2 TD'S NALLY SAYS NO TO REPAPERING
3 NONTRANSPARENT ETFs OVERLOOKED
4 ADVISERS ON THE MOVE IN 2019
7 TEACH YOUR CLIENTS' CHILDREN WELL

FEBRUARY 3-7, 2020

InvestmentNews®

THE TRUSTED RESOURCE FOR FINANCIAL ADVISERS

INVESTMENTNEWS.COM

$5.00 / $89 YEAR

ICONS & INNOVATORS

CELEBRATING THE LEADERS WHO ARE TRANSFORMING THE FINANCIAL ADVICE PROFESSION

PAGE 8

JUDSON BERGMAN
(1957-2019)

The Envestnet founder is our 2020 InvestmentNews Icon

NEWSPAPER | VOL. 24, NO. 5 | COPYRIGHT INVESTMENTNEWS LLC. | ALL RIGHTS RESERVED

TopNews

ACCURACY / EXCELLENCE / FAIRNESS / IMPARTIALITY / INDEPENDENCE

INSIDE

FEB. 3-7, 2020

3 On Advice
6 Editorial
18 On Retirement

Cover illustration: David Mahoney

401(k) trading
Do participants see a market correction in 2020?
Page 18

Repaper route
Expect a long and winding road.
Page 20

EDITOR'S NOTE

Removing a recruiting hurdle

Generational transfer comes up repeatedly in conversations. Most often, the discussion is about how advisers can manage the generational transfer of their clients' wealth. I'll save that for another day. A similar discussion is on the hurdles faced by independent firms when recruiting the next generation of advisers.

GEORGE B. MORIARTY

At the FSI OneVoice forum last week, I heard many conversations about the struggle independents have in finding new talent to grow their business. The challenges are many and varied, but I feel strongly that a subtle piece of news from the conference has the potential to remove one barrier. The CoverageAdvisor 2.0 program announced by FSI addresses a significant barrier to entry for the industry by making health insurance accessible to independent firms. It isn't yet available everywhere, or to everyone, but it's a step. Keep an eye out for our video conversation with FSI's Chris Paulitz for more detail on this.

As the son of a private attorney who had to manage insurance coverage for a large family, I saw the burden insurance can place on a small-business owner. It's impossible to believe that this issue hasn't kept some talent from pursuing life as an independent.

It's risky to apply personal experience to a broader community, but I believe that this program is a great first step.

gmoriarty@investmentnews.com
Twitter: @geomoriarty

TD Ameritrade's Nally reassures RIAs about repapering at LINC

TOM NALLY

BY JEFF BENJAMIN

WHETHER 2020 marks the last annual conference for TD Ameritrade Holding Corp. or not, the company's message last week at the gathering of 3,200 registered investment advisers was that it's business as usual until it isn't business as usual.

> **KEY POINTS**
> - TD says business will operate as usual post the sale to Schwab.
> - TD's Nally says RIAs will not have to repaper clients.

Just two months after the announcement that Charles Schwab Corp. plans to acquire TD in a $26 billion deal, TD Ameritrade Institutional president Tom Nally said during the opening session at the 24th annual TD LINC conference that the company is not ruling out a 25th annual conference in 2021.

"We're going to start planning a week from now for LINC 2021," he said, after sharing as much about the pending consolidation of the two giant custodians as is legally permitted. "It's game on, but obviously anything could happen," Mr. Nally added.

The "anything could happen" part is what many RIAs in attendance focused on as they gathered to attend sessions promoting TD's latest platform innovations and services.

One issue that Mr. Nally was able to settle with certainty was that RIAs will not be required to repaper client accounts as part of the transition to whichever platform the combined firms ultimately adopt.

NO REPAPERING

"The answer is no, for the vast majority of accounts you will not have to repaper," he said, sparking generous applause.

"Knowing we won't have to repaper is very exciting; that will make it an easier sale to the clients," said Ron Malech, senior vice president of business development at Cardinal Capital Management.

While most advisers say they have not gotten a lot of questions from clients yet about what the pending merger means to them, there is no denying they are concerned.

"The mood this year is a lot more somber, and the sessions are more thinly attended," said Mr. Garcia of

CONTINUED ON PAGE 21

Voya's insurance sell-off sparks B-D unit chatter

BY BRUCE KELLY

VOYA FINANCIAL INC. in December said it was selling its individual life insurance business, two years after it announced it was selling its annuities businesses.

The company has said that it intends to focus on its retirement, investment management and employee benefits businesses, and its broker-dealer, Voya Financial Advisors Inc., is tucked under its retirement group.

But some in the industry perceive that Voya Financial, with roughly 1,700 advisers, could be the next broker-dealer up for sale, particularly as private equity funds are throwing money at and buying large broker-dealer networks like Advisor Group and Cetera Financial Group.

Voya Financial is in the early exploratory stages of a sale of the broker-dealer but has not yet hired an investment bank, said an industry executive familiar with the matter. "The company is going through a strategic assessment of its business units."

A spokesman for Voya Financial, Chris Breslin, said the company does not comment on rumors or speculation. The firm held its annual national sales conference for its advisers in Las

CONTINUED ON PAGE 21

Contents © Copyright 2020 by InvestmentNews LLC. All rights reserved.
Vol. 24, No. 5, February 3, 2020. **InvestmentNews** (ISSN 1098-1837) is published weekly, except bi-monthly in July, August and the last two weeks in December by InvestmentNews LLC. The agent is Crain Communications Inc., 1155 Gratiot Avenue, Detroit, MI 48207-2912. Periodicals postage paid at Detroit, MI and additional mailing offices. POSTMASTER: Send address changes to InvestmentNews, Circulation Dept., 1155 Gratiot Avenue, Detroit, MI 48207-2912. U.S. subscription price: $89 a year.

FSI, SEC's Jackson spar over regulation by enforcement

BY MARK SCHOEFF JR.

Strong financial industry criticism of what it calls the Securities and Exchange Commission's proclivity to regulate through enforcement rather than rulemaking will continue this year, despite recent strong pushback from an SEC member.

For months, brokerages and their trade associations have denounced the SEC's crackdown on inadequate disclosure of mutual fund fees. The agency has been zeroing in on financial professionals dually registered as brokers and advisers who fail to tell their customers they were recommended share classes with 12b-1 fees when less expensive classes were available in the same fund.

ROBERT JACKSON JR.

STRONG WORDS

In December, SEC member Robert Jackson Jr. called industry criticism of the SEC's share-class initiative "bull---t" and said brokers were simply trying to avoid regulation.

Despite that rebuke, the Financial Services Institute, which represents independent brokers and financial advisers, has crusaded against so-called regulation by enforcement and will make it a focus of its advocacy agenda this year.

"It remains our highest priority," FSI Chief Executive Dale Brown told reporters last Tuesday at the group's OneVoice conference in San Diego.

CROCODILE TEARS

Mr. Brown asserted that the SEC has changed the rules in the middle of the game when it comes to 12b-1 policy and that it is taking enforcement action without giving the industry appropriate notice.

Last year, Mr. Jackson, using an off-colored term, countered that the industry is crying crocodile tears and simply doesn't want the SEC to enforce 12b-1 disclosure standards.

"It's unfortunate that he chose to characterize this serious issue that way," Mr. Brown said. "We're not going to back off from pursuing constructive engagement. We don't call what the SEC's doing pejorative names."

Mr. Brown said FSI has requested meetings with Mr. Jackson and he hasn't responded. Mr. Jackson will be leaving the SEC next month.

Mr. Jackson said he recently met with FSI but is not backing down from his questioning of the regulation-by-enforcement charge.

"As constituents across our markets

CONTINUED ON PAGE 22

Nontransparent ETFs invisible at conference

BY JEFF BENJAMIN

WRAPPING UP three days at the Inside ETFs conference in Hollywood, Fla., the one product missing from the product-centric event has been nontransparent exchange-traded funds.

Not that nontransparent ETFs weren't discussed extensively, but the expectation that one or more asset managers would be announcing actual launches of the unique new funds to coincide with the annual ETF show failed to pan out.

Fun fact: There's a near-unanimous consensus that American Century will be the first to market with a nontransparent ETF by mid-February, but that is considered pure rumor for now.

Debate flourished around the ETFs that some are calling "ANTs," for active and nontransparent. We'll see if the acronym catches on.

CLIENT IMPACT

In the meantime, financial advisers should bone up on where fund companies are heading with their various versions of ANTs, and what that could mean to clients.

For example, as Douglas Yones, head of exchange-traded products at the New York Stock Exchange, pointed out, if an ANT can show any advantage over the mutual fund from which it was cloned, advisers will have a fiduciary responsibility to choose it over the mutual fund.

ANTs are also expected to have various impacts on the distribution system, not the least of which would be the global expansion of access to mutual fund strategies to anyone with a brokerage account.

While it's too early to accurately gauge advisers' interest in ANTs, there is no doubt that fund companies are headed in their direction, in a move that looks more defensive than anything else.

"There is growing acceptance among traditional active managers that clients are preferring to get exposure through the ETF wrapper, and they're trying to chase that," said Mark Carver, global head of factor index products at MSCI.

$326B
TOTAL NET INFLOWS TO ETFs IN 2019

INFLOWS RISING

To get some perspective on the growing acceptance of ETFs, consider that, last year, ETFs experienced $326 billion in net inflows while mutual funds experienced $94 billion in net outflows.

Over the past decade, as total ETF assets grew to $5 trillion from $1 trillion, the ETF industry has attracted $2.6 trillion, while the mutual fund industry has lost $186 billion.

The main driver, according to ETF gurus Dave Nadig, chief investment officer at ETF Trends; and Matt Hougan, chairman of Inside ETFs, is the focus on fees.

"The race to zero is now standard," Mr. Nadig said. "It's hitting everything, and it doesn't seem to be letting up."

CONTINUED ON PAGE 21

Time to shine a brighter light on the fraudsters

BRUCE KELLY

ONADVICE

The Securities and Exchange Commission last week barred three salesmen who worked at firms with the homiest of monikers: Balanced Financial Inc., Live Abundant and Old Security Financial Group.

More than a year ago, the SEC charged all three with selling a Ponzi scheme.

What's not so balanced, abundant or secure is the fate of the investments clients bought — namely the Woodbridge Ponzi scheme investments — from the advisers who worked at the three firms listed above: Gregory W. Anderson, Aaron R. Andrew and Robert S. "Lute" Davis, respectively.

What's even more out of whack is that all three salesmen, although barred by the SEC, retain licenses in their respective states to sell insurance products to clients, according to the insurance agency websites of the states in which they work.

Mr. Anderson and Mr. Andrew work in Colorado and Utah, respectively, while Mr. Davis is based in Texas. They each made between $776,000 and $2 million in commissions from selling the Woodbridge investments, according to the SEC.

This column in the past has focused on the confusing nature of the various regulatory regimes under which financial advisers work. Among the most vexing issues

CONTINUED ON PAGE 22

Advisers continued to bolt from Wall Street in 2019

BY BRUCE KELLY

THE STEADY DRIP, drip, drip of financial advisers leaving Wall Street's bank wirehouses and moving to a variety of other types of firms, to sell securities and advise clients, continued throughout 2019, with the large wirehouses reporting a net loss of 1,398 financial advisers.

A few years ago, three of the four major wirehouses, Merrill Lynch, Morgan Stanley and UBS, said they were cutting back on recruiting, which is expensive, and focusing instead on technology to boost advisers' productivity, revenue and training. The banks have also instituted changes to the complex pay grid system they use to compensate advisers, and many of those have not been popular, according to various industry sources.

That means that other business channels, such as independent broker-dealers, registered investment advisers and regional broker-dealers, last year saw significant net gains in advisers, often at the expense of the Wall Street wirehouses. Senior executives at the large banks routinely discount or dismiss out of hand the number of advisers the wirehouses are losing each year, but the figures for 2019 were quite eye-popping.

NEWS ON MOVES
FOR ALL ADVISER MOVES AND RECRUITING ACTIVITY, GO TO INVESTMENT-NEWS.COM/AOTM

OTHER BUSINESS CHANNELS

For example, independent broker-dealers — meaning firms that employ brokers and independent contractors — saw a net gain of 1,288 reps and advisers, while RIAs, many of which are owned by advisers, saw a net gain of 990, according to *InvestmentNews* data. Regional broker-dealers, which looked all but dead five to 10 years ago, had a net increase of 197.

"There are a lot of people coming in the door, as much as I've ever seen, and importantly, a lot of enthusiasm for the model that we're putting on the table, which is adviser-centric," said Ron Kruszewski, CEO of Stifel Financial, during an earnings call with analysts. "We continue to talk about the importance of advisers and that they're centric to our model and that's resonating."

For the year, Stifel increased its number of financial advisers to 2,222 and added 150 advisers with annual fees and commissions of nearly $119 million, and client assets of more than $17 billion, Mr. Kruszewski said.

GAINERS AND LOSERS

The largest net gainers and losers of financial advisers and registered reps last year are both giants of different business models: LPL Financial, the biggest firm for independent contractor reps had a net gain of 712 advisers, while Merrill, one of the largest Wall Street firms, had a net decline of 575 advisers, according to *InvestmentNews* data.

LPL Financial ended the year with 16,464 financial advisers and Merrill Lynch with 17,458, the companies reported.

Large firms have a variety of advisers working in different business models, so a large net gain or loss does not translate strictly into a similar gain or loss of financial advisers but is a broad indication of wider industry trends.

LPL Financial's CEO, Dan Arnold, last Thursday in a conference call to discuss earnings, said the firm recruited advisers with $35 billion in assets under management, a new annual high.

"Competitive recruiting of experienced advisers picked up last year among our peers," said Merrill Lynch spokesman Matt Card. "However, our attrition rate for the year remained around 4%, consistent with the average we've seen over the last several years."

bkelly@investmentnews.com
Twitter: @bdnewsguy

2019 NET GAINS

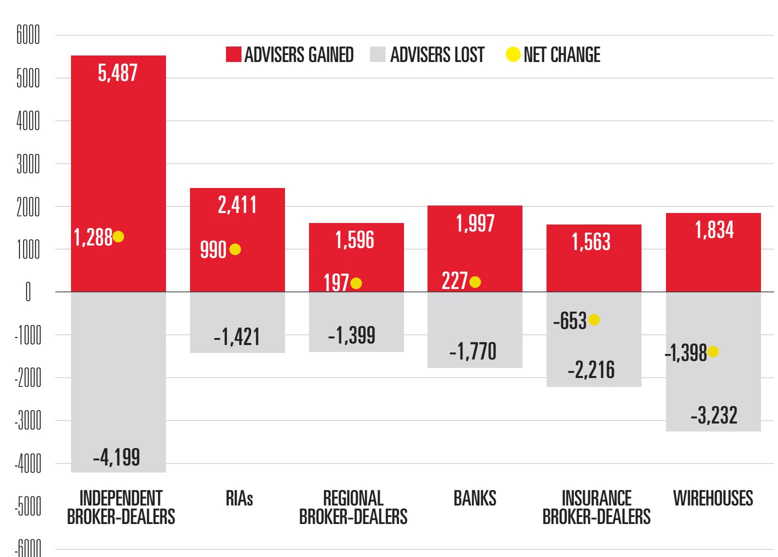
	ADVISERS GAINED
LPL FINANCIAL	712
RAYMOND JAMES*	351
COMMONWEALTH FINANCIAL NETWORK	137
CAMBRIDGE INVESTMENT RESEARCH INC.	136
PRUCO SECURITIES	129

*Combines multiple subsidiary firms operating under the brand

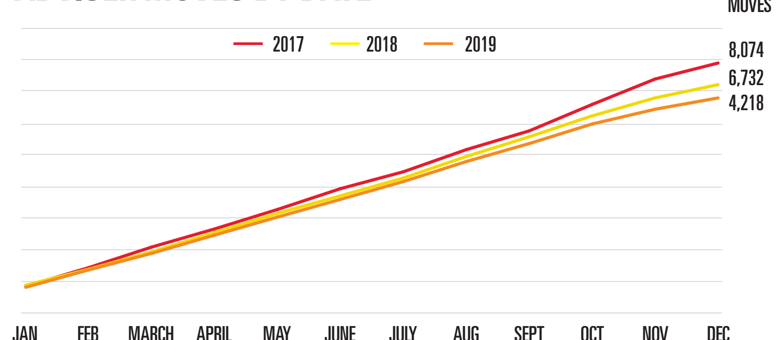
2019 NET LOSSES

	ADVISERS LOST
MERRILL LYNCH PIERCE FENNER & SMITH INC.	575
MORGAN STANLEY	376
EDWARD JONES	253
UBS FINANCIAL SERVICES INC.	247
WELLS FARGO CLEARING SERVICES	243

2019 NET GAINS/LOSSES IN ADVISER HEADCOUNT BY CHANNEL



ADVISER MOVES BY DATE



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

Due to delays in data collection, some 2019 moves may not have yet been recorded.

Source: *InvestmentNews* Research

Life Insurance & Long-Term Care

Long-term care needs change. Financial plans don't have to.

Introducing Brighthouse SmartCare,[SM] a hybrid life insurance and long-term care product.

Brighthouse SmartCare,[SM] a hybrid life insurance and long-term care product, gives your clients power over the unexpected. Its long-term care benefit and death benefit can grow over time, helping them to keep pace with rising costs.

Better yet, if your clients never use the long-term care coverage, their money is put to good use through a death benefit for their loved ones. Brighthouse SmartCare offers:

- Preparation for long-term care needs
- Protection from unexpected events, such as premature death
- The ability to grow benefits over time to meet rising future costs

Brighthouse SmartCare is the smart way to gain power over the unexpected. Learn more at **brighthousefinancial.com.**

Brighthouse FINANCIAL®

Build for what's ahead®

Brighthouse SmartCare[SM] is an Indexed Universal Life Insurance Policy with Long-Term Care Riders issued by, with product guarantees that are solely the responsibility of, **Brighthouse Life Insurance Company, Charlotte, NC 28277** ("Brighthouse Financial"). All guarantees, including any optional benefits, are subject to the claims-paying ability and financial strength of the issuing insurance company. Each issuing insurance company is solely responsible for its own financial condition and contractual obligations. Brighthouse SmartCare has exclusions, limitations, reduction of benefits, and terms under which the policy may be continued in force or discontinued. For costs and complete details of the coverage, please consult the product illustration. **Not available in all states.** Brighthouse Financial® and its design are registered trademarks of Brighthouse Financial, Inc. and/or its affiliates. 1904 BDUL648880

ICC18-AP1
5-18-AP1

• NOT A DEPOSIT • NOT FDIC INSURED • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY
• NOT GUARANTEED BY ANY BANK OR CREDIT UNION • MAY LOSE VALUE

Opinion

EDITORIAL / LETTERS / OP-ED / GUEST BLOGS

On the character of icons

THE TRAGIC, UNTIMELY PASSING of Kobe Bryant elicited an outpouring of grief that was stunning in its breadth and depth. Yes, the mourning reflected acknowledgement of Mr. Bryant's remarkable athletic achievements, but people don't weep over impressive numbers in sports almanacs. The loss of Kobe Bryant tore up millions of fans and millions of others who aren't sports aficionados because of his principles and the way he dealt with others off the basketball court. He was truly an icon — a person worthy of deep respect and admiration.

What makes someone an icon? Achievements in the conventional sense certainly are important, as is an awareness by many people of the person responsible for those achievements. But the sine qua non of an icon is his or her integrity and honor as a human being. People were so moved by Kobe Bryant because he was a great person, not just a great basketball player.

Because their public awareness is so high, sports stars and show business celebrities can be natural candidates for icon status — or, probably even more easily, notoriety. Public awareness can also help humanitarians and those who make life-saving scientific breakthroughs become icons. Consider Mother Teresa and Jonas Salk, for example. Businesspeople have a tougher time making the icon grade since most are not in the media spotlight and because they are judged chiefly by bottom-line results, not character.

But business icons most definitely exist. And if the general public is not aware of such giants, those within particular industries certainly are. Since 2016, the *InvestmentNews* Icons & Innovators program has paid tribute to the visionaries who have shaped, transformed and made outstanding contributions to the financial advice profession. There have been several.

Past honorees included the late John Bogle, founder of Vanguard and father of index funds, which for years were considered a joke by mutual fund and brokerage firms, if not essentially pointless. Why, they scoffed, would investors want "average" when they could do better in an actively managed fund?

Slowly at first, but then with greater speed, ordinary investors came to be persuaded by Mr. Bogle's argument that average and cheap was a better value proposition than paying more for performance that sometimes exceeded market averages and sometimes didn't. Today, Vanguard manages more than $5.6 trillion in assets and its unique investor-friendly structure, created by Mr. Bogle so that fund shareholders are the owners of Vanguard's management company, remains.

Mr. Bogle's dedication to the average investor and his plainspoken, modest style won over the hearts of investors, as well as their investments. To millions of Americans who built a nest egg because of his work, John Bogle remains an icon.

In this week's issue, which covers the 2020 *InvestmentNews* honorees, we pay tribute to another icon of the financial advice business, the late Jud Bergman. As the founder, chairman and chief executive of Envestnet, Mr. Bergman was an entrepreneur with a vision. He believed that the registered investment advisory channel would grow and that RIAs would want to serve clients with a technology platform comparable to what they had at large brokerage firms — and one that could even be better.

> **THE SINE QUA NON OF AN ICON IS HIS OR HER INTEGRITY AND HONOR.**

In 1999, that idea was greeted with skepticism. Today, Envestnet serves 3,500 institutional clients and 96,000 financial advisers, responsible for $3 trillion in assets. But boasting about success was not Mr. Bergman's style. After he and his wife, Mary Miller-Bergman, were killed in an auto accident in October, tributes to Mr. Bergman flowed in from shocked and saddened clients, competitors and others throughout the industry.

"A titan." "Always human." "Humble to a fault." "Kind." "A compassionate, generous soul." "A true mensch."

In other words, an icon.

WE WANT TO HEAR FROM YOU. Send a letter to the editor with your thoughts about a story we've published, and include your name, title, company, address and telephone number for verification. Keep your letter under 250 words, and email it to George B. Moriarty at gmoriarty@investmentnews.com. All letters will be edited.

InvestmentNews
The Trusted Resource for Financial Advisers
InvestmentNews.com

Chief Executive Officer
Christine Shaw, cshaw@investmentnews.com

EDITORIAL
Chief Content Officer: George B. Moriarty
gmoriarty@investmentnews.com
Managing Editor: Paul Curcio
Assistant Managing Editor: Susan Kelly
Special Projects Editor: Liz Skinner
Copy Editor: Anne Marie D. Lee
Contributing Editor: Mary Beth Franklin
Senior Columnists: Jeff Benjamin, Bruce Kelly
Senior Reporter: Mark Schoeff Jr.
Reporters: Emile Hallez, Ryan W. Neal
Director of Multimedia: Matt Ackermann
Senior Multimedia Manager: Stephen Lamb
Multimedia Project Manager: Audrey Rose Joseph
Special Projects Coordinator: Brittney Grimes

ART DEPARTMENT
Executive Art Director: Scott Valenzano
Associate Art Director: Pablo Turcios
Senior Graphic Designer: Kyung Yoo-Pursell

DIGITAL, CUSTOM AND RESEARCH
Senior Research Analyst: James Gallardo
Research Analyst: Devin McGinley
Senior Operations Manager: Gillian Albert
Digital Operations Manager: Thomas Markley
Digital Operations Specialist: Carla Flores
Custom Content Producer: Jay Cooper

ADVERTISING
Chief Revenue Officer:
Scott Miller, smiller@investmentnews.com
212-210-0717
Business Solutions Manager:
Kevin Reardon, kreardon@investmentnews.com
212-210-0476
Business Solutions Manager:
Lauren DeRiggi, lderiggi@investmentnews.com
212-210-0154
Business Solutions Manager:
Judith Kelly, jkelly@investmentnews.com
212-210-0167
Business Solutions Manager:
John Shaughnessy, jshaughnessy@investmentnews.com
212-210-0112
Business Solutions Manager:
Jason Anciulis, janciulis@investmentnews.com
312-280-3115
Account Executive: Michelle Richard
mrichard@investmentnews.com, 212-210-0238
Manager US Event Sales:
Dan Rubinetti, drubinetti@investmentnews.com
212-210-0432
Business Solutions Manager & U.S. Events:
Sabrina Straub, sstraub@investmentnews.com
646-437-7956
Reprint Manager: Laura Picariello,
lpicariello@investmentnews.com 732-723-0569
Sales Operations Manager: Letitia Y. Buchan,
lbuchan@investmentnews.com 212-210-0451

ADVERTISING OPERATIONS
Head of Digital Advertising Operations:
Berta Franco, Berta.franco@bonhillplc.com
Sr. Digital Advertising Operations Manager:
Valdimir Severe, vsevere@investmentnews.com
Digital Campaign Manager:
Jess Friedman, jfriedman@investmentnews.com
Digital Ad Operations Campaign Manager:
Kimberly Hall, khall@investmentnews.com

AUDIENCE, MARKETING AND EVENTS
Director of Audience and Analytics:
George Ortiz, gortiz@investmentnews.com
Email Marketing Specialist: Nicole Chantharaj
Audience Data Specialist: Julie Vanderperre
Marketing Director, Brand and Products: Katie Downey
Vice President, Events:
Josh Brous, jbrous@investmentnews.com
Marketing Director: Sasha Burgansky
Senior Operations Manager: Tara Means
Events and Operations Manager: Natalie Taylor
Marketing Manager: Kate Arends
Social Media Manager: Scott Kleinberg
Content Producer: Letitia Bow

Executive Assistant to the CEO:
Irma Rodriguez, irodriguez@investmentnews.com
212-210-0430

PRODUCTION
Prepress/Production Director: Simone Pryce
Production Manager: Paul Vaccari

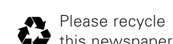
INVESTMENTNEWS OFFICES
Headquarters: 685 Third Avenue, New York, NY 10017-4024
Bureau office: Washington: 601 13th Street, N.W. Suite 900 South, Washington, DC 20005

Advertising main number: 212-210-0451

BONHILL GROUP, PLC
Chief Executive Officer: Simon Stilwell
Chief Operating Officer: James Robson

Head Office: Bonhill Group, Plc
14 Bonhill Street, London EC2A 4BX

For subscription information and delivery concerns, please e-mail customerservice@investmentnews.com or call 877-812-1589 (in the U.S. and Canada) or 313-446-0450 (all other locations).



Coaching clients to teach their children

BEHAVIORALFINANCE
SARAH NEWCOMB

Talking to kids about money is hard. Letting them fail is even harder. But if your clients want their children to develop good financial habits, they're going to need to do both. You can help.

For more than a decade, T. Rowe Price has been running an annual survey called Parents, Kids & Money. In this survey, they ask parents and kids to each answer a series of questions about financial responsibilities, communication and behavior.

Details change from year to year, but the following three findings are fairly consistent, and we can learn a lot from them about how to prepare the next generation for success.

HAVE THE MONEY TALK

Talking about money is hard, but kids need (and want) to hear it.

Year over year, the survey shows that parents are reluctant to discuss financial topics with their kids, and that when they do bring it up, they find it very uncomfortable. In 2019, for example, parents ranked talking with their kids about financial topics as more uncomfortable than talking about politics, climate change and death. At the same time, more than half of their kids said that they wished their parents talked with them more about money.

"TALKING ABOUT MONEY IS HARD BUT KIDS NEED (AND WANT) TO HEAR IT."

Parents need to get over the reluctance to broach the topic. Maybe they are afraid they don't know enough to serve as great examples, but they don't have the luxury of using that as an excuse. Why? Because of finding No. 2.

PARENTS SET THE EXAMPLE

Kids' financial behaviors are heavily influenced by their parents' example.

The kids in the survey who had good financial habits (saving money, etc.) were heavily influenced by their parents' example. This may worry parents who have made a lot of mistakes, but it turns out that kids can use those mistakes as cautionary tales.

For example, in 2017, kids who were aware that their parents had filed for bankruptcy were twice as likely to report being "very" or "extremely" smart about money themselves, compared with kids who were not aware that their parents had filed for bankruptcy protection.

All parents want to set a great example, but sometimes letting kids know about our failures can help them make better choices than we did. It takes courage, but I'm reminded of the story of the old sage on the mountain who, when asked how to make good decisions, replied, "That's easy! Lots and lots of bad decisions."

By talking openly about money with kids — the good, the bad, and the embarrassing — we give them the opportunity to avoid learning the same lessons the hard way. This brings me to finding No. 3.

BUILD GOOD HABITS EARLY

Kids who managed their own money had much better financial habits.

In 2017, the researchers compared the group of kids who were allowed to make their own spending and savings decisions with the kids who were not. Those who were given more freedom were less likely to spend money as soon as they received it (40% versus 53%), less likely to have lied to their parents about how they spent money (29% versus 49%), and less likely to say they expect their parents to buy them whatever they want (52% versus 65%).

Notably, only a small minority of kids involved in any of the surveys were given the chance to invest (10% in 2019 had an investment account) and I assume only some of those kids are given the freedom to decide how their money was invested.

CONTINUED ON PAGE 22

THINGS PEOPLE SAY TO THEIR FINANCIAL ADVISORS

LIFETIME CHECK℠ BY JACKSON®

Presenting the Lifetime Check. It's money your clients can receive every month in retirement for as long as they live.

To learn more about the Lifetime Check, go to jackson.com/lifetimecheck

Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company® or Jackson National Life Insurance Company of New York® and do not apply to the investment performance of the separate account or its underlying investments.

Annuities are issued by Jackson National Life Insurance Company (Home office: Lansing, Michigan) and in New York by Jackson Life Insurance Company of New York (Home Office: Purchase, New York). Variable annuities are distributed by Jackson National Life Distributors LLC. These products have limitations and restrictions. Contact the Company for more information. Jackson is the marketing name for Jackson National Life Insurance Company and Jackson National Life Insurance Company of New York.

Not FDIC/NCUA insured • May lose value • Not bank/CU guaranteed • Not a deposit • Not insured by any federal agency

CNC21908LTADB 12/19

ICONS & INNOVATORS

InvestmentNews honors the icons and innovators who have shaped and transformed the financial advice profession. Meet this year's 11 visionaries – one icon and 10 innovators – showcased in the profiles presented here, whose engaging personal stories have led them to make enduring contributions to the business.

InvestmentNews is also proud to spotlight 18 innovative firms that are changing the way advice is created, delivered and used by clients today. We hope you find their stories inspiring!

RECOGNIZING INNOVATION ONLINE

Go to **iconsandinnovators.com** for expanded coverage of our individual winners and firm award finalists. Also register to attend the Innovation Summit and Awards Dinner in April, which will honor our winners' contributions to the advice profession.

ICON

THE MAN WHO BUILT FINTECH'S FUTURE

BY RYAN W. NEAL

Judson Bergman was already an accomplished leader in the asset management industry in 1999 when he first pitched the idea for what would become Envestnet, arguably today's largest and most successful technology company in the financial advice industry.

As the head of mutual funds at Nuveen Investments, Mr. Bergman realized there was a growing demographic of financial advisers leaving banks to launch independent registered investment advisers. These advisers would need a new technology platform that integrated services and capabilities they got previously from a wirehouse.

Nuveen passed on the idea, fearing it would threaten the company's existing relationship with those wirehouses, so Mr. Bergman recruited a small group of colleagues to build and launch Envestnet as an independent company.

"Twenty years ago, I was there at the good, the bad and the ugly origins, trying to make it work. That was kind of the early sense of 'this could be interesting,'" Mr. Bergman said in an *InvestmentNews* video interview weeks before his death.

Mr. Bergman, 62, died Oct. 3, 2019, with his wife, Mary Miller-Bergman, in a car accident in San Francisco. His enormous influence and impact on the industry will never be forgotten.

TRANSFORMING AN INDUSTRY

Today, Envestnet is the market leader among turnkey asset management providers with a 38.9% market share, according to Cerulli Associates. Envestnet serves 4,700 companies, counts 100,000 financial advisers on its platform and serves more than $3.4 trillion in total platform assets.

Beyond the numbers, the Envestnet platform has made it easier for thousands of advisers to launch their own firms, fueling a trend toward independence that has fundamentally transformed the industry.

In 1999, however, the idea of a web-based wealth management platform was still too futuristic for many. Outsourcing was rare among financial advisers, and few would trust technology to handle portfolio construction or rebalancing.

Even early adopters would struggle to understand. When Mr. Bergman was recognized as an *InvestmentNews* Innovator in 2016, he recalled having to teach companies how online software was hosted and didn't need to be installed.

Others in the business just couldn't believe he would leave his successful career in asset management to launch a technology company for advisers.

"I knew Jud when he first started Envestnet in 1999, and I thought he was crazy," Ron Carson, CEO and founder of the Carson Group, said on Twitter the day after Mr. Bergman's death. "It turns out he was just a visionary well ahead of his time."

The Envestnet concept took years to catch on. After launching, the company immediately faced headwinds, starting with the bursting dot-com bubble. Then, just days after Envestnet acquired Portfolio Management Consultants, terrorists attacked New York on Sept. 11, 2001. Later, as the company prepared to go public, the recession hit and delayed the initial public offering until 2010.

"I was meshuggah," Mr. Bergman said in 2016, using the Yiddish word for crazy. "At some point the business runs you — and not the other way around. You have to have the courage of your convictions."

A history buff, Mr. Bergman would often tell his staff about Hernán Cortés, the Spanish explorer who burned his fleet after arriving in Vera Cruz, to make the point that there was no turning back.

OVERCOMING ADVERSITY

The years following the global financial crisis turned out to benefit outsourcing providers like Envestnet. The consolidation of wealth managers and their service providers, increasing competition from technology start-ups, attrition in the ranks of financial advisers, recruitment challenges, and significant regulatory changes and costs all helped turn outsourcing into a necessity — and Mr. Bergman had Envestnet positioned to take advantage.

When company executives finally rang the opening bell at the New York Stock Exchange on July 28, 2010, to celebrate Envestnet's initial public offering, Mr. Bergman beamed; the company was a financial success. Today, Envestnet has a market capitalization of $3.7 billion. It also gave Mr. Bergman the resources needed to complete his vision of a comprehensive wealth management platform.

"He knew we now had the ability to go out and get the rest of it, go invest in the things he saw as the future," said Bill Crager, Envestnet co-founder and interim chief executive.

A VISIONARY

Mr. Crager isn't alone in recognizing Mr. Bergman's clairvoyant intelligence, warmth and inspirational leadership.

"Having a clear perspective about the future, the courage to confront the adversity that comes with all change, and then successfully navigating the business through that evolution is the difference between being a visionary and a dreamer," said Joe Duran, founder of United Capital.

In his final video interview with *InvestmentNews*, Mr. Bergman was excited about where Envestnet was going and recognized that it would endure beyond his leadership.

"Sometimes I take comfort in remembering that Moses saw the promised land, but he didn't go in. I have nothing but excitement and enthusiasm for the future of wealth management and the future of Envestnet."

rneal@investmentnews.com
Twitter: @ryanwneal

CATHERINE BERMAN

CEO AND CO-FOUNDER, CNOTE

Fixed income hasn't received as much attention over the years as public equity, said Catherine Berman, CEO and co-founder of CNote, an investment platform that not only focuses on fixed income and cash, but also on social impact.

"I realized there was a huge opportunity here. Let's unlock this whole asset class," she said. "We are challenging the assumption that impact investing is not an investible opportunity."

CNote products include a fixed-income fund that returns 4% and invests in entrepreneurs who are women of color, and a cash alternative that returns 2.75% and is invested in low-income communities. Fixed-income products can also be customized to meet the interests of foundations as well as individual investors.

How has the firm been able to succeed in this investing space?

"It's the underwriting technology and expertise we bring to areas such as affordable housing," Ms. Berman said. "We understand the significance of nontraditional inputs such as the availability of certain housing support services."

CNote's specialized technology allows it to assess and price risk, scale up to allow for billions in investment, and offer hyperlocal investment opportunities.

Always enamored with business and finance, Ms. Berman has also harbored a deep passion for creating a better future through social justice, inspired by seeing the struggles faced by her family who fled Argentina to begin a new life in the U.S.

"I know the immigrant experience is not a level playing field. My family made it here by entrepreneurship," she said.

— Deborah Nason

BRIAN HAMBURGER

FOUNDER, PRESIDENT & CEO, MARKETCOUNSEL

Entrepreneurs like Brian Hamburger are driven to change the world through their own creativity. In 2000, just two years out of law school, he envisioned a better way to help advisers go independent and sold his home to fund the creation of MarketCounsel. The firm is based on his inspiration to provide a one-stop, multidisciplinary shop to provide business and regulatory compliance consulting to RIA startups, offering expertise in areas such as employment law, corporate law, SEC regulations and real estate law.

"I realized that no one was shepherding prospective entrepreneur advisers through the process of going independent and there was a total lack of information about how much time they needed, how much money and who needed to be involved," he said.

MarketCounsel offers two main services. The RIA Incubator helps its clients design their intended company, draft documents, access funding and technology, and depart their current firms without getting sued. The RIA Institute serves as an outsourced regulatory compliance department.

In addition, Mr. Hamburger runs the annual MarketCounsel Summit, a three-day national conference known for thought-provoking content and high-powered speakers and attendees.

"I grew up with the notion that anyone can do anything," he said, crediting as a strong early role model, his grandmother, who ran an auto body shop and maintained her own investment portfolio. "She modeled confidence, elegance and antagonism, and told me 'You need to harness your creativity. If you understand the rules, laws and analysis, you can take that creativity to do great things.'"

— Deborah Nason

MARK IWRY

NONRESIDENT SENIOR FELLOW, BROOKINGS INSTITUTION

Few people can say their work has helped millions. Mark Iwry is such a person. For nearly three decades, he has fervently worked to craft national policies and develop innovative retirement solutions to pursue universal retirement coverage for American workers.

Currently serving as a nonresident senior fellow at the Brookings Institution and visiting scholar at the Wharton School, Mr. Iwry, an attorney, has held positions at the Treasury Department as senior adviser to the Secretary of the Treasury (2009 to 2017) and benefits tax counsel (1992 to 2001). One of his major accomplishments is the wide-scale adoption of automatic enrollment in 401(k) plans, a result of his 20-year-plus effort across several presidential administrations.

"I seized upon it as a huge step forward for the system and defined it, decided how to regulate it, and promoted it," he said.

So far, about two-thirds of large and midsize 401(k) plans have adopted the practice, helping millions of employees to save. Mr. Iwry is also working to extend auto-enrollment to IRAs and has convinced a number of states to pilot the concept, benefiting about 13 million workers so far.

The son of a Holocaust survivor, Mr. Iwry has always felt driven to help others. Early in his legal career, he looked for a policy area where he could have maximum impact and pursued the skills and knowledge he saw necessary to help the most people. "It's the human capital that's more important to me than the financial capital," he said.

— Deborah Nason

ALAN MOORE

CEO AND CO-FOUNDER, XY PLANNING NETWORK

Alan Moore, CEO of XY Planning Network, doesn't waste any time. In 2012, at age 25, he founded his own RIA, Serenity Financial Consulting, instituting fee-for-service for the young clientele he wished to serve. His practice model created such buzz and admiration among other young advisers that in 2014 he co-founded XY Planning Network with industry thought leader Michael Kitces to help advisers start practices to similarly cater to the underserved mass market of Gen X and Gen Y clients. All Network members are fiduciaries and offer fee-for-service based on client income or cash flow. The organization, which now has 1,100 members, took off so quickly that Mr. Moore sold his practice in 2015 to work for it full time.

"The industry was saying no to young advisers," he said. "When they asked, 'Can I work with Next-Gen clients? Can I work as a fiduciary? Can I start my own firm?' We said yes."

Never resting on their laurels, Mr. Moore and Mr. Kitces, in 2016, started AdvicePay, a billing platform that enables fee-for-service advisers to collect fees, via methods such as credit cards, without triggering compliance issues.

An enthusiastic and natural entrepreneur, Mr. Moore credits his 11 years of being home-schooled with having a great influence on his abilities.

"It encouraged self-reliance, creative thinking and problem-solving," he said. "The curriculum was very self-guided, and the lack of artificial structure gave me the freedom to learn in the way I naturally wanted to learn. It allowed me to be experiential and gave me the tools I needed [for entrepreneurship]."

— Deborah Nason

CYNTHIA LOH

VICE PRESIDENT, DIGITAL ADVICE AND INNOVATION, CHARLES SCHWAB

After spending 10 years in finance, Cynthia Loh, inspired by the book "The Start-up of You," decided to change the direction of her career path. Taking a huge leap of faith, she jumped from investment banking to tech startup — in the medical industry.

"I wanted to go from giving advice to doing," she said. "I felt like I had been sitting on the sidelines and I wanted an operational role."

The gamble paid off. Ms. Loh's experience as the startup's first executive hire was so successful, she was soon recruited back to the finance industry to create and launch Betterment for Business.

Continuing her journey of introducing and growing new initiatives, Ms. Loh now serves as vice president of digital advice and innovation at Charles Schwab, where she oversees the Schwab Intelligent Portfolio robo-platforms. One of her major innovations within this role was the introduction of subscription pricing to the platforms ($300 upfront and $30 monthly). Since March 2019, the move has attracted more than $1 billion in assets. Ms. Loh also launched the Schwab Intelligent Income feature which enables investors to take a paycheck from multiple accounts in a tax-efficient fashion.

She shared some lessons learned around innovation:

- Be open to the idea that anything is possible.
- Embrace out-of-the-box ideas from other industries.
- Have conviction in your beliefs and don't be afraid to fail.

Ms. Loh finds her work very gratifying.

"I love that we've been able to impact so many lives," she said.

— Deborah Nason

AARON KLEIN

CEO AND CO-FOUNDER, RISKALYZE

Aaron Klein, co-founder and CEO of Riskalyze, started his entrepreneurial journey at age 12, working for the family business. At age 24, he negotiated the sale of the company, learning firsthand how buyers think about risk. The subject would come back to mind later when he developed products for options traders and observed how poorly many of them understood risk.

Recognizing a need to improve risk assessments, Mr. Klein and his team developed the "Risk Number," and built a company around it, to more accurately portray and communicate clients' dispositions toward risk. As the utility of the number expanded from characterizing clients to characterizing their portfolios, Riskalyze expanded its services to also cover portfolio analytics, client investment proposals, trading and compliance. These are all delivered through the lens of the Risk Number, he said.

"We're helping advisers think differently, for example, about rebalancing — looking not at allocation risk but Risk Number drift instead," Mr. Klein said.

Since the company's beginnings in 2011, its customer base has grown to more than 20,000 advisers. Many of them have integrated the Riskalyze brand and philosophy into their client relationships.

Mr. Klein has also applied his technology and business expertise to charitable endeavors. Honoring their children, who were born in South Korea and Ethiopia, he and his wife founded Hope Takes Root, an organization that provides technological vocational skills and life training to at-risk kids in Ethiopia.

"We're building a for-profit technology business that will be self-sustaining for the charity and the kids," he said.

— Deborah Nason

BARRY RITHOLTZ

FOUNDER, CHAIR AND CHIEF INVESTMENT OFFICER, RITHOLTZ WEALTH MANAGEMENT

"Everything I've done professionally is a reaction to something else," said Barry Ritholtz, explaining his career accomplishments.

Over the past two decades, he has become best known as:

- The host of Bloomberg Radio's Masters in Business podcast, which he created in 2014 as a push back to what he called "terrible financial TV interviews."
- Chairman and chief investment officer at Ritholtz Wealth Management, founded in 2013 in reaction to the "traditional Wall Street model — nonfiduciary and a sales culture."
- Writer of the blog, The Big Picture, which he started in 1998 in response to what he perceived as poor media coverage of the financial world.

"People would rather be cheerfully lied to than told the truth about negative things," he said.

Mr. Ritholtz's blog played a big part in putting him on the map, as did his writing for TheStreet.com, which grew his blog following and led to invitations to contribute to the Washington Post and Bloomberg. His blog also spawned his influential book "Bailout Nation."

An attorney by training, Mr. Ritholtz practiced law for five years and then decided on a career change, starting over as a trader. He was influenced by his entrepreneurial parents: his mother owned a real estate agency and his father, a sneaker store.

Law school shaped him as well. "I was shy in high school," he said, "But in law school, I learned to stand on my hind legs and make a coherent argument."

— Deborah Nason

GABINO ROCHE

CEO AND FOUNDER, SAPHYRE

After navigating from a failed dot.com startup to a wait-your-turn-which-may-never-come corporate environment on early in his career, Gabino Roche decided he needed to differentiate himself professionally and pursue his interest in Agile, a type of product development methodology that builds software incrementally.

"I realized I needed to do 'Gabino Inc.,'" he said, about his change in mindset. That decision led to a stint at McKinsey, where he built Agile expertise and then applied it to the financial services industry, which he joined at the height of the financial crisis in 2008. Mr. Roche's skills were in demand, as institutions were looking to improve efficiency.

Two areas of focus in particular were "know your customer" and "anti-money laundering paperwork" which were slowing down business.

Customers like large-asset managers found both procedures onerous and repetitive. Mr. Roche visualized the solution and founded Saphyre, a fintech startup that digitizes institutional onboarding transactions (email, phone, faxes and spreadsheets) and saves all data and documents to expedite future onboarding events. A version is planned for private wealth.

— Deborah Nason

ED SLOTT

PRESIDENT AND FOUNDER, ED SLOTT & CO.

Combine self-confidence, advanced expertise and doggedness with infectious enthusiasm and you have Ed Slott.

As a young CPA going out on his own, Mr. Slott wanted to find a way to differentiate himself. When new, complicated tax laws on IRAs were rolled out in 1986, he saw an opportunity.

"I saw it as an open lane — why don't I get into something other professionals don't know?" he said. "Everybody was thinking the other guy advised on IRA distributions, whether it was a CPA or an adviser or an attorney."

He started out by doing local seminars "religiously," never stopping. By the mid-90s, Mr. Slott was doing paid speaking engagements, with the addition, in succeeding years, of intensive two-day training programs, radio and TV shows, and members-only study groups with access to exclusive educational resources and opportunities.

What's behind his success?

"IRAs — that's where all the money in America is and is going," he said.

His popularity grew as audience members would tell him, "I need a specialist like you." Then brokers started showing up and realized he was not competition and could in fact bring them business.

— Deborah Nason

DEBORAH FOX

CEO AND FOUNDER, FOX FINANCIAL PLANNING NETWORK

Continually evolving is a way to be your best self, said Deborah Fox, CEO and founder of Fox Financial Planning Network (soon to be rebranded as AdvisorTouch), an extensive workflow system and resource center for advisers.

In college, motivated by wanting to save the world, she studied aquatic biology. After a short post-graduation stint in fish farming, she realized she was a people person. When a friend suggested the field of financial advising, Ms. Fox found her calling and started her own practice soon after, in 1987. By 2004, she had started coaching other advisers.

"I was one of the few who documented processes," she said. "When 2008 happened, some [advisers] asked me to share my documentation. It gave them workflow templates to get the chaos under control."

The response was so enthusiastic that she decided to create a business to train more advisers in planning and documenting work processes.

The AdvisorTouch system allows users to improve and systematize four important facets of their businesses: systems and operations, technology, practice management and human capital.

Documenting processes can be transformative, Ms. Fox said, because it thoroughly organizes day-to-day activities, enables better coverage during employee absences, and links silos of activity. This in turn leads to higher efficiencies and fewer errors and allows advisers to see more clients while using less staff, resulting in greater profitability.

— Deborah Nason

EDUCATIONAL MATERIALS

RETIREE INC.

"OVER THE COURSE of my career, I've been to thousands of retirement plan enrollment meetings," said Sean Murray, chief revenue officer of Retiree Inc. "At the end of every meeting, participants would still come up and say 'What do I do now?'"

To address this need, and increase participant engagement and satisfaction, Mr. Murray's company launched "Retirement Snapshot," a financial wellness program for 401(k) plans and company benefit programs.

Plan sponsor-provided information (salary, 401(k) balances and annual contributions) generates a QuickStart report that is sent to each participant. This report features an attention-getting "Get More" gross retirement income amount derived from applying various strategies, including Social Security optimization, coordination of Medicare and Medicaid benefits, and efficient withdrawal approaches. Participants can adjust the results by changing default assumptions and adding personal data regarding outside accounts.

— Deborah Nason

INVESTING SOLUTIONS

AUOUR INVESTMENTS

AUOUR INVESTMENTS advocates an investing strategy based on the detection of changing investment cycles, as a path to appropriate asset allocation. The firm regards market timing as a gradual approach, rather than an all-in or all-out approach.

"We're acting as missionaries here," said Joseph Hosler, managing principal at Auour.

Auour takes the stance that it's actually more effective to lengthen the time-frame perspective from one-to-three years. Most in the industry try to adjust portfolio risk according to economic factors or momentum measures, but economic factors can often suffer significant forecasting errors while momentum is reactionary.

Mr. Hosler notes the impact of correlation in times of market duress. Assets normally considered to have low correlation can see their correlation increase greatly in difficult markets; clients, in turn, feel out of control and react too late.

— Vanessa Drucker

RESOURCES INVESTMENT ADVISORS

UNDERSTANDING THE public's need for a certain amount of hand-holding, Resources Investment Advisors, an aggregator of retirement-focused practices, launched Financial Elements in 2018.

The program, designed for retirement plan sponsors, is a subscription plan available for deployment by Resources' member practices. The process begins with voluntary online assessments that participants fill out, adding information to data already pulled from payroll files. A report breaks down the results into individually relevant topic areas on which to focus such as budgeting, emergency funds and retirement planning. An innovative aspect of the program is the availability of "financial mentors" to answer on-demand questions that result from the assessments. "It's a bridge between the corporate and benefit world of the 401(k) [plan] and individual wealth management," said Vincent Morris, Resources Investment Advisors' president.

— Deborah Nason

ARTIVEST

WHILE OTHERS HAVE created vehicles for investors to trade alternatives, Artivest has done something revolutionary: It is the first to offer a digital platform for alternatives, including private equity, private credit and hedge fund strategies. Other best-in-class alternative managers have also joined the Artivest Open Network, making their strategies more widely available.

The entire process can be completed on one platform, from due diligence and subscriptions to position management, as technology reduces errors and expedites actions. Over the past two years, Artivest has been achieving scale with both the high-net-worth and advisory communities. Before, investors were reticent to allocate substantial sums to alternatives. "First, it's harder online because people trust paper. Investors may need the stomach to lock up money for years," said James Waldiger, founder and president.

— Vanessa Drucker

FIDELITY INVESTMENTS

FIDELITY INVESTMENTS has developed the Advice Value Stack as a tool for improving clients' lives and well-being. The idea for the Advice Value Stack came about through envisioning a pyramid that builds from the bottom up, starting with simplicity and necessity at the base. The idea is that people must have their basic needs met before pursuing more complexity.

Money management has been placed at the base of the Advice Value Stack. The next level is more impactful: goal achievement regarding finances. From that level, the focus advances to helping investors regarding peace and fulfillment within their lives, such as achieving goals pertaining to life purpose or legacy. "We believe that the most effective financial advisers are doing the basics well but also helping investors achieve the highest levels of value on our pyramid," said Sanjiv Mirchandani, president of Fidelity Clearing & Custody Solutions.

— Brittney Grimes

AB

WHAT STARTED OUT as a virtual assistant to do the grunt work of building trade orders has turned into a tool with tremendous impact for AB (formerly known as AllianceBernstein). The trading bot, known as Abbie, has been steadily expanding its capabilities since its launch in January 2018. It now builds 70% of fixed-income trades.

Tasks grew from the simple (uploading bulk orders) to the complex (scanning AB's quant and fundamentals research platforms). Abbie then synthesizes this information to suggest investments. Trades that once took 40 minutes to execute now take seconds. This frees portfolio managers and others to trade ideas, make client calls and prepare presentations, etc., said Jim Switzer, AB's head of fixed-income trading. "Abbie ties all our tools together and allows the human elements [to decide] 'Where do we go from here?'"

— Deborah Nason

INNOVATIVE FIRM FINALISTS

PRACTICE MANAGEMENT

CLARITY 2 PROSPERITY

CLARITY 2 PROSPERITY offers advisers resources and training to automate and grow their firms — allowing them to better compete against advisers at large financial advice firms. C2P's training processes for holistic planners, created by advisers for advisers, covers topics such as ranging from Social Security and tax strategy to comprehensive training on how to build a successful financial advice firm.

As firms grow, C2P's standardized training helps them attract and retain top talent by equipping new advisers with processes that can be applied immediately and ensure that firm clients receive consistent, comprehensive and personalized financial planning.

"We are a learning company in the financial service industry which makes us unique," said Jason Smith, founder of C2P. "We really specialize in the transfer of knowledge and empower independent advisers to actually be able to take our programs and strategies and truly execute them."

— Mary Milley

RETIREMENT SOLUTIONS

CERITY PARTNERS

CERITY PARTNERS offers a Plan Health Smartcard as a scorecard to measure how well a retirement plan sponsor is acting to drive better participant outcomes, while adhering to fiduciary duties. The diagnostic tool quantifies five dimensions: plan design, fiduciary governance, investments, vendor management and retirement readiness, all of which are rated and rolled up in a single score.

The benchmark helps plan sponsors identify the strengths, weaknesses and opportunities for improvement in their plan. The scorecard leverages best practices from both behavioral and traditional finance, such as streamlined investment menus designed to avoid an overwhelming number of choices. It asks: Are you monitoring service providers regularly? When did you last perform an RFP? Do you understand the fee schedule?

"Scoring with data and quantifying results with a number holds everyone accountable," said Ty Parrish, practice leader of retirement plan services.

— Vanessa Drucker

RBC WEALTH MANAGEMENT - US

RBC WEALTH Management has developed several tools to increase efficiency, spanning the lifecycle of an advisory practice. Dynamic online assessments identify strengths and opportunities within an adviser's practice, resulting in a personalized scorecard, and covering topics like segmentation and portfolio efficiency.

This shows a comprehensive snapshot of each adviser's practice and then generates a prepopulated, tailored action plan. The firm also oversees RBC Matchbook, which connects advisers looking to join a team or buy or sell a book of business. Matchbook is averaging more than 15 conversations a month, of which 70% have led to coaching, location resources or retirement discussions.

"We set out to make our processes unique and customizable for advisers, rather than cookie-cutter or one-size-fits-all solutions," said Laura Cheeley, vice president and senior manager of practice management and teams.

— Vanessa Drucker

EDELMAN FINANCIAL ENGINES

EDELMAN FINANCIAL Engines combines two advice products, having acquired the Mutual Fund Store in 2016, and merged with Edelman Financial Services in 2018. The goal has always been to democratize financial advice, combining digital and in-person client interactions with holistic management.

"We took what is generally considered an elite service, made it scalable, and delivered it to the masses," said Larry Raffone, president and chief executive.

Edelman Financial Engines originally developed the first fintech digital platform in 1998 and has been offering robo-services since the early 2000s. It has witnessed a more recent transformation going from no planners to about 330 planners over the past three-and-half years. The foremost challenge has been cultural: to unite advisers with technology, successfully integrating the digital and planner channels.

— Vanessa Drucker

LPL FINANCIAL

ADVISERS HAVE become increasingly interested in M&A to monetize their businesses and LPL Financial provides them with a single point of contact — an expert to navigate the process from valuation, due diligence, deal structuring and negotiation, through contracts and financing.

Advisers can use LPL's tool to quickly update the worth of a business at any point in time, reducing back-and-forth over valuations.

Most deals fit into three or four typical formats. Standardization, such as using electronic data rooms as online warehouses to facilitate due diligence, cuts costs and saves advisers time. Streamlining the activities and weaving in technology helps to scale. "We've demystified M&A and speeded the process, all accomplished at a lower stress level," said Greg Cornick, executive vice president of finance and head of adviser financial solutions. It can often take six to 12 months after the matchmaking to complete a transaction. Using the single touch point, LPL aims to reduce that time to 60 days or fewer.

— Vanessa Drucker

LIFEYIELD

LIFEYIELD has combined features from its optimization process and its Taxficient Score, giving advisers an indication of which clients might benefit from improving their tax efficiency and maximizing after-tax returns and income. The firm has partnered with Envestnet Analytics, to use its big data intelligence to formulate a score at the various levels of firm, branch, adviser book and client. That scoring reveals the efficiency of an adviser and their clients' household portfolios.

A measurement is computed for each client portfolio, as well as the associated dollar benefit across all households in an adviser's book of business. Software then quantifies the advantages of improving asset allocation over multiple periods. LifeYield documents the results in a proposal, with a roadmap for transactions, identifying advantageous trades in rank order.

"We're the first to connect all the dots and put on a dollar value," said Jack Sharry, executive vice president and chief marketing officer.

— Vanessa Drucker

Technology Tools for Today™

2020 Annual Conference - Advisor Edition

Acceleration and the Pace of Change

Marriott Marquis San Diego Marina
San Diego, CA
Feb. 17-20, 2020

DONT' WAIT! REGISTER NOW!

Join us for the 17th Annual T3 Conference – Advisor Edition

The T3 Advisor Conference has become the leading practice management and technology conference for independent and hybrid financial advisors. T3 has a longstanding legacy of delivering highly relevant content to financial advisors (and those that support financial advisors). This year's theme is Acceleration in the Pace of Change. There have been a lot of changes in the industry – join us to find out how those changes impact technology and practice management for the financial services industry as well as the financial planning profession.

The InvestmentNews multimedia team will be present at T3 Advisor to capture top themes and thought leaders for a custom video program. To participate in a sponsored video interview on their big Game Day stage, contact Michelle Richard at InvestmentNews via email: mrichard@investmentnews.com.

InvestmentNews subscribers receive $75 OFF the prevailing rate by using this special code:

2020T3IN75

Learn more at

www.TechnologyToolsForToday.com

INNOVATIVE FIRM FINALISTS

ADVISER FINTECH (SMALL FIRMS)

ADVICEPAY

YOU DON'T REALIZE how easy asset-under-management billing is until you try billing clients who aren't under that model, said Michael Kitces, co-founder, chief strategy officer of AdvicePay, which sells payment software for financial planning fees.

The software was developed by XY Planning Network (also co-founded by Mr. Kitces) because there was no payment platform available to allow for receiving fees without violating the Securities and Exchange Commission's custody rules. Common credit card processing options permitted too much direct access to clients' credit cards, making it too easy to steal from them.

AdvicePay software, in response, was designed to protect private credit card information. Originally built for its members, demand from outside XY Planning convinced the firm to make an enterprise version, which was launched in 2019. Reception has been enthusiastic — about half of the top 30 broker-dealers are in the process of adopting the software, Mr. Kitces said.

— Deborah Nason

ETHIC

"OUR MENTAL model is — what happened with food will happen with finance," said Johny Mair, co-founder of technology platform and sustainable asset manager, Ethic. "People have come to value how food is created, its nutritional value and environmental impact, and they want to approach investing the same way."

The platform enables advisers and RIAs to transition client portfolios toward "sustainability" (aka socially responsible investing) via institutional quantitative models, transparent reporting and adviser education. The company uses a vast amount of analytics and data points as its backbone.

Ethic's educational offerings include in-depth research and materials, along with in-person training and workshops on how to speak knowledgeably with clients about sustainability in general, and more specifically about personal interest areas.

— Deborah Nason

VESTWELL

VESTWELL'S white-labeled digital record-keeper empowers advisers to scale their practices. "We are the only ones doing this, using a modern technology stack," said Aaron Schumm, Vestwell's founder and chief executive. "We're able to run from front to back unburdened with the typical frictions of record keeping, which is normally very paper-based, heavy on phone calls, PDFs and walking people through."

The focus is on providing education and support to small or midsized businesses. Advisers can leverage the unbundled and configurable platform as their own extension, streamlining sales and delivery. Retirement platforms are typically constructed around core legacy technology, which Vestwell has now removed.

Whereas it might take a million permutations to solve for the optimal plan and investments, Vestwell lets advisers engage with plan sponsors in a fraction of the typical time.

— Vanessa Drucker

ADVISER FINTECH (LARGE FIRMS)

ENVESTNET

ENVESTNET MONEYGUIDE has innovated bite-size "blocks," a digital interactive tool called MyBlocks that operates to break up financial themes. Financial-wellness topics engage a client audience on subjects such as retirement, financial goals, Social Security, long-term care insurance and loan repayment.

Behavioral finance has demonstrated that attention spans are short. Complex financial topics intimidate and stress investors, so MyBlocks helps individuals learn and focus incrementally, with immediate feedback. Envestnet divides subject matter into chunks that clients can learn on their own time, each block taking about two-to-four minutes to complete. Personal input leads to a quality solution for constructing a sophisticated financial plan.

"They are intended to lead to interactions with an adviser, and feed into a plan, but not to replace an adviser," said Tony Leal, president of Envestnet MoneyGuide.

— Vanessa Drucker

ORION ADVISOR SOLUTIONS

OVER 2019, Orion Advisor Solutions expanded its tool set with three new services, each aimed at improving the client experience and making advisers more operationally efficient. "We sometimes had more innovative ideas than the resources to accomplish them," said CEO Eric Clarke. "So, we took ideas to advisers, seeking their input on which to budget for."

As a result, three programs were launched. First, Orion bought Advizr in July 2019, a technology for advisers to scale their capabilities and extend planning nationally. Second, the firm is enabling RIAs to build customized indexed portfolios directly. Its ASTRA platform replicates indexes that underlie an ETF or mutual fund. Advisers can use this optimization technology to select replicated baskets. Third, event-based notifications automate client communications according to triggers like reaching thresholds, rebalances, model changes, distributions and birthday congratulations.

— Vanessa Drucker

RISKALYZE

"EVERYONE TOLD us that risk could not be boiled down to a single number," said Aaron Klein, co-founder and chief executive of Riskalyze, a firm built around the concept of the Risk Number and launched in 2011. The metric, which has proven highly popular, is largely based on the downside risk of a portfolio over time, encapsulating the 95% probability range of where a portfolio may end.

In 2019, the company rolled out its Autopilot trading automation platform, which features a simple user interface that bases rebalancing decisions on client Risk Number drift and offers flexibility in defining portfolio targets. Other recent innovations include the Riskalyze Timeline visualization tool, which allows advisers and clients to drag "events" across a timeline to show the impact of timing and their relationship to financial outcomes. And Check-ins is an email feature that allows advisers to automatically check in with clients to ask them how they're feeling about their financial futures.

— Deborah Nason

IN Webcasts

PRESENTED BY
InvestmentNews

TUESDAY, FEBRUARY 4, 2020 | 4:00PM-5:00PM ET

EARN CE CREDIT

Everything you need to know about hybrid RIAs

The financial advice model is constantly evolving. As a result, great advisers are adapting and great firms are soaring. But what should you do in your practice and how can the hybrid RIA model take you to the next level?

In a riveting conversation, sponsored by BNY Mellon's Pershing with business and thought leaders, advisers will:

- Examine the hybrid RIA model and see why it is gaining such momentum
- Discover some key trends shaping the model
- See how real business leaders are using it to shape practices large and small
- Learn actionable tips for how to use the model to grow their practice into a business

Register today for this free webcast.
Go to www.investmentnews.com/hybrid_ria_webcast

Accepted for 1 CE Credit by the CFP Board and by Investments & Wealth Institute® for 1 hour of credit towards the CIMA®, CPWA®, CIMC®, and RMA® certifications.

SPONSORED BY

BNY MELLON | PERSHING

PANELISTS

Adam Roosevelt
Head of Corporate and
Hybrid Business Strategy
BNY Mellon | Pershing

Chris Keller
Executive Vice President and
Director of Business Services
Benjamin F. Edwards & Co.

Jay Hummel
Partner and Co-founder
Wealth Advisor Growth Network

MODERATOR

Matt Ackermann
Director of Multimedia
InvestmentNews

It's do-over season for Medicare Advantage plans

MARY BETH FRANKLIN

ONRETIREMENT

The heavily advertised annual Medicare enrollment season that runs from Oct. 15 to Dec. 7 each year may be over, but millions of Medicare Advantage members still have a do-over option if they want to change their existing health plan for any reason. Sadly, most people don't realize they can swap their dud of a plan for something better through March 31.

Of the nation's 60 million Medicare beneficiaries, more than a third — 22 million people — receive coverage through Medicare Advantage plans that are administered by private insurers.

KEY POINTS

- Medicare Advantage open enrollment runs from Jan. 1 through March 31.
- 22 million people get their coverage through the plan.

The Medicare Advantage open enrollment season, which runs from Jan. 1 through March 31, affects only Medicare Advantage members. It does not apply to people enrolled in original Medicare, which includes Part A hospital insurance and Part B medical insurance and is operated by the federal government.

TIME FOR A CHANGE

During Medicare Advantage Open Enrollment, Medicare Advantage members can switch to a different Advantage plan or drop Medicare Advantage altogether and return to original Medicare. But original Medicare doesn't cover everything, so, many Medicare beneficiaries also buy supplemental Medigap insurance to cover deductibles and co-pays, plus a standalone Part D prescription drug plan.

Medicare Advantage premiums are often cheaper than original Medicare when you consider the added monthly costs of a Medigap policy and a stand-alone prescription drug plan. Advantage plans often offer extra benefits not provided by original Medicare, such as vision and dental care, prescription drug coverage and free gym memberships. Some Medicare Advantage plans also offer new home health and wellness benefits, such as respite care for caregivers, in-home meal delivery and limited transportation to a doctor, hospital or pharmacy.

BEWARE OF TRADEOFFS

But there are tradeoffs. In exchange for lower monthly costs, Medicare Advantage members must agree to use the plan's network of health care providers in a specific geographic area, so it may not be a good choice for snowbirds who live elsewhere part of the year, or those who travel from one RV park to another. And Advantage plans usually require co-payments with each service, which can add up over time, particularly for diagnostic tests and visits to specialists.

Medicare Advantage plans can change from year to year, altering benefits or eliminating certain drugs from their formularies. And doctors can drop out of a Medicare Advantage plan's network at any time.

"A lot of people get excited about a lower monthly premium or a free gym membership, but they didn't realize that their doctor wasn't in the network," said Danielle Kunkle Roberts, co-founder of Boomer Benefits, a national health insurance agency.

"Think of Medicare Advantage open enrollment as a do-over," Ms. Roberts said. But many beneficiaries don't know about it because government regulations discourage marketing during this period to prevent churning enrollments.

Ms. Roberts urged consumers who are unhappy with their current Medicare Advantage plan to call Medicare at 1-800-MEDICARE or their State Health Insurance Assistance Programs. Consumers can also consult a Medicare insurance broker, such as Boomer Benefits, for free help as brokers are paid by the insurance companies.

"MOST PEOPLE DON'T REALIZE THEY CAN SWAP THEIR DUD OF A PLAN."

GO ONLINE

But perhaps the best thing Medicare beneficiaries can do is set up a personal account at medicare.gov and use the site's personal plan finder to search for other plans in their zip code, Ms. Roberts said. The reason the personal account is so important is that Medicare beneficiaries can list all of their medications and dosages and save the list for future use — something you can no longer do on Medicare's public plan finder tool.

For people who want to drop their Medicare advantage plan and return to original Medicare, timing is critical, Ms. Roberts said. People who apply for a Medigap policy after their initial enrollment period surrounding their 65th birthday are subject to medical underwriting and can be charged more for a Medigap policy or denied coverage altogether.

"Start early because it could take a few days or a few weeks to be approved for coverage," Ms. Roberts said. She recommends applying for Medigap first. Once approved, you can cancel your Medicare Advantage plan and enroll in a new Part D Prescription drug plan.

If you try to do it in the reverse order, you can have a problem, Ms. Roberts warned. If you apply for a Part D plan first, you will automatically be disenrolled from your Medicare Advantage plan. And if you are subsequently denied Medigap coverage, you could be stuck with original Medicare for a year without supplemental coverage. That's why it is a good idea to work with an insurance brokerage that knows the ropes.

(Questions about new Social Security rules? Find the answers in my ebook at InvestmentNews.com/mbfebook.)

Mary Beth Franklin, a certified financial planner, is a contributing editor for InvestmentNews.
mbfranklin@investmentnews.com
Twitter: @mbfretirepro

401(k) trading in 2019 hints at worries of a 2020 correction

BY EMILE HALLEZ

INVESTORS IN 401(K) plans appear to be worried about a market correction.

Retirement plan participants who made trades in 2019 largely moved out of stock funds and into fixed income, continuing a trend that began amid the market dip in late 2018, according to a report from Alight Solutions.

Those who rebalanced conservatively missed out on returns in the aging bull market, but they nonetheless made good decisions, said Rob Austin, head of research at Alight.

2018 was a more reactionary year for 401(k) trading, with 46 days of higher-than-usual trading, compared with 25 such days in 2019, according to Alight.

But the trading on those 25 days was at a higher volume, leading to the biggest year for 401(k) account trading since 2013.

"People continue to say investing is a long-term approach," Mr. Austin said. "What happens in the market in a single day shouldn't dictate my entire investing methodology."

But that rule could go out the window if there's a correction. How people will react is a big question, he said.

Last year, bond funds represented the biggest chunk of sales due to trading, at 55%, followed by stable value funds (27%) and money markets (13%), according to Alight.

Meanwhile, large-cap U.S. equity funds accounted for 49% of trading redemptions, ahead of company stock (34%) and small-cap U.S. equity funds (8%).

ehallez@investmentnews.com
Twitter: @EmileHallez

PRESENTED BY
InvestmentNews

2020
ADVISER TECHNOLOGY STUDY

SURVEY NOW OPEN!
DEADLINE: FEBRUARY 21

LEARN HOW YOUR TECH STACKS UP.

Participate now to receive a free copy of the study and complimentary access to the Adviser Research Dashboard.

This seventh annual study is the most in-depth independent industry research report measuring advisory firm technology usage, spending and trends. This year's iteration digs deeper into the best practices for building a better client experience through improved digital touch points and a sound technology strategy.

Go to www.investmentnews.com/TechStudy to get started.

SPONSORED BY Laserfiche® | LPL Financial

The repapering of clients to a new custodian is anything but easy

Back in the fall, right around the time the whispers about Charles Schwab Corp. purchasing TD Ameritrade Holding evolved into a roar, advisers who used TD as their custodian began to face the prospect of having to repaper thousands of clients.

GUESTBLOG SCOTT HANSON

To be sure, as of right now, TD has said that Schwab and TD, will continue to exist as two separate custodial entities.

But make no mistake, repapering is a massive undertaking.

Not only must each aspect of the process occur with legal and technological precision, but, when you consider the concerns of each client, the changes need to be implemented to coincide with messaging that assuages their fears and irritations.

In the last two years, we've acquired a half-dozen firms and their roughly 4,000 clients. The folks whose assets were held on custodial platforms other than the ones with whom we have relationships (TD Ameritrade, Fidelity and Schwab) had to go through the repapering process.

As part of that process, clients are not only asked to sort through and sign a good deal of paperwork in the transfer month alone, they have to appraise two separate custodial statements (one from an unfamiliar source) and go online and register and quickly get up to speed with the new custodian's portal.

CONSENT LETTERS

Of course, we go to great lengths to make things easy for the client, and the most difficult parts of the process fall to our compliance and operations teams.

In terms of sequence, first, generally, we send out the positive and negative consent letters.

The use of positive and negative consent letters is decided by state law — most states allow them, but some do not.

When we ask clients to allow us to switch their custodian, these consent letters have typically gone out via overnight mail, though TD and others have recently made DocuSign available.

The letters inform the clients that we intend to transfer their funds to a new custodian and that they have 30 to 60 days to opt out. "Negative consent" means if they don't return the letter, approval is considered granted.

"Positive consent" letters require the client to physically sign and return the packet (or, in situations with electronic notifications, use DocuSign as confirmation).

Once the documents are sent, signed and returned back to our firm, thousands of packets must be proofed and verified for accuracy. Then the paperwork is delivered to the new custodian.

At this point, account monies must be accurately transferred to the new platform. And all of this needs to happen without any interruption in service to the client.

SEAMLESS TRANSFER

Aside from all that, there are, of course, other considerations, such as making certain all client monthly distributions continue as scheduled, and that the transfer of lines of credit to the new custodian is seamless, just to name two.

All of this underlines the fact that the repapering of clients, especially for small-to-midsize firms (those with little or no experience in the process), is a big undertaking that requires a lot of planning, experience and hard work to make sure the process comes off well.

Scott Hanson is co-founder of Allworth Financial, formerly Hanson McClain Advisors, a fee-based RIA with $8 billion in AUM.

Goldman Sachs rebrands United Capital

BY RYAN W. NEAL

GOLDMAN SACHS is rebranding United Capital, which it acquired in May for $750 million in cash, as Goldman Sachs Personal Financial Management.

The bank announced the new name last Wednesday during its first-ever investor day, as Eric Lane, co-head of Goldman's consumer and investment management division, detailed plans to grow its financial advice business.

<1% GOLDMAN'S SHARE OF HIGH-NET-WORTH MARKET

Traditionally, the firm has offered advice only to the ultra-wealthy, defined as investors with more than $10 million of investible assets, and to corporate executives via its Private Wealth Management and Ayco businesses, respectively. According to Mr. Lane, Goldman's share of the high-net-worth market (investors with $1 million to $10 million) is less than 1%, and it has no presence among the mass affluent.

Goldman still sees Private Wealth Management as its "crown jewel," and plans to add 250 new financial advisers over the next three years.

The bank plans to use Marcus, its digital consumer bank, to expand among the mass affluent. Goldman will add a robo-advice component later this year and plans to launch Marcus checking accounts in 2021. Goldman is also planning a version of the product for Ayco customers that it calls Marcus@Work.

Mr. Lane sees an opportunity to use United Capital and Marcus to grow its presence among HNW and mass affluent investors.

"Integrating the Ayco financial counseling tools with the technology of United Capital will give our Personal Financial Management advisors a very unique offering from which we can grow our high-net-worth client base," Mr. Lane said, adding that United Capital advisers are already receiving client referrals.

rneal@investmentnews.com
Twitter: @ryanwneal

ETF CONFERENCE

CONTINUED FROM PAGE 3

"Hidden fees are the new black in investing," Mr. Hougan said. "When everything is free, you become the product."

Talk of fees hit a crescendo during a session featuring Joshua Brown, chief executive at Ritholtz Wealth Management; and Nina O'Neal, partner and adviser at Archer Investment Management.

"WHEN EVERYTHING IS FREE, YOU BECOME THE PRODUCT."

MATT HOUGAN, CHAIRMAN OF INSIDE ETFS

FEES A NONISSUE

During a discussion about moving the financial advice business model away from fees based on assets under management, Mr. Brown was adamant that it is a nonissue.

"The friction over fees is in the media and not in the real world," he said. "Clients are trying to find someone they can trust, who they like. They don't question why their lawyer gets paid, or why their accountant gets paid."

Regarding the issue of pegging investment performance to advisory fees, Ms. O'Neal said clients understand the service is holistic.

"You have to do both well, investment management and all the planning things," she said. "We talk about how their financial success is tied to our revenues. We have a vested interest in their performance."

If asset-based fees are going away, it will be a slow grind, according to Mr. Hougan of Inside ETFs.

"Moving away from asset-based fees will cost advisers a lot of money because right now they're getting an imbedded annual raise of about 7% based on average market returns," he said. "Asset-based fees are stickier because people love paying fees in ways they don't feel."

MONEY FLOW

And, finally, no ETF conference recap would be complete without giving an example of where the money is heading these days.

Enter the Amplify BlackSwan Growth and Treasury Core ETF (SWAN), which signals growing skittishness among investors and advisers.

The fund has attracted $160 million since it was launched 14 months ago on the premise that "advisers are more nervous than their clients," said Christian Magoon, chief executive at Amplify ETFs.

With a portfolio made up of 90% U.S. Treasuries and 10% S&P 500 Index options, BlackSwan returned a very respectable 22% last year, which compares to 30% for the S&P.

That's not a bad return for a defensive allocation.

jbenjamin@investmentnews.com
Twitter: @benjiwriter

VOYA

CONTINUED FROM PAGE 2

Vegas last week.

"Voya wants to be known as the retirement planning broker-dealer, and what has hindered the effort is the perception that they are big, bureaucratic insurance-company owned B-D," said Jon Henschen, president of Henschen and Associates, a recruiting firm, who said he is not currently under contract with Voya Financial Advisors.

He said that there had recently been some turnover of recruiters at Voya Financial Advisors, an indication that growth could be stalled. The firm reported $458.8 million in total revenues in 2018, according to *InvestmentNews* data, an increase of 6.9% from a year earlier. Information for 2019 for broker-dealers is not yet available.

"When you see the flight of recruiters, that's a signal a firm could be coasting, and if it's coasting it's probably going to be up for sale," Mr. Henschen added.

Voya Financial Advisors has had technology problems in the past. In 2018, it agreed to pay $1 million to settle Securities and Exchange Commission charges over a data security breach that compromised the personal information of thousands of customers. But last summer, it said it was launching its own digital adviser.

bkelly@investmentnews.com
Twitter: @bdnewsguy

TD AMERITRADE

CONTINUED FROM PAGE 2

Left Brain Wealth Management.

Rick Mida, partner and wealth adviser at Canopy Wealth Management, selected TD as a custodian in August 2018 when he and his team left Northwestern Mutual to go independent.

"When we did our due diligence, we chose TD over Schwab because we really liked TD's technology, service, and they were great to deal with," he said. "We're definitely a little fearful. When these two companies get together, which platform will they use? But it's still early, and TD is saying the clients won't even notice it until 2023."

That's the message Mr. Nally continued to drive home during a follow-up interview.

"I would caution people from making rash decisions because the combined entity could prove a far greater value proposition," he said. "We're getting questions about what the future holds, and uncertainty is not your friend. We're trying to make people understand it's not going to affect you tomorrow."

jbenjamin@investmentnews.com
Twitter: @benjiwriter

EXPLORE YOUR NEXT MOVE...
THE ADVISER CENTER
INVESTMENTNEWS.COM/ADVISERCENTER
Call: Letitia Buchan at 212-210-0451
Email: lbuchan@investmentnews.com
FEATURED FIRMS

YOU DIDN'T START YOUR OWN BUSINESS TO HAVE SOMEONE ELSE DECIDE YOUR DESTINY.
So you're not about to let anyone else dictate who your broker-dealer is.
So who do you want on your team? *It's your move.*
The Investment Center, Inc.
Eight Time Winner of Investment Advisor Magazine's Broker-Dealer of the Year.
Call: 888-868-4809
Email: info@investmentctr.com
Web: investmentctr.com/inc

Give your business a boost
We've got the brand, technology and people to help you stand out
Become a Voya Financial Advisor
855.698.4900 | JoinVoyaFA.com
CN0922-37305-1019D

VOYA
VOYA FINANCIAL ADVISORS

THE InvestmentNews ADVISER CENTER
MAKE THE SMARTER MOVE

COACHING CLIENTS

CONTINUED FROM PAGE 7

This, to me, represents a huge opportunity for financial advisers to serve the needs of clients and their clients' kids by helping them learn the basics of investment at a young age, and letting them do it with real money.

When we look at these three conclusions, it's pretty clear that — for better or worse — kids rely on their parents as both financial educators and role models. But parents are still reluctant to broach the topic, so advisers can help support them in this task.

GIVE KIDS A CHANCE

The advice industry could be more supportive of clients in this area by embracing the idea that kids can and should be allowed to manage their own money from an early age, giving them a chance to learn, grow, take risks, fail and recover, while they still have the safety nets of youth and parental supervision.

My own child began learning about investments when she inherited $5,000 at age 12. I let her spend $1,000 however she liked (she chose an iPhone), but the remaining money had to be invested (80% in funds, and 20% however she wanted). She is also learning to understand asset classes, fundamental analysis, and how to manage a long-term portfolio in a way that is truly relevant to her because it's her money — and that matters.

A TEACHING OPPORTUNITY

My daughter was fortunate enough to receive a windfall of $5,000, but a child could build a diversified portfolio with just $500 if they were given some simple instructions about how to select and buy ETFs, for example. Why isn't it a regular practice to have smaller investment-training accounts for kids? What a wonderful chance childhood presents to teach the fundamentals of long-term investment!

Helping a client manage their own money well is valuable, but helping them guide their children's financial education is priceless. It's hard to talk to kids about money, and even harder to let them make mistakes. But if parents can overcome their own hesitations and embarrassment, they can put their kids on a better path, and give them a chance to fail now, so they can succeed later.

With advisers' help, parents might just find the courage to start the conversation.

Sarah Newcomb is a behavioral economist at Morningstar.

FSI, SEC DISPUTE

CONTINUED FROM PAGE 3

know, during my tenure on the commission I've met with folks of all perspectives — including FSI, who I last saw a few weeks ago," Mr. Jackson said in a statement to *InvestmentNews*. "I'm just not convinced that our exceptional enforcement staff has pursued regulation by enforcement during my tenure, and remain incredibly proud of the tremendous results that our enforcement team gets for ordinary American investors every day."

"WE DON'T CALL WHAT THE SEC DOES PEJORATIVE NAMES."

DALE BROWN, CHIEF EXECUTIVE
FSA

Investor advocates assert that critics like Mr. Brown will level the same regulation-by-enforcement charge against Regulation Best Interest when it is enforced. The centerpiece of SEC's investment-advice reform efforts, Reg BI is designed to raise the broker requirement above suitability and must be implemented by June 30.

The regulation does not, however, provide brokers with specific measures on how to act in a customer's best interest, nor does it outline how they should mitigate conflicts of interest. Consequently, when the SEC finds firms in violation of Reg BI, investor advocates say groups like FSI cry foul because Reg BI is principles-based and doesn't provide specific compliance requirements.

'NOT OVERLY PRESCRIPTIVE'

But Mr. Brown said the fact that Reg BI "is not overly prescriptive" is one of its strengths. He also said the regulation has been established through a long rulemaking process on which the industry has had input. He doubts it will be challenged as regulation by enforcement.

"On Regulation Best Interest, that's possible, but because of how carefully they worked to craft the rule, give it the flexibility, the adaptability, our hope is they'll avoid falling into that trap," Mr. Brown said.

The industry just wants to know the rules of the road, said John Rooney, managing principal at Commonwealth Financial Network.

"It's retroactive application of standards that most rankles the industry," said Mr. Rooney, chairman of the FSI Board. "We're all happy to comply. Tell me what the rules of engagement are."

Mr. Brown also told reporters that FSI is doing well financially, having generated more than $10 million in revenue for the second straight year. He touted FSI's efforts to help push Reg BI over the finish line and help get the SECURE Act passed.

"If there's one word to summarize where FSI is … especially based on 2019, it is 'momentum,'" Mr. Brown said.

mschoeff@investmentnews.com
Twitter: @markschoeff

BANNED ADVISERS

CONTINUED FROM PAGE 3

facing the financial advice industry is that of advisers who are restricted or barred from selling securities, but continue to have a license to sell insurance.

"There's a hole in the regulatory infrastructure that you can drive a Mack Truck through, and the insurance industry seems to be paralyzed with respect to doing anything about it," said Andrew Stoltmann, an attorney and former president of the Public Investors Arbitration Bar Association. "There is nothing more material for a client to know than whether the person they are dealing with has been barred from the securities industry."

WOODBRIDGE PONZI

Let's focus for a moment on the Woodbridge Ponzi. The scam ran from July 2012 until December 2017, when the Woodbridge Group of Companies, which claimed to invest in and develop luxury real estate, filed for Chapter 11 bankruptcy protection.

$2M
MAX COMMISSIONS MADE FROM WOODBRIDGE SALES

Robert Shapiro, the former CEO of Woodbridge Group of Companies, pleaded guilty over the summer to running a $1.3 billion fraud that caused more than 7,000 investors to lose money, according to prosecutors.

Woodbridge built a network of hundreds of insurance agents and brokers, some with checkered careers in the securities industry, to sell the notes, which supposedly were backed by mortgages.

The SEC sued Mr. Anderson, Mr. Andrew and Mr. Davis in December 2018, a year after Woodbridge collapsed.

Mr. Anderson declined to comment, while Mr. Andrew and Mr. Davis did not return calls to comment.

Regulators appear to be slowly, ever so slowly, becoming more aware of the issue but they are not moving fast enough to protect investors adequately. *InvestmentNews* has focused on this for years.

For example, last fall the National Association of Insurance Commissioners and the Financial Industry Regulatory Authority Inc. reportedly finalized a memorandum of understanding on sharing information to enhance state insurance regulators' awareness of actions Finra has taken against security brokers who operate in the insurance industry.

The data sharing is also supposed to improve Finra's knowledge of actions state insurance regulators have taken against insurance producers who also operate in the securities industry.

SIMPLE STRATEGY

I asked Alana LaFlore, a spokeswoman for the NAIC, for a copy of the memo but had not received it by last Tuesday afternoon.

The issue is more pressing because fraudsters like those who ran Woodbridge are turning to a simple, effective strategy to sell faulty products and rip off investors: Instead of distributing these products through reps and broker-dealers (which are regulated by the SEC, the states and the Financial Industry Regulatory Authority Inc.), con artists like Mr. Shapiro are relying on networks of insurance agents or former brokers to sell their lousy investments.

In other words, the perpetuation of investment frauds has evolved in the decade since the credit crisis, but the role of the various regulators has not, regardless of how many memos of understanding are passed between bureaucrats at regulatory agencies.

An individual who is barred from operating in the securities industry is required to disclose this on his application for an insurance license. Such individuals also lose the ability to sell variable annuities, which are defined as securities and not insurance products.

That is the minimum to be expected. Advisers who have been barred from the securities industry but retain licenses to sell insurance are not required, to my knowledge, to disclose the ban on business websites or state insurance agency websites.

Why aren't the various regulatory agencies putting their heads together to ensure that public disclosure of advisers who are banned is made more simple and fair? Shouldn't some kind of public or broad disclosure be posted by the insurance agent or the industry if someone has been kicked out of the securities side of the business?

The public still remains skeptical of the financial advice industry and advisers as a result of the disaster of the 2008 financial crisis. The lack of transparency around insurance agents who have been booted from the securities side of the financial advice industry is appalling.

bkelly@investmentnews.com
Twitter: @bdnewsguy

PRESENTED BY

InvestmentNews

women adviser summit

IN PURSUIT OF EXCELLENCE

Huntington Beach, CA | March 18, 2020

Here is what to expect for 2020...

Hear from women who have made it to the top

SHANNON EUSEY
Chief Executive Officer
Beacon Pointe Advisors
KEYNOTE:
Huntington Beach, CA

NEW IN 2020

- **Practice Management Coaching Session:** Take an exclusive sneak peek into *InvestmentNews'* 2020 Adviser Technology Study to learn how the best performing firms are using technology to increase efficiency and profitability
- **Longer** sessions on deal structuring and succession trends for advisers
- Expert advice on best approaches to **ESG and impact** strategies
- **Best Practices Panel:** Hear top ideas from some of the best performing advisers on how to **grow your business**
- **New initiatives** for mentors and mentees to identify each other as well as expand your network

Early bird discount expires Friday, February 7.
Book your spot today at www.inwomenadvisersummit.com

Use code PRINT and save $50

PREMIER SPONSORS

FP TRANSITIONS | SPSFamily | TD Ameritrade Institutional

Venue: Hyatt Regency Huntington Beach Resort

Discover a new leader in responsible investing

Federated Investors, Inc. and Hermes Investment Management have combined to create a $500 billion global asset manager to meet the changing needs of today's investors.

Guided by our conviction that responsible investing is the best way to create wealth over the long term, Federated Hermes, Inc. (NYSE:FHI) offers investors around the world a broad range of capabilities.

Active equity, fixed income and liquidity solutions; in private markets, real estate, infrastructure, private equity and private debt; experienced investment stewardship by a team that pioneered the industry.

Learn more about these capabilities and our approach to responsible investing at **FederatedHermes.com.**

2020 © Federated Hermes, Inc. G85051-01