History doesn't

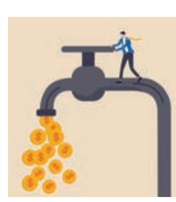
AI super-cycle could take Dow to 100K: Strategist

THERE'S A super-cycle playing out in the markets that's led by AI, says James Demmert, chief investment officer at Main Street Research. Not only that – Demmert thinks it could take the Dow above 100,000 in the next 10 years.

"We did some critical math on this to make sure," he says. "Look at the history of business cycles, and then look at them when they have some sort of transformational technology change."

Demmert points to the Industrial Revolution and the internet boom of the '90s as examples of super-cycles that occurred as technology allowed economies to do more with less, thereby enabling profit margins to expand.

Cash-fund flows won't ease until one year after rate cuts: BofA



INVESTORS ARE still flocking to money-market funds, and Bank of America strategists say history suggests redemptions won't begin until a year after the Federal Reserve starts cutting interest rates.

Over the past five rate-reduction cycles, money-market fund flows rose in anticipation of the first cut, before inflows slowed meaningfully when the central bank actually started cutting rates, a team led by Michael Hartnett wrote in a note. Outflows began 12 months later, they said.

Investors are still in the phase of pouring into cash funds, which received $82 billion in the week through last Wednesday, according to EPFR Global data.

JOSEPH MONTGOMERY

"This is going to sound like Pollyanna – but if you believe what I believe, the market has an upward bias"

JOSEPH MONTGOMERY, OPTIMAL SERVICE GROUP OF WELLS FARGO ADVISORS

repeat itself, but it often rhymes.'"

The essence of Montgomery's strategy lies in exposing clients, whether they are ultra-high-net-worth or those with more modest assets, to a wide array of investment opportunities, thereby democratizing access to truly diversified portfolios.

Looking ahead to what the future holds for the market, Montgomery says he's optimistic. "This is going to sound like Pollyanna – but if you believe what I believe, the market has an upward bias," he says.

"I feel like this is probably the best situation that I've seen in the almost five decades I've been doing this," he adds. "I don't think I'm overly optimistic … because we have such a broad toolkit that we didn't have even 10 years ago. Wealth management should flourish under those circumstances."

Vanguard beats BlackRock for best asset management brand

IT'S A battle for the world's best-performing third-party asset management brands, according to the latest edition of Broadridge's Fund Brand 50.

The firm's findings show Vanguard seized the top spot, dethroning BlackRock to second place, while Capital Group stayed steady in third place.

"Definitely Vanguard should be toward the top," says Chuck Failla, CEO and founder of Sovereign Financial Group. "Should they be at the top-top? I don't know that they should be because I'm not sure how you would define an entire fund family."

His two cents are that it comes down to "either you're a good fund family, or you're not a good fund family."

Record high for gold as trio of drivers converge

GOLD ROSE to a record high as indications the Federal Reserve is getting closer to cutting interest rates added impetus to a rally that's also been driven by geopolitical tensions and robust Chinese demand.

Bullion jumped to as much as $2,265.73 an ounce last Monday, up 1.6% from Thursday's close, after setting a series of peaks in recent sessions.

The Fed's preferred gauge of underlying inflation – core personal consumption expenditures – cooled in February, data showed on March 29, when many markets were closed. That adds to the case for a reduction in borrowing costs, although the central bank has been striking a cautious tone.

SEI rolls out upgrades to managed accounts program

SEI IS taking its managed accounts solutions platform program to a new level with a host of updates.

The investment management and technology firm announced an expansion of offerings within its separately managed account and unified managed account catalog, with new managed account options from SEI and third-party managers.

Altogether, SEI's shelf brings together investment expertise from more than 70 specialist managers and 120 mandates.

"Portfolio customization is key to meeting investors' needs in today's economic environment," says Jim Smigiel, chief investment officer at SEI, highlighting his firm's capabilities in "direct indexing solutions, factor strategies, and individual bond portfolio management."

What are the allocation priorities for investors with $18T in assets?

WITH SOME $18 trillion in assets, how are some of the world's largest investors reading the market and planning their allocations for the next 18 months?

Nuveen asked 800 institutional investors across the world, with one-third from North America, about their asset allocations and expectations for the markets to determine where the big money is being focused.

With energy transition high on the agenda, 55 percent of respondents, and 40 percent in North America, think they can significantly influence its progress through investments in alternative energy and new infrastructure projects, including energy storage/grids/battery storage. However, only 9 percent are "first movers," with the largest cohort (37 percent) simply keeping pace.

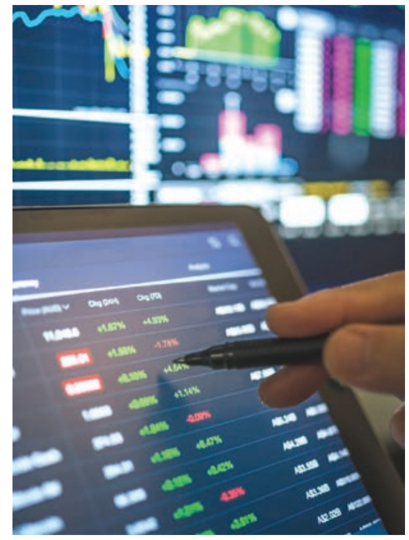
Valuations rich, says Morgan Stanley's Shalett

THE S&P 500 was up over 10 percent in the first quarter, following a spike of more than 24 percent in 2024, thanks to moderating inflation, the promise of Federal Reserve rate cuts, and hopes corporate earnings will catch up to a hot (but not overheated) economy.

Lisa Shalett, chief investment officer at Morgan Stanley Wealth Management, says the degree of difficulty in achieving the earnings growth necessary to maintain or expand current market valuations has risen to uncertain, and perhaps unattainable, levels.

"We're struggling with whether or not companies are truly going to be able to eke out material margin expansion, which is what the forecasts demand," Shalett says.

Which assets do global insurers expect to provide their best returns?



SOME OF the world's largest investors shared insights about their portfolio allocations and where they expect to see the strongest returns.

Goldman Sachs Asset Management surveyed 359 CIOs and CFOs representing more than $13 trillion in balance sheet assets at global insurance companies.

"After a year of stronger than expected economic returns, insurers are showing signs of cautious optimism about markets and the global economy in 2024," Michael Siegel, global head of GSAM's insurance asset management and liquidity solutions businesses, said in a statement. "The weak returns of 2022 remain fresh in their memories, while global inflation has remained elevated."

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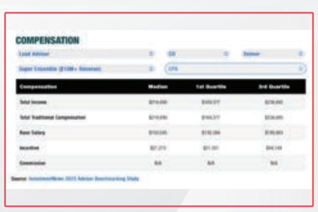

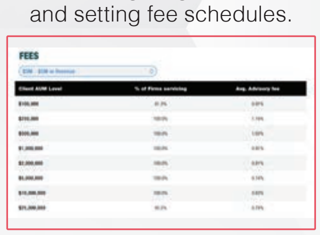

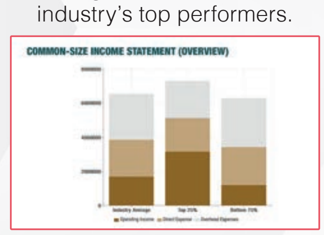

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- ✓ How advisory firms managed to expand revenue even as AUM suffered from a nearly 20% decline in the S&P.
- ✓ Why wage growth in advisory positions continued to lag amid the highest inflation in a generation.
- ✓ What the future may hold for advisory firm profitability after years of blockbuster margins.

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- Meet and make lifelong connections with leading women in wealth management

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LINDSEY LEWIS
Executive Director of the American College Center for Women in Financial Services
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